
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

Form 10-K

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

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

For the fiscal year ended October 31, 2021

Commission File Number 0-27022

OPTICAL CABLE CORPORATION

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

Virginia
(State or other jurisdiction of
incorporation or organization)

54-1237042
(I.R.S. Employer
Identification No.)

5290 Concourse Drive, Roanoke, VA
(Address of principal executive offices)

24019
(Zip Code)

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

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

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

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

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934. Yes No

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

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

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

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

The aggregate market value of the registrant’s Common Stock, no par value, held by non-affiliates of the registrant (without admitting any person whose shares are not included in determining such value is an affiliate) as of April 30, 2021, the last business day of the Company’s most recent second quarter was \$19,417,539 based upon the closing price of these shares as reported by the Nasdaq Global Market on April 30, 2021.

As of December 15, 2021, the Company had outstanding 7,872,164 common shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's Annual Report filed as Exhibit 13.1 to this report on Form 10-K are incorporated by reference in Part II of this Form 10-K Report: "Corporate Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Consolidated Financial Statements," "Notes to Consolidated Financial Statements," and "Report of Independent Registered Public Accounting Firm." In addition, portions of the Company's Proxy Statement for the 2022 Annual Meeting of Shareholders are incorporated by reference in Part III of this Form 10-K Report: "Election of Directors," "Beneficial Ownership of Securities," "Compensation of Executive Officers," "Compensation of Directors," "Delinquent Section 16(a) Reports" (if applicable), "Code of Ethics," "Executive Compensation," "Equity Compensation Plan Information," "Certain Relationships and Related Transactions," "Independent Registered Public Accounting Firm," and "Audit Committee Pre-approval of Audit and Permissible Non-audit Services of Independent Registered Public Accounting Firm."

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Item 1. BUSINESS

Overview

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

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

OCC’s product offerings include designs for uses ranging from enterprise networks, data centers, residential, campus and Passive Optical LAN (POL) installations to customized products for specialty applications and harsh environments, including military, industrial, mining, petrochemical and broadcast applications, and for the wireless carrier market.

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

The OCC team seeks to provide top-tier integrated 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® 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.

OCC primarily manufactures its fiber optic cables at its ISO 9001:2015 registered and MIL-STD-790G certified facility located in Roanoke, Virginia, primarily manufactures its enterprise connectivity products at its ISO 9001:2015 registered facility located near Asheville, North Carolina, and primarily manufactures its harsh environment and specialty connectivity products at its ISO 9001:2015 registered and MIL-STD-790G certified facility located near Dallas, Texas.

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

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

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

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

Products

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

OCC products include fiber optic and copper cabling, hybrid cabling (which includes fiber optic and copper elements in a single cable), fiber optic and copper connectors, specialty fiber optic, copper and hybrid connectors, fiber optic and copper patch cords, pre-terminated fiber optic and copper cable assemblies, racks, cabinets, datacom enclosures, fiber optic and copper patch panels, face plates, multimedia boxes, fiber optic reels and accessories and other cable and connectivity management accessories. Our products are designed to meet the most demanding needs of end-users, delivering a high degree of reliability and outstanding performance characteristics. During the past five years, OCC has been granted 38 patents for innovative designs of fiber optic and copper connectivity and fiber optic cable.

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

Fiber Optic Cable Products

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

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

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

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

Copper Datacom Cable Products

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

Fiber Optic and Copper Enterprise Connectivity Products

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

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

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

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

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

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

Harsh Environment and Specialty Connectivity Products

In addition to our fiber optic and copper enterprise connectivity products described above, we design, manufacture, market and sell specialty fiber optic connectors and connectivity components, certain ruggedized copper datacom connectors, and related deployable systems and solutions for military, other harsh environment and specialty applications. For deployable applications, we manufacture a full range of tactical fiber optic connectors that conform to U.S. Department of Defense standards, such as MIL-PRF-29504, MIL-DTL-83522, MIL-DTL-83526, NAVSEA 7379171, and NAVSEA 7379172. In addition to military specified products, we also manufacture commercial grade versions of cylindrical connector products including EZ-MATE™, MHC®-T2, MHC®-T3 and F-LINK™. Many of our products utilize a hermaphroditic design that allows for concatenation of assemblies without regard to connector gender. This design allows for quick and easy deployment and retrieval. To provide more comprehensive interconnect solutions, we designed and developed a complete family of lightweight reels, lightweight reel stands and accessories. Our patented lightweight reels and lightweight reel stands are approved for use by the United States military. We manufacture cylindrical connector product for fixed fiber optic or applications requiring optical fiber and copper connections in the same connector. We fabricate a wide variety of simplex, duplex and multi-channel fiber optic assemblies for uses as varied as mining, oil & gas, petrochemical, broadcast, industrial and military applications. Our product offering also includes ruggedized RJ45 connectors.

Distribution Methods of Products and Services

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

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

The fiber optic and copper data communications cables and connectivity enterprise markets and other short- to moderate-distance markets are highly competitive. Our fiber optic cable product lines compete with products of large fiber optic cable manufacturers such as Corning Incorporated, Berk-Tek Cable (part of Leviton Manufacturing Co., Inc.), CommScope Holding Company, Inc., OFS Fitel, LLC (part of the Furukawa Electric Company), AFL (a subsidiary of Fujikura Ltd.), Hitachi Cable America Inc., Belden Inc., Prysmian Group (including General Cable), and others, some of which manufacture optical fiber. Our copper cable product lines compete with products of large copper cable manufacturers such as Prysmian Group (including General Cable), Belden Inc., Berk-Tek Cable (part of Leviton Manufacturing Co., Inc.), CommScope Holding Company, Inc., Hitachi Cable America Inc., Superior Essex (part of LS Cable & System) and others. Our fiber optic and copper connectivity product lines compete with products of large fiber optic and copper connectivity manufacturers such as CommScope Holding Company, Inc., Corning Incorporated, Leviton Manufacturing Co., Inc., Legrand S.A. (including Ortronics), Panduit Corp. and others. Our harsh environment and specialty connectivity product lines compete with products of Corning Incorporated, Amphenol Corporation (including AFSI), Aptiv PLC (formerly Delphi Connection Systems), and others.

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

Compliance with Government Laws and Regulations

We are not aware of any material violations at our facilities of any local, state or federal government laws and regulations. We have not incurred any material expenditures related to compliance with government laws and regulations during our 2021 fiscal year, other than those in the ordinary course of business. We believe that we have materially complied with all applicable government laws and regulations.

Customers and End-Users

We have a global customer base, selling in approximately 50 countries in fiscal year 2021.

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

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

- **Commercial Institutions.** Businesses located in offices, retail space, hospitals and other medical facilities, to name a few, are installing or improving networks to distribute increasing volumes of data. These businesses often use high performance local area networks (“LANs”) or data centers.
- **Government Agencies.** Government agencies tend to have large buildings or complexes, many people, and the need to access and process large quantities of data. Like commercial institutions, these routinely include high performance LANs or data centers. Security also may be desired, making our cabling and connectivity solutions a logical choice.
- **Industrial and Manufacturing Facilities.** Industrial and manufacturing facilities typically have a more severe environment (often with heavy electrical equipment) than other types of businesses. Our fiber optic cable and connectivity products in these environments offer ruggedness, immunity to electrical noise, high information carrying capacity and greater distance capability. Such facilities also have need for our copper cabling and connectivity products. Our products are installed in automotive assembly plants, steel plants, chemical and drug facilities, petrochemical facilities and petroleum refineries, mines and other similar environments.
- **Cable Assembly Houses.** Cable assembly houses typically manufacture cable assemblies, which are short lengths of cable pre-terminated with connectors. Supporting virtually all segments of the market, these manufacturers use cables and connectivity products. Products sold to customers in this market sometimes may be privately labeled.
- **Military.** Our core fiber optic cable technologies enable us to develop and efficiently produce fiber optic cables for military tactical applications that survive extreme mechanical and environmental conditions. We are certified by the United States Department of Defense (“U.S. DoD”) as a qualified supplier of ground tactical fiber optic cable. Both our Roanoke and Dallas manufacturing facilities have also been certified by the U.S. DoD as MIL-STD-790G facilities, one of the most respected certifications in the defense industry. We also supply the U.S. DoD with tactical fiber optic cable assemblies, which we sell as fiber optic cables connectorized with qualified military connectors, which can include assemblies on military reels and reel stands ready for deployment.
- **Educational Institutions.** Colleges, universities, high schools and grade schools are installing and improving their networks for higher data transmission speeds, as well as using data communications solutions to support interactive learning systems.
- **Wireless Carriers.** We design and manufacture various specialty fiber optic and hybrid (fiber and copper) cables for FTTA applications such as cell phone tower build-outs and upgrades.
- **Original Equipment Manufacturers.** We private label a number of our copper connectivity products for other major manufacturers of copper connectivity, including major competitors.

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

Employees and Human Capital Resources

As of October 31, 2021, we employed a total of 322 persons (excluding independent sales representatives and firms). Our employees are all located in the United States and are not represented by unions. We have experienced no work stoppages and we continue to take steps we believe appropriate to ensure our employee relations are good.

We continue to monitor our demand for skilled and unskilled labor and provide training and competitive compensation packages in an effort to attract and retain skilled employees. We believe our employees are key to achieving our business goals and growth strategy. Our human capital measures and objectives focus on safety of our employees, employee benefits and employee development and training. All of our employees are at-will employees, which means that each employee can terminate his or her relationship with us and we can terminate our relationship with him or her at any time.

We have experienced, and could continue to experience, some difficulty in identifying and hiring skilled labor, particularly in manufacturing, as a result of COVID-19 concerns and other related factors. These concerns have decreased the pool of available qualified talent for certain functions. As a result, we have made and continue to make strong efforts to recruit qualified talent. While we believe our compensation and benefits offerings position us for success against a limited labor pool, we continue to be mindful of the labor shortages and are committed to being competitive to retain the best talent possible.

During fiscal year 2021, there have been periods during which we have asked groups or individual employees at each of our facilities to quarantine at home as a precautionary measure (per guidelines provided by the Centers for Disease Control and Prevention) against the possible transmission of the SARS-CoV-2 coronavirus during the pandemic. We have taken, and continue to take, measures to protect the health and safety of our employees during the pandemic—including requirements regarding wearing masks, social distancing, sanitation procedures, and symptom checks. We are not aware of any COVID-19 illnesses resulting from possible virus exposure at any of our facilities.

Seasonality

We typically expect net sales to be relatively lower in the first half of each fiscal year and relatively higher in the second half of each fiscal year, and excluding other volatility, we would normally expect 48% of total net sales to occur during the first half of a fiscal year and 52% of total net sales to occur during the second half of a fiscal year. We believe this historical seasonality pattern is generally indicative of an overall trend and reflective of the buying patterns and budgetary cycles of our customers. However, this pattern may be substantially altered during any quarter or year, as was the case in fiscal years 2020 and 2019, by the quarterly and annual volatility of orders received for the wireless carrier market, the timing of larger projects, timing of orders from larger customers, other economic factors impacting our industry or impacting the industries of our customers and end-users, and macroeconomic conditions. Along these same lines, we believe our seasonality pattern in fiscal year 2021 was impacted by the COVID-19 pandemic, resulting in lower net sales at the start of the fiscal year and higher net sales beginning in the second quarter of the fiscal year as some restrictions were lifted and certain markets reopened. Consequently, 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 and volatility during the year. Our trend for the last three fiscal years has been that an average of approximately 47%, 50% and 50% of our total net sales occurred during the first half of fiscal years 2021, 2020 and 2019, respectively, and an average of approximately 53%, 50% and 50% of our total net sales occurred during the second half of fiscal years 2021, 2020 and 2019, respectively.

Item 1A. RISK FACTORS

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

Certain risk factors that may adversely affect the Company, the Company’s future results of operations and future financial condition, and future market valuation of the Company are mentioned under “Forward-Looking Information” included in Management’s Discussion and Analysis of Financial Condition and Results of Operations in the Company’s Annual Report for the fiscal year ended October 31, 2021 (filed as Exhibit 13.1 to this report on Form 10-K), and in our Quarterly Reports on Form 10-Q.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

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

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

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

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

We believe that we are currently operating at approximately 40% to 45% of our production equipment capacity on average at our collective manufacturing facilities during fiscal year 2021. This determination is based on a capacity calculation that assumes we would be fully staffed to run production at all of our locations twenty-four hours per day, seven days a week, all year. Since various production equipment is specialized and our product mix varies, individual manufacturing equipment may operate at higher or lower production capacity during any given period of time. Additionally, we can experience capacity constraints based on the types of products that are being manufactured at any given time and related inherent limitations in the manufacturing process as well as the time it takes to hire and train new employees.

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

Item 3. LEGAL PROCEEDINGS

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

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

The information pertaining to shareholders beneficially owning more than five percent of the Company's common stock and the security ownership of management, which is set forth under the caption "Beneficial Ownership of Securities" in the Proxy Statement for the 2022 Annual Meeting of Shareholders of the Company, is incorporated herein by reference.

The Company had 7,897,477 shares of common stock issued and outstanding at October 31, 2021. Employees of the Company and members of the Board of Directors owned at least 37.2% of the shares issued and outstanding at October 31, 2021, including shares still subject to potential forfeiture based on vesting requirements.

Issuer Purchases of Equity Securities

On July 14, 2015, our Board of Directors approved a plan to purchase and retire up to 400,000 shares of our common stock, or approximately 6.0% of the shares then outstanding (the “Repurchase Plan”). When the Repurchase Plan was approved, we had anticipated that the purchases would be made over a 24- to 36-month period, but there was no definite time period for repurchase or plan expiration. As of October 31, 2021, we had 398,400 shares remaining to purchase under this Repurchase Plan, and we have made no specific determination whether and over what period these shares may or may not be purchased. Until future notice, we have no current plans to repurchase and retire our common stock and have suspended the Repurchase Plan.

The information contained under the caption “Corporate Information” of our Annual Report for the fiscal year ended October 31, 2021, filed as Exhibit 13.1 to this report on Form 10-K, is incorporated herein by reference.

Item 6. RESERVED

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

The information contained under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our Annual Report for the fiscal year ended October 31, 2021, filed as Exhibit 13.1 to this report on Form 10-K, is incorporated herein by reference.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company did not engage in transactions in derivative financial instruments or derivative commodity instruments. As of October 31, 2021, the Company’s financial instruments were not exposed to significant market risk due to interest rate risk, foreign currency exchange risk, commodity price risk or equity price risk.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information contained under the captions “Consolidated Financial Statements,” “Notes to Consolidated Financial Statements,” and “Report of Independent Registered Public Accounting Firm” of our Annual Report for the fiscal year ended October 31, 2021, filed as Exhibit 13.1 to this report on Form 10-K, is incorporated herein by reference.

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

There were no changes in our accountants and the Company did not have any disagreements with its accountants on any accounting matter or financial disclosure made during our fiscal year ended October 31, 2021.

Item 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures.

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

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

As of October 31, 2021, the Company completed an evaluation, under the supervision and with the participation of management, including the chief executive officer and the chief financial officer (principal accounting officer and principal financial officer), of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation, the chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures were effective as of October 31, 2021.

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

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) or 15d-15(f) under the Exchange Act). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles and includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of the inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Accordingly, even effective internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Further, the evaluation of the effectiveness of internal control over financial reporting was made as of a specific date, and continued effectiveness in future periods is subject to the risks that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies and procedures may decline. Management conducted an evaluation of the design and effectiveness of the Company's system of internal control over financial reporting as of October 31, 2021, based on the framework set forth in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Based on its evaluation, management concluded that, as of October 31, 2021, the Company's internal control over financial reporting was effective.

Changes in Internal Control Over Financial Reporting.

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

Item 9B. OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

For information with respect to the Directors of the registrant, see "Election of Directors," and "Executive Officers" in the Proxy Statement for the 2022 Annual Meeting of Shareholders of the Company, which information is incorporated herein by reference.

For information with respect to the executive officers of the registrant, see "Executive Officers" in the Proxy Statement for the 2022 Annual Meeting of Shareholders of the Company, which information is incorporated herein by reference.

The information with respect to compliance with Section 16(a) of the Securities Exchange Act of 1934, which is set forth under the caption "Delinquent Section 16(a) Reports" (if applicable) in the Proxy Statement for the 2022 Annual Meeting of Shareholders of the Company, is incorporated herein by reference.

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

Item 11. EXECUTIVE COMPENSATION

The information set forth under the captions “Executive Compensation,” and “Director Compensation” in the Proxy Statement for the 2022 Annual Meeting of Shareholders of the Company is incorporated herein by reference.

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

Equity Compensation Plan Information

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights (1)	(b) Weighted-average exercise price of outstanding options, warrants, and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans:			
Second Amended & Restated 2011 Stock Incentive Plan	4,983 shares	\$ —	—
2017 Stock Incentive Plan	478,501 shares	\$ —	2,004 shares
Total	<u>483,484 shares</u>	<u>\$ —</u>	<u>2,004 shares</u>

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

The term “shares” in the table above means our common shares.

The information concerning stock ownership by directors, executive officers and shareholders beneficially owning more than five percent of the Company’s common stock, which is set forth under the caption “Beneficial Ownership of Securities” in the Proxy Statement for the 2022 Annual Meeting of Shareholders of the Company, is incorporated herein by reference.

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

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

The information with respect to certain transactions with management of the Company, which is set forth under the caption “Certain Relationships and Related Transactions” in the Proxy Statement for the 2022 Annual Meeting of Shareholders of the Company, is incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information with respect to certain principal accountant fees and services, which is set forth under the caption “Independent Registered Public Accounting Firm” in the Proxy Statement for the 2022 Annual Meeting of Shareholders of the Company, is incorporated herein by reference.

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

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

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

1. Financial statements: The Company's consolidated financial statements and related notes thereto are hereby incorporated by reference to pages 22 to 44 of the Company's Annual Report filed as Exhibit 13.1 to this Form 10-K.
2. Financial statement schedules: All schedules are omitted, as the required information is inapplicable or the information is presented in the consolidated financial statements or related notes thereto.
3. Exhibits to this Form 10-K pursuant to Item 601 of Regulation S-K are as follows:

<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	Corrected Credit Line Deed of Trust dated June 4, 2008 between Optical Cable Corporation as Grantor, LeClairRyan as Trustee and Northeast Bank, successor in interest to Pinnacle Bank (successor by merger with Bank of North Carolina, successor by merger with Valley Bank) as Beneficiary (incorporated herein by reference to Exhibit 4.17 of the Company's Annual Report on Form 10-K for the period ended October 31, 2008 filed January 29, 2009).
4.5	Corrected Deed of Trust, Security Agreement and Fixtures Filing dated May 30, 2008 by and between Superior Modular Products Incorporated as Grantor, LeClairRyan as Trustee and Northeast Bank, successor in interest to Pinnacle Bank (successor by merger with Bank of North Carolina, successor by merger with Valley Bank) as Beneficiary (incorporated herein by reference to Exhibit 4.18 of the Company's Annual Report on Form 10-K for the period ended October 31, 2008 filed January 29, 2009).
4.6**	Credit Agreement dated April 26, 2016 by and between Optical Cable Corporation as borrower and Pinnacle Bank (successor by merger with Bank of North Carolina) as lender (incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K/A filed May 3, 2016).
4.7**	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).
4.8	Term Loan A Note in the amount of \$1,816,609 by Optical Cable Corporation dated April 26, 2016, for the benefit of Northeast Bank as of July 15, 2021, as successor in interest to Pinnacle Bank (successor by merger with Bank of North Carolina) (incorporated herein by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K/A filed May 3, 2016).

- 4.9 [Term Loan B Note in the amount of \\$5,271,411 by Optical Cable Corporation dated April 26, 2016, for the benefit of Northeast Bank as of July 15, 2021, as successor in interest to Pinnacle Bank \(successor by merger with Bank of North Carolina\) \(incorporated herein by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K/A filed May 3, 2016\).](#)
- 4.10 [Modification of Credit Line Deed of Trust dated April 26, 2016 by and between Optical Cable Corporation \(successor by merger to Superior Modular Products Incorporated\) as Grantor, Andrew B. Agee \(in substitution of LeClairRyan\) as Trustee and Northeast Bank, successor in interest to Pinnacle Bank \(successor by merger with Bank of North Carolina\) as Beneficiary, modifying that certain Corrected Credit Line Deed of Trust dated June 4, 2008 \(incorporated herein by reference to Exhibit 4.5 to the Company's Current Report on Form 8-K/A filed May 3, 2016\).](#)
- 4.11 [Modification of Deed of Trust, Security Agreement, and Assignment of Leases and Rents dated April 26, 2016 by and between Optical Cable Corporation \(successor by merger to Superior Modular Products Incorporated\) as Grantor, Andrew B. Agee \(in substitution of LeClairRyan\) as Trustee and Northeast Bank, successor in interest to Pinnacle Bank \(successor by merger with Bank of North Carolina\) as Beneficiary, modifying that certain Deed of Trust, Security Agreement and Assignment of Leases and Rents dated May 30, 2008 \(incorporated herein by reference to Exhibit 4.6 to the Company's Current Report on Form 8-K/A filed May 3, 2016\).](#)
- 4.12** [Security Agreement dated April 26, 2016 between Optical Cable Corporation and Pinnacle Bank \(successor by merger with Bank of North Carolina\) \(incorporated herein by reference to Exhibit 4.7 to the Company's Current Report on Form 8-K/A filed May 3, 2016\).](#)
- 4.13** [Loan Modification Agreement dated December 21, 2016 between Optical Cable Corporation and Pinnacle Bank \(successor by merger with Bank of North Carolina\) \(incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed December 21, 2016\).](#)
- 4.14** [Second Loan Modification Agreement dated February 28, 2017 by and between Optical Cable Corporation and Pinnacle Bank \(successor by merger with Bank of North Carolina\) \(incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated March 2, 2017\).](#)
- 4.15** [Third Loan Modification Agreement dated April 27, 2017 by and between Optical Cable Corporation and Pinnacle Bank \(successor by merger with Bank of North Carolina\) \(incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated April 28, 2017\).](#)
- 4.16** [Fourth Loan Modification Agreement dated April 10, 2018 by and between Optical Cable Corporation and Pinnacle Bank \(successor by merger with Bank of North Carolina\) \(incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated April 13, 2018\).](#)
- 4.17 [Second Modification of Credit Line Deed of Trust dated May 2, 2018 by and between Optical Cable Corporation \(successor by merger to Superior Modular Products Incorporated\) as Grantor, W. Todd Ross \(in substitution of LeClairRyan\) as Trustee and Northeast Bank, successor in interest to Pinnacle Bank \(successor by merger with Bank of North Carolina\) as Beneficiary, modifying that certain Modification of Credit Line Deed of Trust dated April 26, 2016, which previously modified that certain Corrected Credit Line Deed of Trust dated June 4, 2008 \(incorporated herein by reference to Exhibit 4.20 to the Company's Quarterly Report on Form 10-Q for the second quarter ended April 30, 2018\).](#)
- 4.18 [Second Modification of Deed of Trust, Security Agreement, and Assignment of Leases and Rents dated May 2, 2018 by and between Optical Cable Corporation \(successor by merger to Superior Modular Products Incorporated\) as Grantor, W. Todd Ross \(in substitution of LeClairRyan\) as Trustee and Northeast Bank, successor in interest to Pinnacle Bank \(successor by merger with Bank of North Carolina\) as Beneficiary, modifying that certain Modification of Deed of Trust, Security Agreement and Assignment of Leases and Rents dated April 26, 2016, which previously modified that certain Corrected Deed of Trust, Security Agreement and Assignment of Leases and Rents dated May 30, 2008 \(incorporated herein by reference to Exhibit 4.21 to the Company's Quarterly Report on Form 10-Q for the second quarter ended April 30, 2018\).](#)
- 4.19** [Fifth Loan Modification Agreement dated October 15, 2018 by and between Optical Cable Corporation and Pinnacle Bank \(successor by merger with Bank of North Carolina\) \(incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated October 17, 2018\).](#)
- 4.20** [Sixth Loan Modification Agreement dated April 30, 2019 by and between Optical Cable Corporation and Pinnacle Bank \(successor by merger with Bank of North Carolina\) \(incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated May 1, 2019\).](#)

- 4.21** [Seventh Loan Modification Agreement dated September 11, 2019 by and between Optical Cable Corporation and Pinnacle Bank \(successor by merger with Bank of North Carolina\) \(incorporated herein by reference to Exhibit 4.22 to the Company's Quarterly Report on Form 10-Q dated September 16, 2019\).](#)
- 4.22** [Eighth Loan Modification Agreement dated January 22, 2020 by and between Optical Cable Corporation and Pinnacle Bank \(successor by merger with Bank of North Carolina\) \(incorporated herein by reference to Exhibit 4.25 to the Company's Annual Report on Form 10-K for the period ended October 31, 2019 filed January 27, 2020\).](#)
- 4.23** [Ninth Loan Modification Agreement dated March 10, 2020 by and between Optical Cable Corporation and Pinnacle Bank \(successor by merger with Bank of North Carolina\) \(incorporated herein by reference to Exhibit 4.24 to the Company's Quarterly Report on Form 10-Q dated March 16, 2020\).](#)
- 4.24** [Tenth Loan Modification Agreement dated April 15, 2020 by and between Optical Cable Corporation and Pinnacle Bank \(successor by merger with Bank of North Carolina\) \(incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated April 21, 2020\).](#)
- 4.25 [Small Business Administration Paycheck Protection Program Loan dated April 15, 2020 by and between Optical Cable Corporation and Pinnacle Bank \(successor by merger with Bank of North Carolina\) \(incorporated herein by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K dated April 21, 2020\).](#)
- 4.26** [Eleventh Loan Modification Agreement dated April 30, 2020 by and between Optical Cable Corporation and Pinnacle Bank \(successor by merger with Bank of North Carolina\) \(incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated May 6, 2020\).](#)
- 4.27 [Loan and Security Agreement dated July 24, 2020 by and among Optical Cable Corporation along with its subsidiaries Applied Optical Systems, Inc. and Centric Solutions LLC, and North Mill Capital LLC \(now doing business as SLR Business Credit\) \(incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated July 30, 2020\).](#)
- 4.28 [Revolving Credit Master Promissory Note dated July 24, 2020 by Optical Cable Corporation along with its subsidiaries Applied Optical Systems, Inc. and Centric Solutions LLC in favor of North Mill Capital LLC \(now doing business as SLR Business Credit\) \(incorporated herein by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K dated July 30, 2020\).](#)
- 4.29 [Payoff Letter from Pinnacle Bank to North Mill Capital LLC \(now doing business as SLR Business Credit\) and Optical Cable Corporation \(incorporated herein by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K dated July 30, 2020\).](#)
- 4.30 [Amended and Restated Stockholder Protection Rights Agreement, dated as of November 2, 2021, between Optical Cable Corporation and American Stock Transfer & Trust Company, LLC, as rights agent \(incorporated herein by reference to Exhibit 4.1 to the Company's Form 8-A12G filed with the Commission on November 5, 2021\).](#)
- 10.1* [Optical Cable Corporation 2011 Stock Incentive Plan \(incorporated by reference to Appendix A to the Company's definitive proxy statement on Form 14A filed February 23, 2011\).](#)
- 10.2* [Optical Cable Corporation Amended and Restated 2011 Stock Incentive Plan \(incorporated by reference to Appendix A to the Company's definitive proxy statement on Form 14A filed February 27, 2013\).](#)
- 10.3* [Optical Cable Corporation Second Amended and Restated 2011 Stock Incentive Plan \(incorporated by reference to Appendix A to the Company's definitive proxy statement on Form 14A filed March 4, 2015\).](#)
- 10.4* [Optical Cable Corporation 2017 Stock Incentive Plan \(incorporated by reference to Appendix A to the Company's definitive proxy statement on Form 14A filed March 13, 2017\).](#)
- 10.5* [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, Amended and Restated 2011 Stock Incentive Plan and 2017 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 [Redemption Agreement by and between Optical Cable Corporation and BB&T Capital Markets dated July 14, 2015 \(incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed July 14, 2015\).](#)
- 10.8* [Amended and Restated Employment Agreement by and between Optical Cable Corporation and Neil D. Wilkin, Jr. effective April 11, 2011 \(incorporated herein by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed April 15, 2011\).](#)
- 10.9* [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 \(incorporated herein by reference to Exhibit 10.16 of the Company's Quarterly Report on Form 10-Q for the period ended January 31, 2013 filed March 15, 2013\).](#)
- 10.10* [Second Amendment, effective March 14, 2014, to Amended and Restated Employment Agreement by and between Optical Cable Corporation and Neil D. Wilkin, Jr. effective April 11, 2011, as amended December 18, 2012 \(incorporated herein by reference to Exhibit 10.19 of the Company's Quarterly Report on Form 10-Q for the period ended January 31, 2014 filed March 17, 2014\).](#)
- 10.11* [Amended and Restated Employment Agreement by and between Optical Cable Corporation and Tracy G. Smith effective April 11, 2011 \(incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed April 15, 2011\).](#)
- 10.12* [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 \(incorporated herein by reference to Exhibit 10.18 of the Company's Quarterly Report on Form 10-Q for the period ended January 31, 2013 filed March 15, 2013\).](#)
- 10.13* [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 \(incorporated herein by reference to Exhibit 10.22 of the Company's Quarterly Report on Form 10-Q for the period ended January 31, 2014 filed March 17, 2014\).](#)
- 10.14* [Form of vesting award agreement for non-employee Board members under the Optical Cable Corporation 2017 Stock Incentive Plan \(incorporated herein by reference to Exhibit 10.21 of the Company's Quarterly Report on Form 10-Q for the period ended April 30, 2017 filed June 13, 2017\).](#)
- 10.15* [Form of operational performance \(Company financial performance measure\) vesting award agreement under the Optical Cable Corporation 2017 Stock Incentive Plan. FILED HEREWITH.](#)
- 13.1 [Annual Report. FILED HEREWITH.](#)
- 21.1 [List of Subsidiaries. FILED HEREWITH.](#)
- 23.1 [Consent of Independent Registered Public Accounting Firm. FILED HEREWITH.](#)
- 31.1 [Certification of the Company's Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. FILED HEREWITH.](#)
- 31.2 [Certification of the Company's Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. FILED HEREWITH.](#)
- 32.1 [Certification of the Company's Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. FURNISHED HEREWITH.](#)
- 32.2 [Certification of the Company's Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. FURNISHED HEREWITH.](#)

- 101 The following materials from the Company's Annual Report on Form 10-K for the year ended October 31, 2021, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of October 31, 2021 and 2020, (ii) Consolidated Statements of Operations for the years ended October 31, 2021, 2020 and 2019, (iii) Consolidated Statements of Shareholders' Equity for the years ended October 31, 2021, 2020 and 2019, (iv) Consolidated Statements of Cash Flows for the years ended October 31, 2021, 2020 and 2019, and (v) Notes to Consolidated Financial Statements. FILED HEREWITH.
- 104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Management contract or compensatory plan or agreement.

**Terminated on July 24, 2020 in connection with entering into the Loan and Security Agreement dated July 24, 2020 by and among Optical Cable Corporation along with its subsidiaries Applied Optical Systems, Inc., and Centric Solutions LLC, and North Mill Capital LLC (now doing business as SLR Business Credit) (see Exhibit 4.27) by Payoff Letter from Pinnacle Bank to North Mill LLC (now doing business as SLR Business Credit) and Optical Cable Corporation (see Exhibit 4.29).

OPTICAL CABLE CORPORATION
2017 STOCK INCENTIVE PLAN

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

GRANTED TO [NAME]	GRANT DATE [DATE]	NUMBER OF SHARES GRANTED [NUMBER]	PRICE PER SHARE N/A	SOCIAL SECURITY NUMBER []
	GRANT NUMBER	VESTING AND RESTRICTION LAPSE SCHEDULE*		
	RS-[]-[]	Shares granted hereunder will vest, in accordance with and subject in all respects to the provisions of Sections 3, 4, 5, 6 and 7 below, on January 31 st of each year (unless otherwise provided herein) (each such date, a “Vesting Date”), with the first Vesting Date being January 31, [] and the last Vesting Date being January 31, [] (or as late as January 31, [], if the provisions of Section 4 are applicable).		

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

OPTICAL CABLE CORPORATION and its successors and assigns (the “Company”) hereby grants to [NAME] (the “Participant”) effective [DATE] (the “Grant Date”), a Restricted Stock Award (the “Award”), pursuant to its 2017 Stock Incentive Plan 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 Chief Executive Officer proposed this Award and recommended its approval to the Compensation Committee of the Board of Directors of the Company (the “Compensation Committee”), and the Compensation Committee, pursuant to the terms of the Plan, approved the Award to the Participant.

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

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

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

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

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

Performance vesting for fiscal years [], [], [], and [] (twelve months ending October 31):

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

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

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

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

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

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

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

Participant shall not be entitled to receive more than the total number of Restricted Shares shown as the “Number of Shares Granted” set forth at the top of this document. Any Restricted Shares covered by the Award that have not vested in accordance with Sections 3, 4, 5, 6 and 7 below on or before February 1, [] shall be irrevocably forfeited.

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

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

6. (a) If a Change of Control (as defined in Section 6(b) below) occurs while Participant is employed by the Company or any subsidiaries, but before the Award is fully vested and the restrictions applicable to all of the Restricted Shares have lapsed, then on the date upon which the Change of Control occurs, all unvested Restricted Shares (including Restricted Shares vesting in accordance with Section 4 of this Award) will fully vest and restrictions applicable to all such Restricted Shares shall lapse over the remaining Vesting Dates between the occurrence of the Change of Control and [DATE], with an equal number of unvested Restricted Shares vesting on each such Vesting Date.

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

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

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

(c) For purposes of this Award, “Cause” means: (i) material breach of any employment, confidentiality, nonsolicitation, and/or noncompetition agreement(s) with the Company or subsidiaries by Participant; (ii) Participant’s gross negligence in the performance of his or her material duties to the Company or subsidiaries; (iii) Participant’s intentional nonperformance or misperformance of his or her material duties to the Company or subsidiaries; (iv) Participant’s refusal to abide by or comply with the reasonable directives of the President and CEO, which actions continue for a period of at least 10 days after receipt by Participant of written notice of the need to cure or cease; (v) Participant’s failure or refusal to comply with the Company’s policies and procedures; (vi) Participant’s willful dishonesty, fraud or misconduct with respect to the business or affairs of the Company or subsidiaries, that in the reasonable judgment of the President and CEO adversely affects the Company and/or subsidiaries; or (vii) Participant’s conviction of, or a plea of nolo contendere to, a felony or other crime involving moral turpitude.

[Note: With respect to any individual Award, Committee may alter these provisions including, but not limited to, using terms included in such individual’s employment agreement.]

(d) For purposes of this Award, “Good Reason” means, without Participant’s express written consent: (i) requiring Participant to maintain his or her principal work location at a location outside of a 50 mile radius of the Company’s facility from which the Participant works as of the Grant Date; (ii) a reduction by the Company of Participant’s base salary; or (iii) failure of the Company to obtain the assumption of obligations of Award by any successor.

[Note: With respect to any individual Award, Committee may alter these provisions including, but not limited to, using terms included in such individual’s employment agreement.]

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

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

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

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

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

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

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

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

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

17. The Participant may accept this Award, subject to the registration and listing of the shares 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.

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

[19. Note: With respect to any individual Award, Committee may insert required retention periods for shares received pursuant to an Award, applicable even after such shares are Unrestricted Shares.] [Note: With respect to any individual Award, Committee may condition receipt of shares under this Award on other events or conditions.]

[Signature Page Follows]

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

OPTICAL CABLE CORPORATION

By: _____
Name:
Title:

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

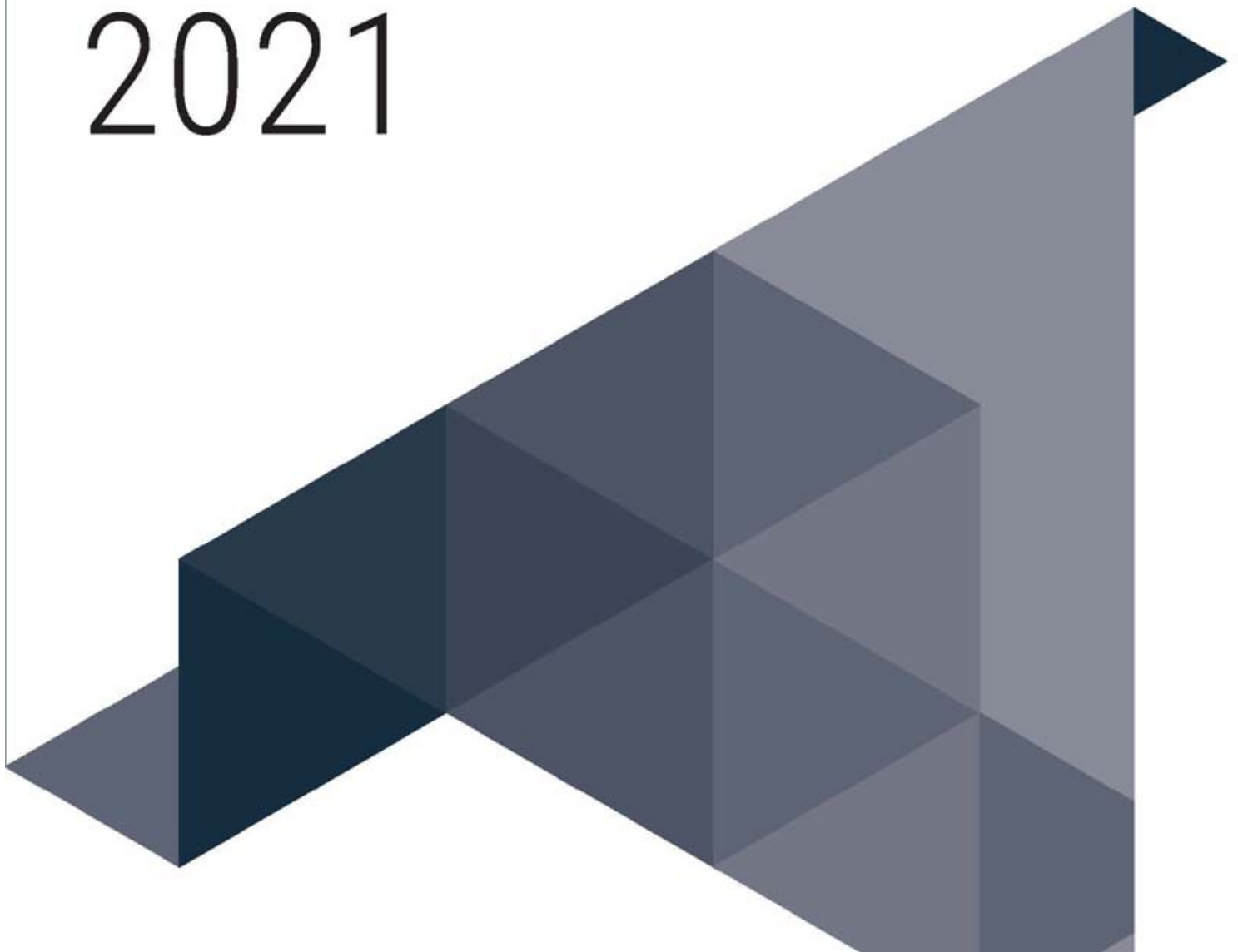
Date:

Signature

Address



ANNUAL REPORT 2021



TODAY'S OCC. STRONG. INNOVATIVE. SOLUTIONS.®



CONNECTIONS YOU CAN COUNT ON.®

OCC's product offering is cutting edge and ranks among the industry's most comprehensive suite to meet a full host of customer needs. Our focus on customer service, product excellence, and innovation allows us to create solutions for our customers that others are unwilling or unable to do.

UNRIVALED INTEGRATED SOLUTIONS.™

As an industry leader, OCC delivers innovative products and solutions designed to be smarter than the most challenging situations and tougher than the harshest environments. Our customers count on us to ensure the highest transmission performance and for products tested beyond industry standards. That's why top corporations, universities, hospitals, broadcasters, data centers, industrial facilities, wireless carriers, and military operations worldwide choose OCC.



OPTICAL CABLE CORPORATION

Annual Report

2021

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Optical Cable Corporation (OCC)

Letter from the CEO

Dear Shareholders of Optical Cable Corporation (OCC®):

In 2021, the OCC team successfully executed ongoing initiatives to strengthen OCC during the pandemic and for the long-term—positioning us to capture current and future growth opportunities, realize improved operating efficiencies, and control and reduce costs.

The COVID-19 pandemic continued to significantly impact the global economy during much of 2021—and it impacted OCC as well. As we began the fiscal year, demand for our products continued to be hindered by the pandemic. As product demand began to grow during our second quarter, new macroeconomic pandemic-related challenges arose—in particular supply chain disruption and a tight labor market.

The OCC team met these emerging challenges with creative problem-solving and a focus on serving our customers, and protecting and strengthening our operational effectiveness.

I am incredibly grateful for the OCC team and their dedication and tireless efforts this past year. It is their resilience, perseverance and hard work that has enabled OCC to navigate these turbulent times and to well-position OCC for fiscal year 2022.

My sincere and continued thank you to every member of the OCC team and their families!

Successful Execution Driving Improved Results

Our results this year demonstrate our successful execution of our ongoing initiatives to strengthen OCC through the pandemic and for the long-term:

- **Capturing Growth Opportunities.** Net sales for fiscal year 2021 increased 7.0% to \$59.1 million, compared to consolidated net sales of \$55.3 million for fiscal year 2020. Our net sales growth accelerated mid-second quarter of fiscal 2021. During OCC's second, third and fourth quarters of fiscal year 2021, our net sales increased 5.9%, 14.6% and 14.4%, respectively, in each case compared to the same periods in fiscal year 2020.

Our sales growth was driven by our ongoing sales, business development and marketing initiatives creating opportunities, as well as the easing of pandemic pressures on demand for our products beginning in the second quarter of fiscal 2021. Our sales order backlog/forward load more than doubled by the end of fiscal 2021 compared to the beginning of the year, as our sales orders and opportunities outpaced our material availability and labor capacity.

Direct and indirect impacts of the COVID-19 pandemic created these production capacity challenges (particularly beginning in our third fiscal quarter), which we believe prevented us from capturing even bigger increases in sales. These challenges, which affected many other companies as well, included supply chain disruption that resulted in longer lead times and increased costs for certain raw materials, a tight labor market for additional personnel needed to increase production volumes, and increases in other production costs.

We remain encouraged by the continued demand for our products and the effectiveness of our growth strategies, as these impacts of the pandemic continue to recede.

Optical Cable Corporation (OCC)

- **Realizing Operating Efficiencies.** We achieved gross profit of \$16.3 million for fiscal year 2021, compared to \$14.1 million for fiscal year 2020, an increase of 15.5%. Gross profit margin (gross profit as a percentage of net sales) was 27.5% during fiscal year 2021, compared to 25.5% for fiscal year 2020. Gross profit margin was 30.6%, 26.2% and 31.8% during the second, third and fourth quarters of fiscal year 2021, respectively.

In fiscal 2021, our gross profit improved as we realized benefits resulting from prior and ongoing manufacturing initiatives to improve manufacturing throughput, efficiency and flexibility, and from our improved sales performance and operating leverage as fixed production costs were spread over higher production volumes.

Notably, OCC's gross profit increased at a faster rate than our increase in net sales during fiscal 2021, positively impacted by our operating leverage, even as we experienced material availability challenges and cost increases—both of which impacted operating efficiency during the second half of fiscal year 2021.

- **Reducing and Controlling Costs.** Throughout 2021, we continued to focus on operating as efficiently as possible. Selling, General and Administrative expenses decreased \$1.0 million, or 5.2%, to \$18.2 million during fiscal year 2021, compared to \$19.2 million during fiscal year 2020.

Our decrease in SG&A expenses this year followed the significant decrease of \$4.2 million, or 17.9%, to \$19.2 million in fiscal year 2020, compared to \$23.4 million in fiscal year 2019. SG&A expenses as a percentage of net sales were 30.8% during fiscal year 2021, down from 34.8% during fiscal year 2020.

OCC also benefited from a Small Business Administration Payroll Protection Program loan (received in April 2020 and forgiven in full in July 2021), and Employee Retention Tax Credits. During critical periods of the COVID-19 pandemic, the loan and tax credits enabled OCC to preserve employee jobs and maintain our operational readiness, including our ability to service critical infrastructure customers such as the U.S. military and healthcare providers.

Leveraging Our Core Strengths to Create Long-term Value

Optical Cable Corporation remains uniquely positioned in the fiber optic and copper cabling and connectivity industry with differentiated core strengths and capabilities that enable OCC to offer top-tier products and application solutions and to successfully compete against much larger competitors. OCC's core strengths and capabilities include:

- **Wide range of fiber optic and copper cabling and connectivity products and solutions** that enable OCC to deliver products and solutions that meet our customers' unique needs and that are well suited for the applications in our targeted markets. The range of OCC's product offerings is extensive, with OCC often competing with different competitors in OCC's different targeted markets.
- **Enviably market positions, brand recognition, as well as the loyalty of and our relationships with customers, decision makers, and end-users across a broad range of targeted markets**—including the enterprise, industrial, broadcast, mining, oil & gas, alternative energy, military and other harsh environment and specialty markets, as well as the wireless carrier market.
- **Broad and diverse geographic footprint** with OCC selling into approximately 50 countries every year.
- **Extensive industry experience and expertise** with OCC's engineering, sales and business development teams well-respected for their product and application experience and expertise that enables OCC to create its portfolio of innovative, high performance products and associated intellectual property.

- **Impressive manufacturing knowledge and experience** of our manufacturing, quality and engineering teams and the **significant production capacity** of our facilities.

Many of the costs OCC incurs to maintain and build upon our strengths and capabilities, along with our public company costs, are fixed. As a result, as OCC grows net sales, gross profit and profitability tend to increase at a faster rate than the rate of increase of net sales. This creates **operating leverage for OCC** as fixed production costs and fixed SG&A expenses remain relatively stable, and are spread over higher net sales levels.

We are confident leveraging OCC's core strengths and capabilities enables us to deliver long-term value for shareholders.

Looking Forward to Fiscal Year 2022

As we begin fiscal year 2022, we are optimistic and excited by the opportunities before us.

Customer demand in OCC's markets has significantly improved. And, we are beginning to see other impacts of the COVID-19 pandemic recede with some improvements in the availability of certain raw materials in our supply chains, and some improvements in recruiting additional members to our manufacturing team.

OCC is well-positioned to capitalize on existing and new revenue opportunities as the impacts of the pandemic on supply chains, labor availability and the global economy recede.

We are hopeful that these trends will continue, and we will continue to monitor potential and developing impacts of COVID-19, including new emerging variants, on OCC's business and the global economy.

We appreciate the opportunity to meet the evolving needs of our customers, installers, specifiers and end-users—and are proud to provide OCC's top-tier solutions, products, application and technical expertise.

OCC remains committed to leveraging our core strengths and capabilities, and executing our strategies and initiatives to create long-term value for our shareholders.

We appreciate and thank you for your investment and continued trust in OCC! Be safe!

And, as we say, "Go OCC!"

Neil D. Wilkin, Jr.
Chairman of the Board,
President and Chief Executive Officer
December 14, 2021

Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Information

This report may contain certain forward-looking information within the meaning of the federal securities laws. The forward-looking information may include, among other information, (i) statements concerning our outlook for the future, (ii) statements of belief, anticipation or expectation, (iii) future plans, strategies or anticipated events, and (iv) similar information and statements concerning matters that are not historical facts. Such forward-looking information is subject to known and unknown variables, uncertainties, contingencies and risks that may cause actual events or results to differ materially from our expectations. Such known and unknown variables, uncertainties, contingencies and risks (collectively, "factors") may also adversely affect Optical Cable Corporation and its subsidiaries (collectively, the "Company" or "OCC®"), the Company's future results of operations and future financial condition, and/or the future equity value of the Company. Factors that could cause or contribute to such differences from our expectations or that could adversely affect the Company include, but are not limited to: the level of sales to key customers, including distributors; timing of certain projects and purchases by key customers; the economic conditions affecting network service providers; corporate and/or government spending on information technology; actions by competitors; fluctuations in the price of raw materials (including optical fiber, copper, gold and other precious metals, plastics and other materials); fluctuations in transportation costs; our dependence on customized equipment for the manufacture of certain of our products in certain production facilities; our ability to protect our proprietary manufacturing technology; market conditions influencing prices or pricing in one or more of the markets in which we participate, including the impact of increased competition; our dependence on a limited number of suppliers for certain product components; the loss of or conflict with one or more key suppliers or customers; an adverse outcome in any litigation, claims and other actions, and potential litigation, claims and other actions against us; an adverse outcome in any regulatory reviews and audits and potential regulatory reviews and audits; adverse changes in state tax laws and/or positions taken by state taxing authorities affecting us; technological changes and introductions of new competing products; changes in end-user preferences for competing technologies relative to our product offering; economic conditions that affect the telecommunications sector, the data communications sector, certain technology sectors and/or certain industry market sectors (for example, 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) and import and/or export tariffs imposed by the U.S. and other countries that affect certain geographic markets, industry market sector, and/or the economy as a whole; changes in demand for our products from certain competitors for which we provide private label connectivity products; changes in the mix of products sold during any given period (due to, among other things, seasonality or varying strength or weaknesses in particular markets in which we participate) which may impact gross profits and gross profit margins or net sales; variations in orders and production volumes of hybrid cables (fiber and copper) with high copper content, which tend to have lower gross profit margins; significant variations in sales resulting from: (i) high volatility within various geographic markets, within targeted markets and industries, for certain types of products, and/or with certain customers (whether related to the market generally or to specific customers' business in particular), (ii) timing of large sales orders, and (iii) high sales concentration among a limited number of customers in certain markets, particularly the wireless carrier market; terrorist attacks or acts of war, any current or potential future military conflicts, and acts of civil unrest; changes in the level of spending by the United States government, including, but not limited to military spending; ability to recruit and retain key personnel; poor labor relations; increasing labor costs; delays, extended lead times and/or changes in availability of needed raw materials, equipment and/or supplies; shipping and other logistic challenges; impact of inflation on costs and ability to pass along any increased costs to customers; impact of rising interest rates increasing the cost of capital; impact of cybersecurity risks and incidents and the related actual or potential costs and consequences of such risks and incidents, including costs to limit such risks; the impact of data privacy laws and the General Data Protection Regulation and the related actual or potential costs and consequences; the impact of changes in accounting policies and related costs of compliance, including changes by the Securities and Exchange Commission ("SEC"), the Public Company Accounting Oversight Board ("PCAOB"), the Financial Accounting Standards Board ("FASB"), and/or the International Accounting Standards Board ("IASB"); our ability to continue to successfully comply with, and the cost of compliance with, the provisions of Section 404 of the Sarbanes-Oxley Act of 2002 or any revisions to that act which apply to us; the impact of changes and potential changes in federal laws and regulations adversely affecting our business and/or which result in increases in our direct and indirect costs, including our direct and indirect costs of compliance with such laws and regulations; rising healthcare costs; impact of new or changed government laws and regulations on healthcare costs; the impact of changes in state or federal tax laws and regulations increasing our costs and/or impacting the net return to investors owning our shares; any changes in the status of our compliance with covenants with our lenders; our continued ability to maintain and/or secure future debt financing and/or equity financing to adequately finance our ongoing operations; the impact of future consolidation among competitors and/or among customers adversely affecting our position with our customers and/or our market position; actions by customers adversely affecting us in reaction to the expansion of our product offering in any manner, including, but not limited to, by offering products that compete with our customers, and/or by entering into alliances with, making investments in or with, and/or acquiring parties that compete with and/or have conflicts with our customers; voluntary or involuntary delisting of the Company's common stock from any exchange on which it is traded; the deregistration by the Company from SEC reporting requirements as a result of the small number of holders of the Company's common stock; adverse reactions by customers, vendors or other service providers to unsolicited proposals regarding the ownership or management of the Company; the additional costs of considering, responding to and possibly defending our position on unsolicited proposals regarding the ownership or management of the Company; impact of weather, natural disasters and/or epidemic or pandemic diseases (such as COVID-19) in the areas of the world in which we operate, market our products and/or acquire raw materials, including the impact of any present or future government mandates, travel restrictions, shutdowns or other regulations regarding any epidemic or pandemic diseases; an increase in the number of shares of the Company's common stock issued and outstanding; economic downturns generally and/or in one or more of the markets in which we operate; changes in market demand, exchange rates, productivity, market dynamics, market confidence, macroeconomic and/or other economic conditions in the areas of the world in which we operate and market our products; and our success in managing the risks involved in the foregoing.

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

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

Overview of COVID-19 Effects

The COVID-19 pandemic continued to have a significant impact on businesses and individuals in the United States and globally throughout much of 2021—including OCC. Actions taken by governments and private industry to limit the spread of the disease (including its variant strains) have resulted in the disruption of normal activities as businesses were forced to modify the way they conducted business or operate on a limited basis. When demand for products and services began to increase during 2021, the direct and indirect impacts of the COVID-19 pandemic created other challenges impacting supply chains, availability of personnel and costs.

Since the beginning of the COVID-19 pandemic, OCC's sales, production volumes and costs have been significantly impacted. As sales and production volume increased during fiscal year 2021, OCC began to experience supply chain challenges (including availability of materials, increased lead times, and increased costs) for certain of the raw materials used for manufacturing—particularly beginning in our fiscal third quarter. We also began to experience some challenges recruiting additional personnel. OCC's team has successfully mitigated (to a certain extent) the impacts of these new challenges. We believe these challenges will continue into fiscal year 2022.

Optical Cable Corporation (OCC)

Since March 2020, each of our three facilities have been open and operating. OCC's workforce was classified a "Defense Industrial Base Essential Critical Infrastructure Workforce" under guidelines from the U.S. Department of Defense and an "Essential Critical Infrastructure Workforce" under guidelines by the U.S. Department of Homeland Security, Cybersecurity and Infrastructure Security Agency (CISA).

OCC continues to maintain certain protocols at each of our facilities in response to the continued uncertainty of the impact of COVID-19, including, but not limited to: limiting business travel and face-to-face meetings, having a portion of our non-manufacturing employees work remotely, and implementing strict social distancing, symptom self-assessments, and sanitation and mask protocols within our facilities. When employees have contracted COVID-19, we have also used contact tracing to have personnel quarantine and be tested to avoid any spread of the disease at our facilities. To date, these efforts have been successful with no known transmission of COVID-19 between any personnel at our facilities. We have strongly encouraged all of our employees to be vaccinated, but have not implemented a vaccination mandate at this time.

OCC's pandemic team monitors the latest guidance from the Centers for Disease Control and Prevention ("CDC"), federal, state and other regulatory agencies, works to secure personal protective equipment, finds ways to help mitigate risk and identifies opportunities for us to meet or exceed health and safety guidelines and recommended protocols. We believe we have followed and are continuing to follow or exceed all CDC and public officials' guidelines as such guidelines have changed from time to time during the pandemic.

We began to see positive indicators of future strengthening in many of our markets beginning in the middle of our fiscal second quarter and continuing through our fourth quarter of fiscal year 2021, with increasing sales and production volumes compared to those in fiscal year 2020. We have also begun to see increases in our sales order backlog/forward load and drawdowns of finished goods inventories to fill incoming orders. We believe that we will continue to benefit from improvement in our markets during fiscal year 2022; however, we cannot fully anticipate or reasonably estimate the continuing impacts of the pandemic on our various markets and customers, including impacts from emerging variants of COVID-19 (such as the Delta and Omicron variants) in our various markets.

The extent to which the COVID-19 pandemic will affect OCC in the future will depend on ongoing developments, which are still uncertain, including, but not limited to: the duration and severity of the outbreak; the timing of recovery in certain of OCC's markets; any resurgence of the virus (including its variant strains); the successful distribution and administration of any current or future vaccines and boosters; any government mandates, travel restrictions, shutdowns or other regulations related to COVID-19 impacting the markets in which we operate, market our products and/or acquire materials; as well as a variety of other unknowable factors.

Since we cannot predict the duration or scope of the pandemic, we cannot fully anticipate or reasonably estimate all the ways in which the current global health crisis and financial market conditions could adversely impact our business in the future.

Overview of Optical Cable Corporation

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

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

Founded in 1983, Optical Cable Corporation is headquartered in Roanoke, Virginia with offices, manufacturing and warehouse facilities located in Roanoke, Virginia, near Asheville, North Carolina, and near Dallas, Texas. We primarily manufacture our fiber optic cables at our Roanoke facility which is ISO 9001:2015 registered and MIL-STD-790G certified, primarily manufacture our enterprise connectivity products at our Asheville facility which is ISO 9001:2015 registered, and primarily manufacture our harsh environment and specialty connectivity products at our Dallas facility which is ISO 9001:2015 registered and MIL-STD-790G certified.

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

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

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

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

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

Summary of Company Performance for Fiscal Year 2021

- The COVID-19 pandemic continued to significantly impact the global economy during much of 2021 and continued to impact OCC as well. As demand for products began to increase in the second quarter of fiscal year 2021, other challenges arose (particularly beginning in the third quarter), including supply chain challenges (availability, increased lead times and increased costs) for certain raw materials, challenges recruiting additional personnel and other cost increases. As demand for our products continued to increase during fiscal year 2021, our sales order backlog/forward load more than doubled.

- Consolidated net sales for fiscal year 2021 increased 7.0% to \$59.1 million, compared to consolidated net sales of \$55.3 million for fiscal year 2020. Net sales decreased 7.8% during the fiscal first quarter, and net sales increased 5.9%, 14.6% and 14.4% during our second, third and fourth fiscal quarters of fiscal year 2021, respectively, in each case compared to the same periods in fiscal year 2020.
- Gross profit was \$16.3 million for fiscal year 2021, compared to \$14.1 million for fiscal year 2020, an increase of 15.5%.
- Gross profit margin (gross profit as a percentage of net sales) was 27.5% during fiscal year 2021, compared to 25.5% for fiscal year 2020. Gross profit margin was 30.6%, 26.2% and 31.8% during the second, third and fourth quarters of fiscal year 2021, respectively.
- SG&A expenses decreased \$1.0 million, or 5.2%, to \$18.2 million during fiscal year 2021, compared to \$19.2 million during fiscal year 2020. This followed an SG&A expenses decrease of \$4.2 million, or 17.9%, to \$19.2 million in fiscal year 2020, compared to \$23.4 million in fiscal year 2019. SG&A expenses as a percentage of net sales were 30.8% during fiscal year 2021 and 34.8% during fiscal year 2020.
- Net income was \$6.6 million, or \$0.87 per share, during fiscal year 2021, compared to a net loss of \$6.1 million, or \$0.83 per share, for fiscal year 2020.
- On July 1, 2021, the SBA forgave the entire balance of the SBA Paycheck Protection Program loan (PPP Loan) (including accrued interest). As a result, OCC recognized a gain on the extinguishment of debt of approximately \$5.0 million, which is reflected under other income (expense), net.
- During fiscal year 2021, we recognized a \$4.3 million Employee Retention Tax Credit (ERTC), which is reflected as income under other income (expense), net. As of October 31, 2021, we have a \$2.2 million receivable for ERTC still to be refunded.

Results of Operations

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

Net sales consist of gross sales of products by the Company and its subsidiaries on a consolidated basis less discounts, refunds and returns. Revenue is recognized at the time product is transferred to the customer (including distributors) at an amount that reflects the consideration expected to be received in exchange for the product. Our customers generally do not have the right of return unless a product is defective or damaged and is within the parameters of the product warranty in effect for the sale.

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

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

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

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

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

Other income (expense), net consists of interest expense and other miscellaneous income and expense items not directly attributable to our operations. In fiscal year 2021, other income (expense), net includes the gain on the extinguishment of debt (including accrued interest) of an unsecured United States Small Business Administration (“SBA”) Paycheck Protection Program loan (“PPP Loan”) under the March 2020 Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) and the Employee Retention Tax Credit (“ERTC”) under the CARES Act, as subsequently amended.

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

	Fiscal Years Ended October 31,			Fiscal Years Ended October 31,		
	2021	2020	Percent Change	2020	2019	Percent Change
Net sales	\$ 59,100,000	\$ 55,300,000	7.0%	\$ 55,300,000	\$ 71,300,000	(22.5)%
Gross profit	16,300,000	14,100,000	15.5	14,100,000	18,300,000	(23.0)
SG&A expenses	18,200,000	19,200,000	(5.2)	19,200,000	23,400,000	(17.9)
Net income (loss)	6,600,000	(6,100,000)	208.0	(6,100,000)	(5,700,000)	8.0

Net Sales

Consolidated net sales for fiscal year 2021 were \$59.1 million, an increase of 7.0% compared to net sales of \$55.3 million for fiscal year 2020. We experienced an increase in net sales in the wireless carrier and enterprise markets in fiscal year 2021, compared to fiscal year 2020, partially offset by decreases in other specialty markets.

We believe net sales during fiscal year 2021, specifically beginning in our second fiscal quarter, were positively impacted by the continued lifting of some restrictions and the reopening of certain markets that had been negatively impacted by the COVID-19 pandemic. When demand for products and services began to increase during 2021, the direct and indirect impacts of the COVID-19 pandemic created other challenges (particularly beginning in the third fiscal quarter) that we believe hampered additional increases in net sales. These challenges include supply chain challenges (availability, increased lead times and increased costs) for certain raw materials, challenges recruiting additional personnel to increase production volumes, and other cost increases. While OCC believes it took actions intended to mitigate the impact of these challenges on production volume, as demand for our products increased during fiscal year 2021, our sales order backlog/forward load more than doubled as we necessarily increased our lead times to customers. We believe that we will continue to see a trend of improving demand for our products and net sales to the extent the direct and indirect impacts of the COVID-19 pandemic on our customers, suppliers, workforce and end-users decline.

We are continuing to see some positive indicators of future strengthening in some of our markets and believe we will continue to benefit from improvement in our markets in fiscal year 2022; however, we cannot fully anticipate or reasonably estimate the continuing impacts of the pandemic on our various markets and customers, including impacts from emerging variants of COVID-19 (such as the Delta and Omicron variants) in our various markets.

We experienced a decrease in net sales in both our enterprise and specialty markets, including the wireless carrier market, in fiscal year 2020 compared to fiscal year 2019. Our net sales during fiscal year 2020 were negatively impacted by the COVID-19 pandemic as certain businesses limited operations and/or reduced or delayed product purchases. While net sales for both our enterprise markets and our specialty markets were negatively impacted by the pandemic during fiscal year 2020, our specialty markets were most significantly impacted—with net sales declining 30.0% compared to the prior year. Net sales in our enterprise markets decreased 11.4% in fiscal year 2020, compared to fiscal year 2019. Additionally, contributing to the decrease in net sales during fiscal year 2020 was the fact that we fulfilled a number of large orders from one customer in the wireless carrier market in fiscal year 2019 that did not recur at the same levels in fiscal year 2020. Net sales to this customer decreased 6.1 million dollars in fiscal year 2020. Historically, net sales to this customer have been volatile from quarter to quarter and from year to year.

Net sales to customers outside of the United States were approximately 18%, 19% and 18% of total net sales for fiscal years 2021, 2020 and 2019, respectively. Net sales to customers in the United States increased 8.7% while net sales to customers outside of the United States decreased less than one percent in fiscal year 2021, compared to last year.

We typically expect net sales to be relatively lower in the first half of each fiscal year and relatively higher in the second half of each fiscal year, and excluding other volatility, we would normally expect 48% of total net sales to occur during the first half of a fiscal year and 52% of total net sales to occur during the second half of a fiscal year. We believe this historical seasonality pattern is generally indicative of an overall trend and reflective of the buying patterns and budgetary cycles of our customers. However, this pattern may be substantially altered during any quarter or year, as was the case in fiscal years 2020 and 2019, by the quarterly and annual volatility of orders received for the wireless carrier market, the timing of larger projects, timing of orders from larger customers, other economic factors impacting our industry or impacting the industries of our customers and end-users, and macroeconomic conditions. Additionally, we believe our seasonality pattern in fiscal year 2021 was impacted by the COVID-19 pandemic, resulting in lower net sales at the start of the fiscal year and higher net sales beginning in the second quarter of the fiscal year as some restrictions were lifted and certain markets reopened. This resulted in 47% of total net sales occurring in the first half of fiscal year 2021 and 53% of total net sales occurring in the second half of fiscal year 2021. While we believe seasonality may be a factor that impacts our quarterly net sales results, particularly when excluding the volatility of sales in the wireless carrier market, we are not able to reliably predict net sales based on seasonality because these other factors can also, and often do, substantially impact our net sales patterns during the year.

Gross Profit

Gross profit was \$16.3 million in fiscal year 2021, compared to gross profit of \$14.1 million in fiscal year 2020, an increase of 15.5%. Gross profit margin, or gross profit as a percentage of net sales, was 27.5% in fiscal year 2021 compared to 25.5% in fiscal year 2020. Generally, gross profit margin improved during fiscal year 2021. Gross profit margin was 19.4%, 30.6%, 26.2% and 31.8% during the first, second, third and fourth quarters of fiscal year 2021, respectively.

Our gross profit margins tend to be higher when we achieve higher net sales levels, as certain fixed manufacturing costs are spread over higher sales. This operating leverage, which is beneficial at higher sales levels, positively impacted our gross profit margin during fiscal year 2021, particularly beginning in the second fiscal quarter. Additionally, actions that we took in fiscal years 2020 and 2019 contributed to the increase in our gross profit margin in fiscal year 2021, resulting in an improved gross profit margin when compared to fiscal year 2020. Our gross profit margin percentages are also heavily dependent upon product mix on a quarterly basis and may vary based on changes in product mix from quarter to quarter.

Gross profit was \$14.1 million in fiscal year 2020, compared to gross profit of \$18.3 million in fiscal year 2019, a decrease of 23.0%, as a result of lower sales volumes caused by the COVID-19 pandemic.

Gross profit margin, or gross profit as a percentage of net sales, was 25.5% in fiscal year 2020 compared to 25.7% in fiscal year 2019, as the impact of manufacturing process and efficiency improvement initiatives during fiscal year 2019 which were anticipated to positively impact gross profit margins during fiscal year 2020, were offset as fixed production costs were spread over lower sales volumes in fiscal year 2020.

Selling, General and Administrative Expenses

SG&A expenses decreased \$1.0 million, or 5.2%, to \$18.2 million during fiscal year 2021, compared to \$19.2 million for fiscal year 2020. This followed an SG&A expenses decrease of \$4.2 million, or 17.9%, to \$19.2 million in fiscal year 2020, compared to \$23.4 million in fiscal year 2019. SG&A expenses as a percentage of net sales were 30.8% in fiscal year 2021, compared to 34.8% in fiscal year 2020.

The decrease in SG&A expenses during fiscal year 2021 compared to last year was primarily the result of decreases in employee and contracted sales personnel related costs totaling \$787,000, decreases in bad debt expense totaling \$414,000, decreases in travel expenses totaling \$103,000 and decreases in marketing expenses totaling \$102,000. Included in employee and contracted sales personnel related costs are compensation costs which decreased primarily due to terminations, net of new hires, which were impacted by our ongoing cost control initiatives. During fiscal year 2020, our bad debt expense increased due to collectability of certain customer accounts during the COVID-19 pandemic environment, after which our bad debt expense significantly decreased as it returned to a more typical level in fiscal year 2021. Travel expenses and marketing expenses decreased primarily due to the decrease in business travel and the continuing cancellation of tradeshow during fiscal year 2021 due to the COVID-19 pandemic. The decreases in SG&A expenses include the impact of our ongoing cost control initiatives.

SG&A expenses decreased 17.9% to \$19.2 million during fiscal year 2020, compared to \$23.4 million for fiscal year 2019. SG&A expenses as a percentage of net sales were 34.8% in fiscal year 2020, compared to 32.9% in fiscal year 2019, as net sales decreased at a higher rate than the decrease in SG&A expenses due to the impact of the COVID-19 pandemic on net sales.

The decrease in SG&A expenses during fiscal year 2020 compared to fiscal year 2019 was primarily the result of decreases in employee related SG&A costs totaling \$2.9 million, decreases in travel expenses totaling \$530,000, decreases in shipping costs totaling \$464,000 and decreases in marketing expenses totaling \$425,000. Included in employee related costs are employee incentives and commissions which decreased due to the financial results during fiscal year 2020 and decreases in compensation costs primarily due to terminations, net of new hires. Shipping costs decreased due to the decrease in net sales in fiscal year 2020 compared to fiscal year 2019. Both marketing and travel expenses decreased due to the decline/halt in business travel and cancellation of tradeshow during fiscal year 2020 due to the COVID-19 pandemic. The decreases in employee related costs, travel expenses, shipping costs and marketing expenses were partially offset by an increase in bad debt expense totaling \$369,000 due to concerns about collectability of certain customer accounts during the COVID-19 pandemic environment and increases in legal and professional fees totaling \$242,000 primarily due to non-capitalizable fees associated with legal advice related to, among other things, various financing strategies under consideration by us as well as certain related professional services. The decreases in SG&A expenses include the impact of our ongoing cost control initiatives.

Royalty Income (Expense), Net

We recognized royalty income, net of royalty and related expenses, totaling \$37,000 during fiscal year 2021, compared to royalty expense, net of royalty income, totaling \$332,000 during fiscal year 2020. Royalty income and/or expense may fluctuate based on sales of licensed products and estimates of amounts for non-licensed product sales, if any.

We recognized royalty expense, net of royalty income, totaling \$332,000 during fiscal year 2020, compared to royalty income, net of royalty and related expenses totaling \$7,000 during fiscal year 2019.

Amortization of Intangible Assets

We recognized \$46,000 of amortization expense, associated with intangible assets, during fiscal year 2021, compared to \$42,000 during fiscal year 2020 and \$39,000 during fiscal year 2019.

Other Income (Expense), Net

We recognized other income, net of \$8.6 million in fiscal year 2021, compared to other expense, net of \$570,000 in fiscal year 2020. Other income, net for fiscal year 2021 is comprised primarily of the gain on the extinguishment of our PPP Loan (including accrued interest) totaling \$5.0 million and the ERTC of \$4.3 million, partially offset by interest expense on our revolving credit facility and term loans, and by other miscellaneous items. The change in other income, net during fiscal year 2021 compared to the same period last year was primarily due to the extinguishment of our PPP Loan (including accrued interest) and the ERTC.

The ERTC, created in the March 2020 Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) and then subsequently amended by the Consolidated Appropriation Act (“CAA”) of 2021, the American Rescue Plan Act (“ARPA”) of 2021 and the Infrastructure Investment and Jobs Act (“IIJA”) of 2021, is a refundable payroll credit for qualifying businesses keeping employees on their payroll during the COVID-19 pandemic. Under CAA, ARPA and IIJA amendments, employers can claim a refundable tax credit against the employer share of social security tax equal to 70% of the qualified wages (including certain health care expenses) paid to employees after December 31, 2020 through September 30, 2021. Qualified wages are limited to \$10,000 per employee per calendar quarter in 2021 so the maximum ERTC available is \$7,000 per employee per calendar quarter.

OCC is an eligible small employer under the gross receipts decline test when comparing the first calendar quarter of 2021 to the same quarter in calendar year 2019, which qualifies us to claim ERTC in both the first and second calendar quarters of 2021. During fiscal year 2021, we recognized a refundable payroll tax credit totaling \$4.3 million. We do not expect any additional credits. As of October 31, 2021, OCC has \$2.2 million in recognized ERTC still to be refunded.

We recognized other expense, net of \$570,000 in fiscal year 2020 compared to \$513,000 in fiscal year 2019. Other expense, net for fiscal year 2020 is comprised of: interest expense totaling \$570,000 related primarily to: borrowings under our revolving credit facilities and our two real estate term loans (for monies borrowed in connection with the acquisition of SMP Data Communications, now OCC’s Asheville facility); other interest incurred in the normal course of business; and other miscellaneous items which may fluctuate from period to period. The increase in other expense, net during fiscal year 2020 compared to fiscal year 2019 was primarily due to increased interest expense resulting from the amortization of deferred financing fees related to our new Revolving Credit Master Promissory Note and related agreements (collectively, the “Revolver”) with North Mill Capital, LLC (now doing business as SLR Credit, “SLR”).

Optical Cable Corporation (OCC)

Income (Loss) Before Income Taxes

We reported income before income taxes of \$6.6 million for fiscal year 2021 compared to a loss before income taxes of \$6.1 million for fiscal year 2020. The change was primarily due to the gain on the extinguishment of the PPP Loan (including accrued interest) of \$5.0 million, the ERTC of \$4.3 million, the increase in gross profit of \$2.2 million and the decrease in SG&A expenses of \$1.0 million compared to fiscal year 2020.

We reported a loss before income taxes of \$6.1 million for fiscal year 2020 compared to \$5.7 million for fiscal year 2019. This increase was primarily due to the decrease in gross profit of \$4.2 million and the increase in royalty expense, net of \$338,000, partially offset by the decrease in SG&A expenses of \$4.2 million in fiscal year 2020 compared to fiscal year 2019.

Income Tax Expense (Benefit)

Income tax benefit totaled \$20,000 in fiscal year 2021, compared to income tax expense of \$18,000 in fiscal year 2020. Our effective tax rate was less than negative one percent for fiscal years 2021 and 2020.

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.

Income tax expense totaled \$18,000 for fiscal year 2020 compared to income tax benefit of \$6,000 for fiscal year 2019. Our effective tax rate for fiscal year 2020 was less than negative one percent, compared to less than one percent for fiscal year 2019.

During fiscal year 2015, we established a valuation allowance against all of our net deferred tax assets. As a result of establishing a full valuation allowance against our net deferred tax assets, if we generate sufficient taxable income in subsequent periods to realize a portion or all of our net deferred tax assets, our effective income tax rate could be unusually low due to the tax benefit attributable to the necessary decrease in our valuation allowance. Further, if we generate losses before taxes in subsequent periods, our effective income tax rate could also be unusually low as any increase in our net deferred tax asset from such a net operating loss for tax purposes would be offset by a corresponding increase to our valuation allowance against our net deferred tax assets.

If we generate sufficient income before taxes in subsequent periods such that U.S. GAAP would permit us to conclude that the removal of any valuation allowance against our net deferred tax asset is appropriate, then during the period in which such determination is made, we will recognize the non-cash benefit of such removal of the valuation allowance in income tax expense on our consolidated statement of operations, which will increase net income and will also increase the net deferred tax asset on our consolidated balance sheet. If we do not generate sufficient income before taxes in subsequent periods such that U.S. GAAP would permit us to conclude that the reduction or removal of any valuation allowance against our net deferred tax asset is appropriate, then no such non-cash benefit would be realized. There can be no assurance regarding any future realization of the benefit by us of all or part of our net deferred tax assets. As of October 31, 2021, the valuation allowance against our total gross deferred tax assets totals \$4.3 million. In fiscal year 2021, OCC's PPP Loan forgiveness is not included in U.S. federal taxable income, while the net benefit of the ERTC is taxable due to certain U.S. federal expense disallowance rules in connection with the ERTC.

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

Net Income (Loss)

Net income for fiscal year 2021 was \$6.6 million compared to a net loss of \$6.1 million for fiscal year 2020. This change was primarily due to the increase in income before income taxes of \$12.7 million in fiscal year 2021, compared to fiscal year 2020.

Net loss for fiscal year 2020 was \$6.1 million compared to \$5.7 million for fiscal year 2019. This increase was primarily due to the increase in loss before income taxes of \$428,000 in fiscal year 2020, compared to fiscal year 2019.

Financial Condition

Total assets increased \$1.4 million, or 3.7%, to \$37.9 million at October 31, 2021, from \$36.6 million at October 31, 2020. This increase was primarily due to a \$2.2 million increase in other receivables due to the ERTC and an \$815,000 increase in trade accounts receivable, net, resulting from the increase in net sales in the fourth quarter of fiscal year 2021 when compared to the fourth quarter of fiscal year 2020, partially offset by a \$796,000 decrease in inventories due largely as the result of the timing of certain raw material purchases as well as improved sales, including stock inventory that was not replenished to previous levels as production volumes for sales orders increased.

Total liabilities decreased \$5.6 million, or 26.2%, to \$15.7 million at October 31, 2021, from \$21.3 million at October 31, 2020. The decrease in total liabilities was due primarily to a decrease in the PPP Loan totaling \$5.0 million as a result of the forgiveness of the loan on July 1, 2021 and net repayments on our Revolver totaling \$1.5 million, partially offset by an increase in accounts payable and accrued expenses totaling \$1.4 million primarily resulting from the timing of raw material purchases and certain vendor payments.

Total shareholders' equity at October 31, 2021 increased \$6.9 million, or 45.5%, during fiscal year 2021. The increase resulted from net income of \$6.6 million, and share-based compensation, net, of \$336,000.

Liquidity and Capital Resources

Our primary capital needs have been to fund working capital requirements, make payments on our Revolver and make principal payments on long-term debt. Our primary source of capital for these purposes has been existing cash, cash provided by operations (which was positively impacted by the ERTC during fiscal year 2021), borrowings under our Revolver, and the PPP Loan (during fiscal year 2020).

As of October 31, 2021 and 2020, we had an outstanding loan balance under our Revolver totaling \$3.5 million and \$5.0 million, respectively. As of October 31, 2021 and 2020, we had outstanding loan balances, excluding our Revolver, totaling \$4.9 million and \$10.1 million, respectively.

Our cash totaled \$132,000 and \$141,000 as of October 31, 2021 and 2020, respectively. For the year ended October 31, 2021, net cash provided by operating activities of \$2.1 million was offset by net cash used in financing activities of \$1.9 million, and capital expenditures totaling \$166,000.

On October 31, 2021, we had working capital of \$21.4 million, compared to \$19.1 million as of October 31, 2020. The ratio of current assets to current liabilities as of October 31, 2021, was 4.5 to 1 compared to 4.0 to 1 as of October 31, 2020. The increase in working capital and in the current ratio was primarily due to the increase in other receivables of \$2.2 million due to the ERTC, the \$815,000 increase in trade accounts receivable, net, the \$1.6 million decrease in the current portion of the PPP Loan, partially offset by the \$796,000 decrease in inventories and the \$1.4 million increase in accounts payable and accrued expenses.

Net Cash

Net cash provided by operating activities was \$2.1 million in fiscal year 2021, compared to net cash used in operating activities of \$3.6 million in fiscal year 2020 and \$284,000 in fiscal year 2019.

Net cash provided by operating activities during fiscal year 2021 primarily resulted from net income of \$6.6 million, plus net adjustments to reconcile net income to net cash provided by operating activities, including depreciation and amortization of \$1.2 million and share-based compensation expense of \$336,000. Additionally, the cash flow impact of increases in accounts payable and accrued expenses of \$1.4 million and decreases in inventories totaling \$796,000 further contributed to net cash provided by operating activities. All of the aforementioned factors positively affecting cash provided by operating activities were partially offset by an adjustment to reconcile net income of \$6.6 million to net cash provided by operating activities for the gain related to the forgiveness of the principal amount of the PPP Loan totaling \$5.0 million, an increase in other receivables totaling \$2.2 million and the cash flow impact of increases in trade accounts receivable, net of \$825,000.

Net cash used in operating activities during fiscal year 2020 primarily resulted from the cash flow impact of decreases in accounts payable and accrued expenses, including accrued compensation and payroll taxes, totaling \$3.3 million, partially offset by decreases in the cash flow impact of trade accounts receivable, net totaling \$2.4 million, decreases in inventories totaling \$996,000 and certain adjustments to reconcile a net loss of \$6.1 million to net cash used in operating activities including depreciation and amortization of \$1.4 million, bad debt expense of \$425,000 and share-based compensation of \$142,000.

Net cash used in operating activities during fiscal year 2019 primarily resulted from an increase in inventories totaling \$621,000 and a decrease in accrued compensation and payroll taxes totaling \$1.7 million, partially offset by a decrease in the cash flow impact of decreases in trade accounts receivable, net totaling \$2.4 million and certain adjustments to reconcile a net loss of \$5.7 million to net cash used in operating activities including depreciation and amortization of \$1.7 million and share-based compensation expense of \$981,000. Additionally, the cash flow impact of increases in accounts payable and accrued expense totaling \$2.3 million further contributed to offset net cash used in operating activities.

Net cash used in investing activities totaled \$193,000 in fiscal year 2021 compared to \$168,000 in fiscal year 2020 and \$550,000 in fiscal year 2019. Net cash used in investing activities during fiscal years 2021, 2020 and 2019 resulted primarily from the purchase of property and equipment and deposits for the purchase of property and equipment.

Net cash used in financing activities totaled \$1.9 million in fiscal year 2021 compared to net cash provided by financing activities totaling \$3.3 million in fiscal year 2020 and \$1.2 million in fiscal year 2019.

Net cash used in financing activities in fiscal year 2021 resulted primarily from net repayments on our Revolver totaling \$1.5 million and principal payments on long-term debt totaling \$312,000. Net cash provided by financing activities in fiscal year 2020 resulted from proceeds received from the PPP Loan totaling \$5.0 million and advances on our revolving lines of credit totaling \$19.9 million, partially offset by payments on our revolving lines of credit totaling \$20.6 million, principal payments on long-term debt totaling \$743,000 and deferred financing costs of \$252,000. Net cash provided by financing activities in fiscal year 2019 resulted primarily from proceeds from a note payable to our bank under our line of credit, net of repayments, totaling \$2.7 million, partially offset by payroll taxes withheld and remitted totaling \$943,000 related to the vesting of restricted stock, and principal payments on long-term debt totaling \$511,000.

On July 14, 2015, our Board of Directors approved a plan to purchase and retire up to 400,000 shares of our common stock, or approximately 6.0% of the shares then outstanding (the “Repurchase Plan”). When the Repurchase Plan was approved, we had anticipated that the purchases would be made over a 24- to 36-month period, but there was no definite time period for repurchase or plan expiration. As of October 31, 2021, we had 398,400 shares remaining to purchase under this Repurchase Plan, and we have made no specific determination whether and over what period these shares may or may not be purchased. Until future notice, we have no current plans to repurchase and retire our common stock and have suspended 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 Master Promissory Note and related agreements (collectively, the Revolver).

Effective July 15, 2021, Northeast Bank purchased both the Virginia Real Estate Loan and the North Carolina Real Estate Loan from Pinnacle Bank (“Pinnacle”), with all the terms of the real estate loans remaining the same. The real estate loans have a fixed interest rate of 3.95% and are secured by a first lien deed of trust on the Company’s real property.

In fiscal year 2020, we obtained an unsecured PPP Loan through Pinnacle in the amount of \$5.0 million. The loan was made through the United States Small Business Administration (SBA) as part of the Payroll Protection Plan (PPP) under the CARES Act. The interest rate was fixed at 1.00% per year, and the Company accrued interest of \$60,323 on the PPP Loan. Under the CARES Act and the Paycheck Protection Program Flexibility Act of 2020, all or a portion of this loan (principal and interest) would be forgiven if certain requirements were met. We met these requirements and applied for forgiveness of the entire balance of the loan (including accrued interest), submitting an application to Pinnacle on February 22, 2021. On July 1, 2021, the SBA forgave the entire balance of the PPP Loan (including accrued interest). As a result, we recognized a gain on the extinguishment of debt of approximately \$5.0 million during fiscal year 2021.

Our Revolver with North Mill Capital LLC (now doing business as SLR Business Credit, (SLR)) provides us with one or more advances in an amount up to: (a) 85% of the aggregate outstanding amount of eligible accounts (the “eligible accounts loan value”); plus (b) the lowest of (i) an amount up to 35% of the aggregate value of eligible inventory, (ii) \$5.0 million, and (iii) an amount not to exceed 100% of the then outstanding eligible accounts loan value; minus (c) \$1.5 million.

The maximum aggregate principal amount subject to the Revolver is \$18.0 million. Interest accrues on the daily balance at the per annum rate of 1.5% above the Prime Rate in effect from time to time, but not less than 4.75% (the “Applicable Rate”). In the event of a default, interest may become 6.0% above the Applicable Rate. As of October 31, 2021, the Revolver accrued interest at the prime lending rate plus 1.5% (resulting in a 4.75% rate at October 31, 2021). The initial term of the Revolver is three years, with a termination date of July 24, 2023. After the initial term and unless otherwise terminated, the loan may be extended in one year periods subject to the agreement of SLR.

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

Optical Cable Corporation (OCC)

As of October 31, 2021, we had \$3.5 million of outstanding borrowings on our Revolver and \$4.4 million in available credit. As of October 31, 2020, we had \$5.0 million of outstanding borrowings on our Revolver and \$1.6 million in available credit.

Capital Expenditures

We did not have any material commitments for capital expenditures as of October 31, 2021. We expected capital expenditures in fiscal year 2021 would not exceed \$750,000. We incurred capital expenditures totaling \$166,000 for items including new manufacturing equipment, improvements to existing manufacturing equipment, new information technology equipment and software, upgrades to existing information technology equipment and software, and other capitalizable expenditures for property, plant and equipment for fiscal year 2021.

During our 2022 fiscal year budgeting process, we included an estimate for capital expenditures of \$1.5 million for the year. Any capital expenditures will be funded out of our working capital, cash provided by operations or borrowings under our Revolver, as appropriate. This amount includes estimates for capital expenditures for similar types of items as those purchased in fiscal year 2021. 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.

Future Cash Flow Considerations

We believe that our cash flow from operations, our cash on hand and our existing Revolver 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.

Critical Accounting Policies and Estimates

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

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

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

Revenue Recognition

Management views revenue recognition as a critical accounting estimate since we must estimate an allowance for sales returns for the reporting period. This allowance reduces net sales for the period and is based on our analysis and judgment of historical trends, identified returns and the potential for additional returns. The estimates for sales returns did not materially differ from actual results for the years ended October 31, 2021, 2020 and 2019.

Trade Accounts Receivable and the Allowance for Doubtful Accounts

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

Inventories

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

Deferred Tax Assets

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

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

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

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

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

Long-lived Assets

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

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

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

Commitments and Contingencies

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

Quantitative and Qualitative Disclosures About Market Risk

We do not engage in transactions in derivative financial instruments or derivative commodity instruments. As of October 31, 2021 our financial instruments were not exposed to significant market risk due to interest rate risk, foreign currency exchange risk, commodity price risk or equity price risk.

New Accounting Standards

In December 2019, the FASB issued Accounting Standards Update 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* (“ASU 2019-12”), which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020, with early adoption permitted. The adoption of ASU 2019-12 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.

Disagreements with Accountants

We did not have any disagreements with our accountants on any accounting matter or financial disclosure made during our fiscal year ended October 31, 2021.

Optical Cable Corporation (OCC)

Consolidated Balance Sheets

October 31, 2021 and 2020

	October 31,	
	2021	2020
Assets		
Current assets:		
Cash	\$ 132,249	\$ 140,839
Trade accounts receivable, net of allowance for doubtful accounts of \$61,527 in 2021 and \$524,617 in 2020	8,376,000	7,561,334
Income taxes refundable - current	—	25,003
Other receivables	2,204,456	23,145
Inventories	16,303,808	17,099,767
Prepaid expenses and other assets	549,350	472,516
Total current assets	<u>27,565,863</u>	<u>25,322,604</u>
Property and equipment, net	7,912,851	8,811,863
Intangible assets, net	646,860	665,731
Other assets, net	1,790,956	1,757,614
Total assets	<u>\$ 37,916,530</u>	<u>\$ 36,557,812</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Note payable, SBA PPP Loan - current	\$ —	\$ 1,615,404
Current installments of long-term debt	324,840	312,109
Accounts payable and accrued expenses	4,275,880	2,861,343
Accrued compensation and payroll taxes	1,553,771	1,463,307
Income taxes payable	13,121	13,986
Total current liabilities	<u>6,167,612</u>	<u>6,266,149</u>
Note payable, SBA PPP Loan - noncurrent	—	3,365,996
Note payable, revolver - noncurrent	3,465,908	4,988,660
Long-term debt, excluding current installments	4,528,611	4,853,457
Other noncurrent liabilities	1,548,446	1,823,632
Total liabilities	<u>15,710,577</u>	<u>21,297,894</u>
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 7,897,477 shares in 2021 and 7,537,087 shares in 2020	14,337,649	14,002,130
Retained earnings	7,868,304	1,257,788
Total shareholders' equity	<u>22,205,953</u>	<u>15,259,918</u>
Commitments and contingencies		
Total liabilities and shareholders' equity	<u>\$ 37,916,530</u>	<u>\$ 36,557,812</u>

See accompanying notes to consolidated financial statements.

Optical Cable Corporation (OCC)

Consolidated Statements of Operations

Years ended October 31, 2021, 2020 and 2019

	Years Ended October 31,		
	2021	2020	2019
Net sales	\$ 59,136,294	\$ 55,277,400	\$ 71,324,446
Cost of goods sold	42,862,215	41,191,022	53,019,699
Gross profit	16,274,079	14,086,378	18,304,747
Selling, general and administrative expenses	18,239,152	19,245,502	23,434,360
Royalty (income) expense, net	(37,261)	331,934	(6,510)
Amortization of intangible assets	45,511	42,006	38,598
Loss from operations	(1,973,323)	(5,533,064)	(5,161,701)
Other income (expense), net:			
Interest expense	(690,384)	(569,812)	(521,142)
Other, net	9,254,325	(307)	7,717
Other income (expense), net	8,563,941	(570,119)	(513,425)
Income (loss) before income taxes	6,590,618	(6,103,183)	(5,675,126)
Income tax expense (benefit)	(19,898)	18,041	(5,805)
Net income (loss)	\$ 6,610,516	\$ (6,121,224)	\$ (5,669,321)
Net income (loss) per share - basic and diluted	\$ 0.87	\$ (0.83)	\$ (0.77)

See accompanying notes to consolidated financial statements.

Optical Cable Corporation (OCC)

Consolidated Statements of Shareholders' Equity

Years ended October 31, 2021, 2020 and 2019

	Common Stock		Retained Earnings	Total Shareholders' Equity
	Shares	Amount		
Balances at October 31, 2018	7,694,387	\$ 13,816,140	\$ 12,994,697	\$ 26,810,837
Adoption of accounting standard ASC 606	—	—	61,763	61,763
Share-based compensation, net	(235,055)	37,194	—	37,194
Repurchase and retirement of common stock (at cost)	(351)	—	(1,573)	(1,573)
Net loss	—	—	(5,669,321)	(5,669,321)
Balances at October 31, 2019	7,458,981	\$ 13,853,334	\$ 7,385,566	\$ 21,238,900
Adoption of accounting standard ASU 2018-07	—	6,554	(6,554)	—
Share-based compensation, net	78,106	142,242	—	142,242
Net loss	—	—	(6,121,224)	(6,121,224)
Balances at October 31, 2020	7,537,087	\$ 14,002,130	\$ 1,257,788	\$ 15,259,918
Share-based compensation, net	360,390	335,519	—	335,519
Net income	—	—	6,610,516	6,610,516
Balances at October 31, 2021	7,897,477	\$ 14,337,649	\$ 7,868,304	\$ 22,205,953

See accompanying notes to consolidated financial statements.

Optical Cable Corporation (OCC)

Consolidated Statements of Cash Flows

Years Ended October 31, 2021, 2020 and 2019

	Years ended October 31,		
	2021	2020	2019
Cash flows from operating activities:			
Net income (loss)	\$ 6,610,516	\$ (6,121,224)	\$ (5,669,321)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,206,706	1,427,067	1,720,562
Bad debt expense	10,750	425,055	60,381
Share-based compensation expense	335,519	142,242	980,549
Gain on debt extinguishment—PPP Loan principal	(4,981,400)	—	—
Loss on sale of property and equipment	30,463	10,538	2,058
(Increase) decrease in:			
Trade accounts receivable	(825,416)	2,361,208	2,424,912
Other receivables	(2,181,311)	46,582	(7,776)
Income taxes refundable	25,003	25,004	(726)
Inventories	795,959	995,860	(620,872)
Prepaid expenses and other assets	(76,834)	(167,803)	243,778
Other assets	70,081	(8,180)	21,473
Increase (decrease) in:			
Accounts payable and accrued expenses	1,357,106	(3,040,820)	2,323,012
Accrued compensation and payroll taxes	90,464	(300,031)	(1,725,732)
Income taxes payable	(865)	(1,396)	(6,284)
Other noncurrent liabilities	(350,153)	652,761	(29,811)
Net cash provided by (used in) operating activities	2,116,588	(3,553,137)	(283,797)
Cash flows from investing activities:			
Purchase of and deposits for the purchase of property and equipment	(166,227)	(120,001)	(487,554)
Investment in intangible assets	(26,640)	(48,457)	(62,843)
Net cash used in investing activities	(192,867)	(168,458)	(550,397)
Cash flows from financing activities:			
Payroll taxes withheld and remitted on share-based payments	—	—	(943,355)
Proceeds from note payable to bank, SBA PPP Loan	—	4,981,400	—
Proceeds from note payable to bank, revolver	—	350,000	2,850,000
Proceeds from note payable, revolver	58,867,884	19,540,233	—
Payments on note payable to bank, revolver	—	(6,000,000)	(200,000)
Payments on note payable, revolver	(60,390,636)	(14,551,573)	—
Principal payments on long-term debt	(312,115)	(743,057)	(510,961)
Payments for financing costs	(91,667)	(251,899)	—
Principal payments on financing lease	(5,777)	—	—
Repurchase of common stock	—	—	(1,573)
Net cash provided by (used in) financing activities	(1,932,311)	3,325,104	1,194,111
Net increase (decrease) in cash	(8,590)	(396,491)	359,917
Cash at beginning of year	140,839	537,330	177,413
Cash at end of year	\$ 132,249	\$ 140,839	\$ 537,330
Supplemental disclosure of cash flow information:			
Cash payments for interest	\$ 492,547	\$ 523,292	\$ 515,995
Income taxes paid, net of refunds	\$ (10,656)	\$ (9,703)	\$ 30,483
Noncash investing and financing activities:			
Capital expenditures accrued in accounts payable at year end	\$ 33,842	\$ 10,482	\$ —

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended October 31, 2021, 2020 and 2019

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

(a) Description of Business

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

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

The Company’s cabling and connectivity products are used for high bandwidth transmission of data, video and audio communications. The Company’s product offering includes products well-suited for use in various other short- to moderate-distance applications as well. The Company’s products are sold worldwide. Also see note 10.

(b) Principles of Consolidation

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

(c) Cash and Cash Equivalents

All of the Company’s bank accounts are insured by the Federal Deposit Insurance Corporation (FDIC). As of October 31, 2021 and 2020, the Company did not have bank deposits in excess of the insured limit.

For purposes of the consolidated statements of cash flows, the Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. As of October 31, 2021 and 2020, the Company had no cash equivalents.

(d) Trade Accounts Receivable and Allowance for Doubtful Accounts

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

(e) Inventories

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

(f) Property and Equipment

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

(g) Patents and Trademarks

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

(h) Revenue Recognition

The Company recognizes revenue at the time product is transferred to the customer (including distributors) at an amount that reflects the consideration expected to be received in exchange for the product. 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. Also see note 11.

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

(i) Shipping and Handling Costs

Shipping and handling costs include the costs incurred to physically move finished goods from the Company's warehouse to the customers' designated location. All shipping and handling activities related to contracts with customers as a cost to fulfill its promise to transfer control of the related product are classified as sales revenue. Shipping and handling costs of approximately \$1.9 million, \$1.7 million and \$2.1 million are included in selling, general and administrative expenses for the fiscal years ended October 31, 2021, 2020 and 2019, respectively.

(j) Research and Development

Research and development costs are expensed as incurred. Research and development costs totaled approximately \$928,000, \$1.1 million and \$1.2 million for the fiscal years ended October 31, 2021, 2020 and 2019, respectively, and are included in selling, general and administrative expenses in the consolidated statements of operations.

(k) Advertising

Advertising costs are expensed as incurred. Advertising costs totaled approximately \$81,000, \$132,000 and \$196,000 for the fiscal years ended October 31, 2021, 2020 and 2019, respectively, and are included in selling, general and administrative expenses in the consolidated statements of operations.

(l) Income Taxes

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

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

(m) Long-Lived Assets

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

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

The Company recognizes the cost of employee services received in exchange for awards of equity instruments based upon the grant-date fair value of those awards. Also see note 9.

(o) Net Income (Loss) Per Share

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

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

(p) Commitments and Contingencies

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

(q) Use of Estimates

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

(2) **Allowance for Doubtful Accounts for Trade Accounts Receivable**

A summary of changes in the allowance for doubtful accounts for trade accounts receivable for the years ended October 31, 2021, 2020 and 2019 follows:

	Years ended October 31,		
	2021	2020	2019
Balance at beginning of year	\$ 524,617	\$ 99,562	\$ 64,242
Bad debt expense	10,750	425,055	60,381
Losses charged to allowance	(473,840)	—	(25,061)
Balance at end of year	<u>\$ 61,527</u>	<u>\$ 524,617</u>	<u>\$ 99,562</u>

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(3) Inventories

Inventories as of October 31, 2021 and 2020 consist of the following:

	October 31,	
	2021	2020
Finished goods	\$ 4,211,098	\$ 4,663,978
Work in process	4,023,693	4,165,289
Raw materials	7,763,325	8,010,794
Production supplies	305,692	259,706
Total	<u>\$ 16,303,808</u>	<u>\$ 17,099,767</u>

(4) Property and Equipment, Net

Property and equipment, net as of October 31, 2021 and 2020 consists of the following:

	October 31,	
	2021	2020
Land and land improvements	\$ 3,148,834	\$ 3,148,834
Building and improvements	8,303,055	8,245,585
Machinery and equipment	27,214,996	27,476,894
Furniture and fixtures	904,256	904,256
Construction in progress	171,499	217,137
Total property and equipment, at cost	<u>39,742,640</u>	<u>39,992,706</u>
Less accumulated amortization and depreciation	<u>(31,829,789)</u>	<u>(31,180,843)</u>
Property and equipment, net	<u>\$ 7,912,851</u>	<u>\$ 8,811,863</u>

(5) Intangible Assets

Aggregate amortization expense for amortizing intangible assets was \$45,511, \$42,006 and \$38,598 for the years ended October 31, 2021, 2020 and 2019, respectively. Amortization of intangible assets is calculated using a straight-line method over the estimated useful lives of the intangible assets. Amortization expense is estimated to be approximately \$45,000 for each of the next five years. The gross carrying amounts and accumulated amortization of intangible assets subject to amortization as of October 31, 2021 was \$763,718 and \$222,910, respectively. The gross carrying amounts and accumulated amortization of intangible assets subject to amortization as of October 31, 2020 was \$693,435 and \$177,399, respectively.

(6) Product Warranties

The Company generally warrants its products against certain manufacturing and other defects in material and workmanship. These product warranties are provided for specific periods of time and are applicable assuming the product has not been subjected to misuse, improper installation, negligent handling or shipping damage. As of October 31, 2021 and 2020, the Company's accrual for estimated product warranty claims totaled \$75,000 and \$85,000, respectively, and is included in accounts payable and accrued expenses. Warranty claims expense includes the costs to investigate claims and potential claims, and the costs to replace and/or repair product pursuant to claims, which can include claims not deemed valid by the Company. The accrued product warranty costs are based primarily on historical experience of actual warranty claims and costs as well as current information with respect to potential warranty claims and costs. Warranty claims expense for the years ended October 31, 2021, 2020 and 2019 totaled \$55,592, \$67,150 and \$158,426, respectively.

The following table summarizes the changes in the Company's accrual for product warranties during the fiscal years ended October 31, 2021 and 2020:

	Years ended October 31,	
	2021	2020
Balance at beginning of year	\$ 85,000	\$ 120,000
Liabilities accrued for warranties issued during the year	74,555	140,847
Warranty claims paid during the period	(65,592)	(102,150)
Changes in liability for pre-existing warranties during the year	(18,963)	(73,697)
Balance at end of year	<u>\$ 75,000</u>	<u>\$ 85,000</u>

(7) Long-term Debt and Notes Payable

The Company has credit facilities consisting of a real estate term loan, as amended and restated (the "Virginia Real Estate Loan"), a supplemental real estate term loan, as amended and restated (the "North Carolina Real Estate Loan"), and a Revolving Credit Master Promissory Note and related agreements (collectively, the "Revolver").

Effective July 15, 2021, Northeast Bank purchased both the Virginia Real Estate Loan and the North Carolina Real Estate Loan from Pinnacle Bank ("Pinnacle"), with all terms of the real estate loans remaining the same. The real estate loans have a fixed interest rate of 3.95% and are secured by a first lien deed of trust on the Company's real property.

Long-term debt as of October 31, 2021 and 2020 consists of the following:

	October 31,	
	2021	2020
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 \$3,318,029 due May 1, 2024	\$3,899,076	\$4,119,850
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 \$711,773 due May 1, 2024	954,375	1,045,716
Total long-term debt	4,853,451	5,165,566
Less current installments	324,840	312,109
Long-term debt, excluding current installments	<u>\$4,528,611</u>	<u>\$4,853,457</u>

In fiscal year 2020, the Company obtained an unsecured Paycheck Protection Program loan ("PPP Loan") implemented by the United States Small Business Administration ("SBA") through Pinnacle in the amount of \$4,981,400. The loan was made through the SBA as part of the PPP under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The interest rate was fixed at 1.00% per year, and the Company accrued interest totaling \$60,323 on the PPP Loan during the period the PPP Loan was outstanding. Under the CARES Act and the Paycheck Protection Program Flexibility Act of 2020, all or a portion of the loan (principal and interest) would be forgiven if certain requirements were met. The Company met these requirements and applied for forgiveness of the entire balance of the loan (including accrued interest), submitting an application to Pinnacle on February 22, 2021. On July 1, 2021, the SBA forgave the entire balance of the PPP Loan (including accrued interest). As a result, the Company recognized a gain on the extinguishment of debt totaling \$5,041,723 (principal amount of \$4,981,400 plus accrued interest totaling \$60,323) in fiscal year 2021.

The Revolver with North Mill Capital LLC (now doing business as SLR Business Credit, “SLR”) provides the Company with one or more advances in an amount up to: (a) 85% of the aggregate outstanding amount of eligible accounts (the “eligible accounts loan value”); plus (b) the lowest of (i) an amount up to 35% of the aggregate value of eligible inventory, (ii) \$5,000,000, and (iii) an amount not to exceed 100% of the then outstanding eligible accounts loan value; minus (c) \$1,500,000.

The maximum aggregate principal amount subject to the Revolver is \$18,000,000. Interest accrues on the daily balance at the per annum rate of 1.5% above the Prime Rate in effect from time to time, but not less than 4.75% (the “Applicable Rate”). In the event of a default, interest may become 6.0% above the Applicable Rate. As of October 31, 2021, the Revolver accrued interest at the prime lending rate plus 1.5% (resulting in a 4.75% rate at October 31, 2021). The initial term of the Revolver is three years, with a termination date of July 24, 2023. After the initial term and unless otherwise terminated, the loan may be extended in one year periods subject to the agreement of SLR.

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

As of October 31, 2021, the Company had \$3.5 million of outstanding borrowings on its Revolver and \$4.4 million in available credit. As of October 31, 2020 the Company had \$5.0 million of outstanding borrowings on its Revolver and \$1.6 million in available credit.

The aggregate maturities of long-term debt for each of the three years subsequent to October 31, 2021 are: \$324,840 in fiscal year 2022, \$3,803,998 in fiscal year 2023 and \$4,190,521 in fiscal year 2024.

(8) Leases

The Company has an operating lease agreement for approximately 34,000 square feet of office, manufacturing and warehouse space in Plano, Texas (near Dallas). The lease term expires on November 30, 2024.

The Company has an operating lease for approximately 36,000 square feet of warehouse space in Roanoke, Virginia. The lease term expires on April 30, 2023.

The Company also leases certain office equipment under operating leases with initial 60 month terms.

In fiscal year 2021, OCC entered into a financing lease for 15 printers to be used in the Roanoke, Virginia manufacturing facility. The lease term expires on August 22, 2026. The right-of-use asset is being amortized on a straight line basis over seven years. When the lease term ends, the remaining net book value of the right-of-use asset will be classified as property and equipment.

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

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

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

Operating lease right-of-use assets of \$1,028,639 and \$1,265,194 were included in other assets at October 31, 2021 and 2020, respectively. Operating lease liabilities of \$385,463 and \$729,753, respectively, were included in accounts payable and accrued expenses, and other noncurrent liabilities at October 31, 2021. Operating lease liabilities of \$332,329 and \$946,653, respectively, were included in accounts payable and accrued expenses, and other noncurrent liabilities at October 31, 2020. Operating lease expense for the fiscal years ended October 31, 2021, 2020 and 2019 was \$407,235, \$396,066 and \$403,097, respectively.

The weighted average remaining lease term for the operating leases is 35.1 months and the weighted average discount rate is 5.0% as of October 31, 2021.

For the fiscal year ended October 31, 2021, cash paid for operating lease liabilities totaled \$407,338 and right-of-use assets obtained in exchange for new operating lease liabilities totaled \$208,390. For the fiscal year ended October 31, 2020, cash paid for operating lease liabilities totaled \$382,812 and right-of-use assets obtained in exchange for new operating lease liabilities totaled \$1,462,817.

Financing lease right-of-use asset of \$200,337 was included in other assets at October 31, 2021. Financing lease liabilities of \$34,071 and \$166,634, respectively, were included in accounts payable and accrued expenses and other noncurrent liabilities at October 31, 2021. Interest expense and amortization expense related to the financing lease totaled \$2,439 and \$6,145, respectively, for the fiscal year ended October 31, 2021.

The remaining lease term for the financing lease is 58 months and the discount rate is 4.75% as of October 31, 2021.

For the fiscal year ended October 31, 2021, cash paid for the financing lease liability totaled \$2,439 and \$5,777 for interest and principal, respectively, and the right-of-use asset obtained in exchange for the new financing lease liability totaled \$206,482.

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

Fiscal Year	Operating leases	Finance lease
2022	\$ 432,485	\$ 42,868
2023	382,716	42,868
2024	331,438	42,868
2025	55,023	42,868
2026	—	55,715
Total undiscounted lease payments	1,201,662	227,187
Present value discount	(86,446)	(26,482)
Total lease liability	<u>\$ 1,115,216</u>	<u>\$ 200,705</u>

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(9) Employee Benefits

Health Insurance Coverage

The Company contracts for health insurance coverage for employees and their dependents through third-party administrators. During the years ended October 31, 2021, 2020 and 2019, total expense of \$2,697,167, \$3,165,736 and \$3,549,189, respectively, was recognized under the Company's insured health care program.

401(k) Plan

The Company maintains a 401(k) retirement savings plan for the benefit of its eligible employees. Substantially all of the Company's employees who meet certain service and age requirements are eligible to participate in the plan. The Company's plan document provides that the Company's matching contributions are discretionary. The Company made or accrued matching contributions to the plan of \$65,416, \$66,804 and \$68,467 for the years ended October 31, 2021, 2020 and 2019, respectively.

Stock Incentives for Key Employees and Non-Employee Directors

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

In March 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 reserved 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 of October 31, 2021, there were approximately 2,000 remaining shares available for grant under the 2017 Plan.

Share-based compensation expense for employees, a consultant and non-employee members of the Company's Board of Directors recognized in the consolidated statements of operations for the years ended October 31, 2021, 2020 and 2019 was \$335,519, \$142,242 and \$980,549, respectively.

The Company has granted, and anticipates granting, from time to time, restricted stock awards to employees, subject to approval by the Compensation Committee of the Board of Directors. The restricted stock awards granted under the 2017 Plan vest over time if certain operational performance-based criteria are met. Failure to meet the criteria required for vesting will result in a portion or all of the shares being forfeited. During the three months ended October 31, 2021, restricted stock awards for employees under the 2017 Plan totaling 333,310 shares were approved by the Compensation Committee of the Board of Directors of the Company. All of the restricted shares granted are operational performance-based shares vesting over approximately four years beginning on January 31, 2023 based on the achievement of certain quantitative operational performance goals. The Company uses gross profit growth as its performance-based measure for restricted stock awards granted to employees. No restricted stock awards were granted to employees during fiscal years 2020 and 2019.

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

A summary of the status of the Company's nonvested shares granted to employees, a consultant and non-employee Directors under the 2017 Plan as of October 31, 2021, and changes during the year ended October 31, 2021, is as follows:

Nonvested shares	Shares	Weighted-average grant date fair value
Balance at October 31, 2020	185,098	\$ 2.52
Granted	363,365	3.50
Vested	(62,004)	2.51
Forfeited	(2,975)	3.18
Balance at October 31, 2021	483,484	\$ 3.25

As of October 31, 2021, the estimated amount of compensation cost related to nonvested equity-based compensation awards in the form of service-based and operational performance-based shares that the Company will recognize over a 3.9 year weighted-average period is approximately \$1.3 million.

During the fiscal year ended October 31, 2021, 2020 and 2019, stock awards to non-employee Directors under the 2017 Plan totaling 30,055 shares, 58,880 shares and 30,360 shares, respectively, were approved by the Board of Directors of the Company. The shares are part of the non-employee Directors' annual compensation for service on the Board of Directors. The shares granted to non-employee Directors under the 2017 Plan are subject to a one-year vesting period. The Company recorded compensation expense for shares granted to non-employee Directors totaling \$108,801, \$131,162 and \$124,838 during the years ended October 31, 2021, 2020 and 2019, respectively.

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

The Company provides credit, in the normal course of business, to various commercial enterprises, governmental entities and not-for-profit organizations. Concentration of credit risk with respect to trade receivables is limited due to the Company's large number of customers. The Company also manages exposure to credit risk through credit approvals, credit limits and monitoring procedures. Management believes that credit risks as of October 31, 2021 and 2020 have been adequately provided for in the consolidated financial statements.

For the year ended October 31, 2021, 19.1%, or approximately \$11.3 million of consolidated net sales were attributable to one national distributor customer. No other customer accounted for more than 10% of consolidated net sales for the year ended October 31, 2021. As of October 31, 2021, the same customer had an outstanding balance payable to the Company totaling 9.5% of total consolidated shareholders' equity. No other customer had an outstanding balance payable to the Company in excess of 5% of total consolidated shareholders' equity.

For the year ended October 31, 2020, 17.6%, or approximately \$9.7 million of consolidated net sales were attributable to one national distributor customer. No other customer accounted for more than 10% of consolidated net sales for the year ended October 31, 2020. As of October 31, 2020, the same customer had an outstanding balance payable to the Company totaling 11.5% of total consolidated shareholders' equity. One other customer had an outstanding balance payable to the Company totaling 5.1% of total consolidated shareholders' equity. No other customer had an outstanding balance payable to the Company in excess of 5% of total consolidated shareholders' equity.

For the year ended October 31, 2019, 14.9% and 12.2%, or approximately \$10.6 million and \$8.7 million, of consolidated net sales were attributable to two customers. No other customer accounted for more than 10% of consolidated net sales for the year ended October 31, 2019. As of October 31, 2019, the same two customers had outstanding balances payable to the Company totaling 9.6% and 5.7%, respectively, of total consolidated shareholders' equity. No other customer had an outstanding balance payable to the Company in excess of 5% of total consolidated shareholders' equity.

For the years ended October 31, 2021, 2020 and 2019, approximately 82%, 81% and 82%, respectively, of net sales were from customers in the United States, while approximately 18%, 19% and 18%, respectively, were from customers outside of the United States.

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

(11) Revenue Recognition

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

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

The Company recognizes revenue at the point in time when products are shipped or delivered from its manufacturing facility to its customer, in accordance with the agreed upon shipping terms. Since the Company typically invoices the customer at the same time that performance obligations are satisfied, no contract assets are recognized. The Company's contract liability represents advance consideration received from customers prior to transfer of the product. This liability was \$308,406 and \$63,283 as of October 31, 2021 and 2020, respectively.

Sales to certain customers are made pursuant to agreements that provide price adjustments and limited return rights with respect to the Company's products. The Company maintains a reserve for estimated future price adjustment claims, rebates and returns as a refund liability. The Company's refund liability was \$159,125 and \$119,989 as of October 31, 2021 and 2020, respectively.

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

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

Disaggregation of Revenue

The following table presents net sales attributable to the United States and all other countries in total for the fiscal years ended October 31, 2021, 2020 and 2019:

	Years ended October 31,		
	2021	2020	2019
United States	\$ 48,537,091	\$ 44,661,958	\$ 58,207,966
Outside the United States	10,599,203	10,615,442	13,116,480
Total net sales	<u>\$ 59,136,294</u>	<u>\$ 55,277,400</u>	<u>\$ 71,324,446</u>

No individual country outside of the United States accounted for more than 10% of total net sales in fiscal years 2021, 2020 or 2019.

(12) Income Taxes

Income tax expense (benefit) for the years ended October 31, 2021, 2020 and 2019 consists of:

Fiscal year ended October 31, 2021	Current	Deferred	Total
U.S. Federal	\$ —	\$ —	\$ —
State	(19,898)	—	(19,898)
Totals	<u>\$ (19,898)</u>	<u>\$ —</u>	<u>\$ (19,898)</u>

Fiscal year ended October 31, 2020	Current	Deferred	Total
U.S. Federal	\$ —	\$ —	\$ —
State	18,041	—	18,041
Totals	<u>\$ 18,041</u>	<u>\$ —</u>	<u>\$ 18,041</u>

Fiscal year ended October 31, 2019	Current	Deferred	Total
U.S. Federal	\$ 726	\$ (726)	\$ —
State	(5,805)	—	(5,805)
Totals	<u>\$ (5,079)</u>	<u>\$ (726)</u>	<u>\$ (5,805)</u>

Reported income tax expense for the years ended October 31, 2021, 2020 and 2019 differs from the “expected” tax expense (benefit), computed by applying the U.S. Federal statutory income tax rate of 21% in fiscal years 2021, 2020 and 2019 to income before income taxes as follows:

	Years ended October 31,		
	2021	2020	2019
“Expected” income taxes (benefit)	\$ 1,384,030	\$ (1,281,668)	\$ (1,191,776)
Increase (reduction) in income tax expense (benefit) resulting from:			
State income taxes, net of federal benefit	136,875	(139,736)	(12,875)
Meals and Entertainment	1,523	7,317	17,999
Provision to return reconciliation adjustment	(13,721)	350	6,400
Excess tax benefits related to share-based compensation	(9,118)	14,473	(90,603)
Non-deductible officers' compensation	—	—	31,456
PPP Loan forgiveness	(1,046,094)	—	—
Other differences, net	5,646	6,088	3,434
Change in valuation allowance	(479,039)	1,411,217	1,230,160
Reported income tax expense (benefit)	<u>\$ (19,898)</u>	<u>\$ 18,041</u>	<u>\$ (5,805)</u>

The Tax Cuts and Jobs Act (the “Tax Act”), enacted on December 22, 2017, repealed the corporate AMT for tax years beginning after December 31, 2017, and provides that existing AMT credit carryforwards are refundable in tax years beginning after December 31, 2017. Under the CARES Act, the entire amount of any remaining AMT credit is refundable in the tax year beginning in 2018 instead of recovering the credit through refunds over a period of years, as originally enacted by the Tax Act. The Company has recovered all of its AMT credits as of October 31, 2021. For the fiscal year ended October 31, 2020, the Company recorded \$25,003 of AMT credit carryforwards. This amount is a deferred tax asset for which a valuation allowance is not necessary, and is presented as income taxes refundable-current on the consolidated balance sheet as of October 31, 2020.

The tax effects of temporary differences that give rise to significant portions of the Company's deferred tax assets and deferred tax liabilities as of October 31, 2021 and 2020 are presented below:

	October 31,	
	2021	2020
Deferred tax assets:		
Accounts receivable, due to allowances for doubtful accounts and sales returns	\$ 30,238	\$ 139,809
Inventories, due to allowance for damaged and slow-moving inventories and additional costs inventoried for tax purposes pursuant to the Tax Reform Act of 1986	873,433	764,183
Liabilities recorded for accrued expenses, deductible for tax purposes when paid	187,108	294,857
Share-based compensation expense	59,622	16,814
Section 163(j) interest	18,527	254,520
Expenses incurred related to expected PPP Loan forgiveness	—	1,162,161
Net operating loss carryforwards	3,114,714	2,163,956
AMT credit carryforwards	—	25,003
Other	33,383	53,136
Total gross deferred tax assets	4,317,025	4,874,439
Valuation allowance	(4,280,823)	(4,759,862)
Net deferred tax assets	36,202	114,577
Deferred tax liabilities:		
Plant and equipment, due to differences in depreciation and capital gain recognition	(36,202)	(86,997)
Other receivables, due to accrual for financial reporting purposes	—	(2,577)
Total gross deferred tax liabilities	(36,202)	(89,574)
Net deferred tax asset	\$ —	\$ 25,003

As a result of the acquisition of AOS, the Company recorded certain deferred tax assets totaling \$1,517,605 (after purchase accounting adjustments), related to gross net operating loss ("NOL") carryforwards of \$4,455,525, estimated to be available after considering Internal Revenue Code Section 382 limitations. As of October 31, 2021, \$896,000 of these gross NOL carryforwards remain unused and may be used to reduce future taxable income. These remaining gross NOL carryforwards begin to expire in fiscal year ending October 31, 2028. Additionally, the Company has federal and state gross NOL carryforwards of \$13,013,389 and \$2,056,028, respectively, originating with certain fiscal years from 2015 through 2020, and will not begin to expire until fiscal year 2031.

For the fiscal years ended October 31, 2021 and 2020, the Company considered all positive and negative evidence available to assess whether it is "more likely than not" that some portion or all of the deferred tax assets will not be realized. For each year, the Company concluded that in accordance with the provisions of Accounting Standards Codification 740, *Income Taxes*, the negative evidence outweighed the objectively verifiable positive evidence. As a result, the Company established a valuation allowance of \$4,280,823 and \$4,759,862, respectively, against net deferred tax assets existing as of October 31, 2021 and 2020.

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

A reconciliation of the unrecognized tax benefits for fiscal years 2021 and 2020 follows:

	October 31,	
	2021	2020
Unrecognized tax benefits balance at beginning of year	\$ 48,941	\$ 48,941
Gross decreases for tax positions of prior years	(20,453)	—
Gross increases for current year tax positions	—	—
Unrecognized tax benefits balance at end of year	<u>\$ 28,488</u>	<u>\$ 48,941</u>

During fiscal year 2021, the Company decreased accrued interest by \$7,815 and decreased accrued penalties by \$5,113, related to unrecognized tax benefits. During fiscal year 2020, the Company increased accrued interest by \$4,137, and no penalties were accrued, related to unrecognized tax benefits. As of October 31, 2021 and 2020, the Company had approximately \$13,607 and \$26,535, respectively, of accrued interest and penalties related to uncertain tax positions. The total amount of unrecognized tax benefits that would affect the Company's effective tax rate if recognized is \$21,144 and \$35,661 as of October 31, 2021 and 2020, respectively. The Company does not expect its unrecognized tax benefits to change significantly in the next 12 months.

The Company files income tax returns in the U.S. federal jurisdiction and in various state jurisdictions. The statute of limitations remains open for U.S. and certain state income tax examinations for years ended October 31, 2018 through October 31, 2020.

(13) Fair Value Measurements

The carrying amounts reported in the consolidated balance sheets for cash, trade accounts receivable, income taxes refundable-current, other receivables, note payable, SBA PPP Loan – current, 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, SBA PPP Loan – noncurrent, note payable, revolver – noncurrent, and long-term debt approximate fair value based on similar long-term debt issues available to the Company as of October 31, 2021 and 2020. Fair value is defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company uses a fair value hierarchy that prioritizes the inputs for valuation methods used to measure fair value. The three levels of the fair value hierarchy are as follows:

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

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

(14) Net Income (Loss) Per Share

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

	Years ended October 31,		
	2021	2020	2019
Net income (loss) (numerator)	\$ 6,610,516	\$ (6,121,224)	\$ (5,669,321)
Shares (denominator)	7,587,686	7,354,513	7,387,141
Basic and diluted net income (loss) per share	\$ 0.87	\$ (0.83)	\$ (0.77)

Nonvested shares which have been issued and are outstanding as of October 31, 2020 and October 31, 2019 totaling 140,179 and 127,750, respectively, were not included in the computation of basic and diluted net loss per share for the years ended October 31, 2020 and October 31, 2019 (because to include such shares would have been antidilutive, or in other words, to do so would have reduced the net loss per share for that period).

(15) Shareholders' Equity*Share Repurchases*

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

Fiscal years ended October 31,	Shares repurchased	Cost
2021	—	\$ —
2020	—	—
2019	351	1,573

After the Company's purchase and retirement of the shares of its common stock as set forth in the table above, the Company had 7,897,477 shares of its common stock issued and outstanding at October 31, 2021.

On July 14, 2015, our Board of Directors approved a plan to purchase and retire up to 400,000 shares of the Company's common stock, or approximately 6.0% of the shares then outstanding (the "Repurchase Plan"). When the Repurchase Plan was approved, the Company anticipated that the purchases would be made over a 24- to 36-month period, but there was no definite time period for repurchase or plan expiration. As of October 31, 2021, the Company had 398,400 shares of its outstanding common stock remaining to purchase under the Repurchase Plan, and it has made no specific determination whether and over what period these shares may or may not be purchased. Until future notice, the Company has no current plans to repurchase and retire its common stock and has suspended the Repurchase Plan.

Stockholder Protection Rights Agreement

On October 28, 2011, the Board of Directors of the Company adopted a Stockholder Protection Rights Agreement (the "Rights Agreement") and declared a dividend of one preferred share purchase right for each outstanding share of common stock. These purchase rights and the related Rights Agreement were set to expire on November 2, 2021. On November 2, 2021, the Board of Directors of the Company amended and restated the Rights Agreement (the "Amended Rights Agreement") to amend and restate the Rights Agreement to continue the dividend of one preferred share purchase right (a "Right") for each outstanding share of Common Stock, no par value, of the Company ("Common Shares"), held of record at the close of business on November 2, 2021, or issued thereafter. Except to extend the Amended Rights Agreement to November 2, 2031, no other material changes were made to the Rights Agreement by the Amended Rights Agreement.

Under the terms of the Amended Rights Agreement, if a person or group who is deemed an Acquiring Person as defined in the Amended Rights Agreement acquires 15% (or other applicable percentage, as provided in the Amended Rights Agreement) or more of the outstanding common stock, each Right will entitle its holder (other than such person or members of such group) to purchase, at the Right's then current exercise price, a number of shares of common stock having a market value of twice such price. In addition, if the Company is acquired in a merger or other business transaction after a person or group who is deemed an Acquiring Person has acquired such percentage of the outstanding common stock, each Right will entitle its holder (other than such person or members of such group) to purchase, at the Right's then current exercise price, a number of the acquiring company's common shares having a market value of twice such price.

Upon the occurrence of certain events, each Right will entitle its holder to purchase from the Company one one-thousandth of a Series A Participating Preferred Share ("Preferred Share"), no par value, at an exercise price of \$25, subject to adjustment. Each Preferred Share will entitle its holder to 1,000 votes and will have an aggregate dividend rate of 1,000 times the amount, if any, paid to holders of common stock. The Rights will expire on November 2, 2031, unless the Rights are earlier redeemed or exchanged by the Company for \$0.0001 per Right. The adoption of the Rights Agreement and the Amended Rights Agreement has no impact on the financial position or results of operations of the Company.

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

(16) Employee Retention Tax Credit

The Employee Retention Tax Credit ("ERTC"), created in the March 2020 CARES Act and then subsequently amended by the Consolidated Appropriation Act ("CAA") of 2021, the American Rescue Plan Act ("ARPA") of 2021 and the Infrastructure Investment and Jobs Act ("IIJA") of 2021, is a refundable payroll credit for qualifying businesses keeping employees on their payroll during the COVID-19 pandemic. Under CAA, the ARPA and IIJA amendments, employers can claim a refundable tax credit against the employer share of social security tax equal to 70% of the qualified wages (including certain health care expenses) paid to employees after December 31, 2020 through September 30, 2021. Qualified wages are limited to \$10,000 per employee per calendar quarter in 2021 so the maximum ERTC available is \$7,000 per employee per calendar quarter.

OCC is an eligible small employer under the gross receipts decline test when comparing the first calendar quarter of 2021 to the same quarter in calendar year 2019, which qualified the Company to claim ERTC in both the first and second calendar quarters of 2021 under the amended ERTC program. The Company qualified for a refundable payroll tax credit totaling \$3,375,815 during its second fiscal quarter and \$964,550 during its third fiscal quarter of 2021 for a total of \$4,340,365. The \$4,340,365 is included in other income on the Company's consolidated statement of operations for year ended October 31, 2021. The \$2,162,391 in ERTC still to be refunded is included in other receivables on the Company's consolidated balance sheet as of October 31, 2021.

(17) 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.

The COVID-19 pandemic has had a significant impact on businesses and individuals in the United States and globally. Actions taken by governments and private industry to limit the spread of the disease (including its variant strains) have resulted in an unprecedented disruption of normal activities as businesses have been forced to shut down or operate on a limited basis. The Company is obligated and continues to operate during the COVID-19 pandemic because the Company's workforce is classified a "Defense Industrial Base Essential Critical Infrastructure Workforce" under guidelines from the U.S. Department of Defense and an "Essential Critical Infrastructure Workforce" under guidelines by the U.S. Department of Homeland Security, Cybersecurity and Infrastructure Security Agency (CISA).

In response to the continued uncertainty of the impact of COVID-19, the Company continues to maintain certain protocols at each of its facilities including: limiting business travel and face-to-face meetings, having a portion of its non-manufacturing employees work remotely, and implementing strict social distancing, symptom self-assessments and mask protocols within its facilities.

The extent to which the COVID-19 pandemic will affect the Company in the future will depend on ongoing developments, which are highly uncertain and cannot be reasonably predicted, including, but not limited to, the duration and severity of the outbreak, the timing and extent of the easing of restrictions on businesses and individuals, the timing of recovery in certain of the Company's markets, the potential for a resurgence of the virus (including its variant strains), as well as a variety of other unknowable factors. The longer the various impacts of COVID-19 persist, the greater the potential negative financial effects on the Company.

(18) New Accounting Standards Not Yet Adopted

In December 2019, the FASB issued Accounting Standards Update 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* ("ASU 2019-12"), which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020, with early adoption permitted. The adoption of ASU 2019-12 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.

(19) Quarterly Results of Operations (Unaudited)

The following is a summary of the unaudited quarterly results of operations for the years ended October 31, 2021 and 2020:

Fiscal year ended October 31, 2021	Quarter ended			
	January 31	April 30	July 31	October 31
Net sales	\$ 11,876,573	\$ 15,741,114	\$ 15,634,760	\$ 15,883,847
Gross profit	2,309,390	4,819,216	4,090,246	5,055,227
Selling, general & administrative expenses	4,307,924	4,589,592	4,530,563	4,811,073
Income (loss) before income taxes	(2,173,816)	3,391,775	5,376,535	(3,876)
Net income (loss)	(2,141,480)	3,385,159	5,372,767	(5,930)
Basic and diluted net income (loss) per share	\$ (0.29)	\$ 0.45	\$ 0.71	\$ 0.00

Fiscal year ended October 31, 2020	Quarter ended			
	January 31	April 30	July 31	October 31
Net sales	\$ 12,887,396	\$ 14,863,428	\$ 13,639,169	\$ 13,887,407
Gross profit	2,404,140	3,996,750	3,472,161	4,213,327
Selling, general & administrative expenses	4,824,124	5,549,501	4,559,970	4,311,907
Loss before income taxes	(2,586,855)	(1,684,130)	(1,428,838)	(403,360)
Net loss	(2,591,888)	(1,689,181)	(1,433,830)	(406,325)
Basic and diluted net loss per share	\$ (0.35)	\$ (0.23)	\$ (0.20)	\$ (0.06)

Optical Cable Corporation (OCC)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
Optical Cable Corporation
Roanoke, Virginia

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Optical Cable Corporation and Subsidiaries (the Company) as of October 31, 2021 and 2020, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three-year period ended October 31, 2021, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of October 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended October 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Optical Cable Corporation (OCC)

Valuation of Inventory

Description of the Matter

Inventories are recorded at the lower of cost and net realizable value. Cost of raw materials is established using specific identification or a first in, first out basis, while the cost of work in process and finished goods is established using average cost or standard costs, depending upon the product type. Management routinely evaluates expected sales prices and demand in relation to the carrying value of inventory, which takes into consideration the salability of individual items in inventory and an estimate of the selling prices for those items. Individual inventory items are reviewed and adjustments are made based on the age of the inventory and management judgment as to the salability of that inventory in order for inventories to be appropriately valued.

Given the estimates involved in applying costs to inventory on either a standard or average cost basis, as well as the inherent uncertainty in both the future salability and selling prices of inventory items, auditing the reasonableness of management's estimates and assumptions required a high degree of auditor judgment and effort.

How We Addressed the Matter in our Audit

Our audit procedures included:

- Obtaining an understanding of the Company's procedures for allocating manufacturing costs to inventories.
- Obtaining an understanding of the Company's procedures surrounding the inventory reserve.
- Testing the mathematical accuracy of management's calculations.
- Testing, on a sample basis, the assignment of costs to inventory items.
- Evaluating, on a sample basis, whether inventories were stated at the lower of cost and net realizable value at the reporting date by comparing recent sales prices of inventory near the reporting date.
- Assessing the adequacy of inventory provisions by recalculating a sample of items included within the provision to ensure appropriate basis of valuation.
- Performing corroborative inquiries with personnel responsible for product manufacturing and sales to evaluate the reasonableness of current inventory manufacturing, sales, and movement.

/s/ Brown, Edwards & Company, L.L.P.

We have served as the Company's auditor since 2016.

Roanoke, Virginia
December 20, 2021

Optical Cable Corporation (OCC)

Corporate Information

Corporate Headquarters

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

Primary Legal Counsel

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

Independent Registered Public Accounting Firm

Brown, Edwards & Company, L.L.P.
319 McClanahan Street, S.W.
Roanoke, VA 24014

Transfer Agent

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

Form 10-K Report

Shareholders may obtain a copy of Optical Cable Corporation's Form 10-K, including exhibits, as filed with the Securities and Exchange Commission from the SEC website at <http://www.sec.gov>. Our SEC filings are also available to the public on our website at <http://www.occfiber.com/investor-relations/> under the tab "SEC Filings".

Annual Meeting

The 2022 annual meeting of shareholders will be held at 10:00 a.m. on Tuesday, March 29, 2022 at the offices of Optical Cable Corporation, 5290 Concourse Drive, Roanoke, Virginia or another location stated in OCC's filed Proxy Statement for the 2022 Annual Meeting of Shareholders.

Optical Cable Corporation (OCC)

Corporate Information

(Continued)

Common Stock and Dividend Data

Our common stock is traded on the Nasdaq Global Market under the symbol OCC. According to the records of our transfer agent, the Company had 246 shareholders of record as of December 15, 2021. Additionally, the Company estimates that it has more than 2,000 beneficial owners. On December 15, 2021, our common stock closed at a price of \$6.40 per share.

Employees of the Company and members of the Board of Directors owned at least 37.2% of the shares outstanding as of October 31, 2021, including shares still subject to potential forfeiture based on vesting requirements.

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

Fiscal year ended October 31, 2021	Range of Bid Prices	
	High	Low
Fourth Quarter	\$ 4.48	\$ 3.26
Third Quarter	\$ 4.97	\$ 3.15
Second Quarter	\$ 4.39	\$ 3.15
First Quarter	\$ 4.49	\$ 2.44

Fiscal year ended October 31, 2020	Range of Bid Prices	
	High	Low
Fourth Quarter	\$ 4.62	\$ 2.40
Third Quarter	\$ 2.95	\$ 2.13
Second Quarter	\$ 3.43	\$ 2.05
First Quarter	\$ 3.67	\$ 2.94

Dividend Declaration

We did not pay or declare any cash dividends on our common stock in fiscal year 2021 and do not expect to pay any cash dividends in the foreseeable future.

Optical Cable Corporation (OCC)

Corporate Information

(Continued)

Executive Officers of Optical Cable Corporation

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

Board of Directors of Optical Cable Corporation

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

Optical Cable Corporation (OCC)



VISIT US AT OCCFIBER.COM

OCC ROANOKE, VA

Corporate Headquarters and Fiber Optic Cable
Manufacturing Facility
5290 Concourse Drive
Roanoke, VA 24019 USA
540-265-0690 or 800-622-7711

OCC DALLAS, TX

Harsh Environment and Specialty Connectivity
Manufacturing Facility
1700 Capital Avenue, Suite 150
Plano, TX 75074 USA
972-509-1500 or 877-509-1500

OCC ASHEVILLE, NC

Enterprise Connectivity
Manufacturing Facility
33 Superior Way
Swannanoa, NC 28778 USA
828-298-2260 or 800-622-7711



CORPORATE HEADQUARTERS

5290 Concourse Drive | Roanoke, VA 24019 | USA

Phone +1-540-265-0690 | 800-622-7711

Fax: +1-540-265-0724

LIST OF SUBSIDIARIES

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

Centric Solutions LLC, organized in the State of Delaware.

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Optical Cable Corporation:

We consent to the incorporation by reference in Registration Statement Nos. 333-09433, 333-115575, 333-128163, 333-174917, 333-189277, 333-203129 and 333-216987 on Forms S-8 and Registration Statement No. 333-103108 on Form S-3 of Optical Cable Corporation of our report dated December 20, 2021, with respect to the consolidated balance sheets of Optical Cable Corporation and subsidiaries as of October 31, 2021 and 2020, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three-year period ended October 31, 2021, which report is incorporated by reference in the October 31, 2021 Annual Report on Form 10-K of Optical Cable Corporation.

/s/ Brown, Edwards and Company, L.L.P.

Roanoke, Virginia
December 20, 2021

CERTIFICATION

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

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

Date: December 20, 2021

By: /s/ Neil D. Wilkin, Jr.

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

CERTIFICATION

I, Tracy G. Smith, certify that:

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

Date: December 20, 2021

By: /s/ Tracy G. Smith
Tracy G. Smith
Senior Vice President and Chief Financial Officer
Optical Cable Corporation

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

In connection with the Annual Report of Optical Cable Corporation (the "Company") on Form 10-K for the year ended October 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that: (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and (2) the information contained in the Report fairly represents, in all material respects, the financial condition and results of operations of the Company as of October 31, 2021, and for the period then ended.

/s/ Neil D. Wilkin, Jr.

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

December 20, 2021

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

In connection with the Annual Report of Optical Cable Corporation (the "Company") on Form 10-K for the year ended October 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that: (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and (2) the information contained in the Report fairly represents, in all material respects, the financial condition and results of operations of the Company as of October 31, 2021, and for the period then ended.

/s/ Tracy G. Smith

Tracy G. Smith
Senior Vice President and
Chief Financial Officer

December 20, 2021