SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

# FORM 10-K

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

For the fiscal year ended October 31, 2000 Commission file number 0-27022

## OPTICAL CABLE CORPORATION

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Virginia | 54-1237042 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| 5290 Concourse Drive, Roanoke, VA | 24019 |
| (Address of principal executive offices) | (Zip Code) |

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

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

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

| Title of Each Class | Name of Each Exchange on Which Registered |
|---|---|
| Common Stock, No Par Value | OTC (Nasdaq National Market) |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

(1) Yes X No (2) Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ X ]

The aggregate market value of the voting stock held by non-affiliates of the registrant as of January 24, 2001, was $34,350,550.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date.

| Class | Outstanding at January 24, 2001 |
|---|---|
| COMMON STOCK, NO PAR VALUE | 56,246,556 SHARES |

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Optical Cable Corporation Proxy Statement for the 2001 Annual Meeting of Shareholders are incorporated by reference into Part III hereof.

PART I

## Item 1. Business.

### FORWARD-LOOKING INFORMATION

This report may contain certain "forward-looking" information within the meaning of the federal securities laws. The forward-looking information may include, among other information, (i) statements concerning Optical Cable Corporation's (the "Company") outlook for the future, (ii) statements of belief, (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 the expectations of the Company. Factors that could cause or contribute to such differences include, but are not limited to, the level of sales to key customers, the deteriorating financial condition of many technology companies in the United States, actions by competitors, fluctuations in the price of raw materials (including optical fiber), the Company's dependence on a single manufacturing facility, the ability of the Company to protect its proprietary manufacturing technology, the Company's dependence on a limited number of suppliers, an adverse price change in trading securities held by the Company, an adverse outcome in litigation, claims and other actions against the Company, technological changes and introductions of new competing products, changes in market demand, exchange rates, productivity, weather and market and economic conditions in the areas of the world in which the Company operates and markets its products.

### GENERAL

The Company manufactures and markets a broad range of fiber optic cables for high bandwidth transmission of data, video and audio communications over moderate distances of up to approximately 10 miles. The Company's cables can be used both indoors and outdoors, are easy and economical to install, and provide a high degree of reliability. The Company believes that its products are widely accepted for use in fiber optic Local Area Networks ("LANs") and are increasingly accepted in other communications applications. The Company's products directly address the needs of the moderate distance market by utilizing a tight-buffer coating that protects the optical fiber and a cable design that achieves superior mechanical and environmental performance.

The Company was incorporated in Virginia in 1983. The Company's executive offices are located at 5290 Concourse Drive, Roanoke, Virginia 24019. The Company's telephone number is (540) 265-0690.

### INDUSTRY BACKGROUND AND MARKETS

#### Application of Fiber Optic Communications Technology

Fiber optic technology was developed in the mid-1970s as a communications medium offering numerous technical advantages over metallic conductors, such as copper. Optical fiber is an ultra-pure glass structure that has been pulled into a hair thin strand. Optical fiber advantages include its high bandwidth, which permits reliable transmission of complex signals, such as multiple high quality audio and video channels; high speed data formats such as Fiber Distributed Data Interface ("FDDI") and Asynchronous Transfer Mode ("ATM"); other LAN transmissions; and high-definition television. Relative to copper, optical fiber has thousands of times the information carrying capacity, occupies much less space and operates more reliably over greater distances. Furthermore, it is immune to the electromagnetic interference that causes static in copper wire transmission, as well as to electrical surges. Because optical fiber does not carry electricity, it is a safer choice in flammable environments. Additionally, communicating through optical fiber is more secure than copper because tapping into fiber optic cable without detection is very difficult. Optical fiber also enjoys technical advantages over other communications media, such as satellite and microwave communications, particularly in applications over shorter distances.

Because most of the world's information storage, reception and display systems (such as computers, telephones and televisions) are electronically based, various electro-optical hardware components must be attached to each end of an optical fiber. For instance, a laser or light emitting diode converts electrically encoded information into light signals, which travel over the optical fiber to the terminal point of reception. At the terminal point a photodetector converts the information back to its original form. Other passive optical components, such as optical connectors and splices, facilitate the travel of a light signal from one optical fiber to another or to another electro-optical component, while couplers and splitters combine or divide signals, thereby permitting simultaneous distribution of information to or from multiple locations. The cost of the necessary electro-optical transmitters and recorders have been reduced to the point where fiber optic cable is economically feasible for many moderate distance applications.

Like copper cable, fiber optic cable is restricted to applications in which it is possible to lay cable between the point of transmission and the point of reception. Wireless communication media does not have this limitation.

The Long Distance Telephone Market

Private industry initially developed optical fiber systems for long distance commercial applications, particularly the U.S. telephone networks. For the long distance telephone market, single-mode optical fiber is generally used. To protect the optical fiber without adversely affecting its optical performance, fiber optic cable producers use a high-density (i.e., high fiber count) loose-tube cable construction. This cable design was intended to put many optical fibers in a small, relatively inexpensive cable. To protect such cables from water penetration, manufacturers add a water-blocking flammable gel, making them unsuitable for indoor use.

U.S. long distance carriers have aggressively installed fiber optic routes across the United States. Since the late 1980s, optical fiber has constituted nearly all of the long distance telephone network, as well as the interoffice local exchange network connecting central telephone offices in the same area.

The Moderate Distance Market

In the 1970s the U.S. government made available substantial funds for research and development to determine the viability of optical fiber as a solution to critical communications problems faced by the military and other agencies. In the course of addressing these challenging, multiple termination point applications, which were predominately over moderate distances, engineers achieved significant technological advances. Such advances included the introduction of multimode optical fiber and the development of an easy-to-handle tightbound cable structure that afforded the optical fiber effective protection against mechanical shock, water, extreme temperatures and other stresses likely to be encountered in a battlefield environment.

High levels of production of optical fiber, cable and components for the long distance telephone market since the mid-1980s have resulted in cost reductions that make fiber optic cable economically feasible for a growing number of potential customers with moderate distance business application needs. Such applications include data communications, LANs, telecommunications, video transmission, cable television, traffic signaling, and military tactical communications. Particularly in data communications, high performance, rugged, and survivable fiber optic cable is well suited and has become economically attractive for diverse and often unpredictable installation environments. The Company believes that the LAN market is particularly attractive. LANs are often installed at corporate offices, hospitals, utilities, academic campuses, factories and transportation management facilities.

The increasing standardization of communications technology and the increasing demand for high bandwidth (i.e., high data capacity or volume) are expected to facilitate further penetration by optical fiber of the moderate distance market presently served by copper cable. Fiber optic cable is better able to maximize the utility of emerging LAN interface standards, such as FDDI and ATM, and has, therefore, become a preferred data transmission medium. In addition, high speed, high bandwidth applications, such as video conferencing, imaging and Internet access, are growing and are driving increased demand for fiber optic cable in moderate distance applications.

The large cable television companies, often referred to as Multiple System Operators, the Regional Bell Operating Companies ("RBOCs"), and other independent long distance carriers are competing to provide enhanced cable television, data, and other information highway services to homes and businesses. Many of these companies have begun to use, on a limited basis, optical fiber systems in the portion of the U.S. telephone networks which lies between telephone companies' central offices and subscribers' offices and homes (the "subscriber loop"). To date, the subscriber loop remains overwhelmingly copper. Because the subscriber loop represents approximately 90% of the U.S. telephone system (measured by total length of cable), the potential demand for fiber optic cable in this application is very large, provided that cost parity with copper cable systems can be achieved.

THE COMPANY'S SOLUTION

Fiber optic cables used for moderate distance applications may be subjected to many different stress environments. Cables installed inside buildings may be routed through cable trays, floor ducts, conduits and walls and may encounter sharp corners or edges. They may be pulled without lubricant, resulting in higher pull tensions, and stressed to the breaking point if care is not used. In the outdoor and underground environments, cables are often subjected to moisture, ultra-violet radiation and long pulling distances through conduits with a variety of bends and corners, resulting in high pulling tensions. These conditions can be aggravated if installers are not adequately trained in the installation of fiber optic cable. The Company's founders recognized that, for many applications, the stresses on the cables during installation are similar to those in the military tactical environment, for which the Company's technology was initially developed. The Company applied this technology to commercial products serving a market that could not be adequately served by loose-tube gel-filled cable manufactured for the long distance telephone market.

The Company believes that nearly one-half of the fiber optic cable sold in the moderate distance market today is the loose-tube gel-filled type, which requires careful installation and extensive preparation for termination with connectors. While this cable design has served the long distance telephone market reasonably well, it was not designed to withstand the stress that cables undergo during installation in the LAN or subscriber loop environments. Loose-tube gel-filled cables are difficult to terminate with connectors, because they cannot be mechanically attached directly to the cable's optical fibers. Designed for long, straight outdoor runs, the cables are stiff and difficult to place in complex installations and are flammable and are not suited for indoor use. When used for indoor/outdoor installations, these cables must be spliced near the building entrance to flame retardant cables suitable for indoor use, adding cost and complexity and reducing reliability. Therefore, the total installed cost of loose-tube gel-filled cables is high in moderate distance applications.

In contrast, the Company's products address the needs of the moderate distance market by utilizing a tight-buffer coating that protects the optical fiber and a cable design that achieves superior mechanical and environmental performance. The Company's products are derived from technology originally developed for military applications requiring very rugged, flexible and compact fiber optic cables. Unlike loose-tube gel-filled cables, the Company's cables may be used indoors and outdoors, are flame resistant, flexible, easy and economical to install, and provide a high degree of reliability. The Company believes that because of these features, its products are widely accepted for use in fiber optic LANs and are increasingly accepted in other applications.

## THE COMPANY'S STRATEGY

The Company's primary strategy is to capitalize on its proprietary cable manufacturing processes and technologies to provide a comprehensive line of versatile fiber optic cables with superior features and competitive pricing that appeals to the large, diverse and growing market for high bandwidth communications over moderate distances.

### Focus on the Moderate Distance Market

Optical fiber has become an accepted medium for the transmission of data, video and audio in moderate distance applications in cities, factories, high rise buildings, and on campuses. High speed, high bandwidth applications deployed in LAN environments are growing in both large and small corporations and are driving increased demand for optical fiber. Increasing deployment of multimedia systems on LANs that utilize protocols such as FDDI and ATM also enhances the demand for bandwidth.

The Company's products address the needs of the moderate distance market by utilizing a tight-buffer coating that protects the optical fiber and a cable design that achieves superior mechanical and environmental performance. The Company believes that because of the outstanding features of its fiber optic cable, including suitability for indoor and outdoor use, easy and economical installation and a high degree of reliability, the Company's products have become well established for optical fiber LANs and are increasingly accepted for other applications.

### Develop High Performance Products and Offer a Broad Product Line

The Company believes that serving both the premium performance and the price competitive parts of the moderate distance market best utilizes its development and manufacturing capabilities. The Company's Ultra-FoxTM product line provides optical fiber products that are competitively priced, with features that the Company believes are superior to its competitors' offerings. The Ultra-FoxTM plus product line shares many of the materials and features with the Company's military tactical cable products and is marketed to customers who want the most reliable installations for their critical communication or control processes. Since January 1994, the Company's quality management system has been certified to the internationally recognized ISO 9001 quality standard.

### Leverage Existing Technologies and Knowledge

The Company has extensive expertise in optical fiber packaging and applications design, which it utilizes for new products. The Company is responsive to, and works to anticipate the requirements of, its customers. Its expertise with tight-buffer cable technology facilitates development of new products and variations of existing products. Products that are developed for a special application also may be introduced to the broader market.

### Capitalize on Proprietary, Automated Manufacturing Processes

The Company believes that its customized, internally developed and highly automated manufacturing processes provide a competitive advantage. The Company has developed proprietary process control systems to ensure consistency and uniformity at high throughput rates. Ample capacity, versatile automated production processes and a broad range of products are intended to enable the Company to be flexible and responsive to customer needs.

Offer Cost Effective Solutions to Its Customers

The Company believes that its products are rugged, easy to install, versatile and highly reliable, making them attractive to distributors, installers, and most importantly, end-users. Because the Company's cables are multipurpose, distributors can stock fewer varieties and less quantities of cable. For installers and systems integrators, the multipurpose feature can significantly reduce installation costs by eliminating the need to transition from indoor cable to outdoor cable at a building entrance. This also enhances reliability by eliminating splices and possible high stress on optical fibers that could lead to breakage. This simplified installation, lower cost and enhanced reliability are also valued by the end-user, because a long lasting, trouble-free cable is the basis for minimizing down time and maximizing system availability.

Distribution and Marketing Presence

The Company distributes its products through independent distributors to supplement the Company's existing distribution channels and to provide the Company with access to a greater number of potential customers in the United States. Revenues from international sales were approximately 22%, 20% and 21% in fiscal 1998, 1999 and 2000, respectively. The Company does not separately track gross profit or expenses attributable to international sales. Management of the Company does not regularly evaluate international sales by region. Substantially, all of the Company's international sales are denominated in U.S. dollars. The Company has no material assets located outside of the United States. (See also Note 9 to the Financial Statements, which is included on page 36 herein.)

Working with IBM's E-Commerce division, the Company launched its E-Commerce website (http://purchasing.occfiber.com) in March 1999. Initially, the E-Commerce website included only the Company's product line. The Company intends to look for opportunities to establish strategic alliances with other leading suppliers of communications equipment to expand the website's future offerings and eventually create an independent communications superstore which would offer one-stop shopping to global purchasers of communication materials.

## PRODUCTS AND TECHNOLOGY

Products

The Company manufactures and markets a broad range of fiber optic cables that provide a high bandwidth transmission for data, video and audio communications over moderate distances. The Company's products are derived from technology originally developed for military applications requiring very rugged, flexible and compact fiber optic cables. The Company's method of applying a tight-buffer coating on each optical fiber before it is encased minimizes microbending, the primary cause of signal loss in optical fibers.

The Company has pioneered a pressure extrusion technique for applying a cable jacket directly over the fiber optic cable core elements, resulting in high cable tensile strength and lateral stress resistance. Such Core-LockedTM jackets allow the cable to operate as a single mechanical unit, maximizing resistance to tears during installation pulls through narrow spaces. The Company's product line is deliberately diverse and flexible, in keeping with the evolving application needs within the moderate distance market. Most of the Company's cable designs are available in both the Ultra-FoxTM Plus premium product and the Ultra- FoxTM highly featured, cost competitive commercial product.

| Product Type | Features/Description | Applications |
|---|---|---|
| A-Series "Assembly" Cables | o simplex (one optical fiber) and duplex (two optical fibers) cables<br>o tight-buffer coating on each optical fiber<br>o aramid strength members<br>o thermoplastic outer jacket<br>o flame retardant | o short "patch cord" cables links between electronic equipment and main fiber optic cable<br>o routing connections in patching systems<br>o indoor use |
| B-Series "Breakout" Cables | o 2 to 156 optical fibers tight-buffer coating on each optical fiber<br>o elastomeric jacket encases each optical fiber and surrounding aramid strength members (similar to an A-Series simplex cable)<br>o Core-LockedTM outer jacket<br>o rugged<br>o flame retardant<br>o moisture and fungus resistant | o direct termination with connectors on each optical fiber<br>o short and moderate distance links between buildings or within a building, where multiple termination points are needed<br>o installations where ease of termination and<br>o termination cost are important factors indoor and outdoor use |
| D-Series "Distribution" Cables | o 2 to 156 optical fibers tight-buffer coating on each optical fibers<br>o Core-LockedTM outer jacket encases the optical fibers and aramid strength members<br>o smaller, lighter and less expensive than the B-Series cable<br>o high strength to weight ratio<br>o compact size<br>o rugged<br>o flame retardant<br>o moisture and fungus resistant | o longer distance runs where size and cable cost are more significant<br>o can be armored for additional protection in buried and overhead installations<br>o indoor and outdoor use |

| Product Type | Features/Description | Applications |
|---|---|---|
| G-Series "Subgrouping" Cables | o up to 864 optical fibers in various subgroup sizes<br>o multifiber subcables, each similar to a D-Series cable Core-LockedTM outer jacket surrounds subcables<br>o high density "micro" construction<br>o rugged<br>o flame retardant<br>o moisture and fungus resistant | o high fiber count systems<br>o subgroups needed to facilitate organization of large numbers of optical fibers<br>o subcables routed to different locations<br>o installations requiring several different optical fiber types<br>o indoor and outdoor use |

A-Series "Assembly" Cables. Simplex and duplex cables are round single fiber and "zipcord" two-fiber structures, respectively. Both cables contain tight-buffer optical fibers, aramid strength members and a thermoplastic outer jacket for each fiber. They are used for "jumpers" (short length patch cords) and for "pigtails" (short lengths of cable with a connector on one end). Various outer jacket materials are offered to provide flammability ratings and handling characteristics tailored to customers' needs. These cables are often privately labeled and sold to original equipment manufacturers ("OEMs") who produce the cable assemblies.

B-Series "Breakout" Cables. The B-Series cables consist of a number of subcables, each consisting of a single optical fiber and aramid strength members similar to an A-Series simplex cable. These subcables are tightbound in a pressure extruded, high performance Core-LockedTM PVC outer jacket to form the finished multifiber cable. Like the A-Series cables, the subcables are intended to be terminated directly with connectors. This direct termination feature makes this cable type particularly suited for shorter distance installations, where there are many terminations and termination costs are more significant. The materials and construction of the cable permit its use both indoors and outdoors. These features make the cable cost effective for use in campus and industrial complex installations, between and within buildings.

D-Series "Distribution" Cables. The Company's D-Series cables are made with the same tight-buffer optical fiber and high performance Core-LockedTM PVC outer jacket as the B-Series cable. Unlike the B-Series cable, however, each tight-buffer optical fiber in a D-Series cable is not covered with a separate subcable jacket. D-Series cable is intended for longer distance applications, where termination considerations are less important and often traded off for size, weight and cost. The tight-buffer optical fiber and Core-LockedTM PVC outer jacket make D-Series cables rugged and survivable, with a small, lightweight configuration. The high strength to weight ratio of these cables makes them well suited for installations where long lengths of cables must be pulled through duct systems. D-Series cable is used in relatively longer length segments of installations.

G-Series "Subgrouping" Cables. This cable design combines a number of multifiber subcables, each similar to a D-Series cable. Each multifiber subcable is tightbound with an elastomeric jacket, providing excellent mechanical and environmental performance. These subcables are contained in a pressure extruded, high performance Core-LockedTM PVC outer jacket to form the finished cable. This design permits the construction of very high fiber count cables. These cables may be used where groups of optical fibers are routed to different locations. The Company has fabricated a developmental subgroup cable containing over 1,000 fibers intended for high density, moderate length routes such as urban telephone distribution systems.

Other Cable Types. The Company produces many variations on the basic cable styles presented above for more specialized installations. For outdoor applications, both the B-Series and D-Series cables may be armored with corrugated steel tape for further protection in underground or overhead installations. For overhead installations on utility poles, the Company offers several self-supporting versions of the D-Series cables, with higher performance outer jackets. One contains additional aramid strength members, to support its weight with wind and ice loading over long unsupported lengths. Another style has a separate strength member, either metallic or non-metallic, in a figure-eight configuration, to reduce installation costs. The Company's cables are available in several flammability ratings, including "plenum" for use in moving air spaces in buildings, and "riser" for less critical flame retardant requirements. "Zero Halogen" versions of the B-Series and D-Series cables are available for use in enclosed spaces where there is concern over release of toxic gases during fire. Composite cables combining optical fiber and copper are offered to facilitate the transition from copper-based to optical fiber-based systems without further installation of cable.

Product Development

The Company continues to develop enhancements to its automated, computer-controlled production processes that it believes increase product quality and reduce costs. Many of the Company's technological advances are the result of refinements and improvements made during production runs. Occasionally, potential customers contact the Company to develop new products or modified product designs for them, which ultimately may appeal to other customers. The development costs associated with new products and modified product designs requested by the customer are included in the price charged to that customer. By utilizing these new products and modified product designs, the Company continues to improve its product line with minimal direct expenditures for research and development.

MAJOR MARKET APPLICATIONS

The most common application of the Company's products is in LANs, where optical fiber is widely used as the "backbone" or "trunk," connecting groups of workstations and central file servers. In its typical implementation, the fiber optic cable may be installed between wiring closets in a building, or installed between buildings in a multibuilding complex. Fiber optic cable runs between electronic equipment that combines the signals of many workstations. Because the combined signals may carry a large volume of critical information, fiber optic cable, which is immune to electrical interference, is often desired. In comparison, copper wires carry less information, or the same amount of information for a shorter distance, in either case remaining susceptible to electrical noise and interference. The following are typical applications for the Company's fiber optic cable:

Office Facilities. Banks, stock trading companies, insurance companies, and other businesses often have a need to distribute information among a large number of workstations, have time-critical data and would incur severe costs as a result of system failures. A LAN connected with fiber optic cable has in the past several years been an increasingly common way of implementing management information systems for these businesses.

Educational Institutions. Colleges and universities have been leaders in implementing large fiber optic networks. Many states have undertaken large-scale projects to install networks in high schools and even grade schools. These systems link personal computers with central file servers. As interactive learning systems require increased transmission speeds, optical fiber becomes a logical medium.

Manufacturing and Mining Facilities. Manufacturing and mining facilities are typically not air conditioned, are less clean and have a less controlled environment than other types of businesses. They often contain heavy electrical equipment, which causes electromagnetic interference if conventional copper cable is used. The advantages of fiber optic cable in this environment include immunity to electrical noise, ruggedness, high information carrying capacity and greater distance capability. The Company's products are installed in automotive assembly plants, steel plants, chemical and drug facilities, petroleum refineries, mines and other similar environments.

Health Care Facilities. Hospitals have extensive data transfer needs for medical records, patient monitoring, inventory, billing and payroll functions. The transfer of electronically stored images of x- rays, MRIs and CAT scans has increased to facilitate analysis and diagnosis at multiple locations. These applications require high data transfer rates. Optical fiber is a preferred solution, especially in electromagnetic environments with heavy electrical equipment such as x-ray machines.

Traffic Control Systems. Traffic system applications range from surveillance and control of traffic flow in cities to installation of sensors, automatic toll collection, video monitoring and control of signs in "smart" highway programs. These applications often require transmission of high bandwidth signals such as video monitoring, for which optical fiber is well suited. The Company's cables offer ruggedness, reliability and cost savings for termination in systems that are near the vibrations of traffic and require many termination points.

Telephone Companies. The Company has worked with several RBOCs for their business customers' requirements. As high bandwidth services of the information highway are brought closer to more homes and businesses, the bandwidth of optical fiber becomes more important.

SALES, MARKETING AND CUSTOMER SERVICE

The Company's products are sold to end-users, electrical contractors, system integrators, value-added resellers ("VARs"), OEMs and distributors. Distribution methods are adapted to the particular needs of different types of customers. The decision to purchase the Company's products may be made by end-users, distributors, electrical contractors, system integrators or specialized installers. The Company attempts to reach these decision makers by advertising in fiber optic trade journals and other communications magazines. The Company also participates in numerous domestic and international trade shows attended by customers and prospective customers. International sales are made primarily through foreign distributors, system integrators and VARs.

The Company's field sales force consists of independent sales representatives located in various geographic areas. The field sales force provides sales support for distributors, system integrators and VARs and communicates with the customer's purchase decision makers. The field sales force is supported by inside sales personnel and supervised by regional sales managers. The inside sales group provides quotations and customer service. The regional sales managers provide on-site sales support with major customers and are responsible for major customers and opportunities. For more in-depth technical support, the sales group has access to engineering, quality control and management personnel who have extensive fiber optic cable expertise and industry experience.

Furthermore, the Company believes that it has a reputation for product excellence based on its success with large projects for end-users such as Chrysler Corporation, 3M, Virginia Polytechnic Institute and State University, Bankers Trust and Salomon Brothers Inc, and for integrators such as Ameritech Information Systems and US WEST. The Company had no single customer that accounted for more than 5% of its net sales in fiscal 1998, 1999 or 2000. However, in fiscal 1998, 1999 and 2000, 27.3%, 30.6% and 28.0%, respectively, of net sales were attributable to two major domestic distributors. As of October 31, 2000, the Company has specifically reserved approximately $1.8 million for estimated uncollectible accounts receivable from one of these major distributors. Subsequent to October 31, 2000, this distributor filed for bankruptcy. Net sales attributable to this distributor approximated $9 million in fiscal 2000. Most of the Company's revenue in each quarter results from orders received in that quarter. Accordingly, the Company does not believe that its backlog at any particular point in time is indicative of future sales. The Company believes that its customer base is diverse, crossing over many markets and regions worldwide and believes that it is important to maintain that diversity to avoid dependence on any particular segment of the economy or area of the world.

## MANUFACTURING AND SUPPLIERS

The Company's manufacturing operations consist of applying a variety of raw plastic materials to optical fibers. The key raw material in the manufacture of the Company's products is optical fiber, which the Company currently purchases from more than four manufacturers. The Company works with its vendors in an effort to ensure a continuous supply. The Company utilizes two sources for the cable's aramid strength member and several suppliers of coating materials. The Company has not experienced difficulty in arranging alternate sources. All other raw materials have at least one backup source.

The Company believes that by maintaining a consistent relationship with suppliers, it can obtain better quality control and emergency deliveries. Being able to deliver product on time has been an important factor in the Company's success. To date, the Company has been able to obtain adequate supplies of its raw materials in a timely manner from existing sources or, when necessary, from alternate sources. However, any disruption in the supply of raw materials could adversely affect the Company's cable production capability and its operating results.

The Company believes that other fiber optic cable manufacturers generally carry minimal amounts of raw materials and finished goods inventory. The Company generally holds raw materials and finished goods inventory in amounts greater than that of its competitors to ensure a quick response after receiving a customer's order.

The Company believes its quality control procedures have been instrumental in achieving the performance and reliability of its products. The Company produces cable using the quality control procedures of MIL- I-45208 (the primary standard applicable to most government purchasers of cable).

Since January 1994, the Company's quality management system has been certified to the internationally recognized ISO 9001 quality standard. ISO 9000 is a series of standards agreed to by the International Organization for Standardization (ISO). ISO 9001 is the highest level of accreditation and includes an assessment of 20 elements covering various aspects of design, development, distribution and production of fiber optic cables. The Company's certification was obtained through an audit by a qualified international certifying agency. In order to maintain its certification, the Company must continue to comply with the standards.

## PROPRIETARY RIGHTS

None of the Company's current manufacturing processes or products is protected by patents. The Company relies on a combination of trade secret, copyright and trademark law, nondisclosure agreements and technical measures to establish and protect its rights pertaining to its production technology. Such protection may not deter misappropriation or preclude competitors from developing production techniques or equipment with features identical, similar or superior to the Company's. The Company believes, however, that because of the rapid pace of technological change in the data communications industry and particularly in the fiber optic cable segment, legal protection for the Company's products is less significant to the Company's prospects than the knowledge, ability and expertise of its management and technical personnel with respect to the timely development and production of new products and product enhancements. The Company considers its proprietary knowledge with respect to the development and manufacture of fiber optic cable to be a valuable asset. This expertise enables the Company to formulate new cable compositions, develop special coatings and coating methods, develop and implement manufacturing improvements and quality control techniques, and design and construct manufacturing and quality control equipment. The Company restricts access to its manufacturing facility and engineering documentation to maintain security. Employees are required to sign nondisclosure agreements.

The Company believes that none of its products, trademarks or other proprietary rights infringes upon the proprietary rights of others. There can be no assurance, however, that third parties will not assert infringement claims against the Company in the future with respect to the Company's present or future products which may require the Company to enter into license agreements or result in protracted and costly litigation, regardless of the merits of such claims.

COMPETITION

The market for fiber optic cable, including the moderate distance market in which the Company's products are concentrated, is highly competitive. Corning and Lucent Technologies are the leading manufacturers of fiber optic cable for both the long distance telephone market and the moderate distance market. Although both manufacture loose-tube gel-filled cables, a significant portion of Lucent Technologies and Corning's fiber optic cable sales are tight-buffer fiber optic cable products in the moderate distance market. Also, Corning and Lucent Technologies are principal suppliers of optical fiber worldwide. The Company's competitors, including Corning and Lucent Technologies, are more established, having a large business base in the long distance telephone, loose-tub gel-filled cable market. Those companies can benefit from greater market recognition and have greater financial, research and development, production and marketing resources than the Company.

Additionally, fiber optic cable competes with copper wire cable on the basis of cost and performance tradeoffs. The cost of the electro-optical interfaces required for fiber optic systems and higher speed electronics generally associated with high performance fiber optic systems can make them uncompetitive in applications where the advantages of optical fiber are not required. Fiber optic cable also competes with other alternative transmission media including wireless and satellite communications.

The Company believes that it competes successfully against its competitors on the basis of breadth of product features, quality, ability to meet delivery schedules, technical support and service, breadth of distribution channels and price. Maintaining such competitive advantages will require continued investment by the Company in product development, sales and marketing. There can be no assurance that the Company will have sufficient resources to make such investments or that the Company will be able to make the technological advances necessary to maintain its competitive position. An increase in competition could have a material adverse effect on the Company's business and operating results because of price reductions and loss of market share. Competition could increase if new companies enter the market or if existing competitors expand their product lines.

EMPLOYEES

As of October 31, 2000, the Company employed a total of 181 persons, including 38 in sales, marketing and customer service, 21 in engineering, product development and quality control, 100 in manufacturing, and 22 in finance and administration. None of the Company's employees is represented by a labor union. The Company has experienced no work stoppages and believes its employee relations are excellent.

## Item 2. Properties.

The Company's principal administration, marketing, manufacturing, and product development facilities are located in a 148,000 square foot building located adjacent to the Roanoke, Virginia airport and major trucking company facilitates. The Company believes that its production equipment is presently operating at approximately 65% of its capacity.

## Item 3. Legal Proceedings.

On September 27, 2000, the Equal Employment Opportunity Commission (the "EEOC") filed a lawsuit under Title VII of the Civil Rights Act of 1964 against the Company in the United States District Court for the Western District of Virginia alleging a pattern or practice of discrimination on the bases of gender and race. The lawsuit seeks injunctive and other relief and damages in an unspecified amount. Management intends to vigorously defend the lawsuit on the merits. While the ultimate resolution of this lawsuit cannot be determined, management does not expect that its resolution will have a material adverse effect on the financial condition or business of the Company.

A charge of discrimination was filed on or about May 1, 2000, with the EEOC by one of the Company's former employees, John C. Clark, alleging that the Company denied him a promotion on or about January 12, 2000, in violation of the Age Discrimination in Employment Act. A charge of discrimination was filed on or about November 27, 2000, with the EEOC by one of the Company's former employees, Gary W. Cheatwood, alleging that the Company denied him merit increases and stock options on the basis of race, in violation of Title VII of the Civil Rights Act of 1964. A charge of discrimination was filed on or about November 25, 2000, with the EEOC by one of the Company's former employees, Barry D. Cheatwood, alleging that the Company denied him merit increases and stock options on the basis of race, in violation of Title VII of the Civil Rights Act of 1964. A charge of discrimination was filed on or about November 30, 2000, with the EEOC by Victor W. Gravely, a former applicant for employment with the Company, alleging that the Company did not hire him because of his race in violation of Title VII. On each of these matters, the Company has filed a statement of its position with the EEOC denying the allegations. The EEOC has yet to issue a determination on any of these charges. No litigation has been filed against the Company in connection with any of these charges. While the ultimate resolution of these four EEOC charges cannot be determined, management does not expect that their resolution will have a material adverse effect on the financial condition or business of the Company.

## Item 4. Submission of Matters to a Vote of Security Holders.

There were no matters submitted to a vote of security holders during the fourth quarter of the year ended October 31, 2000.

PART II

## Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

The Company's Common Stock is traded on the Nasdaq National Market under the symbol "OCCF." On January 24, 2001, the Company's Common Stock closed at a price of $15.31 per share.

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

| | RANGE OF BID PRICES | |
|---|---|---|
| FISCAL YEAR ENDED OCTOBER 31, 2000 | HIGH | LOW |
| First Quarter (November 1, 1999 to January 31, 2000) | $ 32.147 | $ 7.083 |
| Second Quarter (February 1 to April 30, 2000) | $ 44.917 | $ 12.917 |
| Third Quarter (May 1 to July 31, 2000) | $ 25.667 | $ 12.500 |
| Fourth Quarter (August 1 to October 31, 2000) | $ 30.000 | $ 15.938 |
| FISCAL YEAR ENDED OCTOBER 31, 1999 | | |
| First Quarter (November 1, 1998 to January 31, 1999) | $ 11.333 | $ 6.833 |
| Second Quarter (February 1 to April 30, 1999) | $ 9.000 | $ 5.667 |
| Third Quarter (May 1 to July 31, 1999) | $ 8.667 | $ 6.750 |
| Fourth Quarter (August 1 to October 31, 1999) | $ 8.333 | $ 6.083 |

At October 31, 2000, there were approximately 6,017 stockholders of record. No cash dividends have been declared or paid since the completion of the initial public offering in April 1996. While there are no restrictions on the payment of dividends, the Company does not anticipate the payment of dividends for the foreseeable future.

Item 6. Selected Financial Data.

OPTICAL CABLE CORPORATION
Selected Financial Data

| | YEARS ENDED OCTOBER 31, | | | | |
|---|---|---|---|---|---|
| | 2000 | 1999 | 1998 | 1997 | 1996 |
| | (In Thousands, Except Per Share Data) | | | | |
| STATEMENT OF INCOME DATA: | | | | | |
| Net sales | $ 58,219 | $ 50,699 | $ 50,589 | $ 52,189 | $ 45,152 |
| Cost of goods sold | 30,878 | 27,547 | 29,330 | 30,613 | 24,907 |
| Gross profit | 27,341 | 23,152 | 21,259 | 21,576 | 20,245 |
| Total operating expenses | 15,024 | 10,799 | 9,939 | 9,572 | 8,416 |
| Income from operations | 12,317 | 12,353 | 11,320 | 12,004 | 11,829 |
| Other income (expense), net | 417 | 166 | 57 | (47) | 198 |
| Income before income tax expense | 12,734 | 12,519 | 11,377 | 11,957 | 12,027 |
| Income tax expense (1) | 4,479 | 4,214 | 4,107 | 4,150 | 2,806 |
| Net income | $ 8,255 | $ 8,305 | $ 7,270 | $ 7,807 | $ 9,221 |
| Pro forma Income Data (1): | | | | | |
| Net income before pro forma income tax provision, as reported | | | | | $ 9,221 |
| Pro forma income tax provision | | | | | 1,747 |
| Pro forma net income | | | | | $ 7,474 |
| Net income per common share (pro forma for 1996) (2) | $ 0.147 | $ 0.147 | $ 0.127 | $ 0.135 | $ 0.127 |
| Net income per common share - assuming dilution (pro forma for 1996) (2) | $ 0.145 | $ 0.146 | $ 0.125 | $ 0.133 | $ 0.126 |
| BALANCE SHEET DATA: | | | | | |
| Working capital | $ 31,986 | $ 21,980 | $ 18,991 | $ 19,912 | $ 14,377 |
| Total assets | 52,688 | 37,512 | 32,829 | 35,214 | 31,127 |
| Total stockholders' equity | 43,508 | 32,847 | 29,991 | 31,379 | 23,572 |

(1) Through March 31, 1996, the Company was not subject to federal and state income taxes since it had elected, under provisions of the Internal Revenue Code, to be taxed as an S Corporation. On April 1, 1996, the Company completed a public offering of 4,013,124 shares of the Company's common stock from which it received net proceeds of approximately $5.5 million. In connection with the closing of the Company's initial public offering on April 1, 1996, the Company terminated its status as an S Corporation effective March 31, 1996 and became subject to federal and state income taxes. Accordingly, the statement of income data for the year ended October 31, 1996 includes income taxes from April 1, 1996, and for informational purposes, the statement of income data for the year ended October 31, 1996 includes a pro forma adjustment for income taxes which would have been recorded if the Company had been subject to income taxes for the entire fiscal year presented.

(2) On August 31, 2000, the Company's Board of Directors approved a 3-for-2 stock split effected in the form of a stock dividend of one share paid on September 28, 2000, upon each two shares held by stockholders of record at the close of business on September 8, 2000. The Company's stock began trading ex-dividend on September 29, 2000. All references to share and per share data, except for references to authorized shares, contained elsewhere in this annual report have been retroactively adjusted to reflect the impact of the approved stock dividend.

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

FORWARD-LOOKING INFORMATION

This report may contain certain "forward-looking" information within the meaning of the federal securities laws. The forward-looking information may include, among other information, (i) statements concerning the Company's outlook for the future, (ii) statements of belief, (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 the expectations of the Company. Factors that could cause or contribute to such differences include, but are not limited to, the level of sales to key customers, the deteriorating financial condition of many technology companies in the United States, actions by competitors, fluctuations in the price of raw materials (including optical fiber), the Company's dependence on a single manufacturing facility, the ability of the Company to protect its proprietary manufacturing technology, the Company's dependence on a limited number of suppliers, an adverse price change in trading securities held by the Company, an adverse outcome in litigation, claims and other actions against the Company, technological changes and introductions of new competing products, changes in market demand, exchange rates, productivity, weather and market and economic conditions in the areas of the world in which the Company operates and markets its products.

RESULTS OF OPERATIONS

Net Sales

Net sales consists of gross sales of products, less discounts, refunds and returns. Net sales increased 14.8 percent to $58.2 million in fiscal 2000 from $50.7 million in fiscal 1999. This increase was attributable to increased sales volume. Total fiber meters shipped during fiscal 2000 increased 18.5 percent to 199.3 million from 168.2 million fiber meters shipped for the same period in 1999. This increase in fiber meters shipped was a result of a 13.8 million increase in multimode fiber meters shipped and an 17.3 million increase in single-mode fiber meters shipped. Multimode fiber generally has a higher selling price than single-mode cable. Management believes there is a trend in the marketplace of an accelerated pace of fiber deployment, particularly of the type sold by the Company. Management believes this trend resulted in increased sales volume during fiscal 2000 and could continue to positively affect net sales in the future.

Net sales increased to $50.7 million in fiscal 1999 from $50.6 million in fiscal 1998. This slight increase was primarily attributable to reduced selling price and a change in product mix. Total fiber meters shipped during fiscal 1999 increased 7.5 percent to 168.2 million from 156.5 million fiber meters shipped for the same period in 1998. This increase in fiber meters shipped was a result of a 3.3 million increase in multimode fiber meters shipped and an 8.4 million increase in single-mode fiber meters shipped.

Management believes that the Company's business will grow as the global market for fiber optic cable used for moderate distance applications expands. Management anticipates that new electronic communication devices will continue to become more reliant on fiber optic technology to achieve improved performance. Additionally, the Company expects new markets for fiber optic cable to emerge as fiber optic sensors are developed for production plant automation, smart highways, security applications, and other specialty applications. Management believes the Company's unique technological background and specialty market expertise should assist the Company in capturing its share of any increase in the global market for fiber optic cable used for moderate distance applications and contribute to future earnings growth for the Company. The Company also intends to use its existing product line to make inroads into other markets such as moderate distance applications for single-mode telecommunications and cable television.

Gross Profit Margin

Cost of goods sold consists of the cost of materials, compensation costs and overhead related to the Company's manufacturing operations. The Company's gross profit margin (gross profit as a percentage of net sales) increased to 47.0 percent in fiscal 2000 from 45.7 percent in fiscal 1999. This slight increase was due to reduced raw fiber prices and the impact of the decrease in the ratio of large orders and the decrease in the ratio of net sales attributable to the Company's distributors during the year. During fiscal 2000, net sales to distributors approximated 58 percent versus 63 percent for the same period in 1999. During fiscal 2000, sales from orders $50,000 or more approximated 11 percent of net sales compared to 15 percent for fiscal 1999. Discounts on large orders and on sales to distributors are generally greater than for sales to the rest of the Company's customer base.

The Company's gross profit margin increased to 45.7 percent in fiscal 1999 from 42.0 percent in fiscal 1998. This increase was due to reduced raw fiber prices, partially offset by an increase in the ratio of net sales attributable to the Company's distributors during the period as compared to total net sales. During fiscal 1999, net sales to distributors approximated 63 percent versus 62 percent for the same period in 1998. During fiscal 1999, sales from orders $50,000 or more approximated 15 percent compared to 18 percent for fiscal 1998.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of the compensation costs (including sales commissions) for sales and marketing personnel, shipping costs, travel expenses, customer support expenses, trade show expenses, advertising, the compensation cost for administration, finance and general management personnel, as well as legal and accounting fees. Selling, general and administrative expenses as a percentage of net sales were 25.8 percent in fiscal 2000 compared to 21.3 percent in fiscal 1999. This higher percentage reflects the fact that net sales for fiscal 2000 increased 14.8 percent while selling, general and administrative expenses increased 39.1 percent compared to fiscal 1999. Selling, general and administrative expenses as a percentage of net sales increased largely as a result of an increase in the allowance for doubtful accounts of $1.6 million. This increase in the allowance for doubtful accounts is attributable to a $1.8 million specific reserve for estimated uncollectible accounts receivable from one of the Company's major distributors that filed for bankruptcy subsequent to October 31, 2000. Other factors that contributed to the increase in selling, general and administrative expenses as a percentage of net sales in fiscal 2000 include an increase in the Company's sales force, the continued expansion of marketing efforts, and an increase in legal fees associated with a lawsuit filed by the Equal Employment Opportunity Commission (EEOC) against the Company and with several other EEOC charges.

Selling, general and administrative expenses as a percentage of net sales were 21.3 percent in fiscal 1999 compared to 19.6 percent in fiscal 1998. This higher percentage reflects the fact that net sales for fiscal 1999 were comparable to fiscal 1998, while selling, general and administrative expenses increased 8.6 percent, due primarily to increased marketing efforts.

Other Income (Expense)

Other income, net increased $251,000 to $417,000 for fiscal 2000 compared to $166,000 for the same period in 1999. During fiscal 2000, the Company began investing in trading securities and has recognized related gains on trading securities, net, of $289,000 in other income for fiscal 2000. The increase in other income, net resulting from gains on trading securities, net, was partially offset by interest expense of $57,000 on short-term margin borrowings payable to the investment broker related to the trading securities. Although the Company actively purchases and sells trading securities in order to realize such gains, it should not be expected that these gains will be recurring.

Income Before Income Tax Expense

Income before income tax expense of $12.7 million in fiscal 2000 increased $215,000 compared to fiscal 1999. This 1.7 percent increase was primarily due to increases in sales volume, gross profit margin, and other income, net, partially offset by the $4.2 million increase in selling, general and administrative expenses.

Income before income tax expense of $12.5 million in fiscal 1999 increased $1.1 million compared to fiscal 1998. This 10.0 percent increase was primarily due to the increase in gross profit margin, partially offset by the $859,000 increase in selling, general and administrative expenses.

Income Tax Expense

The statements of income for the years ended October 31, 2000, 1999 and 1998 include income tax expense at effective tax rates of 35.2 percent, 33.7 percent and 36.1 percent, respectively. Fluctuations in the Company's effective tax rates are due primarily to the amount and timing of the tax benefit related to the Company's foreign sales corporation.

Net Income

Net income for fiscal 2000 and 1999 was $8.3 million. Net income decreased $50,000 due to the increase in selling, general and administrative expenses and the $265,000 increase in income tax expense, partially offset by the increases in sales volume, gross profit margin and other income, net.

Net income for fiscal 1999 was $8.3 million compared to $7.3 million for fiscal 1998. Net income increased $1.0 million due to the increase in gross profit margin, partially offset by the increase in selling, general and administrative expenses and the $107,000 increase in income tax expense.

FINANCIAL CONDITION

Total assets at October 31, 2000 were $52.7 million, an increase of $15.2 million, or 40.5 percent from October 31, 1999. This increase was primarily due to the Company investing its cash and cash equivalents on hand at October 31, 1999, as well as cash flows from operating income generated during fiscal 2000 in trading securities. In addition, realized gains from these trading activities were reinvested during fiscal 2000. As a result, cash and cash equivalents have decreased $5.4 million and trading securities have increased $18.0 million. Trade accounts receivable, net increased 11.0 percent from $10.2 million at October 31, 1999 to $11.4 million at October 31, 2000 and inventories decreased 13.5 percent from $8.8 million at October 31, 1999 to $7.6 million at October 31, 2000. The increase in trade accounts receivable and the decrease in inventories are primarily attributable to increased sales volume. Income taxes refundable increased to $1.2 million at October 31, 2000. The increase results primarily from the tax benefit of disqualifying disposition of stock options exercised. Property and equipment, net, increased 5.8 percent from $10.8 million at October 31, 1999 to $11.5 million at October 31, 2000. This increase results from capital expenditures related to facilities and equipment totaling $1,462,000, partially offset by depreciation expense of $825,000.

Total stockholders' equity at October 31, 2000 increased $10.7 million, or 32.5 percent from October 31, 1999. Net income retained, proceeds received from the exercise of employee stock options of $1.0 million and an increase in paid-in capital of $1.4 million resulting from the tax benefit of disqualifying disposition of stock options exercised accounted for the majority of this increase. During fiscal 2000, employees realized gains on the premature disposition of stock options exercised of approximately $3.6 million. The $1.4 million tax benefit to the Company of these gains has been reflected as an increase in paid-in capital.

LIQUIDITY AND CAPITAL RESOURCES

During fiscal 2000 and 1999, the Company's primary capital needs have been to fund working capital requirements and capital expenditures as needed. The Company's primary source of financing has been cash provided from operations; however, the Company does maintain bank lines of credit as described below. There was no balance outstanding under the lines of credit as of the end of fiscal 2000 or 1999.

Under a loan agreement with its bank dated March 10, 1999, the Company has a $5 million secured revolving line of credit available for general corporate purposes and a $10 million secured revolving line of credit available to fund potential acquisitions, mergers and joint ventures. The lines of credit bear interest at 1.50 percent above the monthly LIBOR rate and are equally and ratably secured by the Company's accounts receivable, contract rights, inventory, furniture and fixtures, machinery and equipment and general intangibles. The lines of credit will expire on February 28, 2001, unless renewed or extended. As of the date hereof, the Company has no additional material sources of financing. The Company believes that its cash flow from operations, liquidation of trading securities and available lines of credit will be adequate to fund its operations for at least the next twelve months.

Cash flows used in operations were approximately $5.0 million for fiscal 2000. Cash flows provided by operations were approximately $11.9 million and $9.6 million for fiscal 1999 and 1998, respectively. For fiscal 2000, cash flows used in operations were primarily due to the purchase of approximately $18.5 million in trading securities, an increase in trade accounts receivable of $3.0 million, and a decrease in accounts payable and accrued expenses of $1.1 million, partially offset by cash provided by operating income, realized net gains on trading securities of $788,000, a decrease in inventories of $1.2 million and an increase in payable to investment broker of $5.7 million. Cash flows from operations in fiscal 1999 were primarily provided by operating income, a decrease in inventory of $1.2 million and an increase in accounts payable and accrued expenses of $1.3 million. Cash flows from operations in fiscal 1998 were primarily provided by operating income and a decrease in inventory of $2.1 million. In 1998, the Company reduced its inventory of optical fiber due to anticipated continued reductions in raw fiber prices.

Net cash used in investing activities totaled $1.4 million for fiscal 2000 and was primarily for expenditures related to facilities and equipment of $1.3 million and increase in cash surrender value of life insurance of $91,000. Net cash used in investing activities in fiscal 1999 totaled $553,000 and was primarily for expenditures related to facilities and equipment of $401,000 and increase in cash surrender value of life insurance of $171,000. Net cash used in investing activities in fiscal 1998 was primarily for expenditures related to facilities and equipment and was $622,000. In October 2000, the Company entered into agreements to purchase certain machinery and equipment totaling approximately $872,000. The machinery and equipment is expected to be delivered and installed by the end of July 2001. Total remaining commitments under the machinery and equipment purchase agreements as of October 31, 2000 approximated $712,000. There are no other material commitments for capital expenditures as of October 31, 2000.

Net cash provided by financing activities was $1.0 million for fiscal 2000 and related to proceeds received from the exercise of employee stock options. Net cash used in financing activities was $5.7 million and $8.8 million in fiscal 1999 and 1998, respectively. The net cash used in financing activities in fiscal 1999 consisted of the repurchase of common stock in the amount of $5.9 million, offset by proceeds received from the exercise of employee stock options of $200,000. The net cash used in financing activities in fiscal 1998 consisted of a repurchase of common stock in the amount of $9 million, offset by proceeds received from the exercise of employee stock options of $198,000.

On September 27, 2000, the Equal Employment Opportunity Commission filed a lawsuit under Title VII of the Civil Rights Act against the Company in the United States District Court for the Western District of Virginia alleging a pattern or practice of discrimination on the bases of gender and race. The lawsuit seeks injunctive and other relief and damages in an unspecified amount. Management intends to vigorously defend the lawsuit on the merits. While the ultimate resolution of this lawsuit cannot be determined, management does not expect that its resolution will have a material adverse effect on the financial condition or business of the Company.

The Company's Board of Directors has authorized the repurchase of up to $20 million of the Company's common stock in the open market or in privately negotiated transactions. Through October 31, 2000, the Company has repurchased approximately $14.9 million of its common stock in such transactions since the inception of the Company's share repurchase program in October 1997. The repurchases were funded through cash flows from operations. The Company may use excess working capital and other sources as appropriate to finance the remaining share repurchase program.

On August 31, 2000, the Company's Board of Directors approved a 3-for-2 stock split effected in the form of a stock dividend of one share paid on September 28, 2000, upon each two shares held by stockholders of record at the close of business on September 8, 2000. The Company's stock began trading ex-dividend on September 29, 2000. All references to share and per share data, except for references to authorized shares, contained elsewhere in this annual report have been retroactively adjusted to reflect the impact of the approved stock dividend.

On November 30, 2000, the Board of Directors approved grants of stock options for a total of 500,000 shares effective December 1, 2000, under the Company's 1996 Stock Incentive Plan. The per share exercise price of $10.688 associated with these stock options was equal to the fair market value of the Company's common stock on the date of grant.

## NEW ACCOUNTING STANDARDS

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES. SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. In June 1999, the FASB issued SFAS No. 137, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES - DEFERRAL OF THE EFFECTIVE DATE OF FASB STATEMENT NO. 133. SFAS No. 137 defers the effective date of SFAS No. 133 to apply to all fiscal quarters of all fiscal years beginning after June 15, 2000. In June 2000, the FASB issued SFAS No. 138, ACCOUNTING FOR CERTAIN DERIVATIVE INSTRUMENTS AND CERTAIN HEDGING ACTIVITIES, an amendment of FASB Statement No. 133. SFAS No. 138 amends SFAS No. 133 for a limited number of issues that have caused application difficulties. The adoption of SFAS No. 133, as amended, as of November 1, 2000, did not have any effect on the financial position, results of operations or liquidity of the Company.

SFAS No. 140, ACCOUNTING FOR TRANSFERS AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES, A REPLACEMENT OF FASB STATEMENT NO. 125, supercedes and replaces the guidance in SFAS No.

125, ACCOUNTING FOR TRANSFERS AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES. SFAS No. 140 revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures, but it carries over most of the provisions of SFAS No. 125 without reconsideration. SFAS No. 140 is effective for transfers and servicing of financial assets and extinguishments of liabilities that occur after March 31, 2001, and for recognition and reclassification of collateral and for disclosures relating to securitization transactions and collateral for fiscal years ending after December 15, 2000. Disclosures about securitization and collateral accepted need not be reported for periods ending on or before December 15, 2000 for which financial statements are presented for comparative purposes. Management believes the adoption of SFAS No. 140 will not have a significant effect on the Company's financial statements.

As of October 31, 2000, there are no other new accounting standards issued, but not yet adopted by the Company, which are expected to be applicable to the Company's financial position, operating results or financial statement disclosures.

## Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The Company does not engage in derivative financial instruments or derivative commodity instruments. As of October 31, 2000, the Company's financial instruments are not exposed to significant market risk due to interest rate risk, foreign currency exchange risk or commodity price risk. However, as of October 31, 2000, the Company's trading securities, which consist of shares in a stock index mutual fund concentrated in the technology industry sector, are exposed to equity price risk. As of October 31, 2000, the Company's trading securities, valued at approximately $18.0 million, have experienced a 2.7 percent decline in value since the date of purchase. In addition, subsequent to October 31, 2000 through January 24, 2001, the Company has continued to purchase and sell these trading securities and as a result has recorded realized and unrealized losses for the period from November 1, 2000 through January 24, 2001 in the amount of approximately $3.3 million. It is reasonably possible that the price of these trading securities could continue to experience a further adverse change in the near term. For illustration purposes, assuming a 30 percent further adverse change in the fund's equity price subsequent to January 24, 2001, the Company's trading securities would decrease in value by an additional $5.0 million, based on the value of the Company's portfolio of approximately $16.5 million as of January 24, 2001. This assumption is not necessarily indicative of future performance and actual results may differ materially.

Item 8. Financial Statements and Supplementary Data.

OPTICAL CABLE CORPORATION
INDEX TO
FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULES

Financial Statements: PAGE



Financial Statement Schedules:

All schedules are omitted as the required information is inapplicable or the information is presented in the financial statements or related notes thereto.

# INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Optical Cable Corporation:

We have audited the accompanying balance sheets of Optical Cable Corporation as of October 31, 2000 and 1999, and the related statements of income, stockholders' equity, and cash flows for each of the years in the three-year period ended October 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Optical Cable Corporation as of October 31, 2000 and 1999, and the results of its operations and its cash flows for each of the years in the three-year period ended October 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Roanoke, Virginia
December 8, 2000

OPTICAL CABLE CORPORATION
Balance Sheets
October 31, 2000 and 1999

| ASSETS | OCTOBER 31, 2000 | OCTOBER 31, 1999 |
|---|---|---|
| Current assets: | | |
| Cash and cash equivalents | $ 1,458,896 | $ 6,816,678 |
| Trading securities | 17,982,830 | ---- |
| Trade accounts receivable, net of allowance for doubtful accounts of $1,909,069 in 2000 and $316,000 in 1999 | 11,357,522 | 10,230,717 |
| Income taxes refundable | 1,162,118 | ---- |
| Other receivables | 362,000 | 280,219 |
| Due from employees | 2,890 | 8,100 |
| Note receivable | ---- | 61,100 |
| Inventories | 7,572,153 | 8,754,423 |
| Prepaid expenses | 112,794 | 106,536 |
| Deferred income taxes | 959,665 | 206,652 |
| Total current assets | 40,970,868 | 26,464,425 |
| Note receivable, noncurrent | ---- | 32,505 |
| Other assets, net | 261,937 | 188,328 |
| Property and equipment, net | 11,455,372 | 10,826,331 |
| Total assets | $ 52,688,177 | $ 37,511,589 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | $ 2,479,116 | $ 3,370,244 |
| Accrued compensation and payroll taxes | 847,572 | 692,678 |
| Payable to investment broker | 5,658,574 | ---- |
| Income taxes payable | ---- | 421,803 |
| Total current liabilities | 8,985,262 | 4,484,725 |
| Deferred income taxes | 195,085 | 179,789 |
| Total liabilities | 9,180,347 | 4,664,514 |
| Stockholders' equity: | | |
| Preferred stock, no par value, authorized 1,000,000 shares; none issued and outstanding | ---- | ---- |
| Common stock, no par value, authorized 100,000,000 shares; issued and outstanding 56,391,993 shares in 2000 and 56,121,407 shares in 1999 | 5,179,295 | 4,128,316 |
| Paid-in capital | 1,714,284 | 359,566 |
| Retained earnings | 36,614,251 | 28,359,193 |
| Total stockholders' equity | 43,507,830 | 32,847,075 |
| Commitments and contingencies | | |
| Total liabilities and stockholders' equity | $ 52,688,177 | $ 37,511,589 |

See accompanying notes to financial statements.

OPTICAL CABLE CORPORATION
Statements of Income
Years Ended October 31, 2000, 1999 and 1998

| | YEARS ENDED OCTOBER 31, | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| Net sales | $ 58,218,994 | $ 50,698,637 | $ 50,588,893 |
| Cost of goods sold | 30,877,688 | 27,547,022 | 29,329,822 |
| Gross profit | 27,341,306 | 23,151,615 | 21,259,071 |
| Selling, general and administrative expenses | 15,024,198 | 10,798,643 | 9,939,258 |
| Income from operations | 12,317,108 | 12,352,972 | 11,319,813 |
| Other income (expense): | | | |
| Gains on trading securities, net | 288,667 | ---- | ---- |
| Interest income | 230,038 | 201,708 | 56,260 |
| Interest expense | (57,084) | ---- | (505) |
| Other, net | (45,015) | (35,944) | 1,891 |
| Other income, net | 416,606 | 165,764 | 57,646 |
| Income before income tax expense | 12,733,714 | 12,518,736 | 11,377,459 |
| Income tax expense | 4,478,656 | 4,214,096 | 4,107,495 |
| Net income | $ 8,255,058 | $ 8,304,640 | $ 7,269,964 |
| Net income per share: | | | |
| Net income per common share | $ 0.147 | $ 0.147 | $ 0.127 |
| Net income per common share - assuming dilution | $ 0.145 | $ 0.146 | $ 0.125 |

See accompanying notes to financial statements.

OPTICAL CABLE CORPORATION
Statements of Stockholders' Equity
Years Ended October 31, 2000, 1999 and 1998

| | COMMON STOCK SHARES | COMMON STOCK AMOUNT | PAID-IN CAPITAL | RETAINED EARNINGS | TOTAL STOCKHOLDERS' EQUITY |
|---|---|---|---|---|---|
| Balances at October 31, 1997 | 58,013,124 | $ 18,594,116 | $ ---- | $ 12,784,589 | $ 31,378,705 |
| Exercise of employee stock options ($1.67 per share) | 119,025 | 198,375 | ---- | ---- | 198,375 |
| Tax benefit of disqualifying disposition of stock options exercised | ---- | ---- | 150,359 | ---- | 150,359 |
| Repurchase of common stock (at cost) | (1,313,595) | (9,006,210) | ---- | ---- | (9,006,210) |
| Net income | ---- | ---- | ---- | 7,269,964 | 7,269,964 |
| Balances at October 31, 1998 | 56,818,554 | 9,786,281 | 150,359 | 20,054,553 | 29,991,193 |
| Exercise of employee stock options ($1.67 per share) | 119,700 | 199,500 | ---- | ---- | 199,500 |
| Tax benefit of disqualifying disposition of stock options exercised | ---- | ---- | 209,207 | ---- | 209,207 |
| Repurchase of common stock (at cost) | (816,847) | (5,857,465) | ---- | ---- | (5,857,465) |
| Net income | ---- | ---- | ---- | 8,304,640 | 8,304,640 |
| Balances at October 31, 1999 | 56,121,407 | 4,128,316 | 359,566 | 28,359,193 | 32,847,075 |
| Exercise of employee stock options ($3.86 per share) | 268,336 | 1,036,916 | ---- | ---- | 1,036,916 |
| Restricted stock award ($6.25 per share) | 2,250 | 14,063 | ---- | ---- | 14,063 |
| Tax benefit of disqualifying disposition of stock options exercised | ---- | ---- | 1,354,718 | ---- | 1,354,718 |
| Net income | ---- | ---- | ---- | 8,255,058 | 8,255,058 |
| Balances at October 31, 2000 | 56,391,993 | $ 5,179,295 | $ 1,714,284 | $ 36,614,251 | $ 43,507,830 |

See accompanying notes to financial statements.

OPTICAL CABLE CORPORATION
Statements of Cash Flows
Years Ended October 31, 2000, 1999 and 1998

| | YEARS ENDED OCTOBER 31, | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| Cash flows from operating activities: | | | |
| Net income | $ 8,255,058 | $ 8,304,640 | $ 7,269,964 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 841,646 | 764,652 | 787,674 |
| Bad debt expense | 2,018,128 | 87,490 | 88,005 |
| Deferred income tax expense (benefit) | (737,717) | 67,754 | (77,515) |
| Loss on disposal of property and equipment | 7,807 | ---- | 2,669 |
| Tax benefit of disqualifying disposition of stock options exercised | 1,354,718 | 209,207 | 150,359 |
| Stock-based compensation expense | 14,063 | ---- | ---- |
| Unrealized loss on trading securities, net | 499,755 | ---- | ---- |
| (Increase) decrease in: | | | |
| Trading securities | (18,482,585) | ---- | ---- |
| Trade accounts receivable | (3,051,328) | (417,913) | (169,428) |
| Income taxes refundable | (1,162,118) | ---- | ---- |
| Other receivables | (81,781) | 14,980 | 244,903 |
| Due from employees | 5,210 | (2,511) | (2,055) |
| Inventories | 1,182,270 | 1,212,589 | 2,052,431 |
| Prepaid expenses | (6,258) | (10,770) | 25,280 |
| Increase (decrease) in: | | | |
| Accounts payable and accrued expenses | (1,053,960) | 1,328,540 | (395,330) |
| Accrued compensation and payroll taxes | 154,894 | 36,650 | 43,292 |
| Payable to investment broker | 5,658,574 | ---- | ---- |
| Income taxes payable | (421,803) | 310,354 | (453,550) |
| Net cash provided by (used in) operating activities | (5,005,427) | 11,905,662 | 9,566,699 |
| Cash flows from investing activities: | | | |
| Purchase of property and equipment | (1,298,717) | (400,714) | (622,394) |
| Cash surrender value of life insurance | (90,554) | (171,382) | ---- |
| Collection from note receivable | ---- | 18,800 | ---- |
| Net cash used in investing activities | (1,389,271) | (553,296) | (622,394) |
| Cash flows from financing activities: | | | |
| Repurchase of common stock | ---- | (5,857,465) | (9,006,210) |
| Proceeds from exercise of employee stock options | 1,036,916 | 199,500 | 198,375 |
| Net cash provided by (used in) financing activities | 1,036,916 | (5,657,965) | (8,807,835) |
| Net increase (decrease) in cash and cash equivalents | (5,357,782) | 5,694,401 | 136,470 |
| Cash and cash equivalents at beginning of year | 6,816,678 | 1,122,277 | 985,807 |
| Cash and cash equivalents at end of year | $ 1,458,896 | $ 6,816,678 | $ 1,122,277 |
| Supplemental Disclosure of Cash Flow Information: | | | |
| Cash payments for interest | $ 57,084 | $ ---- | $ 505 |
| Income taxes paid | $ 5,445,576 | $ 3,615,300 | $ 4,488,201 |
| Noncash investing and financing activities: | | | |
| Capital expenditures accrued in accounts payable | $ 162,832 | $ 89,344 | $ ---- |
| Trade accounts receivable financed as note receivable | $ ---- | $ 112,405 | $ ---- |

See accompanying notes to financial statements.

OPTICAL CABLE CORPORATION
Notes to Financial Statements
Years Ended October 31, 2000, 1999 and 1998

(1) DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) DESCRIPTION OF BUSINESS

Optical Cable Corporation (the "Company") manufactures and markets a broad range of fiber optic cables for "high bandwidth" transmission of data, video and audio communications over moderate distances. The Company's fiber optic cables are sold nationwide and in over 70 foreign countries (also see note 9).

(b) CASH EQUIVALENTS

At October 31, 2000 and 1999, cash equivalents consist of $1,171,777 and $6,755,814, respectively, of overnight repurchase agreements and money market mutual funds. For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

(c) TRADING SECURITIES

Trading securities are recorded at fair value, which is based on quoted market prices. Purchases and sales of trading securities are recognized on a trade-date basis, the date the order to buy or sell is executed. The Company's trading securities are bought and held principally for the purpose of selling them in the near term. Unrealized holding gains and losses for trading securities are included in net income. The amount of net unrealized holding loss that has been included in net income for the year ended October 31, 2000 was $499,755. Net realized gains or losses are determined on the first-in, first-out cost method. As of October 31, 2000, the Company's trading securities consist of shares in a stock index mutual fund concentrated in the technology sector.

As of October 31, 2000, the Company's trading securities have experienced a 2.7 percent decline in value since the date of purchase. In addition, subsequent to October 31, 2000 through December 8, 2000, the market value of the Company's trading securities held as of October 31, 2000 has declined approximately 17 percent, or approximately $3.0 million. It is reasonably possible that the price of these trading securities, valued at $17,982,830 as of October 31, 2000, could continue to experience an adverse change in the near term.

At October 31, 2000, the Company had short-term margin borrowings of $5,658,574 payable to investment broker related to the trading securities. The margin account incurs interest at rates ranging from the Call Money rate plus .25 percent to the Call Money rate plus 2.50 percent, depending on the outstanding balance of margin borrowings (8.50 percent as of October 31, 2000). Obligations of the Company to the investment broker are collateralized by the trading securities.

(d) INVENTORIES

Inventories of raw materials and production supplies are stated at the lower of cost (specific identification for optical fibers and first-in, first-out for other raw materials and production supplies) or market. Inventories of work in process and finished goods are stated at average cost, which includes raw materials, direct labor and manufacturing overhead.

(e) PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Depreciation and amortization are provided for using both straight-line and declining balance methods over the estimated useful lives of the assets. Estimated useful lives are thirty-nine years for buildings and improvements and five to seven years for machinery and equipment and furniture and fixtures.

(f) REVENUE RECOGNITION

Revenue is recognized at the time of product shipment or delivery to the customer, based on shipping terms.

(g) SHIPPING AND HANDLING COSTS

Shipping and handling costs include the costs incurred to physically move finished goods from the Company's warehouse to the customers designated location and the costs to store, move and prepare the finished goods for shipment. All amounts billed to a customer in a sale transaction related to shipping and handling is classified as sales revenue. Shipping and handling costs of approximately $1,948,000, $1,425,000 and $1,195,000 are included in selling, general and administrative expenses for the years ended October 31, 2000, 1999 and 1998, respectively.

(h) INCOME TAXES

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

(i) IMPAIRMENT OF LONG-LIVED ASSETS AND LONG-LIVED ASSETS TO BE DISPOSED OF

The Company reviews long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

(j) STOCK OPTION PLAN

Prior to November 1, 1996, the Company accounted for its stock option plan in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25, ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES, and related interpretations. As such, compensation expense would be recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. On November 1, 1996, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123, ACCOUNTING FOR STOCK-BASED COMPENSATION, which permits entities to recognize as expense over the vesting period the fair value of all stock-based awards on the date of grant. Alternatively, SFAS No. 123 also allows entities to continue to apply the provisions of APB Opinion No. 25 and provide pro forma net income and pro forma earnings per share disclosures for employee stock option grants made in 1995 and future years as if the fair-value-based method defined in SFAS No. 123 had been applied. The Company has elected to continue to apply the provisions of APB Opinion No. 25 and provide the pro forma disclosure provisions of SFAS No. 123.

(k) NET INCOME PER SHARE

Net income per common share excludes dilution and is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding for the period. Net income per common share - assuming dilution 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 of the Company.

(l) COMPREHENSIVE INCOME

In June 1997, the Financial Accounting Standards Board issued SFAS No. 130, REPORTING COMPREHENSIVE INCOME. SFAS No. 130 establishes standards for reporting and display of comprehensive income and its components in a full set of financial statements. SFAS No. 130 was issued to address concerns over the practice of reporting elements of comprehensive income directly in equity. This Statement requires all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed in equal prominence with the other financial statements. It does not require a specific format for that financial statement but requires that an enterprise display an amount representing total comprehensive income for the period in that financial statement.

SFAS No. 130 is applicable to all entities that provide a full set of financial statements. Enterprises that have no items of other comprehensive income in any period presented are excluded from the scope of this Statement. SFAS No. 130 does not have any effect on current or prior period financial statement displays presented by the Company since the Company has no items of other comprehensive income in any period presented.

(m) USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 these estimates.

(n) RECLASSIFICATIONS

Certain reclassifications have been made to the prior year's financial statements to place them on a basis comparable with the current year's financial statements.

(2) ALLOWANCE FOR DOUBTFUL ACCOUNTS RECEIVABLE

A summary of changes in the allowance for doubtful accounts receivable for the years ended October 31, 2000, 1999 and 1998 follows (see also note 9):

| | YEARS ENDED OCTOBER 31, | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| Balance at beginning of year | $ 316,000 | $ 311,500 | $ 307,400 |
| Bad debt expense | 2,018,128 | 87,490 | 88,005 |
| Losses charged to allowance | (453,049) | (84,633) | (90,147) |
| Recoveries added to allowance | 27,990 | 1,643 | 6,242 |
| Balance at end of year | $ 1,909,069 | $ 316,000 | $ 311,500 |

(3) INVENTORIES

Inventories at October 31, 2000 and 1999 consist of the following:

| | OCTOBER 31, | |
|---|---|---|
| | 2000 | 1999 |
| Finished goods | $ 808,271 | $ 2,976,426 |
| Work in process | 3,487,611 | 2,306,209 |
| Raw materials | 3,194,393 | 3,416,046 |
| Production supplies | 81,878 | 55,742 |
| | $ 7,572,153 | $ 8,754,423 |

(4) PROPERTY AND EQUIPMENT

Property and equipment at October 31, 2000 and 1999 consists of the following:

| | OCTOBER 31, 2000 | OCTOBER 31, 1999 |
|---|---|---|
| Land | $ 2,745,327 | $ 2,745,327 |
| Building and improvements | 6,896,842 | 6,893,642 |
| Machinery and equipment | 6,676,960 | 5,424,594 |
| Furniture and fixtures | 735,052 | 734,404 |
| Construction in progress | 236,071 | 131,008 |
| Total property and equipment, at cost | 17,290,252 | 15,928,975 |
| Less accumulated amortization and depreciation | (5,834,880) | (5,102,644) |
| Property and equipment, net | $ 11,455,372 | $ 10,826,331 |

In October 2000, the Company entered into agreements to purchase certain machinery and equipment totaling approximately $872,000. The machinery and equipment is expected to be delivered and installed by the end of July 2001. Total remaining commitments under the machinery and equipment purchase agreements as of October 31, 2000 approximated $712,000.

(5) NOTES PAYABLE

Under a loan agreement with its bank dated March 10, 1999, the Company has a $5 million secured revolving line of credit and a $10 million secured revolving line of credit. The Company's intention is that the $5 million line of credit be available to fund general corporate purposes and that the $10 million line of credit be available to fund potential acquisitions and joint ventures. The lines of credit bear interest at 1.50 percent above the monthly LIBOR rate (8.12 percent as of October 31, 2000) and are equally and ratably secured by the Company's accounts receivable, contract rights, inventory, furniture and fixtures, machinery and equipment and general intangibles. The lines of credit will expire on February 28, 2001, unless renewed or extended. While the lines of credit do not require a compensating balance that legally restricts the use of cash amounts, at the bank's request, the Company has agreed to maintain an unrestricted target cash balance of $125,000.

(6) LEASES

In August 1994, the Company entered into a four-year operating lease for computerized mailing and shipping equipment with an unrelated party. Rent expense under this lease amounted to $21,527 for the year ended October 31, 1998.

## (7) RELATED PARTY AGREEMENTS

Since February 1, 1995, the Company has entered into employment agreements with the individual who is the Company's Chairman, President and Chief Executive Officer and its previously sole stockholder which typically have a term of less than two years. Annual compensation under the agreements consists of salary payments equal to 1 percent of the previous fiscal year's net sales and provides for sales commissions equal to 1 percent of the positive difference between the current fiscal year's net sales and the prior fiscal year's net sales. Compensation under this agreement amounted to $582,190, $506,986 and $521,889 for the years ended October 31, 2000, 1999 and 1998, respectively.

## (8) EMPLOYEE BENEFITS

The Company's independently administered self-insurance program provides health insurance coverage for employees and their dependents on a cost-reimbursement basis. Under the program, the Company is obligated for claims payments. A stop loss insurance contract executed with an insurance carrier covers claims in excess of $35,000 per covered individual and $813,716 in the aggregate per year. During the years ended October 31, 2000, 1999 and 1998, total claims expense of $925,347, $837,488 and $725,535, respectively, was incurred, which represents claims processed and an estimate for claims incurred but not reported. Effective January 1, 2001, the Company will no longer independently administer the health insurance coverage, but will contract for insurance coverage with a third-party administrator.

Effective January 1, 1994, the Company adopted a 401(k) retirement savings plan. To become eligible for the plan, an employee must complete six months of service and be at least 21 years of age. The plan allows participants to contribute through salary reduction up to 7 percent of their annual compensation on a pretax basis. Company matching contributions are two dollars for every one dollar contributed by an employee up to 4 percent of the employees' annual compensation. The Company made matching contributions to the plan of $406,934, $365,887 and $353,096 for the years ended October 31, 2000, 1999 and 1998, respectively.

The Company and its previously sole stockholder adopted on March 1, 1996 a stock incentive plan which is called the Optical Cable Corporation 1996 Stock Incentive Plan (the "Plan"). The Plan is intended to provide a means for employees to increase their personal financial interest in the Company, thereby stimulating the efforts of these employees and strengthening their desire to remain with the Company through the use of stock incentives. The Company has reserved 6,000,000 shares of common stock for issuance pursuant to incentive awards under the Plan. At October 31, 2000, there were 5,571,001 additional shares available for grant under the Plan. Although not required under the Plan stock options granted to date have been granted at not less than fair market value on the date of grant. The options have terms ranging from 8.75 to 10 years and vest 25 percent after two years, 50 percent after three years, 75 percent after four years and 100 percent after five years.

The per share weighted-average estimated fair value of stock options granted during 1997 and 1996 was $6.25 and $1.45, respectively, on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions: 1997 - expected cash dividend yield of zero percent, risk-free interest rate of 6.08 percent, expected volatility of 85.5 percent and an expected life of 8.75 years; 1996 - expected cash dividend yield of zero percent, risk-free interest rate of 6.28 percent, expected volatility of 85.5 percent and an expected life of 10 years.

The Company applies APB Opinion No. 25 in accounting for its Plan and, accordingly, no compensation cost has been recognized for its stock options in the financial statements. Had compensation cost for the Company's Plan been determined consistent with SFAS No. 123, the Company's net income and net income per share would have been reduced to the SFAS No. 123 pro forma amounts indicated below:

| | YEARS ENDED OCTOBER 31, | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| Net income: | | | |
| As reported | $ 8,255,058 | $ 8,304,640 | $ 7,269,964 |
| Pro forma | $ 7,911,830 | $ 7,961,412 | $ 6,926,736 |
| Net income per share: | | | |
| Net income per common share: | | | |
| As reported | $ 0.147 | $ 0.147 | $ 0.127 |
| Pro forma | $ 0.141 | $ 0.141 | $ 0.121 |
| Net income per common share - assuming dilution: | | | |
| As reported | $ 0.145 | $ 0.146 | $ 0.125 |
| Pro forma | $ 0.139 | $ 0.140 | $ 0.120 |

Stock option activity during the periods indicated is as follows:

| | NUMBER OF SHARES | WEIGHTED-AVERAGE EXERCISE PRICE |
|---|---|---|
| Balance at October 31, 1997 | 995,250 | $ 3.742 |
| Exercised | (119,025) | 1.667 |
| Forfeited | (22,500) | 6.267 |
| Balance at October 31, 1998 | 853,725 | 3.965 |
| Replacement options issued | 3,449 | 7.250 |
| Exercised | (119,700) | 1.667 |
| Forfeited | (26,250) | 5.940 |
| Balance at October 31, 1999 | 711,224 | 4.280 |

| | NUMBER OF SHARES | WEIGHTED-AVERAGE EXERCISE PRICE |
|---|---|---|
| Replacement options issued | 1,500 | $ 7.250 |
| Exercised | (268,336) | 3.864 |
| Forfeited | (15,389) | 6.018 |
| Balance at October 31, 2000, (124,499 options exercisable; 215,550 options at exercise price of $1.67 per share with remaining contractual life of 5.5 years, and 213,449 options at exercise price of $7.42 per share with remaining contractual life of 5.5 years) | 428,999 | $ 4.531 |

No new stock options were granted during the fiscal years ended October 31, 2000, 1999 and 1998. However, prior stock options granted have a replacement feature, whereby the participant automatically receives a replacement option to purchase additional shares of the Company's common stock equal to the number of shares surrendered, if any, to the Company by the participant in payment of the exercise price with respect to stock options exercised. Replacement options were issued under this replacement feature during the fiscal years ended October 31, 1999 and 1998.

On November 30, 2000, the Board of Directors approved grants of stock options for a total of 500,000 shares effective December 1, 2000 under the Company's 1996 Stock Incentive Plan. The per share exercise price of $10.688 associated with these stock options was equal to the fair market value of the Company's common stock on the date of grant.

## (9) BUSINESS AND CREDIT CONCENTRATIONS, MAJOR CUSTOMERS AND GEOGRAPHIC INFORMATION

On November 1, 1998, the Company adopted SFAS No. 131, DISCLOSURES ABOUT SEGMENTS OF AN ENTERPRISE AND RELATED INFORMATION. SFAS No. 131 establishes standards for the way public business enterprises are to report information about operating segments in annual financial statements and requires those enterprises to report selected information about operating segments in interim financial reports. It also establishes standards for related disclosures about products and services, geographic areas and major customers.

The Company has a single reportable segment for purposes of segment reporting pursuant to SFAS No. 131. In addition, the Company's fiber optic cable products are similar in nature. Therefore, the Company has disclosed enterprise-wide information about geographic areas and major customers below in accordance with the provisions of SFAS No. 131.

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 at October 31, 2000 and 1999 have been adequately provided for in the financial statements. As of October 31, 2000 and 1999, there were no significant amounts receivable from any one customer other than those described below.

For the year ended October 31, 2000, 28.0 percent or approximately $16,241,000 of net sales were attributable to two major domestic distributors. The combined related trade accounts receivable for these distributors at October 31, 2000 totaled approximately $3,468,000. The Company has specifically reserved $1,772,000 for estimated uncollectible accounts receivable from one of these major distributors that filed for bankruptcy subsequent to October 31, 2000. Bad debt expense related to this distributor has been included in selling, general and administrative expenses on the statement of income for the year ended October 31, 2000. Net sales attributable to this distributor approximated $8,995,000 for the year ended October 31, 2000. No single customer or other distributor accounted for more than 5 percent of net sales for the year ended October 31, 2000. As of October 31, 2000, no single customer or other distributor had an outstanding balance payable to the Company in excess of 5 percent of total stockholders' equity.

For the year ended October 31, 1999, 30.6 percent or approximately $15,513,000 of net sales were attributable to two major domestic distributors. The combined related trade accounts receivable for these distributors at October 31, 1999 totaled approximately $3,294,000. No single customer or other distributor accounted for more than 5 percent of net sales for the year ended October 31, 1999. As of October 31, 1999, no single customer or other distributor had an outstanding balance payable to the Company in excess of 5 percent of total stockholders' equity.

For the year ended October 31, 1998, 27.3 percent or approximately $13,817,000 of net sales were attributable to two major domestic distributors. The combined trade accounts receivable for these distributors at October 31, 1998 totaled approximately $2,989,000. No single customer or other distributor accounted for more than 5 percent of net sales for the year ended October 31, 1998.

For the years ended October 31, 2000, 1999 and 1998, approximately 79 percent, 80 percent and 78 percent, respectively, of net sales were from customers located in the United States, while approximately 21 percent, 20 percent and 22 percent, respectively, were from international customers. Net sales attributable to the United States and other foreign countries for the years ended October 31, 2000, 1999 and 1998 were as follows:

| | YEARS ENDED OCTOBER 31, | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| United States | $ 45,878,300 | $ 40,687,466 | $ 39,621,544 |
| Australia | 801,641 | 702,780 | 1,570,536 |
| Canada | 1,808,469 | 1,756,928 | 889,702 |
| England | 1,163,587 | 694,680 | 987,154 |
| Other foreign countries | 8,566,997 | 6,856,783 | 7,519,957 |
| Total net sales | $ 58,218,994 | $ 50,698,637 | $ 50,588,893 |

None of the Company's long-lived assets are located outside the United States.

## (10) INCOME TAXES

Total income taxes for the years ended October 31, 2000, 1999 and 1998 were allocated as follows:

| | YEARS ENDED OCTOBER 31, | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| Income from operations | $ 4,478,656 | $ 4,214,096 | $ 4,107,495 |
| Stockholders' equity, for disqualifying disposition of stock options exercised | (1,354,718) | (209,207) | (150,359) |
| | $ 3,123,938 | $ 4,004,889 | $ 3,957,136 |

Income tax expense (benefit) attributable to income from operations for the years ended October 31, 2000, 1999 and 1998 consists of:

| YEAR ENDED OCTOBER 31, 2000 | CURRENT | DEFERRED | TOTAL |
|---|---|---|---|
| U.S. Federal | $ 4,667,627 | $ (658,506) | $ 4,009,121 |
| State | 548,746 | (79,211) | 469,535 |
| Totals | $ 5,216,373 | $ (737,717) | $ 4,478,656 |
| **YEAR ENDED OCTOBER 31, 1999** | **CURRENT** | **DEFERRED** | **TOTAL** |
| U.S. Federal | $ 3,729,606 | $ 60,479 | $ 3,790,085 |
| State | 416,736 | 7,275 | 424,011 |
| Totals | $ 4,146,342 | $ 67,754 | $ 4,214,096 |
| **YEAR ENDED OCTOBER 31, 1998** | **CURRENT** | **DEFERRED** | **TOTAL** |
| U.S. Federal | $ 3,733,231 | $ (69,192) | $ 3,664,039 |
| State | 451,779 | (8,323) | 443,456 |
| Totals | $ 4,185,010 | $ (77,515) | $ 4,107,495 |

Reported income tax expense for the years ended October 31, 2000, 1999 and 1998 differs from the "expected" tax expense, computed by applying the U.S. Federal statutory income tax rate of 35 percent to income before income tax expense, as follows:

| | YEARS ENDED OCTOBER 31, | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| "Expected" tax expense | $ 4,456,800 | $ 4,381,558 | $ 3,982,111 |
| Increase (reduction) in income tax expense resulting from: | | | |
| Foreign Sales Corporation benefit | (201,098) | (326,662) | (122,282) |
| State income taxes, net of federal benefits | 295,853 | 254,359 | 288,822 |
| Other differences, net | (72,899) | (95,159) | (41,156) |
| Reported income tax expense | $ 4,478,656 | $ 4,214,096 | $ 4,107,495 |

The tax effects of temporary differences that give rise to significant portions of the Company's net deferred tax asset as of October 31, 2000 and 1999 are presented below:

| | OCTOBER 31, 2000 | OCTOBER 31, 1999 |
|---|---|---|
| Deferred tax assets: | | |
| Accounts receivable, due to allowance for doubtful accounts | $ 718,312 | $ 118,911 |
| Inventories, due to additional costs inventoried for tax purposes pursuant to the Tax Reform Act of 1986 | 66,070 | 71,564 |
| Self-insured health care costs, due to accrual for financial reporting purposes | 44,780 | 58,739 |
| Compensated absences due to accrual for financial reporting purposes | 49,594 | 48,812 |
| Unrealized loss on trading securities, net | 187,368 | ---- |
| Other | 4,205 | ---- |
| Total gross deferred tax assets | 1,070,329 | 298,026 |
| Less valuation allowance | ---- | ---- |
| Net deferred tax assets | 1,070,329 | 298,026 |
| Deferred tax liabilities: | | |
| Plant and equipment, due to differences in depreciation and capital gain recognition | (195,085) | (179,789) |
| Other receivables, due to accrual for financial reporting purposes | (110,664) | (91,374) |
| Total gross deferred tax liabilities | (305,749) | (271,163) |
| Net deferred tax asset | $ 764,580 | $ 26,863 |

Based on the Company's historical and current pretax earnings, management believes that it is more likely than not that the recorded deferred tax assets will be realized.

(11) FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts reported in the balance sheet for cash, cash equivalents, trade accounts receivable, other receivables, accounts payable and accrued expenses approximate fair value because of the short maturity of these instruments. For trading securities, fair value is based on quoted market prices.

As of October 31, 1999, the carrying amount and fair value of the Company's note receivable were $93,605 and $86,250, respectively. The fair value of the note receivable was estimated by discounting the future cash flows of the instrument at an estimated interest rate for loans of similar terms to companies with comparable credit risk.

## (12) NET INCOME PER SHARE

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

| YEAR ENDED OCTOBER 31, 2000 | NET INCOME (NUMERATOR) | SHARES (DENOMINATOR) | PER SHARE AMOUNT |
|---|---|---|---|
| Net income per common share | $ 8,255,058 | 56,306,679 | $ 0.147 |
| Effect of dilutive stock options | ---- | 451,503 | |
| Net income per common share - assuming dilution | $ 8,255,058 | 56,758,182 | $ 0.145 |

| YEAR ENDED OCTOBER 31, 1999 | NET INCOME (NUMERATOR) | SHARES (DENOMINATOR) | PER SHARE AMOUNT |
|---|---|---|---|
| Net income per common share | $ 8,304,640 | 56,503,964 | $ 0.147 |
| Effect of dilutive stock options | ---- | 360,933 | |
| Net income per common share - assuming dilution | $ 8,304,640 | 56,864,897 | $ 0.146 |

| YEAR ENDED OCTOBER 31, 1998 | NET INCOME (NUMERATOR) | SHARES (DENOMINATOR) | PER SHARE AMOUNT |
|---|---|---|---|
| Net income per common share | $ 7,269,964 | 57,430,907 | $ 0.127 |
| Effect of dilutive stock options | ---- | 432,370 | |
| Net income per common share - assuming dilution | $ 7,269,964 | 57,863,277 | $ 0.125 |

Stock options that could potentially dilute net income per common share in the future that were not included in the computation of net income per common share - assuming dilution because to do so would have been antidilutive totaled 341,250 for the year ended October 31, 1998. No such antidilutive stock options existed with respect to net income per common share - assuming dilution calculation for the years ended October 31, 2000 and 1999. See note 8 for discussion of stock options granted subsequent to October 31, 2000.

## (13) STOCKHOLDERS' EQUITY

On August 31, 2000, the Company's Board of Directors approved a 3-for-2 stock split effected in the form of a stock dividend of one share paid on September 28, 2000, upon each two shares held by stockholders of record at the close of business on September 8, 2000. The Company's stock began trading ex-dividend on September 29, 2000. All references to share and per share data, except for references to authorized shares, contained elsewhere in this annual report have been retroactively adjusted to reflect the impact of the approved stock dividend.

The Company's Board of Directors has authorized the repurchase of up to $20 million of the Company's common stock in the open market or in privately negotiated transactions. Through October 31, 2000, the Company has repurchased 2,130,443 shares of its common stock for $14,863,675 in such transactions since the inception of the Company's share repurchase program in October 1997.

## (14) CONTINGENCIES

On September 27, 2000, the Equal Employment Opportunity Commission filed a lawsuit under Title VII of the Civil Rights Act against the Company in the United States District Court for the Western District of Virginia alleging a pattern or practice of discrimination on the bases of gender and race. The lawsuit seeks injunctive and other relief and damages in an unspecified amount. Management intends to vigorously defend the lawsuit on the merits. While the ultimate resolution of this lawsuit cannot be determined, management does not expect that its resolution will have a material adverse effect on the financial condition or business of the Company.

From time to time, the Company is involved in various other claims and legal actions 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.

## (15) QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following is a summary of the unaudited quarterly results of operations for the years ended October 31, 2000 and 1999:

| | QUARTER ENDED | | | |
|---|---|---|---|---|
| YEAR ENDED OCTOBER 31, 2000 | JANUARY 31 | APRIL 30 | JULY 31 | OCTOBER 31 |
| Net sales | $ 11,346,235 | $ 13,028,310 | $ 16,650,975 | $ 17,193,474 |
| Gross profit | 5,205,115 | 5,909,092 | 7,652,197 | 8,574,902 |
| Other income (expense), net | 532,545 | 1,386,149 | (403,252) | (1,098,836) |
| Income before income taxes | 3,138,397 | 4,163,017 | 3,702,629 | 1,729,671 |
| Net income | 2,033,120 | 2,697,442 | 2,400,129 | 1,124,367 |
| Net income per common share | 0.036 | 0.048 | 0.043 | 0.020 |
| Net income per common share - assuming dilution | 0.036 | 0.048 | 0.042 | 0.019 |

| | QUARTER ENDED | | | |
|---|---|---|---|---|
| YEAR ENDED OCTOBER 31, 1999 | JANUARY 31 | APRIL 30 | JULY 31 | OCTOBER 31 |
| Net sales | $ 10,841,939 | $ 12,434,733 | $ 12,602,659 | $ 14,819,306 |
| Gross profit | 4,722,187 | 5,710,552 | 5,424,127 | 7,294,749 |
| Income before income taxes | 2,252,663 | 3,057,265 | 2,899,109 | 4,309,639 |
| Net income | 1,448,235 | 1,963,327 | 1,816,583 | 3,076,495 |
| Net income per common share | 0.025 | 0.035 | 0.032 | 0.055 |
| Net income per common share - assuming dilution | 0.025 | 0.035 | 0.032 | 0.055 |

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable.

PART III

Item 10. Directors and Executive Officers of the Registrant.

For information with respect to the Directors of the registrant, see "Election of Directors" in the Proxy Statement for the 2001 Annual Meeting of Shareholders of the Company, which information is incorporated herein by reference. For information with respect to the executive officers and significant employees of the registrant, see "Executive Officers and Other Significant Employees" in the Proxy Statement for the 2001 Annual Meeting of Shareholders of the Company, which information is incorporated herein by reference. The information with respect to compliance with Section 16(a) of the Securities Exchange Act of 1934, which is set forth under the caption "Compliance with Section 16(a) of the Securities Exchange Act of 1934" in the Proxy Statement for the 2001 Annual Meeting of Shareholders of the Company, is incorporated herein by reference.

Item 11. Executive Compensation.

The information set forth under the captions "Executive Compensation," "Compensation Committee Report on Executive Compensation", "Compensation Committee Interlocks and Insider Participation" and "Performance Graph" in the Proxy Statement for the 2001 Annual Meeting of Shareholders of the Company is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The information pertaining to shareholders beneficially owning more than five percent of the registrant's common stock and the security ownership of management, which is set forth under the caption "Beneficial Ownership of Common Stock" in the Proxy Statement for the 2001 Annual Meeting of Shareholders of the Company, is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions.

The information with respect to certain transactions with management of the registrant, which is set forth under the caption "Certain Relationships and Transactions with Management" in the Proxy Statement for the 2001 Annual Meeting of Shareholders of the Company, is incorporated herein by reference.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

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

1. Financial statements: The Company's financial statements and related information are included under Item 8 of this Form 10-K.

2. Financial statement schedules:

All schedules are omitted, as the required information is inapplicable or the information is presented in the financial statements or related notes thereto.

3. Exhibits to this Form 10-K pursuant to Item 601 of Regulation S-K are as follows:

| Exhibit No. | Description |
|---|---|
| 3.1 | Amended and Restated Articles of Incorporation of Optical Cable Corporation (as amended)(filed as exhibit 3.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 1997 (file number 0-27022), and incorporated herein by reference). |
| 3.2 | Bylaws of Optical Cable Corporation, as amended (filed as exhibit 3.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 1997 (file number 0-27022), and incorporated herein by reference). |
| 4.1 | Form of certificate representing Common Stock (filed as exhibit 4.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 1997 (file number 0-27022), and incorporated herein by reference). |
| 10.1 | Royalty Agreement, dated November 1, 1993, by and between Robert Kopstein and Optical Cable Corporation (filed as exhibit 10.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 1997 (file number 0-27022), and incorporated herein by reference). |
| 10.2 | Assignment of Technology Rights from Robert Kopstein to Optical Cable Corporation, effective as of October 31, 1994 (filed as exhibit 10.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 1997 (file number 0-27022), and incorporated herein by reference). |
| 10.3* | Employment Agreement by and between Optical Cable Corporation and Robert Kopstein, effective November 1, 2000. |
| 10.4 | Tax Indemnification Agreement, dated as of October 19, 1995, by and between Optical Cable Corporation and Robert Kopstein (filed as exhibit 10.4 to the Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 1997 (file number 0-27022), and incorporated herein by reference). |
| 10.6 | Loan Agreement dated March 10, 1999 by and between Optical Cable Corporation and First Union National Bank (filed as Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended January 31, 1999 (file number 0-27022), and incorporated herein by reference). |
| 10.7 | Security Agreement, dated April 25, 1997, by and between Optical Cable Corporation and First Union National Bank of Virginia (filed as exhibit 10.7 to the Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 1997 (file number 0-27022), and incorporated herein by reference). |
| 10.8 | Promissory Note dated March 10, 1999 issued by Optical Cable Corporation to First Union National Bank in the amount of $5,000,000 and the Promissory Note dated March 10, 1999 issued by Optical Cable Corporation to First Union National Bank in the amount of $10,000,000 |

(filed as Exhibit 10.8 to the Registrant's Quarterly Report on form 10-Q for the fiscal quarter ended January 31, 1999 (file number 0-27022), and incorporated herein by reference).

| | |
|---|---|
| 10.9* | Optical Cable Corporation Employee Stock Purchase Plan (filed as exhibit 10.9 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 1998 (file number 0-27022), and incorporated herein by reference). |
| 23 | Consent of KPMG LLP to incorporation by reference of independent auditors' report included in this Form 10-K into registrant's registration statement on Form S-8. |

- ------------------------------

* Management contract or compensatory plan or agreement.

(b) Reports on Form 8-K

There were two reports on Form 8-K filed by the Company during the fourth quarter of fiscal year 2000.

1. Form 8-K dated September 8, 2000, reporting under Item 5 thereof a three-for-two stock split effected in the form of a share dividend and attaching under Item 7 thereof a press release of Optical Cable Corporation dated September 6, 2000.

2. Form 8-K dated September 27, 2000, reporting under Item 5 thereof the filing of a lawsuit on such date against Optical Cable Corporation by the Equal Employment Opportunity Commission.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

Date: January 29, 2001

By /s/ Robert Kopstein

Robert Kopstein
Chairman of the Board
President and Chief
Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated as of January 29, 2001.

| Signature | Date | Title |
|---|---|---|
| /s/ Robert Kopstein<br>Robert Kopstein | January 29, 2001 | Chairman of the Board, President Chief Executive Officer and Director (principal executive officer) |
| /s/ Luke J. Huybrechts<br>Luke J. Huybrechts | January 29, 2001 | Senior Vice President of Sales and Director |
| /s/ Kenneth W. Harber<br>Kenneth W. Harber | January 29, 2001 | Vice President of Finance, Treasurer, Secretary and Director (principal financial and accounting officer) |
| /s/ Randall H. Frazier<br>Randall H. Frazier | January 29, 2001 | Director |
| /s/ John M. Holland<br>John M. Holland | January 29, 2001 | Director |

INDEX TO ATTACHED EXHIBITS

| Exhibit No. | Description |
| --- | --- |
| 10.3 | Employment Agreement by and between Optical Cable Corporation and Robert Kopstein, effective November 1, 2000. |
| 23 | Consent of KPMG LLP to incorporation by reference of independent auditors' report included in this Form 10-K into registrant's registration statement on Form S-8. |

Exhibit 10.3

OPTICAL CABLE CORPORATION
EMPLOYMENT AGREEMENT

This agreement made effective November 1, 2000 by and between Optical Cable Corporation, having a place of business at 5290 Concourse Drive, Roanoke, Virginia (hereinafter referred to as OCC), and Robert Kopstein, (hereinafter referred to as Kopstein).

WHEREAS, OCC desires to employ Kopstein and Kopstein desires to accept such employment upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, OCC employs Kopstein and Kopstein accepts employment upon the following terms and conditions:

1. EMPLOYMENT AND DUTIES: Kopstein is employed as President & Chief Executive Officer of OCC. Kopstein hereby agrees to abide by the terms and conditions of this Agreement.

2. TERM: The term of this Agreement shall begin on November 1, 2000 and shall terminate on the 31st day of October, 2001.

3. STARTING DATE: This Agreement becomes effective November 1, 2000.

4. COMPENSATION: For all services rendered by Kopstein, OCC shall pay Kopstein a salary, payable monthly, equal to 1.0% of the previous fiscal year net sales and in order to stimulate the growth of OCC, OCC shall pay Kopstein a sales commission equal to 1.0% of the positive difference between the current fiscal year net sales and the prior year net sales. Said sales commission shall be paid monthly and paid within 15 days after the end of the month. Said sales commission shall be based on the difference in net sales between the period of employment in the current fiscal year and the corresponding period of the previous fiscal year.

5. PATENT RIGHTS: Kopstein's interest in any and all inventions or improvements made or conceived by him, or which he may make or conceive at any time after the commencement of and until the termination of his employment of OCC, either individually or jointly with others, shall be the exclusive property of OCC, its successors, assignees or nominees. He will make full and prompt disclosure in writing to an officer or official of OCC, or to anyone designated for that purpose by OCC, of all inventions or improvements made or conceived by him during the term of his employment. At the request and expense of OCC, and without further compensation to him, Kopstein will for all inventions or improvements which may be patentable, do all lawful acts and execute and acknowledge any and all letters and/or patents in the United States of America and foreign countries for any of such inventions and improvements, set forth herein, and for vesting in OCC the entire right, title and interest thereto. As used in this Agreement, "inventions or improvements" means discoveries, concepts, and ideas, whether patentable or not, relating to any present or prospective activities of OCC, including, but not limited to, devices, processes, methods, formulae, techniques, and any improvements to the foregoing.

6. CONFIDENTIALLY; DISCLOSURE OF INFORMATION: Since the work for which Kopstein is employed and upon which he shall be engaged, will include trade secrets and confidential information of OCC or its customers, Kopstein shall receive such trade secrets and confidential information in confidence and shall not, except as required in the conduct of OCC's business, publish or disclose, or make use of or authorize anyone else to publish, disclose, or make use of any such secrets or information unless and until such secrets or information shall have ceased to be secret or confidential as evidenced by public knowledge. This prohibition as to publication and disclosures shall not restrict him in the exercise of his technical skill, provided that the exercise of such skill does not involve the disclosure to others not authorized to receive trade secret or confidential information of OCC or its customers. As used in this Agreement, "trade secrets and confidential information" means any formula, pattern device or compilation of information used in the business of OCC or its customers which gives OCC or its customers an opportunity to obtain advantage over competitors who do not know or use such information; the term includes, but is not limited to, devices and processes, whether patentable or not, compilations of information such as customer lists, business and marketing plans, and pricing information where much of the information involved is generally known or available but where the compilation, organization or use of the information is not generally known and is of significance to the business of OCC or its customers. The provisions of this paragraph (six) 6 shall apply throughout the period of Kopstein's employment with OCC, and for twelve (12) successive months immediately following termination of that employment by either party for

any reason.

7. NON-COMPETE: Kopstein covenants and agrees that during the term of his employment with OCC (as employee, consultant or otherwise) and for the twelve (12) consecutive months immediately following termination of that employment by either party for any reason he will not own or have an ownership interest in, or render services to, or work for any business which competes with OCC or is engaged in the same or similar business conducted by OCC during the period of Kopstein's employment with OCC, or wishing three (3) months following termination of that employment; nor will he call on, solicit or deal with any customers or prospective customer of OCC learned about or developed during Kopstein's employment with OCC. This Agreement shall apply to Kopstein as an individual for his own account, as a partner or joint venturer, as an employee, agent salesman or consultant for any person or entity, as an officer, director or shareholder.

8. RETURN OF OCC PROPERTY: Immediately upon the termination of his employment with OCC, Kopstein will turn over to OCC all notes, memoranda, notebooks, drawings, records, documents, and all computer program source listings, object files, and executable images obtained from OCC or developed or modified by him as part of his work for OCC which are in his possession or under his control, whether prepared by him or others, relating to any work done for OCC or relating in any way to the business of OCC or its customers, it being acknowledged that all such items are the sole property of OCC.

9. BENEFITS: Kopstein shall be entitled to such vacation and benefits of OCC; may from time to time establish for employees of similar positions, responsibilities and seniority.

10. BINDING ON OTHER PARTIES: This Agreement shall be binding upon and inure to the benefit of Kopstein, his heirs, executors and administrators, and shall be binding upon and inure to the benefit of OCC and its successors and assigns.

11. ENFORCEMENT AND REMEDIES: This Agreement shall be enforced and construed in accordance with the laws of the Commonwealth of Virginia.

    Each party acknowledges that in the event of a breach or threatened breach of the confidentiality or non-compete provisions set out in paragraphs 6 and 7 of the Agreement, damages at law will be inadequate and injunctive relief is appropriate in addition to whatever damages may be recoverable. Kopstein agrees to pay the costs, including attorneys fees incurred by OCC in enforcing the provisions of paragraphs 6 and 7.

Each and all of the several rights and remedies contained in or arising by reason of this Agreement shall be construed as cumulative and no one of them shall be exclusive of any other or of any right or priority allowed by law or equity. Nothing in this Agreement is intended to be in derogation of the rights of either party under or pursuant to any federal or state statute.

12. NOTICES: Any notice required or desired to be given under this Agreement shall be deemed given if in writing sent by U.S. Mail to his last known residence in the case of Kopstein or to its principal office in the case of OCC.

13. SEVERABILITY AND LIMITED ENFORCEABILITY: It is understood and agreed that, should any portion of any clause or paragraph of this Agreement be deemed too broad to permit enforcement to its full extent, then such restriction shall be enforced to the maximum extent permitted by law, and the parties hereby consent and agree that such scope may be modified accordingly in a proceeding brought to enforce such restriction. Further, it is agreed that, should any provision in the Agreement be entirely unenforceable, the remaining provisions of this Agreement shall not be affected.

14. ASSIGNMENT: This Agreement and the rights and obligations hereunder shall be deemed unique and personal to Kopstein and Kopstein may not transfer, pledge, encumber, assign, anticipate, or alienate all or any part of this Agreement.

15. PRIOR AGREEMENT; MODIFICATION: No modifications or waiver of this Agreement, or of any provision thereof, shall be valid or binding, unless in writing and executed by both of three parties hereto. No waiver by either party of any breach of any term or provision of this Agreement shall be construed as a waiver of any succeeding breach of the same or any other term or provision.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first written above.

| | |
|---|---|
| s/Deborah B. Stokes | s/ Robert Kopstein |
| - ------------------------- | ------------------------ |
| WITNESS | Robert Kopstein |

Optical Cable Corporation

By: s/Kenneth W. Harber
-------------------
Kenneth W. Harber
Vice President of Finance

EXHIBIT 23

ACCOUNTANTS' CONSENT

The Board of Directors
Optical Cable Corporation:

We consent to incorporation by reference in Registration Statement No. 33-09433 on Form S-8 of Optical Cable Corporation of our report dated December 8, 2000, relating to the balance sheets of Optical Cable Corporation as of October 31, 2000 and 1999, and the related statements of income, stockholders' equity, and cash flows for each of the years in the three-year period ended October 31, 2000, which report appears in the October 31, 2000 Annual Report on Form 10-K of Optical Cable Corporation.

KPMG LLP

Roanoke, Virginia
January 29, 2001