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

FORM 10-Q

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

For the quarterly period ended July 31, 2004

OR

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

For the transition period from ______ to ______

Commission file number 0-27022

OPTICAL CABLE CORPORATION
(Exact name of registrant as specified in its charter)

Virginia **(State or other jurisdiction of incorporation or organization)**	**54-1237042** **(I.R.S. Employer Identification No.)**

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

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of September 3, 2004, 5,613,581 shares of the registrant's common stock, no par value, were outstanding.

Table of Contents

OPTICAL CABLE CORPORATION
Form 10-Q Index
Nine Months Ended July 31, 2004

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

OPTICAL CABLE CORPORATION

Condensed Balance Sheets

	(Unaudited) July 31, 2004	October 31, 2003
Assets		
Current assets:		
Cash	$ 3,068,298	$ 2,337,259
Trade accounts receivable, net of allowance for doubtful accounts of $477,093 at July 31, 2004 and $462,981 at October 31, 2003	8,089,004	7,688,281
Income taxes refundable	21,293	262,427
Other receivables	62,238	183,600
Due from current and former officers, net of allowance for uncollectible advances of $59,078	—	25,167
Due from employees	811	—
Inventories	6,676,302	6,624,492
Prepaid expenses	545,898	440,555
Deferred income taxes	199,030	265,963
Total current assets	18,662,874	17,827,744
Other assets, net	84,412	172,690
Property and equipment, net	11,286,188	11,284,205
Deferred income taxes	734,480	900,524
Total assets	$ 30,767,954	$ 30,185,163
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 2,177,890	$ 2,538,203
Accrued compensation and payroll taxes	1,307,246	1,012,956
Total current liabilities	3,485,136	3,551,159
Shareholders' equity:		
Preferred stock, no par value, authorized 1,000,000 shares; none issued and outstanding	—	—
Common stock, no par value, authorized 50,000,000 shares; issued and outstanding 5,613,581 shares at July 31, 2004 and 5,459,005 at October 31, 2003	1,371,925	1,142,006
Retained earnings	25,910,893	25,491,998
Total shareholders' equity	27,282,818	26,634,004
Commitments and contingencies		
Total liabilities and shareholders' equity	$ 30,767,954	$ 30,185,163

See accompanying condensed notes to condensed financial statements.

Table of Contents

OPTICAL CABLE CORPORATION
Condensed Statements of Operations
(Unaudited)

	Three months ended July 31, 2004	Three months ended July 31, 2003	Nine months ended July 31, 2004	Nine months ended July 31, 2003
Net sales	$ 11,265,029	$ 10,259,907	$ 31,267,634	$ 29,764,594
Cost of goods sold	6,694,601	7,242,670	18,878,094	19,395,258
Gross profit	4,570,428	3,017,237	12,389,540	10,369,336
Selling, general and administrative expenses	4,040,251	2,907,057	11,637,719	9,552,534
Shareholder litigation settlement expense	—	295,959	—	870,549
Loss on impairment of machinery and equipment	—	—	—	117,337
Income (loss) from operations	530,177	(185,779)	751,821	(171,084)
Other expense, net:				
Interest income	8,201	1,124	16,122	9,745
Interest expense	(36,680)	(39,582)	(104,384)	(122,518)
Other, net	(9,538)	6,053	(15,285)	37,757
Other expense, net	(38,017)	(32,405)	(103,547)	(75,016)
Income (loss) before income tax expense (benefit)	492,160	(218,184)	648,274	(246,100)
Income tax expense (benefit)	174,373	(146,840)	229,379	(155,493)
Net income (loss)	$ 317,787	$ (71,344)	$ 418,895	$ (90,607)
Net income (loss) per share:				
Basic	$ 0.06	$ (0.01)	$ 0.08	$ (0.02)
Diluted	$ 0.06	$ (0.01)	$ 0.07	$ (0.02)

See accompanying condensed notes to condensed financial statements.

Table of Contents

OPTICAL CABLE CORPORATION

Condensed Statement of Shareholders' Equity

(Unaudited)

	Nine months ended July 31, 2004			
	Common stock			
	Shares	Amount	Retained earnings	Total shareholders' equity
Balances at October 31, 2003	5,459,005	$ 1,142,006	$ 25,491,998	$ 26,634,004
Stock-based compensation	150,480	209,926	—	209,926
Exercise of warrants ($4.88 per share)	4,096	19,993	—	19,993
Net income	—	—	418,895	418,895
Balances at July 31, 2004	5,613,581	$ 1,371,925	$ 25,910,893	$ 27,282,818

See accompanying condensed notes to condensed financial statements.

OPTICAL CABLE CORPORATION
Condensed Statements of Cash Flows
(Unaudited)

	Nine months ended July 31,	
	2004	**2003**
Cash flows from operating activities:		
Net income (loss)	$ 418,895	$ (90,607)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, amortization and accretion	739,386	858,937
Bad debt expense	34,216	119,809
Deferred income tax expense (benefit)	232,977	(207,885)
Stock-based compensation expense	209,926	21,831
Shareholder litigation settlement expense	—	862,250
Loss on impairment of machinery and equipment	—	117,337
(Increase) decrease in:		
Trade accounts receivable	(434,939)	241,524
Income taxes refundable	241,134	448,042
Other receivables	121,362	66,212
Due from employees, including current and former officers	24,356	4,475
Inventories	(51,810)	1,352,939
Prepaid expenses	(105,343)	(203,046)
Increase (decrease) in:		
Accounts payable and accrued expenses	(417,358)	(896,335)
Accrued compensation and payroll taxes	294,290	(188,590)
Net cash provided by operating activities	1,307,092	2,506,893
Cash flows from investing activities:		
Purchase of property and equipment	(596,046)	(366,471)
Net cash used in investing activities	(596,046)	(366,471)
Cash flows from financing activities:		
Proceeds from notes payable to bank, net	—	244,166
Payments for financing costs	—	(35,154)
Payments for stock issuance costs	—	(63,298)
Repurchase of common stock	—	(3,032,907)
Proceeds from exercise of warrants	19,993	—
Net cash provided by (used in) financing activities	19,993	(2,887,193)
Net increase (decrease) in cash	731,039	(746,771)
Cash at beginning of period	2,337,259	746,771
Cash at end of period	$ 3,068,298	$ —

See accompanying condensed notes to condensed financial statements.

OPTICAL CABLE CORPORATION
Condensed Notes to Condensed Financial Statements
Nine Months Ended July 31, 2004
(Unaudited)

(1) General

The accompanying unaudited condensed financial statements of Optical Cable Corporation (the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial reporting information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all material adjustments considered necessary for a fair presentation have been included. Operating results for the nine months ended July 31, 2004 are not necessarily indicative of the results for the fiscal year ending October 31, 2004 because the following items, among other things, may impact those results: changes in market conditions, seasonality, ability of management to execute its business plan, as well as other variables and contingencies set forth as risks in the Company's Form 10-K for fiscal year 2003 or as otherwise identified in other filings by the Company as possibly affecting future results. The unaudited condensed financial statements and condensed notes are presented as permitted by Form 10-Q and do not contain certain information included in the Company's annual financial statements and notes. For further information, refer to the financial statements and notes thereto included in the Company's annual report on Form 10-K for the fiscal year ended October 31, 2003.

(2) Stock Option Plan and Other Stock-Based Compensation

Through October 31, 2003, the Company applied the intrinsic value-based method of accounting prescribed by Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations for employee stock option grants, including stock option grants to outside members of the Board of Directors, and Statement of Financial Accounting Standards ("SFAS") No. 123, *Accounting for Stock-Based Compensation* and EITF Issue No. 96-18, *Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services*, for nonemployee stock option grants.

In December 2002, the Financial Accounting Standards Board (the "FASB") issued SFAS No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure*. SFAS No. 148 amends existing accounting literature to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. The statement also requires additional disclosures in both interim and annual financial statements about the method of accounting for stock-based compensation and the effect of the method used on reported results. Effective November 1, 2003, the Company adopted the prospective method of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation as allowed under SFAS No. 148. The prospective method requires the Company to apply the recognition provisions to all employee awards granted, modified, or settled after the beginning of the fiscal year in which the recognition provisions are first applied. During the nine months ended July 31, 2004, the Company did not grant, modify or settle any employee stock options or other awards that would require accounting treatment different from that under APB 25; therefore, there was no impact from the adoption of this statement on the condensed financial statements of the Company.

Since all previously issued employee stock options were accounted for under APB 25, no compensation costs for grants of options to employees has been recognized, as all employee stock options under the stock-based compensation plan had an exercise price equal to or greater than the fair market value of the underlying common stock at the date of grant. The following table illustrates the effect on net income

(Continued)

OPTICAL CABLE CORPORATION
Condensed Notes to Condensed Financial Statements
Nine Months Ended July 31, 2004
(Unaudited)

(loss) and net income (loss) per share as if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation. The fair value of each option was estimated at the grant date using the Black-Scholes valuation model for the periods presented.

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2004	2003	2004	2003
Net income (loss) as reported	$ 317,787	$ (71,344)	$418,895	$ (90,607)
Less total stock-based employee compensation expense determined under the fair value based method, net of related tax effects	148,977	80,700	446,930	272,605
Pro forma net income (loss)	$ 168,810	$(152,044)	$ (28,035)	$(363,212)
Net income (loss) per share:				
Basic:				
As reported	$ 0.06	$ (0.01)	$ 0.08	$ (0.02)
Pro forma	$ 0.03	$ (0.03)	$ (0.01)	$ (0.06)
Diluted:				
As reported	$ 0.06	$ (0.01)	$ 0.07	$ (0.02)
Pro forma	$ 0.03	$ (0.03)	$ —	$ (0.06)

Stock option activity during the nine months ended July 31, 2004 is as follows:

	Number of Shares	Weighted-Average Exercise Price
Balance at October 31, 2003	387,245	$ 19.59
Granted	—	—
Exercised	—	—
Forfeited	(25,655)	$ 20.15
Balance at July 31, 2004	361,590	$ 19.55

The Company adopted on March 1, 1996 the Optical Cable Corporation 1996 Stock Incentive Plan (the “Plan”). The Plan is intended to provide a means through the use of stock incentives that the Company can increase the personal financial interest employees have in the future success of the Company, thereby stimulating the efforts of these employees and strengthening their desire to remain with the Company. The Company has reserved 750,000 shares of common stock for issuance pursuant to incentive awards under the Plan. As of July 31, 2004, there were approximately 166,000 remaining shares available for grant under the Plan.

On December 30, 2003, restricted stock awards under the Plan totaling 149,000 shares were approved by the Compensation Committee of the Board of Directors of the Company. The shares will vest in equal amounts quarterly over almost four years. The first vesting date occurred on January 31, 2004. The

(Continued)

Table of Contents

Company records compensation expense ratably over the vesting period equal to the number of shares multiplied by the closing price of the Company's common stock of $6.60 on the date of grant. The Company recorded compensation expense totaling $59,813 and $182,739, respectively, during the three months and nine months ended July 31, 2004 in accordance with SFAS No. 123.

Restricted stock award activity under the Plan during the nine months ended July 31, 2004 is as follows:

	Number of Shares
Balance at October 31, 2003	—
Granted	149,000
Forfeited	(4,520)
Balance at July 31, 2004	144,480

The Company adopted on March 9, 2004 the 2004 Non-employee Directors Stock Plan (the "Non-employee Directors Stock Plan"). The Non-employee Directors Stock Plan authorizes the Board of Directors to pay all or a part of director fees, in the form of stock grants, to Board members who are not full time employees of the Company. The Company has reserved 250,000 shares of common stock for issuance pursuant to awards under the Non-employee Directors Stock Plan. As of July 31, 2004, there were 244,000 remaining shares available for grant under the Non-employee Directors Stock Plan.

During the three months ended July 31, 2004 restricted stock awards under the Non-employee Directors Stock Plan totaling 6,000 shares were approved by the Board of Directors of the Company. The shares vested immediately upon grant. The Company records compensation expense equal to the number of shares multiplied by the closing price of the Company's common stock on the date of grant. The Company recorded compensation expense totaling $30,510 during the three months and nine months ended July 31, 2004 in accordance with SFAS No. 123.

(3) Allowance for Doubtful Accounts for Trade Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount and do not typically bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company reviews outstanding trade accounts receivable at the end of each quarter and records allowances for doubtful accounts as deemed appropriate for (i) certain individual customers and (ii) for all other trade accounts receivable in total. In determining the amount of allowance for doubtful accounts to be recorded for individual customers, the Company considers the age of the receivable, the financial stability of the customer, discussions that may have occurred with the customer and management's judgment as to the overall collectibility of the receivable from that customer. In addition, the Company establishes an allowance for all other receivables for which no specific allowances are deemed necessary. This general allowance for doubtful accounts is based on a percentage of total trade accounts receivable with different percentages used based on the different age categories of receivables. The percentages used are based on the Company's historical experience and management's current judgment regarding the state of the economy and the industry. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance-sheet credit exposure related to its customers. Also see note 10.

Table of Contents

OPTICAL CABLE CORPORATION
Condensed Notes to Condensed Financial Statements
Nine Months Ended July 31, 2004
(Unaudited)

A summary of changes in the allowance for doubtful accounts for trade accounts receivable for the nine months ended July 31, 2004 and 2003 follows:

	Nine Months Ended July 31, 2004	Nine Months Ended July 31, 2003
Balance at beginning of period	$462,981	$476,124
Bad debt expense	34,216	119,809
Losses charged to allowance	(25,966)	(53,750)
Recoveries added to allowance	5,862	18,468
Balance at end of period	$477,093	$560,651

A prior distributor for the Company filed for protection from its creditors under bankruptcy laws in January 2001. The Company wrote off approximately $2,191,000 for estimated uncollectible accounts receivable from this distributor for the year ended October 31, 2001. The Company has received offers, which have since expired, to sell its claim against the bankrupt estate. At this time, the Company has decided not to sell its claim in the bankruptcy proceeding. A subsequent recovery, if any, will be recognized when payment is received, in accordance with U.S. generally accepted accounting principles.

(4) Inventories

Inventories as of July 31, 2004 and October 31, 2003 consisted of the following:

	July 31, 2004	October 31, 2003
Finished goods	$ 2,255,858	$ 2,767,259
Work in process	1,811,815	1,119,160
Raw materials	2,532,331	2,661,445
Production supplies	76,298	76,628
	$ 6,676,302	$ 6,624,492

(5) Product Warranties

The Company generally warrants its products against certain manufacturing and other defects in material and workmanship. These product warranties are provided for specific periods of time and are applicable assuming the product has not been subjected to misuse, improper installation, negligence or shipping damage. As of July 31, 2004 and October 31, 2003, the Company's accrual for estimated product warranty claims totaled $120,000 and $150,000, respectively, in the accompanying condensed balance sheets included in accounts payable and accrued expenses. The accrued product warranty costs are based primarily on historical experience of actual warranty claims as well as current information on repair costs. Warranty claims expense for the three months and nine months ended July 31, 2004 totaled $12,215 and $161,940, respectively.

OPTICAL CABLE CORPORATION
Condensed Notes to Condensed Financial Statements
Nine Months Ended July 31, 2004
(Unaudited)

The following table summarizes the changes in the Company's accrual for product warranties during the nine months ended July 31, 2004 and 2003:

	Nine Months Ended July 31,	
	2004	2003
Balance at beginning of period	$ 150,000	$ 100,000
Liabilities accrued for warranties issued during the period	210,953	228,312
Warranty claims paid during the period	(191,940)	(273,890)
Changes in liability for pre-existing warranties during the period	(49,013)	95,578
Balance at end of period	$ 120,000	$ 150,000

(6) Warrants

During fiscal year 2003, the Company issued warrants to class members defined in a consolidated class action lawsuit by the claims administrator for the class members and in accordance with the settlement agreement approved by the United States District Court for the Western District of Virginia on September 23, 2002. Each warrant entitles the holder to purchase one share of the Company's common stock at an exercise price of $4.88 per share. The warrants will expire October 24, 2007. Through October 31, 2003, the total number of warrants to be issued in accordance with the settlement agreement, 250,000 warrants, had been issued by the Company.

The fair value of the 250,000 warrants, totaling $1,182,594, net of issuance costs of $82,487, is included in "common stock" in the shareholders' equity section of the accompanying condensed balance sheets. U.S. generally accepted accounting principles required the fair value of the warrants to be adjusted at each reporting period until such time that the following two conditions were met: (i) the Company was irrevocably obligated to issue the warrants, and (ii) the underlying shares of common stock to be issued on exercise were registered. The second and final of these two conditions was satisfied on May 19, 2003 when the Securities and Exchange Commission (the "SEC") declared the registration statement of the underlying shares of common stock to be effective. During the three months and nine months ended July 31, 2003, the Company recorded $295,959 and $862,250 of noncash expense resulting from the variable accounting treatment of the warrants. The warrant expense portion of the shareholder litigation settlement expense was calculated using the Black-Scholes pricing model. The closing price of the Company's common stock of $5.80 on May 19, 2003, the date the registration statement was declared effective by the SEC, was used in that calculation.

Subsequent to May 19, 2003, no further adjustment of the fair value was required. Therefore, the condensed statements of operations for the three months and nine months ended July 31, 2004 were not impacted and future periods' statements of operations will not be impacted by the variable accounting treatment. During the fiscal year ended October 31, 2003, the fair value of the warrants, net of issuance costs, was reclassified from an accrued liability to permanent equity in accordance with U.S. generally accepted accounting principles.

(Continued)

OPTICAL CABLE CORPORATION
Condensed Notes to Condensed Financial Statements
Nine Months Ended July 31, 2004
(Unaudited)

Warrant activity for the nine months ended July 31, 2004 is as follows:

	Number of Shares	Weighted-Average Exercise Price
Balance at October 31, 2003	243,777	$ 4.88
Granted	—	—
Exercised	(4,096)	4.88
Forfeited	(1)	4.88
Balance at July 31, 2004	239,680	$ 4.88

(7) Note Payable to Bank

The Company has a revolving credit facility with Wachovia Bank, National Association. The three-year credit facility, which expires in April 2005, provides up to a maximum of $25 million and is collateralized by all of the Company's tangible and intangible assets. Borrowings under the credit facility are subject to certain coverage ratios, advance limits and qualifications that are applied to the Company's accounts receivable, inventory and fixed assets. The Company's ability to access the full amount of the credit facility depends on the future growth of the Company's borrowing base. The Company maintains a sweep arrangement with its bank, where at the end of each day, all of the Company's cash is used to paydown its outstanding note payable to the bank, if any. As of July 31, 2004, the Company had no outstanding borrowings under the credit facility, with approximately $11,057,000 unused and available. As of October 31, 2003, the Company had no outstanding borrowings under the credit facility.

The credit facility bears interest at one-half of one percent (0.50%) per annum above the prime rate (facility rate of 4.75% as of July 31, 2004). The facility also provides a LIBOR-based rate at the Company's option. In addition, the Company pays an unused line fee at a rate of one-quarter of one percent (0.25%) per annum on the unused portion, up to $13 million, of the credit facility.

In connection with obtaining and amending the credit facility described above, the Company incurred various costs totaling $35,154 and $308,164 during the fiscal years ended October 31, 2003 and 2002, respectively. These financing costs have been deferred and are included in other assets, net in the accompanying condensed balance sheets. These deferred financing costs are being amortized to interest expense using the straight-line method, which approximates the effective interest method, over the life of the credit facility.

(8) Net Income (Loss) Per Share

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

OPTICAL CABLE CORPORATION
Condensed Notes to Condensed Financial Statements
Nine Months Ended July 31, 2004
(Unaudited)

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

Three Months Ended July 31, 2004	Net Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic net income per share	$ 317,787	5,612,231	$ 0.06
Effect of dilutive stock options and warrants	—	12,665	
Diluted net income per share	$ 317,787	5,624,896	$ 0.06

Three Months Ended July 31, 2003	Net Loss (Numerator)	Shares (Denominator)	Per Share Amount
Basic net loss per share	$ (71,344)	5,452,785	$ (0.01)
Effect of dilutive stock options and warrants	—	—	
Diluted net loss per share	$ (71,344)	5,452,785	$ (0.01)

Nine Months Ended July 31, 2004	Net Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic net income per share	$ 418,895	5,578,962	$ 0.08
Effect of dilutive stock options and warrants	—	47,514	
Diluted net income per share	$ 418,895	5,626,476	$ 0.07

Nine Months Ended July 31, 2003	Net Loss (Numerator)	Shares (Denominator)	Per Share Amount
Basic net loss per share	$ (90,607)	5,831,212	$ (0.02)
Effect of dilutive stock options and warrants	—	—	
Diluted net loss per share	$ (90,607)	5,831,212	$ (0.02)

Stock options that could potentially dilute net income (loss) per share in the future that were not included in the computation of diluted net income (loss) per share (because to do so would have been antidilutive for the periods presented) totaled 356,590 for the three months and nine months ended July 31, 2004 and 386,747 and 391,747, respectively, for the three months and nine months ended July 31, 2003. Likewise, warrants to purchase shares of common stock in connection with the shareholder litigation that could potentially dilute net income (loss) per share in the future that were not included in the computation of diluted net income (loss) per share because to do so would have been antidilutive totaled 250,000 for the three months and nine months ended July 31, 2003.

(9) Shareholders' Equity

On January 10, 2003, the Company repurchased 1,475,867 shares, or 21.3% of its outstanding common stock, no par value, for $2.00 per share in a privately negotiated transaction. The cost of the transaction, including brokerage fees, totaled $3,032,907.

(10) Segment Information and Business and Credit Concentrations

The Company has a single reportable segment for purposes of segment reporting. In addition, the Company's fiber optic cable products are similar in nature.

OPTICAL CABLE CORPORATION
Condensed Notes to Condensed Financial Statements
Nine Months Ended July 31, 2004
(Unaudited)

The Company provides credit, in the normal course of business, to various commercial enterprises, governmental entities and not-for-profit organizations. Concentration of credit risk with respect to trade receivables is limited due to the Company’s large number of customers. The Company also manages exposure to credit risk through credit approvals, credit limits and monitoring procedures. Management believes that credit risks as of July 31, 2004 and October 31, 2003 have been adequately provided for in the condensed financial statements.

For the three months ended July 31, 2004, 15.9% of net sales were attributable to one major domestic distributor. For the three months ended July 31, 2003, 13.8% of net sales were attributable to this distributor. For the nine months ended July 31, 2004 and 2003, 16.1% and 13.8% of net sales were attributable to this distributor. Additionally, for the three months ended July 31, 2003, 10.0% of net sales were attributable to another major domestic distributor. For the nine months ended July 31, 2004 and 2003, approximately 82% and 80%, respectively, of net sales were from customers located in the United States, while approximately 18% and 20%, respectively, were from international customers.

(11) Loss on Impairment of Machinery and Equipment

During the nine months ended July 31, 2003, the Company recorded loss on impairment of machinery and equipment totaling $117,337 due to an automation upgrade initiative. The impairment loss relates to certain machinery and equipment purchased throughout fiscal year 2001 that is being replaced in conjunction with an automation upgrade project. The loss is a noncash item that represents the write-off of the carrying value of the machinery and equipment anticipated to be replaced.

(12) Contingencies

On January 3, 2003, Anicom, Inc. (“Anicom”), a former customer that is in chapter 11 bankruptcy, filed a complaint against the Company in the United States Bankruptcy Court for the Northern District of Illinois, Eastern Division (the “Complaint”). The Complaint sought to avoid and recover certain alleged preferential payments for products in the approximate amount of $1,100,000 made to the Company during the 90-day period preceding Anicom’s bankruptcy filing. Anicom and the Company reached an agreement to settle this claim in April 2004. The terms of the settlement provided that the Company pay $10,000 in full settlement of the claim and that the Company be allowed an unsecured non-priority claim against the bankrupt estate in the same amount. On April 26, 2004, the Company paid $10,000 into an escrow account pending court approval of the settlement. On June 8, 2004, the Court approved the settlement.

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

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

Forward Looking Information

This Form 10-Q may contain certain forward-looking information within the meaning of the federal securities laws. The forward-looking information may include, among other information, (i) statements concerning our outlook for the future, (ii) statements of belief, anticipation or expectation, (iii) future plans, strategies or anticipated events, and (iv) similar information and statements concerning matters that are not historical facts. Such forward-looking information is subject to risks and uncertainties that may cause actual events to differ materially from our expectations. Factors that could cause or contribute to such differences include, but are not limited to, the level of sales to key customers, including distributors; the economic conditions affecting network service providers; corporate spending on information technology; actions by competitors; fluctuations in the price of raw materials (including optical fiber); our dependence on a single manufacturing facility; our ability to protect our proprietary manufacturing technology; market conditions influencing prices or pricing; our dependence on a limited number of suppliers; an adverse outcome in litigation, claims and other actions, and potential litigation, claims and other actions against us; an adverse outcome in regulatory reviews and audits and potential regulatory reviews and audits; an adverse change in laws and regulations associated with the extraterritorial income exclusion; adverse changes in state tax laws and/or positions taken by state taxing authorities affecting us; technological changes and introductions of new competing products; economic conditions that affect the telecommunications sector, certain technology sectors or the economy as a whole; terrorist attacks or acts of war, particularly given the acts of terrorism against the United States and subsequent military responses by the United States, and any potential future military conflicts; ability to retain key personnel; the impact of changes in accounting policies, including those by the Securities and Exchange Commission and the Public Company Accounting Oversight Board; changes in market demand, exchange rates, productivity, weather or market and economic conditions in the areas of the world in which we operate and market our products, and our success in managing the risks involved in the foregoing.

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

Dollar amounts presented in the following discussion have been rounded to the nearest hundred thousand, unless the amounts are less than one million, in which case the amounts have been rounded to the nearest thousand.

Overview

During the third quarter of our 2004 fiscal year, we reported a 9.8% increase in net sales when compared to the third quarter of 2003. Net sales increased 5.0% for the nine months ended July 31, 2004 when compared to the same period in 2003. We reported net income of $318,000, or $0.06 per common share (basic and diluted), and $419,000, or $0.08 per common share (basic) and $0.07 per common share (diluted), for the three months and nine months ended July 31, 2004, respectively. We believe improvements in the markets in which we operate, as well as our market segment initiatives and other ongoing initiatives, have contributed to the increase in net sales in the third quarter of 2004 and the nine months ended July 31, 2004 compared to the same periods in the prior year. Additionally, we continued to report a positive cash balance in the third quarter of 2004, avoiding the need to use our credit facility for either working capital or capital expenditures.

We are a leading manufacturer of a broad range of tight buffered fiber optic cables for high bandwidth transmission of data, video and audio communications, primarily sold into the local area network and premises markets, often referred to as the enterprise market. Our fiber optic cables are well-suited for use in short to moderate distance applications, including applications in the enterprise market.

We pioneered the design and production of special tight buffered fiber optic cables for the most demanding military field applications in the early 1980's. At our ISO 9001:2000 registered facility in Roanoke, Virginia, we manufacture a broad range of fiber optic cables that can be used both indoors and outdoors and utilize a tight buffered coating process that provides mechanical and environmental protection for the optical fiber. Our current product portfolio is built on the evolution of our fundamental technologies and designed to provide end-users with significant value.

Our fiber optic cables are easy and economical to install, provide a high degree of reliability and offer outstanding performance characteristics. We have designed and implemented an efficient, automated manufacturing process based on our proprietary technologies. This enables us to produce high quality indoor/outdoor tight buffered fiber optic cable rapidly and cost efficiently.

We sell our products internationally and domestically through our sales force to our customers, which include major distributors, regional distributors, various smaller distributors and original equipment manufacturers. International net sales were 22% and 20% of total net sales for the quarters ended July 31, 2004 and 2003, respectively. International net sales were 18% and 20% of total net sales for the nine months ended July 31, 2004 and 2003, respectively. By comparison, international net sales were 14% for the second quarter of fiscal year 2004 and 19% for both the first quarter of fiscal year 2004 and our fiscal year ended October 31, 2003. Substantially all of our international sales are denominated in U.S. dollars. Fluctuations in the percentage of international net sales from quarter to quarter and compared to the same periods in the prior year occur based on the timing of large international orders, coupled with the impact of increases or decreases in domestic sales. We currently expect international net sales as a percentage of net sales for our fiscal year ending October 31, 2004 to be relatively consistent with that of fiscal year 2003; however, fluctuations in timing or magnitude of international sales may cause our results to differ from our expectations.

Net sales consist of gross sales of products less discounts, refunds and returns. Revenue is recognized at the time of product shipment or delivery to the customer (including distributors) provided that the customer takes ownership and assumes risk of loss, based on shipping terms. During the third quarter of 2004 and 2003, respectively, 15.9% and 13.8% of our net sales were attributable to one major domestic distributor. For the nine months ended July 31, 2004 and 2003, 16.1% and 13.8%, respectively, of net sales were attributable to this distributor. This distributor accounted for 14.9% of our net sales in fiscal year 2003. Additionally, for the three months ended July 31, 2003, 10.0% of net sales were attributable to another major domestic distributor. Other than these two distributors, no single customer accounted for more than 10% of our net sales during the third quarter of fiscal years 2004 or 2003, the nine months ended July 31, 2004 or 2003 or for the fiscal year ended October 31, 2003.

A significant percentage of the selling price of our fiber optic cable is based on the cost of raw materials used. Single-mode fiber is less expensive than multimode fiber, and consequently single-mode fiber optic cables have a lower per unit selling price than comparable multimode fiber optic cables. We believe that the metropolitan and access markets are predominantly the users of single-mode fiber optic cable, and that increasingly, single-mode fiber optic cable is also being used for other short to moderate distance installations where higher bandwidth is required. However, any trend toward the use of single-mode fiber optic cables in such other installations may be slowed to the extent that 50 micron 1 gigabit and 10 gigabit multimode fiber optic cables are used to satisfy current bandwidth demands. To the extent that our sales mix shifts toward single-mode cables, we will have to increase the volume of our sales to maintain our current level of net sales.

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

(Continued)

Selling, general and administrative expenses, also referred to as "SG&A expenses," consist of the compensation costs for sales and marketing personnel, shipping costs, travel expenses, customer support expenses, trade show expenses, advertising, bad debt expense, the compensation cost for administration, finance and general management personnel, as well as legal and accounting fees and costs incurred to settle litigation or claims and other actions against us, excluding legal and accounting fees and other costs reflected as shareholder litigation settlement expense.

Results of Operations

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

	Three Months Ended July 31,			Nine Months Ended July 31,		
	2004	2003	Percent Change	2004	2003	Percent Change
Net sales	$ 11,265,000	$ 10,260,000	9.8%	$ 31,268,000	$ 29,765,000	5.0%
Gross profit	4,570,000	3,017,000	51.5	12,390,000	10,369,000	19.5
SG&A expenses	4,040,000	2,907,000	39.0	11,638,000	9,553,000	21.8
Net income (loss)	318,000	(71,000)	545.4	419,000	(91,000)	562.3

Three Months Ended July 31, 2004 and 2003

Net Sales

Net sales increased 9.8% to $11.3 million for the third quarter of fiscal year 2004 from $10.3 million for the same period in 2003. As expected, net sales for the third quarter of 2004 were also higher than net sales of $10.7 million for the second quarter of 2004 and net sales of $9.3 million for the first quarter of 2004 due to seasonality factors. We believe the pattern of net sales experienced during fiscal year 2003 and the first, second and third quarters of 2004 are consistent with the seasonality patterns experienced by us prior to fiscal year 2001. Specifically, net sales historically were relatively lower in the first half of each fiscal year and relatively higher in the second half of each fiscal year, which we believe may be partially due to the construction cycles and budgetary considerations of our customers. During fiscal year 2003, net sales increased sequentially from quarter to quarter, a pattern we believe will be repeated in fiscal year 2004. We believe our market segment initiatives and other ongoing initiatives have contributed to the sequential increase in sales in the third quarter of 2004 and compared to the same three month period in the prior year. Our forward sales order load has increased during fiscal year 2004 which is also consistent with this belief.

During the third quarter of 2004, we experienced an increase in product mix for cable containing multimode fiber (which typically has a higher relative sales price), compared to cable containing single-mode fiber (which typically has a lower relative sales price), when compared to the third quarter of 2003.

Cable containing multimode fiber is generally used for communications over shorter distances where the higher bandwidth capacity and the higher transmission equipment cost of single-mode fiber is not required. Cable containing single-mode fiber is generally used for communications over longer distances and where higher bandwidth capacity is required.

Gross Profit

Gross profit increased 51.5% to $4.6 million for the third quarter of 2004 from $3.0 million for the same period in 2003. Gross profit margin, or gross profit as a percentage of net sales, was 40.6% for the third quarter of 2004 compared to 29.4% in the third quarter of 2003. During the third quarter of 2003, gross profit margin was negatively impacted by a charge of $166,000 resulting from a change in estimate with respect to the net

(Continued)

realizable value of certain finished goods inventory; and a charge of $133,000 resulting from a change in estimate regarding the collectibility of a refund associated with raw material purchases. By comparison, gross profit margin for the first and second quarters of 2004 was 39.0% and 39.2%, respectively. The higher than anticipated gross profit margins during fiscal year 2004 were the result of the sale of a mix of products with higher margins during the period and the sale of inventory during the first quarter of 2004 which had previously been estimated to have a lower net realizable value compared to its manufacturing cost.

Selling, General and Administrative Expenses

SG&A expenses increased 38.9% to $4.0 million in the third quarter of 2004 from $2.9 million for the same period last year. SG&A expense as a percentage of net sales were 35.8% in the third quarter of 2004 compared to 28.3% in the third quarter of 2003. The higher percentage in third quarter of 2004 reflects the fact that SG&A expenses increased $1.1 million compared to the third quarter of 2003. By comparison, SG&A expenses in the second quarter of 2004 were $4.1 million. The largest element of the net increase in SG&A expenses during the third quarter of 2004 compared to the same period last year was compensation costs. The increase in compensation costs represented approximately 65% of the net increase. Compensation costs have increased as a result of increases in commissions as net sales have increased, increases in employee incentives targeted to improve financial results, incentives paid to the sales force associated with the Company's market segment initiatives and new hires. Other costs that contributed to the increase in SG&A include costs associated with the expensing of restricted stock grants for both members of management and non-employee directors. As previously disclosed, during fiscal year 2004 we began using restricted stock grants as management incentives in lieu of stock options. Additionally, during 2004, in accordance with our 2004 Non-employee Directors Stock Plan approved by the shareholders at our annual meeting on March 9, 2004, we began using restricted stock grants as partial compensation for non-employee Directors as payment for Board services in lieu of cash. Generally, restricted stock grants are expensed over the vesting period of the grant, where stock options have historically not been expensed.

Shareholder Litigation Settlement Expense

We recorded a charge during fiscal year 2003 in the amount of $871,000 representing additional costs incurred in the settlement of the consolidated shareholder class action lawsuit. Of the total amount expensed, approximately $862,000 represented an increase in the fair value of the warrants to purchase 250,000 shares of our common stock at an exercise price of $4.88 per share issued in connection with the settlement of the shareholder litigation. U.S. generally accepted accounting principles required the fair value of the warrants to be adjusted at each reporting period until such time that the following two conditions were met: (i) we were irrevocably obligated to issue the warrants, and (ii) the underlying shares of common stock to be issued on exercise were registered. The second and final of these two conditions was satisfied on May 19, 2003 when the Securities and Exchange Commission, also referred to as the "SEC," declared the registration statement for the underlying shares of common stock to be effective. The expense associated with the increase in the fair value of the warrants was a noncash item and had no impact on our net cash flow. During the third quarter of 2003, we recorded an additional $296,000 of noncash expense resulting from the variable accounting treatment of the warrants. The warrant expense portion of the shareholder litigation settlement expense was calculated using the Black-Scholes pricing model. The closing price of our common stock of $5.80 on May 19, 2003, the date the registration statement was declared effective by the SEC, was used in that calculation.

Subsequent to May 19, 2003, no further adjustment of the fair value was required. Therefore, there was no similar charge in the third quarter of 2004 and after the third quarter of fiscal year 2003 future periods' statements of operations were not impacted by the variable accounting treatment. During the fiscal year ended October 31, 2003, the fair value of the warrants, net of issuance costs, was reclassified from an accrued liability to permanent equity in accordance with U.S. generally accepted accounting principles.

The shareholder lawsuit is described in more detail in our discussion of "Liquidity and Capital Resources."

Other Expense, Net

Other expense, net increased to $38,000 in the third quarter of 2004 from $32,000 in the third quarter of 2003. The increase was primarily due to changes in the foreign exchange rate used to settle outstanding foreign accounts receivable during the third quarter of 2004 when compared to 2003, partially offset by an increase in interest income.

Income (Loss) Before Income Tax Expense (Benefit)

We reported income before income tax expense of $492,000 for the third quarter of fiscal year 2004 compared to a loss before income tax benefit of $218,000 for the third quarter of fiscal year 2003. This change was primarily due to an increase in gross profit of $1.6 million and the nonrecurring noncash charge recorded during the third quarter of fiscal year 2003 described further in our discussion of "Shareholder Litigation Settlement Expense," partially offset by the increase in SG&A expenses of $1.1 million.

Income Tax Expense (Benefit)

Income tax expense totaled $174,000 for the third quarter of fiscal year 2004 compared to an income tax benefit of $147,000 for the third quarter of 2003. This change results from the fact that we had income before taxes in the third quarter of 2004 as opposed to a loss before taxes in the third quarter of 2003 and a change in our expected effective tax rate when comparing the two periods. Our effective tax rate was 35.4% in the third quarter of 2004 compared to 67.3% in the third quarter of 2003.

Fluctuations in our effective tax rates are due primarily to the amount and timing of the tax benefits related to our estimated Extraterritorial Income Exclusion, also referred to as "EIE," which exempts from federal income taxation a portion of the net profit realized from sales outside of the United States of products manufactured inside the United States. The EIE is calculated by a complex analysis of all export sales and profits for the year. Fluctuations in the ratio of export sales and profitability to total sales and profitability create changes in the EIE.

The World Trade Organization has ruled against the United States' EIE regime. In the ruling the World Trade Organization gave permission to the European Union to sanction tariffs on certain products manufactured in the United States if the EIE regime was not repealed by March 31, 2004. There are two bills before the United States Congress that would repeal the EIE regime. The legislation has passed both houses of the United States Congress, but will require reconciliation in Joint Committee. Depending on political factors there could be a delay in passage of the legislation until after the Presidential election in November. Currently, the legislation is not expected to be retroactive, giving taxpayers full benefit for 2003. As a result of the proposed legislation, we are uncertain as to the extent that we will be able to realize the EIE benefit in 2004 and future years.

Net Income (Loss)

Net income for the third quarter of 2004 was $318,000 compared to a net loss of $71,000 for the third quarter of 2003. This change was due primarily to the fact that we had income before income tax expense during the third quarter of 2004 compared to a loss before income tax benefit in the third quarter of 2003, partially offset by the impact of the change in the effective tax rate when comparing the two periods.

Nine Months Ended July 31, 2004 and 2003

Net Sales

Net sales increased 5.0% to $31.3 million for the nine months ended July 31, 2004 from $29.8 million for the same period in 2003. We believe the pattern of net sales experienced during the fiscal year 2003 and the first, second and third quarters of 2004 are consistent with the seasonality patterns experienced by us prior to fiscal year 2001. Specifically, net sales historically were relatively lower in the first half of each fiscal year and

(Continued)

relatively higher in the second half of each fiscal year, which we believe may be partially due to the construction cycles and budgetary considerations of our customers.

During the first nine months of 2004, we experienced a slight increase in product mix for cable containing single-mode fiber (which typically has a lower relative sales price), compared to cable containing multimode fiber (which typically has a higher relative sales price), when compared to the same period in 2003. At the same time we experienced an increase in our average selling price per fiber meter during the first nine months of 2004 compared to the same period in 2003.

Gross Profit

Gross profit increased 19.5% to $12.4 million for the first nine months of fiscal year 2004 from $10.4 million for the same period in 2003. Gross profit margin, or gross profit as a percentage of net sales, increased to 39.6% in the first nine months of fiscal year 2004 from 34.8% in the first nine months of 2003. The higher than anticipated gross profit margins during the first nine months of 2004 were the result of the sale of a mix of products with higher margins during the second and third quarters of fiscal year 2004 and an increase in gross profit margin during the first quarter of fiscal year 2004 primarily attributable to the sale of inventory which had previously been estimated to have a lower net realizable value compared to its manufacturing cost. The gross profit margins during the first nine months of fiscal year 2003 were also reflective of the issues identified as impacting the gross profit margin for the third quarter of 2003.

Selling, General and Administrative Expenses

SG&A expenses increased 21.8% to $11.6 million in the first nine months of 2004 from $9.6 million for the same period last year. SG&A expenses as a percentage of net sales were 37.2% in the first nine months of 2004 compared to 32.1% in the first nine months of 2003. The higher percentage in the first nine months of 2004 reflects the fact that SG&A expenses increased $2.1 million compared to the first nine months of 2003. The two largest elements of the net increase in SG&A expenses during the first nine months of 2004 compared to the same period in 2003 were compensation costs and marketing and advertising expenditures – which together represented approximately 87% of the net increase. Marketing and advertising expenses increased as a result of our efforts to increase market penetration including efforts associated with our market segment initiatives. Compensation costs have increased as a result of increases in commissions as net sales have increased, increases in employee incentives targeted to improve financial results, incentives paid to the sales force associated with the Company’s market segment initiatives and new hires. Other costs that contributed to the increase in SG&A include costs associated with the expensing of restricted stock grants for both members of management and non-employee directors. As previously disclosed, during fiscal year 2004 we began using restricted stock grants as management incentives in lieu of stock options. Additionally, during 2004, in accordance with our 2004 Non-employee Directors Stock Plan approved by the shareholders at our annual meeting on March 9, 2004, we began using restricted stock grants as partial compensation for non-employee Directors as payment for Board services in lieu of cash. Generally, restricted stock grants are expensed over the vesting period of the grant, where stock options have historically not been expensed.

Shareholder Litigation Settlement Expense

We recorded a charge during fiscal year 2003 in the amount of $871,000 representing additional costs incurred in the settlement of the consolidated shareholder class action lawsuit. Of the total amount expensed, approximately $862,000 represented an increase in the fair value of the warrants to purchase 250,000 shares of our common stock at an exercise price of $4.88 per share issued in connection with the settlement of the shareholder litigation. U.S. generally accepted accounting principles required the fair value of the warrants to be adjusted at each reporting period until such time that the following two conditions were met: (i) we were irrevocably obligated to issue the warrants, and (ii) the underlying shares of common stock to be issued on exercise were registered. The second and final of these two conditions was satisfied on May 19, 2003 when the SEC declared the registration

 (Continued)

statement for the underlying shares of common stock to be effective. The expense associated with the increase in the fair value of the warrants was a noncash item and had no impact on our net cash flow. During the first nine months of 2003, we recorded an additional $862,000 of noncash expense resulting from the variable accounting treatment of the warrants. The warrant expense portion of the shareholder litigation settlement expense was calculated using the Black-Scholes pricing model. The closing price of our common stock of $5.80 on May 19, 2003, the date the registration statement was declared effective by the SEC, was used in that calculation.

Subsequent to May 19, 2003, no further adjustment of the fair value was required. Therefore, there was no similar charge in the first nine months of 2004 and after the third quarter of fiscal year 2003 future periods' statements of operations were not impacted by the variable accounting treatment. During the fiscal year ended October 31, 2003, the fair value of the warrants, net of issuance costs, was reclassified from an accrued liability to permanent equity in accordance with U.S. generally accepted accounting principles.

The shareholder lawsuit is described in more detail in our discussion of "Liquidity and Capital Resources."

Loss on Impairment of Machinery and Equipment

During the first nine months of fiscal year 2003, we recorded a loss on impairment of machinery and equipment totaling $117,000 due to an automation upgrade initiative. The impairment loss relates to certain machinery and equipment purchased throughout fiscal year 2001, not yet placed into service, that is being replaced in conjunction with an automation upgrade project. The loss is a noncash item that represents the write-off of the carrying value of the machinery and equipment anticipated to be replaced.

Other Expense, Net

Other expense, net increased to $104,000 during the nine months ended July 31, 2004 from $75,000 for the same period in 2003. The increase was primarily due to changes in the foreign exchange rate used to settle outstanding foreign accounts receivable during the first nine months of 2004 when compared to the same period in 2003, partially offset by a decrease in interest expense resulting from changes in the balance outstanding under our revolving line of credit and an increase in interest income. See also "Liquidity and Capital Resources" for further discussion of our revolving credit facility.

Income (Loss) Before Income Tax Expense (Benefit)

We reported income before income tax expense of $648,000 for the first nine months of fiscal year 2004 compared to a loss before income tax benefit of $246,000 for the same period in 2003. This change was primarily due to an increase in gross profit of $2.0 million and the two nonrecurring noncash charges recorded during the first nine months of fiscal year 2003 described further in our discussion of "Shareholder Litigation Settlement Expense" and "Loss on Impairment of Machinery and Equipment," partially offset by the increase in SG&A expenses of $2.1 million.

Income Tax Expense (Benefit)

Income tax expense totaled $229,000 for the first nine months of fiscal year 2004 compared to an income tax benefit of $155,000 for the first nine months of 2003. This change results from the fact that we had income before taxes in the first nine months of 2004 as opposed to a loss before taxes in the first nine months of 2003 and a change in our expected effective tax rate when comparing the two periods. Our effective tax rate was 35.3% in the first nine months of 2004 compared to 63.1% for the same period in 2003.

Fluctuations in our effective tax rates are due primarily to the amount and timing of the tax benefits related to our estimated Extraterritorial Income Exclusion, also referred to as "EIE," which exempts from federal income taxation a portion of the net profit realized from sales outside of the United States of products manufactured inside the United States. The EIE is calculated by a complex analysis of all export sales and profits for the year. Fluctuations in the ratio of export sales and profitability to total sales and profitability create changes in the EIE.

The World Trade Organization has ruled against the United States' EIE regime. In the ruling the World Trade Organization gave permission to the European Union to sanction tariffs on certain products manufactured in the United States if the EIE regime was not repealed by March 31, 2004. There are two bills before the United States Congress that would repeal the EIE regime. The legislation has passed both houses of the United States Congress, but will require reconciliation in Joint Committee. Depending on political factors there could be a delay in passage of the legislation until after the November election. Currently, the legislation is not expected to be retroactive, giving taxpayers full benefit for 2003. As a result of the proposed legislation, we are uncertain as to the extent that we will be able to realize the EIE benefit in 2004 and future years.

Net Income (Loss)

Net income for the first nine months of 2004 was $419,000 compared to a loss of $91,000 for the same period in 2003. This change was due primarily to the fact that we had income before income tax expense during the first nine months of 2004 compared to a loss before income tax benefit for the same period in 2003, partially offset by the impact of the change in the effective tax rate when comparing the two periods.

Financial Condition

Total assets increased $583,000, or 1.9%, to $30.8 million at July 31, 2004, from $30.2 million at October 31, 2003. This increase was primarily due to a $731,000 increase in cash and a $401,000 increase in trade accounts receivable, net, partially offset by a $241,000 decrease in income taxes refundable and a $233,000 decrease in deferred income taxes. Further detail regarding the increase in cash is provided in our discussion of "Liquidity and Capital Resources." Accounts receivable, net, typically fluctuates with increases or decreases in sales and the timing of payments. Income taxes refundable decreased in the first nine months of 2004 as the Company received tax refunds during the period of approximately $245,000 and deferred income taxes decreased during the first nine months of 2004 as a result of timing of the reversal of deferred tax items in accordance with U.S. generally accepted accounting principles.

Total liabilities decreased $66,000, or 1.8%, to $3.5 million at July 31, 2004, from $3.6 million at October 31, 2003. This decrease was due to a $360,000 decrease in accounts payable and accrued expenses, partially offset by a $294,000 increase in accrued compensation and payroll taxes. The decrease in accounts payable and accrued expenses was largely a result of a decrease in customer deposits resulting from sales to one customer during the first nine months of 2004 and timing of purchases of raw materials. The decrease in accrued compensation was largely a result of the accrual of incentive compensation impacted by results for the first nine months of fiscal year 2004 and the accrual of severance payments to be made under a previously existing employment agreement.

Total shareholders' equity at July 31, 2004 increased $649,000, or 2.4% in the first nine months of 2004. The increase resulted from increases in stock-based compensation totaling $210,000, proceeds from the exercise of warrants to purchase common stock totaling $20,000 and net income retained of $419,000.

Liquidity and Capital Resources

Our primary capital needs during the first nine months of 2004 have been to fund working capital requirements and capital expenditures. Our primary source of capital for these purposes has been cash provided from operations. As of July 31, 2004 and October 31, 2003, we had no outstanding balance under our bank line of credit.

Our cash totaled $3.1 million as of July 31, 2004, an increase of $731,000, compared to $2.3 million as of October 31, 2003. We maintain a sweep account arrangement with our bank, where at the end of each day all of our cash is used to paydown our outstanding note payable to the bank, if any. The increase in cash for the nine

(Continued)

months ended July 31, 2004, was primarily due to net cash provided by operating activities of $1.3 million partially offset by purchases of property and equipment totaling $596,000.

On July 31, 2004, we had working capital of $15.2 million compared to $14.3 million as of October 31, 2003. The ratio of current assets to current liabilities as of July 31, 2004, was 5.4 to 1, compared to 5.0 to 1 as of October 31, 2003. The increase in working capital during the first nine months of 2004 was primarily caused by a $731,000 increase in cash and a $401,000 increase in trade accounts receivable, net, partially offset by a $241,000 decrease in income taxes refundable.

Net cash provided by operating activities was $1.3 million in the first nine months of fiscal year 2004, compared to $2.5 million in the first nine months of 2003. Net cash provided by operating activities during the first nine months of 2004 primarily resulted from net income of $419,000 and certain adjustments to reconcile net income to net cash provided by operating activities, including: depreciation, amortization and accretion of $739,000, deferred income tax expense of $233,000, and stock-based compensation expense of $210,000. Additionally, a decrease in income taxes refundable of $241,000 and an increase in accrued compensation and payroll taxes of $294,000 contributed to net cash provided by operating activities. All of the aforementioned factors positively affecting cash provided by operating activities were partially offset by an increase in trade accounts receivable of $435,000 and a decrease in accounts payable and accrued expenses of $417,000. Net cash provided by operating activities during the nine months ended July 31, 2003 primarily resulted from certain adjustments to reconcile net loss to net cash provided by operating activities, including depreciation, amortization and accretion of $859,000, bad debt expense of $120,000, shareholder litigation settlement expense of $862,000 and loss on impairment of machinery and equipment of $117,000. Additionally, a $1.4 million decrease in inventories, partially offset by a decrease of $1.1 million in accounts payable and accrued expenses and other liabilities (including accrued compensation and payroll taxes) contributed to net cash provided by operating activities.

Net cash used in investing activities totaled $596,000 in the first nine months of fiscal year 2004, compared to $366,000 in the first nine months of fiscal year 2003. Net cash used in investing activities during the first nine months of fiscal years 2004 and 2003 resulted entirely from purchases of property and equipment. As of July 31, 2004 we had commitments to purchase machinery and equipment totaling approximately $425,000.

Net cash provided by financing activities was $20,000 in the first nine months of fiscal year 2004, compared to net cash used in financing activities of $2.9 million in the first nine months of fiscal year 2003. Net cash provided by financing activities in the first nine months of 2004 resulted entirely from proceeds received from the exercise of warrants. Net cash used in financing activities in the first nine months of 2003 was primarily the result of the repurchase of 21.3% of our outstanding shares of common stock for $2 per share plus brokerage fees, partially offset by proceeds from notes payable to our bank under our line of credit.

We have a revolving credit facility with Wachovia Bank, National Association (formerly First Union National Bank). The three-year credit facility provides up to a maximum of $25 million and is collateralized by all of our tangible and intangible assets. Borrowings under the credit facility are subject to certain coverage ratios, advance limits and qualifications that are applied to our accounts receivable, inventory and fixed assets. Our ability to access the full amount of the credit facility depends on the future growth of our borrowing base. As of July 31, 2004, we had no outstanding borrowings under the credit facility, with approximately $11.1 million unused and available.

The credit facility bears interest at one-half of one percent (0.50%) per annum above the prime rate (facility rate of 4.75% as of July 31, 2004). The facility also provides a LIBOR based rate at our option. In addition, we pay an unused line fee at a rate of one-quarter of one percent (0.25%) per annum on the unused portion, up to $13 million, of the credit facility.

We believe that our cash flow from operations and our credit facility will be adequate to fund our operations for at least the next twelve months. We anticipate being able to extend our current credit facility prior to its expiration in April of 2005.

(Continued)

As of July 31, 2004, we have one “take or pay” agreement to purchase raw optical fiber. This supply agreement was made in the ordinary course of business. Alternative suppliers exist that could provide this material at a similar cost in the event this supplier is unable or unwilling to perform under the contract. A second supply agreement terminated during the first nine months of fiscal year 2004 in accordance with certain terms of the agreement. See further information related to these supply agreements in our discussion of “Contractual Obligations and Commitments.”

In four class action lawsuits, filed between November 26, 2001 and January 31, 2002, the Company, Robert Kopstein, our former Chairman, President and Chief Executive Officer, and two other officers and directors, Luke J. Huybrechts and Kenneth W. Harber, were named as defendants in a consolidated class action lawsuit pending in the United States District Court for the Western District of Virginia (the “Consolidated Suit”).

On September 23, 2002, the Court entered an Order and Final Judgment, approving the settlement and dismissing the Consolidated Suit with prejudice. The settlement provided for a cash payment of $700,000 and the issuance of warrants to purchase 250,000 shares of our common stock at an exercise price per share of $4.88.

We paid $500,000 of the cash portion of the settlement upon preliminary court approval. The second and final installment, totaling $200,000, of the cash portion of the settlement was paid on November 1, 2002. The warrants are exercisable for five years. We have registered the shares issuable upon the exercise of the warrants under the Securities Act of 1933, as amended. See also information related to “Shareholder Litigation Settlement Expense,” included in our discussion of “Results of Operations.”

On January 3, 2003, Anicom, Inc., a former customer that is in Chapter 11 bankruptcy, filed a complaint against us in the United States Bankruptcy Court for the Northern District of Illinois, Eastern Division, also referred to as the ”Complaint.” The Complaint sought to avoid and recover certain alleged preferential payments in the approximate amount of $1.1 million made to us during the 90-day period preceding Anicom’s bankruptcy filing. We reached an agreement with Anicom to settle this claim in April 2004. The terms of the settlement provided that we pay $10,000 in full settlement of the claim and that we would be allowed an unsecured non-priority claim against the bankrupt estate in the same amount. On April 26, 2004, we paid $10,000 into an escrow account pending court approval of the settlement. On June 8, 2004, the Court approved the settlement.

During fiscal year 2001, we wrote off approximately $2.2 million for estimated uncollectible accounts receivable from Anicom. We have received offers, which have since expired, to sell our claim against the bankrupt estate. At this time, we have decided not to sell our claim in the bankruptcy proceeding. A subsequent recovery, if any, will be recognized when payment is received.

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

Seasonality

Historically, net sales are relatively lower in the first half of each fiscal year and relatively higher in the second half of each fiscal year, which we believe may be partially due to construction cycles and budgetary cycles of our customers. For example, an average of approximately 45% of our net sales occurred during the first half of the fiscal year and an average of approximately 55% of our net sales occurred during the second half of the fiscal year for fiscal years 1996 through 2000. However, our net sales did not follow this pattern in fiscal year 2002 or 2001. In fiscal years 2002 and 2001, approximately 52% and 57% of our net sales occurred during the first half of the fiscal year, respectively, and approximately 48% and 43% of our net sales occurred during the second half of the fiscal year, respectively. We believe this shift in the pattern of our net sales appears to be related to overall economic conditions in the industry at the time. During fiscal year 2003, approximately 47% of our net sales occurred during the first half of the fiscal year and approximately 53% of our net sales occurred during the

 (Continued)

second half of the fiscal year. The pattern of net sales we experienced during fiscal year 2003 may reflect a return to the historical seasonality patterns and we believe we will see a similar pattern in fiscal year 2004.

Contractual Obligations and Commitments

Long-Term Optical Fiber Supply Agreements

During fiscal year 2001, we entered into separate long-term supply agreements with two raw optical fiber suppliers. Both supply agreements were made in the ordinary course of business.

The agreement with the first optical fiber supplier was amended in December 2002 to significantly reduce the amount of our total fiber purchase commitment. Additionally, this amended supply agreement required that one-half of our aggregate multimode fiber purchases and one-half of our aggregate single-mode fiber purchases through December 31, 2005 be purchased from that supplier at market prices. The agreement, as amended, was expected to expire on December 31, 2005; however, certain terms of the agreement allowed for earlier termination in the event that certain conditions were met. This agreement has terminated in accordance with those terms.

An agreement with a second optical fiber supplier was also amended in December 2002 to significantly reduce the amount of our total fiber purchase commitment. This supply agreement, as amended, sets forth certain quantities to be purchased for calendar years 2003, 2004 and 2005. However, the supply agreement allows us to carry over the purchase commitment of any year to future years without penalty in the event the target quantities in any year are not met; provided that the aggregate amount of the purchase commitment under the supply agreement must be satisfied by December 31, 2005.

Critical Accounting Policies

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

Note 1 to the annual financial statements filed with our 2003 Form 10-K provides a summary of our significant accounting policies. The following are areas requiring significant judgments and estimates due to uncertainties as of the reporting date: revenue recognition, trade accounts receivable and the allowance for doubtful accounts, inventories, long-lived assets, and commitments and contingencies.

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

Revenue Recognition

Management views revenue recognition as a critical accounting estimate since we must estimate an allowance for sales returns for the reporting period. This allowance reduces net sales for the period and is based on our analysis and judgment of historical trends, identified returns and the potential for additional returns.

Trade Accounts Receivable and the Allowance for Doubtful Accounts

Management views trade accounts receivable and the related allowance for doubtful accounts as a critical accounting estimate since the allowance for doubtful accounts is based on judgments and estimates concerning

(Continued)

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

Inventories

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

Long-lived Assets

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

Economic useful life is the duration of time the asset is expected to be productively employed by us, which may be less than its physical life. Management's assumptions on wear and tear, obsolescence, technological advances and other factors affect the determination of estimated economic useful life. The estimated economic useful life of an asset is monitored to determine it continues to be appropriate in light of changes in business circumstances. For example, technological advances or excessive wear and tear may result in a shorter estimated useful life than originally anticipated. In such a case, we would depreciate the remaining net book value of an asset over the new estimated remaining life, thereby increasing depreciation expense per year on a prospective basis. Over the past three years, changes in economic useful life assumptions have not had a material impact on our reported results.

We must also consider similar issues when determining whether or not an asset has been impaired to the extent that we must recognize a loss on such impairment. For example during the first quarter of 2003 we recorded a loss on impairment of machinery and equipment totaling $117,000 due to an automation upgrade initiative which is discussed further in note 11 of the notes to the condensed financial statements.

Commitments and Contingencies

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

Recent Developments

As discussed in our Proxy Statement, effective as of the annual meeting of shareholders on March 9, 2004, one member of the Audit Committee did not meet the new requirements for independence under the Securities Exchange Act of 1934, as amended by the Sarbanes-Oxley Act of 2002, because this member performs consulting services for us.

 (Continued)

As a result of this lack of independence, the member resigned from the Audit Committee as planned, effective as of the annual meeting. As a result, the Audit Committee consisted of two members, both of whom satisfied the applicable requirements for independence of the Nasdaq Stock Market and the Securities and Exchange Commission.

The Nasdaq Stock Market requires that the audit committees of Nasdaq National Market listed companies consist of at least three members. As a result, we were not in compliance with the Nasdaq Stock Market rules effective March 9, 2004. On March 5, 2004, we notified the Nasdaq Stock Market of our pending noncompliance. Nasdaq granted an extension of time to achieve compliance and on July 12, 2004, we notified Nasdaq that we had appointed a new member of the Board of Directors who also filled the vacancy on the Audit Committee.

Future Accounting Considerations

As of September 2, 2004, there are no new accounting standards issued, but not yet adopted by us, which are expected to be applicable to our financial position, operating results or financial statement disclosures.

(Continued)

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We do not engage in transactions in derivative financial instruments or derivative commodity instruments. As of July 31, 2004, our financial instruments were not exposed to significant market risk due to interest rate risk, foreign currency exchange risk, commodity price risk or equity price risk.

Item 4. Controls and Procedures

Senior management, including the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation process, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective and that there have been no changes in the Company's internal control over financial reporting that occurred during the last fiscal quarter that have materially affected, or are reasonable likely to materially affect, the Company's internal control over financial reporting. Since that evaluation process was completed, there have been no significant changes in internal controls or in other factors that could significantly affect these controls.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

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

(b) Reports on Form 8-K filed during the three months ended July 31, 2004:

Form 8-K dated June 14, 2004 and filed June 18, 2004, furnishing under items 7 and 12 a news release announcing results of operations and financial condition for the quarter ended April 30, 2004 and furnishing the transcript of the earnings call held on June 14, 2004.

SIGNATURES

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

	OPTICAL CABLE CORPORATION (Registrant)
Date: September 10, 2004	/s/ Neil D. Wilkin, Jr.
	Neil D. Wilkin, Jr. Chairman of the Board of Directors, President and Chief Executive Officer (principal executive officer)
Date: September 10, 2004	/s/ Tracy G. Smith
	Tracy G. Smith Vice President and Chief Financial Officer (principal financial and accounting officer)

Table of Contents

Exhibit Index

Exhibit No.	Description
Exhibit 3.1	Articles of Amendment filed November 5, 2001 to the Amended and Restated Articles of Incorporation, as amended through November 5, 2001 (incorporated by reference to Exhibit 1 to the Company's Form 8-A filed with the Commission on November 5, 2001).
Exhibit 3.2	Bylaws of Optical Cable Corporation, as amended. FILED HEREWITH.
Exhibit 4.1	Form of certificate representing Common Stock. FILED HEREWITH.
Exhibit 4.2	Rights Agreement dated as of November 2, 2001 (filed as Exhibit 4 to the Company's Form 8-A filed with the Commission on November 5, 2001 and incorporated by reference herein).
Exhibit 4.3	Form of certificate representing preferred share purchase right (filed as Exhibit 5 to the Company's Form 8-A filed with the Commission on November 5, 2001 and incorporated by reference herein).
Exhibit 4.4	Warrant Agreement dated as of October 24, 2002 (filed as Exhibit 4.1 to the Company's Form S-3 filing with the Commission on February 11, 2003 and incorporated by reference herein).
Exhibit 4.5	Form of warrant certificate (filed as Exhibit 4.2 to the Company's Form S-3 filing with the Commission on February 11, 2003 and incorporated by reference herein).
Exhibit 11.1	Statement Regarding Computation of Per Share Earnings (incorporated by reference to note 8 of the Unaudited Condensed Notes to Condensed Financial Statements contained herein).
Exhibit 31.1	Certification of the Company's Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a). FILED HEREWITH.
Exhibit 31.2	Certification of the Company's Chief Financial Officer pursuant to 13a-14(a)/15d-14(a). FILED HEREWITH.
Exhibit 32.1	Certification of the Company's Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. FILED HEREWITH.
Exhibit 32.2	Certification of the Company's Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. FILED HEREWITH.

Exhibit 3.2

As adopted August 31, 1995
Revised as of February 10, 2004
Revised as of June 22, 2004

BYLAWS

OF

OPTICAL CABLE CORPORATION

TABLE OF CONTENTS

ARTICLE I
MEETINGS OF SHAREHOLDERS

ARTICLE II
DIRECTORS

ARTICLE III
COMMITTEES OF DIRECTORS

ARTICLE IV
OFFICERS

ARTICL V
SHARE CERTIFICATES

ARITCLE VI
MISCELLANEOUS PROVISIONS

OPTICAL CABLE CORPORATION
BYLAWS

ARTICLE I
MEETINGS OF SHAREHOLDERS

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

1.2 Organization and Order of Business. The Chairman or, in his absence, the President shall serve as chairman at all meetings of the shareholders. In the absence of both of the foregoing officers or if both of them decline to serve, a majority of the shares entitled to vote at a meeting may appoint any person entitled to vote at the meeting to act as chairman. The Secretary or, in his absence, an Assistant Secretary shall act as secretary at all meetings of the shareholders. In the event that neither the Secretary nor an Assistant Secretary is present, the chairman of the meeting may appoint any person to act as secretary of the meeting.

The Chairman shall have the authority to make such rules and regulations, to establish such procedures and to take such steps as he may deem necessary or desirable for the proper conduct of each meeting of the shareholders, including, without limitation, the authority to make the agenda and to establish procedures for (i) dismissing of business not properly presented, (ii) maintaining of order and safety, (iii) placing limitations on the time allotted to questions or comments on the affairs of the Corporation, (iv) placing restrictions on attendance at a meeting by persons or classes of persons who are not shareholders or their proxies, (v) restricting entry to a meeting after the time prescribed for the commencement thereof and (vi) commencing, conducting and closing voting on any matter.

1.3 Annual Meeting. The annual meeting of shareholders shall be held on the last Tuesday in March of each year. If such date is a legal holiday, then the annual meeting of shareholders shall be held on the next succeeding business day. At each annual meeting of shareholders, only such business shall be conducted as is proper to consider and has been brought before the meeting (i) pursuant to the Corporation’s notice of the meeting, (ii) by or at the direction of the Board of Directors or (iii) by a shareholder who is a shareholder of record of a class of shares entitled to vote on the business such shareholder is proposing, both at the time of the giving of the shareholder's notice hereinafter described in this Section 1.3 and on the record date for such annual meeting, and who complies with the notice procedures set forth in this Section 1.3.

In order to bring before an annual meeting of shareholders any business which may properly be considered and which a shareholder has not sought to have included in the Corporation's proxy statement for the meeting, a shareholder who meets the requirements set forth in the preceding paragraph must give the Corporation timely written notice. To be timely, a shareholder's notice must be given, either by personal delivery to the Secretary or an Assistant Secretary at the principal office of the Corporation or by first class United States mail, with postage thereon prepaid, addressed to the Secretary at the principal office of the Corporation. Any such notice must be received not less than 60 days nor more than 90 days before the date of the meeting.

Each such shareholder's notice shall set forth as to each matter the shareholder proposes to bring before the annual meeting (i) the name and address, as they appear on the Corporation's stock transfer books, of the shareholder proposing business, (ii) the class and number of shares of stock of the Corporation beneficially owned by such shareholder, (iii) a representation that such shareholder is a shareholder of record at the time of the giving of the notice and intends to appear in person or by proxy at the meeting to present the business specified in the notice, (iv) a brief description of the business desired to be brought before the meeting, including the complete text of any resolutions to be presented and the reasons for wanting to conduct such business and (v) any interest which the shareholder may have in such business.

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

Notwithstanding the foregoing provisions of this Section 1.3, a shareholder seeking to have a proposal included in the Corporation's proxy statement for an annual meeting of shareholders shall comply with the requirements of Regulation 14A under the Securities Exchange Act of 1934, as amended from time to time, or with any successor regulation.

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

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

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

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

Notice of a shareholder's meeting to act on (i) an amendment of the Articles of Incorporation, (ii) a plan of merger or share exchange, (iii) the sale, lease, exchange or other disposition of all or substantially all the property of the Corporation otherwise than in the usual and regular course of business or (iv) the dissolution of the Corporation, shall be given, in the manner provided above, not less than 25 nor more than 60 days before the date of the meeting. Any notice given pursuant to this section shall state that the purpose, or one of the purposes, of the meeting is to consider such action and shall be accompanied by (x) a copy of the proposed amendment, (y) a copy of the proposed plan of merger or share exchange or (z) a summary of the agreement pursuant to which the proposed transaction will be effected. If only a summary of the agreement is sent to the shareholders, the Corporation shall also send a copy of the agreement to any shareholder who requests it.

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

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

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

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

1.8 Quorum and voting Requirements. Unless otherwise required by law, a majority of the votes entitled to be cast on a matter constitutes a quorum for action on that matter. Once a share is represented for any purpose at a meeting, it is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or shall be set for that adjourned meeting. If a quorum exists, action on a matter, other than the election of directors, is approved if the votes cast favoring the action exceed the votes cast opposing the action unless a greater number of affirmative votes is required by law. Directors shall be elected by a plurality of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present. Less than a quorum may adjourn a meeting.

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

The death or incapacity of the shareholder appointing a proxy does not affect the right of the Corporation to accept the proxy's authority unless notice of the death or incapacity is received by the Secretary or other officer or agent authorized to tabulate votes before the proxy exercises his authority under the appointment. An irrevocable appointment is revoked when the interest with which it is coupled is extinguished. A transferee for value of shares subject to an irrevocable appointment may revoke the appointment if he did not know of its existence when he acquired the shares and the existence of the irrevocable appointment was not noted conspicuously on the certificate representing the shares. Subject to any legal limitations on the right of the Corporation to accept the vote or other action of a proxy and to any express limitation on the proxy's authority appearing on the face of the appointment form, the Corporation is entitled to accept the proxy's vote or other action as that of the shareholder making the appointment. Any fiduciary who is entitled to vote any shares may vote such shares by proxy.

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

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

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

ARTICLE II
DIRECTORS

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

2.2 Number and Term. The Board of Directors of the Corporation shall consist of not less than three (3) nor more than nine (9) members, the exact number of which shall be determined from time to time by the Board of Directors or the shareholders. A decrease in number shall not shorten the term of any incumbent director. Each director shall hold office until his death, resignation or removal or until his successor is elected.

2.3 Nomination of Directors. No person shall be eligible for election as a director at a meeting of shareholders unless nominated (i) by the Board of Directors or (ii) by a shareholder who is a shareholder of record of a class of shares entitled to vote for the election of directors, both at the time of the giving of the shareholder's notice hereinafter described in this Section 2.3 and on the record date for the meeting at which directors will be elected, and who complies with the notice procedures set forth in this Section 2.3.

In order to nominate any persons who are not listed as nominees in the Corporation's proxy statement for a shareholders' meeting for election as directors at such meeting, a shareholder who meets the requirements set forth in the preceding paragraph must give the Corporation timely written notice. To be timely, a shareholder's notice must be given either by personal delivery to the Secretary or an Assistant Secretary at the principal office of the Corporation or by first class United States mail, with postage thereon prepaid, addressed to the Secretary at the principal office of the Corporation. Any such notice must be received (i) not less than 60 days nor more than 90 days before an annual meeting or (ii) not later than the close of business on the tenth day following the day on which notice of a special meeting of shareholders called for the purpose of electing directors is first given to shareholders.

Each such shareholder's notice shall set forth the following: (i) as to the shareholder giving the notice, (a) the name and address of such shareholder as they appear on the Corporation's stock transfer books, (b) the class and number of shares of the Corporation beneficially owned by such shareholder, (c) a representation that such shareholder is a shareholder of record at the time of giving the notice and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice and (d) a description of all arrangements or understandings, if any, between such shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made; and (ii) as to each person whom the shareholder wishes to nominate for election as a director, (a) the name, age, business address and residence address of such person, (b) the principal occupation or employment of such person, (c) the class and number of shares of the Corporation which are beneficially owned by such person and (d) all other information that is required to be disclosed about nominees for election as directors in solicitations of proxies for the election of directors under the rules and regulations of the Securities and Exchange Commission. In addition, each such notice shall be accompanied by the written consent of each proposed nominee to serve as a director if elected and such consent shall contain a statement from the proposed nominee to the effect that the information about him contained in the notice is correct.

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

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

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

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

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

2.8 Notice of Meetings. No notice need be given of regular meetings of the Board of Directors.

Notices of special meetings of the Board of Directors shall be given to each director in person or delivered to his residence or business address (or such other place as he may have directed in writing) not less than twenty-tour (24) hours before the meeting by mail, messenger, telecopy, telegraph or other means of written communication or by telephoning such notice to him. Any such notice shall set forth the time and place of the meeting and state the purpose for which it is called.

2.9 Waiver of Notice; Attendance at Meeting. A director may waive any notice required by law, the Articles of Incorporation or these Bylaws before or after the date and time stated in the notice and such waiver shall be equivalent to the giving of such notice. Except as provided in the next paragraph of this section, the waiver shall be in writing, signed by the director entitled to the notice and filed with the minutes or corporate records.

A director's attendance at or participation in a meeting waives any required notice to him of the meeting unless the director, at the beginning of the meeting or promptly upon his arrival, objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

2.10 Quorum; Voting. A majority of the number of directors as determined pursuant to Section 2.2 of these Bylaws shall constitute a quorum for the transaction of business at a meeting of the Board of Directors. If a quorum is present when a vote is taken, the affirmative vote of a majority of the directors present is the act of the Board of Directors. A director who is present at a meeting of the Board of Directors or a committee of the Board of Directors when corporate action is taken is deemed to have assented to the action taken unless (i) he objects, at the beginning of the meeting or promptly upon his arrival, to holding it or transacting specified business at the meeting or (ii) he votes against or abstains from the action taken.

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

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

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

ARTICLE III
COMMITTEES OF DIRECTORS

3.1 Committees. The Board of Directors may create one or more committees and appoint members of the Board of Directors to serve on them. Unless otherwise provided in these Bylaws, each committee shall have two or more members who serve at the pleasure of the

Board of Directors. The creation of a committee and appointment of members to it shall be approved by a majority of all of the directors in office when the action is taken.

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

3.3 Audit Committee. The Board of Directors shall appoint an Audit Committee consisting of not less than two (2) directors, none of whom shall be officers of the Corporation, which committee shall regularly review the adequacy of the Corporation's internal financial controls, review with the Corporation's independent public accountants the annual audit and other financial statements and recommend the selection of the Corporation's independent public accountants.

3.4 Compensation Committee. The Board of Directors shall appoint a Compensation Committee consisting of not less than two (2) directors, a majority of whom shall not be officers of the Corporation, which committee shall recommend to the Board of Directors the cash and non-cash compensation to be paid to the officers of the Corporation.

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

ARTICLE IV
OFFICERS

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

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

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

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

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

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

4.7 Duties of the Chief Financial Officer. The Chief Financial Officer, if there be one, shall have charge of and be responsible for all internal and external financial accounting functions and treasury functions, and shall render to the Chairman, the President, or the Board of Directors, whenever requested, an account of the financial condition of the Corporation; and, shall perform such duties as may be assigned to him or her by the Chairman, the President or the Board of Directors.

4.8 Duties of the Treasurer. The Treasurer shall, subject to the control of the Board of Directors, the Chairman, the President, and the Chief Financial Officer, if there be one, shall have charge of and be responsible for all securities, funds, receipts and disbursements of the Corporation and shall deposit or cause to be deposited, in the name of the Corporation, all monies or valuable effects in such banks, trust companies or other depositories as shall, from time to time, be selected by or under authority granted by the Board of Directors; shall be custodian of the financial records of the Corporation; shall keep or cause to be kept full and accurate records of all receipts and disbursements of the Corporation and shall render to the Chairman, the President, the Chief Financial Officer or the Board of Directors, whenever requested, an account of the financial condition of the Corporation; and, shall perform such duties as may be assigned to him or her by the Chairman, the President, the Board of Directors or the Chief Financial Officer, if there be one.

4.9 Duties of Other Officers. The other officers of the Corporation shall have such authority and perform such duties as shall be prescribed by the Board of Directors or by officers authorized by the Board of Directors or these Bylaws to appoint them to their respective offices. To the extent that such duties are not so stated, such officers shall have such authority and perform the duties which generally pertain to their respective offices, subject to the control of the Chairman, the President or the Board of Directors.

4.10 Voting Securities of Corporations. The Chairman or the President shall have the power to act for and vote on behalf of the Corporation at all meetings of the shareholders of any corporation in which this Corporation holds stock or in connection with any consent of shareholders in lieu of any such meeting.

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

ARTICLE V
SHARE CERTIFICATES

5.1 Form. Shares of the Corporation shall, when fully paid, be evidenced by certificates containing such information as is required by law and approved by the Board of Directors. Certificates shall be signed by the President and the Secretary and may (but need not) be sealed with the seal of the Corporation. The seal of the Corporation and any or all of the signatures on a share certificate may be facsimile. If any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar on the date of issue.

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

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

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

ARTICLE VI
MISCELLANEOUS PROVISIONS

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

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

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

Exhibit 4.1

[OPTICAL CABLE CORPORATION LOGO]

[NUMBER] [SHARES]

INCORPORATED UNDER THE LAWS
OF THE COMMONWEALTH OF VIRGINIA

SEE REVERSE FOR DEFINITIONS

THIS CERTIFIES THAT

IS THE OWNER OF

FULLY PAID AND NONASSESSABLE SHARES OF COMMON STOCK OF

OPTICAL CABLE CORPORATION (the "Corporation") transferable on the books of the Corporation by the holder hereof in person, or by duly authorized attorney, upon surrender of this Certificate properly endorsed. This Certificate not valid unless countersigned by the Transfer Agent and registered by the Registrar.

Witness the facsimile seal of the Corporation of the facsimile signatures of its duly authorized representatives.

Dated:

/s/ Neil D. Wilkin, Jr.
President

/s/ Tracy G. Smith
Secretary

[OPTICAL CABLE CORPORATION CORPORATE SEAL]

Countersigned and Registered
WACHOVIA, BANK, N.A.
(Charlotte, NC)
Transfer Agent
and Registrar

By:
Authorized Signature

OPTICAL CABLE CORPORATION

The Corporation will furnish to any stockholder on request and without charge a full statement of the designations and any preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications and terms and conditions of redemption of the stock of each class which the Corporation is authorized to issue, or of the differences in the relative rights and preferences between the shares of each series of a class in series which the Corporation is authorized to issue, to the extent they have been set, and the authority of the Board of Directors to set the relative rights and preferences of subsequent series or classes. Such request may be made to the Secretary of the Corporation or to its Transfer Agent.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common

TEN ENT - as tenants by the entireties

JT TEN - as joint tenants with right of survivorship and not as tenants in common

TOD - transfer on death direction in event of owner’s death to person named on face

UNIF GIFT MIN ACT - ________ as Custodian for________ under Uniform Gifts to
(Cust) (Minor)
Minors Act ________
(State)

UNIF TRAN MIN ACT - ________ as Custodian for ________ under Uniform Transfers
(Cust) (Minor)
to Minors Act ________
(State)

Additional abbreviations may also be used though not in the above list.

For value received, __________ hereby sell, assign and transfer unto

Please Insert Social Security or
Other Identification Number of Assignee
____

____

(Please print or typewrite name and address, including zip code, of Assignee)

____

____

____ shares of the capital stock represented by the within Certificate, and do hereby irrevocably constitute and appoint

____ Attorney to transfer the said stock on the books of the written named Corporation with full power of substitution in the premises.

Dated:____________________

X__________________________________

X__________________________________

NOTICE: THE SIGNATURE(S) TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT, OR ANY CHANGE WHATEVER.

SIGNATURE(S) GUARANTEED:____________________________

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM, PURSUANT TO S.E.C. RULE 17Ad-15.

Exhibit 31.1

CERTIFICATION

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

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

Date: September 10, 2004

/s/ Neil D. Wilkin, Jr.

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

Exhibit 31.2

CERTIFICATION

I, Tracy G. Smith, certify that:

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

Date: September 10, 2004

/s/ Tracy G. Smith

Tracy G. Smith
Vice President and Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report of Optical Cable Corporation (the “Company”) on Form 10-Q for the quarter ended July 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that: (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of July 31, 2004, and for the period then ended.

Date: September 10, 2004

/s/ Neil D. Wilkin, Jr.

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

Exhibit 32.2

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

In connection with the Quarterly Report of Optical Cable Corporation (the “Company”) on Form 10-Q for the quarter ended July 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that: (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of July 31, 2004, and for the period then ended.

Date: September 10, 2004

/s/ Tracy G. Smith

Tracy G. Smith
Vice President and Chief Financial Officer