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 July 31, 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 September 4, 2024, 8,220,344 shares of the registrant’s Common Stock, no par value, were outstanding.

OPTICAL CABLE CORPORATION

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Nine Months Ended July 31, 2024

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

OPTICAL CABLE CORPORATION
Condensed Consolidated Balance Sheets
(Unaudited)

	July 31, 2024	October 31, 2023
Assets		
Current assets:		
Cash	$ 796,735	$ 1,468,709
Trade accounts receivable, net of allowance for credit losses of $70,742 at July 31, 2024 and $71,189 at October 31, 2023	8,588,865	8,727,810
Income taxes refundable - current	80,797	81,844
Other receivables	40,581	397,758
Inventories	19,259,308	23,766,326
Prepaid expenses and other assets	424,239	595,469
Total current assets	29,190,525	35,037,916
Property and equipment, net	6,985,219	7,139,616
Intangible assets, net	527,047	566,197
Other assets, net	895,847	1,135,172
Total assets	$ 37,598,638	$ 43,878,901
Liabilities and Shareholders' Equity		
Current liabilities:		
Current installments of long-term debt	$ 55,958	$ 52,624
Accounts payable and accrued expenses	5,338,907	5,843,044
Accrued compensation and payroll taxes	1,568,292	1,849,780
Income taxes payable	12,949	22,754
Total current liabilities	6,976,106	7,768,202
Note payable, revolver - noncurrent	7,280,673	8,324,397
Long-term debt, excluding current installments	2,585,095	2,622,620
Other noncurrent liabilities	402,673	441,838
Total liabilities	17,244,547	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 7,890,494 shares at July 31, 2024 and 7,893,681 shares at October 31, 2023	15,350,053	15,134,133
Retained earnings	5,004,038	9,587,711
Total shareholders' equity	20,354,091	24,721,844
Commitments and contingencies		
Total liabilities and shareholders' equity	$ 37,598,638	$ 43,878,901

See accompanying condensed notes to condensed consolidated financial statements.

OPTICAL CABLE CORPORATION
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2024	2023	2024	2023
Net sales	$ 16,221,671	$ 16,941,378	$ 47,188,534	$ 54,844,589
Cost of goods sold	12,301,447	11,825,348	35,516,152	36,424,644
Gross profit	3,920,224	5,116,030	11,672,382	18,419,945
Selling, general and administrative expenses	5,237,646	4,957,518	15,650,331	16,075,323
Royalty expense, net	6,616	6,571	19,879	19,729
Amortization of intangible assets	13,515	13,516	40,547	40,426
Income (loss) from operations	(1,337,553)	138,425	(4,038,375)	2,284,467
Other income (expense), net:				
Interest expense, net	(301,483)	(298,215)	(880,711)	(854,903)
Gain on insurance proceeds, net	90,310	255,880	309,212	1,952,170
Other, net	(1,644)	3,793	47,190	58,617
Other income (expense), net	(212,817)	(38,542)	(524,309)	1,155,884
Income (loss) before income taxes	(1,550,370)	99,883	(4,562,684)	3,440,351
Income tax expense (benefit)	6,683	(920)	20,989	106,477
Net income (loss)	$ (1,557,053)	$ 100,803	$ (4,583,673)	$ 3,333,874
Net income (loss) per share: Basic and diluted	$ (0.20)	$ 0.01	$ (0.59)	$ 0.42

See accompanying condensed notes to condensed consolidated financial statements.

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

	Nine Months Ended July 31, 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
Share-based compensation, net	37,979	72,789	—	72,789
Net loss	—	—	(1,557,053)	(1,557,053)
Balances at July 31, 2024	7,890,494	$ 15,350,053	$ 5,004,038	$ 20,354,091

	Nine Months Ended July 31, 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
Share-based compensation, net	28,560	173,500	—	173,500
Net income	—	—	100,803	100,803
Balances at July 31, 2023	7,893,681	$ 14,985,834	$ 10,855,087	$ 25,840,921

See accompanying condensed notes to condensed consolidated financial statements.

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

	Nine Months Ended July 31, 2024	Nine Months Ended July 31, 2023
Cash flows from operating activities:		
Net income (loss)	$ (4,583,673)	$ 3,333,874
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	644,376	716,398
Bad debt expense (recovery)	(447)	7,767
Share-based compensation expense	328,871	463,181
Gain on insurance proceeds, net	(309,212)	(1,952,170)
Loss on disposal of property and equipment	796	10,307
(Increase) decrease in:		
Trade accounts receivable	139,392	1,656,381
Other receivables	395,147	(33,430)
Inventories	4,507,018	(5,507,567)
Prepaid expenses and other assets	171,230	75,178
Income taxes refundable	1,047	(15,745)
Other assets	305,360	1,809
Increase (decrease) in:		
Accounts payable and accrued expenses	(508,683)	307,281
Accrued compensation and payroll taxes	(281,488)	53,399
Income taxes payable	(9,805)	(6,000)
Other noncurrent liabilities	(134,883)	(39,694)
Net cash provided by (used in) operating activities	665,046	(929,031)
Cash flows from investing activities:		
Purchase of and deposits for the purchase of property and equipment	(313,072)	(371,385)
Insurance proceeds, net	271,242	1,952,170
Investment in intangible assets	(1,397)	(1,997)
Net cash provided by (used in) investing activities	(43,227)	1,578,788
Cash flows from financing activities:		
Payroll taxes withheld and remitted on share-based payments	(112,951)	(115,852)
Proceeds from note payable, revolver	46,960,657	60,019,032
Payments on note payable, revolver	(48,004,381)	(58,704,002)
Principal payments on long-term debt	(34,191)	(252,662)
Payments for financing costs	(75,000)	(75,000)
Principal payments on finance lease	(27,927)	(26,635)
Net cash provided by (used in) financing activities	(1,293,793)	844,881
Net increase (decrease) in cash	(671,974)	1,494,638
Cash at beginning of period	1,468,709	215,936
Cash at end of period	$ 796,735	$ 1,710,574

See accompanying condensed notes to condensed consolidated financial statements.

OPTICAL CABLE CORPORATION
Condensed Notes to Condensed Consolidated Financial Statements
Nine Months Ended July 31, 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 nine months ended July 31, 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 July 31, 2024, there were approximately 359,000 remaining shares available for grant under the Optical Cable Corporation Stock Incentive Plan, as amended ("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 nine months ended July 31, 2024 was $78,079 and $328,871, 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 nine months ended July 31, 2023 was $173,500 and $463,181, 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.

During the three months ended July 31, 2024, OCC 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.

Restricted stock award activity during the nine months ended July 31, 2024 consisted of stock grants totaling 39,960 shares, restricted shares forfeited totaling 842 shares and restricted shares withheld for taxes in connection with the vesting of restricted shares totaling 42,305 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 July 31, 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 $294,000.

On August 7, 2024, subsequent to the Company's fiscal quarter end, restricted stock awards for employees under the 2017 Plan totaling 329,850 shares were approved by the Compensation Committee of the Board of Directors of the Company. All of the restricted shares granted are operational performance-based shares vesting over approximately five years beginning on January 31, 2026 based on the achievement of certain quantitative operational performance goals. The Company uses gross profit growth as its performance-based measure for restricted stock awards granted to employees.

(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 nine months ended July 31, 2024 and 2023 follows:

	Nine Months Ended July 31, 2024	Nine Months Ended July 31, 2023
Balance at beginning of period	$ 71,189	$ 69,643
Bad debt expense (recovery)	(447)	7,767
Balance at end of period	$ 70,742	$ 77,410

(4) Inventories

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

	July 31, 2024	October 31, 2023
Finished goods	$ 5,420,737	$ 5,937,682
Work in process	3,669,238	4,372,913
Raw materials	9,804,750	13,130,478
Production supplies	364,583	325,253
Total	$ 19,259,308	$ 23,766,326

(5) Product Warranties

As of July 31, 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 nine months ended July 31, 2024 totaled $9,153 and $53,419, respectively. Warranty claims expense for the three months and nine months ended July 31, 2023 totaled $26,048 and $55,700, respectively.

The following table summarizes the changes in the Company's accrual for product warranties during the nine months ended July 31, 2024 and 2023:

	Nine Months Ended July 31,	
	2024	2023
Balance at beginning of period	$ 80,000	$ 75,000
Liabilities accrued for warranties issued during the period	77,217	77,089
Warranty claims and costs paid during the period	(58,419)	(50,700)
Changes in liability for pre-existing warranties during the period	(23,798)	(21,389)
Balance at end of period	$ 75,000	$ 80,000

(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 July 31, 2024 and October 31, 2023. The maturity date of the Virginia Real Estate Loan is May 5, 2026.

On October 31, 2023, OCC and Northeast Bank entered into an Omnibus Amendment of Loan Documents (the "Amendment") to modify certain loan documents currently in effect between the parties related to the Virginia Real Estate Loan and a supplemental real estate term loan (the "North Carolina Real Estate Loan"). The primary purpose of the Amendment was to: (i) pay off the principal balance of the North Carolina Real Estate Loan; (ii) pay down the principal balance on the Virginia Real Estate Loan; (iii) extend the maturity date of the Virginia Real Estate Loan through May 5, 2026; (iv) release the collateral of the North Carolina Real Estate Loan; and (v) effective October 5, 2023, modify the interest rate of the Virginia Real Estate Loan to a variable rate equal to the Prime Rate, provided that the interest rate shall never be less than 8.5% per annum.

The Loan is 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.

The Company had an outstanding balance on its Virginia Real Estate Loan of $2.6 million as of July 31, 2024 and $2.7 million as of October 31, 2023.

On June 27, 2024, OCC entered into a Modification Agreement with North Mill Capital LLC (now doing business as SLR Business Credit, “SLR”) to modify the existing Loan and Security Agreement (“Loan Agreement”) dated July 24, 2020. In addition to certain other modifications to the Loan Agreement as set forth in the Modification Agreement, the Modification Agreement provides a two-year extension of the initial term of the Loan Agreement to July 24, 2027, and increases the eligible inventory maximum from $5,000,000 to $7,000,000.

The Revolver with 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) $7,000,000, 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 July 31, 2024 and October 31, 2023. In the event of a default, interest may become 6.0% above the Applicable Rate. 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 July 31, 2024, the Company had $7.3 million of outstanding borrowings on its Revolver and $2.2 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. The lease term expires on 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 $310,932 and $596,578 were included in other assets at July 31, 2024 and October 31, 2023, respectively. Operating lease liabilities of $242,591 and $91,983 respectively, were included in accounts payable and accrued expenses, and other noncurrent liabilities, at July 31, 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 nine months ended July 31, 2024 totaled $109,143 and $327,431, respectively. Operating lease expense recognized during the three months and nine months ended July 31, 2023 totaled $109,145 and $321,621, respectively.

The weighted average remaining lease term was 14.9 months and the weighted average discount rate was 7.9% as of July 31, 2024.

For the three months and nine months ended July 31, 2024, cash paid for operating lease liabilities totaled $112,670 and $335,628, respectively. For the three months and nine months ended July 31, 2023, cash paid for operating lease liabilities totaled $110,025 and $328,992, respectively.

For the nine months ended July 31, 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 $119,219 and $141,342 were included in other assets at July 31, 2024 and October 31, 2023, respectively. Finance lease liabilities of $38,814 and $64,169, respectively, were included in accounts payable and accrued expenses, and other noncurrent liabilities at July 31, 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 $1,297 and $4,224, respectively, for the three months and nine months ended July 31, 2024. Interest expense related to the finance lease totaled $1,734 and $5,517, respectively, for the three months and nine months ended July 31, 2023. For the three months ended July 31, 2024 and 2023, amortization expense related to the finance lease totaled $7,374. For the nine months ended July 31, 2024 and 2023, amortization expense related to the finance lease totaled $22,123.

The remaining lease term for the finance lease is 25 months and the discount rate is 4.75% as of July 31, 2024.

For the three months ended July 31, 2024, cash paid for the finance lease liability totaled $1,297 for interest and $9,419 for principal. For the nine months ended July 31, 2024, cash paid for the finance lease liability totaled $4,224 for interest and $27,927 for principal.

For the three months ended July 31, 2023, cash paid for the finance lease liability totaled $1,734 for interest and $8,983 for principal. For the nine months ended July 31, 2023, cash paid for the finance lease liability totaled $5,517 for interest and $26,635 for principal.

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

Fiscal Year	**Operating leases**	**Finance lease**
2024 **(1)**	$ 112,670	$ 10,717
2025	177,997	42,868
2026	63,644	55,714
Total undiscounted lease payments	354,311	109,299
Present value discount	(19,737)	(6,316)
Total lease liability	$ 334,574	$ 102,983

(1) Remaining three months of fiscal year 2024.

(8) Fair Value Measurements

The carrying amounts reported in the condensed consolidated balance sheets as of July 31, 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 July 31,		Nine months ended July 31,	
	2024	2023	2024	2023
Net income (loss) (numerator)	$ (1,557,053)	$ 100,803	$ (4,583,673)	$ 3,333,874
Shares (denominator)	7,739,266	7,866,673	7,753,148	7,875,963
Basic and diluted net income (loss) per share	$ (0.20)	$ 0.01	$ (0.59)	$ 0.42

Weighted average unvested shares for the three months and nine months ended July 31, 2024 totaling 145,739 and 124,101, respectively, while issued and outstanding, were not included in the computation of basic and diluted net loss per share for the three months and nine months ended July 31, 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 July 31, 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 nine months ended July 31, 2024, 18.7% and 16.9%, respectively, of consolidated net sales were attributable to one national distributor customer. For the three months and nine months ended July 31, 2023, 16.1% 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 $150,467 as of July 31, 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, and the Company excludes such amounts from net sales. The Company's refund liability was $193,908 as of July 31, 2024 and $252,264 as of October 31, 2023.

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 nine months ended July 31, 2024 and 2023:

	Three months ended July 31,		**Nine months ended July 31,**	
	2024	**2023**	**2024**	**2023**
United States	$ 13,077,203	$ 14,220,273	$ 38,071,069	$ 44,627,575
Outside the United States	3,144,468	2,721,105	9,117,465	10,217,014
Total net sales	$ 16,221,671	$ 16,941,378	$ 47,188,534	$ 54,844,589

(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 Third Quarter of Fiscal Year 2024

- Consolidated net sales for the third quarter of fiscal year 2024 decreased 4.2% to $16.2 million, compared to $16.9 million for the same period last year. We believe this is consistent with weakness experienced in our industry generally and in certain of our target markets, which we believe we began to experience during the third quarter of fiscal year 2023. Net sales for the third quarter of fiscal year 2024 sequentially increased slightly compared to $16.1 million for the second quarter of fiscal year 2024.

- Gross profit decreased 23.4% to $3.9 million in the third quarter of fiscal year 2024, compared to $5.1 million for the third quarter of fiscal year 2023, and decreased slightly compared to $4.0 million for the second quarter of fiscal year 2024.

- Gross profit margin (gross profit as a percentage of net sales) was 24.2% during the third quarter of fiscal year 2024, compared to 30.2% for the third quarter of fiscal year 2023 and compared to 25.1% for the second quarter of fiscal year 2024.

- SG&A expenses were $5.2 million during the third quarter of fiscal year 2024, compared to $5.0 million for the same period last year. SG&A expenses as a percentage of net sales were 32.3% during the third quarter of fiscal year 2024, compared to 29.3% during the same period in fiscal year 2023 and compared to 33.0% during the second quarter of fiscal year 2024.

- Net loss was $1.6 million, or $0.20 per share, during the third quarter of fiscal year 2024, compared to net income of $101,000, or $0.01 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 July 31,		Percent Change	Nine Months Ended July 31,		Percent Change
	2024	2023		2024	2023	
Net sales	$ 16,222,000	$ 16,941,000	(4.2)%	$ 47,189,000	$ 54,845,000	(14.0)%
Gross profit	3,920,000	5,116,000	(23.4)	11,672,000	18,420,000	(36.6)
SG&A expenses	5,238,000	4,958,000	5.7	15,650,000	16,075,000	(2.6)
Income (loss) from operations	(1,338,000)	138,000	(1,066.3)	(4,038,000)	2,284,000	(276.8)
Net income (loss)	(1,557,000)	101,000	(1,644.6)	(4,584,000)	3,334,000	(237.5)

Three Months Ended July 31, 2024 and 2023

Net Sales

Consolidated net sales for the third quarter of fiscal year 2024 decreased 4.2% to $16.2 million, compared to net sales of $16.9 million for the same period last year, and increased slightly compared to net sales of $16.1 million during the second quarter of fiscal year 2024. We experienced an increase in net sales in our enterprise market during the third quarter of fiscal year 2024, which was more than offset by decreases in net sales in our specialty markets, including the wireless carrier market.

Net sales to customers in the United States decreased 8.0%, while net sales to customers outside of the United States increased 15.6% in the third 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.

Net sales for the third 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 experienced in our industry generally and which we began to experience during the third quarter of fiscal year 2023. While certain of our markets continue to show signs of softness, we believe there are positive indicators in certain of our markets. Our quarterly sequential net sales have increased through the third quarter of fiscal 2024, although the growth has not been as robust as we initially anticipated. Overall, we believe opportunities to improve net sales will continue into fiscal year 2025.

Gross Profit

Our gross profit was $3.9 million in the third quarter of fiscal year 2024, a decrease of 23.4% compared to gross profit of $5.1 million in the third quarter of fiscal year 2023, and compared to $4.0 million for the second quarter of fiscal year 2024.

Gross profit margin, or gross profit as a percentage of net sales, was 24.2% in the third quarter of fiscal year 2024 compared to 30.2% in the third quarter of fiscal year 2023, and compared to 25.1% for the second quarter of fiscal year 2024.

Gross profit margin for the third 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 third 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 prepare for fiscal year 2025, 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 increased to $5.2 million during the third quarter of fiscal year 2024, compared to $5.0 million during the third quarter of fiscal year 2023, with no significant changes when comparing the two periods. SG&A expenses as a percentage of net sales were 32.3% in the third quarter of fiscal year 2024, compared to 29.3% in the third 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 33.0% during the second quarter of fiscal year 2024.

Royalty Income (Expense), Net

We recognized royalty expense, net of royalty income, totaling $7,000 during the third 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 third quarter of fiscal years 2024 and 2023.

Income (loss) from operations

We reported a loss from operations of $1.3 million for the third quarter of fiscal year 2024, compared to income from operations of $138,000 for the third quarter of fiscal year 2023, and compared to a net loss from operations of $1.3 million for the second quarter of fiscal year 2024.

Other Income (Expense), Net

We recognized other expense, net in the third quarter of fiscal year 2024 of $213,000, compared to $39,000 in the third quarter of fiscal year 2023.

Other expense, net for the third quarter of fiscal years 2024 and 2023 is comprised primarily of interest expense and other miscellaneous items, partially offset by gain on insurance proceeds received for damage to property and equipment totaling $90,000 and $256,000, respectively.

Income (Loss) Before Income Taxes

We reported a loss before income taxes of $1.6 million for the third quarter of fiscal year 2024, compared to income before income taxes of $100,000 for the third quarter of fiscal year 2023. The change was primarily due to the decrease in gross profit of $1.2 million and the increase in SG&A expenses of $280,000.

Income Tax Expense

Income tax expense totaled $7,000 in the third quarter of fiscal year 2024, compared to income tax benefit of $1,000 in the third quarter of fiscal year 2023. Our effective tax rate was less than negative one percent for the third quarter of fiscal years 2024 and 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 third quarter of fiscal year 2024 was $1.6 million, or $0.20 per share, compared to net income of $101,000, or $0.01 per share, for the third quarter of fiscal year 2023. This change was primarily due to the decrease in income before income taxes of $1.7 million.

Nine Months Ended July 31, 2024 and 2023

Net Sales

Consolidated net sales for the first nine months of fiscal year 2024 were $47.2 million, a decrease of 14.0% compared to net sales of $54.8 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 nine months 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, which we began to experience during the third quarter of fiscal year 2023.

Net sales to customers in the United States decreased 14.7% and net sales to customers outside of the United States decreased 10.8% in the first nine months 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 nine months 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 nine months of fiscal year 2024, our sales order backlog/forward load has increased to $6.5 million when compared to $5.6 million as of April 30, 2024 and $5.0 million as of January 31, 2024.

Additionally, net sales for the first nine months 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, we believe there are positive indicators in certain of our markets. Our quarterly sequential net sales have increased through the third quarter of fiscal 2024, although the growth has not been as robust as we initially anticipated. Overall, we believe opportunities to improve net sales will continue into fiscal year 2025.

Gross Profit

Our gross profit was $11.7 million in the first nine months of fiscal year 2024, a decrease of 36.6% compared to gross profit of $18.4 million in the first nine months of fiscal year 2023. Gross profit margin was 24.7% in the first nine months of fiscal year 2024 compared to 33.6% in the first nine months of fiscal year 2023.

Gross profit margin for the first nine months 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 nine months 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 prepare for fiscal year 2025, 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 2.6% to $15.7 million during the first nine months of fiscal year 2024, compared to $16.1 million for the same period last year. SG&A expenses as a percentage of net sales were 33.2% in the first nine months of fiscal year 2024, compared to 29.3% in the first nine months of fiscal year 2023, as fixed SG&A expenses were spread over lower net sales.

The decrease in SG&A expenses during the first nine months 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 $410,000 and shipping costs totaling $213,000. 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 nine months 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 $20,000 during the first nine months 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 $41,000 of amortization expense, associated with intangible assets, during the first nine months of fiscal year 2024, compared to $40,000 during the first nine months of fiscal year 2023.

Income (loss) from operations

We reported a loss from operations of $4.0 million for the first nine months of fiscal year 2024, compared to income from operations of $2.3 million for the first nine months of fiscal year 2023.

Other Income (Expense), Net

We recognized other expense, net in the first nine months of fiscal year 2024 of $524,000, compared to other income, net of $1.2 million in the first nine months of fiscal year 2023. Other expense, net for the first nine months of fiscal year 2024 is comprised of interest expense and other miscellaneous items, partially offset by gain on insurance proceeds totaling $309,000. Other income, net for the first nine months of fiscal year 2023 is comprised primarily of the gain on insurance proceeds received for damage to property and equipment totaling $2.0 million, partially offset by interest expense and other miscellaneous items.

The change in other expense, net during the first nine months 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 nine months of fiscal year 2024 for damage to property and equipment totaling $1.6 million.

Income (Loss) Before Income Taxes

We reported a loss before income taxes of $4.6 million for the first nine months of fiscal year 2024, compared to income before income taxes of $3.4 million for the first nine months of fiscal year 2023. The change was primarily due to the decrease in gross profit of $6.7 million and the decrease in gain on insurance proceeds, net of $1.6 million, partially offset by the decrease in SG&A expenses of $425,000.

Income Tax Expense (Benefit)

Income tax expense totaled $21,000 in the first nine months of fiscal year 2024, compared to $106,000 in the first nine months of fiscal year 2023. Our effective tax rate was less than negative one percent for the first nine months of fiscal year 2024 and 3.1% for the first nine months 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 nine months of fiscal year 2024 was $4.6 million, or $0.59 per share, compared to net income of $3.3 million, or $0.42 per share, for the first nine months of fiscal year 2023. This change was primarily due to the decrease in income before income taxes of $8.0 million, which includes the $1.6 million decrease in gain on insurance proceeds, net.

Financial Condition

Total assets decreased $6.3 million, or 14.3%, to $37.6 million at July 31, 2024, from $43.9 million at October 31, 2023. This decrease was primarily due to a $4.5 million decrease in inventories. 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 $1.9 million, or 10.0%, to $17.2 million at July 31, 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 $786,000, primarily resulting from the timing of certain vendor and payroll related payments, and net repayments on our Revolver totaling $1.0 million.

Total shareholders' equity at July 31, 2024 decreased $4.4 million in the first nine months of fiscal year 2024 resulting primarily from a net loss of $4.6 million.

Liquidity and Capital Resources

Our primary capital needs have been to fund working capital requirements through 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 $797,000 as of July 31, 2024, a decrease of $672,000 compared to $1.5 million as of October 31, 2023. The decrease in cash for the nine months ended July 31, 2024 primarily resulted from net cash used in financing activities of $1.3 million (including a $1.0 million net reduction in our Revolver) and capital expenditures of $313,000, partially offset by cash provided by operating activities of $665,000 and insurance proceeds, net totaling $271,000.

On July 31, 2024, we had working capital of $22.2 million compared to $27.3 million on October 31, 2023. The ratio of current assets to current liabilities as of July 31, 2024 was 4.2 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 $672,000 and the decrease in inventories of $4.5 million, partially offset by the decrease in accounts payable and accrued expenses, including accrued compensation and payroll taxes, totaling $786,000.

As of July 31, 2024 and October 31, 2023, we had outstanding loan balances under our Revolver totaling $7.3 million and $8.3 million, respectively. As of July 31, 2024 and October 31, 2023, we had other outstanding bank loan balances, excluding our Revolver, totaling $2.6 million and $2.7 million, respectively.

Net Cash

Net cash provided by operating activities was $665,000 in the first nine months of fiscal year 2024, compared to net cash used in operating activities of $929,000 for the first nine months of fiscal year 2023. Net cash provided by operating activities during the first nine months of fiscal year 2024 primarily resulted from certain adjustments to reconcile a net loss of $4.6 million to net cash provided by operating activities including depreciation and amortization of $644,000 and share-based compensation expense of $329,000. Additionally, decreases in inventories of $4.5 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 $790,000, and by an adjustment to reconcile a net loss of $4.6 million to net cash provided by operating activities for gain on insurance proceeds, net totaling $309,000.

Net cash used in operating activities during the first nine months of fiscal year 2023 primarily resulted from an increase in inventories totaling $5.5 million and an adjustment to reconcile net income of $3.3 million to net cash used in operating activities for the gain on insurance proceeds received for damage to property and equipment totaling $2.0 million, partially offset by the cash flow impact of decreases in trade accounts receivable, net totaling $1.7 million, and by certain other adjustments to reconcile net income of $3.3 million to net cash used in operating activities including depreciation and amortization of $716,000 and share-based compensation expense of $463,000.

Net cash used in investing activities totaled $43,000 in the first nine months of fiscal year 2024, compared to net cash provided by investing activities of $1.6 million in the first nine months of fiscal year 2023. Net cash used in investing activities during the first nine months of fiscal year 2024 resulted primarily from purchases of property and equipment and deposits for the purchase of property and equipment totaling $313,000, partially offset by net insurance proceeds of $271,000. Net cash provided by investing activities during the first nine months of fiscal year 2023 resulted primarily from the net insurance proceeds received for damage to property and equipment totaling $2.0 million, partially offset by purchases of property and equipment and deposits for the purchase of property and equipment totaling $371,000.

Net cash used in financing activities totaled $1.3 million for the first nine months of fiscal year 2024, compared to net cash provided by financing activities of $845,000 in the first nine months of fiscal year 2023. Net cash used in financing activities in the first nine months of fiscal year 2024 resulted primarily from net repayments on our revolving line of credit totaling $1.0 million. Net cash provided by financing activities in the first nine months of fiscal year 2023 resulted primarily from net proceeds on our revolving line of credit totaling $1.3 million, partially offset by principal payments on long-term debt totaling $253,000.

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 July 31, 2024 and October 31, 2023. The maturity date of the Virginia Real Estate Loan is May 5, 2026.

On October 31, 2023, OCC and Northeast Bank entered into an Omnibus Amendment of Loan Documents (the "Amendment") to modify certain loan documents currently in effect between the parties related to the Virginia Real Estate Loan and a supplemental real estate term loan (the "North Carolina Real Estate Loan"). The primary purpose of the Amendment was to: (i) pay off the principal balance of the North Carolina Real Estate Loan; (ii) pay down the principal balance on the Virginia Real Estate Loan; (iii) extend the maturity date of the Virginia Real Estate Loan through May 5, 2026; (iv) release the collateral of the North Carolina Real Estate Loan; and (v) effective October 5, 2023, modify the interest rate of the Virginia Real Estate Loan to a variable rate equal to the Prime Rate, provided that the interest rate shall never be less than 8.5% per annum.

The Loan is secured by a first lien deed of trust on the land and buildings at our headquarters and manufacturing facilities located in Roanoke, Virginia.

The Company had an outstanding balance on its Virginia Real Estate Loan of $2.6 million, as of July 31, 2024.

On June 27, 2024, we entered into a Modification Agreement with North Mill Capital LLC (now doing business as SLR Business Credit, "SLR") to modify the existing Loan and Security Agreement ("Loan Agreement") dated July 24, 2020. In addition to certain other modifications to the Loan Agreement as set forth in the Modification Agreement, the Modification Agreement provides a two-year extension of the initial term of the Loan Agreement to July 24, 2027 and increases eligible inventory maximum from $5,000,000 to $7,000,000.

The Revolver with 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) $7.0 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 July 31, 2024 and October 31, 2023. In the event of a default, interest may become 6.0% above the Applicable Rate. 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 July 31, 2024, we had $7.3 million of outstanding borrowings on our Revolver and $2.2 million in available credit.

Capital Expenditures

We did not have any material commitments for capital expenditures as of July 31, 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. Furthermore, while we have seen some improvement in net sales in the third quarter of fiscal year 2024, it is not at a level that we are confident our typical seasonality pattern will materialize for the second half of fiscal year 2024.

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 July 31, 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 July 31, 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 July 31, 2024, and that there were no changes in the Company’s internal control over financial reporting that occurred during the last fiscal quarter ended July 31, 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 nine months of fiscal year 2024, the Company recognized a gain on insurance proceeds, net for damage to property and equipment totaling $309,000 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).

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).
10.11*	Form of vesting award agreement for non-employee Board members under the Optical Cable Corporation 2017 Stock Incentive Plan, as amended. FILED HEREWITH.
10.12*	Form of operational performance (Company financial performance measure) vesting award agreement under the Optical Cable Corporation 2017 Stock Incentive Plan, as amended. FILED HEREWITH.
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.

PART II. OTHER INFORMATION

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 July 31, 2024, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at July 31, 2024 and October 31, 2023, (ii) Condensed Consolidated Statements of Operations for the three months and nine months ended July 31, 2024 and 2023, (iii) Condensed Consolidated Statements of Shareholders' Equity for the three months and nine months ended July 31, 2024 and 2023, (iv) Condensed Consolidated Statements of Cash Flows for the nine months ended July 31, 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: September 11, 2024

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

Date: September 11, 2024

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

OPTICAL CABLE CORPORATION
2017 STOCK INCENTIVE PLAN

FY [Year] STOCK AWARD

Non-Employee Director
(Time Vesting)

GRANTED TO	GRANT DATE	NUMBER OF SHARES GRANTED	PRICE PER SHARE
[Name]	[Date]	[Number]	N/A
	GRANT NUMBER	**VESTING AND RESTRICTION LAPSE SCHEDULE**	
	RS [xxxx-xx]	[Number] shares will vest in [Number] year on [Date] (such date the "Vesting Date").	

OPTICAL CABLE CORPORATION and its successors and assigns (the "Company") hereby grants to [Name] (the "Participant") effective [Date] (the "Grant Date"), a Stock Award, as defined in the Plan (the "Award"), pursuant to the Optical Cable Corporation 2017 Stock Incentive Plan (approved on March 28, 2017), as amended by the First Amendment to the Optical Cable Corporation 2017 Stock Incentive Plan (approved on March 29, 2022), (together, the "Plan"), a copy of which has been provided to the Participant, covering the above stated number of shares (the "Restricted Shares") of common stock of the Company ("Common Stock").

The Compensation Committee of the Board of Directors (the "Compensation Committee") approved this Award and recommended its approval to the Board of Directors of the Company, and concurrent with the approval by the Board of Directors, the Award was granted to the Participant pursuant to the terms of the Plan.

The Plan is administered by the Compensation Committee, or alternatively and as appropriate, the Board of Directors (in either case, the "Committee"). Any controversy that arises concerning this Award or the Plan shall be resolved by the Committee as it deems proper, and any decision of the Committee shall be final and conclusive.

The terms of the Plan are hereby incorporated into this Award by this reference. In the case of any conflict between the Plan and this Award, the terms of the Plan shall control. Capitalized terms not defined in this Award shall have the meaning assigned to such terms in the Plan.

Now, therefore, in consideration of the foregoing and the mutual covenants hereinafter set forth:

1. The Company hereby grants to the Participant an Award covering the Restricted Shares, subject to the terms and conditions of this Award and the Plan.

2. Unless otherwise determined by the Committee, the Award will vest, and the restrictions applicable to Restricted Shares shall lapse (with the shares no longer subject to the restrictions set forth herein being referred to as "Unrestricted Shares"), in [Number] year(s) according to the schedule set forth above.

3. Unless otherwise determined by the Committee or as otherwise provided herein, in the event that Participant's membership on the Board of Directors of the Company terminates before the earlier of (i) [Date] (the next regular annual meeting of shareholders) or (ii) the Award is vested and the restrictions on the Restricted Shares have lapsed, then the Participant will, upon the date of termination of Participant's membership on the Board of Directors (as reasonably fixed and determined by the Company), forfeit the Restricted Shares and the Company will be the owner of such Restricted Shares and will have the right, without further action by Participant, to transfer such Restricted Shares into its name.

4. If a Change in Control (as defined in the Plan) occurs while the Participant is serving on the Board of Directors, any unvested Restricted Shares granted hereunder will vest in full and become Unrestricted Shares upon the occurrence of the Change in Control.

5. In the event of the Participant's death or Disability (as defined in the Plan, and subject to any required compliance with applicable laws or regulations) while the Participant is serving on the Board of Directors, any unvested Restricted Shares granted hereunder will vest in full and become Unrestricted Shares upon the occurrence of such an event.

6. Participant will not sell, transfer, pledge, hypothecate or otherwise dispose of any Restricted Shares (or any interest in such shares) prior to the Vesting Date as to which the restrictions applicable to such shares lapse.

7. Prior to the Vesting Date, the Company will, at its option, reflect Participant's ownership of the Restricted Shares in book-entry form with the Company's transfer agent or through the issuance of one or more stock certificates. If the Company elects to reflect ownership through the issuance of stock certificates, such certificates will be held in escrow with the Corporate Secretary of the Company in accordance with the provisions of this Award and the Plan. Subject to terms of this Award and the Plan, Participant will have certain rights of a shareholder with respect to the Restricted Shares while they are held in escrow or in book-entry form, including, without limitation, the right to vote the Restricted Shares. Cash dividends declared, if any, on such shares will be accrued without interest until and paid at such time that the restrictions applicable to such shares lapse or forfeited at such time as such shares are forfeited. If, from time to time prior to the date that the Award is vested and the restrictions on the Restricted Shares have lapsed, there is (i) any stock dividend, stock split or other change in the Restricted Shares, or (ii) any merger or sale of all or substantially all of the assets or other acquisition of the Company, any and all new, substituted or additional securities to which Participant is entitled by reason of his ownership of the Restricted Shares shall be held on his behalf by the Company in book-entry form or through the issuance of one or more stock certificates and held in escrow pursuant to this section until vesting pursuant to the schedule applicable to the underlying Restricted Shares, at which time all restrictions shall lapse.

8. As described in the Plan, in the event of certain corporate transactions or other actions or events, the Committee may take such actions with respect to this Award as it deems appropriate and consistent with the Plan.

9. Participant understands that Participant (and not the Company) is responsible for any tax liability that may arise as a result of the transaction contemplated by this Award. Participant understands that Section 83 of the Internal Revenue Code of 1986, as amended (the "Code") taxes as ordinary income the difference between the amount paid for the Restricted Shares and the fair market value of the Restricted Shares as of the date the restrictions on such shares lapse. Participant may satisfy applicable withholding taxes by any manner permitted by the Plan, subject to the consent of the Committee, including, having the Company retain a sufficient number of shares from the distribution to be made to Participant. Participant understands that Participant may elect to be taxed at the time of the Award, rather than when the restrictions lapse, by filing an election under Section 83(b) of the Code with the Internal Revenue Service within 30 days from the Grant Date. Participant (and not the Company) is solely responsible for filing any such election. Participant acknowledges that he or she has not received any tax advice from the Company or its representatives and is relying solely on the tax advice provided by his or her personal tax advisors, if any, with respect to the subject matter hereof.

10. If any provision of this Award should be deemed void or unenforceable for any reason, it shall be severed from the remainder of the agreement, which shall otherwise remain in full force and effect.

11. The Company may, in its discretion, delay removal of the restrictions on the Restricted Shares or delivery of any certificate required upon vesting of the Award until (i) the admission of such shares to list on any stock exchange (including NASDAQ) on which the Common Stock may then be listed, (ii) the completion of any registration or other qualification of such shares under any state or federal law, ruling, or regulation of any governmental regulatory body that the Company shall, in its sole discretion, determine if necessary or advisable, and (iii) the Company shall have been advised by counsel that it has complied with all applicable legal requirements.

12. Any notice to be given under the terms of this Award shall be addressed to Optical Cable Corporation, to the attention of the Chief Financial Officer, 5290 Concourse Drive, Roanoke, VA 24019, and any notice to be given to Participant or to his or her personal representative shall be addressed to him or her at the address set forth below or to such other address as either party may, hereafter, designate in writing to the other. Notices shall be deemed to have been duly given if mailed, postage prepaid, addressed as aforesaid.

13. The Participant may accept this Award, subject to the registration and listing of the shares issuable under the Plan, by signing and returning the enclosed copy of this Award. The Participant's signature will also evidence his or her agreement to the terms and conditions set forth herein and to which this Award is subject.

14. Along with this Award, the Participant hereby acknowledges receipt of a copy of the Plan and the Prospectus for the Plan. The Participant further acknowledges receipt of a copy of the Company's Equity Ownership and Retention Policy for Non-Employee Directors, as recommended by the Compensation Committee and as adopted by Board of Directors effective February 14, 2006. Also, if the Participant has previously been granted an award under the Plan, or any predecessor stock incentive plan, the Participant hereby acknowledges that he or she has received all of the reports, proxy statements and other communications generally distributed to the holders of the Company's securities since the date(s) of such grant(s) and no later than the times of such distributions.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused this Award to be signed, as of the Grant Date shown above.

OPTICAL CABLE CORPORATION

By: ______________________________

I hereby acknowledge receipt of this Award, the Plan, and the Prospectus for the Plan, and I agree to conform to all terms and conditions of this Award and the Plan.

Name	Date
Signature	Address

OPTICAL CABLE CORPORATION
2017 STOCK INCENTIVE PLAN

FY [Year] RESTRICTED STOCK AWARD
(Operational Performance Vesting—Company Financial Based)

GRANTED TO	GRANT DATE	NUMBER OF SHARES GRANTED	PRICE PER SHARE	SOCIAL SECURITY NUMBER
[Name]	[Date]	[Number]	N/A	[xxx-xx-xxxx]

GRANT NUMBER	VESTING AND RESTRICTION LAPSE SCHEDULE*
RS [xxxx-xx]	Shares granted hereunder will vest, in accordance with and subject in all respects to the provisions of Sections 3, 4, 5, 6 and 7 below, on [Date] of each year (unless otherwise provided herein) (each such date, a “Vesting Date”), with the first Vesting Date being [Date] and the last Vesting Date being [Date] (or as late as [Date], if the provisions of Section 4 are applicable).

* Fractional shares shall be carried over to the last vesting period

OPTICAL CABLE CORPORATION and its successors and assigns (the “Company”) hereby grants to [Name] (the “Participant”) effective [Date] (the “Grant Date”), a Restricted Stock Award (the “Award”), pursuant to its 2017 Stock Incentive Plan (approved on March 28, 2017), as amended by the First Amendment to the Optical Cable Corporation 2017 Stock Incentive Plan (approved on March 29, 2022), (together, the “Plan”), a copy of which has been provided to the Participant, covering the above stated number of shares (the “Restricted Shares”) of common stock of the Company (“Common Stock”).

The Chief Executive Officer proposed this Award and recommended its approval to the Compensation Committee of the Board of Directors of the Company (the “Compensation Committee”), and the Compensation Committee, pursuant to the terms of the Plan, approved the Award to the Participant. [FOR CEO, CFO, this paragraph is replaced with the following: “The Compensation Committee of the Board of Directors of the Company (the “Compensation Committee”), pursuant to the terms of the Plan, approved this Award to the Participant.”]

The Plan is administered by the Compensation Committee (the “Committee”). Any controversy that arises concerning this Award or the Plan prior to a Change of Control (defined in Section 6(b) below) shall be resolved by the Committee as it deems proper, and any decision of the Committee shall be final and conclusive.

The terms of the Plan are hereby incorporated into this Award by this reference. In the case of any conflict between the Plan and this Award, the terms of the Plan shall control. Capitalized terms not defined in this Award shall have the meaning assigned to such terms in the Plan.

Now, therefore, in consideration of the foregoing and the mutual covenants hereinafter set forth:

1. The Company hereby grants to the Participant an Award covering the Restricted Shares, subject to the terms and conditions of this Award and the Plan.

2. Unless otherwise determined by the Committee, the Award will vest, and the restrictions applicable to Restricted Shares shall lapse (with the shares no longer subject to the restrictions set forth herein being referred to as "Unrestricted Shares"), in accordance with Sections 3, 4, 5, 6 and 7 below. Except as otherwise provided in the Plan or in Section 7 below or otherwise determined by the Committee, the Participant must be employed by the Company or a subsidiary at all times from the Grant Date through a Vesting Date in order for part of this Award to vest on such Vesting Date, and the restrictions on that portion of the Restricted Shares to lapse.

3. A portion of the Award shall vest on each Vesting Date based on the growth rate percentage ("GPGR") in the Company's Gross Profit Dollars (defined below) achieved for each fiscal year of the Company (November 1 to October 31) when compared to the corresponding prior fiscal year of the Company, with the vesting portion of the Award being determined in accordance with the following table and vesting occurring on the next Vesting Date after each fiscal year end and after the financial statements have been properly prepared and finalized:

Performance vesting for fiscal years [Year] through [Year] (twelve months ending October 31):

Gross Profit ($) Growth Rate percentage (GPGR) achieved for each fiscal year of Company compared to the corresponding prior fiscal year of Company (fiscal years ending October 31)	Portion of total Restricted Shares vesting at each Vesting Date immediately following end of each fiscal year of the Company given the GPGR achieved for the related fiscal year (*)
GPGR is [%]	**[%]**
GPGR is [%]	**[%]**
GPGR is [%]	**[%]**
GPGR is [%]	**[%]**
GPGR is less than [%]	**[%]**

(*) Actual vesting for year interpolated based on table above (between points) and extrapolated based on table above if GPGR exceeds [%] for a fiscal year.

"Gross Profit Dollars" for purposes of this Award shall mean consolidated gross profit dollars calculated by taking net sales in dollars and subtracting cost of goods sold in dollars during any year, as determined using generally accepted accounting principles applicable to the United States and as set forth in consolidated annual financial statements of the Company, properly prepared and finalized.

GPGR is calculated by taking the amount of Gross Profit Dollars earned by the Company during the current fiscal year and subtracting the Gross Profit Dollars earned by the Company during the prior fiscal year, and then dividing that amount by the amount of gross profit achieved during the prior fiscal year.

Additionally, after all of the annual vesting calculations are complete and the applicable number of shares vested, if any shares would otherwise be forfeited, a total annual compounded GPGR calculation for the Company will be made for the period fiscal year [Year] through fiscal year [Year] (starting with fiscal year [Year] as the base) to determine the aggregate minimum number of total Restricted Shares that will vest pursuant to this Award, as determined based on the table below:

Cumulative Annual Compounded GPGR of the Company for fiscal year [Year] through fiscal year [Year] (starting with fiscal year [Year] as a base)	MINIMUM percentage of total Restricted Shares to vest irrespective of annual GPGR calculation (**)
GPGR is at least [%]	**[%]**
GPGR is [%] or less	**[%]**

(**) Actual vesting will be interpolated based on table above (between points).

Participant shall not be entitled to receive more than the total number of Restricted Shares shown as the “Number of Shares Granted” set forth at the top of this document. Any Restricted Shares covered by the Award that have not vested in accordance with Sections 3, 4, 5, 6 and 7 below on or before [Date] shall be irrevocably forfeited.

4. Notwithstanding the vesting calculations in Section 3 of this Award, in the event the portion of total Restricted Shares vesting on a Vesting Date as a result of GPGR achieved for the current fiscal year exceeds [%] pursuant to the first table in Section 3 of this Award, then such portion of total Restricted Shares exceeding [%] for such fiscal year (that would otherwise vest pursuant to Section 3), will vest (i.e., time vest) over the subsequent [Number] Vesting Dates after the Vesting Date related to the current fiscal year (irrespective of future vesting calculations pursuant to Section 3) with an equal number of such Restricted Shares exceeding [%] for such current fiscal year vesting on each such subsequent [Number] Vesting Dates.

5. Unless otherwise determined by the Committee or unless as otherwise provided in Section 7 below, in the event that Participant’s employment with the Company and any subsidiaries terminates before the Award is fully vested and the restrictions on all of the Restricted Shares have lapsed, Participant will, upon the date of Participant’s termination of employment (as reasonably fixed and determined by the Company), forfeit the unvested Restricted Shares and the Company will be the owner of such unvested Restricted Shares and will have the right, without further action by Participant, to transfer such unvested Restricted Shares into its name.

6. (a) If a Change of Control (as defined in Section 6(b) below) occurs while Participant is employed by the Company or any subsidiaries, but before the Award is fully vested and the restrictions applicable to all of the Restricted Shares have lapsed, then on the date upon which the Change of Control occurs, all unvested Restricted Shares (including Restricted Shares vesting in accordance with Section 4 of this Award) will fully vest and restrictions applicable to all such Restricted Shares shall lapse over the remaining Vesting Dates between the occurrence of the Change of Control and [Date], with an equal number of unvested Restricted Shares vesting on each such Vesting Date. [Note: With respect to any individual Award, Committee may alter these provisions including, but not limited to, the period of time over which the restrictions applicable to all such Restricted Shares shall lapse.]

(b) For purposes of this Award, a “Change of Control” occurs if, after the date of this Award: (i) any person, or more than one person acting as a group, acquires beneficial ownership of Company stock that, together with the Company stock already held by such person or group, represents more than 50 percent of the total voting power of the Company stock; provided, however, that if any one person or more than one person acting as a group is considered to own more than 50 percent of the total voting power of the Company stock, the acquisition of additional stock by the same person or persons is not considered to cause a change in the ownership of the Company for purposes of this subsection (i); or (ii) a change in effective control shall occur if a majority of members of the Board is replaced during a twelve-consecutive-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board before the date of the appointment or election; provided, however, that if any one person or more than one person acting as a group is considered to effectively control the Company for purposes of this subsection (ii), the acquisition of additional control of the corporation by the same person or persons is not considered to cause a change in the effective control for purposes of this subsection (ii). Notwithstanding the foregoing, if the Incentive Award to which this subsection (ii) applies is not subject to Internal Revenue Code of 1986, as amended, section 409A, whether a change in the effective control has occurred for purposes of that Incentive Award shall be determined based on a three-consecutive-year period instead of a twelve-consecutive-month period. For purposes of this Award, a Change of Control occurs on the date on which an event described in Section 6.(b)(i) or 6.(b)(ii) occurs. If a Change of Control occurs on account of a series of transactions or events, the Change of Control occurs on the date of the last of such transactions or events.

7. (a) If both (i) a “Triggering Termination” (defined in Section 7(b) below) of Participant’s employment occurs and (ii) a Change of Control occurs while Participant is employed by the Company or any subsidiaries (or if a Triggering Termination of Participant’s employment occurs prior to a Change of Control but in pendency of such Change of Control), and both the Triggering Termination and the Change of Control occur before the Award is fully vested and the restrictions applicable to all of the Restricted Shares have lapsed, then the later of the date the Change of Control occurs or the date of the Triggering Termination occurs, will be the Vesting Date with respect to the unvested portion of the Award, and such unvested portion of the Award shall thereupon immediately vest and all restrictions on the remaining Restricted Shares shall lapse.

(b) For purposes of this Award, a “Triggering Termination” occurs if, after the date of this Award, Participant’s employment with the Company and all subsidiaries of the Company is terminated as a result of any of the following: (i) the Company (or subsidiary) terminating Participant’s employment without “Cause” (as defined in Section 7(c) below), or (ii) the Participant terminating his or her employment for “Good Reason” (as defined in Section 7(d) below), or (iii) disability of Participant (in accordance with the Company’s policies at the time of this Award), or (iv) death of Participant. Termination of the Participant’s employment with the Company and all subsidiaries by the Company for Cause or by the Participant without Good Reason is not a Triggering Termination.

(c) For purposes of this Award, “Cause” means: (i) material breach of any employment, confidentiality, nonsolicitation, and/or noncompetition agreement(s) with the Company or subsidiaries by Participant; (ii) Participant's gross negligence in the performance of his or her material duties to the Company or subsidiaries; (iii) Participant’s intentional nonperformance or misperformance of his or her material duties to the Company or subsidiaries; (iv) Participant’s refusal to abide by or comply with the reasonable directives of the President and CEO, which actions continue for a period of at least 10 days after receipt by Participant of written notice of the need to cure or cease; (v) Participant’s failure or refusal to comply with the Company's policies and procedures; (vi) Participant's willful dishonesty, fraud or misconduct with respect to the business or affairs of the Company or subsidiaries, that in the reasonable judgment of the President and CEO adversely affects the Company and/or subsidiaries; or (vii) Participant's conviction of, or a plea of nolo contendere to, a felony or other crime involving moral turpitude. [Note: With respect to any individual Award, Committee may alter these provisions including, but not limited to, using terms included in such individual’s employment agreement.]

(d) For purposes of this Award, “Good Reason” means, without Participant’s express written consent: (i) requiring Participant to maintain his or her principal work location at a location outside of a 50 mile radius of the Company’s facility from which the Participant works as of the Grant Date; (ii) a reduction by the Company of Participant’s base salary; or (iii) failure of the Company to obtain the assumption of obligations of Award by any successor. [Note: With respect to any individual Award, Committee may alter these provisions including, but not limited to, using terms included in such individual’s employment agreement.]

8. Participant will not sell, transfer, pledge, hypothecate or otherwise dispose of any Restricted Shares (or any interest in such shares) prior to the Vesting Date as to which the restrictions applicable to such shares lapse without the prior written consent of the Company.

9. Prior to a Vesting Date, the Company will, at its option, reflect Participant's ownership of the Restricted Shares in book-entry form with the Company's transfer agent or through the issuance of one or more stock certificates. If the Company elects to reflect ownership through the issuance of stock certificates, such certificates will be held in escrow with the Corporate Secretary of the Company in accordance with the provisions of this Award and the Plan. Subject to terms of this Award and the Plan, Participant will have all rights of a shareholder with respect to the Restricted Shares while they are held in escrow or in book-entry form, including, without limitation, the right to vote the Restricted Shares and receive any cash dividends declared on such shares. If, from time to time prior to the date that the Award is fully vested and the restrictions on all of the Restricted Shares have lapsed, there is (i) any stock dividend, stock split or other change in the Restricted Shares, or (ii) any merger or sale of all or substantially all of the assets or other acquisition of the Company, any and all new, substituted or additional securities to which Participant is entitled by reason of his ownership of the Restricted Shares shall be held on his behalf by the Company in book-entry form or through the issuance of one or more stock certificates and held in escrow pursuant to this section until vesting pursuant to the schedule applicable to the underlying Restricted Shares, at which time all restrictions shall lapse.

10. As described in the Plan, in the event of certain corporate transactions or other actions or events, the Committee may take such actions with respect to this Award as it deems appropriate and consistent with the Plan.

11. Participant understands that Participant (and not the Company) is responsible for any tax liability that may arise as a result of the transaction contemplated by this Award. Participant understands that Section 83 of the Internal Revenue Code of 1986, as amended (the "Code") taxes as ordinary income the difference between the amount paid for the Restricted Shares and the fair market value of the Restricted Shares as of the date the restrictions on such shares lapse. Participant understands that Participant may elect to be taxed at the time of the Award, rather than when the restrictions lapse, by filing an election under Section 83(b) of the Code with the Internal Revenue Service within 30 days from the Grant Date.

12. As a condition of accepting this Award, Participant agrees to make arrangements for the payment of withholding of income taxes and employment taxes upon the vesting of the Award and the lapse of restrictions on the Restricted Shares. Until adequate arrangements have been made, certificates representing Unrestricted Shares will not be issued to Participant. Participant may satisfy applicable withholding taxes by any manner permitted by the Plan, subject to the consent of the Committee, including, (i) delivering a sufficient number of shares of already owned Common Stock (which have been owned by Participant for more than six (6) months), and/or (ii) having the Company retain a sufficient number of shares from the distribution to be made to Participant pursuant to this Award.

13. The fact that the Participant has been granted this Award will not affect or qualify the right of the Company or a subsidiary to terminate the Participant's employment at any time.

14. If any provision of this Award should be deemed void or unenforceable for any reason, it shall be severed from the remainder of the agreement, which shall otherwise remain in full force and effect.

15. The Company may, in its discretion, delay delivery of a certificate required upon vesting of the Award until (i) the admission of such shares to list on any stock exchange (including NASDAQ) on which the Common Stock may then be listed, (ii) the completion of any registration or other qualification of such shares under any state or federal law, ruling, or regulation of any governmental regulatory body that the Company shall, in its sole discretion, determine if necessary or advisable, and (iii) the Company shall have been advised by counsel that it has complied with all applicable legal requirements.

16. Any notice to be given under the terms of this Award shall be addressed to Optical Cable Corporation, to the attention of the Chief Financial Officer, 5290 Concourse Drive, Roanoke, VA 24019, and any notice to be given to Participant or to his or her personal representative shall be addressed to him or her at the address set forth below, or to such other address as either party may, hereafter, designate in writing to the other. Notices shall be deemed to have been duly given if mailed, postage prepaid, addressed as aforesaid.

17. The Participant may accept this Award, subject to the registration and listing of the shares issueable under the Plan, by signing and returning the enclosed copy of this Award. The Participant's signature will also evidence his or her agreement to the terms and conditions set forth herein and to which this Award is subject.

18. Along with this Award, the Participant hereby acknowledges receipt of a copy of the Plan and the Prospectus for the Plan. The Participant further acknowledges receipt of a copy of the Company's *Equity Ownership and Retention Policy for Employees*, as recommended by the Compensation Committee and as adopted by Board of Directors effective February 15, 2014. Also, if the Participant has previously been granted an award under the Plan, the Participant hereby acknowledges that he or she has received all of the reports, proxy statements and other communications generally distributed to the holders of the Company's securities since the date(s) of such grant(s) and no later than the times of such distributions.

19. [Note: With respect to any individual Award, Committee may insert various provisions with retention requirements for shares received pursuant to an Award and/or with requirements in connection with the sale of shares received pursuant to an Award, applicable even after such shares are Unrestricted Shares.]   [Note: With respect to any Individual Award, Committee may condition receipt of shares under the Award on other events or conditions.]

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused this Award to be signed, as of the Grant Date shown above.

OPTICAL CABLE CORPORATION

By: ______________________________

I hereby acknowledge receipt of this Award, the Plan, and the Prospectus for the Plan, and I agree to conform to all terms and conditions of this Award and the Plan.

______________________________	______________________________
Name	Date:
______________________________	______________________________
Signature	Address

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: September 11, 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: September 11, 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 July 31, 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 July 31, 2024, and for the period then ended.

Date: September 11, 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 July 31, 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 July 31, 2024, and for the period then ended.

Date: September 11, 2024

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