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

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**FORM 10-Q**

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

For the quarterly period ended July 31, 2011

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-27022

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**OPTICAL CABLE CORPORATION**

(Exact name of registrant as specified in its charter)

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Virginia  
(State or other jurisdiction of  
incorporation or organization)

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

5290 Concourse Drive  
Roanoke, Virginia 24019  
(Address of principal executive offices, including zip code)

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

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

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

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

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

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

As of September 2, 2011, 6,305,738 shares of the registrant's Common Stock, no par value, were outstanding.

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**OPTICAL CABLE CORPORATION**  
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**Nine Months Ended July 31, 2011**

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**PART I. FINANCIAL INFORMATION**

Item 1. Financial Statements

**OPTICAL CABLE CORPORATION**  
Condensed Consolidated Balance Sheets  
(Unaudited)

	July 31, 2011	October 31, 2010
<b>Assets</b>		
Current assets:		
Cash	\$ 1,190,058	\$ 2,522,058
Trade accounts receivable, net of allowance for doubtful accounts of \$138,351 at July 31, 2011 and \$120,450 at October 31, 2010	10,155,767	10,659,623
Other receivables	559,358	606,435
Income taxes refundable	659,516	373,090
Inventories	15,675,231	14,422,787
Prepaid expenses and other assets	457,860	332,475
Deferred income taxes - current	1,551,185	1,750,542
Total current assets	30,248,975	30,667,010
Property and equipment, net	12,607,977	13,125,114
Intangible assets, net	408,399	695,580
Deferred income taxes - noncurrent	685,612	626,132
Other assets, net	392,185	176,930
Total assets	<u>\$44,343,148</u>	<u>\$45,290,766</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Current installments of long-term debt	\$ 187,772	\$ 177,350
Accounts payable and accrued expenses	4,916,061	5,339,941
Accrued compensation and payroll taxes	1,839,512	2,181,235
Income taxes payable	—	63,590
Total current liabilities	6,943,345	7,762,116
Note payable to bank	1,000,000	700,000
Long-term debt, excluding current installments	8,048,372	8,191,785
Other noncurrent liabilities	975,943	1,056,803
Total liabilities	<u>16,967,660</u>	<u>17,710,704</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 6,305,738 shares at July 31, 2011 and 6,280,173 at October 31, 2010	6,542,163	5,987,777
Retained earnings	21,264,506	21,869,667
Total shareholders' equity attributable to Optical Cable Corporation	27,806,669	27,857,444
Noncontrolling interest	(431,181)	(277,382)
Total shareholders' equity	27,375,488	27,580,062
Commitments and contingencies	—	—
Total liabilities and shareholders' equity	<u>\$44,343,148</u>	<u>\$45,290,766</u>

See accompanying condensed notes to condensed consolidated financial statements.

**OPTICAL CABLE CORPORATION**  
Condensed Consolidated Statements of Operations  
(Unaudited)

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2011	2010	2011	2010
Net sales	\$ 18,775,145	\$ 18,779,340	\$ 53,672,389	\$ 49,042,488
Cost of goods sold	<u>12,266,021</u>	<u>11,972,598</u>	<u>34,795,285</u>	<u>32,449,114</u>
Gross profit	6,509,124	6,806,742	18,877,104	16,593,374
Selling, general and administrative expenses	6,227,606	5,999,110	18,288,373	18,239,580
Royalty income, net	(246,711)	(315,464)	(644,891)	(924,942)
Amortization of intangible assets	107,701	146,802	323,105	440,418
Impairment of goodwill	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,246,304</u>
Income (loss) from operations	420,528	976,294	910,517	(7,407,986)
Other expense, net:				
Interest income	—	100	2,808	79,537
Interest expense	(145,856)	(158,610)	(477,236)	(463,703)
Other, net	<u>(22,562)</u>	<u>(1,462)</u>	<u>14,646</u>	<u>67,140</u>
Other expense, net	(168,418)	(159,972)	(459,782)	(317,026)
Income (loss) before income taxes	252,110	816,322	450,735	(7,725,012)
Income tax expense (benefit)	<u>178,281</u>	<u>282,595</u>	<u>174,257</u>	<u>(363,222)</u>
Net income (loss)	\$ 73,829	\$ 533,727	\$ 276,478	\$ (7,361,790)
Net loss attributable to noncontrolling interest	<u>(43,980)</u>	<u>(41,642)</u>	<u>(153,799)</u>	<u>(155,176)</u>
Net income (loss) attributable to Optical Cable Corporation	<u>\$ 117,809</u>	<u>\$ 575,369</u>	<u>\$ 430,277</u>	<u>\$ (7,206,614)</u>
Net income (loss) attributable to Optical Cable Corporation per share: Basic and diluted	<u>\$ 0.02</u>	<u>\$ 0.09</u>	<u>\$ 0.07</u>	<u>\$ (1.21)</u>
Cash dividends declared per common share	<u>\$ 0.01</u>	<u>\$ —</u>	<u>\$ 0.03</u>	<u>\$ —</u>

See accompanying condensed notes to condensed consolidated financial statements.

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

	Nine Months Ended July 31, 2011					
	Common Stock		Retained Earnings	Total Shareholders' Equity Attributable to OCC	Noncontrolling Interest	Total Shareholders' Equity
	Shares	Amount				
Balances at October 31, 2010	6,280,173	\$5,987,777	\$21,869,667	\$ 27,857,444	(\$ 277,382)	\$27,580,062
Share-based compensation, net	208,590	402,580	—	402,580	—	402,580
Repurchase and retirement of common stock (at cost)	(183,025)	—	(846,287)	(846,287)	—	(846,287)
Common stock dividends declared, \$0.01 per share	—	—	(189,151)	(189,151)	—	(189,151)
Excess tax benefits from share-based compensation	—	151,806	—	151,806	—	151,806
Net income (loss)	—	—	430,277	430,277	(153,799)	276,478
Balances at July 31, 2011	<u>6,305,738</u>	<u>\$6,542,163</u>	<u>\$21,264,506</u>	<u>\$ 27,806,669</u>	<u>(\$ 431,181)</u>	<u>\$27,375,488</u>

See accompanying condensed notes to condensed consolidated financial statements.

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

	Nine Months Ended	
	July 31,	
	2011	2010
Cash flows from operating activities:		
Net income (loss)	\$ 276,478	\$(7,361,790)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation, amortization and accretion	2,035,800	2,180,762
Bad debt expense	21,831	1,597
Deferred income tax expense (benefit)	139,877	(1,327,493)
Impairment of goodwill	—	6,246,304
Share-based compensation expense	644,197	732,057
Excess tax benefits from share-based compensation	(151,806)	—
(Gain) loss on sale of property and equipment	(5,249)	4,834
(Increase) decrease in:		
Trade accounts receivable	482,025	(962,976)
Other receivables	47,077	(228,239)
Income taxes refundable	(286,426)	1,673,115
Inventories	(1,252,444)	(1,097,295)
Prepaid expenses and other assets	(113,113)	(102,732)
Other assets, net	4,922	4,921
Increase (decrease) in:		
Accounts payable and accrued expenses	(517,699)	(279,891)
Accrued compensation and payroll taxes	(341,723)	332,071
Income taxes payable	88,216	—
Other noncurrent liabilities	(106,438)	54,554
Net cash provided by (used in) operating activities	<u>965,525</u>	<u>(130,201)</u>
Cash flows from investing activities:		
Purchase of and deposits for the purchase of property and equipment	(1,239,197)	(383,901)
Investment in intangible assets	(35,924)	(16,448)
Proceeds from sale of property and equipment	32,986	8,251
Net cash used in investing activities	<u>(1,242,135)</u>	<u>(392,098)</u>
Cash flows from financing activities:		
Payroll taxes withheld and remitted on share-based payments	(241,617)	(93,654)
Proceeds from note payable to bank	1,000,000	1,112,019
Principal payments on long-term debt and note payable to bank	(832,991)	(125,270)
Payments for financing costs	(97,405)	(30,662)
Repurchase of common stock	(846,287)	(230,399)
Excess tax benefits from share-based compensation	151,806	—
Common stock dividends paid	(188,896)	—
Net cash provided by (used in) financing activities	<u>(1,055,390)</u>	<u>632,034</u>
Net increase (decrease) in cash	(1,332,000)	109,735
Cash at beginning of period	<u>2,522,058</u>	<u>1,948,334</u>
Cash at end of period	<u>\$ 1,190,058</u>	<u>\$ 2,058,069</u>

See accompanying condensed notes to condensed consolidated financial statements.

**OPTICAL CABLE CORPORATION**

Condensed Notes to Condensed Consolidated Financial Statements

Three Months and Nine Months Ended July 31, 2011

(Unaudited)

**(1) General**

The accompanying unaudited condensed consolidated financial statements of Optical Cable Corporation and its subsidiaries (collectively, the “Company” or “OCC®”) have been prepared in accordance with U.S. generally accepted accounting principles for interim financial reporting information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all material adjustments considered necessary for a fair presentation have been included. Operating results for the nine months ended July 31, 2011 are not necessarily indicative of the results for the fiscal year ending October 31, 2011 because the following items, among other things, may impact those results: changes in market conditions, seasonality, changes in technology, competitive conditions, ability of management to execute its business plans, as well as other variables, uncertainties, contingencies and risks set forth as risks in the Company’s Annual Report on Form 10-K for the fiscal year ended October 31, 2010 (including those set forth in the “Forward-Looking Information” section), or as otherwise set forth in other filings by the Company as variables, contingencies and/or risks possibly affecting future results. The unaudited condensed consolidated financial statements and condensed notes are presented as permitted by Form 10-Q and do not contain certain information included in the Company’s annual consolidated financial statements and notes. For further information, refer to the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended October 31, 2010.

Certain reclassifications have been made to the prior period’s condensed consolidated statement of cash flows to place them on a basis comparable with the current period’s condensed consolidated statement of cash flows.

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

As of July 31, 2011, there were approximately 462,000 and 13,000 remaining shares available for grant under the Optical Cable Corporation 2011 Stock Incentive Plan and the Optical Cable Corporation 2005 Stock Incentive Plan, respectively.

Share-based compensation expense for employees and non-employee Directors recognized in the condensed consolidated statements of operations for the three months and nine months ended July 31, 2011 was \$171,492 and \$644,197, respectively, and for the three months and nine months ended July 31, 2010 was \$212,192 and \$732,057, respectively, and was entirely related to expense recognized in connection with the vesting of restricted stock awards.

*Stock Option Awards*

Prior to July 2002, employees and outside contractors were issued options to purchase common stock. Additionally, during 2002, non-employee members of the Company’s Board of Directors were granted options to purchase shares of the Company’s common stock. The exercise price equaled the market price of the Company’s common stock on the date of grant.

**OPTICAL CABLE CORPORATION**

## Condensed Notes to Condensed Consolidated Financial Statements

Three Months and Nine Months Ended July 31, 2011

(Unaudited)

Stock option activity during the nine months ended July 31, 2011 is as follows:

	Number of options	Weighted- average exercise price	Weighted- average remaining contractual term (in yrs)
Outstanding and exercisable at October 31, 2010	166,577	\$ 7.62	1.27
Forfeited	(3,001)	7.20	—
Outstanding and exercisable at July 31, 2011	<u>163,576</u>	\$ 7.63	0.52

*Restricted Stock Awards*

The Company has granted, and anticipates granting from time to time, restricted stock awards subject to approval by the Compensation Committee of the Board of Directors.

Restricted stock award activity during the nine months ended July 31, 2011 consisted of restricted share grants totaling 286,472 shares (including grants to employees and to non-employee members of the Board of Directors), and 77,882 restricted shares forfeited or withheld for taxes in connection with the vesting of restricted shares.

As of July 31, 2011, the maximum amount of compensation cost related to unvested equity-based compensation awards in the form of service-based and operational performance-based shares that the Company will have to recognize over a 3.4 year weighted-average period is approximately \$1.8 million.

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

A summary of changes in the allowance for doubtful accounts for trade accounts receivable for the nine months ended July 31, 2011 and 2010 follows:

	Nine Months Ended July 31,	
	2011	2010
Balance at beginning of period	\$ 120,450	\$ 108,913
Bad debt expense, net	21,831	1,597
Losses charged to allowance	(3,930)	(3,045)
Balance at end of period	<u>\$ 138,351</u>	<u>\$ 107,465</u>



**OPTICAL CABLE CORPORATION**

## Condensed Notes to Condensed Consolidated Financial Statements

Three Months and Nine Months Ended July 31, 2011

(Unaudited)

**(4) Inventories**

Inventories as of July 31, 2011 and October 31, 2010 consist of the following:

	<u>July 31,</u> <u>2011</u>	<u>October 31,</u> <u>2010</u>
Finished goods	\$ 5,196,369	\$ 4,912,902
Work in process	2,631,955	3,502,842
Raw materials	7,602,043	5,775,919
Production supplies	244,864	231,124
Total	<u>\$15,675,231</u>	<u>\$14,422,787</u>

**(5) Product Warranties**

As of July 31, 2011 and October 31, 2010, the Company's accrual for estimated product warranty claims totaled \$190,000 and \$170,000, respectively, and is included in accounts payable and accrued expenses. Warranty claims expense for the three months and nine months ended July 31, 2011 totaled \$74,539 and \$170,125, respectively, and warranty claims expense for the three months and nine months ended July 31, 2010 totaled \$57,753 and \$261,548, respectively.

The following table summarizes the changes in the Company's accrual for product warranties during the nine months ended July 31, 2011 and 2010:

	<u>Nine Months Ended</u> <u>July 31</u>	
	<u>2011</u>	<u>2010</u>
Balance at beginning of period	\$ 170,000	\$ 160,000
Liabilities accrued for warranties issued during the period	230,500	217,112
Warranty claims and costs paid during the period	(150,125)	(226,548)
Changes in liability for pre-existing warranties during the period	<u>(60,375)</u>	<u>44,436</u>
Balance at end of period	<u>\$ 190,000</u>	<u>\$ 195,000</u>

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

On May 30, 2008, the Company established \$17.0 million in credit facilities (collectively, the "Credit Facilities") with Valley Bank to provide for the working capital needs of the Company and to finance the acquisition of Superior Modular Products Incorporated, doing business as SMP Data Communications ("SMP Data Communications"). The Credit Facilities provided a working capital line of credit (the "Revolving Loan"), a real estate term loan (the "Virginia Real Estate Loan"), a supplemental real estate term loan (the "North Carolina Real Estate Loan"), and a capital acquisitions term loan (the "Capital Acquisitions Term Loan"). The Capital Acquisitions Term Loan was fully funded in fiscal year 2008 and repaid in fiscal year 2009. Therefore, the \$2.3 million portion of the credit facility related to the Capital Acquisitions Term Loan is no longer available. On April 30, 2010, the Company entered into a revolving credit facility with SunTrust Bank (further described below) which replaced the Valley Bank Revolving Loan.

**OPTICAL CABLE CORPORATION**

## Condensed Notes to Condensed Consolidated Financial Statements

Three Months and Nine Months Ended July 31, 2011

(Unaudited)

On April 22, 2011, the Company and Valley Bank entered into a Third Loan Modification Agreement (the "Agreement") to the Credit Agreement dated May 30, 2008 entered into between the Company, Superior Modular Products Incorporated and Valley Bank. Under the Agreement, the interest rate and the applicable repayment installments of the Virginia Real Estate Loan and the North Carolina Real Estate Loan were revised and the maturity date of the loans was extended. The fixed interest rate of the two term loans was lowered to 5.85% from 6.0%, and the maturity date of the loans was extended to April 2018 from June 2013.

Long-term debt as of July 31, 2011 and October 31, 2010 consists of the following:

	July 31, 2011	October 31, 2010
Virginia Real Estate Loan (\$6.5 million original principal) payable in monthly installments of \$41,686 including interest (at 5.85%), with final payment of \$5,035,789 due April 30, 2018	\$6,125,279	\$6,224,185
North Carolina Real Estate Loan (\$2.24 million original principal) payable in monthly installments of \$14,366, including interest (at 5.85%), with final payment of \$1,735,410 due April 30, 2018	2,110,865	2,144,950
Total long-term debt	8,236,144	8,369,135
Less current installments	187,772	177,350
Long-term debt, excluding current installments	<u>\$8,048,372</u>	<u>\$8,191,785</u>

On April 30, 2010, the Company and SunTrust Bank entered into a revolving credit facility consisting of a Commercial Note and Agreement to Commercial Note under which SunTrust Bank provides the Company with a revolving line of credit for the working capital needs of the Company (the "Commercial Loan"). The Commercial Loan was due to mature on May 31, 2012. On July 25, 2011, the Company entered into a binding letter of renewal with SunTrust Bank of the commercial note extending the Commercial Loan to May 31, 2013. Concurrently with the renewal, the Company also entered into a Fourth Loan Modification Agreement with Valley Bank to amend the definition of 'SunTrust Debt' to provide for the extension of the revolver's maturity date.

The Commercial Loan provides the Company the ability to borrow an aggregate principal amount at any one time outstanding not to exceed the lesser of (i) \$6.0 million, or (ii) the sum of 85% of certain receivables aged 90 days or less plus 35% of the lesser of \$1.0 million or certain foreign receivables plus 25% of certain raw materials inventory. Within the Revolving Loan Limit, the Company may borrow, repay, and reborrow, at any time from time to time until May 31, 2013.

Advances under the Commercial Loan accrue interest at the greater of (x) LIBOR plus 2.0%, or (y) 3.0%. Accrued interest on the outstanding principal balance is due on the first day of each month, with all then outstanding principal, interest, fees and costs due at the Commercial Loan Termination Date of May 31, 2013.

**OPTICAL CABLE CORPORATION**

Condensed Notes to Condensed Consolidated Financial Statements

Three Months and Nine Months Ended July 31, 2011

(Unaudited)

In connection with the Company obtaining the Commercial Loan with SunTrust Bank on April 30, 2010, the Company entered into a Second Loan Modification Agreement with Valley Bank whereby upon satisfaction and termination of the Amended Revolving Loan, Valley Bank consented to the release of certain collateral used to secure the Amended Revolving Loan, including but not limited to the Company's accounts, deposit accounts, inventory and general intangibles and permitted the existence of the Commercial Loan.

As of July 31, 2011, the Company had \$1.0 million of outstanding borrowings on its Commercial Loan and \$5.0 million in available credit.

The Commercial Loan is secured by a first priority lien on all of the Company's inventory, accounts, general intangibles, deposit accounts, instruments, investment property, letter of credit rights, commercial tort claims, documents and chattel paper. The Virginia Real Estate Loan and the North Carolina Real Estate Loan are secured by a first priority lien on all of the Company's personal property and assets, except for the Company's inventory, accounts, general intangibles, deposit accounts, instruments, investment property, letter of credit rights, commercial tort claims, documents and chattel paper, as well as a first lien deed of trust on the Company's real property.

**(7) Fair Value Measurements**

The carrying amounts reported in the condensed consolidated balance sheets as of July 31, 2011 and October 31, 2010 for cash, trade accounts receivable, income taxes refundable, other receivables, accounts payable and accrued expenses, including accrued compensation and payroll taxes, the current installments of long-term debt and income taxes payable approximate fair value because of the short maturity of these instruments. The carrying value of the Company's note payable to bank and long-term debt, excluding current installments, approximates the fair value based on similar long-term debt issues available to the Company as of July 31, 2011 and October 31, 2010. Fair value is defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**(8) Net Income (Loss) Per Share**

Basic net income (loss) per share excludes dilution and is computed by dividing net income (loss) available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted net income (loss) per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the net income (loss) of the Company.

**OPTICAL CABLE CORPORATION**

## Condensed Notes to Condensed Consolidated Financial Statements

Three Months and Nine Months Ended July 31, 2011

(Unaudited)

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

	Net Income attributable to OCC (Numerator)	Shares (Denominator)	Per Share Amount
<b>Three Months Ended July 30, 2011</b>			
Basic net income per share	\$ 117,809	6,391,053	\$ 0.02
Effect of dilutive stock options	—	—	
Diluted net income per share	\$ 117,809	6,391,053	\$ 0.02
<b>Three Months Ended July 31, 2010</b>			
Basic net income per share	\$ 575,369	6,495,452	\$ 0.09
Effect of dilutive stock options	—	—	
Diluted net income per share	\$ 575,369	6,495,452	\$ 0.09
<b>Nine Months Ended July 31, 2011</b>			
Basic net income per share	\$ 430,277	6,305,701	\$ 0.07
Effect of dilutive stock options	—	—	
Diluted net income per share	\$ 430,277	6,305,701	\$ 0.07
<b>Nine Months Ended July 31, 2010</b>			
Basic net loss per share	\$ (7,206,614)	5,933,400	\$ (1.21)
Effect of dilutive stock options	—	—	
Diluted net loss per share	\$ (7,206,614)	5,933,400	\$ (1.21)

Stock options that could potentially dilute net income per share in the future that were not included in the computation of diluted net income per share (because to do so would have been antidilutive for the periods presented) totaled 163,577 for the three months and nine months ended July 31, 2011 and 166,577 for the three months and nine months ended July 31, 2010.

Unvested shares as of July 31, 2011, totaling 490,565, were included in the computation of basic and diluted net income per share for the three months and nine months ended July 31, 2011 (because to exclude such shares would have been antidilutive, or in other words, excluding such shares would have increased the net income per share).

Unvested shares as of July 31, 2010, totaling 567,879, were not included in the computation of basic and diluted net loss per share for the nine months ended July 31, 2010 (because to do so would have been

**OPTICAL CABLE CORPORATION**

Condensed Notes to Condensed Consolidated Financial Statements

Three Months and Nine Months Ended July 31, 2011

(Unaudited)

antidilutive for that period, or in other words, including such shares would have reduced the net loss per share). Such unvested shares were included in the computation of basic and diluted net income per share for the three months ended July 31, 2010 (because to exclude such shares would have been antidilutive, or in other words, excluding such shares would have increased net income per share).

**(9) Shareholders' Equity**

On October 16, 2009, the Company's Board of Directors approved a plan to purchase and retire up to 325,848 shares of the Company's common stock, or approximately 5% of the shares then outstanding. The Company anticipated that the purchases would be made over a 12- to 24-month period unless the entire number of shares expected to be purchased under the plan was sooner acquired. As of July 31, 2011, the Company had completed its plan and repurchased and retired a total of 325,848 shares of its outstanding common stock. The repurchase of these shares and the costs associated with the repurchase, including brokerage and legal fees, totaled \$1,271,632. As of July 31, 2011, 6,305,738 shares of the Company's common stock were outstanding.

On July 15, 2011, the Company declared a quarterly cash dividend of \$0.01 per share on its common stock totaling \$63,057. This amount is included in accounts payable and accrued expenses in the accompanying condensed consolidated balance sheet as of July 31, 2011.

**(10) Segment Information and Business and Credit Concentrations**

The Company provides credit, in the normal course of business, to various commercial enterprises, governmental entities and not-for-profit organizations. Concentration of credit risk with respect to trade receivables is limited due to the Company's large number of customers. The Company also manages exposure to credit risk through credit approvals, credit limits, and monitoring procedures. Management believes that credit risks as of July 31, 2011 and October 31, 2010 have been adequately provided for in the condensed consolidated financial statements.

No single customer accounted for more than 10% of the Company's consolidated net sales during the three months and nine months ended July 31, 2011 and 2010.

For the nine months ended July 31, 2011 and 2010, approximately 76% and 71%, respectively, of consolidated net sales were from customers located in the United States, and approximately 24% and 29%, respectively, were from customers outside of the United States.

The Company has a single reportable segment for purposes of segment reporting, exclusive of Centric Solutions LLC ("Centric Solutions"). For the three months and nine months ended July 31, 2011, Centric Solutions generated revenues totaling \$355,499 and \$606,870, respectively, and incurred operating losses of \$183,862 and \$642,971, respectively. For the three months and nine months ended July 31, 2010, Centric Solutions generated revenues totaling \$66,586 and \$303,123, respectively, and incurred operating losses of \$265,038 and \$981,889, respectively. Total assets of Centric Solutions of approximately \$406,000 (net of intercompany amounts) are included in the total consolidated assets of the Company as of July 31, 2011.

**OPTICAL CABLE CORPORATION**

Condensed Notes to Condensed Consolidated Financial Statements

Three Months and Nine Months Ended July 31, 2011

(Unaudited)

**(11) Contingencies**

Applied Optical Systems, Inc. (“AOS”), a wholly owned subsidiary of the Company since October 31, 2009, is the defendant in a patent infringement lawsuit brought by Amphenol Fiber Systems International (“AFSI”) in the U.S. District Court for the Eastern District of Texas, Marshall Division, styled *Fiber Systems International, Inc. v. Applied Optical Systems, Inc.*, Civil Action No. 2:06-cv-473. AFSI’s Complaint claimed that specific multi-channel tactical fiber optic connector assemblies that AOS manufactures and sells, directly or indirectly, primarily to the United States Government, infringed certain of the plaintiff’s patent rights.

On November 19, 2009, a jury unanimously determined that one of the AOS fiber optic connector designs that was the subject of the suit does not infringe on AFSI’s U.S. Patent No. 6,305,849. In an earlier U.S. District Court ruling, the two other AOS fiber optic connector designs that were at issue in the suit were found not to infringe on the patent as a matter of law. The U.S. District Court previously had granted judgment as a matter of law to AFSI on AOS’s counterclaims for fraud, negligent misrepresentation, and unfair competition. The U.S. District Court also granted partial summary judgment to AFSI on AOS’s antitrust counterclaims. AOS’s remaining counterclaim of inequitable conduct was tried to the Court on April 8, 2010. By opinion and order issued July 7, 2010, the U.S. District Court found that AFSI did not commit inequitable conduct and that AFSI’s U.S. Patent No. 6,305,849 was not unenforceable.

The U.S. District Court, on motion of AFSI, had previously entered a preliminary injunction enjoining AOS from making sales of the accused products. However, the preliminary injunction specifically excludes products sold to the U.S. Government or sold for ultimate delivery to the U.S. Government. On August 3, 2010, the U.S. District Court entered an order dissolving the preliminary injunction. AOS has moved to execute on the \$250,000 injunction bond which AFSI was required to post in order to obtain the preliminary injunction. The U.S. District Court has not yet ruled on this motion.

On August 3, 2010, the U.S. District Court also entered a final judgment in favor of AOS on the patent infringement claims, stating “defendant AOS did not infringe claim 31 of the 849 patent” and “plaintiff AFSI takes nothing by way of its patent infringement claims.” It also awarded judgment to AFSI on all of AOS’s counterclaims.

AFSI has filed various post-judgment motions asking the U.S. District Court to vacate, alter or amend its judgment, including a motion for judgment as a matter of law or, alternatively, for a new trial. The U.S. District Court has not yet ruled on these motions. In the event the U.S. District Court denies AFSI’s post-judgment motions, it is anticipated that AFSI will pursue an appeal. In the event AFSI were to pursue such an appeal, it could seek reversal of the U.S. District Court’s judgment and request that the appellate court remand the case for a new trial and/or request that the appellate court enter judgment in its favor on the issue of infringement and remand the case for trial only on the issue of damages. In the event of an appeal by AFSI, AOS may also appeal the U.S. District Court’s rulings and/or decisions on AOS’s counterclaims.

In the event either the U.S. District Court or the appellate court were to order a new trial, the evidence adduced at the first trial indicated that AFSI’s claimed damages were no more than \$160,000 based on certain pretrial rulings by the U.S. District Court. The amount of damages sought in a retrial could potentially be higher. Additionally, in the event a new trial were ordered, a finding of infringement could result in entry of a permanent injunction that would preclude AOS from selling the infringing products.

**OPTICAL CABLE CORPORATION**

Condensed Notes to Condensed Consolidated Financial Statements

Three Months and Nine Months Ended July 31, 2011

(Unaudited)

There have been no material developments in this matter during the three months and nine months ended July 31, 2011. The Company does not believe this matter will have a material adverse effect on the Company's financial position, results of operations or liquidity.

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

**(12) New Accounting Standards**

In May 2011, the FASB issued Accounting Standards Update 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* ("ASU 2011-04"). The amendments are intended to improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP and IFRSs. ASU 2011-04 is to be applied prospectively upon adoption and is effective for interim and annual periods beginning after December 15, 2011. The adoption of ASU 2011-04 is not expected to have any 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 be applicable to its financial position, operating results or financial statement disclosures.

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

**Forward-Looking Information**

This Form 10-Q may contain certain forward-looking information within the meaning of the federal securities laws. The forward-looking information may include, among other information, (i) statements concerning our outlook for the future, (ii) statements of belief, anticipation or expectation, (iii) future plans, strategies or anticipated events, and (iv) similar information and statements concerning matters that are not historical facts. Such forward-looking information is subject to known and unknown variables, uncertainties, contingencies and risks that may cause actual events or results to differ materially from our expectations, and such variables, uncertainties, contingencies and risks 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 could adversely affect the Company include, but are not limited to, the level of sales to key customers, including distributors; timing of certain projects and purchases by key customers; the economic conditions affecting network service providers; corporate and/or government spending on information technology; actions by competitors; fluctuations in the price of raw materials (including optical fiber, copper, gold and other precious metals, and plastics and other materials affected by petroleum product pricing); fluctuations in transportation costs; our dependence on customized equipment for the manufacture of our products and a limited number of production facilities; our ability to protect our proprietary manufacturing technology; our ability to replace royalty income as existing patented and licensed products expire by developing and licensing new products; market conditions influencing prices or pricing; our dependence on a limited number of suppliers; the loss of or conflict with one or more key suppliers or customers; an adverse outcome in litigation, claims and other actions, and potential litigation, claims and other actions against us; an adverse outcome in regulatory reviews and audits and potential regulatory reviews and audits; adverse changes in state tax laws and/or positions taken by state taxing authorities affecting us; technological changes and introductions of new competing products; changes in end-user preferences for competing technologies, relative to our product offering; economic conditions that affect the telecommunications sector, certain technology sectors or the economy as a whole; changes in demand of our products from certain competitors for which we provide private label connectivity products; terrorist attacks or acts of war, and any current or potential future military conflicts; changes in the level of military spending by the United States government; ability to retain key personnel; inability to recruit needed personnel; poor labor relations; the inability to successfully complete the integration of the operations of companies acquired by us; the impact of changes in accounting policies and related costs of compliance, including changes by the Securities and Exchange Commission (SEC), the Public Company Accounting Oversight Board (PCAOB), the Financial Accounting Standards Board (FASB), and/or the International Accounting Standards Board (IASB); our ability to continue to successfully comply with, and the cost of compliance with, the provisions of Section 404 of the Sarbanes-Oxley Act of 2002 or any revisions to that act which apply to us; the impact of changes and potential changes in federal laws and regulations adversely affecting our business and/or which result in increases in our direct and indirect costs, including our direct and indirect costs of compliance with such laws and regulations; the impact of the Patient Protection and Affordable Care Act of 2010, the Health Care and Education Reconciliation Act of 2010, and any revisions to those acts that apply to us and the related legislation and regulation associated with those acts, which directly or indirectly results in increases to our costs; the impact of changes in state or federal tax laws and regulations increasing our costs; 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 customers of ours; voluntary or involuntary delisting of the Company’s capital stock from any exchange on which it is traded; the deregistration by the



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Company from SEC reporting requirements, as a result of the small number of holders of the Company's capital 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 and possibly defending our position on such unsolicited proposals; impact of weather or natural disasters in the areas of the world in which we operate, market our products and/or acquire raw materials; an increase in the number of the Company's capital stock issued and outstanding; economic downturns and/or changes in market demand, exchange rates, productivity, or market and 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, unless the amounts are less than one million and except in the case of the table set forth in the "Results of Operations" section, in which cases the amounts have been rounded to the nearest thousand.

### **Overview of Optical Cable Corporation**

Optical Cable Corporation (or OCC®) is a leading manufacturer of a broad range of fiber optic and copper data communication cabling and connectivity solutions primarily for the enterprise market, offering an integrated suite of high quality, warranted products which operate as a system solution or seamlessly integrate with other providers' offerings. Our product offerings include designs for uses ranging from commercial, enterprise network, datacenter, residential and campus installations to customized products for specialty applications and harsh environments, including military, industrial, mining and broadcast applications. Our products include fiber optic and copper cabling, fiber optic and copper connectors, specialty fiber optic and copper connectors, fiber optic and copper patch cords, pre-terminated fiber optic and copper cable assemblies, racks, cabinets, datacom enclosures, patch panels, face plates, multi-media boxes, 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 also is internationally recognized for its role in establishing copper connectivity data communications standards, through its innovative and patented technologies.

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

OCC sells its products internationally and domestically through its sales force to its customers, which include major distributors, regional distributors, various smaller distributors, original equipment manufacturers and value-added resellers.

On May 30, 2008, Optical Cable Corporation acquired Superior Modular Products Incorporated, doing business as SMP Data Communications ("SMP Data Communications"), located near Asheville, North Carolina. Our Asheville team designs and manufactures fiber and copper connectivity products for the enterprise market,

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including a broad range of commercial and residential applications. We refer to these products as our enterprise connectivity product offering. Our Asheville team is internationally recognized for its role in establishing copper connectivity data communications standards, through innovative and patented technologies. The products manufactured at our Asheville facility are marketed and sold under the names Optical Cable Corporation and OCC by our integrated sales team. On October 31, 2009, we merged SMP Data Communications with and into Optical Cable Corporation, and SMP Data Communications ceased to exist as a separate entity.

On October 31, 2009, Optical Cable Corporation acquired Applied Optical Systems, Inc. (“AOS”), located near Dallas, Texas. Our Dallas team designs, develops and manufactures a broad range of specialty fiber optic connectors and connectivity solutions primarily for use in military and other harsh environment applications. We refer to these products as our applied interconnect systems product offering. Founded in 2003, AOS is a wholly owned subsidiary of Optical Cable Corporation. We market and sell the products manufactured at our Dallas facility under the names Optical Cable Corporation and OCC through the efforts of our integrated sales team.

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

### **Summary of Company Performance for the Third Quarter and First Nine Months of Fiscal Year 2011**

- We achieved consolidated net sales of \$18.8 million during the third quarter of fiscal year 2011, only \$5,000 less than our record quarterly net sales achieved in the third quarter of fiscal year 2010.
- Consolidated net sales for the first nine months of fiscal year 2011 increased 9.4% to \$53.7 million compared to consolidated net sales of \$49.0 million for the first nine months of fiscal year 2010.
- Gross profit increased 13.8% to \$18.9 million for the first nine months of fiscal year 2011 compared to \$16.6 million for the first nine months of fiscal year 2010. Gross profit decreased 4.4% to \$6.5 million for the third quarter of fiscal year 2011, compared to \$6.8 million for the same period last year.
- Net income attributable to OCC increased to \$430,000, or \$0.07 per share, during the first nine months of fiscal year 2011, compared to a net loss attributable to OCC of \$7.2 million, or \$1.21 per share, for the comparable period last year. Net income attributable to OCC decreased to \$118,000, or \$0.02 per share, during the third fiscal quarter of fiscal year 2011, compared to \$575,000, or \$0.09 per share, for the comparable period last year.
- OCC generated positive cash flow from operating activities—with net cash provided by operating activities of \$966,000 in the first nine months of fiscal year 2011.
- OCC declared its fourth consecutive quarterly dividend of \$0.01 per share of common stock on July 15, 2011.

### **Results of Operations**

All of our sales to customers located outside of the United States are denominated in U.S. dollars. We can experience fluctuations in the percentage of net sales to customers located outside of 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 located in the United States.

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

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*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 both anticipated and unanticipated changes in product mix. Additionally, gross profit margins tend to be higher when we achieve higher net sales levels, as certain fixed manufacturing costs are spread over higher sales volumes.

*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 and accounting fees, costs incurred to settle litigation or claims and other actions against us, and other costs associated with our operations.

*Royalty income, 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 developed technology acquired in the acquisition of SMP Data Communications on May 30, 2008 and the amortization of intellectual property and customer list acquired in the acquisition of AOS on October 31, 2009. Amortization of intangible assets is calculated using an accelerated method and straight line method over the estimated useful lives of the intangible assets.

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

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

	Three Months Ended		Percent Change	Nine Months Ended		Percent Change
	July 31,			July 31,		
	2011	2010		2011	2010	
Net sales	\$18,775,000	\$18,779,000	— %	\$53,672,000	\$49,042,000	9.4%
Gross profit	6,509,000	6,807,000	(4.4)%	18,877,000	16,593,000	13.8%
SG&A expenses	6,228,000	5,999,000	3.8%	18,288,000	18,240,000	0.3%
Impairment of goodwill	—	—	— %	—	6,246,000	(100.0)%
Net income (loss) attributable to OCC	118,000	575,000	(79.5)%	430,000	(7,207,000)	106.0%

### Three Months Ended July 31, 2011 and 2010

#### Net Sales

Consolidated net sales for each of the third quarters of fiscal years 2011 and 2010 were \$18.8 million. Sequentially, consolidated net sales for the third quarter of fiscal year 2011 increased 9.3% compared to consolidated net sales of \$17.2 million during the second quarter of fiscal year 2011.

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We experienced an increase in our net sales during the third quarter of fiscal year 2011 in our specialty markets compared to the same period last year, but this increase was offset by decreases in net sales in our commercial markets. Net sales to customers located in the United States increased 12.3% in the third quarter of fiscal year 2011 compared to the same period last year, while net sales to customers located outside of the United States decreased 27.3%.

We believe our consolidated net sales may be negatively impacted by continuing economic weakness in the markets to which we sell. When comparing the third quarter of fiscal year 2011 to the third quarter of fiscal year 2010, net sales of our applied interconnect system (AIS) products have increased, with such increase mainly offset by decreases in our net sales of enterprise connectivity products, and a slight decrease in net sales of fiber optic cable products. Applied interconnect system products were new to the OCC product line in fiscal year 2010, due to the acquisition of AOS effective October 31, 2009. As a result of successful integration processes over the last year, we gained synergies due to our integrated sales force and also gained efficiencies associated with throughput in the AOS production facility, resulting in significant increases in net sales in the second half of fiscal year 2010 and continuing into the first nine months of fiscal year 2011.

### *Gross Profit*

Gross profit decreased 4.4% to \$6.5 million in the third quarter of fiscal year 2011, compared to \$6.8 million in the third quarter of fiscal year 2010. Gross profit margin, or gross profit as a percentage of net sales, decreased to 34.7% in the third quarter of fiscal year 2011 from 36.2% in the third quarter of fiscal year 2010. Historically, our enterprise connectivity and applied interconnect systems products have lower gross profit margins than our fiber optic cable products—a trend we expect to continue.

Our gross profit margin percentages are heavily dependent upon product mix on a quarterly basis and may vary based on both anticipated and unanticipated changes in product mix. Additionally, our gross profit margins for our product lines tend to be higher when we achieve higher net sales levels of those product lines, as certain fixed manufacturing costs are spread over higher sales volumes.

### *Selling, General, and Administrative Expenses*

SG&A expenses increased \$228,000, or 3.8%, during the third quarter of fiscal year 2011, compared to the same period last year. SG&A expenses as a percentage of net sales were 33.2% in the third quarter of fiscal year 2011, compared to 31.9% in the third quarter of fiscal year 2010. Approximately half of the 3.8% increase in SG&A expenses during the quarter related to an increase in shipping costs.

### *Royalty Income, Net*

We recognized royalty income, net of related expenses, totaling \$247,000 during the third quarter of fiscal year 2011, compared to \$315,000 during the same period last year. The decrease in sales of licensed product by licensees during the third quarter of fiscal year 2011 contributed to the decrease in royalty income, net when compared to the third quarter of fiscal year 2010. This income is largely offset by the expense of the amortization of the intangible assets associated with our royalty income, net (as further described in the *Amortization of Intangible Assets* section included herein), resulting from the recording of identifiable intangible assets at fair value when acquired as part of the acquisition of SMP Data Communications on May 30, 2008. Certain patents which generate a portion of our royalty income will expire beginning during our 2012 fiscal year. As a result, we expect to see a trend of declining royalty income and we expect amortization of intangible assets expense to continue to decline.

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### *Amortization of Intangible Assets*

We recognized \$108,000 of amortization expense, associated with intangible assets, for the third quarter of fiscal year 2011, compared to \$147,000 during the third quarter of fiscal year 2010. The decrease in amortization expense, when comparing the two periods, is primarily due to the fact that the purchased developed technology asset, acquired in connection with the acquisition of SMP Data Communications, is being amortized using a declining balance method over the useful life of the asset; therefore, the amortization expense decreases as the asset ages.

### *Other Expense, Net*

We recognized other expense, net, in the third quarter of fiscal year 2011 of \$168,000 compared to \$160,000 in the third quarter of fiscal year 2010. Other expense, net is comprised primarily of interest expense, as well as interest income, and other miscellaneous items which may fluctuate from period to period.

### *Income Before Income Taxes*

We reported income before income taxes of \$252,000 for the third quarter of fiscal year 2011 compared to \$816,000 for the third quarter of fiscal year 2010. This decrease was primarily due to the decrease in gross profit of \$298,000 and the increase in SG&A expenses of \$228,000 in the third quarter of fiscal year 2011, compared to the same period last year.

### *Income Tax Expense*

Income tax expense totaled \$178,000 for the third quarter of fiscal year 2011 compared to \$283,000 for the same period in fiscal year 2010. Our effective tax rate for the third quarter of fiscal year 2011 was 70.7% compared to 34.6% in the third quarter of fiscal year 2010.

Generally, 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.

### *Net Income*

Net income attributable to OCC for the third quarter of fiscal year 2011 was \$118,000 compared to \$575,000 for the third quarter of fiscal year 2010. This decrease was due primarily to the decrease in income before income taxes of \$564,000 in the third quarter of fiscal year 2011, compared with the same period in fiscal year 2010.

## **Nine Months Ended July 31, 2011 and 2010**

### *Net Sales*

Consolidated net sales for the first nine months of fiscal year 2011 increased 9.4% to \$53.7 million compared to net sales of \$49.0 million for the same period last year. The increase in net sales during the first nine months of fiscal year 2011 when compared to the same period last year was attributable to increases in our specialty markets, partially offset by a slight decrease in net sales in our commercial markets. Net sales to customers located in the United States increased 15.8% in the first nine months of fiscal year 2011 compared to the same period last year, while net sales to customers located outside of the United States decreased 6.6%.

The increase in net sales when comparing the first nine months of fiscal year 2011 to the first nine months of fiscal year 2010, is due primarily to the increase in net sales of our applied interconnect system products, and an

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increase in net sales of our fiber optic cable products. Applied interconnect system products were new to the OCC product line in fiscal year 2010, due to the acquisition of AOS effective October 31, 2009. As a result of successful integration processes over the last year, we gained synergies due to our integrated sales force and also gained efficiencies associated with throughput in the AOS production facility, resulting in significant increases in net sales in the second half of fiscal year 2010 and continuing into the first nine months of fiscal year 2011.

We believe our consolidated net sales may be negatively impacted by continuing economic weakness in the markets to which we sell. However, when comparing net sales for the first nine months of fiscal year 2011 to the first nine months of fiscal year 2010, the net sales of our fiber optic cable products and applied interconnect systems products have grown.

### *Gross Profit*

Our gross profit increased 13.8% to \$18.9 million for the first nine months of fiscal 2011 from \$16.6 million for the same period in fiscal year 2010. Gross profit margin, or gross profit as a percentage of net sales, increased to 35.2% for the first nine months of fiscal year 2011 from 33.8% for the same period last year.

Our gross profit margin percentages are heavily dependent upon product mix on a quarterly basis and may vary based on both anticipated and unanticipated changes in product mix. Additionally, our gross profit margins for our product lines tend to be higher when we achieve higher net sales levels of those product lines, as we did during the first nine months of fiscal year 2011 when compared to the same period last year, as certain fixed manufacturing costs are spread over higher sales volumes.

### *Selling, General, and Administrative Expenses*

SG&A expenses increased slightly to \$18.3 million in the first nine months of fiscal year 2011 from \$18.2 million for the same period last year. SG&A expenses as a percentage of net sales were 34.1% for the first nine months of fiscal year 2011, compared to 37.2% for the same period in fiscal year 2010.

### *Royalty Income, Net*

We recognized royalty income, net of royalty and related expenses, totaling \$645,000 during the nine months ended July 31, 2011, compared to \$925,000 during the same period last year. The decrease in sales of licensed product by licensees during the first nine months of fiscal year 2011 contributed to the decrease in royalty income, net when compared to the first nine months of fiscal year 2010. This income is largely offset by the expense of the amortization of the intangible assets associated with our royalty income, net (as further described in the *Amortization of Intangible Assets* section included herein), resulting from recording of identifiable intangible assets at fair value when acquired as part of the acquisition of SMP Data Communications on May 30, 2008. Certain patents which generate a portion of our royalty income will expire beginning during our 2012 fiscal year. As a result, we expect to see a trend of declining royalty income and we expect amortization of intangible assets expense to continue to decline.

### *Amortization of Intangible Assets*

We recognized \$323,000 of amortization expense, associated with intangible assets, during the first nine months of fiscal year 2011, compared to \$440,000 during the first nine months of fiscal year 2010. The decrease in amortization expense, when comparing the two periods, is primarily due to the fact that the purchased developed technology asset, acquired in connection with the acquisition of SMP Data Communications, is being amortized using a declining balance method over the useful life of the asset; therefore, the amortization expense decreases as the asset ages.

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### *Impairment of Goodwill*

During the first nine months of fiscal year 2010, we performed an annual impairment analysis of goodwill (associated with the acquisition of AOS) as required by U.S. GAAP. We analyzed the carrying value of goodwill and determined that it was appropriate to write-off the carrying value of goodwill on our consolidated balance sheet. As a result, we recorded a non-recurring, non-cash impairment charge in the amount of \$6.2 million to write-off the carrying value of the goodwill as of April 30, 2010, \$666,000 of which was reversed in the fourth quarter of fiscal year 2010. No such impairment charge was incurred in the first nine months of fiscal year 2011.

### *Other Expense, Net*

We recognized other expense, net, of \$460,000 in the first nine months of fiscal 2011 compared to \$317,000 in the first nine months of 2010. Other expense, net is comprised primarily of interest expense, as well as interest income, and other miscellaneous items which may fluctuate from period to period.

### *Income (Loss) Before Income Taxes*

We reported income before income taxes of \$451,000 for the first nine months of fiscal year 2011 compared to a loss before income taxes of \$7.7 million for the first nine months of fiscal year 2010. This change was primarily due to the loss on the impairment of goodwill of \$6.2 million recorded during the first nine months of fiscal year 2010, partially offset by the 13.8% increase in our gross profit in the first nine months of fiscal year 2011 compared to the same period in fiscal year 2010.

### *Income Tax Expense (Benefit)*

Income tax expense totaled \$174,000 for the first nine months of fiscal year 2011 compared to income tax benefit of \$363,000 for the same period in fiscal year 2010. Our effective tax rate was 38.7% in the first nine months of fiscal year 2011 compared to 4.7% in the first nine months of fiscal year 2010.

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

During the first nine months of fiscal year 2010, we recorded a non-recurring, non-cash impairment charge in the amount of \$6.2 million to write-off the carrying value of goodwill, \$666,000 of which was reversed in the fourth quarter of fiscal year 2010. Since our tax basis in the goodwill was zero, this resulted in a permanent \$6.2 million difference between book and taxable income and was the primary cause of the significantly lower effective tax rate during the first nine months of fiscal year 2010.

### *Net Income (Loss)*

Net income attributable to OCC for the first nine months of fiscal year 2011 was \$430,000 compared to a net loss of \$7.2 million for the first nine months of fiscal 2010. This change was due primarily to the decrease in the loss before income taxes of \$8.2 million in the first nine months of fiscal year 2011 compared with the same period in fiscal year 2010.

### **Financial Condition**

Total assets decreased \$948,000, or 2.1%, to \$44.3 million at July 31, 2011, from \$45.3 million at October 31, 2010. This decrease was primarily due to a \$1.3 million decrease in cash and a \$504,000 decrease in trade accounts receivable, net, partially offset by a \$1.3 million increase in inventories. Further detail regarding the

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decrease in cash is provided in our discussion of “Liquidity and Capital Resources.” The decrease in accounts receivable, net, largely resulted from the timing of receipt of payments during the quarter and continued efforts to manage collections. The increase in inventories is largely due to the timing of raw material purchases and efforts to decrease lead times by increasing certain standard stock items.

Total liabilities decreased \$743,000, or 4.2%, to \$17.0 million at July 31, 2011, from \$17.7 million at October 31, 2010. This decrease was primarily due to a \$766,000 decrease in accounts payable and accrued expenses (including accrued compensation and payroll taxes) largely due to the timing of related payments when comparing the two periods.

Total shareholders' equity attributable to OCC at July 31, 2011 decreased \$51,000 in the first nine months of fiscal year 2011. The decrease resulted from the repurchase and retirement of 183,025 shares of our common stock for \$846,000 and dividends declared of \$189,000, partially offset by net income attributable to OCC of \$430,000, share-based compensation totaling \$403,000 and excess tax benefits from share-based compensation of \$152,000.

### **Liquidity and Capital Resources**

Our primary capital needs during the first nine months of fiscal year 2011 have been to fund working capital requirements and capital expenditures as well as the repurchase and retirement of our common stock. Our primary source of capital for these purposes has been existing cash, borrowings under our revolving credit facility and cash provided by operations. As of July 31, 2011 and October 31, 2010, we had an outstanding loan balance under our revolving credit facility totaling \$1.0 million and \$700,000, respectively. Our long-term debt continues to amortize as scheduled. As of July 31, 2011 and October 31, 2010, we had outstanding loan balances associated with our long-term debt totaling \$8.2 million and \$8.4 million, respectively.

Our cash totaled \$1.2 million as of July 31, 2011, a decrease of \$1.3 million compared to \$2.5 million as of October 31, 2010. The decrease in cash for the nine months ended July 31, 2011 primarily resulted from net cash used in investing activities of \$1.2 million (primarily related to capital expenditures), and net cash used in financing activities of \$1.1 million (primarily related to the repurchase and retirement of our common stock totaling \$846,000 and cash dividends paid of \$189,000), partially offset by the net cash provided by operating activities of \$966,000.

On July 31, 2011, we had working capital of \$23.3 million compared to \$22.9 million on October 31, 2010. The ratio of current assets to current liabilities as of July 31, 2011 was 4.4 to 1, compared to 4.0 to 1 as of October 31, 2010. The increase in working capital when comparing the periods was primarily due to the \$1.3 million increase in inventories and the \$766,000 decrease in accounts payable and accrued expenses, including accrued compensation and payroll taxes, partially offset by the \$1.3 million decrease in cash and the \$504,000 decrease in trade accounts receivable, net.

#### *Net Cash*

Net cash provided by operating activities was \$966,000 in the first nine months of fiscal year 2011, compared to net cash used in operating activities of \$130,000 in the first nine months of fiscal year 2010. Net cash provided by operating activities during the first nine months of fiscal year 2011 primarily resulted from net income of \$276,000, plus net adjustments to reconcile net income to net cash provided by operating activities, including depreciation, amortization and accretion of \$2.0 million and share-based compensation expense of \$644,000. Additionally, decreases in trade accounts receivable of \$482,000 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 increases in inventories of \$1.3 million and the decrease in accounts payable and accrued



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expenses (including accrued compensation and payroll taxes) of \$859,000. Net cash used in operating activities during the first nine months of fiscal year 2010 primarily resulted from a net loss of \$7.4 million, the increase in inventories of \$1.1 million and the increase in trade accounts receivable of \$963,000, partially offset by the decrease in income taxes refundable of \$1.7 million. The aforementioned factors contributing to cash used in operating activities were partially offset by certain adjustments to reconcile net loss to net cash used in operating activities, including the impairment of goodwill of \$6.2 million, depreciation and amortization of \$2.2 million and share-based compensation expense of \$732,000.

Net cash used in investing activities totaled \$1.2 million in the first nine months of fiscal year 2011 compared to \$392,000 in the first nine months of fiscal year 2010. Net cash used in investing activities during the first nine months of fiscal years 2011 and 2010 resulted primarily from purchases of property and equipment and deposits for the purchase of property and equipment.

Net cash used in financing activities totaled \$1.1 million in the first nine months of fiscal year 2011, compared to net cash provided by financing activities of \$632,000 in the first nine months of fiscal year 2010. Net cash used in financing activities in the first nine months of fiscal year 2011 resulted primarily from the repurchase and retirement of 183,025 shares of our common stock for \$846,000. Net cash provided by financing activities in the first nine months of fiscal year 2010 resulted primarily from proceeds from a note payable to our bank under our line of credit in the amount of \$1.1 million.

### *Credit Facilities*

On May 30, 2008, we established \$17.0 million in credit facilities (collectively, the “Credit Facilities”) with Valley Bank to provide for our working capital needs and to finance the acquisition of SMP Data Communications. The Credit Facilities provided a working capital line of credit (the “Revolving Loan”), a real estate term loan (the “Virginia Real Estate Loan”), a supplemental real estate term loan (the “North Carolina Real Estate Loan”), and a capital acquisitions term loan (the “Capital Acquisitions Term Loan”). The Capital Acquisitions Term Loan was fully funded in fiscal year 2008 and repaid in fiscal year 2009. Therefore, the \$2.3 million portion of the credit facility related to the Capital Acquisitions Term Loan is no longer available. On April 30, 2010, we entered into a revolving credit facility with SunTrust Bank (further described below) which replaced the Valley Bank Revolving Loan.

On April 22, 2011, OCC and Valley Bank entered into a Third Loan Modification Agreement (the “Agreement”) to the Credit Agreement dated May 30, 2008 entered into between the Company, Superior Modular Products Incorporated and Valley Bank. Under the Agreement, the interest rate and the applicable repayment installments of the Virginia Real Estate Loan and the North Carolina Real Estate Loan were revised and the maturity date of the loans was extended. The fixed interest rate of the two term loans was lowered to 5.85% from 6.0%, and the maturity date of the loans was extended to April 2018 from June 2013.

The Virginia Real Estate Loan was fully funded on May 30, 2008. Under the new Agreement with Valley Bank, the Virginia Real Estate Loan accrues interest at 5.85% and payments of principal and interest are based on a 25 year amortization from the closing date of the Agreement. The remainder of the payments on the Virginia Real Estate Loan will be made in 83 equal installments of principal and interest in the amount of \$41,686 beginning May 1, 2011. The balance of the Virginia Real Estate Loan will be due April 30, 2018. As of July 31, 2011, we had outstanding borrowings of \$6.1 million under our Virginia Real Estate Loan.

The North Carolina Real Estate Loan was fully funded on May 30, 2008. Under the new Agreement with Valley Bank, the North Carolina Real Estate Loan accrues interest at 5.85% and payments of principal and interest are based on a 25 year amortization from the closing date of the Agreement. The remainder of the payments on the North Carolina Real Estate Loan will be made in 83 equal installments of principal and interest in the amount of \$14,366 beginning May 1, 2011. The balance of the North Carolina Real Estate Loan will be due April 30, 2018. As of July 31, 2011, we had outstanding borrowings of \$2.1 million under our North Carolina Real Estate Loan.

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On April 30, 2010, we entered into a revolving credit facility with SunTrust Bank consisting of a Commercial Note and Agreement to Commercial Note under which SunTrust Bank provides us with a revolving line of credit for our working capital needs (the "Commercial Loan"). The Commercial Loan was due to mature on May 31, 2012. On July 25, 2011, we entered into a binding letter of renewal with SunTrust Bank of the commercial note extending the Commercial Loan to May 31, 2013. Concurrently with the renewal, we also entered into a Fourth Loan Modification Agreement with Valley Bank to amend the definition of 'SunTrust Debt' to provide for the extension of the revolver's maturity date.

The Commercial Loan provides us the ability to borrow an aggregate principal amount at any one time outstanding not to exceed the lesser of (i) \$6.0 million, or (ii) the sum of 85% of certain receivables aged 90 days or less plus 35% of the lesser of \$1.0 million or certain foreign receivables plus 25% of certain raw materials inventory. Within the Revolving Loan Limit, we may borrow, repay, and reborrow, at any time until May 31, 2013.

Advances under the Commercial Loan accrue interest at the greater of (x) LIBOR plus 2.0%, or (y) 3.0%. Accrued interest on the outstanding principal balance is due on the first day of each month, with all then outstanding principal, interest, fees and costs due at the Commercial Loan Termination Date of May 31, 2013.

In connection with our obtaining the Commercial Loan with SunTrust Bank on April 30, 2010, we entered into a Second Loan Modification Agreement with Valley Bank whereby upon satisfaction and termination of the Amended Revolving Loan, Valley Bank consented to the release of certain collateral used to secure the Amended Revolving Loan, including but not limited to our accounts, deposit accounts, inventory and general intangibles and permitted the existence of the Commercial Loan.

As of July 31, 2011, we had \$1.0 million in outstanding borrowings on our Commercial Loan and \$5.0 million in available credit.

The Commercial Loan is secured by a first priority lien on all of our inventory, accounts, general intangibles, deposit accounts, instruments, investment property, letter of credit rights, commercial tort claims, documents and chattel paper. The Virginia Real Estate Loan and the North Carolina Real Estate Loan are secured by a first priority lien on all of our personal property and assets, except for our inventory, accounts, general intangibles, deposit accounts, instruments, investment property, letter of credit rights, commercial tort claims, documents and chattel paper, as well as a first lien deed of trust on our real property.

### *Capital Expenditures*

We did not have any material commitments for capital expenditures as of July 31, 2011. During our 2011 fiscal year budgeting process, we included an estimate for capital expenditures for the fiscal year of \$2.0 million. This budget includes estimates for capital expenditures for new manufacturing equipment, improvements to existing manufacturing equipment, new information technology equipment and software, upgrades to existing information technology equipment and software, furniture and all other capitalizable expenditures for property, plant and equipment. These expenditures will be funded out of our working capital or borrowings under our credit facilities. Capital expenditures are reviewed and approved based on a variety of factors including, but not limited to: 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, current cash flow considerations, and economic conditions in general. Historically, we have spent less than our budgeted capital expenditures in any given year.

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

### *Future Cash Flow Considerations*

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

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

### **Seasonality**

Historically, net sales are relatively lower in the first half of each fiscal year and relatively higher in the second half of each fiscal year, which we believe may be partially due to construction cycles and budgetary considerations of our customers. For example, our trend has been that an average of approximately 45% of our net sales occurred during the first half of the fiscal year and an average of approximately 55% of our net sales occurred during the second half of the fiscal year for the past ten fiscal years, excluding fiscal years 2001, 2002 and 2009. Fiscal years 2001, 2002, and 2009 are excluded because we believe net sales did not follow this pattern due to overall economic conditions in the industry and/or in the world during these years.

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

### **Critical Accounting Policies and Estimates**

Our discussion and analysis of financial condition and results of operations is based on the condensed consolidated financial statements and accompanying condensed notes that have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) for interim financial reporting information and the instructions to Form 10-Q and Article 10 of Regulation S-X. The preparation of these condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 1 to the consolidated financial statements filed with our Annual Report on Form 10-K for fiscal year 2010 provides a summary of our significant accounting policies. Those significant accounting policies detailed in our fiscal year 2010 Form 10-K did not change during the period from November 1, 2010 through July 31, 2011.

**New Accounting Considerations**

In May 2011, the FASB issued Accounting Standards Update 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* (“ASU 2011-04”). The amendments are intended to improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP and IFRSs. ASU 2011-04 is to be applied prospectively upon adoption and is effective for interim and annual periods beginning after December 15, 2011. The adoption of ASU 2011-04 is not expected to have any impact on our results of operations, financial position or liquidity or our related financial statement disclosures.

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

**Item 4. Controls and Procedures**

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

Our management evaluated, with the participation of our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer) the effectiveness of the Company's disclosure controls and procedures as of July 31, 2011. Based on this evaluation process, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of July 31, 2011 and that there were no changes in the Company's internal control over financial reporting that occurred during the last fiscal quarter ended July 31, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART II. OTHER INFORMATION****Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

The following table summarizes the Company's purchases of its common stock for the three months ended July 31, 2011:

<u>Period</u>	<u>Total number of shares purchased (1)</u>	<u>Average price paid per share (2)</u>	<u>Total number of shares purchased as part of publicly announced plans or programs</u>	<u>Maximum number of shares that may yet be purchased under the plans or programs (1)</u>
May 1, 2011 – May 31, 2011	—	—	—	82,805
June 1, 2011 – June 30, 2011	16,700	4.03	16,700	66,105
July 1, 2011 – July 31, 2011	66,105	4.26	66,105	—

- (1) On October 16, 2009, the Company's Board of Directors approved a plan to purchase and retire up to 325,848 shares of the Company's common stock, or approximately 5% of the shares then outstanding. At the time the plan was approved, the Company anticipated that the purchases would be made over a 12- to 24-month period unless the entire number of shares expected to be purchased under the plan was sooner acquired. For the three month period ended July 31, 2011, the Company repurchased and retired 82,805 shares of its outstanding common stock. The repurchase, including brokerage and legal fees, for the three month period ended July 31, 2011 totaled approximately \$349,000. As of July 31, 2011, the Company completed all of the repurchases under its plan and retired a total of 325,848 of its outstanding common stock. The repurchase of these shares and the costs associated with the repurchase, including brokerage and legal fees totaled \$1,271,632. As of July 31, 2011, 6,305,738 shares of the Company's common stock were outstanding.
- (2) The average price paid per share set forth above includes the purchase price paid for the shares, and brokerage and legal fees paid by the Company. The average purchase price per share (excluding brokerage and legal fees) paid by the Company for the three months ended July 31, 2011 was \$4.19.

**PART II. OTHER INFORMATION**

**Item 6. Exhibits**

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

**SIGNATURES**

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

**OPTICAL CABLE CORPORATION**  
(Registrant)

Date: September 12, 2011

/s/ Neil D. Wilkin, Jr.

Neil D. Wilkin, Jr.

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

Date: September 12, 2011

/s/ Tracy G. Smith

Tracy G. Smith

Senior Vice President and Chief Financial Officer



**Exhibit Index**

<u>Exhibit No.</u>	<u>Description</u>
2.1	Agreement and Plan of Merger dated May 30, 2008 by and among Optical Cable Corporation, Aurora Merger Corporation, Preformed Line Products Company and Superior Modular Products Incorporated (incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed June 2, 2008).
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	Amended and Restated Bylaws of Optical Cable Corporation. FILED HEREWITH.
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	Rights Agreement dated as of November 2, 2001 (incorporated herein by reference to Exhibit 4 to the Company's Form 8-A12G filed with the Commission on November 5, 2001).
4.3	Form of certificate representing preferred share purchase right (incorporated herein by reference to Exhibit 5 to the Company's Form 8-A12G filed with the Commission on November 5, 2001).
4.4	Credit Agreement dated May 30, 2008 by and between Optical Cable Corporation and Superior Modular Products Incorporated as borrowers and Valley Bank as lender in the amount of \$17,000,000 consisting of a Revolver in the amount of \$6,000,000; Term Loan A in the amount of \$2,240,000; Term Loan B in the amount of \$6,500,000; and a Capital Acquisitions Term Loan in the amount of \$2,260,000 (incorporated herein by reference to Exhibit 4.16 of the Company's Annual Report on Form 10-K for the period ended October 31, 2008 filed January 29, 2009).
4.5	Credit Line Deed of Trust dated May 30, 2008 between Optical Cable Corporation as Grantor, LeClairRyan as Trustee and Valley Bank as Beneficiary (incorporated herein by reference to Exhibit 4.17 of the Company's Annual Report on Form 10-K for the period ended October 31, 2008 filed January 29, 2009).
4.6	Deed of Trust, Security Agreement and Fixtures Filing dated May 30, 2008 by and between Superior Modular Products Incorporated as Grantor, LeClairRyan as Trustee and Valley Bank as Beneficiary (incorporated herein by reference to Exhibit 4.18 of the Company's Annual Report on Form 10-K for the period ended October 31, 2008 filed January 29, 2009).

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- 4.7 Security Agreement dated May 30, 2008 between Optical Cable Corporation and Superior Modular Products Incorporated and Valley Bank (incorporated herein by reference to Exhibit 4.19 of the Company's Annual Report on Form 10-K for the period ended October 31, 2008 filed January 29, 2009).
- 4.8 Revolving Loan Note in the amount of \$6,000,000 by Optical Cable Corporation and Superior Modular Products Incorporated dated May 30, 2008 (incorporated herein by reference to Exhibit 4.20 of the Company's Annual Report on Form 10-K for the period ended October 31, 2008 filed January 29, 2009).
- 4.9 Term Loan A Note in the amount of \$2,240,000 by Optical Cable Corporation and Superior Modular Products Incorporated dated May 30, 2008 (incorporated herein by reference to Exhibit 4.21 of the Company's Annual Report on Form 10-K for the period ended October 31, 2008 filed January 29, 2009).
- 4.10 Capital Acquisitions Term Note in the amount of \$2,260,000 by Optical Cable Corporation and Superior Modular Products Incorporated dated May 30, 2008 (incorporated herein by reference to Exhibit 4.23 of the Company's Annual Report on Form 10-K for the period ended October 31, 2008 filed January 29, 2009).
- 4.11 First Loan Modification Agreement dated February 28, 2010 by and between Optical Cable Corporation and Valley Bank (incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed February 22, 2010).
- 4.12 Second Loan Modification Agreement dated April 30, 2010 by and between Optical Cable Corporation, for itself and as successor by merger to Superior Modular Products Incorporated, and Valley Bank (incorporated herein by reference to Exhibit 4.13 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended April 30, 2010 filed June 14, 2010).
- 4.13 Addendum A to Commercial Note dated April 30, 2010 by and between Optical Cable Corporation and SunTrust Bank (incorporated herein by reference to Exhibit 4.14 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended April 30, 2010 filed June 14, 2010).
- 4.14 Commercial Note dated April 30, 2010 by and between Optical Cable Corporation and SunTrust Bank in the principal amount of \$6,000,000 (incorporated herein by reference to Exhibit 4.15 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended April 30, 2010 filed June 14, 2010).
- 4.15 Security Agreement dated April 30, 2010 by Optical Cable Corporation in favor of SunTrust Bank (incorporated herein by reference to Exhibit 4.16 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended April 30, 2010 filed June 14, 2010).
- 4.16 Agreement to Commercial Note dated April 30, 2010 by and between Optical Cable Corporation and SunTrust Bank (incorporated herein by reference to Exhibit 4.17 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended April 30, 2010 filed June 14, 2010).

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- 4.17 Amendment No. 1 to the Rights Agreement dated as of November 2, 2001 (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated October 21, 2010).
- 4.18 Third Loan Modification Agreement dated April 22, 2011 by and between Optical Cable Corporation, for itself and as successor by merger to Superior Modular Products Incorporated, and Valley Bank (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated April 28, 2011).
- 4.19 Binding Letter of Renewal dated July 25, 2011 by and between Optical Cable Corporation and SunTrust Bank (incorporated herein by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K dated July 26, 2011).
- 4.20 Fourth Loan Modification Agreement dated July 25, 2011 by and between Optical Cable Corporation, for itself and as successor by merger to Superior Modular Products Incorporated, and Valley Bank (incorporated herein by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K dated July 26, 2011).
- 10.1\* Employment Agreement by and between Optical Cable Corporation and Neil D. Wilkin, Jr. effective November 1, 2002 (incorporated by reference to Exhibit 10.1 to our Amended Quarterly Report on Form 10-Q/A for the quarterly period ended January 31, 2003 filed March 18, 2003 (file number 0-27022)). Superseded by amended and restated employment agreement dated as of April 11, 2011 and included as exhibit 10.28 hereto.
- 10.2\* Employment Agreement dated December 10, 2004 by and between Optical Cable Corporation and Tracy G. Smith (incorporated by reference herein to Exhibit 10.1 to the Company's Current Report on Form 8-K dated January 24, 2005 (file number 0-27022)). Superseded by amended and restated employment agreement dated as of April 11, 2011 and included as exhibit 10.27 hereto.
- 10.3\* Employment Agreement by and between Optical Cable Corporation as successor in interest to Superior Modular Products Incorporated and William R. Reynolds effective May 30, 2008 (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended July 31, 2008 filed September 15, 2008 (file number 0-27022)).
- 10.4\* Optical Cable Corporation 1996 Stock Incentive Plan (incorporated herein by reference to Exhibit 28.1 to the Company's Registration Statement on Form S-8 No. 333-09433 filed August 2, 1996).
- 10.5\* Optical Cable Corporation Amended 2004 Non-Employee Directors Stock Plan (incorporated herein by reference to Appendix B to the Company's definitive proxy statement on Form 14A filed February 23, 2005).

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- 10.6\* Form of award agreement under the Optical Cable Corporation Amended 2004 Non-Employee Directors Stock Plan (incorporated herein by reference to Exhibit 10.10 of the Company's Annual Report on Form 10-K for the period ended October 31, 2004 filed January 26, 2005).
- 10.7\* Optical Cable Corporation 2005 Stock Incentive Plan (incorporated by reference to Appendix A to the Company's definitive proxy statement on Form 14A filed February 23, 2005).
- 10.8\* Form of time vesting award agreement under the Optical Cable Corporation 2005 and 2011 Stock Incentive Plans (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).
- 10.9\* Form of stock performance vesting award agreement under the Optical Cable Corporation 2005 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.13 to the Company's Quarterly Report on Form 10-Q for the period ended April 30, 2006 filed June 14, 2006).
- 10.10\* Amendment No. 1 dated December 31, 2008 to Employment Agreement by and between Optical Cable Corporation and Neil D. Wilkin, Jr. effective November 1, 2002 (incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed January 6, 2009). Superseded by amended and restated employment agreement dated as of April 11, 2011 and included as exhibit 10.28 hereto.
- 10.11\* Amendment No. 1 dated December 31, 2008 to Employment Agreement by and between Optical Cable Corporation and Tracy G. Smith effective December 10, 2004 (incorporated herein by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed January 6, 2009). Superseded by amended and restated employment agreement dated as of April 11, 2011 and included as exhibit 10.27 hereto.
- 10.12\* Amendment No. 1 dated December 31, 2008 to Employment Agreement by and between Optical Cable Corporation as successor in interest to Superior Modular Products Incorporated and William R. Reynolds effective May 30, 2008 (incorporated herein by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed January 6, 2009).
- 10.13\* Form of operational performance (Company financial performance measure) vesting award agreement under the Optical Cable Corporation 2005 and 2011 Stock Incentive Plans (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).
- 10.14 Notice of Exercise of Warrant by the Company to purchase 98,741 shares of common stock of Applied Optical Systems, Inc. dated October 30, 2009 (incorporated herein by reference to Exhibit 10.21 of the Company's Annual Report on Form 10-K for the period ended October 31, 2009 filed January 29, 2010).

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- 10.15 Stock Purchase Agreement dated October 31, 2009 by and among the Company, as buyer and G. Thomas Hazelton, Jr. and Daniel Roehrs as sellers (incorporated herein by reference to Exhibit 10.22 of the Company's Annual Report on Form 10-K for the period ended October 31, 2009 filed January 29, 2010).
- 10.16\* Employment agreement dated October 31, 2009, between Applied Optical Systems, Inc. and G. Thomas Hazelton, Jr. (incorporated herein by reference to Exhibit 10.23 of the Company's Annual Report on Form 10-K for the period ended October 31, 2009 filed January 29, 2010).
- 10.17\* Employment agreement dated October 31, 2009, between Applied Optical Systems, Inc. and Daniel Roehrs (incorporated herein by reference to Exhibit 10.24 of the Company's Annual Report on Form 10-K for the period ended October 31, 2009 filed January 29, 2010).
- 10.18 Buy-Sell Agreement dated October 31, 2009, by and between G. Thomas Hazelton, Jr., as guarantor, and the Company (incorporated herein by reference to Exhibit 10.25 of the Company's Annual Report on Form 10-K for the period ended October 31, 2009 filed January 29, 2010).
- 10.19 Buy-Sell Agreement dated October 31, 2009, by and between Daniel Roehrs, as guarantor, and the Company (incorporated herein by reference to Exhibit 10.26 of the Company's Annual Report on Form 10-K for the period ended October 31, 2009 filed January 29, 2010).
- 10.20 Indemnification Agreement dated October 31, 2009, between the Company and Applied Optical Systems, Inc. (incorporated herein by reference to Exhibit 10.27 of the Company's Annual Report on Form 10-K for the period ended October 31, 2009 filed January 29, 2010).
- 10.21 Supplemental Agreement dated October 31, 2009, by and among the Company, as buyer, Applied Optical Systems, Inc., George T. Hazelton Family Trust, G. Thomas Hazelton, Jr., and Daniel Roehrs (incorporated herein by reference to Exhibit 10.28 of the Company's Annual Report on Form 10-K for the period ended October 31, 2009 filed January 29, 2010).
- 10.22 Termination Agreement dated October 31, 2009, by and among Applied Optical Systems, Inc., the Company, as lender, and G. Thomas Hazelton, Jr. and Daniel Roehrs (incorporated herein by reference to Exhibit 10.29 of the Company's Annual Report on Form 10-K for the period ended October 31, 2009 filed January 29, 2010).
- 10.23 Warrant Exercise Agreement between the Company and Applied Optical Systems, Inc. dated October 30, 2009 (incorporated herein by reference to Exhibit 10.30 of the Company's Annual Report on Form 10-K for the period ended October 31, 2009 filed January 29, 2010).
- 10.24 Redemption Agreement by and between Optical Cable Corporation and BB&T Capital Markets dated November 17, 2009 (incorporated herein by reference to Exhibit 10.31 of the Company's Quarterly Report on Form 10-Q for the period ended January 31, 2010 filed March 17, 2010).

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10.25*	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).
10.26*	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).
11.1	Statement regarding computation of per share earnings (incorporated by reference to note 8 of the Condensed Notes to Condensed Consolidated Financial Statements contained herein).
31.1	Certification of the Company's Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. FILED HEREWITH.
31.2	Certification of the Company's Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. FILED HEREWITH.
32.1	Certification of the Company's Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. FILED HEREWITH.
32.2	Certification of the Company's Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. FILED HEREWITH.
101	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended July 31, 2011, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at July 31, 2011 and October 31, 2010, (ii) Condensed Consolidated Statements of Operations for the three months and nine months ended July 31, 2011 and 2010, (iii) Condensed Consolidated Statement of Shareholders' Equity for the nine months ended July 31, 2011, (iv) Condensed Consolidated Statements of Cash Flows for the nine months ended July 31, 2011 and 2010, and (v) Condensed Notes to Condensed Consolidated Financial Statements. FURNISHED HEREWITH (not filed).

\* Management contract or compensatory plan or agreement.

**AMENDED AND RESTATED  
BYLAWS  
OF  
OPTICAL CABLE CORPORATION  
(In effect as of October 15, 2010)**

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**OPTICAL CABLE CORPORATION  
BYLAWS**

**ARTICLE I  
MEETINGS OF SHAREHOLDERS**

**1.1 Place and Time of Meetings.** Meetings of shareholders of Optical Cable Corporation (the "Corporation") shall be held at such place, either within or without the Commonwealth of Virginia, and at such time as may be provided in the notice of the meeting and approved by the Chairman of the Board of Directors (the "Chairman"), the President or the Board of Directors.

**1.2 Organization and Order of Business.** The Chairman or, in the Chairman's absence, the President shall serve as chairman at all meetings of the shareholders. In the absence of both of the foregoing officers or if both of them decline to serve, the Board of Directors may appoint any person to act as chairman. The Secretary or, in the Secretary's absence, an Assistant Secretary shall act as secretary at all meetings of the shareholders. In the event that neither the Secretary nor an Assistant Secretary is present, the chairman of the meeting may appoint any person to act as secretary of the meeting. The chairman of the meeting shall have the authority to establish the order of business, to make such rules and regulations, to establish such procedures and to take such steps as the chairman of the meeting may deem necessary or desirable for the proper conduct of each meeting of the shareholders, including, without limitation, the authority to make the agenda, adjourn and/or reconvene meetings, and to establish procedures for (i) dismissing of business not properly presented, (ii) maintaining of order and safety, (iii) placing limitations on the time allotted to questions or comments on the affairs of the Corporation, (iv) placing restrictions on attendance at a meeting by persons or classes of persons who are not shareholders or their proxies, (v) restricting entry to a meeting after the time prescribed for the commencement thereof and (vi) commencing, conducting and closing voting on any matter.

**1.3 Annual Meeting.** The annual meeting of shareholders, for the purpose of electing directors and transacting such other business as may properly come before the meeting, shall be held on the last Tuesday in March of each year, or such other date and time

in any year as may be designated by the Board of Directors. If the date designated by this Section is a legal holiday, then the annual meeting of shareholders shall be held on the next succeeding business day. At each annual meeting of shareholders, only such business shall be conducted as is proper to consider and has been brought before the meeting (i) pursuant to the Corporation's notice of the meeting, (ii) by or at the direction of the Board of Directors or (iii) by a shareholder who (a) is a shareholder of record on the share transfer books of the Corporation of a class of shares standing in such shareholder's name and entitled to vote on the business such shareholder is proposing, (1) at the time of the giving of the shareholder's notice hereinafter described in this Section 1.3, (2) on the record date for such annual meeting and (3) at the time of the meeting, and (b) complies with the notice procedures set forth in this Section 1.3. Except for proposals properly made in accordance with Rule 14a-8 under the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (as so amended and inclusive of such rules and regulations, the "1934 Act"), and included in the notice of meeting given by or at the direction of the Board of Directors, the foregoing clause (iii) shall be the exclusive means for a shareholder to propose business to be brought before an annual meeting of shareholders.

In order to bring before an annual meeting of shareholders any business which may properly be considered and which a shareholder has not sought to have included in the Corporation's proxy statement for the meeting, a shareholder who meets the requirements set forth in the preceding paragraph must give the Corporation timely written notice. To be timely, a shareholder's notice must be given, either by personal delivery to the Secretary or an Assistant Secretary at the principal office of the Corporation or by registered or certified United States mail, with postage thereon prepaid, addressed to the Secretary at the principal office of the Corporation. Any such notice must be received not less than 120 days nor more than 150 days before the date of the anniversary of the immediately preceding annual meeting of shareholders; provided, however, that if the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the shareholder to be timely must be so delivered, or mailed and received, not later than the 120th day prior to such annual meeting or, if later, the 10th day following the day on which public disclosure of the date of such annual meeting was first made. In no event shall any adjournment of an annual meeting or the announcement thereof commence a new time period for the giving of timely notice as described above.

Each such shareholder's notice shall set forth as to each matter the shareholder proposes to bring before the annual meeting: (i) the name and address, as they appear on the Corporation's stock transfer books, of the shareholder proposing business, and of any Shareholder Associated Person (as defined below); (ii)(a) the class and number of shares of the Corporation's stock which are held of record or are beneficially owned (within the meaning of Rule 13d-3 under the 1934 Act) by such shareholder and any Shareholder Associated Person; (b) a description of any agreement, arrangement or understanding (including any derivative or short positions, profit interests, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of such shareholder's notice by, or on behalf of, such shareholder or any Shareholder Associated Person, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such shareholder or any Shareholder Associated Person with respect to shares of stock of the Corporation; and (c) a written agreement by such shareholder to update and supplement the information required to be provided under this clause (ii) by providing such information as of the record date for the annual meeting, with such information being provided to the Secretary of the Corporation at the principal executive office of the Corporation not later than 10 days after such record date, (iii) a representation that such shareholder is a shareholder of record at the time of the giving of the notice and intends to appear in person or by proxy at the meeting to present the business specified in the notice, (iv) a brief description of the business desired to be brought before the meeting, including the complete text of any resolutions to be presented and the reasons for wanting to conduct such business, (v) any interest which the shareholder or any Shareholder Associated Person may have in such business and (vi) a representation whether the shareholder or any Shareholder Associated Person intends or is part of a group that intends (a) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt the proposal and/or (b) to solicit proxies from shareholders in support of such proposal.

A "Shareholder Associated Person" of any shareholder means (i) any person controlling, directly or indirectly, or acting in concert with, such shareholder, (ii) any beneficial owner of shares of stock of the Corporation owned of record or beneficially by such shareholder, and (iii) any person controlling, controlled by or under common control with such Shareholder Associated Person.

The Secretary or Assistant Secretary shall deliver each shareholder's notice that has been timely received to the Chairman for review.

The chairman of the meeting may dismiss any business that a shareholder attempts to bring before an annual meeting without complying with the foregoing procedure.

Notwithstanding the foregoing provisions of this Section 1.3, a shareholder seeking to have a proposal included in the Corporation's proxy statement for an annual meeting of shareholders shall comply with the requirements of Regulation 14A under the 1934 Act, as amended from time to time, or with any successor regulation. The Corporation shall not be required to include any such proposal in its proxy statement or form of proxy unless the proponent has complied with the requirements of the 1934 Act. Except for the definitions of "Shareholder Associated Person" and "1934 Act", the foregoing provisions are not applicable to shareholder nominations of directors, the process for which is set forth in Article 2.3.

**1.4 Special Meetings.** Special meetings of the shareholders may be called only by the Chairman, the President or the Board of Directors. Only business within the purpose or purposes described in the notice for a special meeting of shareholders may be conducted at the meeting. The election of directors by shareholders of the Corporation may be held only at an annual meeting of shareholders.

**1.5 Record Dates.** The Board of Directors shall fix, in advance, a record date to make a determination of shareholders entitled to notice of, or to vote at, any meeting of shareholders, or to receive any dividend, or for any purpose, such date to be not more than 70 days before the meeting or action requiring a determination of shareholders.

When a determination of shareholders entitled to notice of, or to vote at, any meeting of shareholders has been made, such determination shall be effective for any adjournment of the meeting unless the Board of Directors fixes a new record date, which it shall do if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting.

**1.6 Notice of Meetings.** Written notice stating the place, day and hour of each meeting of shareholders and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be given not less than 10 nor more than 60 days before the date of the meeting (except when a different time is required in these Bylaws or by law) either personally or by mail, telephone, telegraph, teletype, telecopy or other form of wire or wireless communication or by private courier to each shareholder of record entitled to vote at such meeting and to such nonvoting shareholders as may be required by law. If mailed, such notice shall be deemed to be effective when deposited in first class United States mail with postage thereon prepaid and addressed to the shareholder at his address as it appears on the share transfer books of the Corporation. If given in any other manner, such notice shall be deemed effective when (i) given personally, or (ii) sent by telecopy or other form of wire or wireless communication, or (iii) delivered to a private courier to be delivered.

Notice of a shareholder's meeting to act on (i) an amendment of the Articles of Incorporation, (ii) a plan of merger or share exchange, (iii) the sale, lease, exchange or other disposition of assets of the Corporation otherwise than in the usual and regular course of business that would leave the Corporation without a significant continuing business activity or (iv) the dissolution of the Corporation, shall be given, in the manner provided above, not less than 25 nor more than 60 days before the date of the meeting. Any notice given pursuant to this section shall state that the purpose, or one of the purposes, of the meeting is to consider such action and shall be accompanied by (x) a copy of the proposed amendment, (y) a copy of the proposed plan of merger or share exchange or (z) a summary of the agreement pursuant to which the proposed transaction will be effected. If only a summary of the agreement is sent to the shareholders, the Corporation shall also send a copy of the agreement to any shareholder who requests it. If any of the actions to be considered at such meeting give rise to dissenters' rights, the notice pursuant to this Section shall also state that the shareholders are or may be entitled to assert dissenters' rights and shall be accompanied by a copy of the relevant article of the Virginia Stock Corporation Act.

If a meeting is adjourned to a different date, time or place, notice need not be given if the new date, time or place is announced at the meeting before adjournment. However, if a new record date for an adjourned meeting is fixed, notice of the adjourned meeting shall be given to shareholders as of the new record date unless a court provides otherwise.

Notwithstanding the foregoing, no notice of a meeting of shareholders need be given to a shareholder if (i) an annual report and proxy statements for two consecutive annual meetings of shareholders or (ii) all, and at least two, checks in payment of dividends or interest on securities during a 12-month period, have been sent by first-class United States mail, with postage thereon prepaid, addressed to the shareholder at his address as it appears on the share transfer books of the Corporation, and returned undeliverable. The obligation of the Corporation to give notice of meetings of shareholders to any such shareholder shall be reinstated once the Corporation has received a new address for such shareholder for entry on its share transfer books.

**1.7 Waiver of Notice; Attendance at Meeting.** A shareholder may waive any notice required by law, the Articles of Incorporation or these Bylaws before or after the date and time of the meeting that is the subject of such notice. The waiver shall be in writing, be signed by the shareholder entitled to the notice and be delivered to the Secretary for inclusion in the minutes or filing with the corporate records.

A shareholder's attendance at a meeting (i) waives objection to lack of notice or defective notice of the meeting unless the shareholder, at the beginning of the meeting, objects to holding the meeting or transacting business at the meeting and (ii) waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice unless the shareholder objects to considering the matter when it is presented.

**1.8 Quorum and Voting Requirements.** Unless otherwise required by law, a majority of the votes entitled to be cast on a matter constitutes a quorum for action on that matter. Once a share is represented for any purpose at a meeting, it is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or shall be set for that adjourned meeting. If a quorum exists, action on a matter, other than the election of directors, is approved if the votes cast favoring

the action exceed the votes cast opposing the action unless a greater number of affirmative votes is required by law. Directors shall be elected by a plurality of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present. Less than a quorum may adjourn a meeting.

**1.9 Proxies.** A shareholder may vote his shares in person or by proxy. A shareholder may appoint a proxy to vote or otherwise act for the shareholder by signing an appointment form, either personally or by the shareholder's attorney-in-fact. An appointment of a proxy is effective when received by the Secretary or other officer or agent authorized to tabulate votes and is valid for eleven (11) months unless a longer period is expressly provided in the appointment form. An appointment of a proxy is revocable by the shareholder unless the appointment form conspicuously states that it is irrevocable and the appointment is coupled with an interest.

The death or incapacity of the shareholder appointing a proxy does not affect the right of the Corporation to accept the proxy's authority unless notice of the death or incapacity is received by the Secretary or other officer or agent authorized to tabulate votes before the proxy exercises his authority under the appointment. An irrevocable appointment is revoked when the interest with which it is coupled is extinguished. A transferee for value of shares subject to an irrevocable appointment may revoke the appointment if such transferee did not know of its existence when such transferee acquired the shares and the existence of the irrevocable appointment was not noted conspicuously on the certificate representing the shares or on the information statement for shares without certificates. Subject to any legal limitations on the right of the Corporation to accept the vote or other action of a proxy and to any express limitation on the proxy's authority appearing on the face of the appointment form, the Corporation is entitled to accept the proxy's vote or other action as that of the shareholder making the appointment. Any fiduciary who is entitled to vote any shares may vote such shares by proxy.

**1.10 Voting List.** The officer or agent having charge of the share transfer books of the Corporation shall make, at least ten days before each meeting of shareholders, a complete list of the shareholders entitled to vote at such meeting or any adjournment thereof, with the address of and the number of shares held by each. For a period of ten days prior to the meeting, such list shall be kept on file at the registered office of the Corporation or at its



principal office or at the office of its transfer agent or registrar and shall be subject to inspection by any shareholder at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder during the whole time of the meeting for the purpose thereof. The original share transfer books shall be prima facie evidence as to which shareholders are entitled to examine such list or transfer books or to vote at any meeting of the shareholders. The right of a shareholder to inspect such list prior to the meeting shall be subject to the conditions and limitations set forth by law. If the requirements of this section have not been substantially complied with, the meeting shall, on the demand of any shareholder in person or by proxy, be adjourned until such requirements are met. Refusal or failure to prepare or make available the shareholders' list does not affect the validity of action taken at the meeting prior to the making of any such demand, but any action taken by the shareholders after the making of, any such demand shall be invalid and of no effect.

**1.11 Action Without Meeting.** Action required or permitted to be taken at a meeting of shareholders may be taken without a meeting and without action by the Board of Directors if the action is taken by all the shareholders entitled to vote on the action. The action shall be evidenced by one or more written consents describing the action taken, signed by all the shareholders entitled to vote on the action and delivered to the Secretary for inclusion in the minutes or filing with the corporate records. Action taken by unanimous written consent shall be effective according to its terms when all consents are in the possession of the Corporation unless the consent specifies a different effective date, in which event the action taken under this section shall be effective as of the date specified therein, provided the consent states the date of execution by each shareholder. A shareholder may withdraw a consent only by delivering a written notice of withdrawal to the Corporation prior to the time that all consents are in the possession of the Corporation.

If not otherwise fixed pursuant to the provisions of Section 1.5 the record date for determining shareholders entitled to take action without a meeting is the date the first shareholder signs the consent described in the preceding paragraph.

**1.12 Inspectors.** An appropriate number of inspectors for any meeting of shareholders shall be appointed by the chairman of any such meeting. Any inspector(s) so appointed will receive and take charge of proxies and ballots, and, with input from the Corporation's legal counsel, will decide all questions as to the qualifications of voters, validity of proxies and ballots, and the number of votes properly cast.

## **ARTICLE II DIRECTORS**

**2.1 General Powers.** The Corporation shall have a Board of Directors. All corporate powers shall be exercised by or under the authority of, and the business and affairs of the Corporation managed under the direction of, its Board of Directors, subject to any limitation set forth in the Articles of Incorporation.

**2.2 Number and Term.** The Board of Directors of the Corporation shall consist of not less than three (3) nor more than nine (9) members, the exact number of which shall be determined from time to time by the Board of Directors or the shareholders. A decrease in number shall not shorten the term of any incumbent director. Unless a director dies, resigns or is removed by a vote of the shareholders, every director shall hold office for the term elected or until a successor to such director shall have been elected.

**2.3 Nomination of Directors.** No person shall be eligible for election as a director at an annual meeting of shareholders unless nominated by (i) the Board of Directors or (ii) a shareholder who (a) is a shareholder of record on the share transfer books of the Corporation of a class of shares standing in such shareholder's name and entitled to vote for the election of directors, (1) at the time of the giving of the shareholder's notice hereinafter described in this Section 2.3, (2) on the record date for such annual meeting and (3) at the time of the meeting, and (b) complies with the notice procedures set forth in this Section 2.3. The foregoing clause (ii) shall be the exclusive means for a shareholder to nominate a person for election as a director at an annual meeting of shareholders.

In order to nominate any persons who are not listed as nominees in the Corporation's proxy statement for a shareholders' meeting for election as directors at such meeting, a shareholder who meets the requirements set forth in the preceding paragraph must give the Corporation timely written notice. To be timely, a shareholder's notice must be given either by personal delivery to the Secretary or an Assistant Secretary at the principal office of the Corporation or by registered or certified United States mail, with postage thereon prepaid, addressed to the Secretary at the principal office of the Corporation. Any such notice must be received not less than 120 days nor more than 150 days before the anniversary of the immediately preceding annual meeting of shareholders; provided, however, that if the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the shareholder to be timely must be so delivered, or mailed and received, not later than the 120th day prior to such annual meeting or, if later, the 10th day following the day on which public disclosure of the date of such annual meeting was first made. In no event shall any adjournment of an annual meeting or the announcement thereof commence a new time period for the giving of timely notice as described above.

Each such shareholder's notice shall set forth the following: (i) as to the shareholder giving the notice, (a) the name and address, as they appear on the Corporation's stock transfer books, of such shareholder and of any Shareholder Associated Person (b) (i) the class and number of shares of the Corporation's stock which are held of record or are beneficially owned (within the meaning of Rule 13d-3 under the 1934 Act) by such shareholder and any Shareholder Associated Person; (ii) a description of any agreement, arrangement or understanding (including any derivative or short positions, profit interests, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of such shareholder's notice by, or on behalf of, such shareholder or any Shareholder Associated Person, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such shareholder or any Shareholder Associated Person with respect to shares of stock of the

Corporation; and (iii) a written agreement by such shareholder to update and supplement the information required to be provided under this clause (b) by providing such information as of the record date for the annual meeting, with such information being provided to the Secretary of the Corporation at the principal executive office of the Corporation not later than 10 days after such record date; (c) a representation that such shareholder is a shareholder of record at the time of giving the notice and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice (d) a description of all arrangements or understandings, if any, between such shareholder and each nominee and any Shareholder Associated Person or other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made; and (e) a representation whether the shareholder or any Shareholder Associated Person intends or is part of a group that intends to solicit proxies from shareholders in support of such nomination; and (ii) as to each person whom the shareholder wishes to nominate for election as a director: (a) the name, age, business address and residence address of such person; (b) the principal occupation or employment of such person; (c) the class and number of shares of the Corporation's stock which are held of record or are beneficially owned (within the meaning of Rule 13d-3 under the 1934 Act) by such person; and (d) all other information that is required to be disclosed about nominees for election as directors in solicitations of proxies for the election of directors under the rules and regulations of NASDAQ and the Securities and Exchange Commission. In addition, each such notice shall be accompanied by the written consent of each proposed nominee to serve as a director if elected and such consent shall contain a statement from the proposed nominee to the effect that the information about the proposed nominee contained in the notice is correct. The Corporation may also require such other information regarding any proposed nominee as necessary or appropriate to determine the eligibility and qualifications of such proposed nominee to serve as a director of the Corporation.

The Secretary or Assistant Secretary shall deliver each shareholder's notice that has been timely received to the Chairman for review. The chairman of the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

**2.4 Election.** Except as provided in Section 2.5 and in the Articles of Incorporation, the directors (other than initial directors) shall be elected by the holders of the common shares at each annual meeting of shareholders and those persons who receive the greatest number of votes shall be deemed elected even though they do not receive a majority of the votes cast. No individual shall be named or elected as a director without his prior consent.

**2.5 Removal; Vacancies.** The shareholders may remove one or more directors with or without cause. If a director is elected by a voting group, only the shareholders of that voting group may elect to remove such director. Unless the Articles of Incorporation require a greater vote, a director may be removed if the number of votes cast to remove such director constitutes a majority of the votes entitled to be cast at an election of directors of the voting group or voting groups by which such director was elected. A director may be removed by the shareholders only at a meeting called for the purpose of removing such director and the meeting notice must state that the purpose, or one of the purposes of the meeting, is removal of the director.

A vacancy on the Board of Directors, including a vacancy resulting from the removal of a director or an increase in the number of directors, may be filled by (i) the shareholders at the next annual meeting of shareholders, (ii) the Board of Directors or (iii) the affirmative vote of a majority of the remaining directors though less than a quorum of the Board of Directors and may, in the case of a resignation that will become effective at a specified later date, be filled before the vacancy occurs but the new director may not take office until the vacancy occurs. Any director elected by the Board of Directors shall serve until the next annual meeting of shareholders or until the election of a successor to such director.

**2.6 Annual and Regular Meetings.** An annual meeting of the Board of Directors, which shall be considered a regular meeting, shall be held as soon as practicable following each annual meeting of shareholders for the purpose of electing officers and carrying on such other business as may properly come before the meeting. The Board of Directors may also adopt a schedule of additional meetings which shall be considered regular meetings. Regular meetings shall be held at such times and at such places, within or without the Commonwealth of Virginia, as the Chairman, the President or the Board of Directors shall designate from time to time. If no place is designated, regular meetings shall be held at the principal office of the Corporation.

**2.7 Special Meetings.** Special meetings of the Board of Directors may be called by the Chairman, the President or a majority of the Directors of the Corporation and shall be held at such times and at such places, within or without the Commonwealth of Virginia, as the person or persons calling the meetings shall designate. If no such place is designated in the notice of a meeting, it shall be held at the principal office of the Corporation.

**2.8 Notice of Meetings.** No notice need be given of regular meetings of the Board of Directors. Notices of special meetings of the Board of Directors shall be given to each director in person or delivered to his residence or business address (or such other place as such director may have directed in writing) not less than twelve (12) hours before the meeting by mail, messenger, telecopy, telegraph or other means of written communication or by telephoning or otherwise verbally conveying such notice to the director. Any such notice shall set forth the time and place of the meeting and state the purpose for which it is called.

**2.9 Waiver of Notice; Attendance at Meeting.** A director may waive any notice required by law, the Articles of Incorporation or these Bylaws before or after the date and time stated in the notice and such waiver shall be equivalent to the giving of such notice. Except as provided in the next paragraph of this section, the waiver shall be in writing, signed by the director entitled to the notice and filed with the minutes or corporate records. A director's attendance at or participation in a meeting waives any required notice to the director of the meeting unless the director, at the beginning of the meeting or promptly upon the director's arrival, objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

**2.10 Quorum; Voting.** A majority of the number of directors as determined in accordance with Section 2.2 of these Bylaws shall constitute a quorum for the transaction of business at a meeting of the Board of Directors. If a quorum is present when a vote is taken, the affirmative vote of a majority of the directors present is the act of the Board of Directors. A director who is present at a meeting of the Board of Directors or a committee

of the Board of Directors when corporate action is taken is deemed to have assented to the action taken unless (i) such director objects, at the beginning of the meeting or promptly upon his arrival, to holding it or transacting specified business at the meeting or (ii) such director votes against or abstains from the action taken.

**2.11 Electronic and Telephonic Meetings.** The Board of Directors may permit any or all directors to participate in a regular or special meeting by, or conduct the meeting through the use of, any means of communication by which all directors participating may simultaneously hear each other during the meeting. A director participating in a meeting by this means is deemed to be present in person at the meeting.

**2.12 Action Without Meeting.** Action required or permitted to be taken at a meeting of the Board of Directors may be taken without a meeting if the action is taken by all members of the Board. The action shall be evidenced by one or more written consents stating the action taken, signed by each director either before or after the action is taken and included in the minutes or filed with the corporate records. Action taken under this section shall be effective when the last director signs the consent unless the consent specifies a different effective date in which event the action taken is effective as of the date specified therein provided the consent states the date of execution by each director.

**2.13 Compensation.** The Board of Directors may fix the compensation of directors and may provide for the payment of all expenses incurred by them in attending meetings of the Board of Directors.

### **ARTICLE III COMMITTEES OF DIRECTORS**

**3.1 Committees.** The Board of Directors may create one or more committees and appoint members of the Board of Directors to serve on them. Unless otherwise provided in these Bylaws, each committee shall have two or more members who serve at the pleasure of the Board of Directors. The creation of a committee and appointment of members to it shall be approved by a majority of all of the directors in office when the action is taken.

**3.2 Authority of Committees.** To the extent specified by the Board of Directors, each committee may exercise the authority of the Board of Directors, except that a committee may not (i) approve or recommend to shareholders action that is required by law to be approved by shareholders, (ii) fill vacancies on the Board of Directors or on any of its committees, (iii) amend the Articles of Incorporation, (iv) adopt, amend, or repeal these Bylaws, (v) approve a plan of merger not requiring shareholder approval, (vi) authorize or approve a distribution, except according to a general formula or method prescribed by the Board of Directors or (vii) authorize or approve the issuance or sale or contract for sale of shares, or determine the designation and relative rights, preferences, and limitations of a class or series of shares; provided, however, that the Board of Directors may authorize a committee, or a senior executive officer of the Corporation, to do so within limits specifically prescribed by the Board of Directors.

**3.3 Audit Committee.** The Board of Directors shall appoint an Audit Committee consisting of not less than three (3) directors whose membership shall meet the NASDAQ listing requirements, as amended from time to time. The responsibilities of the Audit Committee shall be determined by the Board of Directors and may be set forth in a Charter as approved from time to time by the Board of Directors.

**3.4 Compensation Committee.** The Board of Directors shall appoint a Compensation Committee consisting of not less than two (2) directors, whom shall not be officers of the Corporation, and whose membership shall meet the NASDAQ listing requirements, as amended from time to time. The responsibilities of the Compensation Committee shall be determined by the Board of Directors and may be set forth in a Charter as approved from time to time by the Board of Directors.

**3.5 Nominating and Governance Committee.** The Board of Directors shall appoint a Nominating and Governance Committee consisting of not less than two (2) directors, none of whom shall be officers of the Corporation, and whose membership shall meet the NASDAQ listing requirements as amended from time to time. The responsibilities of the Nominating and Governance Committee shall be determined by the Board of Directors and may be set forth in a Charter as approved from time to time by the Board of Directors.



**3.6 Committee Meetings; Miscellaneous.** The provisions of these Bylaws which govern meetings, action without meetings, notice and waiver of notice, and quorum and voting requirements and compensation of the Board of Directors shall apply to committees of directors and their members as well.

#### **ARTICLE IV OFFICERS**

**4.1 Officers.** The officers of the Corporation shall be a Chairman of the Board of Directors, a President, a Secretary, a Chief Financial Officer or Treasurer, and, in the discretion of the Board of Directors or the Chairman, one or more Vice-Presidents and such other officers as may be deemed necessary or advisable to carry on the business of the Corporation. Any two or more offices may be held by the same person.

**4.2 Election; Term.** The Chairman, the President, the Secretary and the Chief Financial Officer or Treasurer shall be elected by the Board of Directors. The Chairman or the Board of Directors may, from time to time, appoint other officers. Officers elected by the Board of Directors shall hold office, unless sooner removed, until the next annual meeting of the Board of Directors or until their successors are elected. Officers appointed by the Chairman shall hold office, unless sooner removed, until their successors are appointed. The action of the Chairman in appointing officers shall be reported to the next regular meeting of the Board of Directors after it is taken. Any officer may resign at any time upon written notice to the Board of Directors or the officer appointing such officer and such resignation shall be effective when notice is delivered unless the notice specifies a later effective date.

**4.3 Removal of Officers.** The Board of Directors may remove any officer at any time, with or without cause. The Chairman may remove any officer he or she appoints at any time, with or without cause. Such action by the Chairman shall be reported to the next regular meeting of the Board of Directors after it is taken.

**4.4 Duties of the Chairman.** The Chairman shall be the Chief Executive Officer of the Corporation. The Chairman shall have general charge of and be charged with the duty of supervision of the business of the Corporation and shall perform such duties as may, from time to time, be assigned to the Chairman by the Board of Directors.

**4.5 Duties of the President.** The President shall have such powers and perform such duties as generally pertain to that position or as may, from time to time, be assigned to the President by the Chairman or the Board of Directors.

**4.6 Duties of the Secretary.** The Secretary shall have the duty to see that a record of the proceedings of each meeting of the shareholders, the Board of Directors and any committee of the Board of Directors is properly recorded and that notices of all such meetings are duly given in accordance with the provisions of these Bylaws or as required by law; may affix the corporate seal to any document the execution of which is duly authorized, and when so affixed may attest the same; and, in general, shall perform all duties incident to the office of secretary of a corporation and such other duties as, from time to time, may be assigned to the Secretary by the Chairman, the President or the Board of Directors or as may be required by law.

**4.7 Duties of the Chief Financial Officer and/or the Treasurer.** The Corporation may have a Chief Financial Officer and/or a Treasurer, as determined from time to time by the Chairman, the President or the Board of Directors. The Chief Financial Officer or the Treasurer, if there be one, or both, shall be subject to the control of the Board of Directors, the Chairman and the President, have charge of and be responsible for all securities, funds, receipts and disbursements of the Corporation and shall deposit or cause to be deposited, in the name of the Corporation, all monies or valuable effects in such banks, trust companies or other depositories as shall, from time to time, be selected by or under authority granted by the Board of Directors; shall be custodian of the financial records of the Corporation; shall keep or cause to be kept full and accurate records of all receipts and disbursements of the Corporation; and shall have charge of and be responsible for all internal and external financial accounting functions and treasury functions;

and shall render to the Chairman, the President, or the Board of Directors, whenever requested, an account of the financial condition of the Corporation; and, shall perform such duties as may be assigned to the Chief Financial Officer or the Treasurer, by the Chairman, the President or the Board of Directors.

**4.8 Duties of Other Officers.** The other officers of the Corporation, which may include Vice Presidents, Assistant Vice Presidents, Assistant Treasurers, a Controller or Assistant Controllers, and Assistant Secretaries, shall have such authority and perform such duties as shall be prescribed by the Chairman, the President, the Board of Directors or by other officers authorized by the Board of Directors or these Bylaws to appoint them to their respective offices. To the extent that such duties are not so stated, such officers shall have such authority and perform the duties which generally pertain to their respective offices, subject to the control of the Chairman, the President or the Board of Directors.

**4.9 Voting Securities of Other Corporations.** Unless otherwise provided by the Board of Directors, each of the Chairman, President or the Secretary, in the name and on behalf of the Corporation, may appoint from time to time such officer or any other person (or persons) as proxy, attorney or agent for the Corporation to cast the votes which the Corporation may be entitled to cast as a shareholder, member or otherwise in any other corporation, partnership or other legal entity, domestic or foreign, whose stock, interests or other securities are held by the Corporation, or to consent in writing to any action by such other entity, or to exercise any or all other powers of this Corporation as the holder of the stock, interests or other securities of such other entity. Each of the Chairman, President or the Secretary may instruct the person or persons so appointed as to the manner of casting such votes or giving such consent and may execute or cause to be executed on behalf of the Corporation and under its corporate seal such written proxies, consents, waivers, or other instruments as may be deemed necessary or proper. Each of the Chairman, President or the Secretary may attend any meeting of the holders of stock, interests or other securities of any such other entity and vote or exercise any or all other powers of this Corporation as the holder of the stock, interest or other securities of such other entity.

**4.10 Bonds.** The Board of Directors may require that any or all officers, employees and agents of the Corporation give bond to the Corporation, with sufficient sureties, conditioned upon the faithful performance of the duties of their respective offices or positions.

**ARTICLE V**  
**SHARE CERTIFICATES**

**5.1 Form.** Shares of the Corporation shall, when fully paid, be evidenced by certificates containing such information as is required by law and approved by the Board of Directors. Certificates shall be signed by the President and the Secretary and may (but need not) be sealed with the seal of the Corporation. The seal of the Corporation and any or all of the signatures on a share certificate may be facsimile. If any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued it may be issued by the Corporation with the same effect as if such individual or entity were such officer, transfer agent or registrar on the date of issue. Notwithstanding the foregoing, the Board of Directors may authorize the issue of shares of the Corporation without certificates. Within a reasonable time after the issue or transfer of share without certificates, the Corporation shall cause to be sent to shareholders holding shares not evidenced by certificates a written statement of the information required on certificates as required by applicable law.

**5.2 Transfer.** The Board of Directors may make rules and regulations concerning the issue, registration and transfer of shares and/or certificates representing shares of the Corporation. Transfers of shares and/or certificates representing shares shall be made upon the books of the Corporation by book entry or by surrender of the certificates representing such shares endorsed or accompanied by written assignments given by the record owners or their attorneys-in-fact.

**5.3 Restrictions on Transfer.** A lawful restriction on the transfer or registration of transfer of shares is valid and enforceable against the holder or a transferee of the holder if the restriction complies with the requirements of law and its existence is noted conspicuously on the front or back of the certificate representing the shares or has been otherwise communicated in accordance with the requirements of law. Unless so noted or communicated, a restriction is not enforceable against a person without knowledge of the restriction.

**5.4 Lost or Destroyed Share Certificates.** The Corporation may issue a new share certificate or a written confirmation of its records with respect to shares in the place of any certificate theretofore issued which is alleged to have been lost or destroyed and may require the owner of such certificate, or his legal representative, to give the Corporation a bond, with or without surety, or such other agreement, undertaking or security as the Board of Directors shall determine is appropriate, to indemnify the Corporation against any claim that may be made against it on account of the alleged loss or destruction or the issuance of any such new certificate or written confirmation.

**5.5 Registered Shareholders.** The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the owner thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person. The Corporation shall not be liable for registering any transfer of shares which are registered in the name of a fiduciary unless done with actual knowledge of facts which would cause the Corporation's action in registering the transfer to amount to bad faith.

## **ARTICLE VI MISCELLANEOUS PROVISIONS**

**6.1 Corporate Seal.** The corporate seal of the Corporation shall be circular and shall have inscribed thereon, within and around the circumference "OPTICAL CABLE CORPORATION". In the center shall be the word "SEAL".

**6.2 Fiscal Year.** The fiscal year of the Corporation shall be determined in the discretion of the Board of Directors, but in the absence of any such determination it shall be the twelve months ending October 31.

**6.3 Amendments.** These Bylaws may be amended or repealed, and new Bylaws may be adopted by the Board of Directors, at any regular or special meeting of the Board of Directors. Bylaws adopted by the Board of Directors may be repealed or changed and new Bylaws may be adopted by the shareholders, and the shareholders may prescribe that any Bylaw adopted by them shall not be altered, amended or repealed by the Board of Directors.

## CERTIFICATION

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

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

Date: September 12, 2011

/s/ Neil D. Wilkin, Jr.

Neil D. Wilkin, Jr.

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

## CERTIFICATION

I, Tracy G. Smith, certify that:

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

Date: September 12, 2011

/s/ Tracy G. Smith

Tracy G. Smith  
Senior Vice President and Chief Financial Officer

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

In connection with the Quarterly Report of Optical Cable Corporation (the "Company") on Form 10-Q for the quarter ended July 31, 2011 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 July 31, 2011, and for the period then ended.

Date: September 12, 2011

/s/ Neil D. Wilkin, Jr.

Neil D. Wilkin, Jr.

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



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

In connection with the Quarterly Report of Optical Cable Corporation (the "Company") on Form 10-Q for the quarter ended July 31, 2011 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 July 31, 2011, and for the period then ended.

Date: September 12, 2011

/s/ Tracy G. Smith

Tracy G. Smith

Senior Vice President and Chief Financial Officer