

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

FORM 10-Q

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

For the quarterly period ended April 30, 2017

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)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

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

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

As of June 9, 2017, 7,365,036 shares of the registrant's Common Stock, no par value, were outstanding.

OPTICAL CABLE CORPORATION

Form 10-Q Index

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

OPTICAL CABLE CORPORATION
Condensed Consolidated Balance Sheets
(Unaudited)

	<u>April 30, 2017</u>	<u>October 31, 2016</u>
Assets		
Current assets:		
Cash	\$ 797,027	\$ 1,879,064
Trade accounts receivable, net of allowance for doubtful accounts of \$80,706 at April 30, 2017 and \$74,266 at October 31, 2016	9,503,970	8,916,245
Other receivables	33,316	70,828
Inventories	17,539,699	15,023,966
Prepaid expenses	557,012	431,780
Total current assets	28,431,024	26,321,883
Property and equipment, net	12,601,783	13,399,158
Intangible assets, net	585,881	575,010
Other assets, net	369,280	369,737
Total assets	<u>\$ 41,987,968</u>	<u>\$ 40,665,788</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Current installments of long-term debt	\$ 251,216	\$ 294,214
Accounts payable and accrued expenses	4,529,856	2,636,420
Accrued compensation and payroll taxes	1,354,958	1,179,872
Income taxes payable	21,315	15,603
Total current liabilities	6,157,345	4,126,109
Note payable to bank	4,900,000	5,000,000
Long-term debt, excluding current installments	6,545,863	6,651,780
Other noncurrent liabilities	154,975	122,910
Total liabilities	17,758,183	15,900,799
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 7,365,036 shares at April 30, 2017 and 7,081,159 shares at October 31, 2016	11,416,793	11,080,595
Retained earnings	12,812,992	13,684,394
Total shareholders' equity	24,229,785	24,764,989
Commitments and contingencies		
Total liabilities and shareholders' equity	<u>\$ 41,987,968</u>	<u>\$ 40,665,788</u>

See accompanying condensed notes to condensed consolidated financial statements.

OPTICAL CABLE CORPORATION
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended		Six Months Ended	
	April 30,		April 30,	
	2017	2016	2017	2016
Net sales	\$ 15,847,473	\$ 16,340,153	\$ 30,453,725	\$ 30,388,043
Cost of goods sold	10,184,434	11,788,858	19,980,287	22,334,317
Gross profit	5,663,039	4,551,295	10,473,438	8,053,726
Selling, general and administrative expenses	5,898,502	5,351,577	11,091,150	10,439,058
Royalty expense, net	38,914	51,551	70,165	66,329
Amortization of intangible assets	6,135	3,846	11,964	7,128
Loss from operations	(280,512)	(855,679)	(699,841)	(2,458,789)
Other expense, net:				
Interest expense	(118,153)	(135,704)	(265,966)	(293,518)
Other, net	167,395	(1,270)	98,170	16,333
Other income (expense), net	49,242	(136,974)	(167,796)	(277,185)
Loss before income taxes	(231,270)	(992,653)	(867,637)	(2,735,974)
Income tax expense (benefit)	7,812	(9,531)	(12,788)	14,341
Net loss	\$ (239,082)	\$ (983,122)	\$ (854,849)	\$ (2,750,315)
Net loss attributable to noncontrolling interest	—	—	—	(22,172)
Net loss attributable to OCC	\$ (239,082)	\$ (983,122)	\$ (854,849)	\$ (2,728,143)
Net loss attributable to OCC per share: Basic and diluted	\$ (0.04)	\$ (0.15)	\$ (0.13)	\$ (0.43)

See accompanying condensed notes to condensed consolidated financial statements.

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

	Six Months Ended April 30, 2017			Total Shareholders' Equity
	Common Stock		Retained Earnings	
	Shares	Amount		
Balances at October 31, 2016	7,081,159	\$ 11,080,595	\$ 13,684,394	\$ 24,764,989
Share-based compensation, net	288,969	336,198	—	336,198
Repurchase and retirement of common stock (at cost)	(5,092)	—	(16,553)	(16,553)
Net loss	—	—	(854,849)	(854,849)
Balances at April 30, 2017	<u>7,365,036</u>	<u>\$ 11,416,793</u>	<u>\$ 12,812,992</u>	<u>\$ 24,229,785</u>

See accompanying condensed notes to condensed consolidated financial statements.

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

	Six Months Ended April 30,	
	2017	2016
Cash flows from operating activities:		
Net loss	\$ (854,849)	\$ (2,750,315)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation, amortization and accretion	807,488	997,907
Bad debt expense	11,169	12,019
Share-based compensation expense	431,013	514,337
Impact of excess tax benefits from share-based compensation	—	532
(Gain) loss on sale of property and equipment	88,464	(1,007)
(Increase) decrease in:		
Trade accounts receivable	(598,894)	310,296
Other receivables	37,512	76,942
Inventories	(2,515,733)	1,274,052
Prepaid expenses	(125,232)	77,419
Increase (decrease) in:		
Accounts payable and accrued expenses	1,842,164	595,812
Accrued compensation and payroll taxes	175,086	(75,019)
Income taxes payable	5,712	11,377
Other noncurrent liabilities	194,832	(446,515)
Net cash provided by (used in) operating activities	<u>(501,268)</u>	<u>597,837</u>
Cash flows from investing activities:		
Purchase of and deposits for the purchase of property and equipment	(180,151)	(506,804)
Investment in intangible assets	(22,835)	(53,977)
Proceeds from sale of property and equipment	—	4,618
Net cash used in investing activities	<u>(202,986)</u>	<u>(556,163)</u>
Cash flows from financing activities:		
Payroll taxes withheld and remitted on share-based payments	(94,815)	(64,867)
Proceeds from note payable to bank	500,000	6,000,000
Principal payments on long-term debt and note payable to bank	(748,915)	(6,138,987)
Payments for financing costs	(17,500)	(118,371)
Repurchase of common stock	(16,553)	—
Impact of excess tax benefits from share-based compensation	—	(532)
Common stock dividends paid	—	(141,311)
Net cash used in financing activities	<u>(377,783)</u>	<u>(464,068)</u>
Net decrease in cash	(1,082,037)	(422,394)
Cash at beginning of period	1,879,064	1,083,072
Cash at end of period	<u>\$ 797,027</u>	<u>\$ 660,678</u>

See accompanying condensed notes to condensed consolidated financial statements.

OPTICAL CABLE CORPORATION

Condensed Notes to Condensed Consolidated Financial Statements

Six Months Ended April 30, 2017

(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 reporting information and the instructions to Form 10-Q and Regulation S-X. Accordingly, they do not include all of the information and notes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all material adjustments considered necessary for a fair presentation have been included. Operating results for the six months ended April 30, 2017 are not necessarily indicative of the results for the fiscal year ending October 31, 2017 because the following items, among other things, may impact those results: changes in market conditions, seasonality, changes in technology, competitive conditions, ability of management to execute its business plans, 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, 2016 (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, 2016.

In April 2015, the FASB issued Accounting Standards Update 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (“ASU 2015-03”). ASU 2015-03 requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of a debt discount. Prior to the issuance of the standard, debt issuance costs were required to be presented in the balance sheet as an asset. In August 2015, the FASB issued Accounting Standards Update 2015-15, *Interest - Imputed Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements* (“ASU 2015-15”) which clarified that entities may continue to defer and present debt issuance costs associated with a line-of-credit as an asset and subsequently amortize the deferred costs ratably over the term of the arrangement. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. The new guidance must be applied retrospectively to all prior reporting periods presented. The Company adopted ASU 2015-03 effective November 1, 2016. The adoption did not have a material impact on our results of operations, financial position or liquidity or our related financial statement disclosures.

In November 2015, the FASB issued Accounting Standards Update 2015-17, *Income Taxes* (“ASU 2015-17”). ASU 2015-17 requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. ASU 2015-17 is effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those periods, with early adoption permitted. The Company adopted ASU 2015-17 effective November 1, 2016. The adoption did not have a material impact on our results of operations, financial position or liquidity or our related financial statement disclosures.

OPTICAL CABLE CORPORATION

Condensed Notes to Condensed Consolidated Financial Statements

Six Months Ended April 30, 2017

(Unaudited)

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

On March 28, 2017, the Company's shareholders approved the Optical Cable Corporation 2017 Stock Incentive Plan (the "2017 Plan") that was recommended for approval by the Company's Board of Directors. The 2017 Plan reserves 500,000 new common shares of the Company for issuance under the 2017 Plan and succeeds and replaces the Optical Cable Corporation Second Amended and Restated 2011 Stock Incentive Plan (the "2011 Plan"). As a result, there were approximately 536,000 shares available for grant under the 2017 Plan as of April 30, 2017 (including the 500,000 new shares and the 36,903 shares transferred from the 2011 Plan, plus 30,154 shares forfeited or withheld for taxes in connection with the vesting of restricted shares less 31,380 shares granted in April 2017).

Share-based compensation expense for employees, a consultant and non-employee Directors recognized in the condensed consolidated statements of operations for the three months and six months ended April 30, 2017 was \$282,093 and \$431,013, respectively and for the three months and six months ended April 30, 2016 was \$295,264 and \$514,337, respectively. Share-based compensation expense is entirely related to expense recognized in connection with the vesting of restricted stock awards or other stock awards.

Restricted and Other Stock Awards

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 stock awards to non-employee members of the Board of Directors.

During the three months ended April 30, 2017, OCC granted restricted stock awards totaling 31,380 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. The Company recorded expense totaling \$7,583 during the three months and six months ended April 30, 2017 related to the grants to non-employee Directors.

Restricted stock award activity during the six months ended April 30, 2017 consisted of restricted or other stock grants totaling 391,211 shares, restricted and other shares forfeited totaling 77,285 and restricted shares withheld for taxes in connection with the vesting of restricted shares totaling 24,957. Employees and non-employee Directors have the option to surrender shares to pay for withholding tax obligations resulting from any vesting restricted shares, or to pay cash to the Company or taxing authorities in the amount of the withholding taxes owed on the value of any vesting restricted shares in order to avoid surrendering shares.

As of April 30, 2017, the estimated amount of compensation cost related to unvested equity-based compensation awards in the form of service-based and operational performance-based shares that the Company will recognize over a 3.3 year weighted-average period is approximately \$2.8 million.

OPTICAL CABLE CORPORATION

Condensed Notes to Condensed Consolidated Financial Statements

Six Months Ended April 30, 2017

(Unaudited)

(3) Allowance for Doubtful Accounts for Trade Accounts Receivable

A summary of changes in the allowance for doubtful accounts for trade accounts receivable for the six months ended April 30, 2017 and 2016 follows:

	Six Months Ended April 30,	
	2017	2016
Balance at beginning of period	\$ 74,266	\$ 63,011
Bad debt expense	11,169	12,019
Losses charged to allowance	(4,729)	—
Balance at end of period	<u>\$ 80,706</u>	<u>\$ 75,030</u>

(4) Inventories

Inventories as of April 30, 2017 and October 31, 2016 consist of the following:

	April 30, 2017	October 31, 2016
Finished goods	\$ 5,112,538	\$ 4,657,779
Work in process	3,437,078	2,591,885
Raw materials	8,687,127	7,515,717
Production supplies	302,956	258,585
Total	<u>\$ 17,539,699</u>	<u>\$ 15,023,966</u>

(5) Product Warranties

As of April 30, 2017 and October 31, 2016, the Company's accrual for estimated product warranty claims totaled \$95,000 and \$70,000, respectively, and is included in accounts payable and accrued expenses. Warranty claims expense for the three months and six months ended April 30, 2017 totaled \$33,783 and \$81,638, respectively. Warranty claims expense for the three months and six months ended April 30, 2016 totaled \$10,952 and \$23,682, respectively.

The following table summarizes the changes in the Company's accrual for product warranties during the six months ended April 30, 2017 and 2016:

	Six Months Ended April 30,	
	2017	2016
Balance at beginning of period	\$ 70,000	\$ 130,000
Liabilities accrued for warranties issued during the period	101,824	80,506
Warranty claims and costs paid during the period	(56,638)	(78,682)
Changes in liability for pre-existing warranties during the period	(20,186)	(56,824)
Balance at end of period	<u>\$ 95,000</u>	<u>\$ 75,000</u>

OPTICAL CABLE CORPORATION

Condensed Notes to Condensed Consolidated Financial Statements

Six Months Ended April 30, 2017

(Unaudited)

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

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

On December 21, 2016, the Company entered into a Loan Modification Agreement (the “Agreement”) with Bank of North Carolina (“BNC”) to modify the Credit Agreement dated April 26, 2016 entered into between the Company and BNC, the Revolving Credit Note dated April 26, 2016 payable by the Company to BNC and the term loans dated April 26, 2016 payable by the Company to BNC.

The Agreement with BNC lowered the interest rate of the Virginia Real Estate Loan and the North Carolina Real Estate Loan to 3.75% effective January 1, 2017 and resulted in lower monthly installment payments.

On April 27, 2017, the Company entered into a Third Loan Modification Agreement with BNC to modify the Credit Agreement dated April 26, 2016 entered into between the Company and BNC and the term loans dated April 26, 2016.

The Third Loan Modification Agreement revised the interest rates of the term loans and the applicable repayment installments and extended the maturity date. The fixed interest rate of each of the two term loans was revised to 3.95% from 3.75%, and the maturity date of the term loans was extended to May 1, 2024. All other terms of the term loans remain unaltered and remain in full force and effect.

The real estate loans continue to be secured by a first priority lien on all of the Company’s personal property and assets, all money, goods, machinery, equipment, fixtures, inventory, accounts, chattel paper, letter of credit rights, deposit accounts, commercial tort claims, documents, instruments, investment property and general intangibles now owned or hereafter acquired by the Company and wherever located, as well as a first lien deed of trust on the Company’s real property.

Long-term debt as of April 30, 2017 and October 31, 2016 consists of the following:

	April 30, 2017	October 31, 2016
Virginia Real Estate Loan (\$6.5 million original principal) payable in monthly installments of \$31,812, including interest (at 3.95%), with final payment of \$3,644,211 due May 1, 2024	\$ 5,055,036	\$ 5,165,785
North Carolina Real Estate Loan (\$2.24 million original principal) payable in monthly installments of \$10,963, including interest (at 3.95%), with final payment of \$1,255,850 due May 1, 2024	1,742,043	1,780,209
Total long-term debt	6,797,079	6,945,994
Less current installments	251,216	294,214
Long-term debt, excluding current installments	<u>\$ 6,545,863</u>	<u>\$ 6,651,780</u>

The Revolving Credit Note (“Revolver”) with BNC provides the Company with a \$7.0 million revolving line of credit (“Revolving Loan”) for the working capital needs of the Company. Under the Agreement and Revolver, BNC provides the Company with one or more revolving loans in a collective maximum principal amount of \$7.0 million. The Company may borrow, repay, and reborrow at any time or from time to time while the Revolving Loan is in effect.

OPTICAL CABLE CORPORATION

Condensed Notes to Condensed Consolidated Financial Statements

Six Months Ended April 30, 2017

(Unaudited)

The Agreement with BNC resulted in the lowering of the applicable margin in the Revolving Credit Note and established a floor on the interest rate for the Revolving Credit Note such that the rate will never be less than 2.50% per annum. The Revolving Loan accrues interest at LIBOR plus 2.50% (resulting in a 3.48% rate at April 30, 2017). The Revolving Loan is payable in monthly payments of interest only with principal and any outstanding interest due and payable at maturity.

On February 28, 2017, the Company entered into a Second Loan Modification Agreement (the "Modification Agreement") extending the maturity date of the Revolver to March 31, 2019, and removing certain previously existing provisions of the Revolving Loan that required reductions in availability originally contemplated to occur on February 28, 2017 and 2018. As a result, the collective maximum principal amount of the Revolving Loan will remain at \$7.0 million. All other terms of the Revolving Loan remain unaltered and remain in full force and effect. Within the revolving loan limit of the Revolving Loan and the Modification Agreement, the Company may borrow, repay, and reborrow, at any time or from time to time until March 31, 2019.

The Revolving Loan continues to be secured by a perfected first lien security interest on all assets, including but not limited to, accounts, as-extracted collateral, chattel paper, commodity accounts, commodity contracts, deposit accounts, documents, equipment, fixtures, furniture, general intangibles, goods, instruments, inventory, investment property, letter of credit rights, payment intangibles, promissory notes, software and general tangible and intangible assets owned now or later acquired. The Revolving Loan is also cross-collateralized with the Company's real property.

As of April 30, 2017, the Company had \$4.9 million of outstanding borrowings on its Revolving Loan and \$2.1 million in available credit. As of October 31, 2016, the Company had outstanding borrowings of \$5.0 million on its former revolving credit facility and \$2.0 million in available credit.

(7) Fair Value Measurements

The carrying amounts reported in the condensed consolidated balance sheets as of April 30, 2017 and October 31, 2016 for cash, trade accounts receivable, other receivables and accounts payable and accrued expenses, including accrued compensation and payroll taxes, approximate fair value because of the short maturity of these instruments. The carrying values of the Company's note payable to bank and long-term debt approximate fair value based on similar long-term debt issues available to the Company as of April 30, 2017 and October 31, 2016. 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.

(8) Net Loss Per Share

Basic net loss per share excludes dilution and is computed by dividing net loss available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted net 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 loss of the Company.

OPTICAL CABLE CORPORATION

Condensed Notes to Condensed Consolidated Financial Statements

Six Months Ended April 30, 2017

(Unaudited)

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

	Three months ended April 30,		Six months ended April 30,	
	2017	2016	2017	2016
Net loss attributable to OCC (numerator)	\$ (239,082)	\$ (983,122)	\$ (854,849)	\$ (2,728,143)
Shares (denominator)	6,488,328	6,357,067	6,520,582	6,346,871
Basic and diluted net loss per share	\$ (0.04)	\$ (0.15)	\$ (0.13)	\$ (0.43)

Weighted average unvested shares for the three months and six months ended April 30, 2017 totaling 882,637 and 717,816, respectively, while issued and outstanding, were not included in the computation of basic and diluted net loss per share for the three months and six months ended April 30, 2017 (because to include such shares would have been antidilutive, or in other words, to do so would have reduced the net loss per share for those periods).

Weighted average unvested shares for the three months and six months ended April 30, 2016 totaling 722,650, while issued and outstanding, were not included in the computation of basic and diluted net loss per share for the three months and six months ended April 30, 2016 (because to include such shares would have been antidilutive, or in other words, to do so would have reduced the net loss per share for those periods).

(9) 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 limited due to the Company's large number of customers. The Company also manages exposure to credit risk through credit approvals, credit limits and monitoring procedures. Management believes that credit risks as of April 30, 2017 and October 31, 2016 have been adequately provided for in the condensed consolidated financial statements.

For the three months and six months ended April 30, 2017, 16.6% and 16.5%, respectively, of consolidated net sales were attributable to one customer. For the three months and six months ended April 30, 2016, 14.1% and 13.1%, respectively, of consolidated net sales were attributable to the same customer.

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

(10) Non-controlling Interest

On August 1, 2008, OCC acquired 70% of the authorized membership interests of Centric Solutions LLC ("Centric Solutions"), a limited liability company focused on sales of turnkey cabling and connectivity solutions for the datacenter market. OCC consolidated Centric Solutions for financial reporting purposes and a non-controlling interest was recorded for the other members' interests in the net assets and operations of Centric Solutions to the extent of the non-controlling members' investment.

OPTICAL CABLE CORPORATION

Condensed Notes to Condensed Consolidated Financial Statements

Six Months Ended April 30, 2017

(Unaudited)

Effective February 1, 2016, OCC purchased, for a nominal amount, the membership interest in Centric Solutions of one of the non-controlling members, and Centric Solutions purchased, for a nominal amount, and retired the membership units of the remaining non-controlling member. As a result, Centric Solutions became a wholly owned subsidiary of OCC. OCC continues to consolidate Centric Solutions for financial reporting purposes; however, beginning in the second quarter of fiscal year 2016, the Company no longer records a non-controlling interest in its condensed consolidated financial statements.

(11) 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.

(12) New Accounting Standards Not Yet Adopted

In May 2014, the FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). ASU 2014-09 is a comprehensive new revenue recognition model that expands disclosure requirements and requires an entity to recognize revenue when promised goods or services are transferred to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. In August 2015, the FASB issued Accounting Standards Update 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date* ("ASU 2015-14") which defers the effective date of the new revenue recognition standard by one year. Under ASU 2015-14, the new revenue recognition standard is effective for the Company beginning in fiscal year 2019. The FASB has also issued ASU 2016-08, ASU 2016-10, ASU 2016-11, ASU 2016-12, and ASU 2016-20 all of which clarify certain implementation guidance within ASU 2014-09. The Company is currently evaluating the impact of the adoption of this guidance on the Company's results of operations, financial position and liquidity and its related financial statement disclosures.

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

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases* ("ASU 2016-02"). ASU 2016-02 requires the recognition of a separate lease liability representing the required lease payments over the lease term and a separate lease asset representing the right to use the underlying asset during the same lease term. Additionally, this ASU provides clarification regarding the identification of certain components of contracts that would represent a lease as well as requires additional disclosures to the notes to the financial statements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within that reporting period with early adoption permitted. The adoption of ASU 2016-02 is not expected to have a material impact on the Company's results of operations, financial position or liquidity or its related financial statement disclosures.

OPTICAL CABLE CORPORATION

Condensed Notes to Condensed Consolidated Financial Statements

Six Months Ended April 30, 2017

(Unaudited)

In March 2016, the FASB issued Accounting Standards Update 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09"). ASU 2016-09 simplifies several aspects related to the accounting for share-based payment transactions, including the accounting for income taxes, forfeitures, statutory tax withholding requirements and classification on the statement of cash flows. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, including interim periods within that reporting period, with early adoption permitted. The adoption of ASU 2016-09 is not expected to have a material impact on the Company's results of operations, financial position or liquidity or its related financial statement disclosures.

In August 2016, the FASB issued Accounting Standards Update 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"). ASU 2016-15 provides guidance related to the classification of certain cash receipts and cash payments on the statement of cash flows. The pronouncement provides clarification guidance on eight specific cash flow presentation issues that have developed due to diversity in practice. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017, including interim periods within that reporting period, with early adoption permitted. The adoption of ASU 2016-15 is not expected to have a material impact on the Company's results of operations, financial position or liquidity or its related financial statement disclosures.

In October 2016, the FASB issued Accounting Standards Update 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory* ("ASU 2016-16"). ASU 2016-16 requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset (with the exception of inventory) when the transfer occurs. Under current GAAP, entities are prohibited from recognizing current and deferred income taxes for an intra-entity transfer until the asset is sold to a third party. Examples of assets that would be affected by the new guidance are intellectual property and property, plant and equipment. ASU 2016-16 is effective for fiscal years beginning after December 15, 2017, including interim periods within that reporting period, with early adoption permitted. The adoption of ASU 2016-16 is not expected to have a material impact on the Company's results of operations, financial position or liquidity or its related financial statement disclosures.

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

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; the loss of or conflict with one or more key suppliers or customers; an adverse outcome in litigation, claims and other actions, and potential litigation, claims and other actions against us; an adverse outcome in regulatory reviews and audits and potential regulatory reviews and audits; adverse changes in state tax laws and/or positions taken by state taxing authorities affecting us; technological changes and introductions of new competing products; changes in end-user preferences for competing technologies relative to our product offering; economic conditions that affect the telecommunications sector, the data communications sector, certain technology sectors and/or certain industry market sectors (for example, mining, oil & gas, military and wireless carrier industry market sectors); economic conditions that affect U.S. based manufacturers; economic conditions or changes in relative currency strengths (for example, the strengthening of the U.S. dollar relative to certain foreign currencies) that affect certain geographic markets, the relative costs of U.S. products exported, and/or the economy as a whole; changes in demand for our products from certain competitors for which we provide private label connectivity products; changes in the mix of products sold during any given period (due to, among other things, seasonality or strength or weaknesses in particular markets in which we participate) which may impact gross profits and gross profit margins or net sales; variations in orders and production volumes of hybrid cables (fiber and copper) with high copper content, which tend to have lower gross profit margins; variations resulting from high volatility, large sales orders and high sales concentration among a limited number of customers in the wireless carrier market; terrorist attacks or acts of war, and any current or potential future military conflicts; changes in the level of military spending or other spending by the United States government, including, but not limited to reductions in government spending due to automatic budget cuts or sequestration; ability to recruit and retain key personnel; poor labor relations; the impact of changes in accounting policies and related costs of compliance, including changes by the Securities and Exchange Commission ("SEC"), the Public Company Accounting Oversight Board ("PCAOB"), the Financial Accounting Standards Board ("FASB"), and/or the International Accounting Standards Board ("IASB"); our ability to continue to successfully comply with, and the cost of compliance with, the provisions of Section 404 of the Sarbanes-Oxley Act of 2002 or any revisions to that act which apply to us; the impact of changes and potential changes in federal laws and regulations adversely affecting our business and/or which result in increases in our direct and indirect costs, including our direct and indirect costs of compliance with such laws and regulations; the impact of the Patient Protection and Affordable Care Act of 2010, the Health Care and Education Reconciliation Act of 2010, and any revisions to those acts that apply to us and the related legislation and regulation associated with those acts, which directly or indirectly result in increases to our costs; the impact of changes in state or federal tax laws and regulations increasing our costs and/or impacting the net return to investors owning our shares; any changes in the status of our compliance with financial debt covenants with our lender; our ability to maintain and/or secure 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; a continued suspension of dividends declared to shareholders due to inadequate or alternative uses of cash on hand; adverse reactions by customers, vendors or other service providers to unsolicited proposals regarding the ownership or management of the Company; the additional costs of considering, responding to and possibly defending our position on unsolicited proposals regarding the ownership or management of the Company; impact of weather or natural disasters in the areas of the world in which we operate, market our products and/or acquire raw materials; an increase in the number of shares of the Company's common stock issued and outstanding; further 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.

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

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

Overview of Optical Cable Corporation

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

OCC[®] is internationally recognized for pioneering the design and production of fiber optic cables for the most demanding military field applications, as well as of fiber optic cables suitable for both indoor and outdoor use, and creating a broad product offering built on the evolution of these fundamental technologies. OCC is also internationally recognized for pioneering the development of innovative copper connectivity technology and designs used to meet industry copper connectivity data communications standards.

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

OCC designs, develops and manufactures fiber optic cables for a broad range of enterprise, harsh environment and specialty markets and applications. We refer to these products as our fiber optic cable offering. OCC designs, develops and manufactures fiber and copper connectivity products for the enterprise market, including a broad range of enterprise and residential applications. We refer to these products as our enterprise connectivity product offering. OCC designs, develops and manufactures a broad range of specialty fiber optic connectors and connectivity solutions principally for use in military, 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 turnkey cabling and connectivity solutions for the datacenter market. Centric Solutions operates and goes to market independently from Optical Cable Corporation; however, in some cases, Centric Solutions may offer products from OCC's product offering. Centric Solutions' business is located at OCC's facility near Dallas, Texas.

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

Summary of Company Performance for Second Quarter and first half of Fiscal Year 2017

- Consolidated net sales for the second quarter of fiscal year 2017 were \$15.8 million, a decrease of 3.0% compared to net sales of \$16.3 million for the second quarter of fiscal year 2016. Sequentially, net sales increased 8.5% in the second quarter of fiscal year 2017, compared to net sales of \$14.6 million for the first quarter of fiscal year 2017. Consolidated net sales for the first half of fiscal year 2017 were \$30.5 million, an increase of less than one percent compared to net sales of \$30.4 million for the same period last year.
- Gross profit increased 24.4% to \$5.7 million in the second quarter of fiscal year 2017, compared to \$4.6 million for the second quarter of fiscal year 2016. Gross profit increased 30.0% to \$10.5 million in the first half of fiscal year 2017, compared to \$8.1 million for the same period last year.
- Gross profit margin (gross profit as a percentage of net sales) was 35.7% during the second quarter of fiscal year 2017, compared to 27.9% for the same period last year. Gross profit margin was 34.4% during the first half of fiscal year 2017, compared to 26.5% during the first half of fiscal year 2016.

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- Net loss was \$239,000, or \$0.04 per share, during the second quarter of fiscal year 2017, compared to a net loss of \$983,000, or \$0.15 per share, for the comparable period last year. Net loss was \$855,000, or \$0.13 per share, during the first half of fiscal year 2017, compared to a net loss of \$2.7 million, or \$0.43 per share, during the first half of fiscal year 2016.
- During the second quarter of fiscal year 2017, we renewed our \$7 million revolving credit facility extending the maturity date to March 31, 2019 at a variable interest rate of LIBOR plus 2.5% (with a 2.5% floor), and we modified our real estate term loans of \$6.8 million extending the maturity date to May 1, 2024 at a fixed interest rate of 3.95%.

Results of Operations

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

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

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

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

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

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

Amortization of intangible assets consists of the amortization of 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.

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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		Percent Change	Six Months Ended		Percent Change
	April 30,			April 30,		
	2017	2016		2017	2016	
Net sales	\$ 15,847,000	\$ 16,340,000	(3.0)%	\$ 30,454,000	\$ 30,388,000	0.2%
Gross profit	5,663,000	4,551,000	24.4%	10,473,000	8,054,000	30.0%
SG&A expenses	5,899,000	5,352,000	10.2%	11,091,000	10,439,000	6.2%
Net loss attributable to OCC	(239,000)	(983,000)	75.7%	(855,000)	(2,728,000)	68.7%

Three Months Ended April 30, 2017 and 2016*Net Sales*

Consolidated net sales for the second quarter of fiscal year 2017 decreased 3.0% to \$15.8 million compared to net sales of \$16.3 million for the same period last year. We experienced an increase in net sales in our specialty markets in the second quarter of fiscal year 2017 compared to the same period last year, despite significant weakness in the military and wireless carrier portions of our specialty markets. Our net increase in the specialty markets was offset by a decrease in net sales in our enterprise markets. Sequentially, net sales increased 8.5% in the second quarter of fiscal year 2017, compared to net sales of \$14.6 million for the first quarter of fiscal year 2017, with increases in both our enterprise markets and specialty markets, with military and wireless carrier portions of our specialty markets not contributing to the increase.

Net sales to customers in the United States decreased 3.0% in the second quarter of fiscal year 2017, compared to the same period last year, and net sales to customers outside of the United States decreased 3.3% compared to the same period last year. Net sales outside the United States continue to be negatively impacted by a strong U.S. dollar relative to other currencies, particularly in certain geographic regions.

Gross Profit

Our gross profit was \$5.7 million in the second quarter of fiscal year 2017, an increase of 24.4% compared to gross profit of \$4.6 million in the second quarter of fiscal year 2016. Gross profit margin, or gross profit as a percentage of net sales, increased to 35.7% in the second quarter of fiscal year 2017 compared to 27.9% in the second quarter of fiscal year 2016.

Our gross profit margin percentages are heavily dependent upon product mix on a quarterly basis. Gross profit margin in the second quarter of fiscal year 2017 was positively impacted primarily due to a shift in product mix toward the sale of certain higher margin products in the second quarter of fiscal year 2017 compared to the second quarter of fiscal year 2016. Sequentially, gross profit increased 17.7% in the second quarter compared to the first quarter of fiscal year 2017.

Selling, General, and Administrative Expenses

SG&A expenses increased 10.2% to \$5.9 million during the second quarter of fiscal year 2017, compared to \$5.4 million for the same period last year. SG&A expenses as a percentage of net sales were 37.2% in the second quarter of fiscal year 2017, compared to 32.8% in the second quarter of fiscal year 2016.

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The increase in SG&A expenses during the second quarter of fiscal year 2017 compared to the same period last year was primarily the result of increased employee related costs totaling \$286,000, increased legal fees totaling \$83,000 and increased marketing expenses totaling \$97,000. Compensation costs have increased when comparing the second quarter of fiscal 2017 to the comparable period in fiscal year 2016 largely as a result of new hires, selectively added to accomplish strategic objectives, and increases in commissions due to new sales incentive programs added to increase and improve targeted sales activity. Legal fees increased primarily due to legal action undertaken by the Company and are not expected to recur at the same level in the second half of fiscal year 2017. Marketing expenses increased due to a number of new marketing initiatives and work related to future product launches.

Royalty Expense, Net

We recognized royalty expense, net of royalty income, totaling \$39,000 during the second quarter of fiscal year 2017, compared to \$52,000 during the same period last year. We expect the trend of royalty expense completely offsetting royalty income to continue in fiscal year 2017 as a result of the decline in royalty income due to the expiration of patents for licensed products.

Amortization of Intangible Assets

We recognized \$6,000 of amortization expense, associated with intangible assets, during the second quarter of fiscal year 2017, compared to \$4,000 during the second quarter of fiscal year 2016.

Other Income (Expense), Net

We recognized other income, net in the second quarter of fiscal year 2017 of \$49,000 compared to other expense, net of \$137,000 in the second quarter of fiscal year 2016. Other income, net for the second quarter of fiscal year 2017 was comprised of the reversal of amounts previously accrued of approximately \$171,000, resulting from the favorable settlement of certain legal matters, partially offset by interest expense and other miscellaneous items. Other expense, net for the second quarter of fiscal year 2016 was comprised primarily of interest expense together with other miscellaneous items.

Loss Before Income Taxes

We reported a loss before income taxes of \$231,000 for the second quarter of fiscal year 2017, compared to \$993,000 for the second quarter of fiscal year 2016. The improvement was primarily due to the increase in gross profit of \$1.1 million, partially offset by the increase in SG&A expenses of \$547,000, compared to the same period in 2016.

Income Tax Expense (Benefit)

Income tax expense totaled \$8,000 in the second quarter of fiscal year 2017, compared to income tax benefit of \$10,000 for the same period in fiscal year 2016. Our effective tax rate for the first quarter of fiscal year 2017 was negative 3.4% compared to less than one percent for the second quarter of fiscal year 2016.

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.

During fiscal year 2015, we established a \$2.4 million 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, as we did in the second quarter of fiscal year 2017, 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.

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If we generate sufficient income before taxes in future periods such that U.S. GAAP would permit us to conclude that the removal of any valuation allowance against our net deferred tax asset is appropriate, then during the period in which such determination is made, we will recognize the non-cash benefit of such removal of the valuation allowance in income tax expense on our consolidated statement of operations, which will increase 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 future periods such that U.S. GAAP would permit us to conclude that the reduction or removal of any valuation allowance against our net deferred tax 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.

Net Loss

Net loss attributable to OCC for the second quarter of fiscal year 2017 was \$239,000 compared to a net loss attributable to OCC of \$983,000 for the second quarter of fiscal year 2016. This improvement was primarily due to the decrease in the loss before income taxes of \$761,000.

Six Months Ended April 30, 2017 and 2016

Net Sales

Consolidated net sales for the first half of fiscal year 2017 increased less than one percent to \$30.5 million compared to net sales of \$30.4 million for the same period last year. We experienced an increase in net sales in our enterprise markets in the first half of fiscal year 2017 compared to the same period last year, but this increase was partially offset by a decrease in net sales in our specialty markets as a result of significant decreases in the military and wireless carrier portions of our specialty markets, only partially offset by increases in the remaining portion of our specialty markets. Net sales to customers in the United States increased 3.2% in the first half of fiscal year 2017 compared to the same period last year, while net sales to customers outside of the United States decreased 10.5%. During the first half of fiscal year 2017, net sales outside of the United States continued to be negatively impacted by a strong U.S. dollar relative to other currencies, particularly in certain geographic regions.

Gross Profit

Our gross profit was \$10.5 million in the first half of fiscal year 2017, an increase of 30.0% compared to gross profit of \$8.1 million in the first half of fiscal year 2016. Gross profit margin, or gross profit as a percentage of net sales, increased to 34.4% in the first half of fiscal year 2017 compared to 26.5% in the first half of fiscal year 2016.

Our gross profit margin percentages are heavily dependent upon product mix on a quarterly basis. Gross profit margin in the first half of fiscal year 2017 was positively impacted primarily due to a shift in product mix toward the sale of certain higher margin products in the first half of fiscal year 2017 compared to the first half of fiscal year 2016.

Selling, General, and Administrative Expenses

SG&A expenses increased 6.2% to \$11.1 million for the first half of fiscal year 2017 from \$10.4 million for the same period last year. SG&A expenses as a percentage of net sales were 36.4% in the first half of fiscal year 2017 compared to 34.4% in the first half of fiscal year 2016.

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The increase in SG&A expenses during the first half of fiscal year 2017 compared to the same period last year was primarily the result of increased employee related costs totaling \$252,000, increased legal fees totaling \$208,000 and increased marketing expenses totaling \$119,000. Compensation costs have increased when comparing the first half of fiscal 2017 to the comparable period in fiscal year 2016 largely as a result of new hires, selectively added to accomplish strategic objectives, and increases in commissions due to new sales incentive programs added to increase and improve targeted sales activity. Legal fees increased primarily due to legal action undertaken by the Company and are not expected to recur at the same level in the second half of fiscal year 2017. Marketing expenses increased due to a number of new marketing initiatives and work related to future product launches. The increases in employee related costs, legal fees and marketing expenses were partially offset by a decrease in SG&A expenses associated with Centric Solutions totaling \$89,000.

On November 30, 2015, Centric Solutions' operating lease expired, and Centric Solutions began sharing office and manufacturing space with OCC in our facility near Dallas, Texas. In connection with the move, certain positions were also eliminated. As a result, both reduced employee related costs and reduced rent expense contributed to the decrease in SG&A expenses of Centric Solutions when comparing the first half of fiscal year 2017 to the same period in fiscal year 2016.

Royalty Expense, Net

We recognized royalty expense, net of royalty income, totaling \$70,000 during the first half of fiscal year 2017, compared to \$66,000 during the same period last year. We expect the trend of royalty expense completely offsetting royalty income to continue in fiscal year 2017 as a result of the decline in royalty income due to the expiration of patents for licensed products.

Amortization of Intangible Assets

We recognized \$12,000 of amortization expense, associated with intangible assets, for the first half of fiscal year 2017, compared to amortization expense of \$7,000 during the first half of fiscal year 2016.

Other Expense, Net

We recognized other expense, net in the first half of fiscal year 2017 of \$168,000 compared to \$277,000 in the first half of fiscal year 2016. Other expense, net in the first half of fiscal year 2017 was comprised of interest expense and other miscellaneous items, partially offset by income of approximately \$171,000, resulting from the reversal of amounts previously accrued upon the favorable settlement of certain legal matters. Other expense, net in the first half of fiscal year 2016 was comprised of interest expense and other miscellaneous items.

Loss Before Income Taxes

We reported a loss before income taxes of \$868,000 for the first half of fiscal year 2017 compared to \$2.7 million for the first half of fiscal year 2016. This improvement was primarily due to the increase in gross profit of \$2.4 million, partially offset by the increase in SG&A expenses of \$652,000 in the first half of fiscal year 2017, compared to the same period in 2016.

Income Tax Expense (Benefit)

Income tax benefit totaled \$13,000 in the first half of fiscal year 2017 compared to income tax expense of \$14,000 for the same period in fiscal year 2016. Our effective tax rate for the first half of fiscal year 2017 was 1.5% compared to negative less than one percent for the first half of fiscal year 2016.

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.

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During fiscal year 2015, we established a \$2.4 million 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 future periods to realize a portion or all of our net deferred tax assets, our effective income tax rate could be unusually low due to the tax benefit attributable to the necessary decrease in our valuation allowance. Further, if we generate losses before taxes in future periods, as we did in the first half of fiscal year 2017, our effective income tax rate could also be unusually low, as any increase in our net deferred tax asset from such a net operating loss for tax purposes, would be offset by a corresponding increase to our valuation allowance against our net deferred tax assets.

If we generate sufficient income before taxes in future periods such that U.S. GAAP would permit us to conclude that the removal of any valuation allowance against our net deferred tax asset is appropriate, then during the period in which such determination is made, we will recognize the non-cash benefit of such removal of the valuation allowance in income tax expense on our consolidated statement of operations, which will increase net income attributable to OCC and will also increase the net deferred tax asset on our consolidated balance sheet. If we do not generate sufficient income before taxes in future periods such that U.S. GAAP would permit us to conclude that the reduction or removal of any valuation allowance against our net deferred tax 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.

Net Loss

Net loss attributable to OCC for the first half of fiscal year 2017 was \$855,000 compared to \$2.7 million for the first half of fiscal year 2016. This improvement was due primarily to the decrease in the loss before income taxes of \$1.9 million in the first half of fiscal year 2017, compared to the same period in fiscal year 2016.

Financial Condition

Total assets increased \$1.3 million, or 3.3%, to \$42.0 million at April 30, 2017, from \$40.7 million at October 31, 2016. This increase was primarily due to a \$2.5 million increase in inventories and a \$588,000 increase in trade accounts receivable, net, partially offset by a \$1.1 million decrease in cash. Inventories increased as the result of the planned replenishment of stock inventory to sufficient levels, increases in work in process levels related to pending shipments and stock replenishment, and the timing of certain raw material purchases. The increase in trade accounts receivable, net largely resulted from the timing of collections. Further detail regarding the decrease in cash is provided in our discussion of “Liquidity and Capital Resources”.

Total liabilities increased \$1.9 million, or 11.7%, to \$17.8 million at April 30, 2017, from \$15.9 million at October 31, 2016. The increase in total liabilities was primarily due to an increase in accounts payable and accrued expenses totaling \$1.9 million, primarily due to the timing of vendor payments.

Total shareholders' equity at April 30, 2017 decreased \$535,000 in the first half of fiscal year 2017. The decrease resulted primarily from the net loss of \$855,000, partially offset by share-based compensation, net of \$336,000.

Liquidity and Capital Resources

Our primary capital needs during the first half of fiscal year 2017 have been to fund working capital requirements and capital expenditures, and to partially repay the outstanding balance on our revolving credit facility. Our primary source of capital for these purposes has been existing cash and cash provided by operations.

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Our cash totaled \$797,000 as of April 30, 2017, a decrease of \$1.1 million, compared to \$1.9 million as of October 31, 2016. The decrease in cash for the six months ended April 30, 2017 primarily resulted from net cash used in operating activities of \$501,000, capital expenditures totaling \$180,000 and net cash used in financing activities totaling \$378,000.

On April 30, 2017, we had working capital of \$22.3 million compared to \$22.2 million on October 31, 2016. The ratio of current assets to current liabilities as of April 30, 2017 was 4.6 to 1 compared to 6.4 to 1 as of October 31, 2016. The slight increase in working capital was primarily due to the \$2.5 million increase in inventories and the \$588,000 increase in trade accounts receivable, net, partially offset by the \$1.1 million decrease in cash and the \$1.9 million increase in accounts payable and accrued expenses. The decrease in the current ratio was primarily due to the fact that current assets increased \$2.1 million, or 8.0%, while current liabilities increased \$2.0 million, or 49.2%.

As of April 30, 2017 and October 31, 2016, we had outstanding loan balances under our revolving credit facilities totaling \$4.9 million and \$5.0 million, respectively. As of April 30, 2017 and October 31, 2016, we had outstanding loan balances, excluding our revolving credit facility, totaling \$6.8 million and \$6.9 million, respectively.

Net Cash

Net cash used in operating activities was \$501,000 in the first half of fiscal year 2017, compared to net cash provided by operating activities of \$598,000 in the first half of fiscal year 2016. Net cash used in operating activities during the first half of fiscal year 2017 primarily resulted from an increase in inventories totaling \$2.5 million and the cash flow impact of increases in trade accounts receivable, net totaling \$599,000, partially offset by certain adjustments to reconcile a net loss of \$855,000 to net cash used in operating activities including depreciation, amortization and accretion of \$807,000 and share-based compensation expense of \$431,000. Additionally, the cash flow impact of increases in accounts payable and accrued expense of \$1.8 million further contributed to offset net cash used in operating activities.

Net cash provided by operating activities during the first half of fiscal year 2016 primarily resulted from certain adjustments to reconcile a net loss of \$2.8 million to net cash provided by operating activities including depreciation, amortization and accretion of \$998,000 and share-based compensation expense of \$514,000. Additionally, the cash flow impact of decreases in accounts receivable, net of \$310,000, decreases in inventories of \$1.3 million and increases in accounts payable and accrued expenses of \$596,000 further contributed to net cash provided by operating activities.

Net cash used in investing activities totaled \$203,000 in the first half of fiscal year 2017, compared to \$556,000 in the first half of fiscal year 2016. Net cash used in investing activities during the first half of fiscal years 2017 and 2016 resulted primarily from purchases of property and equipment and deposits for the purchase of property and equipment.

Net cash used in financing activities totaled \$378,000 in the first half of fiscal year 2017, compared to \$464,000 in the first half of fiscal year 2016. Net cash used in financing activities in the first half of fiscal year 2017 resulted primarily from repayments, net of proceeds from a note payable to our bank under our line of credit totaling \$100,000 and principal payments on long-term debt totaling \$149,000. Net cash used in financing activities in the first half of fiscal year 2016 resulted primarily from the payment of dividends previously declared totaling \$141,000, principal payments on long-term debt totaling \$139,000 and refinancing costs totaling \$118,000.

We have a plan (the "Repurchase Plan"), approved by our Board of Directors on July 14, 2015, to purchase and retire up to 400,000 shares of our common stock, or approximately 6.0% of the shares then outstanding. We anticipate that the purchases will be made over a 24- to 36-month period, but there is no definite time period for repurchase. As of April 30, 2017, we had 398,400 shares remaining to purchase under this Repurchase Plan.

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We have repurchased outstanding common stock outside of the Repurchase Plan directly from certain shareholders and through an odd lot repurchase offer. During the first half of fiscal year 2017, we repurchased and retired 5,092 shares for \$16,553, outside of the Repurchase Plan.

Credit Facilities

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

On December 21, 2016, we entered into a Loan Modification Agreement (the “Agreement”) with Bank of North Carolina (“BNC”) to modify the Credit Agreement dated April 26, 2016 entered into between the Company and BNC, the Revolving Credit Note dated April 26, 2016 payable by the Company to BNC and the term loans dated April 26, 2016 payable by the Company to BNC.

The Agreement with BNC lowered the interest rate of the Virginia Real Estate Loan and the North Carolina Real Estate Loan to 3.75% effective January 1, 2017 and resulted in lower monthly installment payments.

On April 27, 2017, we entered into a Third Loan Modification Agreement with BNC to modify the Credit Agreement dated April 26, 2016 entered into between the Company and BNC and the term loans dated April 26, 2016.

The Third Loan Modification Agreement revised the interest rates of the term loans and the applicable repayment installments and extended the maturity date. The fixed interest rate of each of the two term loans was revised to 3.95% from 3.75%, and the maturity date of the term loans was extended to May 1, 2024. All other terms of the term loans remain unaltered and remain in full force and effect.

The real estate loans continue to be secured by a first priority lien on all of our personal property and assets, all money, goods, machinery, equipment, fixtures, inventory, accounts, chattel paper, letter of credit rights, deposit accounts, commercial tort claims, documents, instruments, investment property and general intangibles now owned or hereafter acquired by us and wherever located, as well as a first lien deed of trust on our real property.

Our Revolving Credit Note (“Revolver”) with BNC provides the Company with a \$7.0 million revolving line of credit (“Revolving Loan”) for our working capital needs. Under the Revolver, BNC provides us with one or more revolving loans in a collective maximum principal amount of \$7.0 million. We may borrow, repay, and reborrow at any time or from time to time while the Revolving Loan is in effect.

The Agreement with BNC resulted in the lowering of the applicable margin in the Revolving Credit Note and established a floor on the interest rate for the Revolving Credit Note such that the rate will never be less than 2.50% per annum. The Revolving Loan accrues interest at LIBOR plus 2.50% (resulting in a 3.48% rate at April 30, 2017). The Revolving Loan is payable in monthly payments of interest only with principal and any outstanding interest due and payable at maturity.

On February 28, 2017, we entered into a Second Loan Modification Agreement (“Modification Agreement”) extending the maturity date of the Revolver to March 31, 2019, and removing certain previously existing provisions of the Revolving Loan that required reductions in availability originally contemplated to occur on February 28, 2017 and 2018. As a result, the collective maximum principal amount of the Revolving Loan will remain at \$7.0 million. All other terms of the Revolving Loan remain unaltered and remain in full force and effect. Within the revolving loan limit of the Revolving Loan and the Modification Agreement, we may borrow, repay, and reborrow, at any time or from time to time until March 31, 2019.

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The Revolving Loan continues to be secured by a perfected first lien security interest on all assets, including but not limited to, accounts, as-extracted collateral, chattel paper, commodity accounts, commodity contracts, deposit accounts, documents, equipment, fixtures, furniture, general intangibles, goods, instruments, inventory, investment property, letter of credit rights, payment intangibles, promissory notes, software and general tangible and intangible assets owned now or later acquired. The Revolving Loan is also cross-collateralized with our real property.

As of April 30, 2017, we had \$4.9 million of outstanding borrowings on our Revolving Loan and \$2.1 million in available credit.

Capital Expenditures

We did not have any material commitments for capital expenditures as of April 30, 2017. During our 2017 fiscal year budgeting process, we included an estimate for capital expenditures of \$2.0 million for the year. These expenditures will be funded out of our working capital or borrowings under our credit facility. Capital expenditures are reviewed and approved based on a variety of factors including, but not limited to, current cash flow considerations, the expected return on investment, project priorities, impact on current or future product offerings, availability of personnel necessary to implement and begin using acquired equipment, and economic conditions in general. Historically, we have spent less than our budgeted capital expenditures in most fiscal years.

Corporate acquisitions and other strategic investments, 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, which we believe may be partially due to the construction cycles, buying patterns and budgetary considerations of our customers. Our trend for the last three fiscal years has been that an average of approximately 47%, 49% and 44% of our net sales occurred during the first half of fiscal years 2016, 2015 and 2014, respectively, and an average of approximately 53%, 51% and 56% of our net sales occurred during the second half of fiscal years 2016, 2015 and 2014, respectively.

This trend may be substantially altered during any quarter or year by the timing of larger projects, timing of orders from larger customers, other economic factors impacting our industry or impacting the industries of our customers and end-users and macroeconomic conditions. While we believe seasonality may be a factor that impacts our quarterly net sales results, we are not able to reliably predict net sales based on seasonality because these other factors can also substantially impact our net sales patterns during the year. We also believe net sales may not follow this trend in periods when overall economic conditions in the industry and/or in the world are atypical.

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 reporting 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 2016 provides a summary of our significant accounting policies. Those significant accounting policies detailed in our fiscal year 2016 Form 10-K did not change during the period from November 1, 2016 through April 30, 2017.

New Accounting Standards

In May 2014, the FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (“ASU 2014-09”). ASU 2014-09 is a comprehensive new revenue recognition model that expands disclosure requirements and requires an entity to recognize revenue when promised goods or services are transferred to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. In August 2015, the FASB issued Accounting Standards Update 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date* (“ASU 2015-14”) which defers the effective date of the new revenue recognition standard by one year. Under ASU 2015-14, the new revenue recognition standard is effective for the Company beginning in fiscal year 2019. In March 2016, the FASB issued Accounting Standards Update 2016-08, *Revenue from Contracts with Customers (Topic 606) Principle versus Agent Considerations*, (“ASU 2016-08”). ASU 2016-08 clarifies the implementation guidance on principal-versus-agent considerations. In April 2016, the FASB issued Accounting Standards Update 2016-10, *Revenue from Contracts with Customers (Topic 606) Identifying Performance Obligations and Licensing* (“ASU 2016-10”). ASU 2016-10 clarifies two aspects of Topic 606: identifying performance obligations and the licensing implementation guidance, while retaining the related principles for those areas. In May 2016, the FASB issued Accounting Standards Update 2016-12, *Revenue from Contracts with Customers (Topic 606) – Narrow-Scope Improvements and Practical Expedients* (“ASU 2016-12”). The amendments in ASU 2016-12 address the areas of collectability, presentation of sales tax and other similar taxes collected from customers, noncash consideration, contract modifications and completed contracts at transition. The update also amends the disclosure requirements within ASU 2014-09 for entities that retrospectively apply the guidance. The amendments in ASU 2016-08, ASU 2016-10 and ASU 2016-12 are effective in conjunction with ASU 2015-14. We are currently evaluating the impact of the adoption of this guidance on our results of operations, financial position and liquidity and our related financial statement disclosures.

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

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In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases* (“ASU 2016-02”). ASU 2016-02 requires the recognition of a separate lease liability representing the required lease payments over the lease term and a separate lease asset representing the right to use the underlying asset during the same lease term. Additionally, this ASU provides clarification regarding the identification of certain components of contracts that would represent a lease as well as requires additional disclosures to the notes of the financial statements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within that reporting period with early adoption permitted. The adoption of ASU 2016-02 is not expected to have a material impact on our results of operations, financial position or liquidity or our related financial statement disclosures.

In March 2016, the FASB issued Accounting Standards Update 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* (“ASU 2016-09”). ASU 2016-09 simplifies several aspects related to the accounting for share-based payment transactions, including the accounting for income taxes, forfeitures, statutory tax withholding requirements and classification on the statement of cash flows. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, including interim periods within that reporting period, with early adoption permitted. The adoption of ASU 2016-09 is not expected to have a material impact on our results of operations, financial position or liquidity or our related financial statement disclosures.

In August 2016, the FASB issued Accounting Standards Update 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* (“ASU 2016-15”). ASU 2016-15 provides guidance related to the classification of certain cash receipts and cash payments on the statement of cash flows. The pronouncement provides clarification guidance on eight specific cash flow presentation issues that have developed due to diversity in practice. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017, including interim periods within that reporting period, with early adoption permitted. The adoption of ASU 2016-15 is not expected to have a material impact on our results of operations, financial position or liquidity or our related financial statement disclosures.

In October 2016, the FASB issued Accounting Standards Update 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory* (“ASU 2016-16”). ASU 2016-16 requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset (with the exception of inventory) when the transfer occurs. Under current GAAP, entities are prohibited from recognizing current and deferred income taxes for an intra-entity transfer until the asset is sold to a third party. Examples of assets that would be affected by the new guidance are intellectual property and property, plant and equipment. ASU 2016-16 is effective for fiscal years beginning after December 15, 2017, including interim periods within that reporting period, with early adoption permitted. The adoption of ASU 2016-16 is not expected to have a material impact on our results of operations, financial position or liquidity or our related financial statement disclosures.

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

Item 4. Controls and Procedures

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

Our management evaluated, with the participation of our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), the effectiveness of the Company’s disclosure controls and procedures as of April 30, 2017. Based on this evaluation process, the Chief Executive Officer and Chief Financial Officer have concluded that the Company’s disclosure controls and procedures were effective as of April 30, 2017, and that there were no changes in the Company’s internal control over financial reporting that occurred during the last fiscal quarter ended April 30, 2017 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On May 31, 2016, G. Thomas Hazelton, Jr. was terminated by Applied Optical Systems, Inc., a wholly owned subsidiary of OCC (“AOS”) for Cause as defined both in his employment agreement dated October 31, 2009 (the “Employment Agreement”) and also in the Stock Purchase Agreement (“SPA”) dated October 31, 2009 by and among OCC, as buyer, and G. Thomas Hazelton, Jr. (“Hazelton”) and Daniel Roehrs (“Roehrs”), as sellers.

OCC acquired AOS from Hazelton and Roehrs pursuant to the terms of the SPA. In addition to its claims under the Employment Agreement, OCC also asserted claims of indemnification against Hazelton under the SPA related to alleged unlawful actions by Hazelton and Roehrs.

As a result, OCC had not paid Hazelton any severance compensation and did not pay Hazelton any of the minimum earn out amount (a maximum amount of \$470,665 payable on January 31, 2017 under the terms of the SPA) that otherwise would have been owed to Hazelton, but for Hazelton’s termination for Cause and OCC’s indemnification claims under the SPA. The Company began accruing this minimum earn out amount immediately following the acquisition in October 2009.

As a result of this dispute, OCC and AOS filed suit against Hazelton on September 9, 2016 in state court in Roanoke City, Virginia. Hazelton filed suit against OCC and AOS on September 7, 2016 in state court in Collin County, Texas (collectively, the “Hazelton Litigation”).

In May 2017, subsequent to the Company’s second fiscal quarter, a settlement agreement was reached in the Hazelton Litigation, with the Company’s obligations being less than the amount previously accrued for the minimum earn out amount under the SPA. As a result, the lawsuits filed in the state of Virginia and Texas in fiscal year 2016 were dismissed with prejudice.

Additionally, OCC, AOS, and Centric Solutions LLC, a wholly owned subsidiary of OCC (“Centric Solutions”) filed suit against Roehrs, William DiBella (“DiBella”) (a former employee of Centric Solutions), and Rosenberger CDS, LLC and Rosenberger North America (together, “Rosenberger”) on September 20, 2016 in state court in Roanoke County, Virginia, in connection with related alleged unlawful actions by Roehrs, DiBella and Rosenberger. On February 10, 2017, the judge in state court in Roanoke County, Virginia ruled that the Virginia court lacked personal jurisdiction over Rosenberger and dismissed the claims against Rosenberger without prejudice.

In May 2017, subsequent to the Company’s second fiscal quarter, the Company reached a settlement agreement with DiBella, with no monetary impact for the Company. As a result, the Company’s claims against DiBella were dismissed with prejudice in the lawsuit filed in the state of Virginia.

The Company’s claims against Roehrs are still pending.

From time to time, the Company is involved in other various claims, legal actions and regulatory reviews arising in the ordinary course of business, which may include matters related to former employees. 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.

PART II. OTHER INFORMATION

Item 6. Exhibits

The exhibits listed on the Exhibit Index are filed as part of, and incorporated by reference into, this report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

OPTICAL CABLE CORPORATION
(Registrant)

Date: June 13, 2017

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

Date: June 13, 2017

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

Exhibit Index

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

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- 4.6 Deed of Trust, Security Agreement and Fixtures Filing dated May 30, 2008 by and between Superior Modular Products Incorporated as Grantor, LeClairRyan as Trustee and Valley Bank as Beneficiary (incorporated herein by reference to Exhibit 4.18 of the Company's Annual Report on Form 10-K for the period ended October 31, 2008 filed January 29, 2009).
 - 4.7 Security Agreement dated May 30, 2008 between Optical Cable Corporation and Superior Modular Products Incorporated and Valley Bank (incorporated herein by reference to Exhibit 4.19 of the Company's Annual Report on Form 10-K for the period ended October 31, 2008 filed January 29, 2009).
 - 4.8 Term Loan A Note in the amount of \$2,240,000 by Optical Cable Corporation and Superior Modular Products Incorporated dated May 30, 2008 (incorporated herein by reference to Exhibit 4.21 of the Company's Annual Report on Form 10-K for the period ended October 31, 2008 filed January 29, 2009).
 - 4.9 Term Loan B Note in the amount of \$6,500,000 by Optical Cable Corporation and Superior Modular Products Incorporated dated May 30, 2008 (incorporated herein by reference to Exhibit 4.22 of the Company's Annual Report on Form 10-K for the period ended October 31, 2008 filed January 29, 2009).
 - 4.10 First Loan Modification Agreement dated February 16, 2010 by and between Optical Cable Corporation and Valley Bank (incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed February 22, 2010).
 - 4.11 Second Loan Modification Agreement dated April 30, 2010 by and between Optical Cable Corporation, for itself and as successor by merger to Superior Modular Products Incorporated, and Valley Bank (incorporated herein by reference to Exhibit 4.13 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended April 30, 2010 filed June 14, 2010).
 - 4.12 Third Loan Modification Agreement dated April 22, 2011 by and between Optical Cable Corporation, for itself and as successor by merger to Superior Modular Products Incorporated, and Valley Bank (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated April 28, 2011).
 - 4.13 Fourth Loan Modification Agreement dated July 25, 2011 by and between Optical Cable Corporation, for itself and as successor by merger to Superior Modular Products Incorporated, and Valley Bank (incorporated herein by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K dated July 26, 2011).
 - 4.14 Fifth Loan Modification Agreement dated August 31, 2012 by and between Optical Cable Corporation, for itself and as successor by merger to Superior Modular Products Incorporated, and Valley Bank (incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated August 31, 2012).
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- 4.15 Sixth Loan Modification Agreement dated August 30, 2013 by and between Optical Cable Corporation, for itself and as successor by merger to Superior Modular Products Incorporated, and Valley Bank (incorporated herein by reference to Exhibit 99.4 to the Company's Current Report on Form 8-K dated September 3, 2013).
 - 4.16 Seventh Loan Modification Agreement dated January 25, 2016, by and between Optical Cable Corporation, for itself and as successor by merger to Superior Modular Products Incorporated, and BNC Bancorp, successor in interest to Valley Bank (incorporated herein by reference to Exhibit 4.23 of the Company's Annual Report on Form 10-K for the period ended October 31, 2015 filed January 28, 2016).
 - 4.17 Credit Agreement dated April 26, 2016 by and between Optical Cable Corporation as borrower and Bank of North Carolina as lender in the amount of \$7,000,000 (incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K/A filed May 3, 2016).
 - 4.18 Revolving Credit Note in the amount of \$7,000,000 by Optical Cable Corporation dated April 26, 2016 (incorporated herein by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K/A filed May 3, 2016).
 - 4.19 Term Loan A Note in the amount of \$1,816,609 by Optical Cable Corporation dated April 26, 2016 (incorporated herein by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K/A filed May 3, 2016).
 - 4.20 Term Loan B Note in the amount of \$5,271,411 by Optical Cable Corporation dated April 26, 2016 (incorporated herein by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K/A filed May 3, 2016).
 - 4.21 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 Bank of North Carolina (successor by merger with Valley Bank) as Beneficiary, modifying that certain Credit Line Deed of Trust dated May 30, 2008 (incorporated herein by reference to Exhibit 4.5 to the Company's Current Report on Form 8-K/A filed May 3, 2016).
 - 4.22 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 Bank of North Carolina (successor by merger with Valley Bank) as Beneficiary, modifying that certain 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).
 - 4.23 Security Agreement dated April 26, 2016 between Optical Cable Corporation and Bank of North Carolina (incorporated herein by reference to Exhibit 4.7 to the Company's Current Report on Form 8-K/A filed May 3, 2016).
 - 4.24 Loan Modification Agreement dated December 21, 2016 between Optical Cable Corporation and Bank of North Carolina (incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed December 21, 2016).
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- 4.25 Second Loan Modification Agreement dated February 28, 2017 by and between Optical Cable Corporation and Bank of North Carolina (incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated March 2, 2017).
 - 4.26 Third Loan Modification Agreement dated April 27, 2017 by and between Optical Cable Corporation and Bank of North Carolina (incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated April 28, 2017).
 - 10.1* Optical Cable Corporation 2005 Stock Incentive Plan (incorporated by reference to Appendix A to the Company's definitive proxy statement on Form 14A filed February 23, 2005).
 - 10.2* Optical Cable Corporation 2011 Stock Incentive Plan (incorporated by reference to Appendix A to the Company's definitive proxy statement on Form 14A filed February 23, 2011).
 - 10.3* Optical Cable Corporation Amended and Restated 2011 Stock Incentive Plan (incorporated by reference to Appendix A to the Company's definitive proxy statement on Form 14A filed February 27, 2013).
 - 10.4* Optical Cable Corporation Second Amended and Restated 2011 Stock Incentive Plan (incorporated by reference to Appendix A to the Company's definitive proxy statement on Form 14A filed March 4, 2015).
 - 10.5* Form of time vesting award agreement under the Optical Cable Corporation 2005 Stock Incentive Plan, 2011 Stock Incentive Plan and Amended and Restated 2011 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.12 to the Company's Quarterly Report on Form 10-Q for the period ended April 30, 2006 filed June 14, 2006).
 - 10.6* Form of operational performance (Company financial performance measure) vesting award agreement under the Optical Cable Corporation 2005 Stock Incentive Plan, 2011 Stock Incentive Plan and Amended and Restated 2011 Stock Incentive Plan (incorporated by reference to Exhibit 10.20 of the Company's Quarterly Report on Form 10-Q for the period ended April 30, 2009 filed June 12, 2009).
 - 10.7 Notice of Exercise of Warrant by the Company to purchase 98,741 shares of common stock of Applied Optical Systems, Inc. dated October 30, 2009 (incorporated herein by reference to Exhibit 10.21 of the Company's Annual Report on Form 10-K for the period ended October 31, 2009 filed January 29, 2010).
 - 10.8 Stock Purchase Agreement dated October 31, 2009 by and among the Company, as buyer and G. Thomas Hazelton, Jr. and Daniel Roehrs as sellers (incorporated herein by reference to Exhibit 10.22 of the Company's Annual Report on Form 10-K for the period ended October 31, 2009 filed January 29, 2010).
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- 10.9 Buy-Sell Agreement dated October 31, 2009, by and between G. Thomas Hazelton, Jr., as guarantor, and the Company (incorporated herein by reference to Exhibit 10.25 of the Company's Annual Report on Form 10-K for the period ended October 31, 2009 filed January 29, 2010).
 - 10.10 Indemnification Agreement dated October 31, 2009, between the Company and Applied Optical Systems, Inc. (incorporated herein by reference to Exhibit 10.27 of the Company's Annual Report on Form 10-K for the period ended October 31, 2009 filed January 29, 2010).
 - 10.11 Supplemental Agreement dated October 31, 2009, by and among the Company, as buyer, Applied Optical Systems, Inc., George T. Hazelton Family Trust, G. Thomas Hazelton, Jr., and Daniel Roehrs (incorporated herein by reference to Exhibit 10.28 of the Company's Annual Report on Form 10-K for the period ended October 31, 2009 filed January 29, 2010).
 - 10.12 Termination Agreement dated October 31, 2009, by and among Applied Optical Systems, Inc., the Company, as lender, and G. Thomas Hazelton, Jr. and Daniel Roehrs (incorporated herein by reference to Exhibit 10.29 of the Company's Annual Report on Form 10-K for the period ended October 31, 2009 filed January 29, 2010).
 - 10.13 Warrant Exercise Agreement between the Company and Applied Optical Systems, Inc. dated October 30, 2009 (incorporated herein by reference to Exhibit 10.30 of the Company's Annual Report on Form 10-K for the period ended October 31, 2009 filed January 29, 2010).
 - 10.14 Redemption Agreement by and between Optical Cable Corporation and BB&T Capital Markets dated July 14, 2015 (incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed July 14, 2015).
 - 10.15* 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).
 - 10.16* 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).
 - 10.17* 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).
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- 10.18* Amended and Restated Employment Agreement by and between Optical Cable Corporation and Tracy G. Smith effective April 11, 2011 (incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed April 15, 2011).
- 10.19* 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).
- 10.20* 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).
- 10.21* Form of vesting award agreement for non-employee Board members under the Optical Cable Corporation 2017 Stock Incentive Plan. FILED HEREWITH.
- 11.1 Statement regarding computation of per share earnings (incorporated by reference to note 8 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. FILED HEREWITH.
- 32.2 Certification of the Company's Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. FILED HEREWITH.
- 101 The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended April 30, 2017, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at April 30, 2017 and October 31, 2016, (ii) Condensed Consolidated Statements of Operations for the three months and six months ended April 30, 2017 and 2016, (iii) Condensed Consolidated Statement of Shareholders' Equity for the six months ended April 30, 2017, (iv) Condensed Consolidated Statements of Cash Flows for the six months ended April 30, 2017 and 2016, and (v) Condensed Notes to Condensed Consolidated Financial Statements. FILED HEREWITH.

* Management contract or compensatory plan or agreement.

**FORM
OF
OPTICAL CABLE CORPORATION
2017 STOCK INCENTIVE PLAN**

**FY _____ STOCK AWARD
(Time Vesting)**

GRANTED TO	GRANT DATE	NUMBER OF SHARES GRANTED	PRICE PER SHARE	SOCIAL SECURITY NUMBER
Grantee	Grant Date	_____	N/A	_____
	GRANT NUMBER	VESTING AND RESTRICTION LAPSE SCHEDULE*		

_____ shares will vest in [one year] on _____ (such date the "Vesting Date").

OPTICAL CABLE CORPORATION and its successors and assigns (the "Company") hereby grants to _____ (the "Participant") effective _____ (the "Grant Date"), a Stock Award, as defined in the Plan (the "Award"), pursuant to its 2017 Stock Incentive Plan that is provided along herewith (the "Plan"), 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 ___ year(s) according to the schedule set forth above.
3. Unless otherwise determined by the Committee, in the event that Participant's membership on the Board of Directors of the Company terminates before the Award is vested and the restrictions on the Restricted Shares have lapsed, 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. 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.

6. 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.

7. 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.

8. 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. 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.

9. 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.

10. 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.

11. 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.

12. 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.

13. 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

CERTIFICATION

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

1. I have reviewed this quarterly report on Form 10-Q of Optical Cable Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's independent registered public accounting firm and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 13, 2017

/s/ Neil D. Wilkin, Jr.

Neil D. Wilkin, Jr.

Chairman of the Board of Directors, President
and Chief Executive Officer

CERTIFICATION

I, Tracy G. Smith, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Optical Cable Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's independent registered public accounting firm and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 13, 2017

/s/ Tracy G. Smith

Tracy G. Smith
Senior Vice President and
Chief Financial Officer

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

In connection with the Quarterly Report of Optical Cable Corporation (the "Company") on Form 10-Q for the quarter ended April 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that: (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of April 30, 2017, and for the period then ended.

Date: June 13, 2017

/s/ Neil D. Wilkin, Jr.

Neil D. Wilkin, Jr.

Chairman of the Board of Directors,
President and Chief Executive Officer

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

In connection with the Quarterly Report of Optical Cable Corporation (the “Company”) on Form 10-Q for the quarter ended April 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that: (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of April 30, 2017, and for the period then ended.

Date: June 13, 2017

/s/ Tracy G. Smith

Tracy G. Smith
Senior Vice President and
Chief Financial Officer

