

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

FORM 10-Q/A

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

For the quarterly period ended January 31, 2003

OR

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

For the transition period from _____ to _____

Commission file number 0-27022

OPTICAL CABLE CORPORATION

(Exact name of registrant as specified in its charter)

Virginia

(State or other jurisdiction of incorporation or organization)

54-1237042

(I.R.S. Employer Identification No.)

5290 Concourse Drive

Roanoke, Virginia 24019

(Address of principal executive offices, including zip code)

(540) 265-0690

(Registrant's telephone number, including area code)

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

(1) Yes No (2) Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of March 12, 2003, 5,452,785 shares of the registrant's Common Stock, no par value, were outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

OPTICAL CABLE CORPORATION
Condensed Balance Sheets

	(Unaudited)	
	January 31, 2003	October 31, 2002
Assets		
Current assets:		
Cash	\$ —	\$ 746,771
Trade accounts receivable, net of allowance for doubtful accounts of \$590,355 at January 31, 2003 and \$476,124 at October 31, 2002	8,015,553	7,795,058
Income taxes refundable	908,728	840,013
Other receivables	305,639	285,639
Due from employees, net of allowance for uncollectible advances of \$59,078	29,892	31,467
Inventories	8,924,913	9,412,130
Prepaid expenses	414,222	492,201
Deferred income taxes	177,684	180,144
Total current assets	18,776,631	19,783,423
Other assets, net	276,151	261,344
Property and equipment, net	11,601,559	11,907,567
Deferred income taxes	723,590	721,755
Total assets	\$ 31,377,931	\$ 32,674,089
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 3,160,054	\$ 2,912,177
Accrued compensation and payroll taxes	505,250	859,899
Accrued shareholder litigation settlement expense	610,427	531,643
Total current liabilities	4,275,731	4,303,719
Note payable to bank	2,076,831	—
Other liabilities	—	166,383
Total liabilities	6,352,562	4,470,102
Shareholders' equity:		
Preferred stock, no par value, authorized 1,000,000 shares; none issued and outstanding	—	—
Common stock, no par value, authorized 50,000,000 shares; issued and outstanding 5,452,785 shares at January 31, 2003 and 6,928,652 at October 31, 2002	—	55,313
Retained earnings	25,025,369	28,148,674
Total shareholders' equity	25,025,369	28,203,987
Commitments and contingencies		
Total liabilities and shareholders' equity	\$ 31,377,931	\$ 32,674,089

See accompanying condensed notes to condensed financial statements.

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OPTICAL CABLE CORPORATION
Condensed Statements of Operations
(Unaudited)

	Three Months Ended January 31,	
	2003	2002
Net sales	\$9,746,015	\$ 11,391,421
Cost of goods sold	6,248,180	6,895,184
Gross profit	3,497,835	4,496,237
Selling, general and administrative expenses	3,293,106	3,506,417
Shareholder litigation settlement expense	291,400	—
Loss on impairment of machinery and equipment	117,337	—
Income (loss) from operations	(204,008)	989,820
Other income (expense):		
Interest income	4,710	7,152
Interest expense	(34,850)	(64,704)
Other, net	13,827	184
Other expense, net	(16,313)	(57,368)
Income (loss) before income tax expense	(220,321)	932,452
Income tax expense (benefit)	(68,299)	328,000
Net income (loss)	\$ (152,022)	\$ 604,452
Net income (loss) per share:		
Basic and diluted	\$ (0.02)	\$ 0.09

See accompanying condensed notes to condensed financial statements.

OPTICAL CABLE CORPORATION
Condensed Statement of Changes in Shareholders' Equity
(Unaudited)

Three Months Ended January 31, 2003

	Common Stock		Retained Earnings	Total Shareholders' Equity
	Shares	Amount		
Balances at October 31, 2002	6,928,652	\$ 55,313	\$28,148,674	\$28,203,987
Stock-based compensation	—	6,311	—	6,311
Repurchase of common stock (at cost)	(1,475,867)	(61,624)	(2,971,283)	(3,032,907)
Net loss	—	—	(152,022)	(152,022)
Balances at January 31, 2003	5,452,785	\$ —	\$25,025,369	\$25,025,369

See accompanying condensed notes to condensed financial statements.

OPTICAL CABLE CORPORATION
Condensed Statements of Cash Flows
(Unaudited)

	Three Months Ended January 31,	
	2003	2002
Cash flows from operating activities:		
Net income (loss)	\$ (152,022)	\$ 604,452
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, amortization and accretion	288,833	293,718
Bad debt expense	113,437	270,659
Deferred income tax expense	625	21,507
Stock-based compensation expense	6,311	—
Shareholder litigation settlement expense	290,083	—
Loss on impairment of machinery and equipment	117,337	—
(Increase) decrease in:		
Trade accounts receivable	(333,932)	999,621
Income taxes refundable	(68,715)	301,303
Other receivables	(20,000)	(125,400)
Due from employees	1,575	225
Inventories	487,217	223,559
Prepaid expenses	77,979	(75,093)
Other assets	(6,844)	—
Increase (decrease) in:		
Accounts payable and accrued expenses and other liabilities	(139,437)	(346,585)
Accrued compensation and payroll taxes	(354,649)	(250,488)
Net cash provided by operating activities	307,798	1,917,478
Cash flows from investing activities:		
Purchase of property and equipment	(63,339)	(124,986)
Receipt of cash surrender value of life insurance	—	367,469
Net cash provided by (used in) investing activities	(63,339)	242,483
Cash flows from financing activities:		
Proceeds from (repayment of) notes payable to bank, net	2,076,831	(1,708,000)
Payments for financing costs	(35,154)	—
Repurchase of common stock	(3,032,907)	—
Net cash used in financing activities	(991,230)	(1,708,000)
Net increase (decrease) in cash	(746,771)	451,961
Cash at beginning of period	746,771	2,087,608
Cash at end of period	\$ —	\$ 2,539,569

See accompanying condensed notes to condensed financial statements.

OPTICAL CABLE CORPORATION
Condensed Notes to Condensed Financial Statements
Three Months Ended January 31, 2003
(Unaudited)

(1) General

The accompanying unaudited condensed financial statements of Optical Cable Corporation (the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial reporting information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all material adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended January 31, 2003 are not necessarily indicative of the results for the fiscal year ending October 31, 2003 because, among other things, changes in market conditions, seasonality, ability of management to execute its business plan, as well as other variables and contingencies set forth as risk factors in the Company's Form 10-K for fiscal year 2002 or otherwise identified in other filings by the Company may affect future results. The unaudited condensed financial statements and condensed notes are presented as permitted by Form 10-Q and do not contain certain information included in the Company's annual financial statements and notes. For further information, refer to the financial statements and notes thereto included in the Company's annual report on Form 10-K for the fiscal year ended October 31, 2002.

(2) Allowance for Doubtful Accounts for Trade Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount and do not typically bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company reviews outstanding trade accounts receivable at the end of each quarter and records allowances for doubtful accounts as deemed appropriate for (i) certain individual customers and (ii) for all other trade accounts receivable in total not specifically reviewed. In determining the amount of allowance for doubtful accounts to be recorded for individual customers, the Company considers the age of the receivable, the financial stability of the customer, discussions that may have occurred with the customer and management's judgment as to the overall collectibility of the receivable from that customer. In addition, the Company establishes an allowance for all receivables that have not been individually reviewed. This general allowance for doubtful accounts is based on a percentage of total trade accounts receivable with different percentages used based on the different age of the receivables. The percentages used are based on the Company's historical experience and management's current judgment regarding the state of the economy. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance-sheet credit exposure related to its customers. Also see note 10.

A summary of changes in the allowance for doubtful accounts for trade accounts receivable for the three months ended January 31, 2003 and 2002 follows:

	Three Months Ended January 31,	
	2003	2002
Balance at beginning of period	\$ 476,124	\$ 572,853
Bad debt expense	113,437	270,659
Losses charged to allowance	—	(4,030)
Recoveries added to allowance	794	—
Balance at end of period	<u>\$ 590,355</u>	<u>\$ 839,482</u>

(Continued)

OPTICAL CABLE CORPORATION
Condensed Notes to Condensed Financial Statements
Three Months Ended January 31, 2003
(Unaudited)

(3) Inventories

Inventories as of January 31, 2003 and October 31, 2002 consist of the following:

	<u>January 31, 2003</u>	<u>October 31, 2002</u>
Finished goods	\$ 4,397,481	\$ 4,329,080
Work in process	1,182,471	1,399,575
Raw materials	3,291,101	3,616,306
Production supplies	53,860	67,169
	<u>\$ 8,924,913</u>	<u>\$ 9,412,130</u>

(4) Product Warranties

The Company generally warrants its products against certain manufacturing and other defects in material and workmanship. These product warranties are provided for specific periods of time and are applicable assuming the product has not been subjected to misuse, improper installation, negligence, or shipping damage. As of January 31, 2003 and October 31, 2002, the Company's accrual for estimated product warranty claims totaled \$125,000 and \$100,000, respectively, in the accompanying condensed balance sheets included in accounts payable and accrued expenses. The accrued product warranty costs are based primarily on historical experience of actual warranty claims as well as current information on repair costs. Warranty claims expense for the three months ended January 31, 2003 totaled \$66,169.

The following table summarizes the changes in the Company's accrual for product warranties during the three months ended January 31, 2003:

Balance at beginning of period	\$ 100,000
Liabilities accrued for warranties issued during the period	57,169
Warranty claims paid during the period	(41,169)
Changes in liability for pre-existing warranties during the period	9,000
	<u> </u>
Balance at end of period	<u>\$ 125,000</u>

(5) Warrants

Warrants to purchase shares of the Company's common stock at an exercise price of \$4.88 per share are in the process of being issued. The warrants are being issued to class members defined in a consolidated class action lawsuit by the claims administrator for the class members and in accordance with the settlement agreement approved by the United States District Court for the Western District of Virginia on September 23, 2002. Each warrant entitles the holder to purchase one share of the Company's common stock. The total number of warrants to be issued in accordance with the settlement agreement is 250,000. During the three months ended January 31, 2003, 75,000 warrants had been issued. The warrants expire October 24, 2007.

The fair value of the 250,000 warrants, totaling \$610,427, is recorded as accrued shareholder litigation settlement expense as of January 31, 2003. Generally accepted accounting principles require the fair value to be adjusted at each reporting period until such time that the warrants are issued and the underlying shares of common stock to be issued on exercise are registered. At such time, the fair value of the warrants will be reclassified to permanent equity.

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OPTICAL CABLE CORPORATION
Condensed Notes to Condensed Financial Statements
Three Months Ended January 31, 2003
(Unaudited)

During the three months ended January 31, 2003, the Company recorded an additional \$290,083 of expense resulting from the variable accounting treatment of the warrants. Additionally, we will recognize related income or expense in future periods' statements of operations until the previously noted requirements are met. Such recognized income or expense will be a non-cash item and have no impact on our net cash flow. The warrant expense portion of the accrued shareholder litigation settlement expense is calculated using the Black-Scholes pricing model and, as of January 31, 2003, the closing price of our common stock of \$3.22 per share on that day was used in that calculation.

(6) Note Payable to Bank

The Company has a revolving credit facility with Wachovia Bank, National Association. The three-year credit facility provides up to a maximum of \$25 million and is collateralized by all of the Company's tangible and intangible assets. Borrowings under the credit facility are subject to certain coverage ratios, advance limits and qualifications that are applied to the Company's accounts receivable, inventory and fixed assets. The Company's ability to access the full amount of the credit facility depends on the future growth of the Company's borrowing base. We maintain a sweep arrangement with our bank, where at the end of each day all of our cash is used to paydown our outstanding note payable to the bank, if any. As of January 31, 2003, the Company had outstanding borrowings under the credit facility in the amount of \$2,076,831, with \$6,884,077 unused and available. The outstanding balance on the credit facility has been reflected as noncurrent in the accompanying condensed balance sheet as of January 31, 2003 based on the scheduled maturity of the credit facility in April 2005. As of October 31, 2002, the Company had no outstanding borrowings under the credit facility.

The credit facility bears interest at one-half of one percent (0.50%) per annum above the prime rate (4.75% as of January 31, 2003). During the three months ended January 31, 2003, the Company met certain fixed charge coverage ratio requirements and the interest rate on the credit facility was reduced from three-quarters of 1% (0.75%) per annum above the prime rate (5.50% as of October 31, 2002) in accordance with the loan and security agreement. The facility also provides a LIBOR based rate at the Company's option.

(7) Stock Option Plan and Other Stock Options

The Company applies the provisions of Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations for employee stock option grants and SFAS No. 123, *Accounting for Stock-Based Compensation* and EITF Issue No. 96-18, *Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services*, for nonemployee stock option grants. Stock option activity during the three months ended January 31, 2003 is as follows:

	Number of Shares	Weighted-Average Exercise Price
Balance at October 31, 2002	415,308	\$ 20.13
Granted	—	—
Exercised	—	—
Forfeited	(8,587)	\$ 29.21
Balance at January 31, 2003	<u>406,721</u>	<u>\$ 19.93</u>

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OPTICAL CABLE CORPORATION
Condensed Notes to Condensed Financial Statements
Three Months Ended January 31, 2003
(Unaudited)

The Company adopted on March 1, 1996 the Optical Cable Corporation 1996 Stock Incentive Plan (the Plan). The Plan is intended to provide a means through the use of stock incentives that the Company can increase the personal financial interest employees have in the future success of the Company, thereby stimulating the efforts of these employees and strengthening their desire to remain with the Company. The Company has reserved 750,000 shares of common stock for issuance pursuant to incentive awards under the Plan. As of January 31, 2003, there were approximately 265,000 additional shares available for grant under the Plan.

(8) Net Income (Loss) Per Share

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

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

<u>Three Months Ended January 31, 2003</u>	<u>Net Loss (Numerator)</u>	<u>Shares (Denominator)</u>	<u>Per Share Amount</u>
Basic net loss per share	\$(152,022)	6,575,727	\$ (0.02)
Effect of dilutive stock options	—	—	
Diluted net loss per share	<u>\$(152,022)</u>	<u>6,575,727</u>	<u>\$ (0.02)</u>
<u>Three Months Ended January 31, 2002</u>	<u>Net Income (Numerator)</u>	<u>Shares (Denominator)</u>	<u>Per Share Amount</u>
Basic net income per share	\$ 604,452	6,928,910	\$ 0.09
Effect of dilutive stock options	—	3,037	
Diluted net income per share	<u>\$ 604,452</u>	<u>6,931,947</u>	<u>\$ 0.09</u>

Stock options that could potentially dilute net income (loss) per share in the future that were not included in the computation of diluted net income (loss) per share (because to do so would have been antidilutive for the periods presented) totaled 406,721 and 95,445 for the three months ended January 31, 2003 and 2002, respectively. Likewise, issued and outstanding warrants to purchase 75,000 shares of common stock (of the warrants to purchase 250,000 shares in connection with the shareholder litigation) that could potentially dilute net income (loss) per share in the future were not included in the computation of diluted net income (loss) per share because to do so would have been antidilutive for the three months ended January 31, 2003.

(9) Shareholders' Equity

On January 10, 2003, the Company repurchased 1,475,867 shares, or 21.3% of its outstanding common stock, no par value, for \$2.00 per share in a privately negotiated transaction. The cost of the transaction, including brokerage fees, totaled \$3,032,907. After the repurchase, the Company had 5,452,785 shares of common stock issued and outstanding.

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OPTICAL CABLE CORPORATION
Condensed Notes to Condensed Financial Statements
Three Months Ended January 31, 2003
(Unaudited)

At a Special Meeting of Shareholders held on July 30, 2002, the Company's shareholders approved a 1-for-8 reverse stock split of all outstanding shares of common stock and a change in the number of authorized shares of the Company's common stock from 100 million (pre-reverse split) to 50 million. The reverse split was effective at 12:01 a.m. (eastern daylight time) on July 31, 2002, at which time each eight shares of issued and outstanding common stock was converted into one issued and outstanding share of common stock. Fractional shares of stock were not issued as a result of the reverse stock split. Shareholders who would otherwise have received a fractional share of common stock received an equivalent amount of cash in lieu of fractional shares, based on the average closing price of the common stock for the ten trading days prior to, but not including, the effective date of the reverse stock split. All references to prior period share and per share data contained elsewhere in this quarterly report have been retroactively adjusted to reflect the impact of the approved reverse stock split.

(10) Segment Information and Business and Credit Concentrations

The Company has a single reportable segment for purposes of segment reporting pursuant to SFAS No. 131, as the Company's fiber optic cable products are similar in nature.

The Company provides credit, in the normal course of business, to various commercial enterprises, governmental entities and not-for-profit organizations. Concentration of credit risk with respect to trade receivables is limited due to the Company's large number of customers. The Company also manages exposure to credit risk through credit approvals, credit limits and monitoring procedures. Management believes that credit risks as of January 31, 2003 and October 31, 2002 have been adequately provided for in the condensed financial statements.

For the three months ended January 31, 2003, 14.1% of net sales were attributable to one major domestic distributor. No single customer accounted for more than 10% of net sales during the three months ended January 31, 2002. For the three months ended January 31, 2003 and 2002, approximately 82% and 66%, respectively, of net sales were from customers located in the United States, while approximately 18% and 34%, respectively, were from international customers.

(11) Loss on Impairment of Machinery and Equipment

During the three months ended January 31, 2003, the Company recorded loss on impairment of machinery and equipment totaling \$117,337 due to an automation upgrade initiative. The impairment loss relates to certain machinery and equipment not yet placed into service that the Company anticipates will be replaced in conjunction with the automation project. The loss represents the write-off of the carrying value of the machinery and equipment anticipated to be replaced.

(12) Contingencies

On January 3, 2003, Anicom, Inc. a former customer that is in bankruptcy, filed a complaint against the Company in the United States Bankruptcy Court for the Northern District of Illinois, Eastern Division (the Complaint). The Complaint seeks to avoid and recover certain alleged preferential payments in the

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OPTICAL CABLE CORPORATION
Condensed Notes to Condensed Financial Statements
Three Months Ended January 31, 2003
(Unaudited)

approximate amount of \$1,100,000. The Company has reviewed the claim with legal counsel and believes it is without merit. The Company intends to defend this claim vigorously. Furthermore, at this time the Company believes it is unlikely that this claim will have a material adverse impact on its financial position, results of operations or cash flows.

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

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

Forward Looking Information

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

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

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

Overview

We are a leading manufacturer of a broad range of tight-buffered fiber optic cables primarily for the local area network and premise markets, often referred to as the enterprise market. Our fiber optic cables are well-suited for use in short to moderate distance applications such as the connection of metropolitan, access and enterprise networks.

We pioneered the design and production of special tight-buffered fiber optic cables for the most demanding military field applications in the early 1980’s—applications requiring rugged, flexible and compact fiber optic cables. At our ISO 9001 registered facility in Roanoke, Virginia, we manufacture a broad range of fiber optic cables for high bandwidth transmission of data, video, and audio communications over short to moderate distances. Our cables can be used both indoors and outdoors and utilize a unique tight-buffered coating process and cable construction that provide excellent mechanical and environmental protection for each optical fiber. Our current portfolio of products is built on the evolution and refinement of the original fundamental technology into a comprehensive and versatile product line designed to provide end-users with significant value and performance.

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

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We sell our products internationally and domestically through our sales force to our customers, which include original equipment manufacturers, major distributors, regional distributors and various smaller distributors. International net sales were 18.2% and 34.1% for the quarters ending January 31, 2003 and 2002, respectively. Substantially all of our international sales are denominated in U.S. dollars. The lower percentage of international net sales in the first quarter of 2003 compared to the first quarter of 2002 resulted primarily from a large order of one international customer in 2002 that did not recur in 2003.

Net sales consist of gross sales of products less discounts, refunds and returns. Revenue is recognized at the time of product shipment or delivery to the customer (including distributors) provided that the customer takes ownership and assumes risk of loss, based on shipping terms. During the first quarter of 2003, 14.1% of our net sales were attributable to one major domestic distributor. No single customer accounted for more than 10% of our net sales during the first quarter of 2002.

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

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

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

Results of Operations

The following table sets forth selected line items from our statements of operations as a percentage of net sales for the periods indicated:

	Three Months Ended January 31,	
	2003	2002
Net sales	100.0%	100.0%
Cost of goods sold	64.1	60.5
Gross profit	35.9	39.5
Selling, general and administrative expenses	33.8	30.8
Shareholder litigation settlement expense	3.0	—
Loss on impairment of machinery and equipment	1.2	—
Income (loss) from operations	(2.1)	8.7
Other expense, net	(0.2)	(0.5)
Income (loss) before income tax expense (benefit)	(2.3)	8.2
Income tax expense (benefit)	(0.7)	2.9
Net income (loss)	(1.6)%	5.3%

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Net Sales

Net sales decreased 14.4% to \$9.7 million for the first quarter of fiscal year 2003 from \$11.4 million for the same period in 2002. Net sales for the first quarter of fiscal year 2003 were lower than net sales of \$10.6 million for the fourth quarter of fiscal year 2002 and equal to net sales of \$9.7 million for the third quarter of fiscal year 2002. The decrease in net sales during first quarter 2003, when compared to the same period last year, was a result of economic weakness that particularly affected the technology and fiber optic cable sectors, and that significantly affected our net sales since the second half of fiscal year 2001. While we believe net sales have begun to stabilize during the second half of fiscal year 2002, we expect to return to the historical patterns of seasonality before the technology sector bubble and subsequent bust, namely relatively lower net sales during the first two quarters of each fiscal year when compared to average quarterly net sales for the fiscal year, and relatively higher net sales during the last two quarters of each fiscal year when compared to average quarterly net sales for the fiscal year.

During the first quarter of 2003, we experienced an increase in product mix for cable containing multimode fiber (which typically has a higher relative sales price), compared to cable containing single-mode fiber (which typically has a lower relative sales price), when compared to the first quarter of 2002. The percentage of multimode fiber meters shipped to total fiber meters shipped during the first quarter 2003 was 75.2% compared to 63.4% during the first quarter of 2002; however, the impact of the decreased market demand due to overall economic conditions of the industry outweighed the impact on sales resulting from the change in product mix.

Cable containing multimode fiber is generally used for communications over shorter distances where the higher bandwidth capacity and the higher transmission equipment cost of single-mode fiber is not required. Multimode fiber optic cable is often used in datacom applications. Cable containing single-mode fiber is generally used for communications over longer distances and where higher bandwidth capacity is required. Single-mode fiber optic cable is often used in telecom, CATV and various Internet applications.

Gross Profit

Gross profit decreased 22.2% to \$3.5 million for the first quarter of 2003 from \$4.5 million for the same period in 2002. Gross profit margin, or gross profit as a percentage of net sales, decreased to 35.9% in first quarter 2003 from 39.5% in first quarter 2002, as overall production costs did not decrease at the same relative rate as the decrease in net sales. Although raw material cost per fiber meter shipped decreased during the first quarter of 2003 compared to the first quarter of 2002, manufacturing overhead costs and labor costs per fiber meter shipped remained relatively stable in the first quarter of 2003 compared to the first quarter of 2002. By comparison, the gross profit margin for the fourth of quarter 2002 was 34.8%.

Selling, General and Administrative Expenses

Selling, general and administrative expenses as a percentage of net sales were 33.8% in the first quarter of 2003 compared to 30.8% in the first quarter of 2002. The higher percentage in first quarter 2003 reflects the fact that net sales for the quarter decreased 14.4% compared to the same period last year, while selling, general and administrative expenses only decreased 6.1% compared to the first quarter of 2002. The decrease in selling, general and administrative expenses during first quarter 2003 compared to the same period last year is explained by a number of factors including (i) decreases in sales commissions and shipping costs due to decreased net sales, (ii) decreases in advertising and trade shows expense as a result of attempts to streamline our marketing and advertising efforts, and (iii) decreases in bad debt expense and legal fees (excluding those fees related to the shareholder litigation). These decreases were partially offset by increases

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in salaries and related human resources expenses resulting from successful efforts to fill newly created positions in sales and marketing.

Shareholder Litigation Settlement Expense

We recorded a charge during fiscal year 2002 in the amount of \$997,000 representing the estimated cost of the settlement of a consolidated shareholder class action lawsuit and related professional fees incurred during fiscal year 2002, net of insurance proceeds; however, there was no charge related to the shareholder litigation in the first quarter of 2002. Of the total amount expensed during fiscal year 2002, approximately \$320,000 represented the fair value of the warrants to purchase 250,000 shares of our common stock at an exercise price of \$4.88 per share to be issued in connection with the settlement of the shareholder litigation. Generally accepted accounting principles require the fair value to be adjusted at each reporting period until such time that the warrants are issued and the underlying shares of common stock to be issued on exercise are registered. During the first quarter of fiscal year 2003, we recognized an additional \$290,000 of expense resulting from the variable accounting treatment of the warrants. Additionally, we will recognize related income or expense in future periods' statements of operations until the previously noted requirements are met. Such recognized income or expense will be a non-cash item and have no impact on our net cash flow. The warrant expense portion of the accrued shareholder litigation settlement expense is calculated using the Black-Scholes pricing model and, as of January 31, 2003, the closing price of our common stock of \$3.22 per share on that day was used in that calculation. The shareholder lawsuit is described in more detail in "Liquidity and Capital Resources" below. Also see "Item 3 - Quantitative and Qualitative Disclosures About Market Risk" in Part 1 of this Form 10-Q for a discussion of the potential non-cash impact on future financial results.

Loss on Impairment of Machinery and Equipment

During the first quarter of fiscal year 2003, we recorded loss on impairment of machinery and equipment totaling \$117,000 due to an automation upgrade initiative. The impairment loss relates to certain machinery and equipment not yet placed into service that the Company anticipates will be replaced in conjunction with the automation project. The loss is a non-cash item that represents the write-off of the carrying value of the machinery and equipment anticipated to be replaced. There was no such impairment loss during the first quarter of fiscal year 2002.

Other Income (Expense)

Other expense, net decreased to \$16,000 in the first quarter of 2003 from \$58,000 in the first quarter of 2002. The decrease was primarily due to reduced interest expense when comparing the first quarter of 2003 to the first quarter of 2002. The lower interest expense results from lower amounts payable under our new credit facility during the first quarter of 2003 compared to amounts payable under our former credit facilities during the first quarter of 2002. See also "Liquidity and Capital Resources" for further discussion of our revolving credit facility.

Income (Loss) Before Income Tax Expense (Benefit)

We incurred a \$220,000 loss before tax benefit for the first quarter of fiscal year 2003 whereas we reported income before tax expense of \$932,000 for the first quarter of fiscal year 2002. This change was primarily due to a decrease in gross profit of \$998,000 and the two non-cash charges recorded during the first quarter of fiscal year 2003 described above under "Shareholder Litigation Settlement Expense" and "Loss on Impairment of Machinery and Equipment," partially offset by the decrease in selling, general and administrative expenses of \$213,000.

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Income Tax Expense (Benefit)

Income tax benefit totaled \$68,000 for the first quarter of fiscal year 2003 compared to income tax expense of \$328,000 for the first quarter of fiscal year 2002. This change was due primarily to the fact that we incurred a loss before tax benefit for the first quarter of fiscal year 2003 compared to income before tax expense for the first quarter of fiscal year 2002. Additionally, the amounts reflect a change in our expected effective tax rate for 2003 compared to 2002. Our effective tax rate was 31.0% in the first quarter of 2003 compared to 35.2% in the first quarter of 2002.

Fluctuations in our effective tax rates are due primarily to the amount and timing of the tax benefits related to our Extraterritorial Income Exclusion which exempts from federal income taxation a portion of the net profit realized from sales outside of the United States of products manufactured in the United States.

Net Income (Loss)

Net loss for the first quarter of 2003 was \$152,000 compared to net income of \$604,000 for the first quarter of 2002. This change was due primarily to the fact that we incurred a loss before tax benefit for the first quarter of fiscal year 2003 compared to income before tax expense for the first quarter of fiscal year 2002, partially offset by the recognition of income tax benefit in the first quarter of 2003 compared to income tax expense during the first quarter of 2002.

Financial Condition

Total assets decreased \$1.3 million, or 4.0%, to \$31.4 million at January 31, 2003, from \$32.7 million at October 31, 2002. This decrease was primarily due to a \$747,000 decrease in cash resulting from the use of cash on hand to repurchase 21.3% of our outstanding common stock during the first quarter of 2003, a \$487,000 decrease in inventories resulting from continuing efforts to appropriately manage inventory levels, and a \$306,000 decrease in property and equipment, net, of which \$117,000 relates to the loss on impairment of machinery and equipment, partially offset by a \$220,000 increase in trade accounts receivable, net.

Total liabilities increased \$1.9 million, or 42.1%, to \$6.4 million at January 31, 2003, from \$4.5 million at October 31, 2002. This increase was primarily due to a \$2.1 million increase in note payable to our bank under our line of credit. The increase in note payable was due to the use of proceeds from borrowings against the line of credit to repurchase 21.3% of our outstanding common stock during the first quarter of 2003.

Total shareholders' equity at January 31, 2003 decreased \$3.2 million, or 11.3% in the first quarter of 2003. The decrease resulted primarily from the repurchase of 21.3% of our outstanding common stock during the first quarter of 2003. The repurchased common stock was retired.

Liquidity and Capital Resources

In addition to the repurchase of 21.3% of our outstanding common stock during the first quarter of 2003, our primary capital needs have been to fund working capital requirements and capital expenditures. Our primary source of capital for these purposes has been cash provided from operations and borrowings under our bank line of credit described below. The outstanding balance under our line of credit totaled \$2.1 million at January 31, 2003, an increase of \$2.1 million from October 31, 2002.

We had no cash on hand at January 31, 2003, a decrease of \$747,000 compared to October 31, 2002. The decrease in cash in the first quarter of 2003 was primarily due to net cash used in financing activities of \$991,000 and the purchase of property and equipment totaling \$63,000, partially offset by net cash provided by operating activities of \$308,000.

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During the first quarter of 2003, we renegotiated two “take-or-pay” agreements to purchase raw optical fiber, reducing our future fiber commitments by approximately \$10.6 million. We entered into an amended and restated supply agreement to purchase raw optical fiber from one supplier, and we have amended a supply agreement to purchase raw optical fiber with a second supplier. Alternative suppliers exist that could provide this material at a similar cost in the event these suppliers are unable or unwilling to perform under the contracts. See “Contractual Obligations and Commitments” below.

On January 31, 2003, we had working capital of \$14.5 million, compared to \$15.5 million as of October 31, 2002, an decrease of \$1.0 million. The ratio of current assets to current liabilities as of January 31, 2003, was 4.4 to 1, compared to 4.6 to 1 as of October 31, 2002. The decrease in working capital during the first quarter of 2003 was primarily caused by a \$747,000 decrease in cash and a \$487,000 decrease in inventories partially offset by a \$220,000 decrease in trade accounts receivable, net and a \$107,000 decrease in accounts payable, accrued expenses and accrued compensation and payroll taxes.

Net cash provided by operating activities was \$308,000 in the first quarter of 2003, compared to \$1.9 million in the first quarter of 2002. Net cash provided by operating activities during the first quarter of 2003 primarily resulted from certain adjustments to reconcile net loss to net cash provided by operating activities, including depreciation, amortization and accretion of \$289,000, bad debt expense of \$113,000, shareholder litigation settlement expense of \$290,000 and loss on impairment of machinery and equipment of \$117,000. Additionally, a \$487,000 decrease in inventories, partially offset by an increase of \$334,000 in trade accounts receivable contributed to net cash provided by operating activities. Net cash provided by operating activities during the first quarter of 2002 primarily resulted from cash provided by operating income, a \$1.0 million decrease in trade accounts receivable, a \$224,000 decrease in inventories, and a \$301,000 decrease in income taxes refundable, partially offset by a total decrease of \$597,000 in accounts payable, accrued expenses (including accrued compensation and payroll taxes) and other liabilities, and a total increase of \$200,000 in other receivables and prepaid expenses.

Net cash used in investing activities totaled \$63,000 in the first quarter of 2003, compared to net cash provided by investing activities of \$242,000 in the first quarter of 2002. Net cash used in investing activities during the first quarter 2003 resulted entirely from purchases of property and equipment. Net cash provided by investing activities during the first quarter of 2002 primarily resulted from \$367,000 provided by the receipt of the cash surrender value of a life insurance policy on a former officer, partially offset by \$125,000 in purchases of property and equipment. There are no material commitments for capital expenditures as of January 31, 2003.

Net cash used in financing activities was \$991,000 in the first quarter of 2003, compared to \$1.7 million in the first quarter of 2002. Net cash used in financing activities in first quarter 2003 was primarily the result of the repurchase of common stock with a total cost, including brokerage fees, of \$3.0 million, partially offset by proceeds from notes payable to our bank under our line of credit. Net cash used in financing activities in the first quarter of 2002 was the result of repayments on notes payable to our bank under our lines of credit.

On April 18, 2002, we entered into a new revolving credit facility with Wachovia Bank, National Association (formerly First Union National Bank). The new three-year credit facility provides up to a maximum of \$25 million and replaced our previous \$9.5 million credit facility. The facility is collateralized by all of our tangible and intangible assets. Borrowings under the credit facility are subject to certain coverage ratios, advance limits and qualifications that are applied to our accounts receivable, inventory and fixed assets. Our ability to access the full amount of the credit facility will depend on the future growth of our borrowing base. As of January 31, 2003, we had \$2.1 million outstanding under the new credit facility, with approximately \$6.9 million unused and available.

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The credit facility bears interest at one-half of one percent (0.50%) per annum above the prime rate (4.75% as of January 31, 2003). During the first quarter of 2003, we met certain fixed charge coverage ratio requirements and the interest rate on the credit facility was reduced from three-quarters of 1% (0.75%) per annum above the prime rate (5.50% as of October 31, 2002) in accordance with the loan and security agreement. The facility also provides a LIBOR based rate at our option.

We believe that our cash flow from operations and our credit facility will be adequate to fund our operations for at least the next twelve months.

On September 27, 2000, the Equal Employment Opportunity Commission (“EEOC”) filed a lawsuit under Title VII of the Civil Rights Act against us in the United States District Court for the Western District of Virginia. The lawsuit alleged a pattern or practice of discrimination on the bases of gender and race. The lawsuit sought injunctive and other relief and damages in an unspecified amount. On December 13, 2001, the parties reached an agreement as to the amount of a settlement (subject to final documentation and judicial review and approval). On February 20, 2002, we reached a final settlement of the case and the court issued a Consent Decree setting forth the terms of the settlement. Pursuant to the settlement and Consent Decree: (i) we paid \$500,000 on February 22, 2002; and \$175,000 on January 7, 2003, and we are required to pay \$175,000 in January 2004, to satisfy the gender and race class claims; (ii) we paid an additional \$75,000 on February 20, 2002 to one individual specifically named in the complaint; and (iii) we are required to spend at least \$75,000 for our planned diversity, recruitment and human resource management programs over the term of the Consent Decree. We recorded a charge in the fourth quarter of fiscal year 2001 in the amount of \$902,000 representing \$575,000 payable upon entry of the Consent Decree, as well as \$327,000 representing the present value at that date of the two equal payments in the amount of \$175,000 payable in January 2003 and 2004. During the first quarter of 2003, we recorded accretion of the associated discount as interest expense in the amount of \$3,000. The \$75,000 used for our planned diversity, recruitment and human resource management programs is being expensed as incurred.

The Company, our former Chairman, President and Chief Executive Officer Robert Kopstein, and two other officers and directors, Luke J. Huybrechts and Kenneth W. Harber, were named as defendants in a consolidated class action lawsuit pending in the United States District Court for the Western District of Virginia (the “Consolidated Suit”). The first class action lawsuit was filed on November 26, 2001, by Charles S. Farrell, Jr., on behalf of himself and others similarly situated. The second class action lawsuit was filed on December 14, 2001, by Lerner Group, on behalf of itself and others similarly situated. The third class action lawsuit was filed on December 27, 2001, by Richard Simone, on behalf of himself and others similarly situated. The fourth class action lawsuit was filed on January 31, 2002 by Charles H. Yeatts, on behalf of himself and others similarly situated. In each of the four suits, the defendants in the actions were the Company, Kopstein and various John Does (unidentified officers and/or directors of the Company during the class period described below). The United States District Court for the Western District of Virginia appointed a group of shareholders as the lead plaintiffs for the Consolidated Suit. In the Consolidated Suit, the plaintiffs purported to represent purchasers of our common stock during the period ranging from June 14, 2000, through September 26, 2001 (the class period), and alleged that the defendants violated Sections 10(b) and 20 of the federal Securities Exchange Act of 1934 in making certain alleged misrepresentations and/or omitting to disclose material facts. The plaintiffs in the Consolidated Suit sought compensatory damages in an unspecified amount, as well as reasonable costs and expenses incurred in the cause of action, including attorneys’ fees and expert fees.

On June 26, 2002, we issued a press release announcing that we reached a tentative agreement to resolve the Consolidated Suit. The settlement provided for a cash payment of \$700,000 and the issuance of warrants to purchase 250,000 shares (adjusted for the 1-for-8 reverse stock split approved on July 30, 2002) of our common stock at an exercise price per share of \$4.88 (adjusted for the 1-for-8 reverse stock split).

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On July 22, 2002, the Court entered an Order of Preliminary Approval of the proposed settlement, and on September 23, 2002, the Court entered an Order and Final Judgment, approving the settlement and dismissing the Consolidated Suit with prejudice. The Order and Final Judgment was subject to appeal for 30 days after being entered. Since no appeal was filed with the Court within 30 days, the settlement became final and binding.

We paid \$500,000 of the cash portion of the settlement upon preliminary court approval. The second and final installment, totaling \$200,000, of the cash portion of the settlement was paid on November 1, 2002. The warrants will be exercisable for five years. We are in the process of registering the shares issuable upon the exercise of the warrants under the Securities Act of 1933, as amended.

We recorded a charge during fiscal year 2002 in the amount of \$997,000 representing the estimated cost of the settlement and related professional fees incurred, net of insurance proceeds. Of the total amount expensed, approximately \$320,000 represented the fair value of the warrants to purchase 250,000 shares of our common stock at an exercise price of \$4.88 per share issued and to be issued in connection with the settlement of the shareholder litigation. Generally accepted accounting principles require the fair value to be adjusted at each reporting period until such time that the warrants are issued and the underlying shares of common stock to be issued on exercise are registered. Accordingly, we recognized additional related expense during the three months ended January 31, 2003 totaling \$290,000 and we will continue to recognize related income or expense in future periods' statements of operations until the previously noted requirements are met. Such recognized income or expense will be a non-cash item and have no impact on our net cash flow. The warrant expense portion of the accrued shareholder litigation settlement expense is calculated using the Black-Scholes pricing model and, as of January 31, 2003, the closing price of our common stock of \$3.22 per share on that day was used in that calculation. See "Item 3—Quantitative and Qualitative Disclosures About Market Risk" in Part 1 of this Form 10-Q for a discussion of the potential non-cash impact on future financial results.

On January 2, 2003, Anicom, Inc., a former customer of the Company that is in bankruptcy, filed a complaint against us in the United States Bankruptcy Court for the Northern District of Illinois, Eastern Division (the "Complaint"). The Complaint seeks to avoid and recover certain alleged preferential payments in the approximate amount of \$1,100,000. We have reviewed the claim with legal counsel and believe it is without merit. We intend to defend this claim vigorously. Furthermore, at this time we believe it is unlikely that this claim will have a material adverse impact on our financial position, results of operations or cash flows.

From time to time, we are 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 our financial position, results of operations or liquidity.

Seasonality

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

Contractual Obligations and Commitments

The table below sets forth a summary of our contractual obligations and commitments that will impact our future liquidity:

Contractual Obligations and Commitments	Fiscal Years Ending October 31,				
	2003	2004	2005	2006	Totals
Bank line of credit	\$ —	—	2,077,000	—	2,077,000
Long-term optical fiber supply agreements	3,557,000	4,928,000	5,324,000	899,000	14,708,000
EEOC settlement	—	175,000	—	—	175,000
Total	\$3,557,000	5,103,000	7,401,000	899,000	16,960,000

Bank Lines of Credit

Under the terms of our loan agreement, as amended, our credit facility has a term of three years and will expire in April 2005. See further discussion under “Liquidity and Capital Resources.”

Long-Term Optical Fiber Supply Agreements

During fiscal year 2001, we entered into separate long-term supply agreements with two raw optical fiber suppliers.

The agreement with the first optical fiber supplier has been amended and replaced with a new agreement which expires on December 31, 2005. The aggregate purchases required under the terms of this amended and restated agreement (subject to certain future market price adjustments) are included in the table above. Additionally, this amended and restated agreement requires that one-half of the Company’s aggregate multimode fiber purchases and one-half of the Company’s aggregate single-mode fiber purchases through December 31, 2005 be purchased from that supplier at market prices.

The agreement with a second optical fiber supplier has also been amended. This amended supply agreement sets forth certain quantities to be purchased for calendar years 2003, 2004 and 2005. However, the amended supply agreement allows us to carry over the purchase commitment of any year to future years without penalty in the event the target quantities in any year are not met; provided that the aggregate amount of the purchase commitment under the amended supply agreement must be satisfied by December 31, 2005. The aggregate purchases under this second amended supply agreement (subject to certain future market price adjustments) are included in the table above assuming the purchase target quantities are met each year as set forth in the agreement.

Equal Employment Opportunity Commission Settlement

On September 27, 2000, the Equal Employment Opportunity Commission (“EEOC”) filed a lawsuit under Title VII of the Civil Rights Act against us in the United States District Court for the Western District of Virginia. The lawsuit alleged a pattern or practice of discrimination on the bases of gender and race. The lawsuit sought injunctive and other relief and damages in an unspecified amount. On December 13, 2001, the parties reached an agreement as to the amount of a settlement (subject to final documentation and judicial review and approval). On February 20, 2002, we reached a final settlement of the case and the court issued a Consent Decree setting forth the terms of the settlement. Pursuant to the settlement and Consent Decree: (i) we paid \$500,000 on February 22, 2002; and \$175,000 on January 7, 2003, and we are required to pay \$175,000 in January 2004, to satisfy the gender and race class claims; (ii) we paid an additional \$75,000 on February 20, 2002 to one individual specifically named in the complaint; and (iii) we are required to spend at least \$75,000 for our planned diversity, recruitment and human resource management programs over the term

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of the Consent Decree. We recorded a charge in the fourth quarter of fiscal year 2001 in the amount of \$902,000 representing \$575,000 payable upon entry of the Consent Decree, as well as \$327,000 representing the present value at that date of the two equal payments in the amount of \$175,000 payable in January 2003 and 2004. During the first quarter of 2003, we recorded accretion of the associated discount as interest expense in the amount of \$3,000. The \$75,000 used for our planned diversity, recruitment and human resource management programs is being expensed as incurred, and is not reflected in the Contractual Obligations and Commitments table above.

Critical Accounting Policies

Revenue Recognition

Revenue is recognized at the time of product shipment or delivery to the customer (including distributors), provided that the customer takes ownership and assumes risk of loss based on shipping terms. Net sales consists of gross sales of products, less discounts, refunds and returns. We estimate sales returns based on our analysis and judgment of historical trends, identified returns and the potential for additional returns. We also provide certain volume incentives, discounts and rebates to certain of our distributors. Any such volume incentives, discounts and rebates are reflected in net sales.

Trade Accounts Receivable and Allowance for Doubtful Accounts

In connection with the sale of our products, we have trade accounts receivable outstanding from our customers at any given time. We review outstanding trade accounts receivable at the end of each quarter and record allowances for doubtful accounts as deemed appropriate for (i) certain individual customers and (ii) for all other trade accounts receivable in total not specifically reviewed. In determining the amount of allowance for doubtful accounts to be recorded for individual customers, we consider the age of the receivable, the financial stability of the customer, discussions that may have occurred with the customer and our judgment as to the overall collectibility of the receivable from that customer. In addition, we establish an allowance for all receivables that have not been individually reviewed. This general allowance for doubtful accounts is based on a percentage of total trade accounts receivable with different percentages used based on the different age of the receivables. The percentages used are based on our historical experience and our current judgment regarding the state of the economy.

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. At the end of each quarter, we review our inventories to ensure they are carried at no more than net realizable value. Individual inventory items are viewed and adjustments are made based on the age of the inventory and our judgment as to the salability of that inventory.

Long-Lived Assets

Our property and equipment are stated at cost. Depreciation and amortization are provided for using either the straight-line method or the declining balance method over the estimated useful lives of the assets. We review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We have no significant intangible assets recorded on our condensed balance sheets.

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Commitments and Contingencies

Liabilities for loss contingencies arising from product warranties and defects, claims, assessments, litigation, fines and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated. Actual results could differ from these estimates.

Future Accounting Considerations

In December 2002, the FASB issued SFAS No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure, an amendment of FASB Statement No. 123*, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The application of the transition provisions of SFAS No. 148 is effective for fiscal years ending after December 15, 2002. The application of the disclosure requirements is effective for financial reports for interim periods beginning after December 15, 2002. We are currently evaluating the impact of SFAS No. 148 on our financial statements and will adopt the disclosure requirements during the second quarter of 2003.

In January 2003, the FASB issued Interpretation No. 46, *Consolidation of Variable Interest Entities, an interpretation of ARB No. 51*. This Interpretation addresses the consolidation by business enterprises of variable interest entities as defined in the Interpretation. The Interpretation applies immediately to variable interests in variable interest entities created after January 31, 2003, and to variable interests in variable interest entities obtained after January 31, 2003. The application of this Interpretation is not expected to have a material effect on the Company's financial statements. The Interpretation requires certain disclosures in financial statements issued after January 31, 2003 if it is reasonably possible that the Company will consolidate or disclose information about variable interest entities when the Interpretation becomes effective.

As of January 31, 2003, there are no other new accounting standards issued, but not yet adopted by us, which are expected to be applicable to our financial position, operating results or financial statement disclosures.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We do not engage in transactions in derivative financial instruments or derivative commodity instruments. As of January 31, 2003, our financial instruments were not exposed to significant market risk due to interest rate risk, foreign currency exchange risk, commodity price risk or equity price risk, with the exception of the portion of accrued shareholder litigation settlement expense that represents the fair market value of the warrants issued and to be issued in connection with the settlement. As of January 31, 2003, the portion of accrued shareholder litigation settlement expense that represents the fair market value is calculated using the Black-Scholes pricing model. Assuming a 20% increase in the market price of our common shares, we estimate the portion of accrued shareholder litigation settlement expense that represents the fair market value of the warrants issued and to be issued in connection with the settlement would increase approximately \$164,000, or 27%. Assuming a 20% decrease in the market price of our common shares, we estimate the portion of accrued shareholder litigation settlement expense that represents the fair market value of the warrants issued and to be issued in connection with the settlement would decrease approximately \$142,000, or 23%.

Item 4. Controls and Procedures

The Company's principal executive officer and principal financial officer are the same person. He has evaluated the effectiveness of the Company's "disclosure controls and procedures," as such term is defined in Rule 13a-14(c) of the Securities Exchange Act of 1934, as amended, within 90 days of the filing date of this Quarterly Report on Form 10-Q. Based upon his evaluation, the principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures are effective. There were no significant changes in the Company's internal controls or in other factors that would be expected to significantly affect these controls, since the date the controls were evaluated.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

On September 27, 2000, the Equal Employment Opportunity Commission (“EEOC”) filed a lawsuit under Title VII of the Civil Rights Act against us in the United States District Court for the Western District of Virginia. The lawsuit alleged a pattern or practice of discrimination on the bases of gender and race. The lawsuit sought injunctive and other relief and damages in an unspecified amount. On December 13, 2001, the parties reached an agreement as to the amount of a settlement (subject to final documentation and judicial review and approval). On February 20, 2002, we reached a final settlement of the case and the court issued a Consent Decree setting forth the terms of the settlement. Pursuant to the settlement and Consent Decree: (i) we paid \$500,000 on February 22, 2002; and \$175,000 on January 7, 2003, and we are required to pay \$175,000 in January 2004, to satisfy the gender and race class claims; (ii) we paid an additional \$75,000 on February 20, 2002 to one individual specifically named in the complaint; and (iii) we are required to spend at least \$75,000 for our planned diversity, recruitment and human resource management programs over the term of the Consent Decree. We recorded a charge in the fourth quarter of fiscal year 2001 in the amount of \$902,000 representing \$575,000 payable upon entry of the Consent Decree, as well as \$327,000 representing the present value at that date of the two equal payments in the amount of \$175,000 payable in January 2003 and 2004. During the first quarter of 2003, we recorded accretion of the associated discount as interest expense in the amount of \$3,000. The \$75,000 used for our planned diversity, recruitment and human resource management programs is being expensed as incurred.

The Company, our former Chairman, President and Chief Executive Officer Robert Kopstein, and two other officers and directors, Luke J. Huybrechts and Kenneth W. Harber, were named as defendants in a consolidated class action lawsuit pending in the United States District Court for the Western District of Virginia (the “Consolidated Suit”). The first class action lawsuit was filed on November 26, 2001, by Charles S. Farrell, Jr., on behalf of himself and others similarly situated. The second class action lawsuit was filed on December 14, 2001, by Lerner Group, on behalf of itself and others similarly situated. The third class action lawsuit was filed on December 27, 2001, by Richard Simone, on behalf of himself and others similarly situated. The fourth class action lawsuit was filed on January 31, 2002 by Charles H. Yeatts, on behalf of himself and others similarly situated. In each of the four suits, the defendants in the actions were the Company, Kopstein and various John Does (unidentified officers and/or directors of the Company during the class period described below). The United States District Court for the Western District of Virginia appointed a group of shareholders as the lead plaintiffs for the Consolidated Suit. In the Consolidated Suit, the plaintiffs purported to represent purchasers of our common stock during the period ranging from June 14, 2000, through September 26, 2001 (the class period), and alleged that the defendants violated Sections 10(b) and 20 of the federal Securities Exchange Act of 1934 in making certain alleged misrepresentations and/or omitting to disclose material facts. The plaintiffs in the Consolidated Suit sought compensatory damages in an unspecified amount, as well as reasonable costs and expenses incurred in the cause of action, including attorneys’ fees and expert fees.

On June 26, 2002, we issued a press release announcing that we reached a tentative agreement to resolve the Consolidated Suit. The settlement provided for a cash payment of \$700,000 and the issuance of warrants to purchase 250,000 shares (adjusted for the 1-for-8 reverse stock split approved on July 30, 2002) of our common stock at an exercise price per share of \$4.88 (adjusted for the 1-for-8 reverse stock split).

On July 22, 2002, the Court entered an Order of Preliminary Approval of the proposed settlement, and on September 23, 2002, the Court entered an Order and Final Judgment, approving the settlement and dismissing the Consolidated Suit with prejudice. The Order and Final Judgment was subject to appeal for 30 days after being entered. Since no appeal was filed with the Court within 30 days, the settlement became final and binding.

We paid \$500,000 of the cash portion of the settlement upon preliminary court approval. The second and final installment, totaling \$200,000, of the cash portion of the settlement was paid on November 1, 2002. The warrants will be exercisable for five years. We are in the process of registering the shares issuable upon the exercise of the warrants under the Securities Act of 1933, as amended.

We recorded a charge during fiscal year 2002 in the amount of \$997,000 representing the estimated cost of the settlement and related professional fees incurred, net of insurance proceeds. Of the total amount expensed, approximately \$320,000 represented the fair value of the warrants to purchase 250,000 shares of our common stock at an exercise price of \$4.88 per share issued and to be issued in connection with the settlement of the shareholder litigation. Generally accepted accounting principles require the fair value to be adjusted at each reporting period until such time that the warrants are issued and the underlying shares of common stock to be issued on exercise are registered. Accordingly, we recognized additional related expense during the three months ended January 31, 2003 totaling \$290,000 and we will continue to recognize related income or expense in future periods' statements of operations until the previously noted requirements are met. Such recognized income or expense will be a non-cash item and have no impact on our net cash flow. The warrant expense portion of the accrued shareholder litigation settlement expense is calculated using the Black-Scholes pricing model and, as of January 31, 2003, the closing price of our common stock of \$3.22 per share on that day was used in that calculation. See "Item 3—Quantitative and Qualitative Disclosures About Market Risk" in Part 1 of this Form 10-Q for a discussion of the potential non-cash impact on future financial results.

On January 2, 2003, Anicom, Inc., a former customer of the Company that is in bankruptcy, filed a complaint against us in the United States Bankruptcy Court for the Northern District of Illinois, Eastern Division (the "Complaint"). The Complaint seeks to avoid and recover certain alleged preferential payments in the approximate amount of \$1,100,000. We have reviewed the claim with legal counsel and believe it is without merit. We intend to defend this claim vigorously. Furthermore, at this time we believe it is unlikely that this claim will have a material adverse impact on our financial position, results of operations or cash flows.

Item 2. Changes in Securities and Use of Proceeds.

On February 11, 2003, we filed a Registration Statement on Form S-3. The shares offered by the prospectus are issuable upon exercise of common share purchase warrants to be issued to class members pursuant to a settlement agreement among Optical Cable Corporation, some of our current and former officers and directors and plaintiffs' counsel that was approved by the United States District Court for the Western District of Virginia on September 23, 2002, relating to a consolidated class action lawsuit filed against Optical Cable and some of our current and former officers and directors. Optical Cable will sell the common shares to class members upon exercise of the warrants at an exercise price of \$4.88 per common share. If all of the warrants are exercised, Optical Cable would receive aggregate cash proceeds of \$1,220,000. However, holders of warrants may not exercise some or all of the warrants.

Item 6. Exhibits and Reports on Form 8-K.

- (a) Exhibits required by Item 601 of Regulation S-K for the three months ended January 31, 2003:
- Exhibit 3.1 Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 1 to the Company's Form 8-A filed with the Commission on November 5, 2001).
 - Exhibit 3.2 Bylaws of Optical Cable Corporation, as amended (filed as Exhibit 3.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 1997 (file number 0-37022), and incorporated herein by reference)).
 - Exhibit 4.1 Rights Agreement dated as of November 2, 2001 (filed as Exhibit 4 to the Company's Form 8-A filed with the Commission on November 5, 2001 and incorporated by reference herein).
 - Exhibit 4.2 Form of certificate representing preferred share purchase right (filed as Exhibit 5 to the Company's Form 8-A filed with the Commission on November 5, 2001 and incorporated by reference herein).
 - Exhibit 4.3 Warrant Agreement dated as of October 24, 2002 (filed as Exhibit 4.1 to the Company's Form S-3 filing with the Commission on February 11, 2003 and incorporated by reference herein).
 - Exhibit 4.4 Form of warrant certificate (filed as Exhibit 4.2 to the Company's Form S-3 filing with the Commission on February 11, 2003 and incorporated by reference herein).
 - Exhibit 10.1 Employment Agreement dated November 1, 2002 by and between Optical Cable Corporation and Neil D. Wilkin, Jr. (filed herewith).
 - Exhibit 10.2 Employment Agreement dated November 1, 2002 by and between Optical Cable Corporation and Luke J. Huybrechts (filed herewith).
 - Exhibit 10.3 Employment Agreement dated January 2, 2003 by and between Optical Cable Corporation and Charles W. Carson (filed herewith).
 - Exhibit 99.1 Certification under Section 906 of the Sarbanes-Oxley Act of 2002.
- (b) Reports on Form 8-K filed during the three months ended January 31, 2003:
- Form 8-K dated January 10, 2003, filed January 22, 2003, reporting under Item 5.

SIGNATURES

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

OPTICAL CABLE CORPORATION
(Registrant)

Date: March 18, 2003

/s/ NEIL D. WILKIN, JR.

Neil D. Wilkin, Jr.
President and Chief Financial Officer
(principal executive officer and
principal financial officer)

Date: March 18, 2003

/s/ TRACY G. SMITH

Tracy G. Smith
Controller (principal accounting officer)

CERTIFICATION

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

1. I have reviewed this quarterly report on Form 10-Q of Optical Cable Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and I have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report my conclusions about the effectiveness of the disclosure controls and procedures based on my evaluation as of the Evaluation Date;
5. I have disclosed, based on my most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of my most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 18, 2003

/s/NEIL D. WILKIN, JR.
Neil D. Wilkin, Jr.
President (principal executive officer) and
Chief Financial Officer

**OPTICAL CABLE CORPORATION
EMPLOYMENT AGREEMENT**

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into as of the 1st day of November, 2002 by and between OPTICAL CABLE CORPORATION, a Virginia corporation, hereinafter called the "Corporation", and Neil D. Wilkin, Jr. called "Executive", and provides as follows:

RECITALS

WHEREAS, the Corporation is a manufacturer and seller of fiber optic cable, with its capital stock traded on the Nasdaq National Market;

WHEREAS, Executive has been involved in the executive management of the business and affairs of the Corporation and possesses managerial experience, knowledge, skills and expertise required by the Corporation;

WHEREAS, the employment of Executive by the Corporation is in the best interests of the Corporation and Executive; and

WHEREAS, the parties have mutually agreed upon the terms and conditions of Executive's continued employment by the Corporation as hereinafter set forth;

TERMS OF AGREEMENT

NOW, THEREFORE, for and in consideration of the premises and of the mutual promises and undertakings of the parties as hereinafter set forth, and other good and valuable consideration, receipt of which is hereby acknowledged, the parties covenant and agree as follows:

Section 1. Employment.

(a) Executive shall be employed as President of the Corporation and shall discharge such duties and responsibilities of an executive nature as may be assigned him by the Board of Directors, including general responsibility for the business of the Corporation. Additionally, the Corporation has requested that Executive, and Executive has agreed to, continue to hold the position of Chief Financial Officer, until otherwise mutually agreed by the Board of Directors of the Corporation and Executive.

(b) Executive shall be nominated by the Board of Directors for election to the Corporation's Board of Directors as long as he is the President of the Corporation.

Section 2. Term of Employment.

The initial term of this Agreement shall end on October 31, 2005. However, on November 1, 2003 and each November 1 thereafter the term of this Agreement shall be renewed and extended by one year unless Executive or the Corporation notifies the other in writing thirty (30) days prior to such date(s) that the term shall not be renewed and extended.

Section 3. Exclusive Service.

Executive shall devote his best efforts and full time to rendering services on behalf of the Corporation in furtherance of its best interests. Executive shall comply with all policies, standards and regulations of the Corporation now or hereafter promulgated, and shall perform his duties under this Agreement to the best of his abilities and in accordance with standards of conduct applicable to an executive officer.

Section 4. Salary.

(a) As compensation while employed hereunder, Executive, during his faithful performance of this Agreement shall receive an initial annual base salary of \$250,000, payable on such terms and in such installments as the parties may from time to time mutually agree upon. The Board of Directors or an appropriate committee thereof, in its discretion, may increase Executive's base salary during the term of this Agreement.

(b) The Corporation shall withhold state and federal income taxes, social security taxes and such other payroll deductions as may from time to time be required by law or agreed upon in writing by Executive and the Corporation. The Corporation shall also withhold and remit to the proper party any amounts agreed to in writing by the Corporation and Executive for participation in any corporate sponsored benefit plans for which a contribution is required.

(c) Except as otherwise expressly set forth herein, no compensation shall be paid pursuant to this Agreement in respect of any calendar month subsequent to any termination of Executive's employment by the Corporation.

Section 5. Corporate Benefit Plans.

Executive shall be entitled to participate in or become a participant in any employee health, welfare and benefit plans maintained by the Corporation for which he is or will become eligible.

Section 6. Bonuses.

Executive shall participate in executive bonus programs, as established from time to time by the Board of Directors, or an appropriate committee thereof. This includes participation in the Optical Cable Corporation 2003 Management Incentive Plan, pursuant to which Executive is being provided with a 40% annual target bonus opportunity (as a percentage of annual base salary) for the Corporation's fiscal year 2003 which, unless otherwise provided herein, is contingent on achievement of quantified corporate goals.

Section 7. Equity Compensation.

Executive shall participate in grants of long-term equity compensation awarded from time to time to senior executives pursuant to equity participation plans, including grants under the

Optical Cable Corporation 1996 Stock Incentive Plan and any successor plans. Grants under such plans are subject to approval by the Board of Directors or an appropriate committee thereof.

Section 8. Expense Account. The Corporation shall reimburse Executive for reasonable and customary business expenses incurred in the conduct of the Corporation's business. Such expenses will include business meals, out-of-town lodging, travel expenses, reasonable professional fees and dues. Executive agrees to timely submit records and receipts of reimbursable items and agrees that the Corporation can adopt reasonable rules and policies regarding such reimbursement. The Corporation agrees to make prompt payment to Executive following receipt and verification of such reports. Notwithstanding any contrary provision contained herein, and in addition to all other compensation, reimbursements and benefits provided herein, the Corporation shall reimburse Executive for certain relocation and related expenses as agreed separately in writing.

Section 9. Paid Time Off (PTO).

Executive shall be entitled to receive under the Corporation's Paid Time Off ("PTO") program (or under any alternative program adopted in the future for vacation and sick time) the greater of (i) 26 days of time away from work with continued compensation (PTO days) or (ii) the number of days other similarly positioned employees would be eligible to receive based on years of service. The Corporation's PTO program provides for both vacation and sick time off with pay. The PTO days for any calendar year will be earned on January 1 of such calendar year. At the end of each calendar year, Executive shall be entitled to carry-over up to 10 unused PTO days to the next calendar year.

Section 10. Termination.

(a) Resignation by Executive without Good Reason.

Executive may resign and terminate this Agreement upon written notice to the Corporation as provided herein. In the event Executive's employment under this Agreement is terminated by the resignation of the Executive without Good Reason (as hereinafter defined), Executive shall thereafter have no right to receive compensation or other benefits under this Agreement.

(b) Termination by Corporation for Cause.

The Corporation shall have the right to terminate Executive's employment under this Agreement at any time for Cause, which termination shall be effective immediately. Termination for "Cause" shall include termination for (i) material breach of this Agreement by Executive which breach is not cured within 30 days of receipt by Executive of written notice from the Corporation specifying the breach; (ii) Executive's gross negligence in the performance of his material duties hereunder; (iii) intentional nonperformance or misperformance of such duties, or refusal to abide by or comply with the reasonable directives of the Board of Directors, his superior officers, or the Corporation's policies and procedures, which actions continue for a period of at least 30 days after receipt by Executive of written notice of the need to cure or cease; (iv) Executive's willful dishonesty, fraud or misconduct with respect to the business or affairs of

the Corporation, that in the reasonable judgment of the Board of Directors materially and adversely affects the Corporation; or (v) Executive's conviction of, or a plea of nolo contendere to, a felony or other crime involving moral turpitude. In the event Executive's employment under this Agreement is terminated for Cause, Executive shall thereafter have no right to receive compensation or other benefits under this Agreement.

(c) Termination by Corporation without Cause or by Executive for Good Reason.

(1) The Corporation may terminate Executive's employment other than for Cause (as defined above) at any time upon written notice to Executive, which termination shall be effective immediately. Executive may resign thirty (30) days after notice to the Corporation for "Good Reason", as hereafter defined.

(2) Except as otherwise provided in Section 10(c)(3) of this Agreement, in the event the Executive's employment is terminated either: by the Corporation other than for Cause; or by Executive for Good Reason, then:

(i) Executive shall receive a monthly amount equal to one-twelfth (1/12) the rate of his annual base salary in effect immediately preceding such termination for sixteen (16) months after the date of such termination at the times such payments would have been made in accordance with Section 4(a).

(ii) Executive shall receive a payment in cash on the date his employment terminates equal to sixteen twelfths (16/12) times the greater of: (y) the amount of the average annual cash bonus paid or payable to him in respect of each of the three (3) fiscal years of the Corporation prior to the fiscal year in which his employment terminates (or such average over the shorter period of Executive's employment, if applicable), or (z) the amount of the target bonus opportunity contemplated in Section 6 of this Agreement, in each case as in effect prior to the termination of Executive's employment.

(3) In the event a Change of Control occurs, and Executive's employment is terminated either: by Corporation other than for Cause or by Employee for Good Reason, in each case within thirteen (13) months after the occurrence of such Change of Control, then, the Corporation's obligations under Section 10(c)(2) shall not apply, and in lieu thereof, the Corporation's obligations, in addition to any other obligations set forth under this Agreement, are as follows:

(i) On or before the Executive's last day of employment with the Corporation (unless another period is mutually agreed upon by the parties), the Corporation shall pay to Executive as compensation for services rendered to the Corporation a cash amount (subject to any applicable payroll or other taxes required to be withheld) equal to the aggregate total of a twenty-four (24) month continuation of his annual base salary, as in effect immediately preceding such termination.

(ii) On or before the Executive's last day of employment with the Corporation

(unless another period is mutually agreed upon by the parties), the Corporation shall pay to Executive as compensation for services rendered to the Corporation a cash amount (subject to applicable payroll or other taxes required to be withheld) equal to twenty-four twelfths (24/12) times the greater of: (y) the amount of the average annual cash bonus paid or payable to him in respect of each of the three (3) fiscal years of the Corporation prior to the fiscal year in which his employment terminates (or such average over the shorter period of Executive's employment, if applicable), or (z) the amount of his target bonus opportunity contemplated in Section 6 of this Agreement, in each case as in effect prior to the termination of Executive's employment.

(iii) The Corporation shall maintain in full force and effect for the continued benefit of the Executive for the remainder of the then current term of this Agreement all employee health, welfare benefit plans and programs or arrangements in which the Executive was entitled to participate immediately prior to such termination, provided that continued participation is possible under the general terms and provisions of such plans and programs. In the event that Executive's participation in any such plan or program is barred, the Corporation shall arrange to provide the Executive with benefits substantially similar to those which the Executive was entitled to receive under such plans and programs.

(iv) Executive will be entitled to receive reasonable out-placement services, including job search services, paid by the Corporation. The services will be provided by a recognized out-placement organization selected by the Executive with the approval of the Corporation (which approval will not be unreasonably withheld). The services will be provided for up to two years after the date Executive's employment by the Corporation terminates.

(v) Any benefits paid by the Corporation pursuant to Section 10(c)(3), or otherwise triggered by the occurrence of a Change of Control, will be grossed up by the Corporation as necessary to protect the Executive from paying any excise taxes that may result from such benefits.

(4) Notwithstanding the provisions of Section 10(c)(2) and Section 10(c)(3) of this Agreement to the contrary:

(i) If Executive breaches Section 11, 12 or 13, Executive will not thereafter be entitled to receive any further compensation or benefits pursuant to Section 10(c)(2) or Section 10(c)(3), as applicable; provided that the Corporation shall have provided Executive with a reasonable time to cease and desist and cure any such violation, if curable;

(ii) If, while he is receiving payments under Section 10(c)(2) or Section 10(c)(3), as applicable, Executive violates the provisions of Section 12, provided that the Corporation shall have provided Executive with a reasonable time to cease and desist and cure any such violation, if curable, such payments will cease and he will not thereafter be

entitled to receive any compensation or benefits pursuant to Section 10(c)(2) or Section 10(c)(3), as applicable; and

(iii) The obligations of the Corporation to Executive under Section 10(c)(2) and Section 10(c)(3) are conditioned upon the Executive's signing a release of claims in a form satisfactory to the Corporation within twenty-one (21) days of the date he receives or gives notice of termination of his employment or the date he receives said release of claims, whichever is later, and upon his not revoking the release of claims thereafter.

(d) Termination Upon Executive's Death.

This Agreement shall terminate upon death of Executive; provided, however, that in such event the Corporation shall pay to the estate of Executive his compensation including salary and accrued target bonus, if any, which otherwise would be payable to Executive through the end of the month in which his death occurs.

(e) Termination Upon Disability.

The Corporation may terminate Executive's employment under this Agreement, after having established the Executive's disability, by giving to Executive written notice of its intention to terminate his employment for disability and his employment with the Corporation shall terminate effective on the 120th day after receipt of such notice if within 120 days after such receipt Executive shall fail to return to the full-time performance of the essential functions of his position (and if Executive's disability has been established pursuant to the definition of "disability" set forth below). For purposes of this Agreement, "disability" means either (i) disability which after the expiration of more than 13 consecutive weeks after its commencement is determined to be total and permanent by a physician selected and paid for by the Corporation or its insurers, and acceptable to Executive or his legal representative, which consent shall not be unreasonably withheld or (ii) disability as defined in the policy of disability insurance maintained by the Corporation for the benefit of Executive, whichever shall be more favorable to Executive.

(f) Obligations Survive Termination or Expiration.

Notwithstanding the termination of Executive's employment pursuant to any provision of this Agreement (including any expiration of this Agreement), the parties shall be required to carry out any provisions of this Agreement which contemplate performance by them subsequent to such termination. In addition, no termination shall affect any liability or other obligation of either party which shall have accrued prior to such termination, including, but not limited to, any liability, loss or damage on account of breach. No termination of employment shall terminate the obligation of the Corporation to make payments of any vested benefits provided hereunder or the obligations of Executive under Sections 11, 12 and 13.

(g) Notice by Executive.

Executive's employment hereunder may be terminated by Executive upon thirty (30) days

written notice to the Corporation or at any time by mutual agreement in writing.

(h) Obligations Unconditional.

Except as set forth in Section 10(c)(4), the Corporation's obligation to pay the Executive the compensation provided in Section 10 shall be absolute and unconditional and shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense or other right which the Corporation may have against him or anyone else. All amounts payable by the Corporation hereunder shall be paid without notice or demand. Each and every payment made hereunder by the Corporation shall be final and the Corporation will not seek to recover all or any part of such payment from the Executive or from whosoever may be entitled thereto, for any reason whatsoever. The Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise.

(i) Good Reason Defined.

For purposes of this Agreement, "Good Reason" shall mean:

- (i) The assignment of duties to the Executive by the Corporation which result in the Executive having significantly less authority or responsibility than he has on the date hereof, without his express written consent;
- (ii) The removal of the Executive from or any failure to re-elect him to the position of President of the Corporation without his express written consent;
- (iii) (y) Executive is not elected to serve on the Board of Directors, or (z) the Board of Directors fails to, or in the event of a Change of Control, the principal shareholders fail to, cause Executive to be nominated and put forth their best efforts to elect the Executive to the Board of Directors;
- (iv) Requiring the Executive to maintain his principal office (y) at a location outside of a 50 mile radius of the Corporation's principal executive offices at the time of this Agreement, or (z) at a location other than the principal executive offices of the Corporation;
- (v) A reduction by the Corporation of the Executive's base salary, as the same may have been increased from time to time;
- (vi) The failure of the Corporation to provide the Executive with substantially the same material fringe benefits that are provided to him at the inception of this Agreement (including, but not limited to, participation in bonus programs or equity incentive programs);
- (vii) The Corporation's failure to comply with any material term of this

Agreement; or

(viii) The failure of the Corporation to obtain the assumption of, and agreement to perform, this Agreement by any successor.

(j) Change of Control.

For purposes of this Agreement, a Change of Control occurs if, after the date of this Agreement, (i) any person, including a “group” as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, becomes the owner or beneficial owner of Corporation securities having 50% or more of the combined voting power of the then outstanding Corporation securities that may be cast for the election of the Corporation’s directors; or (ii) as the direct or indirect result of, or in connection with, a tender or exchange offer, a merger or other business combination, a sale of assets, a contested election of directors, or any combination of these events, the persons who were directors of the Corporation before such events cease to constitute a majority of the Corporation’s Board, or any successor’s board, within three years of the last of such transactions. For purposes of this Agreement, a Change of Control occurs on the date on which an event described in (i) or (ii) occurs. If a Change of Control occurs on account of a series of transactions or events, the Change of Control occurs on the date of the last of such transactions or events.

In the event a Change of Control occurs, all unvested equity participation grants by the Corporation to the Executive will immediately vest and shall be exercisable over the period of time set forth in the granting documents.

Section 11. Confidentiality/Nondisclosure.

(a) Executive hereby acknowledges that Executive’s employment with the Corporation places Executive in a position of confidence and trust with respect to the business, operations, customers, prospects, and personnel of the Corporation, and that Executive will be given access to trade secrets and confidential and proprietary business information of the Corporation. Executive acknowledges that the Corporation’s trade secrets and confidential and proprietary business information include, but is not limited to, such matters as Corporation patents, trade secrets, systems, products and methodologies (whether or not patentable), formulas, processes, manufacturing procedures, manuals, reports, software and source code used in the Corporation’s production and business processes, customers, identity of vendors, materials used in the manufacturing process, pricing received from vendors, machine settings, business opportunities and prospective business opportunities, costing and pricing procedures, marketing and business strategies, equipment and methods used and preferred by the Corporation and/or its customers, and the amounts paid by such customers for the Corporation’s products (all of the foregoing will be hereinafter referred to as “confidential information”). Additionally, and not by way of limitation, as used above, the term “trade secrets” shall be afforded the broadest construction allowed by the common law, the Virginia Trade Secrets Act, and/or the federal law.

(b) Executive agrees that the Corporation’s confidential information derives

independent economic value because it is not generally known or readily ascertainable by other persons who could obtain economic value from the disclosure or use of such information.

(c) Executive acknowledges that the Corporation has invested considerable time and expense in developing and safeguarding its confidential information, and in developing and maintaining personal contacts and relationships with its customers and potential customers. Executive agrees that, in so doing, the Corporation has developed favorable goodwill with customers and with the business community. The Corporation wishes to safeguard its goodwill and confidential information.

(d) Executive pledges his best efforts and utmost diligence to protect the Corporation's confidential information. Unless required by the Corporation in connection with Executive's employment or with the Corporation's express written consent, Executive agrees that he will not, either during his employment with the Corporation or afterwards, directly or indirectly, use or disclose for Executive's own benefit or for the benefit of another person or entity of any kind, or group of persons and/or entities, any of the Corporation's confidential information, whether or not the information is acquired, learned, attained, or developed by Executive alone or in conjunction with others. Executive makes the same pledge with regard to the confidential information of the Corporation's customers, contractors, or others with whom the Corporation has a business relationship.

(e) Executive also agrees that all notes, lists, records, drawings, memoranda, or other documents that are made or compiled by Executive or which were available to Executive concerning any of the Corporation's business and/or confidential information shall be the exclusive property of the Corporation. Executive agrees to deliver such materials and information to the Corporation upon the termination of the employment relationship or at any other time at the Corporation's request. Executive understands that the unauthorized taking or disclosure of any of such information or materials could also result in civil and/or criminal liability.

(f) The Corporation expects Executive to respect any trade secrets or confidential information of any of Executive's former employers, business associates, or any others. Executive agrees to respect the Corporation's express direction to Executive not to disclose to the Corporation, its officers, or any employees any such information as long as it remains confidential.

(g) Notwithstanding any contrary provision contained herein, Executive will be permitted to retain any documentation reasonably necessary to enforce the terms of this Agreement.

Section 12. Covenant Not to Compete and Non-solicitation.

(a) Executive understands and agrees that the Corporation has disclosed or will disclose confidential information to Executive during his employment with the Corporation, the disclosure or use of which outside the Corporation's business would be detrimental to the Corporation. Executive further agrees that the Corporation would suffer great loss and damage if

Executive should, on his own behalf or on behalf of any other person or entity of any kind, or group of persons and/or entities, use or disclose any of the Corporation's confidential information.

(b) Executive acknowledges that Executive's engaging in any business that is competitive with the Corporation would cause the Corporation great and irreparable harm. While employed by the Corporation, Executive shall faithfully devote his best efforts to advance the business and interests of the Corporation and shall not, on his own behalf or another's behalf, engage in any manner in any other business competing with that of the Corporation.

(c) During the Restricted Period (defined below), Executive shall not, on his own behalf or on behalf of another person or entity of any kind, or group of persons and/or entities, (i) participate in the management or control of any competing business engaged in the manufacture or sale of fiber optic cable similar to the type manufactured, sold or designed by the Corporation at the time of termination of Executive's employment or (ii) be employed by any such business in a position in which Executive would perform duties that are substantially similar to or the same as those performed by Executive on behalf of the Corporation or in a position that would utilize knowledge or skill developed by Executive during such employment with the Corporation. It is expressly provided, however, that this covenant does not preclude Executive from working in the fiber optic industry in a role that would not compete with the business of the Corporation. Because the Corporation engages in its business on a worldwide basis, the geographic scope of the covenants in this paragraph shall extend to those worldwide markets in which the Corporation does business or has active plans to do business at the termination of Executive's employment. Executive further acknowledges that the covenants in this paragraph are reasonable and necessary to protect the Corporation's legitimate business interests.

(d) Executive acknowledges that, while employed by the Corporation, Executive will have contact with and/or become aware of the Corporation's customers and the representatives of those customers, their names and addresses, specific customer needs and requirements, and leads and references to prospective customers. Executive further acknowledges that loss of such customers would cause the Corporation great and irreparable harm. During the Restricted Period, Executive shall not solicit, contact, call upon, or attempt to communicate with any customer, former customer or prospective customer of the Corporation on behalf of any business competing with that of the Corporation for the purpose of securing business that is the same as or similar to that of the Corporation. This restriction will apply only to any customer, former customer or prospective customer of the Corporation with whom the Corporation has had contact during the last twelve (12) months of Executive's employment with the Corporation. For the purposes of the preceding sentence, "contact" means (i) interaction between the Corporation and the customer, former customer or prospective customer that takes place to further the business of either the Corporation or the customer, or (ii) making sales or marketing efforts to or performing services for the customer, former customer or prospective customer on behalf of the Corporation.

(e) During the greater of (i) twelve (12) months after the termination of Executive's employment with the Corporation for any reason or (ii) the Restricted Period, Executive may not recruit, hire or attempt to recruit or hire, directly or by assisting others, any other employee of the

Corporation.

(f) As used in this Section 12, "Restricted Period" shall mean the period of time from the date of Executive's termination for any reason until the passage of the greater of:

(i) twelve (12) months; or

(ii) (A) in the event Section 10(c)(2) of this Agreement is applicable, the number of months during which Executive receives payments pursuant to Section 10(c)(2)(i) of this Agreement ; or

(B) in the event Section 10(c)(3) of this Agreement is applicable, the number of months that form the basis for any cash amount paid to Executive pursuant to Section 10(c)(3)(i) of this Agreement.

Notwithstanding the foregoing, except as set forth in Section 10(c)(4) above, the imposition of the restrictions during the Restricted Period under this Section 12 are conditioned upon the payment by the Corporation to Executive of all amounts provided for under Section 10(c)(2) or Section 10(c)(3) to the extent such Sections are applicable.

Section 13. Ownership of Intellectual Property.

Any and all inventions, discoveries, improvements, or creations (collectively "intellectual property") that Executive has conceived or made or may conceive or make during his employment with the Corporation that in any way, directly or indirectly, are connected with or related to the Corporation and/or its business, shall be the sole and exclusive property of the Corporation. All works created by Executive under the Corporation's direction or in connection with the Corporation's business for which copyrights, trademarks or patents may be sought are "works made for hire" and will be the sole and exclusive property of the Corporation. Any and all copyrights, trademarks or patents to such works, whether actually sought and/or applied for or not, will belong to the Corporation, and the Executive shall execute all documents that may be necessary to convey or assign any such rights that the Executive may have in such intellectual property to the Corporation or that otherwise may be necessary to enable the Corporation to seek such protection for such intellectual property. To the extent any such works are not deemed to be "works made for hire," the Executive hereby assigns all proprietary rights, including copyrights, trademarks and patents, in such works to the Corporation.

Section 14. Injunctive Relief, Damages, Etc.

Executive agrees that given the nature of the positions held by Executive with the Corporation, that each and every one of the covenants and restrictions set forth in Sections 11 and 12 above are reasonable in scope, length of time and geographic area and are necessary for the protection of the significant investment of the Corporation in developing, maintaining and expanding its business. Accordingly, the parties hereto agree that in the event of any breach by Executive of any of the provisions of Sections 11 or 12 that monetary damages alone will not

adequately compensate the Corporation for its losses and, therefore, that it may seek any and all legal or equitable relief available to it, specifically including, but not limited to, injunctive relief. The covenants contained in Sections 11, 12 and 13 shall be construed and interpreted in any judicial proceeding to permit their enforcement to the maximum extent permitted by law. Should a court of competent jurisdiction determine that any provision of the covenants and restrictions set forth in Section 12 above is unenforceable as being overbroad as to time, area or scope, the court may strike the offending provision or reform such provision to substitute such other terms as are reasonable to protect the Corporation's legitimate business interests.

In the event either party must proceed with litigation to force the other party to satisfy its obligations under the terms of this Agreement, the court shall award to the prevailing party his or its reasonable litigation and counsel costs incurred to enforce his or its rights under this Agreement.

Section 15. Binding Effect/Assignability.

This Agreement shall be binding upon and inure to the benefit of the Corporation and Executive and their respective heirs, legal representatives, executors, administrators, successors and assigns, but neither this Agreement, nor any of the rights hereunder, shall be assignable by Executive or any beneficiary or beneficiaries designated by Executive. The Corporation will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business, stock or assets of the Corporation, by agreement in form and substance reasonably satisfactory to the Executive, to expressly assume and agree to perform this Agreement in its entirety. Failure of the Corporation to obtain such agreement prior to the effectiveness of any such succession shall be a breach of this Agreement. Any successor of the Corporation shall be bound by the terms of this Agreement.

Section 16. Governing Law and Venue.

This Agreement shall be subject to and construed in accordance with the laws of the Commonwealth of Virginia, without respect to its conflict of laws provisions. The parties agree that exclusive venue for any action to enforce this Agreement shall be the Circuit Court for Roanoke County, Virginia, or the United States District Court for the Western District of Virginia, Roanoke Division.

Section 17. Notices.

Any and all notices, designations, consents, offers, acceptance or any other communications provided for herein shall be given in writing and shall be deemed properly delivered if delivered in person or by registered or certified mail, return receipt requested, addressed in the case of the Corporation to its registered office or in the case of Executive to his last known address.

Section 18. Entire Agreement.

(a) Except with respect to reimbursement of relocation and related expenses as referenced in Section 8, this Agreement constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes any and all other agreements, either oral or in writing, among the parties hereto with respect to the subject matter hereof.

(b) This Agreement may be executed in one or more counterparts, each of which shall be considered an original copy of this Agreement, but all of which together shall evidence only one agreement.

Section 19. Amendment and Waiver.

This Agreement may not be amended except by an instrument in writing signed by or on behalf of each of the parties hereto. No waiver of any provision of this Agreement shall be valid unless in writing and signed by the person or party to be charged.

Section 20. Severability.

In case any one or more of the provisions of this Agreement is held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.

Section 21. Case and Gender.

Wherever required by the context of this Agreement, the singular or plural case and the masculine, feminine and neuter genders shall be interchangeable.

Section 22. Captions.

The captions used in this Agreement are intended for descriptive and reference purposes only and are not intended to affect the meaning of any Section hereunder.

[END OF PAGE]

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Corporation has caused this Agreement to be signed by its duly authorized representatives and Executive has hereunto set his hand and seal on the day and year first above written.

OPTICAL CABLE CORPORATION

By: /s/ RANDALL H. FRAZIER

Randall H. Frazier
Member of the Compensation Committee of the Board of Directors

By: /s/ JOHN M. HOLLAND

John M. Holland
Member of the Compensation Committee of the Board of Directors

By: /s/ CRAIG H. WEBER

Craig H. Weber
Member of the Compensation Committee of the Board of Directors

EXECUTIVE

/s/ NEIL D. WILKIN, JR.

Neil D. Wilkin, Jr.

**OPTICAL CABLE CORPORATION
EMPLOYMENT AGREEMENT**

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into as of the 1st day of November, 2002 by and between OPTICAL CABLE CORPORATION, a Virginia corporation, hereinafter called the "Corporation", and Luke J. Huybrechts called "Executive", and provides as follows:

RECITALS

WHEREAS, the Corporation is a manufacturer and seller of fiber optic cable, with its capital stock traded on the Nasdaq National Market;

WHEREAS, Executive has been involved in the executive management of the business and affairs of the Corporation and possesses managerial experience, knowledge, skills and expertise required by the Corporation;

WHEREAS, the employment of Executive by the Corporation is in the best interests of the Corporation and Executive; and

WHEREAS, the parties have mutually agreed upon the terms and conditions of Executive's continued employment by the Corporation as hereinafter set forth;

TERMS OF AGREEMENT

NOW, THEREFORE, for and in consideration of the premises and of the mutual promises and undertakings of the parties as hereinafter set forth, and other good and valuable consideration, receipt of which is hereby acknowledged, the parties covenant and agree as follows:

Section 1. Employment.

(a) Executive shall be employed as Senior Vice President of Sales of the Corporation, shall report directly to the President of the Corporation (the "President"), and shall discharge such duties and responsibilities of an executive nature as may be assigned him by the President.

(b) Executive shall be nominated by the Board of Directors for election to the Corporation's Board of Directors as long as he is a Senior Vice President of the Corporation or a more senior officer.

Section 2. Term of Employment.

The initial term of this Agreement shall end on October 31, 2005. However, on November 1, 2003 and each November 1 thereafter the term of this Agreement shall be renewed and extended by one year unless Executive or the Corporation notifies the other in writing thirty (30) days prior to such date(s) that the term shall not be renewed and extended.

Section 3. Exclusive Service.

Executive shall devote his best efforts and full time to rendering services on behalf of the Corporation in furtherance of its best interests. Executive shall comply with all policies, standards and regulations of the Corporation now or hereafter promulgated, and shall perform his duties under this Agreement to the best of his abilities and in accordance with standards of conduct applicable to an executive officer.

Section 4. Salary.

(a) As compensation while employed hereunder, Executive, during his faithful performance of this Agreement shall receive an initial annual base salary of \$175,000, payable on such terms and in such installments as the parties may from time to time mutually agree upon. The President, subject to review by the Board of Directors or an appropriate committee thereof, in his discretion, may increase Executive's base salary during the term of this Agreement.

(b) The Corporation shall withhold state and federal income taxes, social security taxes and such other payroll deductions as may from time to time be required by law or agreed upon in writing by Executive and the Corporation. The Corporation shall also withhold and remit to the proper party any amounts agreed to in writing by the Corporation and Executive for participation in any corporate sponsored benefit plans for which a contribution is required.

(c) Except as otherwise expressly set forth herein, no compensation shall be paid pursuant to this Agreement in respect of any calendar month subsequent to any termination of Executive's employment by the Corporation.

Section 5. Corporate Benefit Plans.

Executive shall be entitled to participate in or become a participant in any employee health, welfare and benefit plans maintained by the Corporation for which he is or will become eligible.

Section 6. Bonuses.

Executive shall participate in executive bonus programs, as established from time to time by the President, subject to review by the Board of Directors, or an appropriate committee thereof. This includes participation in the Optical Cable Corporation 2003 Management Incentive Plan, pursuant to which Executive is being provided with a 35% annual target bonus opportunity (as a percentage of annual base salary) for the Corporation's fiscal year 2003 which, unless otherwise provided herein, is contingent on achievement of quantified corporate and divisional goals and specifically identified divisional objectives.

Section 7. Equity Compensation.

Executive shall participate in grants of long-term equity compensation awarded from time to time to senior executives pursuant to equity participation plans, including grants under the Optical Cable Corporation 1996 Stock Incentive Plan and any successor plans. Grants under such

plans are based on the recommendations of the President and subject to approval by the Board of Directors or an appropriate committee thereof.

Section 8. Expense Account. The Corporation shall reimburse Executive for reasonable and customary business expenses incurred in the conduct of the Corporation's business. Such expenses will include business meals, out-of-town lodging, travel expenses, reasonable professional fees and dues. Executive agrees to timely submit records and receipts of reimbursable items and agrees that the Corporation can adopt reasonable rules and policies regarding such reimbursement. The Corporation agrees to make prompt payment to Executive following receipt and verification of such reports.

Section 9. Paid Time Off (PTO).

Executive shall be entitled to receive under the Corporation's Paid Time Off ("PTO") program (or under any alternative program adopted in the future for vacation and sick time) the greater of (i) 26 days of time away from work with continued compensation (PTO days) or (ii) the number of days other similarly positioned employees would be eligible to receive based on years of service. The Corporation's PTO program provides for both vacation and sick time off with pay. The PTO days for any calendar year will be earned on January 1 of such calendar year. At the end of each calendar year, Executive shall be entitled to carry-over up to 10 unused PTO days to the next calendar year.

Section 10. Termination.

(a) Resignation by Executive without Good Reason.

Executive may resign and terminate this Agreement upon written notice to the Corporation as provided herein. In the event Executive's employment under this Agreement is terminated by the resignation of the Executive without Good Reason (as hereinafter defined), Executive shall thereafter have no right to receive compensation or other benefits under this Agreement.

(b) Termination by Corporation for Cause.

The Corporation shall have the right to terminate Executive's employment under this Agreement at any time for Cause, which termination shall be effective immediately. Termination for "Cause" shall include termination for (i) material breach of this Agreement by Executive which breach is not cured within 30 days of receipt by Executive of written notice from the Corporation specifying the breach; (ii) Executive's gross negligence in the performance of his material duties hereunder; (iii) intentional nonperformance or misperformance of such duties, or refusal to abide by or comply with the reasonable directives of his superior officers, or the Corporation's policies and procedures, which actions continue for a period of at least 30 days after receipt by Executive of written notice of the need to cure or cease; (iv) Executive's willful dishonesty, fraud or misconduct with respect to the business or affairs of the Corporation, that in the reasonable judgment of the President and/or the Board of Directors materially and adversely affects the Corporation; or (v) Executive's conviction of, or a plea of nolo contendere to, a felony

or other crime involving moral turpitude. In the event Executive's employment under this Agreement is terminated for Cause, Executive shall thereafter have no right to receive compensation or other benefits under this Agreement.

(c) Termination by Corporation without Cause or by Executive for Good Reason.

(1) The Corporation may terminate Executive's employment other than for Cause (as defined above) at any time upon written notice to Executive, which termination shall be effective immediately. Executive may resign thirty (30) days after notice to the Corporation for "Good Reason", as hereafter defined.

(2) Except as otherwise provided in Section 10(c)(3) of this Agreement, in the event the Executive's employment is terminated either: by the Corporation other than for Cause; or by Executive for Good Reason, then:

(i) Executive shall receive a monthly amount equal to one-twelfth (1/12) the rate of his annual base salary in effect immediately preceding such termination for fourteen (14) months after the date of such termination at the times such payments would have been made in accordance with Section 4(a).

(ii) Executive shall receive a payment in cash on the date his employment terminates equal to fourteen twelfths (14/12) times the greater of: (y) the amount of the average annual cash bonus paid or payable to him in respect of each of the three (3) fiscal years of the Corporation prior to the fiscal year in which his employment terminates (or such average over the shorter period of Executive's employment, if applicable), or (z) the amount of the target bonus opportunity contemplated in Section 6 of this Agreement, in each case as in effect prior to the termination of Executive's employment.

(3) In the event a Change of Control occurs, and Executive's employment is terminated either: by Corporation other than for Cause or by Employee for Good Reason, in each case within thirteen (13) months after the occurrence of such Change of Control, then, the Corporation's obligations under Section 10(c)(2) shall not apply, and in lieu thereof, the Corporation's obligations, in addition to any other obligations set forth under this Agreement, are as follows:

(i) On or before the Executive's last day of employment with the Corporation (unless another period is mutually agreed upon by the parties), the Corporation shall pay to Executive as compensation for services rendered to the Corporation a cash amount (subject to any applicable payroll or other taxes required to be withheld) equal to the aggregate total of a twenty (20) month continuation of his annual base salary, as in effect immediately preceding such termination.

(ii) On or before the Executive's last day of employment with the Corporation (unless another period is mutually agreed upon by the parties), the Corporation shall pay to Executive as compensation for services rendered to the Corporation a cash amount

(subject to applicable payroll or other taxes required to be withheld) equal to twenty twelfths (20/12) times the greater of: (y) the amount of the average annual cash bonus paid or payable to him in respect of each of the three (3) fiscal years of the Corporation prior to the fiscal year in which his employment terminates (or such average over the shorter period of Executive's employment, if applicable), or (z) the amount of his target bonus opportunity contemplated in Section 6 of this Agreement, in each case as in effect prior to the termination of Executive's employment.

(iii) The Corporation shall maintain in full force and effect for the continued benefit of the Executive for the remainder of the then current term of this Agreement all employee health, welfare benefit plans and programs or arrangements in which the Executive was entitled to participate immediately prior to such termination, provided that continued participation is possible under the general terms and provisions of such plans and programs. In the event that Executive's participation in any such plan or program is barred, the Corporation shall arrange to provide the Executive with benefits substantially similar to those which the Executive was entitled to receive under such plans and programs.

(iv) Executive will be entitled to receive reasonable out-placement services, including job search services, paid by the Corporation. The services will be provided by a recognized out-placement organization selected by the Executive with the approval of the Corporation (which approval will not be unreasonably withheld). The services will be provided for up to two years after the date Executive's employment by the Corporation terminates.

(v) Any benefits paid by the Corporation pursuant to Section 10(c)(3), or otherwise triggered by the occurrence of a Change of Control, will be grossed up by the Corporation as necessary to protect the Executive from paying any excise taxes that may result from such benefits.

(4) Notwithstanding the provisions of Section 10(c)(2) and Section 10(c)(3) of this Agreement to the contrary:

(i) If Executive breaches Section 11, 12 or 13, Executive will not thereafter be entitled to receive any further compensation or benefits pursuant to Section 10(c)(2) or Section 10(c)(3), as applicable; provided that the Corporation shall have provided Executive with a reasonable time to cease and desist and cure any such violation, if curable;

(ii) If, while he is receiving payments under Section 10(c)(2) or Section 10(c)(3), as applicable, Executive violates the provisions of Section 12, provided that the Corporation shall have provided Executive with a reasonable time to cease and desist and cure any such violation, if curable, such payments will cease and he will not thereafter be entitled to receive any compensation or benefits pursuant to Section 10(c)(2) or Section 10(c)(3), as applicable; and

(iii) The obligations of the Corporation to Executive under Section 10(c)(2) and Section 10(c)(3) are conditioned upon the Executive's signing a release of claims in a form satisfactory to the Corporation within twenty-one (21) days of the date he receives or gives notice of termination of his employment or the date he receives said release of claims, whichever is later, and upon his not revoking the release of claims thereafter.

(d) Termination Upon Executive's Death.

This Agreement shall terminate upon death of Executive; provided, however, that in such event the Corporation shall pay to the estate of Executive his compensation including salary and accrued target bonus, if any, which otherwise would be payable to Executive through the end of the month in which his death occurs.

(e) Termination Upon Disability.

The Corporation may terminate Executive's employment under this Agreement, after having established the Executive's disability, by giving to Executive written notice of its intention to terminate his employment for disability and his employment with the Corporation shall terminate effective on the 120th day after receipt of such notice if within 120 days after such receipt Executive shall fail to return to the full-time performance of the essential functions of his position (and if Executive's disability has been established pursuant to the definition of "disability" set forth below). For purposes of this Agreement, "disability" means either (i) disability which after the expiration of more than 13 consecutive weeks after its commencement is determined to be total and permanent by a physician selected and paid for by the Corporation or its insurers, and acceptable to Executive or his legal representative, which consent shall not be unreasonably withheld or (ii) disability as defined in the policy of disability insurance maintained by the Corporation for the benefit of Executive, whichever shall be more favorable to Executive.

(f) Obligations Survive Termination or Expiration.

Notwithstanding the termination of Executive's employment pursuant to any provision of this Agreement (including any expiration of this Agreement), the parties shall be required to carry out any provisions of this Agreement which contemplate performance by them subsequent to such termination. In addition, no termination shall affect any liability or other obligation of either party which shall have accrued prior to such termination, including, but not limited to, any liability, loss or damage on account of breach. No termination of employment shall terminate the obligation of the Corporation to make payments of any vested benefits provided hereunder or the obligations of Executive under Sections 11, 12 and 13.

(g) Notice by Executive.

Executive's employment hereunder may be terminated by Executive upon thirty (30) days written notice to the Corporation or at any time by mutual agreement in writing.

(h) Obligations Unconditional.

Except as set forth in Section 10(c)(4), the Corporation's obligation to pay the Executive the compensation provided in Section 10 shall be absolute and unconditional and shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense or other right which the Corporation may have against him or anyone else. All amounts payable by the Corporation hereunder shall be paid without notice or demand. Each and every payment made hereunder by the Corporation shall be final and the Corporation will not seek to recover all or any part of such payment from the Executive or from whosoever may be entitled thereto, for any reason whatsoever. The Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise.

(i) Good Reason Defined.

For purposes of this Agreement, "Good Reason" shall mean:

(i) The assignment of duties to the Executive by the Corporation which result in the Executive having significantly less authority or responsibility than he has on the date hereof, without his express written consent;

(ii) The removal of the Executive from or any failure to appoint or re-appoint him to a position of Senior Vice President of the Corporation, or a more senior position, without his express written consent;

(iii) (y) Executive is not elected to serve on the Board of Directors, or (z) the Board of Directors fails to, or in the event of a Change of Control, the principal shareholders fail to, cause Executive to be nominated and put forth their best efforts to elect the Executive to the Board of Directors;

(iv) Requiring the Executive to maintain his principal office (y) at a location outside of a 50 mile radius of the Corporation's principal executive offices at the time of this Agreement, or (z) at a location other than the principal executive offices of the Corporation;

(v) A reduction by the Corporation of the Executive's base salary, as the same may have been increased from time to time;

(vi) The failure of the Corporation to provide the Executive with substantially the same material fringe benefits that are provided to him at the inception of this Agreement (including, but not limited to, participation in bonus programs or equity incentive programs);

(vii) The Corporation's failure to comply with any material term of this Agreement; or

(viii) The failure of the Corporation to obtain the assumption of, and agreement to perform, this Agreement by any successor.

(j) Change of Control.

For purposes of this Agreement, a Change of Control occurs if, after the date of this Agreement, (i) any person, including a “group” as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, becomes the owner or beneficial owner of Corporation securities having 50% or more of the combined voting power of the then outstanding Corporation securities that may be cast for the election of the Corporation’s directors; or (ii) as the direct or indirect result of, or in connection with, a tender or exchange offer, a merger or other business combination, a sale of assets, a contested election of directors, or any combination of these events, the persons who were directors of the Corporation before such events cease to constitute a majority of the Corporation’s Board, or any successor’s board, within three years of the last of such transactions. For purposes of this Agreement, a Change of Control occurs on the date on which an event described in (i) or (ii) occurs. If a Change of Control occurs on account of a series of transactions or events, the Change of Control occurs on the date of the last of such transactions or events.

In the event a Change of Control occurs, all unvested equity participation grants by the Corporation to the Executive will immediately vest and shall be exercisable over the period of time set forth in the granting documents.

Section 11. Confidentiality/Nondisclosure.

(a) Executive hereby acknowledges that Executive’s employment with the Corporation places Executive in a position of confidence and trust with respect to the business, operations, customers, prospects, and personnel of the Corporation, and that Executive will be given access to trade secrets and confidential and proprietary business information of the Corporation. Executive acknowledges that the Corporation’s trade secrets and confidential and proprietary business information include, but is not limited to, such matters as Corporation patents, trade secrets, systems, products and methodologies (whether or not patentable), formulas, processes, manufacturing procedures, manuals, reports, software and source code used in the Corporation’s production and business processes, customers, identity of vendors, materials used in the manufacturing process, pricing received from vendors, machine settings, business opportunities and prospective business opportunities, costing and pricing procedures, marketing and business strategies, equipment and methods used and preferred by the Corporation and/or its customers, and the amounts paid by such customers for the Corporation’s products (all of the foregoing will be hereinafter referred to as “confidential information”). Additionally, and not by way of limitation, as used above, the term “trade secrets” shall be afforded the broadest construction allowed by the common law, the Virginia Trade Secrets Act, and/or the federal law.

(b) Executive agrees that the Corporation’s confidential information derives independent economic value because it is not generally known or readily ascertainable by other

persons who could obtain economic value from the disclosure or use of such information.

(c) Executive acknowledges that the Corporation has invested considerable time and expense in developing and safeguarding its confidential information, and in developing and maintaining personal contacts and relationships with its customers and potential customers. Executive agrees that, in so doing, the Corporation has developed favorable goodwill with customers and with the business community. The Corporation wishes to safeguard its goodwill and confidential information.

(d) Executive pledges his best efforts and utmost diligence to protect the Corporation's confidential information. Unless required by the Corporation in connection with Executive's employment or with the Corporation's express written consent, Executive agrees that he will not, either during his employment with the Corporation or afterwards, directly or indirectly, use or disclose for Executive's own benefit or for the benefit of another person or entity of any kind, or group of persons and/or entities, any of the Corporation's confidential information, whether or not the information is acquired, learned, attained, or developed by Executive alone or in conjunction with others. Executive makes the same pledge with regard to the confidential information of the Corporation's customers, contractors, or others with whom the Corporation has a business relationship.

(e) Executive also agrees that all notes, lists, records, drawings, memoranda, or other documents that are made or compiled by Executive or which were available to Executive concerning any of the Corporation's business and/or confidential information shall be the exclusive property of the Corporation. Executive agrees to deliver such materials and information to the Corporation upon the termination of the employment relationship or at any other time at the Corporation's request. Executive understands that the unauthorized taking or disclosure of any of such information or materials could also result in civil and/or criminal liability.

(f) The Corporation expects Executive to respect any trade secrets or confidential information of any of Executive's former employers, business associates, or any others. Executive agrees to respect the Corporation's express direction to Executive not to disclose to the Corporation, its officers, or any employees any such information as long as it remains confidential.

(g) Notwithstanding any contrary provision contained herein, Executive will be permitted to retain any documentation reasonably necessary to enforce the terms of this Agreement.

Section 12. Covenant Not to Compete and Non-solicitation.

(a) Executive understands and agrees that the Corporation has disclosed or will disclose confidential information to Executive during his employment with the Corporation, the disclosure or use of which outside the Corporation's business would be detrimental to the Corporation. Executive further agrees that the Corporation would suffer great loss and damage if Executive should, on his own behalf or on behalf of any other person or entity of any kind, or

group of persons and/or entities, use or disclose any of the Corporation's confidential information.

(b) Executive acknowledges that Executive's engaging in any business that is competitive with the Corporation would cause the Corporation great and irreparable harm. While employed by the Corporation, Executive shall faithfully devote his best efforts to advance the business and interests of the Corporation and shall not, on his own behalf or another's behalf, engage in any manner in any other business competing with that of the Corporation.

(c) During the Restricted Period (defined below), Executive shall not, on his own behalf or on behalf of another person or entity of any kind, or group of persons and/or entities, (i) participate in the management or control of any competing business engaged in the manufacture or sale of fiber optic cable similar to the type manufactured, sold or designed by the Corporation at the time of termination of Executive's employment or (ii) be employed by any such business in a position in which Executive would perform duties that are substantially similar to or the same as those performed by Executive on behalf of the Corporation or in a position that would utilize knowledge or skill developed by Executive during such employment with the Corporation. It is expressly provided, however, that this covenant does not preclude Executive from working in the fiber optic industry in a role that would not compete with the business of the Corporation. Because the Corporation engages in its business on a worldwide basis, the geographic scope of the covenants in this paragraph shall extend to those worldwide markets in which the Corporation does business or has active plans to do business at the termination of Executive's employment. Executive further acknowledges that the covenants in this paragraph are reasonable and necessary to protect the Corporation's legitimate business interests.

(d) Executive acknowledges that, while employed by the Corporation, Executive will have contact with and/or become aware of the Corporation's customers and the representatives of those customers, their names and addresses, specific customer needs and requirements, and leads and references to prospective customers. Executive further acknowledges that loss of such customers would cause the Corporation great and irreparable harm. During the Restricted Period, Executive shall not solicit, contact, call upon, or attempt to communicate with any customer, former customer or prospective customer of the Corporation on behalf of any business competing with that of the Corporation for the purpose of securing business that is the same as or similar to that of the Corporation. This restriction will apply only to any customer, former customer or prospective customer of the Corporation with whom the Corporation has had contact during the last twelve (12) months of Executive's employment with the Corporation. For the purposes of the preceding sentence, "contact" means (i) interaction between the Corporation and the customer, former customer or prospective customer that takes place to further the business of either the Corporation or the customer, or (ii) making sales or marketing efforts to or performing services for the customer, former customer or prospective customer on behalf of the Corporation.

(e) During the greater of (i) twelve (12) months after the termination of Executive's employment with the Corporation for any reason or (ii) the Restricted Period, Executive may not recruit, hire or attempt to recruit or hire, directly or by assisting others, any other employee of the Corporation.

(f) As used in this Section 12, "Restricted Period" shall mean the period of time from the date of Executive's termination for any reason until the passage of the greater of:

(i) twelve (12) months; or

(ii) (A) in the event Section 10(c)(2) of this Agreement is applicable, the number of months during which Executive receives payments pursuant to Section 10(c)(2)(i) of this Agreement; or

(B) in the event Section 10(c)(3) of this Agreement is applicable, the number of months that form the basis for any cash amount paid to Executive pursuant to Section 10(c)(3)(i) of this Agreement.

Notwithstanding the foregoing, except as set forth in Section 10(c)(4) above, the imposition of the restrictions during the Restricted Period under this Section 12 are conditioned upon the payment by the Corporation to Executive of all amounts provided for under Section 10(c)(2) or Section 10(c)(3) to the extent such Sections are applicable.

Section 13. Ownership of Intellectual Property.

Any and all inventions, discoveries, improvements, or creations (collectively "intellectual property") that Executive has conceived or made or may conceive or make during his employment with the Corporation that in any way, directly or indirectly, are connected with or related to the Corporation and/or its business, shall be the sole and exclusive property of the Corporation. All works created by Executive under the Corporation's direction or in connection with the Corporation's business for which copyrights, trademarks or patents may be sought are "works made for hire" and will be the sole and exclusive property of the Corporation. Any and all copyrights, trademarks or patents to such works, whether actually sought and/or applied for or not, will belong to the Corporation, and the Executive shall execute all documents that may be necessary to convey or assign any such rights that the Executive may have in such intellectual property to the Corporation or that otherwise may be necessary to enable the Corporation to seek such protection for such intellectual property. To the extent any such works are not deemed to be "works made for hire," the Executive hereby assigns all proprietary rights, including copyrights, trademarks and patents, in such works to the Corporation.

Section 14. Injunctive Relief, Damages, Etc.

Executive agrees that given the nature of the positions held by Executive with the Corporation, that each and every one of the covenants and restrictions set forth in Sections 11 and 12 above are reasonable in scope, length of time and geographic area and are necessary for the protection of the significant investment of the Corporation in developing, maintaining and expanding its business. Accordingly, the parties hereto agree that in the event of any breach by Executive of any of the provisions of Sections 11 or 12 that monetary damages alone will not adequately compensate the Corporation for its losses and, therefore, that it may seek any and all

legal or equitable relief available to it, specifically including, but not limited to, injunctive relief. The covenants contained in Sections 11, 12 and 13 shall be construed and interpreted in any judicial proceeding to permit their enforcement to the maximum extent permitted by law. Should a court of competent jurisdiction determine that any provision of the covenants and restrictions set forth in Section 12 above is unenforceable as being overbroad as to time, area or scope, the court may strike the offending provision or reform such provision to substitute such other terms as are reasonable to protect the Corporation's legitimate business interests.

In the event either party must proceed with litigation to force the other party to satisfy its obligations under the terms of this Agreement, the court shall award to the prevailing party his or its reasonable litigation and counsel costs incurred to enforce his or its rights under this Agreement.

Section 15. Binding Effect/Assignability.

This Agreement shall be binding upon and inure to the benefit of the Corporation and Executive and their respective heirs, legal representatives, executors, administrators, successors and assigns, but neither this Agreement, nor any of the rights hereunder, shall be assignable by Executive or any beneficiary or beneficiaries designated by Executive. The Corporation will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business, stock or assets of the Corporation, by agreement in form and substance reasonably satisfactory to the Executive, to expressly assume and agree to perform this Agreement in its entirety. Failure of the Corporation to obtain such agreement prior to the effectiveness of any such succession shall be a breach of this Agreement. Any successor of the Corporation shall be bound by the terms of this Agreement.

Section 16. Governing Law and Venue.

This Agreement shall be subject to and construed in accordance with the laws of the Commonwealth of Virginia, without respect to its conflict of laws provisions. The parties agree that exclusive venue for any action to enforce this Agreement shall be the Circuit Court for Roanoke County, Virginia, or the United States District Court for the Western District of Virginia, Roanoke Division.

Section 17. Notices.

Any and all notices, designations, consents, offers, acceptance or any other communications provided for herein shall be given in writing and shall be deemed properly delivered if delivered in person or by registered or certified mail, return receipt requested, addressed in the case of the Corporation to its registered office to the attention of the President, or in the case of Executive to his last known address.

Section 18. Entire Agreement.

(a) This Agreement constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes any and all other agreements, either oral or in writing, among the parties hereto with respect to the subject matter hereof.

(b) This Agreement may be executed in one or more counterparts, each of which shall be considered an original copy of this Agreement, but all of which together shall evidence only one agreement.

Section 19. Amendment and Waiver.

This Agreement may not be amended except by an instrument in writing signed by or on behalf of each of the parties hereto. No waiver of any provision of this Agreement shall be valid unless in writing and signed by the person or party to be charged. No officer other than the President shall have the authority to amend this Agreement or waive any provision of this Agreement on behalf of the Corporation. Additionally, the President shall be the officer designated to act on behalf of the Corporation with respect to the provisions of this Agreement.

Section 20. Severability.

In case any one or more of the provisions of this Agreement is held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.

Section 21. Case and Gender.

Wherever required by the context of this Agreement, the singular or plural case and the masculine, feminine and neuter genders shall be interchangeable.

Section 22. Captions.

The captions used in this Agreement are intended for descriptive and reference purposes only and are not intended to affect the meaning of any Section hereunder.

[END OF PAGE]

[SIGNATURE PAGE FOLLOWS]

**OPTICAL CABLE CORPORATION
EMPLOYMENT AGREEMENT**

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into as of the 2nd day of January, 2003 by and between OPTICAL CABLE CORPORATION, a Virginia corporation, hereinafter called the "Corporation", and Charles W. Carson called "Executive", and provides as follows:

RECITALS

WHEREAS, the Corporation is a manufacturer and seller of fiber optic cable, with its capital stock traded on the Nasdaq National Market;

WHEREAS, Executive possesses managerial experience, knowledge, skills and expertise required by the Corporation;

WHEREAS, the employment of Executive by the Corporation is in the best interests of the Corporation and Executive; and

WHEREAS, the parties have mutually agreed upon the terms and conditions of Executive's employment by the Corporation as hereinafter set forth;

TERMS OF AGREEMENT

NOW, THEREFORE, for and in consideration of the premises and of the mutual promises and undertakings of the parties as hereinafter set forth, and other good and valuable consideration, receipt of which is hereby acknowledged, the parties covenant and agree as follows:

Section 1. Employment.

Executive shall be employed as Senior Vice President of Marketing and Strategy of the Corporation, shall report directly to the President of the Corporation (the "President"), and shall discharge such duties and responsibilities of an executive nature as may be assigned him by the President.

Section 2. Term of Employment.

The initial term of this Agreement shall end on December 31, 2004. However, on January 1, 2004 and each January 1 thereafter the term of this Agreement shall be renewed and extended by one year unless Executive or the Corporation notifies the other in writing thirty (30) days prior to such date(s) that the term shall not be renewed and extended.

Section 3. Exclusive Service.

Executive shall devote his best efforts and full time to rendering services on behalf of the Corporation in furtherance of its best interests. Executive shall comply with all policies, standards and regulations of the Corporation now or hereafter promulgated, and shall perform his duties under

this Agreement to the best of his abilities and in accordance with standards of conduct applicable to an executive officer.

Section 4. Salary.

(a) As compensation while employed hereunder, Executive, during his faithful performance of this Agreement shall receive an initial annual base salary of \$175,000, payable on such terms and in such installments as the parties may from time to time mutually agree upon. The President, subject to review by the Board of Directors or an appropriate committee thereof, in his discretion, may increase Executive's base salary during the term of this Agreement.

(b) The Corporation shall withhold state and federal income taxes, social security taxes and such other payroll deductions as may from time to time be required by law or agreed upon in writing by Executive and the Corporation. The Corporation shall also withhold and remit to the proper party any amounts agreed to in writing by the Corporation and Executive for participation in any corporate sponsored benefit plans for which a contribution is required.

(c) Except as otherwise expressly set forth herein, no compensation shall be paid pursuant to this Agreement in respect of any calendar month subsequent to any termination of Executive's employment by the Corporation.

Section 5. Corporate Benefit Plans.

Executive shall be entitled to participate in or become a participant in any employee health, welfare and benefit plans maintained by the Corporation for which he is or will become eligible.

Section 6. Bonuses.

Executive shall participate in executive bonus programs, as established from time to time by the President, subject to review by the Board of Directors or an appropriate committee thereof. This includes participation in the Optical Cable Corporation 2003 Management Incentive Plan, pursuant to which Executive is being provided with a 35% annual target bonus opportunity (as a percentage of annual base salary) for the Corporation's fiscal year 2003 which, unless otherwise provided herein, is contingent on achievement of quantified corporate and divisional goals and specifically identified divisional objectives.

Section 7. Equity Compensation.

Executive shall participate in grants of long-term equity compensation awarded from time to time to senior executives pursuant to equity participation plans, including grants under the Optical Cable Corporation 1996 Stock Incentive Plan and any successor plans. Grants under such plans are based on the recommendations of the President and subject to approval by the Board of Directors or an appropriate committee thereof.

Section 8. Expense Account.

The Corporation shall reimburse Executive for reasonable and customary business expenses incurred in the conduct of the Corporation's business. Such expenses will include business meals, out-of-town lodging, travel expenses, reasonable professional fees and dues. Executive agrees to timely submit records and receipts of reimbursable items and agrees that the Corporation can adopt reasonable rules and policies regarding such reimbursement. The Corporation agrees to make prompt payment to Executive following receipt and verification of such reports. Notwithstanding any contrary provision contained herein, and in addition to all other compensation, reimbursements and benefits provided herein, the Corporation shall reimburse Executive for certain relocation and related expenses as agreed separately in writing.

Section 9. Paid Time Off (PTO).

Executive shall be entitled to receive under the Corporation's Paid Time Off ("PTO") program (or under any alternative program adopted in the future for vacation and sick time) the greater of (i) 26 days of time away from work with continued compensation (PTO days) or (ii) the number of days other similarly positioned employees would be eligible to receive based on years of service. The Corporation's PTO program provides for both vacation and sick time off with pay. The PTO days for any calendar year will be earned on January 1 of such calendar year. At the end of each calendar year, Executive shall be entitled to carry-over up to 10 unused PTO days to the next calendar year.

Section 10. Termination.

(a) Resignation by Executive without Good Reason.

Executive may resign and terminate this Agreement upon written notice to the Corporation as provided herein. In the event Executive's employment under this Agreement is terminated by the resignation of the Executive without Good Reason (as hereinafter defined), Executive shall thereafter have no right to receive compensation or other benefits under this Agreement.

(b) Termination by Corporation for Cause.

The Corporation shall have the right to terminate Executive's employment under this Agreement at any time for Cause, which termination shall be effective immediately. Termination for "Cause" shall include termination for (i) material breach of this Agreement by Executive which breach is not cured within 30 days of receipt by Executive of written notice from the Corporation specifying the breach; (ii) Executive's gross negligence in the performance of his material duties hereunder; (iii) intentional nonperformance or misperformance of such duties, or refusal to abide by or comply with the reasonable directives of his superior officers, or the Corporation's policies and procedures, which actions continue for a period of at least 30 days after receipt by Executive of written notice of the need to cure or cease; (iv) Executive's willful dishonesty, fraud or misconduct with respect to the business or affairs of the Corporation, that in the reasonable judgment of the President and/or the Board of Directors materially and adversely

affects the Corporation; or (v) Executive's conviction of, or a plea of nolo contendere to, a felony or other crime involving moral turpitude. In the event Executive's employment under this Agreement is terminated for Cause, Executive shall thereafter have no right to receive compensation or other benefits under this Agreement.

(c) Termination by Corporation without Cause or by Executive for Good Reason.

(1) The Corporation may terminate Executive's employment other than for Cause (as defined above) at any time upon written notice to Executive, which termination shall be effective immediately. Executive may resign thirty (30) days after notice to the Corporation for "Good Reason", as hereafter defined.

(2) Except as otherwise provided in Section 10(c)(3) of this Agreement, in the event the Executive's employment is terminated either: by the Corporation other than for Cause; or by Executive for Good Reason, then:

(i) Executive shall receive a monthly amount equal to one-twelfth (1/12) the rate of his annual base salary in effect immediately preceding such termination for six (6) months after the date of such termination at the times such payments would have been made in accordance with Section 4(a); provided, however, that beginning August 1, 2003 and on the first of each month until and including January 1, 2004, the period of time Executive will receive base salary continuation under this Section 10(c)(2)(i) shall be extended by one month until reaching a total of twelve (12) months on January 1, 2004, at which time such extensions shall cease.

(ii) Executive shall receive a payment in cash on the date his employment terminates equal to one half (1/2) times the greater of: (y) the amount of the average annual cash bonus paid or payable to him in respect of each of the three (3) fiscal years of the Corporation prior to the fiscal year in which his employment terminates (or such average over the shorter period of Executive's employment, if applicable), or (z) the amount of the target bonus opportunity contemplated in Section 6 of this Agreement, in each case as in effect prior to the termination of Executive's employment; provided, however, that beginning August 1, 2003 and on the first of each month until and including January 1, 2004, the multiplier set forth above (i.e., "one half (1/2)" as of the date hereof) will be increased by one twelfth (1/12) at the beginning of each such month until such adjustments result in such multiplier being equal to one (1) on January 1, 2004, at which time such increases shall cease.

(3) In the event a Change of Control occurs, and Executive's employment is terminated either: by Corporation other than for Cause or by Employee for Good Reason, in each case within thirteen (13) months after the occurrence of such Change of Control, then, the Corporation's obligations under Section 10(c)(2) shall not apply, and in lieu thereof, the Corporation's obligations, in addition to any other obligations set forth under this Agreement, are as follows:

(i) On or before the Executive's last day of employment with the Corporation (unless another period is mutually agreed upon by the parties), the Corporation shall pay to Executive as compensation for services rendered to the Corporation a cash amount (subject to any applicable payroll or other taxes required to be withheld) equal to the aggregate total of a twelve (12) month continuation of his annual base salary, as in effect immediately preceding such termination; provided, however, that beginning August 1, 2003 and on the first of each month until and including January 1, 2004, the period of time Executive will receive base salary continuation under this Section 10(c)(3)(i) shall be extended by one month until reaching a total of eighteen (18) months on January 1, 2004, at which time such extensions shall cease.

(ii) On or before the Executive's last day of employment with the Corporation (unless another period is mutually agreed upon by the parties), the Corporation shall pay to Executive as compensation for services rendered to the Corporation a cash amount (subject to applicable payroll or other taxes required to be withheld) equal to one (1) times the greater of: (y) the amount of the average annual cash bonus paid or payable to him in respect of each of the three (3) fiscal years of the Corporation prior to the fiscal year in which his employment terminates (or such average over the shorter period of Executive's employment, if applicable), or (z) the amount of his target bonus opportunity contemplated in Section 6 of this Agreement, in each case as in effect prior to the termination of Executive's employment; provided, however, that beginning August 1, 2003 and on the first of each month until and including January 1, 2004, the multiplier set forth above (i.e., "one (1)" as of the date hereof) will be increased by one twelfth (1/12) at the beginning of each such month until such adjustments result in such multiplier being equal to eighteen twelfths (18/12) on January 1, 2004, at which time such increases shall cease.

(iii) The Corporation shall maintain in full force and effect for the continued benefit of the Executive for the remainder of the then current term of this Agreement all employee health, welfare benefit plans and programs or arrangements in which the Executive was entitled to participate immediately prior to such termination, provided that continued participation is possible under the general terms and provisions of such plans and programs. In the event that Executive's participation in any such plan or program is barred, the Corporation shall arrange to provide the Executive with benefits substantially similar to those which the Executive was entitled to receive under such plans and programs.

(iv) Executive will be entitled to receive reasonable out-placement services, including job search services, paid by the Corporation. The services will be provided by a recognized out-placement organization selected by the Executive with the approval of the Corporation (which approval will not be unreasonably withheld). The services will be provided for up to two years after the date Executive's employment by the Corporation terminates.

(v) Any benefits paid by the Corporation pursuant to Section 10(c)(3), or

otherwise triggered by the occurrence of a Change of Control, will be grossed up by the Corporation as necessary to protect the Executive from paying any excise taxes that may result from such benefits.

(4) Notwithstanding the provisions of Section 10(c)(2) and Section 10(c)(3) of this Agreement to the contrary:

(i) If Executive breaches Section 11, 12 or 13, Executive will not thereafter be entitled to receive any further compensation or benefits pursuant to Section 10(c)(2) or Section 10(c)(3), as applicable; provided that the Corporation shall have provided Executive with a reasonable time to cease and desist and cure any such violation, if curable;

(ii) If, while he is receiving payments under Section 10(c)(2) or Section 10(c)(3), as applicable, Executive violates the provisions of Section 12, provided that the Corporation shall have provided Executive with a reasonable time to cease and desist and cure any such violation, if curable, such payments will cease and he will not thereafter be entitled to receive any compensation or benefits pursuant to Section 10(c)(2) or Section 10(c)(3), as applicable; and

(iii) The obligations of the Corporation to Executive under Section 10(c)(2) and Section 10(c)(3) are conditioned upon the Executive's signing a release of claims in a form satisfactory to the Corporation within twenty-one (21) days of the date he receives or gives notice of termination of his employment or the date he receives said release of claims, whichever is later, and upon his not revoking the release of claims thereafter.

(d) Termination Upon Executive's Death.

This Agreement shall terminate upon death of Executive; provided, however, that in such event the Corporation shall pay to the estate of Executive his compensation including salary and accrued target bonus, if any, which otherwise would be payable to Executive through the end of the month in which his death occurs.

(e) Termination Upon Disability.

The Corporation may terminate Executive's employment under this Agreement, after having established the Executive's disability, by giving to Executive written notice of its intention to terminate his employment for disability and his employment with the Corporation shall terminate effective on the 120th day after receipt of such notice if within 120 days after such receipt Executive shall fail to return to the full-time performance of the essential functions of his position (and if Executive's disability has been established pursuant to the definition of "disability" set forth below). For purposes of this Agreement, "disability" means either (i) disability which after the expiration of more than 13 consecutive weeks after its commencement is determined to be total and permanent by a physician selected and paid for by the Corporation or its insurers, and acceptable to Executive or his legal representative, which consent shall not be unreasonably withheld or (ii)

disability as defined in the policy of disability insurance maintained by the Corporation for the benefit of Executive, whichever shall be more favorable to Executive.

(f) Obligations Survive Termination or Expiration.

Notwithstanding the termination of Executive's employment pursuant to any provision of this Agreement (including any expiration of this Agreement), the parties shall be required to carry out any provisions of this Agreement which contemplate performance by them subsequent to such termination. In addition, no termination shall affect any liability or other obligation of either party which shall have accrued prior to such termination, including, but not limited to, any liability, loss or damage on account of breach. No termination of employment shall terminate the obligation of the Corporation to make payments of any vested benefits provided hereunder or the obligations of Executive under Sections 11, 12 and 13.

(g) Notice by Executive.

Executive's employment hereunder may be terminated by Executive upon thirty (30) days written notice to the Corporation or at any time by mutual agreement in writing.

(h) Obligations Unconditional.

Except as set forth in Section 10(c)(4), the Corporation's obligation to pay the Executive the compensation provided in Section 10 shall be absolute and unconditional and shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense or other right which the Corporation may have against him or anyone else. All amounts payable by the Corporation hereunder shall be paid without notice or demand. Each and every payment made hereunder by the Corporation shall be final and the Corporation will not seek to recover all or any part of such payment from the Executive or from whosoever may be entitled thereto, for any reason whatsoever. The Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise.

(i) Good Reason Defined.

For purposes of this Agreement, "Good Reason" shall mean:

(i) The assignment of duties to the Executive by the Corporation which result in the Executive having significantly less authority or responsibility than he has on the date hereof, without his express written consent;

(ii) The removal of the Executive from or any failure to appoint or re-appoint him to a position of Senior Vice President of the Corporation, or a more senior position, without his express written consent;

(iii) Requiring the Executive to maintain his principal office (y) at a location

outside of a 50 mile radius of the Corporation's principal executive offices at the time of this Agreement, or (z) at a location other than the principal executive offices of the Corporation;

(iv) A reduction by the Corporation of the Executive's base salary, as the same may have been increased from time to time;

(v) The failure of the Corporation to provide the Executive with substantially the same material fringe benefits that are provided to him at the inception of this Agreement (including, but not limited to, participation in bonus programs or equity incentive programs);

(vi) The Corporation's failure to comply with any material term of this Agreement; or

(vii) The failure of the Corporation to obtain the assumption of, and agreement to perform, this Agreement by any successor.

(j) Change of Control.

For purposes of this Agreement, a Change of Control occurs if, after the date of this Agreement, (i) any person, including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, becomes the owner or beneficial owner of Corporation securities having 50% or more of the combined voting power of the then outstanding Corporation securities that may be cast for the election of the Corporation's directors; or (ii) as the direct or indirect result of, or in connection with, a tender or exchange offer, a merger or other business combination, a sale of assets, a contested election of directors, or any combination of these events, the persons who were directors of the Corporation before such events cease to constitute a majority of the Corporation's Board, or any successor's board, within three years of the last of such transactions. For purposes of this Agreement, a Change of Control occurs on the date on which an event described in (i) or (ii) occurs. If a Change of Control occurs on account of a series of transactions or events, the Change of Control occurs on the date of the last of such transactions or events.

In the event a Change of Control occurs, all unvested equity participation grants by the Corporation to the Executive will immediately vest and shall be exercisable over the period of time set forth in the granting documents.

Section 11. Confidentiality/Nondisclosure.

(a) Executive hereby acknowledges that Executive's employment with the Corporation places Executive in a position of confidence and trust with respect to the business, operations, customers, prospects, and personnel of the Corporation, and that Executive will be given access to trade secrets and confidential and proprietary business information of the Corporation. Executive acknowledges that the Corporation's trade secrets and confidential and

proprietary business information include, but is not limited to, such matters as Corporation patents, trade secrets, systems, products and methodologies (whether or not patentable), formulas, processes, manufacturing procedures, manuals, reports, software and source code used in the Corporation's production and business processes, customers, identity of vendors, materials used in the manufacturing process, pricing received from vendors, machine settings, business opportunities and prospective business opportunities, costing and pricing procedures, marketing and business strategies, equipment and methods used and preferred by the Corporation and/or its customers, and the amounts paid by such customers for the Corporation's products (all of the foregoing will be hereinafter referred to as "confidential information"). Additionally, and not by way of limitation, as used above, the term "trade secrets" shall be afforded the broadest construction allowed by the common law, the Virginia Trade Secrets Act, and/or the federal law.

(b) Executive agrees that the Corporation's confidential information derives independent economic value because it is not generally known or readily ascertainable by other persons who could obtain economic value from the disclosure or use of such information.

(c) Executive acknowledges that the Corporation has invested considerable time and expense in developing and safeguarding its confidential information, and in developing and maintaining personal contacts and relationships with its customers and potential customers. Executive agrees that, in so doing, the Corporation has developed favorable goodwill with customers and with the business community. The Corporation wishes to safeguard its goodwill and confidential information.

(d) Executive pledges his best efforts and utmost diligence to protect the Corporation's confidential information. Unless required by the Corporation in connection with Executive's employment or with the Corporation's express written consent, Executive agrees that he will not, either during his employment with the Corporation or afterwards, directly or indirectly, use or disclose for Executive's own benefit or for the benefit of another person or entity of any kind, or group of persons and/or entities, any of the Corporation's confidential information, whether or not the information is acquired, learned, attained, or developed by Executive alone or in conjunction with others. Executive makes the same pledge with regard to the confidential information of the Corporation's customers, contractors, or others with whom the Corporation has a business relationship.

(e) Executive also agrees that all notes, lists, records, drawings, memoranda, or other documents that are made or compiled by Executive or which were available to Executive concerning any of the Corporation's business and/or confidential information shall be the exclusive property of the Corporation. Executive agrees to deliver such materials and information to the Corporation upon the termination of the employment relationship or at any other time at the Corporation's request. Executive understands that the unauthorized taking or disclosure of any of such information or materials could also result in civil and/or criminal liability.

(f) The Corporation expects Executive to respect any trade secrets or confidential information of any of Executive's former employers, business associates, or any others. Executive agrees to respect the Corporation's express direction to Executive not to disclose to the

Corporation, its officers, or any employees any such information as long as it remains confidential.

(g) Notwithstanding any contrary provision contained herein, Executive will be permitted to retain any documentation reasonably necessary to enforce the terms of this Agreement.

Section 12. Covenant Not to Compete and Non-solicitation.

(a) Executive understands and agrees that the Corporation has disclosed or will disclose confidential information to Executive during his employment with the Corporation, the disclosure or use of which outside the Corporation's business would be detrimental to the Corporation. Executive further agrees that the Corporation would suffer great loss and damage if Executive should, on his own behalf or on behalf of any other person or entity of any kind, or group of persons and/or entities, use or disclose any of the Corporation's confidential information.

(b) Executive acknowledges that Executive's engaging in any business that is competitive with the Corporation would cause the Corporation great and irreparable harm. While employed by the Corporation, Executive shall faithfully devote his best efforts to advance the business and interests of the Corporation and shall not, on his own behalf or another's behalf, engage in any manner in any other business competing with that of the Corporation.

(c) During the Restricted Period (defined below), Executive shall not, on his own behalf or on behalf of another person or entity of any kind, or group of persons and/or entities, (i) participate in the management or control of any competing business engaged in the manufacture or sale of fiber optic cable similar to the type manufactured, sold or designed by the Corporation at the time of termination of Executive's employment or (ii) be employed by any such business in a position in which Executive would perform duties that are substantially similar to or the same as those performed by Executive on behalf of the Corporation or in a position that would utilize knowledge or skill developed by Executive during such employment with the Corporation. It is expressly provided, however, that this covenant does not preclude Executive from working in the fiber optic industry in a role that would not compete with the business of the Corporation. Because the Corporation engages in its business on a worldwide basis, the geographic scope of the covenants in this paragraph shall extend to those worldwide markets in which the Corporation does business or has active plans to do business at the termination of Executive's employment. Executive further acknowledges that the covenants in this paragraph are reasonable and necessary to protect the Corporation's legitimate business interests.

(d) Executive acknowledges that, while employed by the Corporation, Executive will have contact with and/or become aware of the Corporation's customers and the representatives of those customers, their names and addresses, specific customer needs and requirements, and leads and references to prospective customers. Executive further acknowledges that loss of such customers would cause the Corporation great and irreparable harm. During the Restricted Period, Executive shall not solicit, contact, call upon, or attempt to communicate with any customer,

former customer or prospective customer of the Corporation on behalf of any business competing with that of the Corporation for the purpose of securing business that is the same as or similar to that of the Corporation. This restriction will apply only to any customer, former customer or prospective customer of the Corporation with whom the Corporation has had contact during the last twelve (12) months of Executive's employment with the Corporation. For the purposes of the preceding sentence, "contact" means (i) interaction between the Corporation and the customer, former customer or prospective customer that takes place to further the business of either the Corporation or the customer, or (ii) making sales or marketing efforts to or performing services for the customer, former customer or prospective customer on behalf of the Corporation.

(e) During the greater of (i) twelve (12) months after the termination of Executive's employment with the Corporation for any reason or (ii) the Restricted Period, Executive may not recruit, hire or attempt to recruit or hire, directly or by assisting others, any other employee of the Corporation.

(f) As used in this Section 12, "Restricted Period" shall mean the period of time from the date of Executive's termination for any reason until the passage of the greater of:

(i) twelve (12) months; or

(ii) (A) in the event Section 10(c)(2) of this Agreement is applicable, the number of months during which Executive receives payments pursuant to Section 10(c)(2)(i) of this Agreement; or

(B) in the event Section 10(c)(3) of this Agreement is applicable, the number of months that form the basis for any cash amount paid to Executive pursuant to Section 10(c)(3)(i) of this Agreement;

provided, however, that in the event of termination of Executive by the Corporation other than for Cause or termination by Executive for Good Reason, in no case shall the Restricted Period be longer than the period set forth in clause (ii)(A) or clause (ii)(B) above, as applicable; and further provided that notwithstanding the foregoing, in the event the Restricted Period is less than twelve (12) months, the Corporation shall have the option to extend the Restricted Period to an aggregate period equal to not more than twelve (12) months by proportionally increasing the compensation provided to Executive under either Section 10(c)(2) or Sections 10(c)(3)(i) and (ii), as applicable.

Notwithstanding the foregoing, except as set forth in Section 10(c)(4) above, the imposition of the restrictions during the Restricted Period under this Section 12 are conditioned upon the payment by the Corporation to Executive of all amounts provided for under Section 10(c)(2) or Section 10(c)(3) to the extent such Sections are applicable.

Section 13. Ownership of Intellectual Property.

Any and all inventions, discoveries, improvements, or creations (collectively “intellectual property”) that Executive has conceived or made or may conceive or make during his employment with the Corporation that in any way, directly or indirectly, are connected with or related to the Corporation and/or its business, shall be the sole and exclusive property of the Corporation. All works created by Executive under the Corporation’s direction or in connection with the Corporation’s business for which copyrights, trademarks or patents may be sought are “works made for hire” and will be the sole and exclusive property of the Corporation. Any and all copyrights, trademarks or patents to such works, whether actually sought and/or applied for or not, will belong to the Corporation, and the Executive shall execute all documents that may be necessary to convey or assign any such rights that the Executive may have in such intellectual property to the Corporation or that otherwise may be necessary to enable the Corporation to seek such protection for such intellectual property. To the extent any such works are not deemed to be “works made for hire,” the Executive hereby assigns all proprietary rights, including copyrights, trademarks and patents, in such works to the Corporation.

Section 14. Injunctive Relief, Damages, Etc.

Executive agrees that given the nature of the positions held by Executive with the Corporation, that each and every one of the covenants and restrictions set forth in Sections 11 and 12 above are reasonable in scope, length of time and geographic area and are necessary for the protection of the significant investment of the Corporation in developing, maintaining and expanding its business. Accordingly, the parties hereto agree that in the event of any breach by Executive of any of the provisions of Sections 11 or 12 that monetary damages alone will not adequately compensate the Corporation for its losses and, therefore, that it may seek any and all legal or equitable relief available to it, specifically including, but not limited to, injunctive relief. The covenants contained in Sections 11, 12 and 13 shall be construed and interpreted in any judicial proceeding to permit their enforcement to the maximum extent permitted by law. Should a court of competent jurisdiction determine that any provision of the covenants and restrictions set forth in Section 12 above is unenforceable as being overbroad as to time, area or scope, the court may strike the offending provision or reform such provision to substitute such other terms as are reasonable to protect the Corporation’s legitimate business interests.

In the event either party must proceed with litigation to force the other party to satisfy its obligations under the terms of this Agreement, the court shall award to the prevailing party his or its reasonable litigation and counsel costs incurred to enforce his or its rights under this Agreement.

Section 15. Binding Effect/Assignability.

This Agreement shall be binding upon and inure to the benefit of the Corporation and Executive and their respective heirs, legal representatives, executors, administrators, successors and assigns, but neither this Agreement, nor any of the rights hereunder, shall be assignable by Executive or any beneficiary or beneficiaries designated by Executive. The Corporation will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or

substantially all of the business, stock or assets of the Corporation, by agreement in form and substance reasonably satisfactory to the Executive, to expressly assume and agree to perform this Agreement in its entirety. Failure of the Corporation to obtain such agreement prior to the effectiveness of any such succession shall be a breach of this Agreement. Any successor of the Corporation shall be bound by the terms of this Agreement.

Section 16. Governing Law and Venue.

This Agreement shall be subject to and construed in accordance with the laws of the Commonwealth of Virginia, without respect to its conflict of laws provisions. The parties agree that exclusive venue for any action to enforce this Agreement shall be the Circuit Court for Roanoke County, Virginia, or the United States District Court for the Western District of Virginia, Roanoke Division.

Section 17. Notices.

Any and all notices, designations, consents, offers, acceptance or any other communications provided for herein shall be given in writing and shall be deemed properly delivered if delivered in person or by registered or certified mail, return receipt requested, addressed in the case of the Corporation to its registered office to the attention of the President, or in the case of Executive to his last known address.

Section 18. Entire Agreement.

(a) Except with respect to reimbursement of relocation and related expenses as referenced in Section 8, this Agreement constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes any and all other agreements, either oral or in writing, among the parties hereto with respect to the subject matter hereof.

(b) This Agreement may be executed in one or more counterparts, each of which shall be considered an original copy of this Agreement, but all of which together shall evidence only one agreement.

Section 19. Amendment and Waiver.

This Agreement may not be amended except by an instrument in writing signed by or on behalf of each of the parties hereto. No waiver of any provision of this Agreement shall be valid unless in writing and signed by the person or party to be charged. No officer other than the President shall have the authority to amend this Agreement or waive any provision of this Agreement on behalf of the Corporation. Additionally, the President shall be the officer designated to act on behalf of the Corporation with respect to the provisions of this Agreement.

Section 20. Severability.

In case any one or more of the provisions of this Agreement is held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.

Section 21. Case and Gender.

Wherever required by the context of this Agreement, the singular or plural case and the masculine, feminine and neuter genders shall be interchangeable.

Section 22. Captions.

The captions used in this Agreement are intended for descriptive and reference purposes only and are not intended to affect the meaning of any Section hereunder.

[END OF PAGE]

[SIGNATURE PAGE FOLLOWS]

CERTIFICATION UNDER SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002

I, Neil D. Wilkin, Jr., President and Chief Financial Officer of Optical Cable Corporation (the Company), certify that:

1. The Quarterly Report on Form 10-Q of the Company to which this certification is an exhibit for the quarter ended January 31, 2003 (the Report) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of January 31, 2003 and for the period then ended.

Date: March 17, 2003

/s/NEIL D. WILKIN, JR.

Neil D. Wilkin, Jr.

President (principal executive officer) and
Chief Financial Officer