

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

FORM 10-Q

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

For the quarterly period ended April 30, 1998

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)

N/A
(Former name, former address and former fiscal year, if changed
since last report)

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

As of June 8, 1998, 38,212,536 shares of the registrant's Common Stock,
no par value, were outstanding. Of these outstanding shares, 36,000,000 shares
were held by Robert Kopstein, Chairman of the Board, President and Chief
Executive Officer of the registrant.

OPTICAL CABLE CORPORATION
FORM 10-Q INDEX
SIX MONTHS ENDED APRIL 30, 1998

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PART I. FINANCIAL INFORMATION-

ITEM 1. FINANCIAL STATEMENTS

OPTICAL CABLE CORPORATION
CONDENSED BALANCE SHEETS
(Unaudited)

ASSETS	April 30, 1998 ----	October 31, 1997 ----
Current assets:		
Cash and cash equivalents	\$ 517,642	\$ 985,807
Trade accounts receivable, net of allowance for doubtful accounts of \$255,400 at April 30, 1998 and \$307,400 at October 31, 1997	8,257,730	9,931,276
Other receivables	241,460	540,102
Due from employees	6,584	3,534
Income taxes refundable	169,423	-
Inventories	13,274,436	12,019,443
Prepaid expenses	127,884	121,046
Deferred income taxes	177,596	81,484
	-----	-----
Total current assets	22,772,755	23,682,692
Other assets, net	42,451	50,953
Property and equipment, net	11,325,121	11,480,433
	-----	-----
Total assets	\$ 34,140,327	\$ 35,214,078
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 3,255,043	\$ 2,593,256
Accrued compensation and payroll taxes	560,624	612,736
Income taxes payable	104,135	564,999
	-----	-----
Total current liabilities	3,919,802	3,770,991
Deferred income taxes	102,475	64,382
	-----	-----
Total liabilities	4,022,277	3,835,373
	-----	-----
Stockholders' equity:		
Preferred stock, no par value, authorized 1,000,000 shares; none issued and outstanding	-	-
Common stock, voting; no par value, authorized 100,000,000 shares; issued and outstanding 38,288,136 shares at April 30, 1998 and 38,675,416 shares at October 31, 1997	13,798,041	18,594,116
Retained earnings	16,320,009	12,784,589
	-----	-----
Total stockholders' equity	30,118,050	31,378,705
Commitments and contingencies		
	-----	-----
Total liabilities and stockholders' equity	\$ 34,140,327	\$ 35,214,078
	=====	=====

See accompanying condensed notes to condensed financial statements.

OPTICAL CABLE CORPORATION
CONDENSED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended April 30,		Six Months Ended April 30,	
	1998	1997	1998	1997
Net sales	\$ 11,689,100	\$ 10,645,571	\$ 23,562,215	\$ 23,136,882
Cost of goods sold	6,612,485	6,352,983	13,416,692	13,492,629
Gross profit	5,076,615	4,292,588	10,145,523	9,644,253
Selling, general and administrative expenses	2,444,208	2,258,486	4,727,434	4,397,062
Income from operations	2,632,407	2,034,102	5,418,089	5,247,191
Other income (expense):				
Interest income	13,955	3,909	40,564	9,069
Interest expense	(195)	(897)	(195)	(11,098)
Other, net	275	(1,308)	(3,144)	(5,486)
Other income (expense), net	14,035	1,704	37,225	(7,515)
Income before income tax expense	2,646,442	2,035,806	5,455,314	5,239,676
Income tax expense	933,994	723,283	1,919,894	1,846,792
Net income	<u>\$ 1,712,448</u>	<u>\$ 1,312,523</u>	<u>\$ 3,535,420</u>	<u>\$ 3,392,884</u>
Earnings per share (note 5):				
Earnings per common share	<u>\$ 0.045</u>	<u>\$ 0.034</u>	<u>\$ 0.092</u>	<u>\$ 0.088</u>
Earnings per common share - assuming dilution	<u>\$ 0.044</u>	<u>\$ 0.034</u>	<u>\$ 0.091</u>	<u>\$ 0.087</u>

See accompanying condensed notes to condensed financial statements.

OPTICAL CABLE CORPORATION
CONDENSED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)

	Six Months Ended April 30, 1998			
	Common Stock		Retained Earnings	Total Stockholders' Equity
	Shares	Amount	-----	-----
Balances at October 31, 1997	38,675,416	\$ 18,594,116	\$ 12,784,589	\$ 31,378,705
Net income	-	-	3,535,420	3,535,420
Repurchase of common stock	(462,130)	(4,983,200)	-	(4,983,200)
Stock options exercised	74,850	187,125	-	187,125
	-----	-----	-----	-----
Balances at April 30, 1998	38,288,136	\$ 13,798,041	\$ 16,320,009	\$ 30,118,050
	-----	-----	-----	-----

See accompanying condensed notes to condensed financial statements.

OPTICAL CABLE CORPORATION~
CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended April 30,	
	1998	1997
	-----	-----
Cash flows from operating activities:		
Net income	\$ 3,535,420	\$ 3,392,884
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	374,770	346,648
Bad debt expense (recovery)	(53,015)	(71,632)
Deferred income taxes	(58,019)	(18,512)
(Increase) decrease in:		
Trade accounts receivable	1,726,561	1,571,627
Other receivables	298,642	(94,996)
Due from employees	(3,050)	(2,650)
Income taxes refundable	(169,423)	(77,516)
Inventories	(1,254,993)	4,218
Prepaid expenses	(6,838)	(122,702)
Increase (decrease) in:		
Accounts payable and accrued expenses	905,408	(2,203,053)
Accrued compensation and payroll taxes	(52,112)	(90,657)
Income taxes payable	(460,864)	(237,926)
Net cash provided by operating activities	4,782,487	2,395,733
	-----	-----
Cash flows from investing activities:		
Purchase of property and equipment	(454,577)	(2,980,342)
	-----	-----
Net cash used in investing activities	(454,577)	(2,980,342)
	-----	-----
Cash flows from financing activities:		
Net payments on notes payable	-	(744,000)
Repurchase of common stock	(4,983,200)	-
Proceeds from exercise of stock options	187,125	-
	-----	-----
Net cash used in financing activities	(4,796,075)	(744,000)
	-----	-----
Net decrease in cash and cash equivalents	(468,165)	(1,328,609)
Cash and cash equivalents at beginning of period	985,807	1,677,739
	-----	-----
Cash and cash equivalents at end of period	\$ 517,642	\$ 349,130
	=====	=====

See accompanying condensed notes to condensed financial statements.

OPTICAL CABLE CORPORATION
CONDENSED NOTES TO CONDENSED FINANCIAL STATEMENTS
SIX MONTHS ENDED APRIL 30, 1998
(Unaudited)

(1) GENERAL

The accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles 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 generally accepted accounting principles 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 six months ended April 30, 1998 are not necessarily indicative of the results that may be expected for the fiscal year ending October 31, 1998. 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, 1997.

(2) INVENTORIES

Inventories at April 30, 1998 and October 31, 1997 consist of the following:

	April 30, 1998 ----	October 31, 1997 ----
Finished goods	\$ 5,076,856	\$ 4,854,697
Work in process	2,596,063	1,976,970
Raw materials	5,533,222	5,125,044
Production supplies	68,295	62,732
	-----	-----
	\$ 13,274,436	\$ 12,019,443
	=====	=====

(3) NOTES PAYABLE

On February 25, 1998, the Company and its bank executed a loan commitment letter, which renewed its \$5 million secured revolving line of credit available for general corporate purposes and its \$10 million secured line of credit to fund potential acquisitions, mergers or joint ventures. The lines of credit bear interest at 1.50 percent above the monthly LIBOR rate and are equally

(Continued)

OPTICAL CABLE CORPORATION
CONDENSED NOTES TO CONDENSED FINANCIAL STATEMENTS
(Unaudited)

(3) (CONTINUED)

and ratably secured by the Company's accounts receivable, contract rights, inventory, furniture and fixtures, machinery and equipment and general intangibles. The lines of credit will expire on February 28, 1999, unless renewed or extended.

(4) STOCKHOLDERS' EQUITY

On October 29, 1997, the Company's Board of Directors authorized the repurchase of up to \$5 million of the Company's common stock in the open market or in privately negotiated transactions. On April 7, 1998, the Company's Board of Directors expanded the Company's share repurchase program by authorizing the repurchase of an aggregate of up to \$10 million of the Company's common stock. During the six months ended April 30, 1998, the Company repurchased 462,130 shares of its common stock for \$4,983,200.

Subsequent to April 30, 1998 and through June 5, 1998, the Company repurchased 77,100 additional shares of its common stock in connection with its share repurchase program.

On March 10, 1998, the Company's stockholders approved an amendment to the Company's articles of incorporation to increase the total number of authorized shares of common stock of the Company from 50,000,000 to 100,000,000.

(5) EARNINGS PER SHARE

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, Earnings per Share (SFAS No. 128). SFAS No. 128 establishes new standards for computing and presenting earnings per share (EPS) and applies to entities with publicly held common stock or potential common stock. It replaces the presentation of primary EPS with a presentation of basic EPS. It also requires dual presentation of basic and diluted EPS on the face of the income statement for all entities with complex capital structures and requires a reconciliation of the numerator and denominator of the basic EPS computation to the numerator and denominator of the diluted EPS computation.

Basic EPS excludes dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS 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 earnings of the entity.

(Continued)

OPTICAL CABLE CORPORATION
CONDENSED NOTES TO CONDENSED FINANCIAL STATEMENTS

(Unaudited)

(5) (CONTINUED)

SFAS No. 128 was required to be adopted by the Company at January 31, 1998. SFAS No. 128 also requires restatement of all prior-period EPS data previously presented. The following is a reconciliation of the numerators and denominators of the basic and diluted EPS computations for the periods presented:

THREE MONTHS ENDED APRIL 30, 1998 -----	Net Income (Numerator)	Shares (Denominator)	Per Share Amount
Earnings per common share	\$ 1,712,448	38,359,633	\$ 0.045
Effect of dilutive stock options	-	303,518	=====
Earnings per common share - assuming dilution	\$ 1,712,448 =====	38,663,151 =====	\$ 0.044 =====
 THREE MONTHS ENDED APRIL 30, 1997 -----			
Earnings per common share	\$ 1,312,523	38,675,416	\$ 0.034
Effect of dilutive stock options	-	349,075	=====
Earnings per common share - assuming dilution	\$ 1,312,523 =====	39,024,491 =====	\$ 0.034 =====
 SIX MONTHS ENDED APRIL 30, 1998 -----			
Earnings per common share	\$ 3,535,420	38,485,488	\$ 0.092
Effect of dilutive stock options	-	292,728	=====
Earnings per common share - assuming dilution	\$ 3,535,420 =====	39,778,216 =====	\$ 0.091 =====
 SIX MONTHS ENDED APRIL 30, 1997 -----			
Earnings per common share	\$ 3,392,884	38,675,416	\$ 0.088
Effect of dilutive stock options	-	349,501	=====
Earnings per common share - assuming dilution	\$ 3,392,884 =====	39,024,917 =====	\$ 0.087 =====

Stock options that could potentially dilute basic EPS in the future that were not included in the computation of diluted EPS because to do so would have been antidilutive totaled 232,500 for the six months ended April 30, 1998.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

Except for the historical data set forth herein, the following discussion contains certain forward-looking information. The Company's actual results may differ materially from these projected results. Factors that could cause or contribute to such differences include, but are not limited to, level of sales to key customers, actions by competitors, fluctuations in the price of raw materials, the Company's dependence on a single manufacturing facility, ability to protect its proprietary manufacturing technology, dependence on a limited number of suppliers and technological changes and introductions of new competing products.

RESULTS OF OPERATIONS

THREE MONTHS ENDED APRIL 30, 1998 AND 1997

Net Sales

Net sales consists of gross sales of products, less discounts, refunds and returns. Net sales increased 9.8 percent to \$11.7 million in second quarter 1998 from \$10.6 million for the same period in 1997. This increase was attributable to an increase of approximately 22 percent in international sales over the second quarter of 1997.

Gross Profit Margin

Cost of goods sold consists of the cost of materials, compensation costs and overhead related to the Company's manufacturing operations. The Company's gross profit margin (gross profit as a percentage of net sales) increased to 43.4 percent in second quarter 1998 from 40.3 percent in second quarter 1997. This increase was due to reduced raw fiber prices, the Company's product mix sold and the ratio of net sales attributable to the Company's distributors during the period. During second quarter 1998, sales from orders \$50,000 or more approximated 18 percent compared to 15 percent for second quarter 1997. In addition, during second quarter 1998, net sales to distributors approximated 50 percent versus 73 percent for the same period in 1997. Discounts on large orders and on sales to distributors are generally greater than for sales to the Company's other customer base.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of the compensation costs (including sales commissions) for sales and marketing personnel, travel expenses, customer support expenses, trade show expenses, advertising, the compensation cost for administration, finance and general management personnel, as well as legal and accounting fees. Selling, general and administrative expenses as a percentage of net sales were 20.9 percent in second quarter 1998 compared to 21.2 percent in second quarter 1997. This lower percentage was primarily the result of the fact that net sales for second quarter 1998 increased 9.8 percent compared to second quarter 1997, while selling, general and administrative expenses increased 8.2 percent.

Income Before Income Tax Expense

Income before income tax expense increased 30.0 percent to \$2.6 million for the three months ended April 30, 1998 compared to \$2.0 million for the three months ended April 30, 1997. This was primarily due to the increased gross profit margin, offset by increased selling, general and administrative expenses.

Income Tax Expense

Income tax expense increased \$211,000 to \$934,000 for the three months ended April 30, 1998 compared to \$723,000 for the same period in 1997 due to the increase in income before income tax expense. The Company's effective tax rate was 35.3 percent during the three months ended April 30, 1998 compared to 35.5 percent for the same period in 1997.

Net Income

Net income for second quarter 1998 was \$1.7 million compared to \$1.3 million for second quarter 1997. Despite an increase in income tax expense of \$211,000, net income increased \$400,000 due to the \$611,000 increase in income before income tax expense.

SIX MONTHS ENDED APRIL 30, 1998 AND 1997

Net Sales

Net sales consists of gross sales of products, less discounts, refunds and returns. Net sales increased 1.8 percent to \$23.6 million for the six months ended April 30, 1998 from \$23.1 million for the same period in 1997. This slight increase was attributable to the 9.8 percent increase in net sales in second quarter 1998 compared to the same period in 1997 as described above, offset by a 4.9 percent decrease in net sales in first quarter 1998 attributable to the completion of shipments for a large international military project in first quarter 1997 and the delay of large potential orders in first quarter 1998 due to adverse weather conditions or economic uncertainty.

Gross Profit Margin

Cost of goods sold consists of the cost of materials, compensation costs and overhead related to the Company's manufacturing operations. The Company's gross profit margin (gross profit as a percentage of net sales) increased to 43.1 percent for the six months ended April 30, 1998 from 41.7 percent for the six months ended April 30, 1997. This increase was due to reduced raw fiber prices, the Company's product mix sold and the ratio of net sales attributable to the Company's distributors during the period. During the six months ended April 30, 1998, sales from orders \$50,000 or more approximated 27 percent compared to 21 percent for the six months ended April 30, 1997. In addition, for the six months ended April 30, 1998, net sales to distributors approximated 52 percent versus 62 percent for the same period in 1997. Discounts on large orders and on sales to distributors are generally greater than for sales to the Company's other customer base.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of the compensation costs (including sales commissions) for sales and marketing personnel, travel expenses, customer support expenses, trade show expenses, advertising, the compensation cost for administration, finance and general management personnel, as well as legal and accounting fees. Selling, general and administrative expenses as a

percentage of net sales were 20.1 percent for the six months ended April 30, 1998 compared to 19.0 percent for the six months ended April 30, 1997. This higher percentage was primarily the result of the fact that net sales for the six months ended April 30, 1998 increased 1.8 percent compared to the same period in 1997, while selling, general and administrative expenses increased 7.5 percent.

Income Before Income Tax Expense

Income before income tax expense increased 4.1 percent to \$5.5 million for the six months ended April 30, 1998 compared to \$5.2 million for the six months ended April 30, 1997. This was primarily due to the increased gross profit margin, offset by increased selling, general and administrative expenses.

Income Tax Expense

Income tax expense increased \$73,000 to \$1.9 million for the six months ended April 30, 1998 compared to \$1.8 million for the same period in 1997 due to the increase in income before income tax expense. The Company's effective tax rate was 35.2 percent during the six months ended April 30, 1998 and 1997.

Net Income

Net income for the six months ended April 30, 1998 was \$3.5 million compared to \$3.4 million for the six months ended April 30, 1997. Despite an increase in income tax expense of \$73,000, net income increased \$143,000 due to the \$216,000 increase in income before income tax expense.

FINANCIAL CONDITION

Total assets at April 30, 1998 were \$34.1 million, a decrease of \$1.1 million, or 3.0 percent from October 31, 1997. This decrease was primarily due to an increase of \$1.3 million in inventories, offset by decreases in trade accounts receivable of \$1.7 million and cash and cash equivalents of \$468,000.

Total stockholders' equity at April 30, 1998 decreased \$1.3 million, or 4.0 percent from October 31, 1997 with net income retained, offset by the repurchase of common stock in the amount of \$5.0 million accounting for the decrease.

LIQUIDITY AND CAPITAL RESOURCES

During the first six months of fiscal years 1998 and 1997, the Company's primary capital needs have been to fund working capital requirements and capital expenditures as needed. The Company also repaid some bank indebtedness during the first six months of fiscal year 1997. The Company's primary source of financing has been cash provided from operations. The Company maintains bank lines of credit; however, there were no balances outstanding under the lines as of the end of fiscal year 1997 or the second quarter of fiscal year 1998.

On February 25, 1998, the Company and its bank executed a loan commitment letter, which renewed its \$5 million secured revolving line of credit available for general corporate purposes and its \$10 million secured line of credit to fund potential acquisitions, mergers or joint ventures. The lines of credit are equally and ratably secured by the Company's accounts receivable, contract rights, inventory, furniture and fixtures, machinery and equipment and general intangibles. The lines of credit will expire on February 28, 1999, unless renewed or extended. As of the date hereof, the Company has no additional material sources of financing. The Company believes that its cash flow from operations and available lines of credit will be adequate to fund its operations for at least the next twelve months.

On October 29, 1997, the Company's Board of Directors authorized the repurchase of up to \$5 million of the Company's common stock in the open market or in privately negotiated transactions. On April 7, 1998, the Company's Board of Directors expanded the Company's share repurchase program by authorizing the repurchase of an aggregate of up to \$10 million of the Company's common stock. Through April 30, 1998, the Company has repurchased approximately \$5.0 million of the Company's common stock. The repurchases were funded through cash flows from operating activities. The Company intends to use excess working capital and other sources as appropriate to finance the remaining share repurchase program.

Cash flows from operations were approximately \$4.8 million and \$2.4 million for the six months ended April 30, 1998 and 1997, respectively. Cash flows from operations for the six months ended April 30, 1998 were primarily provided by operating income, a decrease in trade accounts receivable of \$1.7 million and an increase in accounts payable and accrued expenses of \$905,000, offset by an increase in inventory of \$1.3 million and income taxes paid of \$2.6 million. For the six months ended April 30, 1997, cash flows from operations were primarily provided by operating income and a decrease in trade accounts receivable of \$1.6 million, offset by a decrease in accounts payable and accrued expenses of \$2.2 million and income taxes paid of \$2.2 million.

Net cash used in investing activities was for expenditures related to facilities and equipment and was \$455,000 and \$3.0 million for the six months ended April 30, 1998 and 1997, respectively. The Company's expansion of its headquarters facilities was substantially completed as of January 31, 1997. As of April 30, 1998, there were no material commitments for additional capital expenditures.

Net cash used in financing activities was \$4.8 million and \$744,000 for the six months ended April 30, 1998 and 1997, respectively. The net cash used in financing activities for the six months ended April 30, 1998 included approximately \$5.0 million related to the Company's common stock repurchase program, offset by proceeds from exercise of stock options of \$187,000. The net cash used in financing activities for the six months ended April 30, 1997 consisted of repayment of debt outstanding under the Company's line of credit of \$744,000.

DERIVATIVES

The Company does not use derivatives or other off-balance sheet instruments such as future contracts, forward obligations, interest rate swaps, or options.

YEAR 2000

Many computer software systems are designed to read only the last two digits whenever a year is entered. This could cause problems when the year "2000" is entered. Some software systems might recognize this as the year 1900, or not recognize the date at all. The Company is reviewing all of its computer applications to determine whether any Year 2000 problems exist and expects to have a reasonable plan in place to address Year 2000 issues by October 31, 1998. Given the Company's software and hardware and the nature of its industry, management does not consider the cost of addressing the Year 2000 issue to be a material event or uncertainty that would cause reported financial information not to be indicative of future operating results or financial condition.

NEW ACCOUNTING STANDARDS

There have been no accounting pronouncements issued during the period that would have a material effect on the financial position, results of operations or liquidity of the Company.

PART II. OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The following information is furnished for matters submitted to a vote of security holders during the three months ended April 30, 1998:

(a) The Annual Meeting of Shareholders of Optical Cable Corporation was held on March 10, 1998.

(b) The name of each director elected at the meeting follows:

Robert Kopstein
 Luke J. Huybrechts
 Kenneth W. Harber
 Randall H. Frazier
 John M. Holland

(c) A brief description of each matter voted upon at the meeting and the number of votes cast for, against or withheld, as well as the number of abstentions and broker non-votes, as to each such matter, including a separate tabulation with respect to each nominee for office follows:

1. To elect the following five directors to serve for the terms of office specified in the proxy statement and until their successors are duly elected and qualified.

Director -----	Votes for -----	Votes against -----	Votes abstaining -----	Broker non-votes -----
Robert Kopstein	37,657,556	0	26,392	827,988
Luke J. Huybrechts	37,640,976	0	42,972	827,988
Kenneth W. Harber	37,640,776	0	43,172	827,988
Randall H. Frazier	37,655,241	0	28,707	827,988
John M. Holland	37,655,641	0	28,307	827,988

2. To ratify the selection of KPMG Peat Marwick LLP as independent accountants for the Company for the fiscal year 1998.

Votes for -----	Votes against -----	Votes abstaining -----	Broker non-votes -----
37,650,597	8,339	25,012	827,988

3. To amend the Amended and Restated Articles of Incorporation to increase the total number of authorized shares of common stock of the Company from 50,000,000 to 100,000,000.

Votes for -----	Votes against -----	Votes abstaining -----	Broker non-votes -----
37,495,285	109,018	79,645	827,988

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) Exhibits required by Item 601 of Regulation S-K for the six months ended April 30, 1998.

See Index to Exhibits.

- (b) Reports on Form 8-K filed during the three months ended April 30, 1998.

A current report on Form 8-K was filed on April 7, 1998 announcing that the Board of Directors of the Company expanded the Company's stock repurchase plan by authorizing the repurchase of an aggregate of up to \$10 million of the Company's common stock, which is an increase of \$5 million in stock repurchases authorized by the Board of Directors in October 1997.

INDEX TO EXHIBITS

- 3.1 Amended and Restated Articles of Incorporation of Optical Cable Corporation (as amended by stockholders' action on March 10, 1998).
- 10.6 Loan Agreement, dated April 25, 1997, between Optical Cable Corporation and First Union National Bank of Virginia, as amended by Modification Number One to the Loan Agreement, dated March 5, 1998.
- 10.8 Promissory Note, dated April 25, 1997, issued by Optical Cable Corporation to First Union National Bank of Virginia in the amount of \$5 million, as amended by Modification Number One to the (\$5 million) Promissory Note, dated as of March __, 1998, and the related Sweep Plus Loan/Investment Services Description, and Promissory Note, dated April 25, 1997, issued by Optical Cable Corporation to First Union National Bank of Virginia in the amount of \$10 million, as amended by Modification Number One to the (\$10 million) Promissory Note, dated as of March __, 1998.
- 27 Financial Data Schedule.

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: June 10, 1998

/s/Robert Kopstein

Robert Kopstein
Chairman of the Board, President and
Chief Executive Officer

Date: June 10, 1998

/s/Kenneth W. Harber

Kenneth W. Harber
Vice President of Finance, Treasurer
and Secretary
(principal financial and accounting
officer)

OPTICAL CABLE CORPORATION
AMENDED AND RESTATED
ARTICLES OF INCORPORATION

ARTICLE I
NAME

The name of the corporation is Optical Cable Corporation (the "Corporation").

ARTICLE II
PURPOSE

The Corporation is organized to engage in the development, manufacture and sale of optical fiber cables, specialty cables and cable assemblies. In addition, the Corporation shall have the power to engage in any lawful business not required by the Virginia Stock Corporation Act to be stated in the Articles of Incorporation.

ARTICLE III
AUTHORIZED SHARES

3.1 Number and Designation. The aggregate number and designation of shares that the Corporation shall have authority to issue are as follows:

Class -----	Number of Shares -----
Preferred, no par value	1,000,000
Common, no par value	100,000,000

3.2 Preemptive Rights. No holder of outstanding shares shall have any preemptive right with respect to (i) any shares of any class of the Corporation, whether now or hereafter authorized, (ii) any warrants, rights or options to purchase any such shares, or (iii) any obligations convertible into any such shares or into warrants, rights or options to purchase any such shares.

ARTICLE IV
PREFERRED SHARES

4.1 Issuance in Series. (a) The Board of Directors is authorized to issue Preferred Shares from time to time in one or more series and to provide for the designation, preferences, limitations and relative rights of the shares of each series by the adoption of Articles of Amendment to the Articles of Incorporation of the Corporation setting forth:

(i) The maximum number of shares in the series and the designation of the series, which designation shall distinguish the shares thereof from the shares of any other series or class;

(ii) Whether shares of the series shall have special, conditional or limited voting rights, or no right to vote, except to the extent prohibited by law;

(iii) Whether shares of the series are redeemable or convertible (x) at the option of the Corporation, a shareholder or another person or upon the occurrence of a designated event, (y) for cash, indebtedness, securities or other property, and (z) in a designated amount or in an

amount determined in accordance with a designated formula or by reference to extrinsic data or events;

(iv) Any right of holders of shares of the series to distributions, calculated in any manner, including the rate or rates of dividends, and whether dividends shall be cumulative, noncumulative or partially cumulative;

(v) The amount payable upon the shares of the series in the event of voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation; and

(vi) Any other preferences, limitations or specified rights (including a right that no transaction of a specified nature shall be consummated while any shares of such series remain outstanding except upon the assent of all or a specified portion of such shares) now or hereafter permitted by the laws of the Commonwealth of Virginia and not inconsistent with the provisions of this Section 4.1.

(b) All Preferred Shares, regardless of series, shall rank on a parity with all other Preferred Stock as to dividends (whether or not the dividend rates or payment dates are different) and as to rights in the liquidation, dissolution or winding up of affairs of the Corporation (whether or not the redemption or liquidation prices are different).

4.2 Articles of Amendment. Before the issuance of any shares of a series, Articles of Amendment establishing such series shall be filed with and made effective by the State Corporation Commission of Virginia, as required by law.

ARTICLE V
COMMON SHARES

5.1 Voting Rights. The holders of outstanding Common Shares shall, to the exclusion of the holders of any other class of shares of the Corporation, have the sole power to vote for the election of directors and for all other purposes without limitation, except (i) as otherwise provided in the Articles of Amendment establishing any series of Preferred Shares or (ii) as may be required by law.

5.2 Distributions. Subject to the rights of the holders of shares, if any, ranking senior to the Common Shares as to dividends or rights in the liquidation, dissolution or winding up of the affairs of the Corporation, the holders of the Common Shares shall be entitled to distributions, including dividends, when declared by the Board of Directors and to the net assets of the Corporation upon the liquidation, dissolution or winding up of the affairs of the Corporation.

ARTICLE VI
LIMIT ON LIABILITY AND INDEMNIFICATION

6.1 Definitions. For purposes of this Article the following definitions shall apply:

(i) "Corporation" means this Corporation only and no predecessor entity or other legal entity;

(ii) "expenses" include counsel fees, expert witness

fees, and costs of investigation, litigation and appeal, as well as any amounts expended in asserting a claim for indemnification;

(iii) "liability" means the obligation to pay a judgment, settlement, penalty, fine, or other such obligation, including, without limitation, any excise tax assessed with respect to an employee benefit plan; (iv) "legal entity" means a corporation, partnership, joint venture, trust, employee benefit plan or other enterprise;

(v) "predecessor entity" means a legal entity the existence of which ceased upon its acquisition by the Corporation in a merger or otherwise; and

(vi) "proceeding" means any threatened, pending, or completed action, suit, proceeding or appeal whether civil, criminal, administrative or investigative and whether formal or informal.

6.2 Limit on Liability. In every instance in which the Virginia Stock Corporation Act, as it exists on the date hereof or may hereafter be amended, permits the limitation or elimination of liability of directors or officers of a corporation to the corporation or its shareholders. The directors and officers of this Corporation shall not be liable to the Corporation or its shareholders.

6.3 Indemnification of Directors and Officers. The Corporation shall indemnify any individual who is, was or is

threatened to be made a party to a proceeding (including a proceeding by or in the right of the Corporation) because such individual is or was a director or officer of the Corporation or because such individual is or was serving the Corporation, or any other legal entity in any capacity at the request of the Corporation while a director or officer of the Corporation, against all liabilities and reasonable expenses incurred in the proceeding except such liabilities and expenses as are incurred because of such individual's willful misconduct or knowing violation of the criminal law. Service as a director or officer of a legal entity controlled by the Corporation shall be deemed service at the request of the Corporation. The determination that indemnification under this Section 6.3 is permissible and the evaluation as to the reasonableness of expenses in a specific case shall be made, in the case of a director, as provided by law, and in the case of an officer, as provided in Section 6.4 of this Article; provided, however, that if a majority of the directors of the Corporation has changed after the date of the alleged conduct giving rise to a claim for indemnification, such determination and evaluation shall, at the option of the person claiming indemnification, be made by special legal counsel agreed upon by the Board of Directors and such person. Unless a determination has been made that indemnification is not permissible, the Corporation shall make advances and reimbursements for expenses incurred by a director or officer in a proceeding upon receipt of an undertaking from such director or officer to repay

the same if it is ultimately determined that such director or officer is not entitled to indemnification. Such undertaking shall be an unlimited, unsecured general obligation of the director or officer and shall be accepted without reference to such director's or officer's ability to make repayment. The termination of a proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent shall not of itself create a presumption that a director or officer acted in such a manner as to make such director or officer ineligible for indemnification. The Corporation is authorized to contract in advance to indemnify and make advances and reimbursements for expenses to any of its directors or officers to the same extent provided in this Section 6.3.

6.4 Indemnification of Others. The Corporation may, to a lesser extent or to the same extent that it is required to provide indemnification and make advances and reimbursements for expenses to its directors and officers pursuant to Section 6.3, provide indemnification and make advances and reimbursements for expenses to its employees and agents, the directors, officers, employees and agents of its subsidiaries and predecessor entities, and any person serving any other legal entity in any capacity at the request of the Corporation, and may contract in advance to do so. The determination that indemnification under this Section 6.4 is permissible, the authorization of such indemnification and the evaluation as to the reasonableness of expenses in a specific case shall be made as authorized from time

to time by general or specific action of the Board of Directors, which action may be taken before or after a claim for indemnification is made, or as otherwise provided by law. No person's rights under Section 6.3 of this Article shall be limited by the provisions of this Section 6.4.

6.5 Miscellaneous. The rights of each person entitled to indemnification under this Article shall inure to the benefit of such person's heirs, executors and administrators. Special legal counsel selected to make determinations under this Article may be counsel for the Corporation. Indemnification pursuant to this Article shall not be exclusive of any other right of indemnification to which any person may be entitled, including indemnification pursuant to a valid contract, indemnification by legal entities other than the Corporation and indemnification under policies of insurance purchased and maintained by the Corporation or others. However, no person shall be entitled to indemnification by the Corporation to the extent such person is indemnified by another, including an insurer. The Corporation is authorized to purchase and maintain insurance against any liability it may have under this Article or to protect any of the persons named above against any liability arising from their service to the Corporation or any other legal entity at the request of the Corporation regardless of the Corporation's power to indemnify against such liability. The provisions of this Article shall not be deemed to preclude the Corporation from entering into contracts otherwise permitted by law with any

individuals or legal entities, including those named above. If any provision of this Article or its application to any person or circumstance is held invalid by a court of competent jurisdiction, the invalidity shall not affect other provisions or applications of this Article, and to this end the provisions of this Article are severable.

6.6 Application; Amendments. The provisions of this Article shall be applicable from and after its adoption even though some or all of the underlying conduct or events relating to a proceeding may have occurred before its adoption. No amendment, modification or repeal of this Article shall diminish the rights provided hereunder to any person arising from conduct or events occurring before the adoption of such amendment, modification or repeal.

[FIRST UNION LOGO]

LOAN AGREEMENT

First Union National Bank of Virginia
201 South Jefferson Street
Roanoke, Virginia 24011
(Hereinafter referred to as the "Bank")

Optical Cable Corporation, a Virginia Corporation
5290 Concourse Drive
Roanoke, Virginia 24019
(Individually and collectively "Borrower")

This Loan Agreement ("Agreement") is entered into April 25, 1997, by and between Bank and Borrower.

Borrower has applied to Bank for a loan or loans (individually and collectively, the "Loan") evidenced by one or more promissory notes (whether one or more, the "Note") as follows:

Line of Credit - in the principal amount of \$10,000,000.00 which is evidenced by the Promissory Note of even date herewith ("Line of Credit Note 1"), under which Borrower may borrow, repay, and reborrow, from time to time, so long as the total indebtedness outstanding at any one time does not exceed the principal amount. The Loan proceeds are to be used by Borrower solely to provide funding for mergers, acquisitions and/or joint ventures of entities in a business related to that of Borrower. Upon consummation of any of the above, Borrower will provide Bank proforma financial statements on the resulting entity with detail satisfactory to Bank. Bank's obligation to advance or readvance under the Line of Credit Note 1 shall terminate if a default in the payment of the Obligations occurs or the Borrower is in Default (as defined in the Loan Documents) under any Loan Document, or in any event, on February 28, 1998 unless renewed or extended by Bank in writing upon such terms then satisfactory to Bank.

Line of Credit - in the principal amount of \$5,000,000.00 which is evidenced by the Promissory Note of even date herewith ("Line of Credit Note 2"), under which Borrower may borrow, repay, and reborrow, from time to time, so long as the total indebtedness outstanding at any one time does not exceed the principal amount. The Loan proceeds are to be used by Borrower solely for working capital and general corporate expenses. Bank's obligation to advance or readvance under the Line of Credit Note 2 shall terminate if a default in the payment of the Obligations occurs or the Borrower is in Default (as defined in the Loan Documents) under any Loan Document, or in any event, on February 28, 1998 unless renewed or extended by Bank in writing upon such terms then satisfactory to Bank.

This Agreement also amends and restates in its entirety that certain Loan Agreement dated March 13, 1996 and applies to govern all of the loans thereby.

This Agreement applies to the Loan and all Loan Documents. The terms "Loan Documents" and "Obligations," as used in this Agreement, are defined in the Note. The term "Borrower" shall include its Subsidiaries and Affiliates. As used in this Agreement as to Borrower, "Subsidiary" shall mean any corporation of which more than 50% of the issued and outstanding voting stock is owned directly or indirectly by Borrower. As to Borrower, "Affiliate" shall have the meaning as defined in 11 U.S.C. § 101, except that the term "debtor" therein shall be substituted by the term "Borrower" herein.

Relying upon the covenants, agreements, representations and warranties contained in this Agreement, Bank is willing to extend credit to Borrower upon the terms and subject to the conditions set forth herein, and Bank and Borrower agree as follows:

REPRESENTATIONS. Borrower represents that from the date of this Agreement and until final payment in full of the Obligations: ACCURATE INFORMATION. All information now and hereafter furnished to Bank is and will be true, correct and complete. Any such information relating to Borrower's financial condition will accurately reflect Borrower's financial condition as of the date(s) thereof, (including all contingent liabilities of every type), and Borrower further represents that its financial condition has not changed materially or adversely since the date(s) of such documents. AUTHORIZATION; NON-CONTRAVENTION. The

execution, delivery and performance by Borrower and any guarantor, as applicable, of this Agreement and other Loan Documents to which it is a party are within its power, have been duly authorized by all necessary action taken by the duly authorized officers of Borrower and any guarantors and, if necessary, by making appropriate filings with any governmental agency or unit and are the legal, binding, valid and enforceable obligations of Borrower and any guarantors; and do not (i) contravene, or constitute (with or without the giving of notice or lapse of time or both) a violation of any provision of applicable law, a violation of the organizational documents of Borrower or any guarantor, or a default under any agreement, judgment, injunction, order, decree or other instrument binding upon or affecting Borrower or any guarantor, (ii) result in the creation or imposition of any lien (other than the lien(s) created by the Loan Documents) on any of Borrower's or guarantor's assets, or (iii) give cause for the acceleration of any obligations of Borrower or any guarantor to any other creditor. ASSET OWNERSHIP. Borrower has good and marketable title to all of the properties and assets reflected on the balance sheets and financial statements supplied Bank by Borrower, and all such properties and assets are free and clear of mortgages, security deeds, pledges, liens, charges, and all other encumbrances, except as otherwise disclosed to Bank by Borrower in writing ("Permitted Liens"). To Borrower's knowledge, no default has occurred under any Permitted Liens and no claims or interests adverse to Borrower's present rights in its properties and assets have arisen. DISCHARGE OF LIENS AND TAXES. Borrower has duly filed, paid and/or discharged all taxes or other claims which may become a lien on any of its property or assets, except to the extent that such items are being appropriately contested in good faith and an adequate reserve for the payment thereof is being maintained. SUFFICIENCY OF CAPITAL. Borrower is not, and after consummation of this Agreement and after giving effect to all indebtedness incurred and liens created by Borrower in connection with the Loan, will not be, insolvent within the meaning of 11 U.S.C. ? 101(32). COMPLIANCE WITH LAWS. Borrower is in compliance in all respects with all federal, state and local laws, rules and regulations applicable to its properties, operations, business, and finances, including, without limitation, any federal or state laws relating to liquor (including 18 U.S.C. ? 3617, et seq.) or narcotics (including 21 U.S.C. ? 801, et seq.) and/or any commercial crimes; all applicable federal, state and local laws and regulations intended to protect the environment; and the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), if applicable. ORGANIZATION AND AUTHORITY. Each corporate or limited liability company Borrower and any guarantor, as applicable, is duly created, validly existing and in good standing under the laws of the state of its organization, and has all powers, governmental licenses, authorizations, consents and approvals required to operate its business as now conducted. Each corporate or limited liability company Borrower and any guarantor, if any, is duly qualified, licensed and in good standing in each jurisdiction where qualification or licensing is required by the nature of its business or the character and location of its property, business or customers, and in which the failure to so qualify or be licensed, as the case may be, in the aggregate, could have a material adverse effect on the business, financial position, results of operations, properties or prospects of Borrower or any such guarantor. NO LITIGATION. There are no pending or threatened suits, claims or demands against Borrower or any guarantor that have not been disclosed to Bank by Borrower in writing.

AFFIRMATIVE COVENANTS. Borrower agrees that from the date of this Agreement and until final payment in full of the Obligations, unless Bank shall otherwise consent in writing, Borrower will: BUSINESS CONTINUITY. Conduct its business in substantially the same manner and locations as such business is now and has previously been conducted. MAINTAIN PROPERTIES. Maintain, preserve and keep its property in good repair, working order and condition, making all needed replacements, additions and improvements thereto, to the extent allowed by this Agreement. ACCESS TO BOOKS & RECORDS. Allow Bank, or its agents, during normal business hours, access to the books, records and such other documents of Borrower as Bank shall reasonably require, and allow Bank to make copies thereof at Bank's expense. INSURANCE. Maintain adequate insurance coverage with respect to its properties and business against loss or damage of the kinds and in the amounts customarily insured against by companies of established reputation engaged in the same or similar businesses including, without limitation, commercial general liability insurance, workers compensation insurance, and business interruption insurance; all acquired in such amounts and from such companies as Bank may reasonably require. NOTICES. Promptly notify Bank in writing of (i) any material adverse change in its financial condition or its business; (ii) any default under any material agreement, contract or other instrument to which it is a party or by which any of its properties are bound, or any acceleration of the maturity of any indebtedness owing by Borrower; (iii) any material adverse claim against or affecting Borrower or any part of its properties; (iv) the commencement of, and any material determination in, any litigation with any third party or any proceeding before any governmental agency or unit affecting Borrower; and (v) at least 30 days prior thereto, any change in Borrower's name or address as shown above, and/or any change in Borrower's structure. COMPLIANCE WITH OTHER AGREEMENTS. Comply with all terms and conditions contained in this Agreement, and any other Loan Documents, and swap agreements, if applicable, as defined in the Note. PAYMENT OF DEBTS. Pay and discharge when due, and before subject to penalty or further charge, and otherwise satisfy before maturity or delinquency, all obligations, debts, taxes, and liabilities of whatever nature or amount, except those which Borrower in good faith disputes. REPORTS AND PROXIES. Deliver to Bank, promptly, a copy of all financial statements, reports, notices, and proxy statements, sent by Borrower to stockholders, and all regular or periodic reports required to be filed by Borrower with any governmental agency or authority. OTHER FINANCIAL INFORMATION. Deliver promptly such other information regarding the operation, business affairs, and financial condition of Borrower which Bank may reasonably request. ESTOPPEL CERTIFICATE. Furnish, within 15 days after request by Bank, a written statement duly acknowledged of the amount due under the Loan and whether offsets or defenses exist against the Obligations. CHANGE OF CONTROL. Ensure that Robert Kopstein maintains at least a 51% ownership interest in Borrower. LIFE INSURANCE. Maintain no less than \$2.0 million of life insurance on Robert Kopstein.

NEGATIVE COVENANTS. Borrower agrees that from the date of this Agreement and until final payment in full of the Obligations, unless Bank shall otherwise consent in writing, Borrower will not: NONPAYMENT; NONPERFORMANCE. Fail to pay or perform the Obligations or Default (as defined in the Loan Documents) under any of the Loan Documents. CROSS DEFAULT. Default in payment or performance of any obligation under any other loans, contracts or agreements of Borrower, any Subsidiary or Affiliate of Borrower ("Affiliate" shall have the meaning as defined in 11 U.S.C. § 101, except that the term "debtor" therein shall be substituted by the term "Borrower" herein; "Subsidiary" shall mean any corporation of which more than 50% of the issued and outstanding voting stock is owned directly or indirectly by Borrower), any general partner of or the holder(s) of the majority ownership interests of Borrower with Bank or its affiliates; MATERIAL CAPITAL STRUCTURE OR BUSINESS ALTERATION. Materially alter the type or kind of Borrower's business or that of its Subsidiaries or Affiliates, if any; or suffer or permit the acquisition of substantially all of Borrower's business or assets, or a material portion (10% or more) of such business or assets if such a sale is outside Borrower's ordinary course of business, or more than 50% of its outstanding stock or voting power in a single transaction or a series of transactions; or acquire substantially all of the business or assets or more than 50% of the outstanding stock or voting power of any other entity; or enter into any merger or consolidation without prior written consent of Bank. DEFAULT ON OTHER

CONTRACTS OR OBLIGATIONS. Default on any material contract with or obligation when due to a third party or default in the performance of any obligation to a third party incurred for money borrowed in an amount in excess of \$100,000.00. JUDGMENT ENTERED. Permit the entry of any monetary judgment or the assessment against, the filing of any tax lien against, or the issuance of any writ of garnishment or attachment against any property of or debts due Borrower in an amount in excess of \$50,000.00 and that is not discharged or execution is not stayed within Thirty (30) days of entry. GOVERNMENT INTERVENTION. Permit the assertion or making of any seizure, vesting or intervention by or under authority of any government by which the management of Borrower or any guarantor is displaced of its authority in the conduct of its respective business or such business is curtailed or materially impaired. PREPAYMENT OF OTHER DEBT. Retire any long-term debt entered into prior to the date of this Agreement at a date in advance of its legal obligation to do so. RETIRE OR REPURCHASE CAPITAL STOCK. Retire or otherwise acquire any of its capital stock. ENCUMBRANCES. Create, assume, or permit to exist any mortgage, security deed, deed of trust, pledge, lien, charge or other encumbrance on any of its assets, whether now owned or hereafter acquired, other than: (i) security interests required by the Loan Documents; (ii) liens for taxes contested in good faith; (iii) liens accruing by law for employee benefits; or (iv) Permitted Liens.

FINANCIAL COVENANTS. Borrower, on a consolidated basis, agrees to the following provisions from the date of this Agreement and until final payment in full of the Obligations, unless Bank shall otherwise consent in writing: DEPOSIT RELATIONSHIP. Borrower shall maintain its primary depository account and cash management account with Bank.

ANNUAL FINANCIAL STATEMENTS. Borrower shall deliver to Bank, within 120 days after the close of each fiscal year, audited financial statements reflecting its operations during such fiscal year, including, without limitation, a balance sheet, profit and loss statement and statement of cash flows, with supporting schedules; all on a consolidated and consolidating basis and in reasonable detail, prepared in conformity with generally accepted accounting principles, applied on a basis consistent with that of the preceding year. All such statements shall be examined by an independent certified public accountant acceptable to Bank. The opinion of such independent certified public accountant shall not be acceptable to Bank if qualified due to any limitations in scope imposed by Borrower or its Subsidiaries, if any. Any other qualification of the opinion by the accountant shall render the acceptability of the financial statements subject to Bank's approval.

PERIODIC FINANCIAL STATEMENTS. Borrower shall deliver to Bank unaudited management-prepared quarterly financial statements, including, without limitation, a balance sheet, profit and loss statement and statement of cash flows, with supporting schedules, as soon as available and in any event within 45 days after the close of each such period; all in reasonable detail and prepared in conformity with generally accepted accounting principles, applied on a basis consistent with that of the preceding year. Such statements shall be certified as to their correctness by a principal financial officer of Borrower.

FINANCIAL AND OTHER INFORMATION. Borrower shall deliver to Bank such information as Bank may reasonably request from time to time, including without limitation, financial statements and information pertaining to Borrower's financial condition. Such information shall be true, complete, and accurate.

CONDITIONS PRECEDENT. The obligations of Bank to make the Loan and any advances pursuant to this Agreement are subject to the following conditions precedent: ADDITIONAL DOCUMENTS. Receipt by Bank of such additional supporting documents as Bank or its counsel may reasonably request.

IN WITNESS WHEREOF, Borrower and Bank, on the day and year first written above, have caused this Agreement to be executed under seal, AND THIS AGREEMENT IS DEEMED EFFECTIVE AS OF FEBRUARY 28, 1997.

Optical Cable Corporation, a Virginia Corporation
Taxpayer Identification Number: 54-1237042

CORPORATE
SEAL

By: /s/ Robert Kopstein

Robert Kopstein, President

First Union National Bank of Virginia

CORPORATE
SEAL

By: /s/ William C. Moses

Title: Vice President

MODIFICATION NUMBER ONE

TO THE LOAN AGREEMENT

Optical Cable Corporation
5290 Concourse Drive N.W.
Roanoke, Virginia 24019
(Individually and collectively, "Borrower")

First Union National Bank
201 South Jefferson Street
Roanoke, Virginia 24011
(Hereinafter referred to as the "Bank")

THIS AGREEMENT is entered into as of March 5, 1998 by and between Bank and Borrower.

WHEREAS, Bank is the holder of a Promissory Note executed and delivered by Borrower, dated April 25, 1997, in the original principal amount of \$10,000,000.00 (the "Note Number 1"); and Bank is the holder of a Promissory Note executed and delivered by Borrower, dated April 25, 1997, in the original principal amount of \$5,000,000.00 (the "Note Number 2");

WHEREAS, in connection with execution of the Note, Borrower also executed and delivered to Bank certain other Loan Documents, including a Loan Agreement, dated April 25, 1997 (the "Loan Agreement"); and

WHEREAS, Borrower and Bank have agreed to modify the terms of the Loan Agreement.

NOW, THEREFORE, in consideration of the premises contained herein and other good and valuable consideration, receipt and sufficiency of which is acknowledged, the parties agree as follows:

OUTSTANDING BALANCE. The total outstanding unpaid principal balance under the Note Number 1 as of March 6, 1998 is \$0.00 and total outstanding unpaid principal balance under the Note Number 2 as of March 6, 1998 is \$0.00. The parties acknowledge that interest on the obligations under Note 1 and Note Number 2 are paid through March 6, 1998.

MODIFICATIONS.

1. The section entitled FINANCIAL STATEMENTS of the Loan Agreement is hereby amended by deleting the subparagraph(s) entitled PERIODIC FINANCIAL STATEMENTS and adding the following in its place and stead:

PERIODIC FINANCIAL STATEMENTS. Borrower shall deliver to Bank unaudited management-prepared quarterly financial statements, including, without limitation, a balance sheet, profit and loss statement and statement of cash flows, with supporting schedules, as soon as available and in any event within 60 days after the close of each such period; all in reasonable detail and prepared in conformity with generally accepted accounting principles, applied on a basis consistent with that of the preceding year. Such statements shall be certified as to their correctness by a principal financial officer of Borrower.

2. The section entitled NEGATIVE COVENANTS of the Loan Agreement is hereby amended by deleting the subparagraph(s) entitled Retire or Repurchase Capital Stock and adding the following in its place and stead:

RETIRE OR REPURCHASE CAPITAL STOCK. Retire or otherwise acquire its capital stock in an amount greater than \$5,000,000.00. Any such acquisition of capital stock must be paid for from available cash on hand.

3. The section entitled NEGATIVE COVENANTS of the Loan Agreement is hereby amended by adding the subparagraph(s) entitled Guarantees:

GUARANTEES. Guarantee or otherwise become responsible for obligations of any other person or persons rather than the endorsement of check and drafts for collection in the ordinance course of business.

4. The section entitled AFFIRMATIVE CONVENANTS of the Loan Agreement is hereby amended by deleting the subparagraph(s) entitled Change of Control and adding the following in its place and stead as a Negative Covenant paragraph.

CHANGE OF CONTROL. Make a material change of ownership that effectively changes control of Borrower.

ACKNOWLEDGEMENTS. Borrower acknowledges and represents that the Note and other Loan Documents, as amended hereby, are in full force and effect and are binding upon it, its successors, assigns, administrators and heirs without any defense, counterclaim, right or claim of set-off or of other sum due; that after giving effect to this Agreement, no default or event that with the passage of time or giving of notice would constitute a default under the Loan Documents has occurred; that all representations and warranties contained in the Loan Documents are true and correct as of this date; that there have been no changes in the ownership of any collateral pledged to secure the Obligations since the dates of the instruments originally pledging such collateral; and that Borrower has taken all necessary action (corporate or otherwise) to authorize the execution and delivery of this Agreement. This Agreement constitutes only a modification of an existing obligation owing by Borrower to Bank, and is not a novation.

LIENS. Borrower acknowledges and confirms the extent, validity and priority of the Bank's security interests and liens in the collateral pledged, if any, pursuant to the Loan Documents, and agrees that such security interest and liens shall secure the Borrower's Obligations to Bank, including any modification of the Note or Loan Agreement, and all future modifications, extensions, renewals and/or replacements of the Loan Documents.

MISCELLANEOUS. This Agreement shall be construed in accordance with and governed by the laws of the applicable state as originally provided in the Loan Documents, without reference to the state's conflicts of laws principles. This Agreement and the other Loan Documents constitute the sole agreement of the parties with respect to the subject matter thereof and supersede all oral negotiations and prior writings with respect to the subject matter thereof. No amendment of this Agreement, and no waiver of any one or more of the provisions hereof shall be effective unless set forth in writing and signed by the parties hereto. The illegality, unenforceability or consistency of the remaining provisions of this Agreement or the other Loan Documents. This Agreement and the other Loan Documents are intended to be consistent. However, in the event of any inconsistencies among this Agreement and by any of the Loan Documents, the terms of this Agreement, and then the Note, shall control. This Agreement may be executed in any number of counterparts and by the different parties on separate counterparts. Each such counterpart shall be deemed an original, but all such counterparts shall together constitute one and the same agreement.

DEFINITIONS. The term "Loan Documents" used in this Agreement and other Loan Documents refers to all documents, agreements, and instruments executed in connection with any of the Obligations (as defined herein), and may include, without limitation, modification agreements, a commitment letter that survives closing, a loan agreement, any note, guaranty agreements, security agreements, security instruments, financing statements, mortgage instruments, letters of credit and any renewals or modifications, whenever any of the foregoing are executed, but does not include swap agreements (as defined in 11 U.S.C. SECTION 101). The term "Obligations" used in this Agreement refers to any and all indebtedness and other obligations of every kind and description of the Borrower to the Bank or to any Bank affiliate, whether or not under the Loan Documents, and whether such debts or obligations are primary or secondary, direct or indirect, absolute or contingent, sole, joint or several, secured or unsecured, due or to become due, contractual, including, without limitation, swap agreements (as defined in 11 U.S.C. SECTION 101), arising by tort, arising by operation of law, by overdraft or otherwise, or now or hereafter existing, including, without limitation, principal, interest, fees, late fees, expenses, attorneys' fees and costs that have been or may hereafter be contracted or

incurred. Terms used in this Agreement which are capitalized and not otherwise defined herein shall have the meanings ascribed to such terms in the Note and/or other Loan Documents.

ARBITRATION. Upon demand of any party hereto, whether made before or after institution of any judicial proceeding, any dispute, claim or controversy arising out of, connected with or relating to this Agreement and other Loan Documents ("Disputes") between or among parties to this Agreement shall be resolved by binding arbitration as provided herein. Institution of judicial proceeding by a party does not waive the right of that party to demand arbitration hereunder. Disputes may include, without limitations, tort claims, counterclaims, disputes as to whether a matter is subject to arbitration, claims brought as class actions, claims arising from Loan Documents executed in the future, or claims arising out of or connected with the transaction reflected by this Agreement.

Arbitration shall be conducted under and governed by the Commercial Financial Disputes Arbitration Rules (the "Arbitration Rules") of the American Arbitration Association (the "AAA") and Title 9 of the U.S. Code. All arbitration hearings shall be conducted in the city in which the office of Bank first stated above is located. The expedited procedures set forth in Rule 51 et seq. of the Arbitration Rules shall be applicable to claims of less than \$1,000,000.00. All applicable statutes of limitation shall apply to any Dispute. A judgment upon the award may be entered in any court having jurisdiction. The panel from which all arbitrators are selected shall be comprised of licensed attorneys. The single arbitrator selected for expedited procedure shall be a retired judge from the highest court of general jurisdiction, state or federal, of the state where the hearing will be conducted or if such person is not available to serve, the single arbitrator may be a licensed attorney. Notwithstanding the foregoing, this arbitration provision does not apply to disputes under or related to swap agreements.

PRESERVATION AND LIMITATION OF REMEDIES. Notwithstanding the preceding binding arbitration provisions, Bank and Borrower agree to preserve, without diminution, certain remedies that any party hereto may employ or exercise freely, independently or in connection with an arbitration proceeding or after an arbitration action is brought.

Bank and Borrower shall have the right to proceed in any court

of proper jurisdiction or by self-help to exercise or prosecute the following remedies, as applicable: (i) all rights to foreclose against any real or personal property or other security by exercising a power of sale granted under Loan Documents or under applicable law or by judicial foreclosure and sale, including a proceeding to confirm the sale; (ii) all rights of self-help including peaceful occupation of real property and collection of rents, set-off, and peaceful possession of personal property; (iii) obtaining provisional or ancillary remedies including injunctive relief, sequestration, garnishment, attachment, appointment of receiver and filing an involuntary bankruptcy proceeding; and (iv) when applicable, a judgment by confession of judgment. Preservation of these remedies does not limit the power of an arbitrator to grant similar remedies that may be requested by a party in a Dispute.

Borrower and Bank agree that they shall not have a remedy of punitive or exemplary damages against the other in any Dispute and hereby waive any right or claim to punitive or exemplary damages they have now or which may arise in the future in connection with any Dispute whether the Dispute is resolved by arbitration or judicially.

IN WITNESS WHEREOF, the undersigned have signed and sealed this agreement the day and year first above written.

Optical Cable Corporation
Taxpayer Identification Number: 54-1237042

CORPORATE
SEAL

By: /s/ Robert Kopstein

Robert Kopstein, President

First Union National Bank

CORPORATE
SEAL

By: /s/ Susan K. Doyle

Susan K. Doyle, Vice President

[FIRST UNION LOGO]

PROMISSORY NOTE

\$5,000,000.00

April 25, 1997

Optical Cable Corporation, a Virginia Corporation
 5290 Concourse Drive
 Roanoke, Virginia 24019
 (Individually and collectively "Borrower")

First Union National Bank of Virginia
 201 South Jefferson Street
 Roanoke, Virginia 24011
 (Hereinafter referred to as the "Bank")

IMPORTANT NOTICE

THIS NOTE CONTAINS A CONFESSION OF JUDGMENT PROVISION WHICH CONSTITUTES A WAIVER OF IMPORTANT RIGHTS YOU MAY HAVE AS A BORROWER AND ALLOWS BANK TO OBTAIN A JUDGMENT AGAINST YOU WITHOUT FURTHER NOTICE.

RENEWAL/MODIFICATION. This Promissory Note renews, extends and/or modifies that certain Promissory Note dated March 13, 1996, evidencing an original principal indebtedness of \$5,000,000.00. The Promissory Note is not a novation.

Borrower promises to pay to the order of Bank, in lawful money of the United States of America, at its office indicated above or wherever else Bank may specify, the sum of Five Million and No/100 Dollars (\$5,000,000.00) or such sum as may be advanced and outstanding from time to time with interest on the unpaid principal balance at the rate and on the terms provided in this Promissory Note (including all renewals, extensions or modifications hereof, this "Note").

SECURITY. Borrower has granted Bank a security interest in the collateral described in the Loan Documents, including, but not limited to, personal property collateral described in that certain Security Agreement dated March 13, 1996.

INTEREST RATE. Interest shall accrue on the unpaid principal balance of each Advance (defined herein) under this Note from the date such Advance is made available to the Borrower at the LIBOR Market Index Rate plus 1.50% as the rate may change from day to day in accord with changes in the LIBOR Market Index Rate ("Interest Rate"). "LIBOR Market Index Rate", for any day, is the rate (rounded to the next higher 1/100 of 1%) for 1 month U.S. dollar deposits as reported on Telerate page 3750 as of 11:00 a.m., London time, for such day, provided, if such day is not a London business day, the immediately preceding London business day (or if not so reported, then as determined by Bank from another recognized source of Interbank quotation).

DEFAULT RATE. In addition to all other rights contained in this Note, if a default in the payment of the Obligations occurs, all outstanding Obligations shall bear interest at the Prime-Based Rate plus 3% ("Default Rate"). The Default Rate shall also apply from demand until the Obligations or any judgment thereon is paid in full.

INTEREST COMPUTATION. (Actual/360). Interest shall be computed on the basis of a 360-day year for the actual number of days in the interest period ("Actual/360 Computation"). The Actual/360 Computation determines the annual effective interest yield by taking the stated (nominal) interest rate for a year's period and then dividing said rate by 360 to determine the daily

periodic rate to be applied for each day in the interest period. Application of the Actual/360 Computation produces an annualized effective interest rate exceeding that of the nominal rate.

REPAYMENT TERMS. This Note shall be due and payable in consecutive monthly payments of accrued interest only commencing on May 1, 1997, and on the same day of each month thereafter until fully paid. In any event, this Note shall be due and payable in full, including all principal and accrued interest, on demand.

APPLICATION OF PAYMENTS. Monies received by Bank from any source for application toward payment of the Obligations shall be applied to accrued interest and then to principal. Upon the occurrence of a default in the payment of the Obligations or a Default (as defined in the other Loan Documents) under any Loan Document, monies may be applied to the Obligations in any manner or order deemed appropriate by Bank.

If any payment received by Bank under this Note or other Loan Documents is rescinded, avoided or for any reason returned by Bank because of any adverse claim or threatened action, the returned payment shall remain payable as an obligation of all persons liable under this Note or other Loan Documents as though such payment had not been made.

LOAN DOCUMENTS AND OBLIGATIONS. The term "Loan Documents" used in this Note and other Loan Documents refers to all documents executed in connection with the loan evidenced by this Note and any prior notes which evidence all or any portion of the loan evidenced by this Note, and may include, without limitation, a commitment letter that survives closing, a loan agreement, this Note, guaranty agreements, security agreements, security instruments, financing statements, mortgage instruments, letters of credit and any renewals or modifications, whenever any of the foregoing are executed, but does not include swap agreements (as defined in 11 U.S.C. ss. 101).

The term "Obligations" used in this Note refers to any and all indebtedness and other obligations under this Note, all other obligations under any other Loan Document(s), and all obligations under any swap agreements as defined in 11 U.S.C. ss. 101 between Borrower and Bank whenever executed.

LATE CHARGE. If any payments are not timely made, Borrower shall also pay to Bank a late charge equal to 5% of each payment past due for 8 or more days.

Acceptance by Bank of any late payment without an accompanying late charge shall not be deemed a waiver of Bank's right to collect such late charge or to collect a late charge for any subsequent late payment received.

If this Note is secured by owner-occupied residential real property located outside the state in which the office of Bank first shown above is located, the late charge laws of the state where the real property is located shall apply to this Note and the late charge shall be the highest amount allowable under such laws. If no amount is stated thereunder, the late charge shall be 5% of each payment past due for 10 or more days.

ATTORNEYS' FEES AND OTHER COLLECTION COSTS. Borrower shall pay all of Bank's reasonable expenses incurred to enforce or collect any of the Obligations, including, without limitation, reasonable arbitration, paralegals', attorneys' and experts' fees and expenses, whether incurred without the commencement of a suit, in any trial, arbitration, or administrative proceeding, or in any appellate or bankruptcy proceeding.

USURY. Regardless of any other provision of this Note or other Loan Documents, if for any reason the effective interest should exceed the maximum lawful interest, the effective interest shall be

deemed reduced to, and shall be, such maximum lawful interest, and (i) the amount which would be excessive interest shall be deemed applied to the reduction of the principal balance of this Note and not to the payment of interest, and (ii) if the loan evidenced by this Note has been or is thereby paid in full, the excess shall be returned to the party paying same, such application to the principal balance of this Note or the refunding of excess to be a complete settlement and acquittance thereof.

DEMAND NOTE. This is a demand Note and all Obligations hereunder shall become immediately due and payable upon demand. In addition, the Obligations shall automatically become immediately due and payable if Borrower or any guarantor or endorser of this Note commences or has commenced against it a bankruptcy or insolvency proceeding.

REMEDIES. Upon the occurrence of a default in the payment of the Obligations or a Default (as defined in the other Loan Documents) under any other Loan Document, Bank may at any time thereafter, take the following actions: BANK LIEN AND SET-OFF. Exercise its right of set-off or to foreclose its security interest or lien against Borrower's accounts without notice. CUMULATIVE. Exercise any rights and remedies as provided under the Note and other Loan Documents, or as provided by law or equity.

FINANCIAL AND OTHER INFORMATION. Borrower shall deliver to Bank such information as bank may reasonably request from time to time, including without limitation, financial statements and information pertaining to Borrower's financial condition. Such information shall be true, complete, and accurate.

CONFESSION OF JUDGMENT. Each Borrower hereby duly constitutes and appoints Keith Northern, Gregory Baugher (each of whom is an officer of Bank), and Bank (its successors and assigns) through an officer duly authorized by Bank, as the true and lawful attorneys-in-fact for Borrower (any of the foregoing may act), in any and all of Borrowers' names, place and stead, and upon the occurrence of a default in the payment of the Obligations due under this Note to confess judgment against them or any of them, in favor of Bank, its successors and assigns, in accordance with 1950 Code of Virginia Section 8.01-431 et seq., in the Circuit Court for the City of Roanoke, Virginia, for all amounts owed with respect to the Obligations, including, without limitation, all costs of collection, attorneys' fees in the amount equal to 15% of the Obligations then outstanding (which shall be deemed reasonable attorneys' fees for the purposes of this paragraph), and court costs, hereby ratifying and confirming the acts of said attorney-in-fact as if done by Borrower. Upon request of Bank, Borrower will execute an amendment or other agreement substituting attorneys-in-fact appointed to act for each Borrower hereunder.

LINE OF CREDIT ADVANCES. Borrower may borrow, repay and reborrow, and Bank may advance and readvance under this Note respectively from time to time (each an "Advance" and together the "Advances"), so long as the total indebtedness outstanding at any one time does not exceed the principal amount stated on the face of this Note. Bank's obligation to make Advances under this Note shall terminate if a demand for payment is made under this Note or if a Default (as defined in the other Loan Documents) under any Loan Document occurs or in any event, on February 28, 1998 unless renewed or extended by Bank in writing upon such terms then satisfactory to Bank. As of the date of each proposed Advance, Borrower shall be deemed to represent that each representation made in the Loan Documents is true as of such date. 30-Day Payout. During the term of the Note, Borrower agrees to pay down the outstanding balance to a maximum of \$100.00 for 30 consecutive days annually.

LOAN AGREEMENT. This Note is subject to the provisions of that certain Loan Agreement between Bank and Borrower of even date herewith.

WAIVERS AND AMENDMENTS. No waivers, amendments or modifications of this Note and other Loan Documents shall be valid unless in writing and signed by an officer of Bank. No waiver by Bank of any Default (as defined in the other Loan Documents) shall operate as a waiver of any other Default or the same Default on a future occasion. Neither the failure nor any delay on the part of Bank in exercising any right, power, or remedy under this Note and other Loan Documents shall operate as a waiver thereof, nor shall a single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

Each Borrower or any person liable under this Note waives presentment, protest, notice of dishonor, notice of intention to accelerate maturity, notice of acceleration of maturity, notice of sale and all other notices of any kind. Further, each agrees that Bank may extend, modify or renew this Note or make a novation of the loan evidenced by this Note for any period and grant any releases, compromises or indulgences with respect to any collateral securing this Note, or with respect to any other Borrower or any other person liable under this Note or other Loan Documents, all without notice to or consent of each Borrower or each person who may be liable under this Note or other Loan Documents and without affecting the liability of Borrower or any person who may be liable under this Note or other Loan Documents.

MISCELLANEOUS PROVISIONS. ASSIGNMENT. This Note and other Loan Documents shall inure to the benefit of and be binding upon the parties and their respective heirs, legal representatives, successors and assigns. Bank's interests in and rights under this Note and other Loan Documents are freely assignable, in whole or in part, by Bank. Borrower shall not assign its rights and interest hereunder without the prior written consent of Bank, and any attempt by Borrower to assign without Bank's prior written consent is null and void. Any assignment shall not release Borrower from the Obligations. APPLICATION LAW; CONFLICT BETWEEN DOCUMENTS. This Note and other Loan Documents shall be governed by and construed under the laws of the state where Bank first shown above is located without regard to that state's conflict of laws principles. If the terms of this Note should conflict with the terms of the loan agreement or any commitment letter that survives closing, the terms of this Note shall control. BORROWER'S ACCOUNTS. Except as prohibited by law, Borrower grants Bank a security interest in all of Borrower's accounts with Bank and any of its affiliates. JURISDICTION. Borrower irrevocably agrees to non-exclusive personal jurisdiction in the state in which the office of Bank first shown above is located. SEVERABILITY. If any provision of this Note or of the other Loan Documents shall be prohibited or invalid under applicable law, such provision shall be ineffective but only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Note or other such document. NOTICES. Any notices to Borrower shall be sufficiently given, if in writing and mailed or delivered to the Borrower's address shown above or such other address as provided hereunder, and to Bank, if in writing and mailed or delivered to Bank's office address shown above or such other address as Bank may specify in writing from time to time. In the event that Borrower changes Borrower's address at any time prior to the date the Obligations are paid in full, Borrower agrees to promptly give written notice of said change of address by registered or certified mail, return receipt requested, all charges prepaid. PLURAL; CAPTIONS. All references in the Loan Documents to Borrower, guarantor, person, document or other nouns of reference mean both the singular and plural form, as the case may be, and the term "person" shall mean any individual, person or entity. The captions contained in the Loan Documents are inserted for convenience only and shall not affect the meaning or interpretation of the Loan Documents. BINDING CONTRACT. Borrower by execution of and Bank by acceptance of this Note agree that each party is bound to all terms and provisions of this Note. ADVANCES. Bank in its sole discretion may make other Advances under this Note pursuant hereto. POSTING OF PAYMENTS. All payments received during normal banking hours after 2:00 p.m. local time at the office of Bank first shown above shall be deemed received at the opening of the next banking day. JOINT AND SEVERAL OBLIGATIONS. Each Borrower is jointly and severally obligated under this Note. FEES AND TAXES. Borrower shall promptly pay all documentary,

intangible recordation and/or similar taxes on this transaction whether assessed at closing or arising from time to time.

ARBITRATION. Upon demand of any party hereto, whether made before or after institution of any judicial proceeding, any dispute, claim or controversy arising out of, connected with or relating to this Note and other Loan Documents ("Disputes") between or among parties to this Note shall be resolved by binding arbitration as provided herein. Institution of a judicial proceeding by a party does not waive the right of that party to demand arbitration hereunder. Disputes may include, without limitation, tort claims, counterclaims, disputes as to whether a matter is subject to arbitration, claims brought as class actions, claims arising from Loan Documents executed in the future, or claims arising out of or connected with the transaction reflected by this Note.

Arbitration shall be conducted under and governed by the Commercial Financial Disputes Arbitration Rules (the "Arbitration Rules") of the American Arbitration Association (the "AAA") and Title 9 of the U.S. Code. All arbitration hearings shall be conducted in the city in which the office of Bank first stated above is located. The expedited procedures set forth in Rule 51 et seq. of the Arbitration Rules shall be applicable to claims of less than \$1,000,000.00. All applicable statutes of limitation shall apply to any Dispute. A judgment upon the award may be entered in any court having jurisdiction. The panel from which all arbitrators are selected shall be comprised of licensed attorneys. The single arbitrator selected for expedited procedure shall be a retired judge from the highest court of general jurisdiction, state or federal, of the state where the hearing will be conducted or if such person is not available to serve, the single arbitrator may be a licensed attorney. Notwithstanding the foregoing, this arbitration provision does not apply to disputes under or related to swap agreements.

PRESERVATION AND LIMITATION OF REMEDIES. Notwithstanding the preceding binding arbitration provisions, Bank and Borrower agree to preserve, without diminution, certain remedies that any party hereto may employ or exercise freely, independently or in connection with an arbitration proceeding or after an arbitration action is brought. Bank and Borrower shall have the right to proceed in any court of proper jurisdiction or by self-help to exercise or prosecute the following remedies, as applicable: (i) all rights to foreclose against any real or personal property or other security by exercising a power of sale granted under Loan Documents or under applicable law or by judicial foreclosure and sale, including a proceeding to confirm the sale; (ii) all rights of self-help including peaceful occupation of real property and collection of rents, set-off, and peaceful possession of personal property, (iii) obtaining provisional or ancillary remedies including injunctive relief, sequestration, garnishment, attachment, appointment of receiver and filing an involuntary bankruptcy proceeding; and (iv) when applicable, a judgment by confession of judgment. Preservation of these remedies does not limit the power of an arbitrator to grant similar remedies that may be requested by a party in a Dispute.

Borrower and Bank agree that they shall not have a remedy of punitive or exemplary damages against the other in any Dispute and hereby waive any right or claim to punitive or exemplary damages that they have now or which may arise in the future in connection with any Dispute whether the Dispute is resolved by arbitration or judicially.

IN WITNESS WHEREOF, Borrower, on the day and year first written above, have caused this Note to be executed under seal, AND THIS NOTE IS DEEMED EFFECTIVE AS OF FEBRUARY 28, 1997.

Optical Cable Corporation, a Virginia Corporation
Taxpayer Identification Number: 54-1237042

CORPORATE
SEAL

By: /s/ Robert Kopstein

Robert Kopstein, President

MODIFICATION NUMBER ONE
TO THE PROMISSORY NOTE

Optical Cable Corporation, a Virginia Corporation
5290 Concourse Drive
Roanoke, Virginia 24019
(Individually and collectively "Borrower")

First Union National Bank of Virginia
201 South Jefferson Street
Roanoke, Virginia 24011
(Hereinafter referred to as the "Bank")

IMPORTANT NOTICE

THIS AGREEMENT CONTAINS A CONFESSION OF JUDGMENT PROVISION WHICH CONSTITUTES A WAIVER OF IMPORTANT RIGHTS YOU MAY HAVE AS A BORROWER AND ALLOWS BANK TO OBTAIN A JUDGMENT AGAINST YOU WITHOUT FURTHER NOTICE.

THIS AGREEMENT is entered into as of _____, 1998 by and between Bank and Borrower.

WHEREAS, Bank is the holder of a Promissory Note executed and delivered by Borrower, dated April 25, 1997 in the original principal amount of \$5,000,000.00 (the "Note"); and

WHEREAS, Borrower and Bank have agreed to modify the terms of the Promissory Note.

NOW, THEREFORE, in consideration of the premises contained herein and other good and valuable consideration, receipt and sufficiency of which is acknowledged, the parties agree as follows:

OUTSTANDING BALANCE. The total outstanding unpaid principal balance under the Note as of March 6, 1998 is \$0.00. The parties acknowledge that interest on the obligation under the Note is paid through March 6, 1998.

MODIFICATIONS.

1. The Note is hereby modified by deleting the provisions in the Note establishing the repayment terms and substituting the following in their place and stead:

REPAYMENT TERMS. All outstanding principal and accrued interest will be repaid in accordance with the Services Agreement. In any event, the Note shall be due and payable in full, including all principal and accrued interest, on demand.

LINE OF CREDIT ADVANCES. Borrower may borrow, repay and reborrow, and Bank may advance and readvance under the Note respectively from time to time until the maturity hereof (each an "Advance" and together the "Advances"), so long as the total indebtedness outstanding at any one time does not exceed the principal amount stated on the face of the Note. Bank's obligation to make Advances under the Note shall terminate if a demand for payment is made under the Note or if a Default (as defined in the other Loan Documents) under any Loan Document occurs or in any event, on February 29, 1999 unless renewed or extended by Bank in writing upon such terms then satisfactory to Bank. As of the date of each proposed Advance, Borrower shall be deemed to represent that each representation made in the Loan Documents is true as of such date.

SWEEP PLUS. Advances under the Note will be made from time to time, into the specified account with Bank pursuant to the Sweep Plus Services Description and Deposit or Master Agreement, as applicable, (individually or collectively, the "Services Agreement") between Bank and Borrower and any modifications thereto. No Advance(s) will be made (i) in an amount less than \$1,000.00

and each Advance will be made in increments of \$1,000.00 (ii) if the Services Agreement has been breached or terminated, or (iii) if this line of credit is not received.

ACKNOWLEDGEMENTS. Borrower acknowledges and represents that the Note and other Loan Documents, as amended hereby, are in full force and effect and are binding upon it, its successors, assigns, administrators and heirs without any defense, counterclaim, right or claim of set-off or of other sum due; that, after giving effect to this Agreement, no default or event that with the passage of time or giving of notice would constitute a default under the Loan Documents has occurred; that all representations and warranties contained in the Loan Documents are true and correct as of this date; that there have been no changes in the ownership of any collateral pledged to secure the Obligations since the dates of the instruments originally pledging such collateral; and that Borrower has taken all necessary action (corporate or otherwise) to authorize the execution and delivery of this Agreement. This Agreement constitutes only a modification of an existing obligation owing by Borrower to Bank, and is not a novation.

LIENS. Borrower acknowledges and confirms the extent, validity and priority of the Bank's security interests and liens in the collateral pledged, if any, pursuant to the Loan Documents, and agrees that such security interests and liens shall secure the Borrower's Obligations to Bank, including any modification of the Note or Loan Agreement, and all future modifications, extensions, renewals and/or replacements of the Loan Documents.

MISCELLANEOUS. This Agreement shall be construed in accordance with and governed by the laws of the applicable state as originally provided in the Loan Documents, without reference to that state's conflicts of laws principles. This Agreement and the other Loan Documents constitute the sole agreement of the parties with respect to the subject matter thereof and supersede all oral negotiations and prior writings with respect to the subject matter thereof. No amendment of this Agreement, and no waiver of any one or more of the provisions hereof shall be effective unless set forth in writing and signed by the parties hereto. The illegality, unenforceability or inconsistency of any provision of this Agreement shall not in any way affect or impair the legality, enforceability or consistency of the remaining provisions of this Agreement or the other Loan Documents. This Agreement and the other Loan Documents are intended to be consistent. However, in the event of any inconsistencies among this Agreement and any of the Loan Documents, the terms of this Agreement, and then the Note, shall control. This Agreement may be executed in any number of counterparts and by the different parties on separate counterparts. Each such counterpart shall be deemed an original, but all such counterparts shall together constitute one and the same agreement.

DEFINITIONS. The term "Loan Documents" used in this Agreement and other Loan Documents refers to all documents, agreements, and instruments executed in connection with any of the Obligations (as defined herein), and may include, without limitation, modification agreements, a commitment letter that survives closing, a loan agreement, any note, guaranty agreements, security agreements, security instruments, financing statements, mortgage instruments, letters of credit and any renewals or modifications, whenever any of the foregoing are executed, but does not include swap agreements (as defined in U.S.C. ss. 101). The term "Obligations" used in this Agreement refers to any and all indebtedness and other obligations of every kind and description of the Borrower to the Bank or to any Bank affiliate, whether or not under the Loan Documents, and whether such debts or obligations are primary or secondary, direct or indirect, absolute or contingent, sole, joint or several, secured or unsecured, due or to become due, contractual, including, without limitation, swap agreements (as defined in 11 U.S.C. ss. 101), arising by tort, arising by operation of law, by overdraft or otherwise, or now or hereafter existing, including, without limitation, principal, interest, fees, late fees, expenses, attorneys' fees and costs that have been or may hereafter be contracted or incurred. Terms used in this Agreement which are capitalized and not otherwise defined herein shall have the meanings ascribed to such terms in the Note and/or other Loan Documents.

Borrower reaffirms and restates the following with respect to the Note as modified herein:

CONFESSION OF JUDGMENT. Each Borrower hereby duly constitutes and appoints Keith Northern, Gregory Baugher (each of whom is an officer of Bank), and Bank through an officer duly authorized by Bank (any of the foregoing may act), as the true and lawful attorneys-in-fact for them, in any or all of their names, place and stead, and upon the occurrence of a default in the payment of the Obligations due under the Note to confess judgment against them or any of them in favor of Bank, before the Clerk of the Circuit Court for the City of Roanoke, Virginia, in accordance with 1950 Code of Virginia, Section 8.01-431 et seq., and any successor statute, for all amounts owed with respect to the Obligations under the pursuant to the Note including, without limitation, all costs of collection,

attorneys' fees in an amount equal to 15% of the Obligations then outstanding (which shall be deemed reasonable attorneys' fees for the purposes of this paragraph), and court costs, hereby ratifying and confirming the acts of said attorney-in-fact as if done by themselves. Upon request of Bank, each Borrower will execute an amendment or other agreement substituting attorneys-in-fact appointed to act for each Borrower hereunder.

ARBITRATION. Upon demand of any party hereto, whether made before or after institution of any judicial proceeding, any dispute, claim or controversy arising out of, connection with or relating to this Agreement and other Loan Documents ("Disputes") between or among parties to this Agreement shall be resolved by binding arbitration as provided herein. Institution of a judicial proceeding by a party does not waive the right of that party to demand arbitration hereunder. Disputes may include, without limitation, tort claims, counterclaims, disputes as to whether a matter is subject to arbitration, claims brought as class actions, claims arising from Loan Documents executed in the future, or claims arising out of or connected with the transaction reflected by this Agreement.

Arbitration shall be conducted under and governed by the Commercial Financial Disputes Arbitration Rules (the "Arbitration Rules") of the American Arbitration (the "AAA") and Title 9 of the U.S. Code. All arbitration hearings shall be conducted in the city in which the office of Bank first stated above is located. The expedited procedures set forth in Rule 51 et seq. of the Arbitration Rules shall be applicable to claims of less than \$1,000,000.00. All applicable statutes of limitation shall apply to any Dispute. A judgment upon the award may be entered in any court having jurisdiction. The panel from which all arbitrators are selected shall be comprised of licensed attorneys. The single arbitrator selected for expedited procedure shall be a retired judge from the highest court of general jurisdiction, state or federal, of the state where the hearing will be conducted or if such person is not available to serve, the single arbitrator may be a licensed attorney. Notwithstanding the foregoing, this arbitration provision does not apply to disputes under or related to swap agreements.

PRESERVATION AND LIMITATION OF REMEDIES. Notwithstanding the preceding binding arbitration provisions. Bank and Borrower agree to preserve, without diminution, certain remedies that any party hereto may employ or exercise freely, independently or in connection with an arbitration proceeding or after an arbitration action is brought. Bank and Borrower shall have the right to proceed in any court of proper jurisdiction or by self-help to exercise or prosecute the following remedies, as applicable: (i) all rights to foreclose against any real or personal property or other security by exercising a power of sale granted under Loan Documents or under applicable law or by judicial foreclosure and sale, including a proceeding to confirm the sale; (ii) all rights of self-help including peaceful occupation of real property and collection of rents, set-off, and peaceful possession of personal property; (iii) obtaining provisional or ancillary remedies including injunctive relief, sequestration, garnishment, attachment, appointment of receiver and filing an involuntary bankruptcy proceeding; and (iv) when applicable, a judgment by confession of judgment. Preservation of these remedies does not limit the power of an arbitrator to grant similar remedies that may be requested by a party in a Dispute.

Borrower and Bank agree that they shall not have a remedy of punitive or exemplary damages against the other in any Dispute and hereby waive any right or claim to punitive or exemplary damages they have now or which may arise in the future in connection with any Dispute whether the Dispute is resolved by arbitration or judicially.

IN WITNESS WHEREOF, the undersigned have signed and sealed this Agreement the day and year first written above.

Optical Cable Corporation, a Virginia Corporation
Taxpayer Identification Number: 54-1237042

CORPORATE
SEAL

By: /s/ Robert Kopstein

Robert Kopstein, President

First Union National Bank

CORPORATE
SEAL

By: /s/ Susan K. Doyle

Susan K. Doyle, Vice President

FIRST UNION NATIONAL BANK
SWEEP PLUS LOAN/INVESTMENT SERVICES DESCRIPTION

1. Bank shall calculate daily the "Net Cash Position" in Borrower's Demand Deposit Account (the "DDA"). The Net Cash Position is calculated using the opening available balance in the DDA, plus any maturing investment principal and interest, minus any outstanding loan principal, minus the daily presentment of checks and account holds, and minus any floor balance which has been established to cover Bank charges. Borrower agrees that Bank is authorized to debit the DDA for the purpose of overnight investment or borrowing as described in paragraphs 2 and 3 (the "Service").
2. The overnight investment of a surplus Net Cash Position will occur if the investable balance is equal to or greater than the minimum specified by Bank for the instrument chosen by Borrower. Bank will deposit to the "Sweep Investment Account" the maturing principal plus interest each banking day so that the sum may be included in the current day's investment amount. Bank will determine the interest rate to be paid on a daily basis, in accordance with the applicable investment tier and investment instrument. Bank may periodically change the rate differentials between the tiers and the size and the number of tiers. Bank reserves the right to change the investment instruments and associated minimum investment requirements. Investment amounts will be rounded downward to the nearest \$1,000.00 for investment purposes.
3. The overnight borrowing of a deficit Net Cash Position will occur in accordance with a designated line of credit that Bank has offered to Borrower for daily working capital purposes. Advances under this line of credit are hereby authorized to be automatically drawn by Bank on a daily basis with loan principal to be repaid as collected funds create a surplus Net Cash Position. Loan interest will be charged to the DDA via ACH debit on the frequency designated by Borrower which shall be monthly, unless otherwise agreed to by Bank in writing. Loan advances in excess of the preapproved line of credit will not be permitted. No Loan advances will be in an amount less than \$1,000.00 and each Loan advance will be made in increments of \$1,000.00.
4. Bank will notify Borrower as soon as is practicable if the amount required to fund the DDA exceeds the available account balance plus invested funds plus available funds in the line of credit. Unless collected funds to cover the deficiency are received by 12:00 p.m. Eastern Time the next Bank business day, Bank, at its discretion, may either return all items received from the time of deficiency or extend the overdraft. The return of checks by Bank constitutes termination of this Service, and all items subsequently presented may, at Bank's sole discretion, be returned. Borrower warrants that individuals who are authorized to sign Borrower's checks are also authorized to create overdrafts, should Bank exercise its discretion by allowing such overdrafts. Overdraft charges will be billed on a monthly basis in accordance with bank's regular fee schedule.
5. Borrower will provide Bank instructions with regard to the Service including the transfer mechanism, investment vehicle, borrowing vehicle, interest charges, item processing, stop payments and the disposition of information. Borrower, with the acknowledgement of Bank, may change such instructions from time to time.

[FIRST UNION LOGO]

PROMISSORY NOTE

\$10,000,000.00

April 25, 1997

Optical Cable Corporation, a Virginia Corporation
5290 Concourse Drive
Roanoke, Virginia 24019
(Individually and collectively "Borrower")

First Union National Bank of Virginia
201 South Jefferson Street
Roanoke, Virginia 24011
(Hereinafter referred to as the "Bank")

IMPORTANT NOTICE

THIS NOTE CONTAINS A CONFESSION OF JUDGMENT PROVISION WHICH CONSTITUTES A WAIVER OF IMPORTANT RIGHTS YOU MAY HAVE AS A BORROWER AND ALLOWS BANK TO OBTAIN A JUDGMENT AGAINST YOU WITHOUT FURTHER NOTICE.

Borrower promises to pay to the order of Bank, in lawful money of the United States of America, at its office indicated above or wherever else Bank may specify, the sum of Ten Million and No/100 Dollars (\$10,000,000.00) or such sum as may be advanced and outstanding from time to time with interest on the unpaid principal balance at the rate and on the terms provided in this Promissory Note (including all renewals, extensions or modifications hereof, this "Note").

SECURITY. Borrower has granted Bank a security interest in the collateral described in the Loan Documents, including, but not limited to, personal property collateral described in that certain Security Agreement dated March 13, 1996.

INTEREST RATE. Interest shall accrue on the unpaid principal balance of each Advance (defined herein) under this Note from the date such Advance is made available to the Borrower at the LIBOR Market Index Rate plus 1.50% as the rate may change from day to day in accord with changes in the LIBOR Market Index Rate ("Interest Rate"). "LIBOR Market Index Rate", for any day, is the rate (rounded to the next higher 1/100 of 1%) for 1 month U.S. dollar deposits as reported on Telerate page 3750 as of 11:00 a.m., London time, for such day, provided, if such day is not a London business day, the immediately preceding London business day (or if not so reported, then as determined by Bank from another recognized source of Interbank quotation).

DEFAULT RATE. In addition to all other rights contained in this Note, if a default in the payment of the Obligations occurs, all outstanding Obligations shall bear interest at the Prime-Based Rate plus 3% ("Default Rate"). The Default Rate shall also apply from demand until the Obligations or any judgment thereon is paid in full.

INTEREST COMPUTATION. (Actual/360). Interest shall be computed on the basis of a 360-day year for the actual number of days in the interest period ("Actual/360 Computation"). The Actual/360 Computation determines the annual effective interest yield by taking the stated (nominal) interest rate for a year's period and then dividing said rate by 360 to determine the daily periodic rate to be applied for each day in the interest period. Application of the Actual/360 Computation produces an annualized effective interest rate exceeding that of the nominal rate.

REPAYMENT TERMS. This Note shall be due and payable in consecutive monthly payments of accrued interest only commencing on May 1, 1997, and on the same day of each month thereafter until fully paid. In any event, this Note shall be due and payable in full, including all principal and accrued interest, on demand.

APPLICATION OF PAYMENTS. Monies received by Bank from any source for application toward payment of the Obligations shall be applied to accrued interest and then to principal. Upon the occurrence of a default in the payment of the Obligations or a Default (as defined in the other Loan Documents) under any Loan Document, monies may be applied to the Obligations in any manner or order deemed appropriate by Bank.

If any payment received by Bank under this Note or other Loan Documents is rescinded, avoided or for any reason returned by Bank because of any adverse claim or threatened action, the returned payment shall remain payable as an obligation of all persons liable under this Note or other Loan Documents as though such payment had not been made.

LOAN DOCUMENTS AND OBLIGATIONS. The term "Loan Documents" used in this Note and other Loan Documents refers to all documents executed in connection with the loan evidenced by this Note and any prior notes which evidence all or any portion of the loan evidenced by this Note, and may include, without limitation, a commitment letter that survives closing, a loan agreement, this Note, guaranty agreements, security agreements, security instruments, financing statements, mortgage instruments, letters of credit and any renewals or modifications, whenever any of the foregoing are executed, but does not include swap agreements (as defined in 11 U.S.C. ss. 101).

The term "Obligations" used in this Note refers to any and all indebtedness and other obligations under this Note, all other obligations under any other Loan Document(s), and all obligations under any swap agreements as defined in 11 U.S.C. ss. 101 between Borrower and Bank whenever executed.

LATE CHARGE. If any payments are not timely made, Borrower shall also pay to Bank a late charge equal to 5% of each payment past due for 8 or more days.

Acceptance by Bank of any late payment without an accompanying late charge shall not be deemed a waiver of Bank's right to collect such late charge or to collect a late charge for any subsequent late payment received.

If this Note is secured by owner-occupied residential real property located outside the state in which the office of Bank first shown above is located, the late charge laws of the state where the real property is located shall apply to this Note and the late charge shall be the highest amount allowable under such laws. If no amount is stated thereunder, the late charge shall be 5% of each payment past due for 10 or more days.

ATTORNEYS' FEES AND OTHER COLLECTION COSTS. Borrower shall pay all of Bank's reasonable expenses incurred to enforce or collect any of the Obligations, including, without limitation, reasonable arbitration, paralegals', attorneys' and experts' fees and expenses, whether incurred without the commencement of a suit, in any trial, arbitration, or administrative proceeding, or in any appellate or bankruptcy proceeding.

USURY. Regardless of any other provision of this Note or other Loan Documents, if for any reason the effective interest should exceed the maximum lawful interest, the effective interest shall be deemed reduced to, and shall be, such maximum lawful interest, and (i) the amount which would be excessive interest shall be deemed applied to the reduction of the principal balance of this Note and not to the payment of interest, and (ii) if the loan evidenced by this Note has been or is thereby

paid in full, the excess shall be returned to the party paying same, such application to the principal balance of this Note or the refunding of excess to be a complete settlement and acquittance thereof.

DEMAND NOTE. This is a demand Note and all Obligations hereunder shall become immediately due and payable upon demand. In addition, the Obligations shall automatically become immediately due and payable if Borrower or any guarantor or endorser of this Note commences or has commenced against it a bankruptcy or insolvency proceeding.

REMEDIES. Upon the occurrence of a default in the payment of the Obligations or a Default (as defined in the other Loan Documents) under any other Loan Document, Bank may at any time thereafter, take the following actions: BANK LIEN AND SET-OFF. Exercise its right of set-off or to foreclose its security interest or lien against Borrower's accounts without notice. CUMULATIVE. Exercise any rights and remedies as provided under the Note and other Loan Documents, or as provided by law or equity.

FINANCIAL AND OTHER INFORMATION. Borrower shall deliver to Bank such information as bank may reasonably request from time to time, including without limitation, financial statements and information pertaining to Borrower's financial condition. Such information shall be true, complete, and accurate.

CONFESSION OF JUDGMENT. Each Borrower hereby duly constitutes and appoints Keith Northern, Gregory Baugher (each of whom is an officer of Bank), and Bank (its successors and assigns) through an officer duly authorized by Bank, as the true and lawful attorneys-in-fact for Borrower (any of the foregoing may act), in any and all of Borrowers' names, place and stead, and upon the occurrence of a default in the payment of the Obligations due under this Note to confess judgment against them or any of them, in favor of Bank, its successors and assigns, in accordance with 1950 Code of Virginia Section 8.01-431 et seq., in the Circuit Court for the City of Roanoke, Virginia, for all amounts owed with respect to the Obligations, including, without limitation, all costs of collection, attorneys' fees in the amount equal to 15% of the Obligations then outstanding (which shall be deemed reasonable attorneys' fees for the purposes of this paragraph), and court costs, hereby ratifying and confirming the acts of said attorney-in-fact as if done by Borrower. Upon request of Bank, Borrower will execute an amendment or other agreement substituting attorneys-in-fact appointed to act for each Borrower hereunder.

LINE OF CREDIT ADVANCES. Borrower may borrow, repay and reborrow, and Bank may advance and readvance under this Note respectively from time to time (each an "Advance" and together the "Advances"), so long as the total indebtedness outstanding at any one time does not exceed the principal amount stated on the face of this Note. Bank's obligation to make Advances under this Note shall terminate if a demand for payment is made under this Note or if a Default (as defined in the other Loan Documents) under any Loan Document occurs or in any event, on February 28, 1998 unless renewed or extended by Bank in writing upon such terms then satisfactory to Bank. As of the date of each proposed Advance, Borrower shall be deemed to represent that each representation made in the Loan Documents is true as of such date.

LOAN AGREEMENT. This Note is subject to the provisions of that certain Loan Agreement between Bank and Borrower of even date herewith.

WAIVERS AND AMENDMENTS. No waivers, amendments or modifications of this Note and other Loan Documents shall be valid unless in writing and signed by an officer of Bank. No waiver by Bank of any Default (as defined in the other Loan Documents) shall operate as a waiver of any other Default or the same Default on a future occasion. Neither the failure nor any delay on the part of Bank in exercising any right, power, or remedy under this Note and other Loan Documents

shall operate as a waiver thereof, nor shall a single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

Each Borrower or any person liable under this Note waives presentment, protest, notice of dishonor, notice of intention to accelerate maturity, notice of acceleration of maturity, notice of sale and all other notices of any kind. Further, each agrees that Bank may extend, modify or renew this Note or make a novation of the loan evidenced by this Note for any period and grant any releases, compromises or indulgences with respect to any collateral securing this Note, or with respect to any other Borrower or any other person liable under this Note or other Loan Documents, all without notice to or consent of each Borrower or each person who may be liable under this Note or other Loan Documents and without affecting the liability of Borrower or any person who may be liable under this Note or other Loan Documents.

MISCELLANEOUS PROVISIONS. ASSIGNMENT. This Note and other Loan Documents shall inure to the benefit of and be binding upon the parties and their respective heirs, legal representatives, successors and assigns. Bank's interests in and rights under this Note and other Loan Documents are freely assignable, in whole or in part, by Bank. Borrower shall not assign its rights and interest hereunder without the prior written consent of Bank, and any attempt by Borrower to assign without Bank's prior written consent is null and void. Any assignment shall not release Borrower from the Obligations. APPLICATION LAW; CONFLICT BETWEEN DOCUMENTS. This Note and other Loan Documents shall be governed by and construed under the laws of the state where Bank first shown above is located without regard to that state's conflict of laws principles. If the terms of this Note should conflict with the terms of the loan agreement or any commitment letter that survives closing, the terms of this Note shall control. BORROWER'S ACCOUNTS. Except as prohibited by law, Borrower grants Bank a security interest in all of Borrower's accounts with Bank and any of its affiliates. JURISDICTION. Borrower irrevocably agrees to non-exclusive personal jurisdiction in the state in which the office of Bank first shown above is located. SEVERABILITY. If any provision of this Note or of the other Loan Documents shall be prohibited or invalid under applicable law, such provision shall be ineffective but only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Note or other such document. NOTICES. Any notices to Borrower shall be sufficiently given, if in writing and mailed or delivered to the Borrower's address shown above or such other address as provided hereunder, and to Bank, if in writing and mailed or delivered to Bank's office address shown above or such other address as Bank may specify in writing from time to time. In the event that Borrower changes Borrower's address at any time prior to the date the Obligations are paid in full, Borrower agrees to promptly give written notice of said change of address by registered or certified mail, return receipt requested, all charges prepaid. PLURAL; CAPTIONS. All references in the Loan Documents to Borrower, guarantor, person, document or other nouns of reference mean both the singular and plural form, as the case may be, and the term "person" shall mean any individual, person or entity. The captions contained in the Loan Documents are inserted for convenience only and shall not affect the meaning or interpretation of the Loan Documents. BINDING CONTRACT. Borrower by execution of and Bank by acceptance of this Note agree that each party is bound to all terms and provisions of this Note. ADVANCES. Bank in its sole discretion may make other Advances under this Note pursuant hereto. POSTING OF PAYMENTS. All payments received during normal banking hours after 2:00 p.m. local time at the office of Bank first shown above shall be deemed received at the opening of the next banking day. JOINT AND SEVERAL OBLIGATIONS. Each Borrower is jointly and severally obligated under this Note. FEES AND TAXES. Borrower shall promptly pay all documentary, intangible recordation and/or similar taxes on this transaction whether assessed at closing or arising from time to time.

ARBITRATION. Upon demand of any party hereto, whether made before or after institution of any judicial proceeding, any dispute, claim or controversy arising out of, connected with or relating to this Note and other Loan Documents ("Disputes") between or among parties to this Note shall be

resolved by binding arbitration as provided herein. Institution of a judicial proceeding by a party does not waive the right of that party to demand arbitration hereunder. Disputes may include, without limitation, tort claims, counterclaims, disputes as to whether a matter is subject to arbitration, claims brought as class actions, claims arising from Loan Documents executed in the future, or claims arising out of or connected with the transaction reflected by this Note.

Arbitration shall be conducted under and governed by the Commercial Financial Disputes Arbitration Rules (the "Arbitration Rules") of the American Arbitration Association (the "AAA") and Title 9 of the U.S. Code. All arbitration hearings shall be conducted in the city in which the office of Bank first stated above is located. The expedited procedures set forth in Rule 51 et seq. of the Arbitration Rules shall be applicable to claims of less than \$1,000,000.00. All applicable statutes of limitation shall apply to any Dispute. A judgment upon the award may be entered in any court having jurisdiction. The panel from which all arbitrators are selected shall be comprised of licensed attorneys. The single arbitrator selected for expedited procedure shall be a retired judge from the highest court of general jurisdiction, state or federal, of the state where the hearing will be conducted or if such person is not available to serve, the single arbitrator may be a licensed attorney. Notwithstanding the foregoing, this arbitration provision does not apply to disputes under or related to swap agreements.

PRESERVATION AND LIMITATION OF REMEDIES. Notwithstanding the preceding binding arbitration provisions, Bank and Borrower agree to preserve, without diminution, certain remedies that any party hereto may employ or exercise freely, independently or in connection with an arbitration proceeding or after an arbitration action is brought. Bank and Borrower shall have the right to proceed in any court of proper jurisdiction or by self-help to exercise or prosecute the following remedies, as applicable: (i) all rights to foreclose against any real or personal property or other security by exercising a power of sale granted under Loan Documents or under applicable law or by judicial foreclosure and sale, including a proceeding to confirm the sale; (ii) all rights of self-help including peaceful occupation of real property and collection of rents, set-off, and peaceful possession of personal property, (iii) obtaining provisional or ancillary remedies including injunctive relief, sequestration, garnishment, attachment, appointment of receiver and filing an involuntary bankruptcy proceeding; and (iv) when applicable, a judgment by confession of judgment. Preservation of these remedies does not limit the power of an arbitrator to grant similar remedies that may be requested by a party in a Dispute.

Borrower and Bank agree that they shall not have a remedy of punitive or exemplary damages against the other in any Dispute and hereby waive any right or claim to punitive or exemplary damages that they have now or which may arise in the future in connection with any Dispute whether the Dispute is resolved by arbitration or judicially.

IN WITNESS WHEREOF, Borrower, on the day and year first written above, have caused this Note to be executed under seal.

Optical Cable Corporation, a Virginia Corporation
Taxpayer Identification Number: 54-1237042

CORPORATE
SEAL

By: /s/ Robert Kopstein

Robert Kopstein, President

MODIFICATION NUMBER ONE
TO THE PROMISSORY NOTE

Optical Cable Corporation, a Virginia Corporation
5290 Concourse Drive
Roanoke, Virginia 24019
(Individually and collectively "Borrower")

First Union National Bank of Virginia
201 South Jefferson Street
Roanoke, Virginia 24011
(Hereinafter referred to as the "Bank")

IMPORTANT NOTICE

THIS AGREEMENT CONTAINS A CONFESSION OF JUDGMENT PROVISION WHICH CONSTITUTES A WAIVER OF IMPORTANT RIGHTS YOU MAY HAVE AS A BORROWER AND ALLOWS BANK TO OBTAIN A JUDGMENT AGAINST YOU WITHOUT FURTHER NOTICE.

THIS AGREEMENT is entered into as of _____, 1998 by and between Bank and Borrower.

WHEREAS, Bank is the holder of a Promissory Note executed and delivered by Borrower, dated April 25, 1997 in the original principal amount of \$10,000,000.00 (the "Note"); and

WHEREAS, Borrower and Bank have agreed to modify the terms of the Promissory Note.

NOW, THEREFORE, in consideration of the premises contained herein and other good and valuable consideration, receipt and sufficiency of which is acknowledged, the parties agree as follows:

OUTSTANDING BALANCE. The total outstanding unpaid principal balance under the Note as of March 6, 1998 is \$0.00. The parties acknowledge that interest on the obligation under the Note is paid through March 6, 1998.

MODIFICATIONS.

1. The Note is hereby modified by deleting the provisions in the Note establishing the repayment terms and substituting the following in their place and stead:

REPAYMENT TERMS. The Note shall be due and payable in consecutive monthly payments of accrued interest only commencing on April 1, 1998, and on the same day each month thereafter until fully paid. In any event, the Note shall be due and payable in full, including all principal and accrued interest, on demand.

LINE OF CREDIT ADVANCES. Borrower may borrow, repay and reborrow, and Bank may advance and readvance under the Note respectively from time to time until the maturity hereof (each an "Advance" and together the "Advances"), so long as the total indebtedness outstanding at any one time does not exceed the principal amount stated on the face of the Note. Bank's obligation to make Advances under the Note shall terminate if a demand for payment is made under the Note or if a Default (as defined in the other Loan Documents) under any Loan Document occurs or in any event, on February 29, 1999 unless renewed or extended by Bank in writing upon such terms then satisfactory to Bank. As of the date of each proposed Advance, Borrower shall be deemed to represent that each representation made in the Loan Documents is true as of such date.

ACKNOWLEDGEMENTS. Borrower acknowledges and represents that the Note and other Loan Documents, as amended hereby, are in full force and effect and are binding upon it, its successors, assigns, administrators and heirs without any defense, counterclaim, right or claim of set-off or of other sum due; that, after giving effect to this Agreement, no default or event that with the passage of time or giving of notice would constitute a default under the Loan Documents has occurred; that all representations and warranties contained in the Loan Documents are true and correct as of this date; that there have been no changes in the ownership of any collateral pledged to secure the Obligations since the dates of the instruments originally pledging such collateral; and that Borrower has taken all necessary action (corporate or otherwise) to authorize the execution and delivery of this Agreement. This Agreement constitutes only a modification of an existing obligation owing by Borrower to Bank, and is not a novation.

LIENS. Borrower acknowledges and confirms the extent, validity and priority of the Bank's security interests and liens in the collateral pledged, if any, pursuant to the Loan Documents, and agrees that such security interests and liens shall secure the Borrower's Obligations to Bank, including any modification of the Note or Loan Agreement, and all future modifications, extensions, renewals and/or replacements of the Loan Documents.

MISCELLANEOUS. This Agreement shall be construed in accordance with and governed by the laws of the applicable state as originally provided in the Loan Documents, without reference to that state's conflicts of laws principles. This Agreement and the other Loan Documents constitute the sole agreement of the parties with respect to the subject matter thereof and supersede all oral negotiations and prior writings with respect to the subject matter thereof. No amendment of this Agreement, and no waiver of any one or more of the provisions hereof shall be effective unless set forth in writing and signed by the parties hereto. The illegality, unenforceability or inconsistency of any provision of this Agreement shall not in any way affect or impair the legality, enforceability or consistency of the remaining provisions of this Agreement or the other Loan Documents. This Agreement and the other Loan Documents are intended to be consistent. However, in the event of any inconsistencies among this Agreement and any of the Loan Documents, the terms of this Agreement, and then the Note, shall control. This Agreement may be executed in any number of counterparts and by the different parties on separate counterparts. Each such counterpart shall be deemed an original, but all such counterparts shall together constitute one and the same agreement.

DEFINITIONS. The term "Loan Documents" used in this Agreement and other Loan Documents refers to all documents, agreements, and instruments executed in connection with any of the Obligations (as defined herein), and may include, without limitation, modification agreements, a commitment letter that survives closing, a loan agreement, any note, guaranty agreements, security agreements, security instruments, financing statements, mortgage instruments, letters of credit and any renewals or modifications, whenever any of the foregoing are executed, but does not include swap agreements (as defined in U.S.C. ss. 101). The term "Obligations" used in this Agreement refers to any and all indebtedness and other obligations of every kind and description of the Borrower to the Bank or to any Bank affiliate, whether or not under the Loan Documents, and whether such debts or obligations are primary or secondary, direct or indirect, absolute or contingent, sole, joint or several, secured or unsecured, due or to become due, contractual, including, without limitation, swap agreements (as defined in 11 U.S.C. ss. 101), arising by tort, arising by operation of law, by overdraft or otherwise, or now or hereafter existing, including, without limitation, principal, interest, fees, late fees, expenses, attorneys' fees and costs that have been or may hereafter be contracted or incurred. Terms used in this Agreement which are capitalized and not otherwise defined herein shall have the meanings ascribed to such terms in the Note and/or other Loan Documents.

Borrower reaffirms and restates the following with respect to the Note as modified herein:

CONFESSION OF JUDGMENT. Each Borrower hereby duly constitutes and appoints Keith Northern, Gregory Baugher (each of whom is an officer of Bank), and Bank through an officer duly authorized by Bank (any of the foregoing may act), as the true and lawful attorneys-in-fact for them, in any or all of their names, place and stead, and upon the occurrence of a default in the payment of the Obligations due under the Note to confess judgment against them or any of them in favor of Bank, before the Clerk of the Circuit Court for the City of Roanoke, Virginia, in accordance with 1950 Code of Virginia, Section 8.01-431 et seq., and any successor statute, for all amounts owed with respect to the Obligations under the pursuant to the Note including, without limitation, all costs of collection, attorneys' fees in an amount equal to 15% of the Obligations then outstanding (which shall be deemed reasonable attorneys' fees for the purposes of this paragraph), and court costs, hereby ratifying and confirming the acts of said

attorney-in-fact as if done by themselves. Upon request of Bank, each Borrower will execute an amendment or other agreement substituting attorneys-in-fact appointed to act for each Borrower hereunder.

ARBITRATION. Upon demand of any party hereto, whether made before or after institution of any judicial proceeding, any dispute, claim or controversy arising out of, connection with or relating to this Agreement and other Loan Documents ("Disputes") between or among parties to this Agreement shall be resolved by binding arbitration as provided herein. Institution of a judicial proceeding by a party does not waive the right of that party to demand arbitration hereunder. Disputes may include, without limitation, tort claims, counterclaims, disputes as to whether a matter is subject to arbitration, claims brought as class actions, claims arising from Loan Documents executed in the future, or claims arising out of or connected with the transaction reflected by this Agreement.

Arbitration shall be conducted under and governed by the Commercial Financial Disputes Arbitration Rules (the "Arbitration Rules") of the American Arbitration (the "AAA") and Title 9 of the U.S. Code. All arbitration hearings shall be conducted in the city in which the office of Bank first stated above is located. The expedited procedures set forth in Rule 51 et seq. of the Arbitration Rules shall be applicable to claims of less than \$1,000,000.00. All applicable statutes of limitation shall apply to any Dispute. A judgment upon the award may be entered in any court having jurisdiction. The panel from which all arbitrators are selected shall be comprised of licensed attorneys. The single arbitrator selected for expedited procedure shall be a retired judge from the highest court of general jurisdiction, state or federal, of the state where the hearing will be conducted or if such person is not available to serve, the single arbitrator may be a licensed attorney. Notwithstanding the foregoing, this arbitration provision does not apply to disputes under or related to swap agreements.

PRESERVATION AND LIMITATION OF REMEDIES. Notwithstanding the preceding binding arbitration provisions, Bank and Borrower agree to preserve, without diminution, certain remedies that any party hereto may employ or exercise freely, independently or in connection with an arbitration proceeding or after an arbitration action is brought. Bank and Borrower shall have the right to proceed in any court of proper jurisdiction or by self-help to exercise or prosecute the following remedies, as applicable: (i) all rights to foreclose against any real or personal property or other security by exercising a power of sale granted under Loan Documents or under applicable law or by judicial foreclosure and sale, including a proceeding to confirm the sale; (ii) all rights of self-help including peaceful occupation of real property and collection of rents, set-off, and peaceful possession of personal property; (iii) obtaining provisional or ancillary remedies including injunctive relief, sequestration, garnishment, attachment, appointment of receiver and filing an involuntary bankruptcy proceeding; and (iv) when applicable, a judgment by confession of judgment. Preservation of these remedies does not limit the power of an arbitrator to grant similar remedies that may be requested by a party in a Dispute.

Borrower and Bank agree that they shall not have a remedy of punitive or exemplary damages against the other in any Dispute and hereby waive any right or claim to punitive or exemplary damages they have now or which may arise in the future in connection with any Dispute whether the Dispute is resolved by arbitration or judicially.

IN WITNESS WHEREOF, the undersigned have signed and sealed this Agreement the day and year first written above.

Optical Cable Corporation
Taxpayer Identification Number: 54-1237042

CORPORATE
SEAL

By: /s/ Robert Kopstein

Robert Kopstein, President

First Union National Bank

CORPORATE
SEAL

By: /s/ Susan K. Doyle

Susan K. Doyle, Vice President

THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED APRIL 30, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

AMOUNTS INAPPLICABLE OR NOT DISCLOSED AS A SEPARATE LINE ON THE BALANCE SHEET OR STATEMENT OF INCOME ARE REPORTED AS 0 HEREIN.

1,000
U.S. Dollars

6-MOS	Oct-31-1998	Nov-01-1997	Apr-30-1998
			1
			518
		0	
		8,513	
		255	
		13,274	
		22,773	
		15,360	
		4,035	
		34,140	
	3,920		
			0
	0		
		0	
		13,798	
		16,320	
34,140			
		23,562	
	23,603		
		13,417	
		18,144	
		3	
		(53)	
		0	
		5,455	
		1,920	
	3,535		
		0	
		0	
			0
		3,535	
		0.092	
		0.091	