

Optical Cable Corporation

Equity Ownership and Retention Policy for Non-Employee Directors

(adopted by the Board of Directors as of February 14, 2006)

A. Purpose

The Board of Directors (the "Board") of Optical Cable Corporation (the "Company") has adopted the following Equity Ownership and Retention Policy for Non-Employee Directors. The Board believes that each non-employee member of the Board should hold a significant equity stake in the Company in order to, among other things, fully align their interests with those of other shareholders of the Company. This policy provides for minimum equity ownership requirements as well as requirements for retention of a specified percentage of the equity granted to each non-employee member of the Board under the Company's stock plans.

Separately, the Compensation Committee of the Board of Directors has recommended, and the Board of Directors has approved, an *Equity Ownership and Retention Policy for Senior Staff* that is applicable to, among others, all executive officers of the Company, including those executive officers that serve on the Board.

B. Equity Ownership Policy

Each non-employee member of the Board, for so long as he or she serves as a member of the Board of Directors, will acquire and hold shares of OCC common stock ("OCC Common Stock") with an aggregate fair market value of no less than three (3) times his or her then current annual cash retainer for service on the Board, excluding any retainers for service on committees of the Board or for chairing committees of the Board (the "Annual Retainer"). He or she will have until four (4) years from the later of (i) the date he or she first commenced service on the Board or (ii) January 31, 2006, to meet this minimum equity ownership requirement.

Subject to the phased deadlines described above, the Company will determine as of October 31 of each year whether each non-employee member of the Board has met his or her minimum equity ownership requirement. The determination will be based on the then current Annual Retainer of such member and the fair market value of his or her OCC Common Stock holdings, measured by the closing price of OCC Common Stock as of such date.

All of the following equity held by a non-employee Director will be counted to determine his or her compliance with the OCC Common Stock minimum ownership requirement: acquired shares (through open market purchases or private transactions); restricted shares awarded under a stock plan of the Company, whether vested or unvested; the number of shares of OCC Common Stock into which OCC preferred shares or other OCC equity instruments may be converted, net of the number shares of OCC Common Stock equal to the value of any required payment or other consideration payable in connection with such conversion; the number of shares of OCC Common Stock that would be owned upon exercise of vested options or warrants, net of the number of shares of OCC Common Stock equal to the value to any required payment in connection with the exercise of such options or warrants; and shares previously held by the non-employee Director but which

were transferred to and are currently held by one or more of his or her immediate family or by trusts for the benefit of his or her immediate family.

The Board will consider a non-employee Director to be in compliance with his or her requirements as of the date of a planned equity award under a stock plan of the Company if:

(1) such non-employee Director has purchased additional shares subsequent to the October 31 measurement date but prior to such planned grant date that, when valued at the fair market value as of the October 31 measurement date, would bring such non-employee Director into compliance with his or her requirements; or

(2) the planned equity grant date is less than 10 months from the most recent October 31 measurement date as of which the non-employee Director failed to meet the requirements, the non-employee Director was in compliance as the October 31 measurement date immediately preceding the most recent October 31 measurement date (the "Prior Measurement Date") and the non-employee Director would still have been in compliance as of the Prior Measurement Date after subtracting from the number of shares he or she held on the Prior Measurement Date the number of shares disposed of after such date through the day immediately prior to the planned grant date.

The exceptions set forth in subparagraphs (1) and (2) of this paragraph above, shall not apply to any determination as to whether a non-employee Director is in compliance with the equity retention policy set forth in Section C below.

C. Equity Retention Policy for Equity Grants Made by the Company

While serving as a member of the Board of Directors of the Company, each non-employee Director will be required to retain at least 65% of all equity shares granted to him or her pursuant to any stock plan of the Company until they meet the equity ownership requirements set forth in Section B above. If a non-employee Director meets and maintains the minimum equity ownership requirements described in Section B above, he or she will be required to retain at least 25% of all equity shares granted to him or her pursuant to any stock plan of the Company for as long as he or she serves as a member of the Board of Directors of the Company.

D. Effective Date; Amendment or Termination

This policy shall be effective as of February 14, 2006. The policy shall remain in effect unless terminated by resolution of the Board of Directors. The Board may amend, modify or terminate this policy at anytime in its sole discretion.