

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

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934  
(Amendment No. \_\_)**

Filed by the Registrant  Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**OPTICAL CABLE CORPORATION**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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- Fee paid previously with preliminary materials.
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(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:





**OPTICAL CABLE CORPORATION**  
**5290 CONCOURSE DRIVE**  
**ROANOKE, VIRGINIA 24019**

February 20, 2007

Dear Shareholder:

You are cordially invited to attend Optical Cable Corporation's (the "Company") annual meeting of shareholders to be held on March 27, 2007, at 10:00 a.m. local time at the Hotel Roanoke & Conference Center, 110 Shenandoah Avenue, Roanoke, Virginia.

You are being asked to do the following:

- (1) elect the Company's board of directors from the slate of directors nominated in accordance with the Company's bylaws to serve until the next annual meeting of shareholders;
- (2) ratify the appointment of KPMG LLP as the independent registered public accounting firm for the Company; and
- (3) consider the proposal by a shareholder requesting the Board of Directors to redeem or revoke the shareholder rights plan in effect with the Company since November 2001.

We also will be pleased to report on the affairs of the Company.

Whether or not you are able to attend, it is important that your shares be represented and voted at this meeting. Accordingly, please complete, sign and date the enclosed proxy and mail it in the envelope provided at your earliest convenience. Your prompt response would be greatly appreciated.

Sincerely,

/s/ Neil D. Wilkin, Jr.

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

**YOUR VOTE IS IMPORTANT**

**Even if you plan to attend the meeting, please complete, sign and return promptly the enclosed proxy in the envelope provided to ensure that your vote will be counted. You may vote in person if you so desire even if you have previously sent in your proxy.**



**OPTICAL CABLE CORPORATION**

**Notice of Annual Meeting of Shareholders  
March 27, 2007**

TO THE SHAREHOLDERS:

NOTICE IS HEREBY GIVEN that the annual meeting of shareholders of Optical Cable Corporation, a Virginia corporation (the "Company"), is scheduled to be held on March 27, 2007 at 10:00 a.m. local time at the Hotel Roanoke & Conference Center, 110 Shenandoah Avenue, Roanoke, Virginia for the following purposes:

1. to elect six directors from the slate of directors nominated in accordance with the Company's bylaws to serve until the next annual meeting of shareholders and until their successors are duly elected and qualified;
2. to ratify the appointment of KPMG LLP as the independent registered public accounting firm for the Company;
3. to consider the proposal by a shareholder requesting the Board of Directors to redeem or revoke the shareholder rights plan in effect with the Company since November 2001; and
4. to transact such other business as may properly come before the meeting and any adjournment thereof.

Only shareholders of record at the close of business on February 2, 2007 are entitled to notice of and to vote at the annual meeting and any adjournment thereof. All shareholders are cordially invited to attend the annual meeting in person. However, to assure your representation at the meeting, you are urged to complete, sign and date the enclosed form of proxy and return it promptly in the envelope provided. Shareholders attending the meeting may revoke their proxy and vote in person.

FOR THE BOARD OF DIRECTORS

/s/ Tracy G. Smith

Tracy G. Smith  
Secretary

Roanoke, Virginia  
February 20, 2007

**OPTICAL CABLE CORPORATION  
5290 CONCOURSE DRIVE  
ROANOKE, VIRGINIA 24019**

**PROXY STATEMENT**

**FOR**

**ANNUAL MEETING OF SHAREHOLDERS  
MARCH 27, 2007**

**Proxy Solicitation**

This proxy statement is furnished to the holders of common shares, no par value ("Common Shares"), of Optical Cable Corporation, a Virginia corporation (the "Company"), in connection with the solicitation by the Board of Directors of the Company (sometimes referred to herein as the "Board" or the "Board of Directors") of proxies for use at the annual meeting of shareholders to be held on Tuesday, March 27, 2007, or at any adjournment thereof, pursuant to the accompanying Notice of Annual Meeting of Shareholders. The purposes of the meeting and the matters to be acted upon are set forth herein and in the accompanying Notice of Annual Meeting of Shareholders. The Board of Directors is not currently aware of any other matters that will properly come before the annual meeting.

Proxies for use at the annual meeting are being solicited by and on behalf of the Board of Directors of the Company. These proxy solicitation materials are first being mailed on or about February 20, 2007 to all shareholders entitled to vote at the annual meeting. Proxies will be solicited chiefly by mail. The Company will make arrangements with brokerage houses and other custodians, nominees and fiduciaries to send proxies and proxy materials to the beneficial owners of the shares and will reimburse them for their reasonable out-of-pocket expenses in so doing. The Company anticipates engaging the firm MacKenzie Partners, Inc. to assist in the solicitation of proxies. The Company anticipates the fees associated with the firms services will not exceed \$125,000. Should it appear desirable to do so in order to ensure adequate representation of shares at the annual meeting, supplemental solicitations may also be made by mail or by telephone, facsimile, e-mail, or personal interviews by Directors, officers and regular employees of the Company, none of whom will receive additional compensation for these services. All expenses incurred in connection with this solicitation will be borne by the Company.

**Revocability and Voting of Proxy**

A form of proxy for use at the annual meeting and a return envelope for the proxy are enclosed. A shareholder may revoke the authority granted by his or her execution of a proxy at any time before the effective exercise of such proxy by filing with the Secretary of the Company a written notice of revocation or a duly executed proxy bearing a later date, or by voting in person at the annual meeting. The Company's Common Shares represented by executed and unrevoked proxies will be voted in accordance with the choice or instructions specified thereon. If no specifications are given, the shares represented thereby will be voted FOR the six directors in accordance with the Company's bylaws to serve until the next annual meeting of shareholders and until their successors are duly elected and qualified, FOR the ratification of KPMG LLP as the independent registered public accounting firm for the Company, AGAINST the proposal by a shareholder requesting the Board of Directors to redeem or revoke the shareholder rights plan in effect with the Company since November 2001, and in accordance with the best judgment of the Board of Directors on any other matters which may properly come before the annual meeting.

**Record Date and Voting Rights**

Only shareholders of record at the close of business on February 2, 2007 (the "record date") are entitled to notice of and to vote at the annual meeting. As of the record date, 6,001,690 Common Shares were issued and outstanding. Each Common Share is entitled to one vote on all matters that may properly come before the annual meeting.

A majority of votes entitled to be cast on a particular matter, represented in person or by proxy, constitutes a quorum for purposes of the annual meeting. Once a Common Share is represented for any purpose at a meeting, it is deemed present for quorum purposes for the remainder of the meeting and any adjournment thereof, unless a new record date is set for the adjournment. Abstentions will be counted in determining the existence of a quorum, but Common Shares held by a broker, as nominee, and not voted on any matter will not be counted for such purpose.

The election of each nominee for Director requires the affirmative vote of the holders of a plurality of the votes cast in the election of Directors. All other matters to come before the annual meeting require the approval of the holders of a majority of the votes cast at the annual meeting. For this purpose, abstentions and broker non-votes will be deemed shares not voted on such matters, will not count as votes for or against the proposals, and will not be included in calculating the number of votes necessary for the approval of such matters.

Votes at the annual meeting will be tabulated by "Inspectors of Election" appointed by the Company.

### **PROPOSAL NO. 1 ELECTION OF DIRECTORS**

The Board, currently comprised of six members, has nominated six persons for election as Directors. Unless otherwise specified, the enclosed proxy will be voted in favor of the persons named below to serve until the next annual meeting and until their successors are elected and qualified. Each person named below is now a Director of the Company. In the event any of the nominees are unable to serve as a Director, the shares represented by the proxy will be voted for the person, if any, who is designated by the Board of Directors to replace the nominee. All nominees have consented to be named and have indicated their intent to serve if elected. The Board of Directors has no reason to believe that any of the nominees will be unable to serve or that any vacancy on the Board of Directors will occur as a result of a nominee being unable to serve.

The names of the nominees and certain other information about the nominees are set forth below:

| <u>Nominee</u>          | <u>Age</u> | <u>Director Since</u> | <u>Office Held with Company</u>   |
|-------------------------|------------|-----------------------|---|
| Neil D. Wilkin, Jr.     | 43         | 2001                  | Chairman of the Board of Directors, President and Chief Executive Officer |
| Luke J. Huybrechts      | 62         | 1995                  | Director and Senior Vice President of Operations                          |
| Randall H. Frazier      | 56         | 1996                  | Director  |
| John M. Holland         | 61         | 1996                  | Director  |
| Craig H. Weber          | 47         | 2002                  | Director  |
| John B. Williamson, III | 52         | 2004                  | Director  |

**Mr. Wilkin** is Chairman of the Board of Directors, President and Chief Executive Officer of the Company. He was named Chairman of the Board and Chief Executive Officer in September 2003, in addition to his previously held positions as President and as a member of the Board of Directors. Mr. Wilkin was first elected a Director and was named Chief Financial Officer and Senior Vice President of the Company in September 2001. In December 2001, Mr. Wilkin became Acting-President in addition to his role as Chief Financial Officer, and on April 11, 2002 he was named President by the Board of Directors.

Prior to joining the Company, Mr. Wilkin served as Senior Vice President, Chief Financial Officer and Treasurer of homebytes.com, incorporated (“Homebytes”), a nationally licensed real estate brokerage company. Mr. Wilkin joined Homebytes in January 2000. He also was Senior Vice President and Chief Financial Officer of Owners.com, Inc., a subsidiary of Homebytes. Mr. Wilkin previously practiced law for over 5 years concentrating on mergers and acquisitions, corporate finance, and general corporate matters. He worked at two law firms: McGuireWoods LLP in Richmond, Virginia and Kirkland & Ellis in Washington, D.C. A CPA since 1986, Mr. Wilkin practiced with Coopers & Lybrand (a predecessor to PricewaterhouseCoopers) before returning to graduate business school and law school. Mr. Wilkin earned his MBA from the Darden School at the University of Virginia, is a graduate of the University of Virginia School of Law, and received his undergraduate degree from McIntire School of Commerce at the University of Virginia.

**Mr. Huybrechts** was named Senior Vice President of Operations on May 24, 2004. Prior to May 24, 2004, and since joining the Company in 1986, Mr. Huybrechts was Senior Vice President of Sales. Mr. Huybrechts was elected a Director of the Company in August 1995. Prior to joining the Company, Mr. Huybrechts worked at ITT’s Electro-Optical Products Division for 10 years in marketing, sales and research and development in fiber optic communications. Mr. Huybrechts has served on the Board of Directors of Cybermotion, Inc. from 1998 until December 2006. Mr. Huybrechts holds bachelors and masters degrees in electrical engineering from Carnegie Mellon University.

**Mr. Frazier** was elected a Director of the Company in April 1996. Mr. Frazier is currently President and Chief Executive Officer of R. Frazier, Inc., 1<sup>st</sup> Choice Financial, Inc. and 1<sup>st</sup> Manufacturers Computer Outlet, together a consortium of privately held companies that sell, service and finance electronic products to the home user market. Mr. Frazier founded R. Frazier, Inc. in 1988. Mr. Frazier was self-employed in various chemical and engineering businesses prior to the founding of R. Frazier, Inc. Mr. Frazier earned a bachelors degree in chemistry from Virginia Military Institute.

**Mr. Holland** was elected a Director of the Company in April 1996. Mr. Holland is President of Cybermotion, Inc., a company he co-founded in 1984, and is a Principal of Holland Technical Services, a software and automation consulting firm specializing in the manufacturing industry that he founded in 2002. Mr. Holland’s previous experience includes being employed by the Electro-Optics Product Division of ITT where he was responsible for the design of the earliest fiber optic systems and the development of automated manufacturing systems for optical fiber. Mr. Holland holds numerous patents in fiber optics and robotics and is the author of three books. His most recent book, *Designing Autonomous Mobile Robots – Inside the Mind of an Intelligent Machine*, was published in 2003.

**Mr. Weber** was elected a Director of the Company in February 2002. Mr. Weber currently is Managing Partner of Hollymeade Group, LLC, a real estate investment firm that he founded in November 2003 and President of Hollymeade Land Services, LLC, an excavation company that he founded in January 2005. Previously, Mr. Weber was employed by Whitlock eBusiness Solutions, a business and technology consulting firm based in Richmond, Virginia, as President from July 2001 until February 2003 and as Chief Executive Officer from February 2003 until November 2003. Prior to joining Whitlock eBusiness Solutions, Mr. Weber was employed by homebytes.com, incorporated (“Homebytes”), a nationally licensed real estate brokerage company from August 1999 until May 2001. He served on the board of directors and in various executive officer capacities at Homebytes, including Executive Vice President and Chief Operating Officer. From 1997 to 1999, Mr. Weber was Vice President of Business Development and Chief Legal and Administrative Officer at Walco International, Inc. a national distributor of pharmaceuticals and other products used in the commercial production of food animals headquartered in Dallas/Ft. Worth, Texas. Prior to that, Mr. Weber practiced law for over 12 years concentrating on corporate finance, mergers and acquisitions and general corporate matters. He worked at two law firms: McGuireWoods LLP in Richmond, Virginia, where he was a partner, and Sullivan & Cromwell in New York, New York. Mr. Weber earned his MBA from the College of William and Mary, his law degree from the University of Virginia and his undergraduate degree from Cornell University.

**Mr. Williamson** was elected a Director of the Company in July 2004. Mr. Williamson is President, Chief Executive Officer and Chairman of the Board of RGC Resources, Inc. (Nasdaq GM: RGC0) located in Roanoke, Virginia. RGC provides natural gas sales and services in western Virginia. Mr. Williamson

joined the predecessor to RGC Resources in 1992 and has served in a number of leadership capacities with that company, including Vice President of Rates and Finance, before becoming Chief Executive Officer and President in 1999, and later being named Chairman. Mr. Williamson serves on the board of directors of Botetourt Bankshares, Inc., Synchrony, Inc., and the community board of directors of the Lewis-Gale Medical Center. He also serves on the boards of directors of a number of community businesses and charitable organizations. Mr. Williamson earned his MBA from the College of William and Mary and received his undergraduate degree from Virginia Commonwealth University.

### **Code of Ethics**

The Board adopted on February 10, 2004, a *Code of Business Conduct and Ethics* that applies to each of the Company's directors, officers and employees. A copy of the *Code of Business Conduct and Ethics* can be found on the Company's web site at [www.occfiber.com](http://www.occfiber.com). The *Code of Business Conduct and Ethics* sets forth the Company's policies and expectations on a number of topics, including: Compliance with laws, rules and regulations; Conflicts of Interest; Insider Trading; Corporate Opportunities; Competition and Fair Dealing; Discrimination and Harassment; Health and Safety; Record-Keeping; Confidentiality; Protection and Proper Use of Company Assets; Prohibitions Against Payments to Government Personnel; Waivers of the Code of Business Conduct of Ethics; Amendments; Reporting any Illegal or Unethical Behavior; and Compliance Procedures.

The Audit Committee of the Board of Directors of the Company ("Audit Committee") reviews the *Code of Business Conduct and Ethics* on an as needed basis, and proposes changes or amendments to the *Code of Business Conduct and Ethics* as appropriate. Changes or amendments proposed by the Audit Committee are submitted to the Board for review and approval.

The Board also adopted on February 10, 2004, a *Code of Ethics for Chief Executive Officer and Senior Financial Officers*, which applies to the President and Chief Executive Officer, the Chief Financial Officer and the Controller. The *Code of Ethics for Chief Executive Officer and Senior Financial Officers* was amended by the Board on January 28, 2006, to include the Director of Finance, a newly created position for the Company in 2005, as a senior financial officer, and to make some other clarifying changes. The *Code of Ethics for Chief Executive Officer and Senior Financial Officers* can be found on the Company's web site at [www.occfiber.com](http://www.occfiber.com). Under the *Code of Ethics for Chief Executive Officer and Senior Financial Officers*, the Chief Executive Officer and senior financial officers have agreed to abide by principles governing their professional and ethical conduct.

The Audit Committee reviews the *Code of Ethics for Chief Executive Officer and Senior Financial Officers* on an as needed basis, and proposes changes or amendments to the *Code of Ethics for Chief Executive Officer and Senior Financial Officers* as appropriate. Changes or amendments proposed by the Audit Committee are submitted to the Board for review and approval.

### **Compensation of Directors**

Each non-employee Director was paid an annual cash retainer of \$16,250. Members of the Audit Committee and the Compensation Committee of the Board of Directors of the Company (the "Compensation Committee") were each paid an additional annual cash retainer of \$4,000 and \$2,500, respectively. Further, the Chairman of the Audit Committee was paid an additional annual cash retainer of \$2,000 and the Chairman of the Compensation Committee was paid an additional annual cash retainer of \$1,500. Each non-employee Director also received 2,000 Common Shares as compensation for their service. Additionally, each non-employee Director was paid \$500 for each board and each committee meeting that he attended. The Company reimbursed the non-employee Directors for their reasonable out-of-pocket expenses related to attending meetings of the Board of Directors or any of its committees. Management Directors did not receive any compensation for their services as Directors other than the compensation they receive as employees of the Company.

### **Adoption of Equity Ownership and Retention Policy for Non-employee Directors**

On February 14, 2006, the Board of Directors adopted an *Equity Ownership and Retention Policy for Non-employee Directors*. The policy is applicable to all non-employee members of the Company's



Board. This policy requires each non-employee member of the Board to accumulate over a set period and retain, a minimum value of shares of the Company's common stock, and also to retain minimum percentages of shares of the Company's common stock awarded to them under any non-employee directors stock plan. The intention of this policy is to ensure non-employee members of the Board have wealth at risk in the Company's common stock, further aligning the interests of the Board with those of the shareholders. A copy of the *Equity Ownership and Retention Policy for Non-employee Directors* can be found on the Company's web site at [www.occfiber.com](http://www.occfiber.com).

### **Meetings of the Board of Directors and Committees**

The Board of Directors held a total of fifteen meetings during the Company's fiscal year ended October 31, 2006. Each Director attended in person or telephonically at least 75% of the meetings held by the Board of Directors and all committees thereof on which each Director served or, in the event that membership was for a partial year, at least 75% of the meetings occurring during the period of membership. It is the policy of the Company that every Director attend annual meetings of shareholders. All of the Directors of the Company attended the last annual meeting of shareholders. The Board of Directors has determined that each of Messrs. Frazier, Holland, Weber and Williamson qualify as independent directors in accordance with the listing standards and rules of the Nasdaq Stock Market, Inc. ("Nasdaq").

Shareholders may send communications to the Board of Directors by mailing the same addressed to Board of Directors (or addressed to a specific individual director), Optical Cable Corporation, 5290 Concourse Drive, Roanoke, Virginia 24019.

The Board of Directors has established two standing committees: the Audit Committee and the Compensation Committee.

The Audit Committee is comprised of Messrs. Frazier, Weber and Williamson. Messrs. Frazier, Weber and Williamson are all considered independent under the listing standards of Nasdaq and the SEC's audit committee independence standards. Each of Messrs. Frazier, Weber and Williamson are financially sophisticated. Mr. Williamson qualifies as an Audit Committee Financial Expert, as such term is defined under Item 401(h) of Regulation S-K, and has been designated the committee's financial expert. He is also the Audit Committee Chairman. The Audit Committee met six times during the fiscal year.

The Audit Committee operates under a written charter adopted by the Board of Directors, a copy of which was attached to the Company's proxy statement filed in 2003 and is on the Company's web site at [www.occfiber.com](http://www.occfiber.com). The Audit Committee selects, subject to shareholders' ratification, the independent registered public accounting firm of the Company, discusses and reviews the scope and the fees of the prospective annual audit, reviews the results of the annual audit with the Company's independent registered public accounting firm, reviews compliance with existing major accounting and financial policies of the Company, reviews the adequacy of the financial organization of the Company, reviews management's procedures and policies relative to the adequacy of the Company's internal accounting controls and compliance with federal and state laws relating to accounting practices, and reviews and approves transactions, if any, with affiliated parties.

The Compensation Committee is comprised of Messrs. Frazier and Mr. Weber. The Compensation Committee met four times during the fiscal year. The Compensation Committee and Board of Directors, as appropriate, administered the Optical Cable Corporation 1996 Stock Incentive Plan (until its termination in accordance with the terms of the plan document on the tenth anniversary of its effective date of March 1, 1996) (the "1996 Stock Incentive Plan"), and administer the Optical Cable Corporation 2005 Stock Incentive Plan (the "2005 Stock Incentive Plan"). Since December 2001, the Compensation Committee has consisted of only non-employee Directors. Mr. Weber is the Compensation Committee Chairman.

The Compensation Committee: (i) reviews and approves all compensation for the President and Chief Executive Officer; (ii) reviews and approves the President and Chief Executive Officer's employment agreement, if any; (iii) reviews recommendations made by the President and Chief Executive Officer with respect to compensation for all executive officers other than the President and Chief Executive Officer; (iv) reviews recommendations made by the President and Chief Executive Officer with respect to

employment agreements, if any, for all executive officers other than the President and Chief Executive Officer; (v) reviews recommendations made by the President and Chief Executive Officer with respect to, and approves and administers, the criteria used for determining annual management incentive compensation, if any, for officers and managers of the Company; (vi) establishes the individual goals for the President and Chief Executive Officer to be used for determining annual management incentive compensation; and (vii) carries out related responsibilities required by the rules of the U.S. Securities and Exchange Commission. The Company's 2005 Stock Incentive Plan and any subsequently adopted stock incentive plan is or will be administered by the Compensation Committee or the full Board of Directors, as appropriate.

The Company does not have a nominating committee because the Company has determined that since it only has six Directors, a nominating committee is not necessary. Any contemplation of a new director would be discussed with the entire Board of Directors. Following any discussion with the entire Board of Directors, the Company's independent directors, Messrs. Frazier, Holland, Weber and Williamson would determine and vote as to whether the individual named will be nominated to the Board of Directors.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF THE DIRECTORS NAMED ON THE ENCLOSED PROXY.**

**PROPOSAL NO. 2  
RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC  
ACCOUNTING FIRM**

The Audit Committee has selected, subject to ratification by the shareholders, the firm of KPMG LLP as the Company's independent registered public accounting firm for fiscal year 2007. Although action by the shareholders in this matter is not required, the Board of Directors believes that it is appropriate to seek shareholder ratification of this appointment. In the event the shareholders do not ratify the selection of KPMG LLP, the selection of another independent registered public accounting firm will be considered by the Audit Committee.

A representative of KPMG LLP is expected to attend the annual meeting. The representative will have the opportunity to make a statement, if he so desires, and will be available to respond to appropriate questions from shareholders.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR RATIFICATION OF KPMG LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2007.**

**PROPOSAL NO. 3  
REDEMPTION OF RIGHTS PLAN**

The Company received a shareholder proposal from a shareholder which has been a shareholder for at least one year and which owns Common Shares with a market value in excess of \$2,000.

The reasons given by the shareholder are quoted verbatim (with the exception of certain formatting changes and grammatical and/or spelling corrections) below. The Board of Directors disagrees with the adoption of the resolution proposed below and asks shareholders to read through the response which follows the shareholder proposal below.

**Shareholder Proposal**

RESOLVED, Shareholders of Optical Cable Corporation request that the Board of Directors redeem the Company's poison pill, unless the poison pill is approved by a majority vote of shareholders, which such vote will be held as soon as may be practicable.

Our Board has adopted a shareholder rights plan commonly known as a “poison pill,” which will remain in existence *until 2011* unless it is earlier redeemed by our Board. This plan is an anti-takeover device that can adversely affect shareholder value by discouraging takeovers that could be beneficial to shareholders. Shareholders were not given the opportunity to approve this plan in a separate vote.

We believe poison pills, unless approved by shareholders, serve to entrench management at the expense of shareholders. While management and the Board should have appropriate tools to ensure that all shareholders benefit from any proposal to buy the Company, *we do not believe that the possibility of an unsolicited proposal to buy our Company justifies the unilateral implementation of such a device.* For this reason, we urge the Board to redeem the Company’s poison pill and not to adopt a new one without first seeking shareholder approval.

Arthur Levitt, former SEC Chairman, has stated that poison pills “*entrench the current management even when it’s doing a poor job.*” They water down shareholders’ votes and deprive them of a meaningful voice in corporate affairs (emphasis added).”

According to the 1991 book *Power and Accountability* by Nell Minow and Robert A.G. Monks: “*All poison pills raise questions of shareholder democracy and the robustness of the corporate governance process. They amount to major de facto shifts of voting rights away from shareholders to management, on matters pertaining to the sale of the corporation. They give target boards of directors absolute veto power over any proposed business combination, no matter how beneficial it might be for the shareholders...*” (emphasis added).

Investors increasingly favor requiring shareholder approval of poison pills. According to Institutional Shareholder Services, which issues impartial proxy research, *shareholder proposals to repeal or to seek shareholder approval of poison pills received an average of 55.6% support during the 2006 proxy season.*

*Our poison pill makes our company more difficult – if not impossible – sell.* For example, just last August, a leading wire and cable company asked our Board to consider approving a deal where shareholders would have been provided a *nearly 70% premium* to the then trading price of our shares. However, with our company’s poison pill (as well as other anti-takeover devices) at its disposal, *our Board refused to even negotiate and let this attractive offer lapse.*

As Morningstar.com put it, “That’s the key negative of poison pills – instead of protecting investors, *they can also preserve the interests of management deadwood as well*” (emphasis added). We hope you agree and, therefore, will vote in favor of this proposal.

### **Directors’ Statement in Opposition**

The Board of Directors believes that the shareholder proposal would severely hinder the ability of the Board to protect shareholder value in the face of a hostile takeover whereby an acquirer might seek to acquire your Company at a price substantially below its value. This proposal might result in the shareholders getting less than what the Board could negotiate with adequate takeover defenses in place.

The Board of Directors of the Company received an unsolicited offer from a wire and cable company during 2006, which the Board carefully considered and rejected as being inadequate, and therefore not in the best interests of the Company’s shareholders. We believe that judgment has proven to be correct. The proposal by the shareholder states that the offer by that wire and cable company would have provided a significant premium to the Company’s shareholders over the then trading price of the Company’s common shares. While true for a point in time, the shareholder simply fails to recognize that the unsolicited offer came at a low point in your Company’s trading price—an opportunistic effort by that wire and cable company to purchase your Company at an artificially low price and take advantage of the volatility of the Company’s stock trading price.

The Company's Rights Plan is precisely designed to give the Board a necessary tool to help preserve the full expected value of the Company for its shareholders—rather than allow an opportunistic third party to take that value. Approximately 12 months prior to the unsolicited offer, the Company's common shares were trading at a price approximately 20% higher than the offer made by that wire and cable company, and recently the Company's common shares trade at a price close to the unsolicited offer price—an offer which expired some months ago.

The same or another company may again attempt to opportunistically take advantage of the fact that the Company's stock price has such a high degree of volatility. In other words, a suitor may seek to maximize its return on an acquisition by making an offer that appears to be at a premium, but is in fact artificially low. The Board of Directors would prefer to preserve this value for the Company's shareholders and believes the Rights Plan described below provides one mechanism for the Board of Directors to protect this value.

### **Background on current Rights Plan**

On November 2, 2001, the Board of Directors declared a dividend of one preferred share purchase right (a "Right") for each outstanding Common Share. The dividend was payable on November 5, 2001 to the shareholders of record on that date. Each Right entitles the registered holder to purchase from the Company one one-thousandth of a Series A Participating Preferred Share of the Company, no par value (the "Preferred Shares"), at a price of \$25 (subject to adjustment as provided in the Rights Agreement) per one one-thousandth of a Preferred Share, subject to adjustment. The description and terms of the Rights are set forth in a Rights Agreement, as amended (the "Rights Agreement"), between the Company and American Stock Transfer & Trust Company (formerly Wachovia Bank) as Rights Agent.

### **The Rights Plan benefits shareholders**

The Board believes the action requested is ill-advised since it would be unduly restrictive and is contrary to the best interests of the Company's shareholders. The Company's Rights Plan is an important tool that enables the Board to maximize shareholder value in the event of a proposed acquisition of control of the Company. The Board is in the best position to maximize shareholder value because it has more detailed information regarding the Company's future prospects and true value than is generally available to shareholders.

The Rights Plan also allows the Board to protect the Company and its shareholders from unfair and coercive takeover tactics, such as partial or two-tier tender offers, a 'creeping acquisition' or other tactics that the Board believes are unfair to the Company's shareholders. An unsolicited suitor can use these tactics to make it more difficult for the Board to negotiate the highest possible value for shareholders from such an unsolicited suitor or another potential acquirer, in the event of any sale of the Company.

The Rights Plan is not intended to prevent a takeover of the Company, nor does the Rights Plan change or diminish the fiduciary obligations of the Company's Board. The Rights Plan strengthens the ability of the Board, 4 of whose 6 current members are considered independent under current Nasdaq rules, to fulfill its fiduciary duties under Virginia law. The Board has the power to redeem the rights issued under the Rights Plan at any time and thereby remove the impediment to the completion of an acquisition of the Company. A prospective acquirer seeking to persuade the Board to redeem the rights may propose a higher takeover price, an offer for all shares rather than a partial offer or better takeover terms than would be proposed if no rights plan were in place.

The Board believes it is in the best position to negotiate on behalf of all shareholders, evaluate the adequacy of any potential offer, and seek a higher price if there is to be a sale of the Company. In summary, the Rights Plan allows the Board a greater period to evaluate offers, explore other alternatives and take the necessary steps to maximize shareholder value. Without the protection of the Rights Plan, the Board would lose important bargaining power in negotiating the transaction with a potential acquirer or pursuing a potentially better alternative.

## Studies focused on rights plans demonstrate that rights plans increase shareholder value

Merger and acquisition activity over the last ten years shows that rights plans neither prevent unsolicited offers from occurring nor prevent companies from being acquired at prices that are fair and adequate to shareholders. In fact, a study by J.P. Morgan published in 2001, analyzing 397 acquisitions of U.S. public companies from 1997 to 2000 where the purchase price exceeded \$1 billion, found that companies with rights plans in place received a median premium of 35.9% compared to 31.9% for companies without a rights plan. A study published by Georgeson & Company, a nationally recognized proxy solicitation firm, of takeover premiums during the period from 1992 to 1996 of 319 takeover transactions over \$250 million also concluded that premiums paid to acquire target companies with shareholder rights plans in place at least six months prior to the first bid, were on the average, about eight percentage points higher than premiums paid for target companies that did not have such plans. In addition, the Georgeson study concluded that the presence of a rights plan did not increase the likelihood of the defeat of a hostile takeover bid or the withdrawal of a friendly bid and that rights plans did not reduce the likelihood that a company would become a takeover target.

Thus, empirical evidence suggests that rights plans serve their principal objectives: protection against inadequate offers and abusive tactics; and increased bargaining power resulting in higher value for shareholders.

Indeed, many companies with rights plans have received unsolicited takeover proposals and have redeemed their rights after their board of directors concluded that the offer, as negotiated by such board of directors, adequately reflected the intrinsic value of the company and was fair and equitable to all shareholders.

Some recent examples of hostile takeovers increasing bids where the target had a rights plan in place include PeopleSoft-Oracle Corporation and Central Pacific Financial Corp-CB Bancshares, Inc. Based on publicly available information, shareholders eventually received significant increases from the initial offers:

| <u>Target-Acquirer</u>                        | <u>Initial Per Share</u> | <u>Eventual Negotiated</u> | <u>Percentage Increase</u> |
|---|--------------------------|----------------------------|----------------------------|
| PeopleSoft-Oracle                             | \$ 16.00                 | \$ 26.50                   | 65%                        |
| CB Bankshares-Central Pacific Financial Corp. | \$ 68.39                 | \$ 91.83                   | 34%                        |

The Company acknowledges that it is difficult to determine just how much impact the shareholder rights plans had on the eventual price; however, we do believe these rights plans had a significant impact on the ability of the target boards to negotiate what they believe was a fair price to their shareholders.

## The Board must perform its fiduciary obligations

The Board believes that the adoption and maintenance of the Rights Plan is appropriately within the scope of responsibilities of the Board, acting on behalf of all shareholders. The adoption of such a Plan accords with the Board's responsibilities for the management of the Company's affairs and the issuance of securities. To cancel or redeem the Rights Plan now, in the absence of an acquisition proposal, would remove an important tool that the Board should have for the protection of shareholders and would leave shareholders vulnerable to an unsolicited and potentially coercive and unfair takeover offer. In the Board's view, this would eventually reduce long-term value for shareholders. The Board believes that any decision to cancel or redeem the Rights Plan should be made by the Board in the context of a specific acquisition proposal.

In any event, the Company will continue to evaluate the Rights Plan and will carefully consider the results of the vote on the proposal, the advantages and disadvantages of such plan and the state of the then current corporate governance debate on rights plans generally. At this time your Board has decided to retain the Rights Plan as amended.

The recommendation AGAINST the proposal is based on the Board's belief that:

Rights plans are an effective tool to protect shareholders against abusive and unfair takeover strategy thereby enabling the Board to maximize shareholder value in the event of a takeover attempt; and

It is inappropriate and unwise to limit the scope of the Board's extensive experience, business judgment and flexibility to act in the best interest of the shareholders.

**ACCORDINGLY, THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE AGAINST THIS PROPOSAL. UNLESS OTHERWISE SPECIFIED BY THE SHAREHOLDER, THE BOARD INTENDS THE ACCOMPANYING PROXY TO BE VOTED AGAINST THIS PROPOSAL.**

The affirmative vote of the holders of a majority of the Common Shares present in person or represented by proxy at the Annual Meeting and entitled to vote is necessary for approval of the shareholder proposal. Signed proxies will be voted against the shareholder proposal unless otherwise specified.

#### **BENEFICIAL OWNERSHIP OF SECURITIES**

Except as noted below, the following table sets forth information as of February 2, 2007 regarding the beneficial ownership of the Company's Common Shares of (i) each person known to the Company to be the beneficial owner, within the meaning of Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), of more than 5% of the outstanding Common Shares, (ii) each director and nominee of the Company, (iii) each current executive officer of the Company named in the Summary Compensation Table (see "Executive Compensation") and (iv) all executive officers and Directors and nominees of the Company as a group. Unless otherwise indicated, the address of each named beneficial owner is c/o Optical Cable Corporation, 5290 Concourse Drive, Roanoke, Virginia 24019. Except to the extent indicated in the footnotes, each of the beneficial owners named below has sole voting and investment power with respect to the shares listed.

| <u>Name and Address</u>                                     | <u>No. of Shares</u> | <u>Percent of Class</u> |
|---|----------------------|-------------------------|
| Neil D. Wilkin, Jr.   | 248,500(1)           | 4.14%                   |
| Luke J. Huybrechts  | 95,768(2)            | 1.60%                   |
| Tracy G. Smith  | 62,321(3)            | 1.04%                   |
| Randall H. Frazier  | 8,791(4)             | *                       |
| John M. Holland   | 9,791(5)             | *                       |
| Craig H. Weber  | 41,516(6)            | *                       |
| John B. Williamson, III                                     | 7,312(7)             | *                       |
| FMR Corp. (8)   | 601,700              | 10.03%                  |
| Dimensional Fund Advisors LP (9)                            | 341,490              | 5.69%                   |
| Royce & Associates, LLC (10)                                | 354,442              | 5.91%                   |
| All Directors and executive officers as a group (7 persons) | 473,999              | 7.90%                   |

\* Less than 1%

- (1) Includes 31,250 shares that Mr. Wilkin may acquire within 60 days of the date hereof through the exercise of stock options granted pursuant to the 1996 Stock Incentive Plan, and 40,000 shares that Mr. Wilkin may acquire within 60 days of the date hereof through the exercise of warrants purchased by Mr. Wilkin from third parties in arms length transactions. Also includes 57,500 shares of restricted stock granted on January 28, 2006 pursuant to the 2005 Stock Incentive Plan, 45,000 shares of restricted stock granted on December 17, 2004 and 28,500 shares of restricted stock granted on December 30, 2003 pursuant to the 1996 Stock Incentive Plan, portions of which are still subject to forfeiture. See the "Executive Officer Compensation" section of this proxy statement for a description of vesting criteria of these restricted share awards. Mr. Wilkin owns an additional 46,250 common shares which he has purchased in open-market transactions at various times. Of the shares owned by Mr. Wilkin, 45,124 common shares are held jointly with his wife, who shares voting and investment power as to those shares. Additionally, the warrants owned by Mr. Wilkin are held jointly with his wife who shares investment power as to the warrants. Mr. Wilkin disclaims beneficial ownership of 460 shares held by his minor children and which are excluded from the number of shares set forth above.
- (2) Includes 15,625 shares that Mr. Huybrechts may acquire within 60 days of the date hereof through the exercise of stock options granted pursuant to the 1996 Stock Incentive Plan, and 3,750 shares that Barbara Huybrechts, his wife, may acquire within 60 days of the date hereof through the exercise of options granted pursuant to the 1996 Stock Incentive Plan. Also includes 5,000 shares that Mr. Huybrechts may acquire within 60 days of the date hereof through the exercise of warrants purchased by Mr. Huybrechts from third parties in arms length transactions. Also includes 32,292 shares of restricted stock (34,500 shares granted on January 28, 2006 pursuant to the 2005 Stock Incentive Plan, net of 2,208 shares surrendered for taxes); 20,137 shares of restricted stock (21,000 shares granted on December 17, 2004 pursuant to the 1996 Stock Incentive Plan, net of 863 shares surrendered for taxes); and 18,714 shares of restricted stock (20,000 shares granted on December 30, 2003 pursuant to the 1996 Stock Incentive Plan, net of 1,286 shares surrendered for taxes). Portions of each restricted share grant are still subject to forfeiture. See the "Executive Officer Compensation" section of this proxy statement for a description of vesting criteria of these restricted share awards. Mr. Huybrechts owns 250 Common Shares jointly with his wife, who shares voting and investment power as to those shares. Additionally, the warrants owned by Mr. Huybrechts are held jointly with his wife who shares investment power as to the warrants.
- (3) Includes 4,750 shares that Ms. Smith may acquire within 60 days of the date hereof through the exercise of stock options granted pursuant to the 1996 Stock Incentive Plan, and 2,500 shares that Ms. Smith may acquire within 60 days of the date hereof through the exercise of warrants purchased by Ms. Smith from a third party in an arms length transaction. Also includes 22,198 shares of restricted stock (22,500 shares granted on January 28, 2006 pursuant to the 2005 Stock Incentive Plan, net of 302 shares surrendered for taxes); 18,263 shares of restricted stock (18,500 shares granted on December 17, 2004 pursuant to the 1996 Stock Incentive Plan, net of 237 shares surrendered for taxes); and 13,860 shares of restricted stock (14,500 shares granted on December 30, 2003 pursuant to the 1996 Stock Incentive Plan, net of 640 shares surrendered for taxes). Portions of each restricted share grant are still subject to forfeiture. See the "Executive Officer Compensation" section of this proxy statement for a description of vesting criteria of these restricted share awards. Ms. Smith owns 750 Common Shares jointly with her husband, who shares voting and investment power as to those shares. Additionally, the warrants owned by Ms. Smith are held jointly with her husband who shares investment power as to the warrants.
- (4) Includes 1,041 shares that Mr. Frazier may acquire through the exercise of stock options within 60 days of the date hereof, and 2,500 shares that Mr. Frazier may acquire within 60 days of the date hereof through the exercise of warrants purchased by Mr. Frazier from a third party in an arms length transaction.

- (5) Includes 1,041 shares that Mr. Holland may acquire through the exercise of stock options within 60 days of the date hereof, and 3,500 shares that Mr. Holland may acquire within 60 days of the date hereof through the exercise of warrants purchased by Mr. Holland from a third party in an arms length transaction.
- (6) Includes 1,041 shares that Mr. Weber may acquire through the exercise of stock options within 60 days of the date hereof, and 7,500 shares that Mr. Weber may acquire within 60 days of the date hereof through the exercise of warrants purchased by Mr. Weber from third parties in arms length transactions.
- (7) Mr. Williamson owns 2,062 Common Shares jointly with his wife, who shares voting and investment power as to those shares.
- (8) FMR Corp.'s address is 82 Devonshire Street, Boston, MA 02109.
- (9) Dimensional Fund Advisors LP's address is 1299 Ocean Avenue, Santa Monica, CA 90401.
- (10) Royce & Associate, LLC's address is 1414 Avenue of the Americas, New York, NY 10019.

#### EXECUTIVE OFFICERS

The current executive officers of the Company are: Neil D. Wilkin, Jr., Chairman of the Board, President and Chief Executive Officer; Luke J. Huybrechts, Senior Vice President of Operations and Tracy G. Smith, Vice President and Chief Financial Officer. See the information concerning nominees for Directors above for certain information concerning Messrs. Wilkin and Huybrechts.

**Tracy G. Smith**, age 39, became the Vice President and Chief Financial Officer on September 16, 2003. Prior to becoming Vice President and Chief Financial Officer, Ms. Smith served as the Company's Controller from May 1, 2002 through September 15, 2003. Ms. Smith was named Secretary of the Company effective June 22, 2004. Prior to joining the Company, Ms. Smith was the Corporate Controller for RBX Corporation. Ms. Smith is a CPA and has over 12 years of experience in public accounting with KPMG LLP. Ms. Smith left KPMG LLP in December of 2001.

There are no family relationships among the directors or executive officers of the Company.



## EXECUTIVE COMPENSATION

### Summary Compensation Table

The following table sets forth information concerning compensation paid by the Company to the Chief Executive Officer and to all other executive officers of the Company whose total salary and bonus exceeded \$100,000 for the fiscal year ended October 31, 2006. For purposes of this table and subsequent tables, Fiscal Year 2004 means November 1, 2003 through October 31, 2004; Fiscal Year 2005 means November 1, 2004 through October 31, 2005; and Fiscal Year 2006 means November 1, 2005 through October 31, 2006.

### Summary Compensation Table

| Name and Principal Position   | Fiscal Years | Annual Compensation      |            |                                | Long-Term Compensation Awards |                                |
|---|--------------|--------------------------|------------|--------------------------------|-------------------------------|--------------------------------|
|   |              | Salary (\$)              | Bonus (\$) | Other Annual Compensation (\$) | Options Granted (#)(2)        | All Other Compensation (\$)(3) |
| Neil D. Wilkin, Jr.<br>Chairman of the Board, President and Chief Executive Officer | 2006         | \$250,000                | \$ —       | \$ —                           | 57,500                        | \$ 2,096                       |
|   | 2005         | 250,000                  | 146,444    | —                              | 45,000                        | 12,101                         |
|   | 2004         | 250,000                  | 198,868    | 4,805 <sup>(1)</sup>           | 28,000                        | 9,856                          |
| Luke J. Huybrechts,<br>Sr. Vice President of Operations                             | 2006         | \$175,000                | \$ —       | \$ —                           | 34,500                        | \$ 1,667                       |
|   | 2005         | 175,000                  | 69,830     | —                              | 21,000                        | 12,696                         |
|   | 2004         | 175,000                  | 80,200     | —                              | 20,000                        | 10,330                         |
| Charles W. Carson,<br>Sr. Vice President of Marketing and Sales                     | 2006         | \$175,000 <sup>(4)</sup> | \$ 70,022  | \$ 6,394 <sup>(5)</sup>        | —                             | \$ 1,667                       |
|   | 2005         | 175,000                  | 69,830     | —                              | 21,000                        | 11,474                         |
|   | 2004         | 175,000                  | 80,200     | —                              | 20,000                        | 10,000                         |
| Tracy G. Smith,<br>Vice President and Chief Financial Officer                       | 2006         | \$150,000                | \$ —       | —                              | 22,500                        | \$ 1,667                       |
|   | 2005         | 147,333                  | 46,970     | —                              | 18,500                        | 9,540                          |
|   | 2004         | 133,000                  | 39,333     | —                              | 14,500                        | 10,757                         |

(1) Amount represents relocation expenses paid to Mr. Wilkin on December 31, 2003, above the amount estimated and accrued as of October 31, 2002, as agreed by the Compensation Committee.

(2) Includes restricted share awards.

(3) These amounts represent the Company's accrued contributions to the Company's 401(k) retirement savings plan on behalf of the individual executive officers during the fiscal year. Additionally, for Messrs. Wilkin and Huybrechts, the amount for fiscal year 2005 includes a non-monetary gift valued at \$1,414 provided in connection with their participation on the Board of Directors. Since January 1, 2004, the Company's 401(k) retirement savings plan has a maximum matching contribution per employee of \$10,000 per calendar year. However, the amounts accrued and expensed in any one fiscal year for the Company's matching contribution to the 401(k) retirement savings plan for the benefit on an employee can vary from the calendar year limit due to timing of employee contributions during the applicable calendar years and the fact that the plan year is based on a period that does not coincide with the Company's fiscal year. The amounts accrued for the Company's matching contribution at the Company's fiscal year end are based on the individual participant's salary deferral elections during the Company's fiscal year.

- (4) Amount includes \$50,840 paid for services rendered prior to the termination of Mr. Carson's employment and \$124,160 paid pursuant to the separation provisions of Mr. Carson's employment agreement.
- (5) Amount represents paid time off earned through termination date.

### Stock Option Grants

The Company has not granted any stock options since June 2002.

### Aggregated Option Exercises in the Last Fiscal Year and Fiscal Year-End Option Values

The following table sets forth certain information concerning stock options exercised during the fiscal year ended October 31, 2006 by executive officers named in the Summary Compensation Table above and the value of unexercised options held by such executive officers as of October 31, 2006.

#### Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

| Name                | Shares<br>Acquired on<br>Exercise (#) | Value<br>Realized<br>(\$ (1)) | Number of Underlying<br>Unexercised Options at<br>Fiscal Year-End (#) |               | Value of Unexercised<br>In-the-Money Options<br>at October 31, 2006 (\$) (2) |               |
|---------------------|---------------------------------------|-------------------------------|---|---------------|--|---------------|
|                     |                                       |                               | Exercisable   | Unexercisable | Exercisable  | Unexercisable |
| Neil D. Wilkin, Jr. | —                                     | \$ —                          | 31,250  | —             | \$ —   | \$ —          |
| Luke J. Huybrechts  | —                                     | —                             | 15,625  | —             | —  | —             |
| Charles W. Carson   | —                                     | —                             | —   | —             | —  | —             |
| Tracy G. Smith      | —                                     | —                             | 4,500   | 500           | 1,530  | 170           |

- (1) Represents the difference between the exercise price of the outstanding options and the closing price of the Common Shares on the date the option was exercised.
- (2) Represents the difference between the exercise price of the outstanding options and the closing price of the Common Shares on October 31, 2006, which was \$4.98 per share.

### Employment Agreements

*Neil D. Wilkin, Jr. (Chairman of the Board, President and Chief Executive Officer)*

Mr. Wilkin is employed pursuant to an employment agreement dated as of November 1, 2002, approved by the Compensation Committee. Under the terms of this employment agreement, Mr. Wilkin is paid an annual base salary of \$250,000, which may be increased periodically. Additionally, during fiscal year 2006, Mr. Wilkin had an annual bonus opportunity equal to 40% of his annual base salary pursuant to the terms of his agreement. The amount of the annual bonus opportunity paid was dependent on the achievement of a quantified corporate EBITDA goal, with his actual bonus being levered up or down based on performance relative to that goal. Additionally, the Compensation Committee had the option, at its discretion, to increase or decrease the amount of the annual bonus (if any) by up to 20% of the amount of the bonus earned based on the achievement of specific individual goals. The maximum incentive-based award payable to any individual was 200% of the individual's target bonus opportunity. Mr. Wilkin's employment agreement also anticipates that he will participate in grants of long-term equity compensation awarded from time to time to senior executives pursuant to equity participation plans, including grants under the Optical Cable Corporation 2005 Stock Incentive Plan. The initial term of Mr. Wilkin's employment agreement ended October 31, 2005, with the agreement being renewed and extended for one

year on each November 1, beginning on November 1, 2003, unless the Company or Mr. Wilkin provide the other party with prior written notice of the intention to not renew and extend the agreement. Mr. Wilkin is currently the Chairman of the Board of Directors, President and Chief Executive Officer. Mr. Wilkin did not receive an annual bonus for the fiscal year ended October 31, 2006.

*Luke J. Huybrechts (Senior Vice President of Operations)*

Mr. Huybrechts is employed pursuant to an employment agreement, dated as of November 1, 2002, proposed by the President and Chief Executive Officer and approved by the Compensation Committee. Under the terms of this employment agreement, Mr. Huybrechts is paid an annual base salary of \$175,000, which may be increased periodically. Additionally, Mr. Huybrechts had an annual bonus opportunity equal to 35% of his annual base salary pursuant to the terms of his agreement. The amount of the annual bonus opportunity paid was dependent on the achievement of a quantified corporate EBITDA goal, as well as achievement of certain quantified divisional goals and specifically identified divisional objectives, with his actual bonus being levered up or down based on performance relative to those goals. Additionally, the President and Chief Executive Officer had the option, at his discretion, to increase or decrease Mr. Huybrechts' annual bonus (if any) by up to 20% of the amount of the bonus earned by Mr. Huybrechts based on his achievement of specific individual goals. Only the Compensation Committee could increase the aggregate amount payable to all eligible individuals using the 2006 bonus criteria. Therefore, aggregate discretionary bonus increases for all eligible individuals could not exceed the aggregate discretionary bonus decreases for all eligible individuals without the approval of the Compensation Committee. The maximum award payable to any individual was 200% of the individual's target bonus opportunity. Mr. Huybrechts' employment agreement also anticipates that he will participate in grants of long-term equity compensation awarded from time to time to senior executives pursuant to equity participation plans, including grants under the Optical Cable Corporation 2005 Stock Incentive Plan. The initial term of Mr. Huybrechts' employment agreement ended October 31, 2005, with the agreement being renewed and extended for one year on each November 1, beginning on November 1, 2003, unless the Company or Mr. Huybrechts provides the other party with prior written notice of the intention to not renew and extend the agreement. Mr. Huybrechts did not receive an annual bonus for the fiscal year ended October 31, 2006.

*Charles W. Carson (Former Senior Vice President of Marketing and Sales)*

Mr. Carson was employed by the Company through February 14, 2006, pursuant to an employment agreement, dated as of January 2, 2003, proposed by the President and Chief Executive Officer and approved by the Compensation Committee. Under the terms of this employment agreement, Mr. Carson was paid an annual base salary of \$175,000. Additionally, Mr. Carson had an annual bonus opportunity equal to 35% of his annual base salary pursuant to the terms of his agreement. The amount of the annual bonus opportunity paid was dependent on the achievement of a quantified corporate EBITDA goal, as well as achievement of certain quantified divisional goals and specifically identified divisional objectives, with his actual bonus being levered up or down based on performance relative to those goals. Additionally, the President and Chief Executive Officer had the option, at his discretion, to increase or decrease Mr. Carson's annual bonus (if any) by up to 20% of the amount of the bonus earned by Mr. Carson based on his achievement of specific individual goals. Only the Compensation Committee could increase the aggregate amount payable to all eligible individuals using the 2006 bonus criteria. Therefore, aggregate discretionary bonus increases for all eligible individuals could not exceed the aggregate discretionary bonus decreases for all eligible individuals without the approval of the Compensation Committee. The maximum award payable to any individual was 200% of the individual's target bonus opportunity. Mr. Carson's employment with the Company terminated on February 14, 2006. Pursuant to the terms of his employment agreement and the separation agreement Mr. Carson was paid: (i) his annual base salary of \$175,000 during the period from February 15, 2006 through February 18, 2007, and (ii) a lump sum amount equal to the average of this annual bonus during the past three years totaling \$70,022 on or about February 21, 2006.

*Tracy G. Smith (Vice President and Chief Financial Officer)*

Ms. Smith is employed pursuant to an employment agreement, dated as of December 10, 2004, proposed by the President and Chief Executive Officer and approved by the Compensation Committee. Under the terms of this employment agreement, Ms. Smith is paid an annual base salary of \$150,000,

which may be increased periodically. Additionally, Ms. Smith had an annual bonus opportunity equal to 25% of her annual base salary pursuant to the terms of her agreement. The amount of the annual bonus opportunity paid was dependent on the achievement of a quantified corporate EBITDA goal, as well as achievement of certain quantified divisional goals and specifically identified divisional objectives, with her actual bonus being levered up or down based on performance relative to those goals. Additionally, the President and Chief Executive Officer had the option, at his discretion, to increase or decrease Ms. Smith's annual bonus (if any) by up to 20% of the amount of the bonus earned by Ms. Smith based on her achievement of specific individual goals. Only the Compensation Committee could increase the aggregate amount payable to all eligible individuals using the 2006 bonus criteria. Therefore, aggregate discretionary bonus increases for all eligible individuals could not exceed the aggregate discretionary bonus decreases for all eligible individuals without the approval of the Compensation Committee. The maximum award payable to any individual was 200% of the individual's target bonus opportunity. Ms. Smith's employment agreement also anticipates that she will participate in grants of long-term equity compensation awarded from time to time to senior executives pursuant to equity participation plans, including grants under the Optical Cable Corporation 2005 Stock Incentive Plan. The initial term of Ms. Smith's employment agreement ends October 31, 2007, with the agreement being renewed and extended for one year on each November 1, beginning on November 1, 2005, unless the Company or Ms. Smith provides the other party with prior written notice of the intention to not renew and extend the agreement. Ms. Smith did not receive an annual bonus for the fiscal year ended October 31, 2006.

## **Compensation Committee Report on Executive Compensation**

### *Compensation Committee Responsibilities*

The responsibilities of the Compensation Committee of the Board of Directors include, among other things: (i) review and approval of all compensation for the President and Chief Executive Officer; (ii) review and approval of the President and Chief Executive Officer's employment agreement, if any; (iii) review of recommendations made by the President and Chief Executive Officer with respect to compensation for all executive officers other than the President and Chief Executive Officer; (iv) review of recommendations made by the President and Chief Executive Officer with respect to employment agreements, if any, for all executive officers other than the President and Chief Executive Officer; (v) review of recommendations made by the President and Chief Executive Officer with respect to, and approval and administration of, annual management incentive compensation, if any, for key management personnel of the Company; (vi) establishment of the individual goals for the President and Chief Executive Officer as the basis for any annual incentive compensation; and (vii) carrying out related responsibilities required by the rules of the U.S. Securities and Exchange Commission. The Company's 1996 Stock Incentive Plan, its 2005 Stock Incentive Plan, and any subsequently adopted employee stock incentive plan will be administered by the Board of Directors and the Compensation Committee of the Board of Directors, as appropriate. The Compensation Committee of the Board of Directors currently is composed of non-employee directors. The current members of the Compensation Committee are Messrs. Frazier and Weber. Mr. Weber is Chairman of the Compensation Committee.

### *Criteria for Compensation Levels*

The Company has always sought to attract and retain qualified executives and employees able to positively contribute to the success of the Company for the benefit of its various stakeholders, the most important of which is its shareholders, but also including its customers, its employees, and the communities in which the Company operates.

The Compensation Committee (in establishing compensation levels for the President and Chief Executive Officer) and the Company (in establishing compensation levels for other executives) considers many factors, including, but not limited to, the individual's abilities and executed performance that results in: the advancement of corporate goals of the Company, execution of the Company's business strategies, contributions to positive financial results, and contributions to the development of the management team and other employees. An officer must demonstrate his or her ability to deliver results in his or her areas of

responsibility, which can include, among other things: business development with new and existing customers, development of new products, efficient management of operations and systems, implementation of appropriate changes and improvements to operations and systems, personnel management, financial management, and strategic decision making. In determining compensation levels, the Compensation Committee and the Company also consider: competitiveness of compensation packages relative to other comparable companies, both inside and outside of the fiber optic industry, and experience of the individual.

Compensation levels for executive officers are generally reviewed annually, but may be reviewed more often as deemed appropriate.

### *Compensation Philosophy and Strategy*

In addition to the “Criteria for Compensation Levels” set forth above, the Company has a “Compensation Philosophy” for all employees of the Company (set forth below), and a “Compensation Strategy for Key Management Personnel” (set forth below), a substantial portion of which also applies to all employees of the Company.

#### Compensation Philosophy

The Company’s compensation philosophy is as follows:

- The Company believes that compensation is an integral component of its overall business and human resource strategies. The Company’s compensation plans will strive to promote the hiring and retention of personnel necessary to execute the Company’s business strategies and achieve its business objectives.
- The Company’s compensation plans will be strategy-focused, competitive, and recognize and reward individual and group contributions and results. The Company’s compensation plans will promote an alignment of the interests of employees with the interests of the shareholders by having a meaningful portion of compensation based on financial results and actions that will generate future shareholder value.
- In order to reward financial performance over time, the Company’s compensation programs generally will consist of: base compensation, short-term variable incentives and long-term variable incentives, as appropriate. Short-term variable incentives reward performance for periods of time covering one year or less. Long-term variable incentives reward performance for periods of time greater than one year.
- The Company’s compensation plans will be administered consistently and fairly to promote equal opportunities for the Company’s employees.

#### Compensation Strategy for Key Management Personnel

The Company’s compensation strategy for its key management personnel is as follows:

- Total compensation will include base salary and short-term and long-term variable incentives based on annual performance, and long-term variable incentives, in each case, where appropriate.
- Compensation will be comparable to general and industry-specific compensation practices.
- Generally, base compensation, and targeted short- and long-term variable compensation, will be established within the range of compensation of similarly situated companies. The Company’s organization size and complexity will be taken into account, and therefore similarly situated companies includes companies of similar size and complexity whether or not such companies are in the fiber optic cable industry.

- When determining compensation for officers and senior managers, the Company takes into account the employee's knowledge and experience, including industry specific knowledge and experience, to the extent such knowledge and experience contributes to the Company's ability to achieve its business objectives.
- The Company may adjust annual base salaries of employees if individual performance is at or above pre-established performance expectations.
- Incentive award opportunities will increase or decrease in unison with short- and long-term individual and/or corporate results.
- Incentive compensation will make up a larger percentage of an employee's total direct compensation when he or she has a significant impact on the financial and/or operational success of the Company.
- Incentive compensation programs will be linked to strategic business objectives.

#### Analysis of Compensation Ranges for Key Management Personnel

The Compensation Committee uses an outside consultant to gather and analyze compensation data in order to establish comparable ranges of base compensation and targeted short- and long-term variable compensation ranges for similarly situated companies. Compensation data is gathered from proxies for publicly-traded companies in similar industries and/or of a similar size and complexity—a "compensation peer group." In establishing the compensation peer group, the Company's organization size and complexity is taken into account; therefore, the compensation peer group includes certain companies of similar size and complexity whether or not such companies are in the fiber optic cable industry. Additionally, compensation data is gathered from published compensation surveys of companies of similar size and complexity—which includes data from both publicly-traded and privately-held companies. The compensation data from these two sources is blended to provide a benchmark used for the purpose of evaluating appropriate compensation ranges for base compensation and targeted short- and long-term variable compensation of key management personnel. Data from published compensation surveys is more heavily weighted in this analysis because that data reflects a heavier concentration of similarly sized companies.

#### *Compensation of Executive Officers*

Executive officer compensation is comprised of three components: base salary, annual incentive bonus compensation, and long-term incentive equity grants pursuant to the terms of the Company's 1996 Stock Incentive Plan, its 2005 Stock Incentive Plan, and any subsequently adopted stock incentive plan.

Annual incentive bonus compensation payable to executive officers were levered up or down based on performance relative to the individual's goals compared to the bonus criteria. Additionally, the Compensation Committee could, at its discretion, increase or decrease the President and Chief Executive Officer's annual bonus (if any) by up to 20% of the amount of the bonus earned by Mr. Wilkin based on his achievement of specific individual goals. Further, the President and Chief Executive Officer may, at his discretion, increase or decrease the annual bonus (if any) of any other eligible senior staff member by up to 20% of the amount of the bonus earned by such member based on his or her achievement of specific individual goals. Only the Compensation Committee could increase the aggregate amount payable to all eligible individuals under the 2006 bonus criteria. Therefore, the aggregate discretionary bonus increases for all eligible senior staff members cannot exceed the aggregate discretionary bonus decreases for all such members without the approval of the Compensation Committee. The maximum award payable to any individual was 200% of the individual's target bonus opportunity. At the recommendation of the President and Chief Executive Officer based on lower than expected results compared to the bonus criteria for 2006, the Compensation Committee did not approve annual bonuses for senior staff members for the year ended October 31, 2006.

Effective December 30, 2003, restricted stock awards were granted to Mr. Wilkin in the amount of 28,500 Common Shares; Mr. Huybrechts in the amount of 20,000 Common Shares; and Ms. Smith in the amount of 14,500 Common Shares. Mr. Carson was granted 20,000 shares of restricted stock, but only 10,847 shares (11,250 share's net of 403 shares surrendered for taxes) vested prior to the termination of his employment. The remaining 8,750 shares were forfeited when Mr. Carson's employment was terminated. These restricted stock awards vest ratably on the last day of each fiscal quarter for 16 quarters beginning January 31, 2004. The restricted stock was issued pursuant to the 1996 Stock Incentive Plan. The restricted stock is subject to the following general restrictions: (i) no shares may be sold, transferred, pledged, or otherwise encumbered or disposed of until the restrictions have lapsed or been removed under the provisions of the 1996 Stock Incentive Plan, and (ii) unless otherwise determined by the Compensation Committee of the Board or the Board, or unless in the event of certain described transactions, if a holder of restricted stock ceases to be employed by the Company, any shares of restricted stock on which the restrictions have not lapsed or been otherwise removed will be forfeited. The Company allows the participants to utilize a net exercise feature whereby a participant forfeits a portion of his or her grant in lieu of payment of applicable withholding taxes. During fiscal year 2004, Ms. Smith utilized this feature, forfeiting 292 Common Shares and during fiscal year 2006, Mr. Huybrechts utilized this feature, forfeiting 1,346 Common Shares.

Effective December 17, 2004, restricted stock awards were granted to Mr. Wilkin in the amount of 45,000 Common Shares; Mr. Huybrechts in the amount of 21,000 Common Shares; and Ms. Smith in the amount of 18,500 Common Shares. Mr. Carson was granted 21,000 shares of restricted stock, but only 5,250 shares vested prior to the termination of his employment. The remaining 15,750 shares were forfeited when Mr. Carson's employment was terminated. In each instance, 80% of the shares will vest based on the passage of time, also referred to as the time-based shares. In all cases, the first vesting date for the time-based shares was January 31, 2005. In the case of Mr. Wilkin, 15,000 of the time-based shares will vest quarterly over almost two years and 21,000 will vest quarterly over almost six years. In the case of Mr. Huybrechts, all of the time-based shares will vest quarterly over almost five years; and, in the case of Ms. Smith, all of the time-based shares will vest quarterly over almost six years. The remaining 20% of the shares, also referred to as the market condition-based shares, are generally eligible to vest over almost six years if the management team is able to provide total shareholder return (in terms of increase in share price plus dividends) at least 20% greater than the return of the Russell 2000® index. Greater shareholder returns can accelerate vesting of the market condition-based shares, but the market condition-based shares cannot vest more quickly than over four years. The first potential vesting date of the market condition-based shares was October 31, 2005. For fiscal year 2005, the total shareholder return of the Company's common stock compared to that of the Russell 2000® index was such that 25% of the market condition-based shares vested on October 31, 2005 in accordance with the terms of the December 17, 2004 grant. For fiscal year 2006, the total shareholder return of the Company's common stock did not out perform that of the Russell 2000® index. Therefore, in accordance with the terms of the December 17, 2004 grant, no market condition-based shares vested on October 31, 2006. Failure to meet the performance criteria required for vesting by the last potential vesting date will result in a portion or all of the market condition-based shares being forfeited.

Effective January 28, 2006, restricted stock awards were granted to Mr. Wilkin in the amount of 57,500 Common Shares; Mr. Huybrechts in the amount of 34,500 Common Shares; and Ms. Smith in the amount of 22,500 Common Shares. In the case of Mr. Wilkin, and Ms. Smith, 70% of the shares will vest based on the passage of time, and in the case of Mr. Huybrechts, 50% of the shares will vest based on the passage of time. These shares are referred to as time-based shares. In the cases of Mr. Wilkin and Ms. Smith, the time-based shares will vest quarterly over a five year period beginning on April 30, 2006. In the case of Mr. Huybrechts, the time-based shares will vest annually over a three year period beginning on January 31, 2007. The remaining 30% of the shares of Mr. Wilkin and Ms. Smith are market condition-based shares and are generally eligible to vest over almost five years if the management team is able to provide total shareholder return (in terms of increase in share price plus dividends) at least 20% greater than the return of the Russell 2000® index. Greater shareholder returns can accelerate vesting of the market condition-based shares, but the market condition-based shares cannot vest more quickly than over three years. The first potential vesting date of the market condition-based shares was October 31, 2006. For fiscal year 2006, the total shareholder return of the Company's common stock did not out perform that of the Russell 2000® index. Therefore, in accordance with the terms of the January 28, 2006 grant, no

market condition-based shares vested on October 31, 2006. The remaining 50% of the shares of Mr. Huybrechts are operational performance-based shares which are eligible to vest based on the achievement of certain operational performance goals. These operational performance-based shares are generally eligible to vest over a two year period with the first potential vesting date being January 31, 2007. Failure to meet the performance criteria required for vesting by the last potential vesting date—whether for the market condition-based shares or for the operational performance-based shares—will result in a portion or all of the shares being forfeited.

#### *Equity Compensation Plan Information*

The Company uses long-term incentive equity grants to provide appropriate incentives to key employees to accomplish the Company's strategic goals and build long-term shareholder value, to strengthen the desire of such key employees to remain with the Company, and to align the personal financial interests of such key employees with those of the Company's shareholders. The Compensation Committee believes that equity awards, which reward Company stock price appreciation over the long-term, are particularly appropriate in light of the nature of the Company's business and long-term business plans.

Long-term equity incentive grants are made pursuant to the Optical Cable Corporation 1996 Stock Incentive Plan (the "1996 Stock Incentive Plan"), and its successor, the Optical Cable Corporation 2005 Stock Incentive Plan (the "2005 Stock Incentive Plan"). The Compensation Committee receives recommendations from the President and Chief Executive Officer for employees (other than the President and Chief Executive Officer) eligible to receive long-term equity incentive grants. The Compensation Committee reviews the recommendations ensuring that proposed long-term equity incentive grants are consistent with accomplishing the Company's long-term objectives, and approves all long-term equity incentive grants made to employees (proposing and approving long-term equity incentive grants for the President and Chief Executive Officer). Individual performance and Company performance are considered in awarding long-term incentive equity compensation. The Compensation Committee moved toward granting restricted stock awards in recent years, with no stock options being awarded since June 2002.

The Company adopted the 1996 Stock Incentive Plan on March 1, 1996. The Company had reserved 750,000 Common Shares (as adjusted for the 1-for-8 reverse stock split approved July 30, 2002) for issuance in connection with incentive awards granted under the 1996 Stock Incentive Plan. Under the 1996 Stock Incentive Plan, the Company granted (i) restricted stock awards and (ii) qualified incentive stock options at not less than fair market value on the date of grant. No further awards will be made under the 1996 Plan as it terminated in accordance with the terms of the plan document on the tenth anniversary of its effective date of March 1, 1996. Options outstanding under the 1996 Plan may continue to be exercised until such time that the options expire or are forfeited under the terms of individual awards. Restricted stock awards granted under the 1996 Plan will continue to vest unless otherwise forfeited under the terms of individual awards. All of the executive officers were eligible to participate in the 1996 Stock Incentive Plan. Additionally, the Company's employees participated in the 1996 Stock Incentive Plan. The 1996 Stock Incentive Plan was administered by the Board of Directors, and the Compensation Committee, as appropriate. All grants under the 1996 Stock Incentive Plan were approved by either the full Board of Directors or the Compensation Committee. Options granted under the 1996 Stock Incentive Plan were fully vested as of February 2, 2007 with the exception of 250 options that will vest at April 30, 2007.

The Company granted restricted stock awards under the 1996 Stock Incentive Plan totaling 149,000 shares on December 30, 2003. These restricted stock awards vest quarterly over four years with the first vesting date occurring on January 31, 2004. The Company granted restricted stock awards under the 1996 Stock Incentive Plan totaling 191,000 shares on December 17, 2004. Eighty percent of these restricted stock awards granted on December 17, 2004 vest quarterly over two to six years with the first vesting date occurring on January 31, 2004. Twenty percent of these restricted stock awards granted on December 17, 2004, also referred to as the market condition-based shares, are generally eligible to vest over almost six years if the management team is able to provide total shareholder return (in terms of increase in share price plus dividends) at least 20% greater than the return of the Russell 2000<sup>®</sup> index. Greater shareholder returns can accelerate vesting of the market condition-based shares, but the market condition-based shares



cannot vest more quickly than over four years. The first vesting date of the market condition-based shares was October 31, 2005. For fiscal year 2005, the total shareholder return of the Company's common stock compared to that of the Russell 2000® index was such that 25% of the market condition-based shares vested on October 31, 2005 in accordance with the terms of the December 17, 2004 grant. For fiscal year 2006, the total shareholder return of the Company's common stock did not outperform that of the Russell 2000® index. Therefore, in accordance with the terms of the December 17, 2004 grant, no market condition-based shares vested on October 31, 2006. Failure to meet the performance criteria required for vesting for the market condition-based shares by the last potential vesting date will result in a portion or all of the shares being forfeited.

On March 29, 2005, the Company's shareholders approved the Company's 2005 Stock Incentive Plan. The 2005 Stock Incentive Plan is intended to be the successor of the 1996 Stock Incentive Plan. The Company has reserved 1,000,000 shares of common stock for issuance pursuant to the 2005 Stock Incentive Plan. The Company granted restricted stock awards under the 2005 Stock Incentive Plan totaling 220,000 shares on January 28, 2006. Of the restricted stock awards granted on January 28, 2006, 147,100 shares are time-based shares, 129,850 shares of which vest quarterly over five years with the first vesting date occurring on April 30, 2006; and 17,250 shares which vest annually over three years with the first vesting date occurring on January 31, 2007. Of the restricted stock awards granted on January 28, 2006, 55,650 shares are market condition-based shares generally eligible to vest over almost five years if the management team is able to provide total shareholder return (in terms of increase in share price plus dividends) at least 20% greater than the return of the Russell 2000® index. Greater shareholder returns can accelerate vesting of the market condition-based shares, but the market condition-based shares cannot vest more quickly than over three years. The first potential vesting date of the market condition-based shares was October 31, 2006. For fiscal year 2006, the total shareholder return of the Company's common stock did not outperform that of the Russell 2000® index. Therefore, in accordance with the terms of the January 28, 2006 grant, no market condition-based shares vested on October 31, 2006. The remaining 17,250 shares of the restricted stock awards granted on January 28, 2006, are operational performance-based shares which are eligible to vest based on the achievement of certain operational goals. These operational performance-based shares are generally eligible to vest over a two year period with the first potential vesting date being January 31, 2007. Failure to meet the performance criteria required for vesting by the last potential vesting date—whether for the market condition-based shares or for the operational performance-based shares—will result in a portion or all of the shares being forfeited.

#### *Adoption of Equity Ownership and Retention Policy for the Senior Staff*

On January 28, 2006, the Compensation Committee approved and recommended to the Board, and on February 14, 2006, the Board of Directors adopted, an *Equity Ownership and Retention Policy for the Senior Staff*. The policy is applicable to all members of the Company's management team holding a position of Director or above, including each of the named executive officers. This policy requires each Senior Staff member to accumulate over a set period and retain, a minimum value of shares of the Company's common stock, and also to retain minimum percentages of shares of the Company's common stock awarded to them under any stock incentive plan. The intention of this policy is to ensure the Senior Staff has wealth at risk in the Company's common stock, further aligning the interests of the management team with those of the shareholders. A copy of the *Equity Ownership and Retention Policy for the Senior Staff* can be found on the Company's web site at [www.occfiber.com](http://www.occfiber.com).

#### *Compensation for President and Chief Executive Officer During Fiscal Year 2006*

Mr. Wilkin is employed pursuant to an employment agreement, dated as of November 1, 2002, approved by the Compensation Committee, the terms of which have been described previously in this proxy statement. This employment agreement, as previously described herein, provides for objective performance measures prior to the awarding of any bonus compensation. During fiscal year 2006, Mr. Wilkin earned a base salary of \$250,000, but did not receive any annual incentive bonus compensation as a result of the Company's lower than expected financial performance during the year.

The Company is subject to Section 162(m) of the Internal Revenue Code, which imposes a \$1 million limit on the amount of compensation that may be deducted by the Company for a taxable year with respect to each of the Chief Executive Officer and the four most highly compensated executive officers of the Company. Performance-based compensation (such as compensation pursuant to the 1996 and 2005 Stock Incentive Plans), if it meets certain requirements, is not subject to the deduction limit. The Committee has reviewed the impact of Section 162(m) on the Company and believes that it is unlikely that the compensation paid to any of the executive officers during the current fiscal year will be deemed to exceed the limit. Furthermore, the 1996 and 2005 Stock Incentive Plans generally are designed to comply with the requirements of the performance-based compensation exception for the \$1 million limit. The Committee will continue to monitor the impact of the Section 162(m) limit on the Company and to assess alternatives for avoiding any loss of tax deductions.

Respectfully submitted,

Craig H. Weber – Compensation Committee Chair

Randall H. Frazier – Compensation Committee Member

### **Report of the Audit Committee**

Messrs. Frazier, Weber and Williamson are members of the Audit Committee. Messrs. Frazier, Weber and Williamson are considered independent members of the Audit Committee under the listing standards of Nasdaq and under the SEC's audit committee independence standards.

The Audit Committee operates under a written charter adopted by the Board of Directors.

Management is responsible for the Company's internal controls and the financial reporting process. The Company's independent registered public accounting firm, KPMG LLP, is responsible for performing an independent audit of the Company's financial statements in accordance with the standards of the Public Company Accounting Oversight Board and the issuance of a report thereon. The Audit Committee's responsibility is to monitor and oversee these processes.

In this context, the Audit Committee has met and held discussions with management and the independent registered public accounting firm. Management represented to the Audit Committee that the Company's financial statements were prepared in accordance with U.S. generally accepted accounting principles, and the Audit Committee has reviewed and discussed the audited financial statements with management and the independent registered public accounting firm. The independent registered public accounting firm discussed with the Audit Committee matters required to be communicated by Statement on Auditing Standards No. 61, "Communication with Audit Committees," as amended, and by SEC rules. These discussions included, among other things:

- the independent registered public accounting firm's judgments about the quality, not just the acceptability, of the Company's accounting principles as applied in the Company's financial statements;
- the critical accounting policies and practices used by the Company;
- any alternative treatments within U.S. generally accepted accounting principles for policies and practices related to material items that have been discussed with management, including ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent registered public accounting firm;
- methods used to account for significant or unusual transactions;

- the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus;
- the process used by management in formulating particularly sensitive accounting estimates and the basis for the firm’s conclusions regarding the reasonableness of these estimates;
- disagreements with management over the application of accounting principles, the basis for management’s accounting estimates, and the disclosures in the financial statements;
- audit adjustments and any uncorrected financial statement misstatements; and
- other material written communications between the independent registered public accounting firm and management.

The independent registered public accounting firm also provided to the Audit Committee the written disclosures required by Independence Standards Board Standard No. 1, “Independence Discussions with Audit Committees,” and discussed with the Audit Committee the firm’s independence from the Company and its management.

Based on the Audit Committee’s discussion with management and the independent registered public accounting firm and the Audit Committee’s review of the representation of management regarding the audited financial statements and of the report of the independent registered public accounting firm to the Audit Committee, the Audit Committee recommended to the Board of Directors, and the Board has approved, that the audited financial statements be included in the Company’s Annual Report on Form 10-K for the fiscal year ended October 31, 2006, for filing with the Securities and Exchange Commission.

Respectfully submitted,

John B. Williamson, III – Audit Committee Chair

Randall H. Frazier – Audit Committee Member

Craig H. Weber – Audit Committee Member

### Independent Registered Public Accounting Firm

The following table sets forth the amount of audit fees, financial information systems design and implementation fees, and all other fees billed or expected to be billed for services rendered by KPMG LLP, the Company’s independent registered public accounting firm, for the fiscal years ended October 31, 2006 and 2005.

|                    | <u>2006</u><br><u>Amount</u> | <u>2005</u><br><u>Amount</u> |
|--------------------|------------------------------|------------------------------|
| Audit fees (1)     | \$177,500                    | \$177,500                    |
| Audit related fees | —                            | —                            |
| Tax Fees (2)       | —                            | 44,000                       |
| All other fees     | —                            | —                            |
| <b>Total fees</b>  | <u>\$177,500</u>             | <u>\$221,500</u>             |

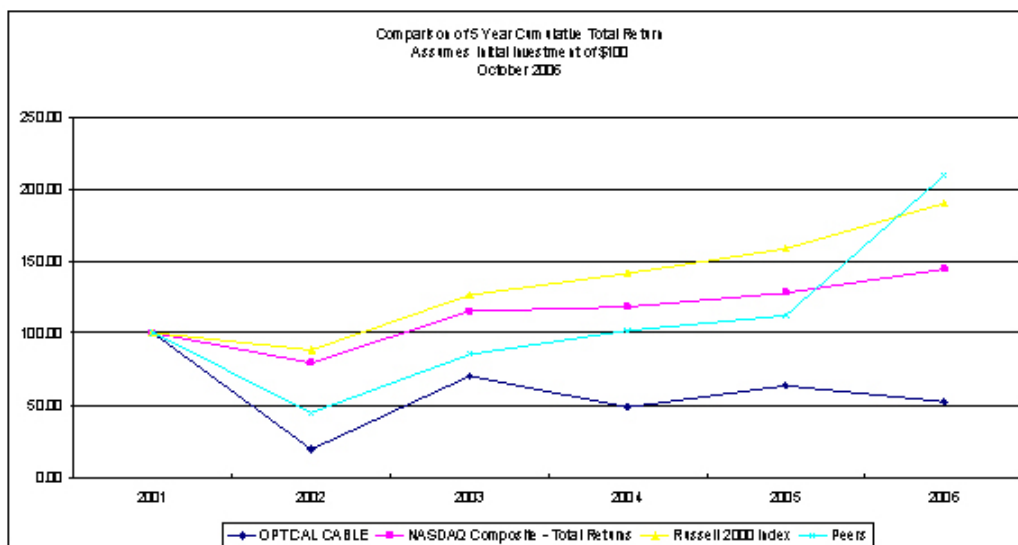
(1) Audit fees include annual financial statement audit and limited quarterly review services in 2006 and 2005. In addition, audit fees included the review of registration statements on Form S-8 in 2005 and issuance of consent in 2005.

(2) Tax fees consist of tax compliance and other tax services other than those directly related to the audit of the income tax accrual.

The Audit Committee of the Board of Directors of the Company has considered whether the provision of other non-audit services is compatible with maintaining KPMG LLP's independence.

### Performance Graph

Five year graph



The above five year performance graph compares the yearly percentage change in cumulative total shareholder return of the Company's Common Shares against the cumulative total return of (i) the Nasdaq stock market, (ii) the Russell 2000® index and (iii) a peer group, which consists of Belden CDT Inc. (formerly Belden Inc. and Cable Design Technologies Corp.), CommScope Inc. and General Cable Corp.

### COMPLIANCE WITH SECTION 16(a) OF THE SECURITIES ACT OF 1934

Section 16(a) of the Exchange Act requires the Company's officers, Directors and persons who own more than 10 percent of a registered class of the Company's equity securities to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Officers, Directors and greater than 10 percent shareholders are required by the regulation to furnish the Company with copies of the Section 16(a) forms which they file.

To the Company's knowledge, based solely on review of copies of reports furnished to the Company and written representations from officers and Directors regarding reports required to be filed during the fiscal year ended October 31, 2006, all Section 16(a) filing requirements applicable to the Company's officers, Directors and greater than ten percent beneficial owners were complied with by such persons.

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During the year ended October 31, 2006, the Company incurred fees associated with consulting services provided by Mr. Holland totaling \$54,490 for various engineering projects.

Barbara B. Huybrechts, wife of Luke J. Huybrechts, is an employee of the Company. Her compensation in fiscal year 2006 was \$68,715, plus \$1,667 for contributions made by the Company to the Company's 401(k) retirement savings plan for her benefit. The maximum amount of the employer matching contribution per calendar year per employee is \$10,000. The Company's contribution to the Company's 401(k) retirement savings plan for Ms. Huybrechts benefit of \$1,667 is based on the expense accrued by the Company during fiscal year 2006, which covers part of both calendar years 2005 and 2006. Amounts expensed in any one fiscal year can vary from the calendar year limit due to timing of employee contributions during the applicable calendar years and the fact that the plan year is based on a period that does not coincide with the Company's fiscal year. Amounts accrued for the employer matching contribution at the Company's fiscal year end are based on the individual participant's salary deferral elections during the Company's fiscal year. Mr. Huybrechts has no supervisory responsibilities with respect to his wife.

## OTHER MATTERS

The Board of Directors knows of no other business to be acted upon at the annual meeting or properly before the meeting other than those matters referred to in this proxy statement. If any other matters properly come before the annual meeting, it is the intention of the persons named in the enclosed proxy to vote the shares they represent in accordance with their best judgment.

## NOMINATIONS AND PROPOSALS BY SHAREHOLDERS FOR 2008 ANNUAL MEETING

The Company's bylaws, and in certain cases U.S. securities laws and the rules and regulations thereunder, prescribe the procedures that a shareholder must follow to nominate directors for election at an annual meeting or to bring other business before an annual meeting. The Chairman of the meeting may refuse to acknowledge the nomination of any person as a director or any other proposal by a shareholder not made in compliance with these procedures. The following summary of these procedures is qualified by reference to the Company's bylaws, a copy of which may be obtained without charge, upon written request to Tracy G. Smith, Secretary, Optical Cable Corporation, 5290 Concourse Drive, Roanoke, Virginia 24019.

A shareholder who desires to nominate a director for election at an annual meeting must give timely written notice thereof to the Secretary of the Company by personal delivery or first class U.S. mail, postage prepaid, at the address shown above. To be timely, a shareholder's notice must be received no later than October 23, 2007, for nominations to be made at the 2008 annual meeting. The notice must contain the information specified in the bylaws regarding the shareholder giving the notice and each person whom the shareholder wishes to nominate for election as a director of the Company, if elected.

Shareholders of the Company who desire to bring any other business that is intended to be presented at the Company's 2008 annual meeting of shareholders must be received by the Company no later than October 23, 2007 in order that it may be included in the proxy statement and form of proxy relating to that meeting. Any such proposal must meet the applicable requirements of the Exchange Act and the rules and regulations thereunder. Shareholder proposals to be presented at the 2008 annual meeting by means other than inclusion in the Company's proxy statement must be received by the Company before December 15, 2007.

## ANNUAL REPORT

A copy of the Company's annual report for the fiscal year ended October 31, 2006, including the financial statements and notes thereto, is being mailed to the shareholders of record along with this proxy statement. The annual report is not incorporated by reference in this proxy statement and is not considered to be part of the proxy material.

FURTHER INFORMATION

The Company will provide without charge to each person from whom a proxy is solicited by the Board of Directors, upon the written request of any such person, a copy of the Company's annual report on Form 10-K, including the financial statements and financial statement schedule attached as exhibits thereto, required to be filed with the U.S. Securities and Exchange Commission pursuant to the Exchange Act for the Company's fiscal year ended October 31, 2006. Such written requests should be sent to the Company at its principal executive offices, 5290 Concourse Drive, Roanoke, Virginia 24019, attention Tracy G. Smith, Secretary. Additionally, the Company's SEC filings are available to the public on the SEC Internet site (<http://www.sec.gov>).

Upon request, the Company will also furnish any other exhibit of the annual report on Form 10-K upon advance payment of reasonable out-of-pocket expenses of the Company related to the Company's furnishing of such exhibit. Requests for copies of any exhibit should be directed to the Company at its principal executive offices, 5290 Concourse Drive, Roanoke, Virginia 24019, attention Tracy G. Smith, Secretary.

By Order of the Board of Directors

/s/ Tracy G. Smith

Tracy G. Smith  
Secretary

Date: February 20, 2007

**OPTICAL CABLE CORPORATION**  
**Proxy Solicited on Behalf of the Board of Directors of Optical Cable**  
**Corporation for the Annual Meeting of Shareholders to be Held March 27, 2007**

The undersigned appoints Neil D. Wilkin, Jr, Luke J. Huybrechts and Tracy G. Smith, or any of them, with full power of substitution, to attend the annual meeting of shareholders of Optical Cable Corporation on March 27, 2007, and at any adjournments thereof, and to vote all shares which the undersigned would be entitled to vote if personally present upon the following matters set forth in the Notice of Annual Meeting and proxy statement.

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1. Election of Directors

**FOR** the SIX nominees listed below  
(except as marked to the contrary below)

**WITHHOLD AUTHORITY** to  
Vote for the SIX nominees listed below

**Nominees:** Neil D. Wilkin, Jr.; Luke J. Huybrechts; Randall H. Frazier; John M. Holland; Craig H. Weber and John B. Williamson, III.

(INSTRUCTION: To withhold authority for any individual nominee, write that nominee's name in the space provided below)

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2. To ratify the appointment of KPMG LLP as the independent registered public accounting firm for the Company.

**FOR** this proposal

**AGAINST** this proposal

**ABSTAIN**

3. To request the Board of Directors to redeem or revoke the shareholder rights plan in effect with the Company since November 2001.

**FOR** this proposal

**AGAINST** this proposal

**ABSTAIN**

4. In their discretion, upon such other business as may properly come before the meeting and any adjournments thereof.

PLEASE DATE, SIGN AND RETURN PROXY PROMPTLY.  
Receipt of Notice of Annual Meeting and Proxy Statement is  
hereby acknowledged.

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Shareholder's Signature

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Joint Holder's Signature (if applicable)

Date: \_\_\_\_\_

\_\_\_\_\_  
When properly executed, this proxy will be voted in the manner directed herein. **If no direction is made, this proxy will be voted FOR the election of the nominees of the Board of Directors in the election of Directors, FOR proposal 2 above, AGAINST proposal 3 above, and in accordance with the judgment of the person(s) voting the proxy upon such other matters properly coming before the meeting and any adjournments thereof.** Please sign exactly as name(s) appear above.