

As filed with the Securities and Exchange Commission on April 14, 2003
Registration No. 333-103108

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 1
TO
FORM S-3
REGISTRATION STATEMENT
Under
THE SECURITIES ACT OF 1933

OPTICAL CABLE CORPORATION

(Exact name of registrant as specified in our charter)

Virginia
(State or Other Jurisdiction of
Incorporation or Organization)

54-1237042
(I.R.S. Employer
Identification Number)

5290 Concourse Drive
Roanoke, Virginia 24019
(540) 265-0690

(Address and telephone number of registrant's principal executive offices)

Mr. Neil D. Wilkin, Jr.
Optical Cable Corporation
5290 Concourse Drive
Roanoke, Virginia 24019
540-265-0609

(Name, address and telephone number of agent for service)

Copy to:
Leslie A. Grandis
McGuireWoods LLP
One James Center
901 East Cary Street
Richmond, Virginia 23219

Approximate date of commencement of proposed sale to the public: as soon as practicable after the effective date of this registration statement.

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If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

/ /

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. /X/

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. / /



OPTICAL CABLE CORPORATION

250,000 COMMON SHARES

NO PAR VALUE PER SHARE

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

Optical Cable Corporation's common shares are quoted on the Nasdaq Stock Market under the symbol "OCCF." On April 4, 2003, the last reported sale price of the common shares was \$4.70 per common share.

Investing in Optical Cable Corporation's common shares involves risks. See "Risk Factors" beginning on page 3.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The information in this prospectus is not complete and may be changed. Optical Cable Corporation may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

The date of this Prospectus is April 14, 2003.

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Optical Cable Corporation has not authorized anyone to provide you with information that is different from that contained or incorporated by reference in this prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith we file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (“SEC”). Such reports, proxy statements and information may be inspected without charge and copied at prescribed rates, at the SEC’s Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 25049. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Such reports, proxy statements and other information, when available, also may be accessed through the Internet site maintained by the SEC (<http://www.sec.gov>). In addition, our common shares, no par value, are quoted on the Nasdaq Stock Market under the symbol “OCCF,” and such material may also be available from the Nasdaq Stock Market.

We have filed with the SEC a registration statement on Form S-3 under the Securities Act with respect to the securities registered hereby. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement and in the exhibits and schedules thereto. For further information about us and our common shares, we urge you to carefully review the registration statement and the accompanying exhibits and schedules. The registration statement may be inspected without charge at, or copies obtained upon payment of prescribed fees from, the SEC. The registration statement also may be accessed through the Internet site maintained by the SEC (<http://www.sec.gov>). Any statements we have made in this prospectus concerning a provision of any document are not necessarily complete, and, in each instance, we urge you to carefully review the copy of such document filed as an exhibit to the registration statement or otherwise filed with the SEC.

The SEC allows us to “incorporate” into this prospectus information that we file with the SEC in other documents. This means that we can disclose important information to you by referring to other documents that contain that information. The information incorporated by reference is considered to be part of this prospectus, and the information that we file with the SEC in the future and incorporate by reference will automatically update and may supersede the information contained in this prospectus. We incorporate by reference the documents listed below and any future filings we make with the SEC under Sections 13(a), 13(c), 14 and 15 (d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), prior to the sale of all of the shares covered by this prospectus.

The following documents that Optical Cable Corporation has filed with the SEC are incorporated by reference:

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- (1) Annual Report on Form 10-K for the year ended October 31, 2002;
- (2) Quarterly Report, as amended, on Forms 10-Q and 10-Q/A for the quarter ended January 31, 2003;
- (3) Current Report on Form 8-K dated January 10, 2003 filed January 22, 2003; and
- (4) The description of our common shares and share purchase rights, all as contained in our registration statements on Form 8-A filed February 12, 2003, including any amendments or reports filed for the purpose of updating or supplementing such description.

We will provide without charge to each person to whom this prospectus is delivered, upon a written or oral request, a copy of any of the documents incorporated herein by reference (other than exhibits to such documents unless such exhibits are specifically incorporated by reference herein). Requests for such documents should be directed to the Secretary of Optical Cable Corporation, in writing, at 5290 Concourse Drive, Roanoke, Virginia 24019 or by telephone at 540-265-0690.

OPTICAL CABLE CORPORATION

Optical Cable Corporation was incorporated in Virginia in 1983. Our executive offices are located at 5290 Concourse Drive, Roanoke, Virginia 24019, and our telephone number is (540) 265-0690.

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

We pioneered the design and production of special tight-buffer fiber optic cables for the most demanding military field applications in the early 1980s—applications requiring rugged, flexible and compact fiber optic cables. At our ISO 9001 registered facility in Roanoke, Virginia, we manufacture a broad range of fiber optic cables for “high bandwidth” transmission of data, video, and audio communications over short to moderate distances. Our cables can be used both indoors and outdoors and utilize a unique tight-buffer coating process and cable construction that provide excellent mechanical and environmental protection for each optical fiber. Our current portfolio of products is built on the evolution and refinement of the original fundamental technology into a comprehensive and versatile product line designed to provide end-users with significant value and performance. Our fiber optic cables are easy and economical to install, provide a high degree of reliability and offer outstanding performance characteristics. We have designed and implemented an efficient and automated manufacturing process based on our proprietary technologies. This enables us to produce high quality indoor/outdoor tight-buffer fiber optic cable rapidly and cost efficiently.

RISK FACTORS

Investing in our common shares involves a high degree of risk. You should carefully consider the following risk factors and all other information contained in this prospectus before investing in Optical Cable Corporation's common shares. The risk factors include risks related to our industry as well as risks related to our business. The trading price of Optical Cable Corporation's common shares could decline due to any of these risks or other factors and you may lose all or part of your investment.

Any decline in the demand for tight-buffer fiber optic cable may cause our sales to fall.

Tight-buffer fiber optic cable accounts for all of our sales. As a result, any decline in the demand for tight-buffer fiber optic cable will likely cause our sales to fall, cause our share price to decline and limit our future prospects. Furthermore, if alternative fiber optic cable constructions, such as loose-tube fiber optic cable, become more accepted as alternatives to tight-buffer fiber optic cable construction in our target markets, then our sales could decrease materially, our future prospects could be limited and our share price could decline significantly.

Any decline in demand for fiber optic cable used in short to moderate distance applications such as metropolitan, access and enterprise networks may cause our sales to fall.

A majority of our fiber optic cables are used in short to moderate distance applications for enterprise networks, and to a lesser extent, metropolitan and access networks. Any decline in the demand for fiber optic cable used in short to moderate distance applications, such as metropolitan, access and enterprise networks, will likely cause our sales to fall, limit our prospects for the future and cause a decline in our share price.

Our future growth depends on the rate at which optical networks are deployed in the metropolitan, access and enterprise markets.

We focus on producing tight-buffer fiber optic cable that is used to connect optical networking equipment in short to moderate distance applications, for the enterprise market, and to a lesser extent, the metropolitan and access markets. Our future growth depends on the rate at which optical networking and related optical cabling are deployed in these markets. The desire of organizations to deploy fiber optic cabling depends on such factors as end-user demand for the increased bandwidth made possible by optical networks, as well as a lack of suitable alternative technologies. The current economic downturn has dampened capital spending on fiber optic networking and fiber optic cables, and may continue to do so for the foreseeable future. If organizations in metropolitan, access and enterprise markets cease to deploy fiber optic cabling to extend the reach of their fiber optic networks, our sales could decrease materially, our share price could decline and our growth rate could be impaired.

The optical networking market is ever changing and if the fiber optic networking market does not develop and expand as we anticipate, sales for our products may decline, which would negatively impact our financial performance.

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The optical networking market is characterized by rapid technological change, changes in customer requirements, evolving industry standards and frequent new product introductions. Our success will, to a significant degree, depend on our ability to develop and introduce in a timely fashion new products that address customers' diverse needs, incorporate new technologies, conform to changing industry standards and achieve market acceptance. Fiber optic cabling also competes with alternative broadband delivery technologies such as wireless and coaxial cable. If alternative broadband technologies gain greater relative acceptance, demand for fiber optic cables may decline.

Our ability to remain competitive in the fiber optic cable market is crucial to our continued success.

The market for fiber optic cables, including the short to moderate distance market in which our products are concentrated, is highly competitive. We compete with large, integrated fiber optic cable manufacturers such as Corning Cabling Systems, Pirelli, OFS (formerly Lucent Technologies), Alcatel and Draka, as well as with other large fiber optic cable manufacturers such as General Cable, Mohawk/CDT, Berk-Tek, CommScope and others. Some of our competitors are more established, benefit from greater market recognition and have much greater financial, research and development, production and marketing resources than we do. Competition could increase if new companies enter the market or if existing competitors expand their product lines.

Robert Kopstein, our former Chairman, President and Chief Executive Officer, who was removed from his roles with us by a Special Committee of our Board of Directors in December 2001, may choose to compete with us in the future. Furthermore, fiber optic cable competes with copper wire cable and other alternative transmission media including wireless and satellite communications. Increased competition could result in price reductions and loss of market share, which could cause a material decrease in our sales.

We are a "microcap" stock with little, if any, coverage by security analysts, and with few institutional investors. Therefore, the price of our common shares is volatile and subject to significant fluctuations.

Optical Cable Corporation has a relatively low market capitalization represented by the total number of common shares issued and outstanding multiplied by the price per common share. Often the capital stock of companies with such low market capitalizations are referred to as "microcap" stocks. As a result of this low market capitalization, it is quite difficult for us to secure coverage by security analysts and to convince institutional investors to invest in our common shares. Additionally, our low market capitalization makes it likely that the sale or purchase of even relatively small blocks of our common shares can result in significant fluctuations in the price of our common shares with or without any underlying change in our financial performance. As a result, the price of our common stock is volatile and subject to significant fluctuations.

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We believe our quarterly results may tend to fluctuate due to many factors, including seasonality. The price of our common shares will likely fall if our quarterly results are lower than the expectations of securities analysts, if any, or our shareholders.

We expect our sales and income to fluctuate from quarter to quarter. In future quarters, our operating results may be below the expectations of securities analysts, if any securities analysts are offering coverage of us, or our shareholders. If this occurs, the price of our common shares is likely to fall and you may lose all or part of your investment. A number of factors, many of which are discussed in more detail in other risk factors, may cause variations in the results of our operations, including:

- the proportion of our net sales made to distributors relative to other types of customers;
- the proportion of large to small orders;
- our product mix;
- the timing of orders that we receive from our customers;
- changes in the cost and availability of our raw materials;
- our manufacturing capacity and yield; and
- capital spending for fiber optic cabling in the metropolitan, access and enterprise markets.

A significant percentage of our expenses, including those relating to manufacturing, sales and marketing, and general and administrative functions, are relatively fixed in the short term. As a result, if we experience delays in generating or recognizing revenue, our operating results would be disproportionately affected. You should not rely on our results for one quarter as any indication of our future performance. We believe our results of operations may reflect some seasonality. Historically, our sales are lower in the first half of each fiscal year and higher in the second half of each fiscal year, which we believe may be partially due to construction cycles and budgetary cycles of our customers. However, our sales have not followed this pattern in fiscal years 2001 and 2002, and may not follow this pattern in fiscal year 2003.

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Some of our optical fiber suppliers are also competitors and if our supply relationship with them deteriorates, it could harm our business.

Some of our suppliers of optical fiber are also major competitors in the market for fiber optic cables. For example, we may buy some of our optical fiber from a supplier that also offers fiber optic cables that compete with our fiber optic cables. Our business, financial condition, future prospects, and results of operations could be harmed if these suppliers reduce the amount of optical fiber available to us, increase their prices, lengthen the lead time for orders or otherwise impair our ability to secure optical fiber on competitive terms.

If our supplier relationships are disrupted, our operating results may suffer.

We currently rely on a limited number of suppliers for our supply of optical fiber and aramid yarns. We do not have long-term agreements with all of these suppliers. These raw materials are critical to our production of fiber optic cables, and any disruption in the supply of raw materials could adversely affect our fiber optic cable production capability and adversely affect our operating results. There can be no assurance that our suppliers will continue to meet our optical fiber and aramid yarn requirements or meet these requirements on competitive terms.

A material portion of our net sales are made to distributors. If one or more of our distributors do not continue to purchase our products in significant quantities, our net sales and profitability may materially decline.

We depend on our distributors offering our products. Our distributors carry the products of our competitors and are not contractually committed to carry our products or purchase any minimum quantities. For example, one of our major distributors notified us during fiscal year 2002 that they would no longer stock our product as part of that distributor's regular product offering. As a result, we experienced a decline in sales. If any one of our distributors decides to purchase significantly less of our products or terminate their relationship with us, our sales and profitability may materially decline. We could lose our key distributors because of factors beyond our control, such as a significant disruption in our distributors' businesses generally or in a specific product line. For example, one of our major distributors filed for bankruptcy in January 2001. In addition, if any of our distributors merge, we may experience lower overall sales.

We rely on our proprietary manufacturing processes, and if our competitors develop similar processes or third parties infringe upon those processes, our ability to compete may be harmed.

Our success and ability to compete is dependent in part on our proprietary manufacturing technology. None of our current manufacturing processes or products is protected by patents. We rely on a combination of trade secrets and technical measures to establish and protect our rights pertaining to our production technology. This protection may not deter misappropriation or preclude competitors from developing production processes, techniques or equipment with features identical, similar or superior to ours, which could harm our ability to compete. We believe that none of our products, trademarks or other proprietary rights infringe on the

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proprietary rights of others. However, third parties may assert infringement claims against us in the future with respect to our present or future products that may require us to enter into license agreements or result in protracted and costly litigation, regardless of the merits of these claims.

If we fail to retain our key employees, our business may be harmed.

Our success has been largely dependent on the skills, experience and efforts of our key employees, and the loss of the services of any of our executive officers or other key employees could have an adverse effect on us. The loss of our key employees who have intimate knowledge of our manufacturing process could lead to increased competition in the marketplace to the extent that those employees are able to recreate our manufacturing process. Our future success will also depend in part upon our continuing ability to attract and retain highly qualified personnel, who are in great demand.

Our ability to manage our growth, if any, successfully is crucial to our future prospects.

Our ability to operate successfully in the future will depend on our ability to manage the effects of growth, if any, on our manufacturing, distribution, marketing, customer service, engineering, product development, quality control, administration and financial condition. Our failure to manage growth, if any, effectively could have a material adverse effect on our business or results of operations by impairing our competitiveness, causing a fall in our share price, causing a decline in our cash flow, limiting our earnings growth or impairing our ability to conduct business with vendors on the best terms.

International sales are important to us and may put our future revenues at the risk of currency, political, economic and regulatory fluctuations.

In fiscal years 2000, 2001 and 2002, export net sales represented approximately 21%, 23% and 23% of our net sales, respectively, and we expect that international business will continue to account for a significant portion of our sales. Our international business subjects us to added burdens and risks. These burdens and risks include currency fluctuations, greater uncertainty in political and economic conditions, unexpected changes in regulatory and tariff requirements and added complexity in complying with legal requirements.

As a result of our international sales, we are subject to legal requirements in addition to those applicable in the United States. For example, foreign regulatory bodies often establish standards different from those in the United States. Our products are designed generally to meet U.S. standards. Although our quality management system is certified to the internationally recognized ISO 9001 quality standard, and although some of our products are designed to meet the requirements of various European and Far Eastern markets, any inability by us to maintain our ISO 9001 quality standard certification or to design products in compliance with foreign standards could have a material adverse effect on our operating results.

Our failure to comply with foreign legal requirements or any trade or other policies of foreign countries could result in a significant decline in our international sales.

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Although most of our international sales are denominated in U.S. dollars, our international business may be affected by changes in demand resulting from fluctuations in currency exchange rates as well as by risks such as restrictive tariff regulations.

Potential strategic alliances may not achieve their objectives.

We intend to explore strategic alliances designed to increase the use of our manufacturing capacity, to increase distribution of our products and to secure supplies of raw materials. We may not be successful in developing these strategic alliances. Moreover, alliances that Optical Cable Corporation does develop may not achieve their strategic objectives, and parties to our strategic alliances may not perform as contemplated.

If a disaster struck our primary business facility, our business, results of operations and financial condition may be harmed.

We believe that our success to date has been, and future results of operations will be, dependent in large part upon our ability to provide prompt and efficient service to our customers. As a result, any disruption of our day-to-day operations could cause a significant decline in our sales, negatively impact our financial performance and cause a decline in our share price. Our manufacturing operations, marketing, management information systems, customer service and distribution functions are housed in a single facility in Roanoke, Virginia. A fire, flood, earthquake, terrorist attack, act of war, military conflict, or any other disaster affecting our facility could disable the functions performed at our Roanoke, Virginia facility. Any significant damage to this facility would have a material adverse effect on our business, results of operations and financial condition.

Any future growth could be adversely affected if we are unable to expand our manufacturing facilities on a timely basis.

Our manufacturing facilities are more than adequate for our current level of production. We currently estimate that we are operating at about 60% of our plant manufacturing capacity. However, if our sales were to grow significantly or if our product mix changed dramatically, we may need to increase our plant manufacturing capacity and/or hire additional production employees. If we are unable to expand our plant manufacturing capacity and/or hire additional production employees on a timely basis, we may lose sales opportunities and not be able to realize any growth potential. Our ability to expand our plant manufacturing capacity at our current facilities and/or hire additional production employees will depend on a number of factors, including timely delivery and installation of equipment, the availability of labor and the hiring and training of new personnel. If we grow significantly, we may also need to construct additional manufacturing facilities which will expose us to construction delays, cost overruns and other risks of new construction.

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Provisions of our charter documents and Virginia law may have anti-takeover effects that could prevent a change of control, which may cause our share price to decline.

Each of the Virginia Stock Corporation Act, our Amended and Restated Articles of Incorporation and our Bylaws contain provisions that may discourage acquisition offers, if any, for us. For example, one provision in the Articles of Incorporation authorizes the Board of Directors to issue up to 1,000,000 preferred shares in series, with the terms of each series to be fixed by the Board of Directors. On November 2, 2001, our Board of Directors adopted a Shareholders Rights Plan and declared a dividend of one preferred share purchase right (a "Right") on each outstanding common share. Under the terms of the Shareholders Rights Plan, if a person or group who is deemed an Acquiring Person as defined in the Shareholders Rights Plan acquires 15% (or other applicable percentage, as provided in the Shareholders Rights Plan) or more of our outstanding common shares, each Right will entitle its holder (other than such Acquiring Person or members of such group) to purchase, at the Right's then current exercise price, a number of common shares having a market value of twice such price. In addition, if we are acquired in a merger or other business transaction after a person or group who is deemed an Acquiring Person has acquired such percentage of the outstanding common shares, each Right will entitle its holder (other than such Acquiring Person or members of such group) to purchase, at the Right's then current exercise price, a number of the acquiring company's common shares having a market value of twice such price.

These provisions of the Virginia Stock Corporation Act, our Amended and Restated Articles of Incorporation (including the provisions of our Shareholders Rights Plan), and our Bylaws may have the effect of delaying, deterring or preventing a change in control in us and could limit the price that investors might be willing to pay in the future for common shares.

The volatility of the stock market may have a harmful effect on the price of our common shares and our ability to raise capital.

The market price of Optical Cable Corporation's common shares could be subject to significant fluctuations in response to variations in anticipated or actual operating results and other events or factors such as announcements of technological innovations or new products by us or by our competitors, government regulations and developments in patent or other proprietary rights.

In addition, the market prices for common shares of companies in the optical networking sector have recently experienced significant price fluctuations and declines. Broad market fluctuations, as well as general economic conditions, in the United States or internationally, may adversely affect the market price of our common shares and cause the market price of the common shares to decline below the price at which shares are initially sold to the public in this offering.

Terrorism, acts of war, or military conflicts, may adversely affect the markets for our products and adversely affect our sales, financial performance and the price of our common shares.

Any future terrorism, acts of war or military conflicts may adversely affect the markets in which we operate and adversely affect our sales, financial performance and the price of our common shares. These risks have increased given the acts of terrorism against the United States of America, and the subsequent military responses by the United States. Additionally, as the United States proceeds militarily against Iraq or should the United States proceed militarily against other countries, such acts could disrupt the markets in which we operate and adversely affect us.

We have no current intention to pay cash dividends.

We have not historically paid cash dividends, and do not anticipate paying any cash dividends in the foreseeable future. We currently intend to retain future earnings, if any, to finance operations and the expansion of our business. Any future determination to pay cash dividends will be at the discretion of our Board of Directors and will be dependent upon our financial condition, operating results, capital requirements and other factors that the Board of Directors deems relevant. In addition, our Loan and Security Agreement, dated April 18, 2002, as amended, restricts our ability to pay cash dividends.

FORWARD-LOOKING STATEMENTS

Statements contained in this prospectus may discuss future expectations, contain projections of results of operations or financial condition or state other “forward-looking” information. You can identify these forward-looking statements by the use of the words “believes,” “anticipates,” “plans,” “expects,” “may,” “will,” “intends,” “estimates,” and similar expressions, whether in the negative or affirmative. Those statements are subject to known and unknown risks, uncertainties and other factors that could cause the actual results to differ materially from those contemplated by the statements, including those risks and uncertainties discussed in the “Risk Factors” section of this prospectus or in Optical Cable Corporation’s periodic filings with the SEC. In light of the significant risks and uncertainties inherent in the forward-looking statements included in this prospectus, the inclusion of such statements should not be regarded as a representation by us or any other person that our objectives and plans will be achieved.

USE OF PROCEEDS

The proceeds from the sale of the common shares pursuant to the exercise of the warrants will be used for general corporate purposes.

PLAN OF DISTRIBUTION

We are registering the common shares issuable upon the exercise of the warrants to be issued to class members pursuant to the Stipulation of Settlement among us, some of our current and former officers and directors and plaintiffs' counsel that was approved by the United States District Court for the Western District of Virginia relating to a consolidated class action lawsuit filed against us and some of our current and former officers and directors by certain of our shareholders. We will issue the common shares directly to the holders of the warrants, upon exercise of the warrants, from time to time after the date of this prospectus. The warrants are exercisable pursuant to the terms of the warrants and a warrant agreement between us and Wachovia Bank, National Association.

LEGAL MATTERS

Certain legal matters including, without limitation, the legality of the issuance of the shares offered hereby, will be passed upon for Optical Cable Corporation by McGuireWoods LLP, One James Center, 901 East Cary Street, Richmond, Virginia 23219.

EXPERTS

Optical Cable Corporation's financial statements as of October 31, 2002 and 2001, and for each of the years in the three-year period ended October 31, 2002, have been incorporated by reference in this prospectus and in the registration statement of which it forms a part in reliance upon the report of KPMG LLP, independent certified public accountants, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

PART II
Information Not Required in Prospectus

Item 14. Other Expenses of Issuance and Distribution

The expenses of issuance and distribution of the common shares underlying the warrants are to be paid by the registrant. The following itemized list is an estimate of the expenses:

SEC registration fee	\$ 112.24
Legal fees and expenses	\$ 25,000.00
Accounting fees and expenses	\$ 4,000.00
Miscellaneous	\$ 2,600.00
Total	\$ 31,712.24

Item 15. Indemnification of Directors and Officers

Article 10 of the Virginia Stock Corporation Act (the "Act") allows, in general, for indemnification, in certain circumstances, by a corporation of any person threatened with or made a party to any action, suit, or proceeding by reason of the fact that he or she is, or was, a director, officer, employee or agent of the corporation. Indemnification is also authorized with respect to a criminal action or proceeding where the person had no reasonable cause to believe that his conduct was unlawful. Article 9 of the Act provides limitations on damages payable by officers and directors, except in cases of willful misconduct or knowing violation of criminal law or any federal or state securities law.

Optical Cable Corporation's Articles of Incorporation provide for mandatory indemnification of our directors and officers against liability incurred by them in proceedings instituted or threatened against them by third parties, or by or on behalf of Optical Cable Corporation itself, relating to the manner in which they performed their duties unless they have been found guilty of willful misconduct or a knowing violation of the criminal law.

Item 16. Exhibits

<u>Exhibit No.</u>	<u>Item</u>
4.1**	Warrant Agreement dated October 24, 2002, by and between Optical Cable Corporation and Wachovia Bank, National Association
4.2**	Form of Warrant Certificate relating to the warrants
5.1	Opinion of McGuireWoods LLP (filed herewith)
23.1	Consent of KPMG LLP (filed herewith)
23.2	Consent of McGuireWoods LLP (included in Exhibit 5.1)
24.1**	Power of Attorney of Luke J. Huybrechts

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<u>Exhibit No.</u>	<u>Item</u>
24.2**	Power of Attorney of Kenneth W. Harber
24.3**	Power of Attorney of Tracy G. Smith
24.4**	Power of Attorney of Randall H. Frazier
24.5**	Power of Attorney of John M. Holland
24.6**	Power of Attorney of Craig H. Weber
99.1	Stipulation of Settlement dated October 24, 2002, in settlement of litigation in the United States District Court for the Western District of Virginia, entitled In re Optical Cable Corporation Securities Litigation, Civil Action No. 7:01 CV00937 (filed herewith)

** Previously filed.

Item 17. Undertakings

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933, as amended (the "Securities Act");

(ii) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement; and

(iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for purposes of determining any liability under the Securities Act, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers, and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act, and will be governed by the final adjudication of such issue.

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Item</u>
4.1**	Warrant Agreement dated October 24, 2002, by and between Optical Cable Corporation and Wachovia Bank, National Association
4.2**	Form of Warrant Certificate relating to the warrants
5.1	Opinion of McGuireWoods LLP (filed herewith)
23.1	Consent of KPMG LLP (filed herewith)
23.2	Consent of McGuireWoods LLP (included in Exhibit 5.1)
24.1**	Power of Attorney of Luke J. Huybrechts
24.2**	Power of Attorney of Kenneth W. Harber
24.3**	Power of Attorney of Tracy G. Smith
24.4**	Power of Attorney of Randall H. Frazier
24.5**	Power of Attorney of John M. Holland
24.6**	Power of Attorney of Craig H. Weber
99.1	Stipulation of Settlement dated October 24, 2002, in settlement of litigation in the United States District Court for the Western District of Virginia, entitled In re Optical Cable Corporation Securities Litigation, Civil Action No. 7:01 CV00937 (filed herewith)

** Previously filed.

[McGUIREWOODS LLP LETTERHEAD]
April 14, 2003

Board of Directors
Optical Cable Corporation
5290 Concourse Drive
Roanoke, Virginia 24019

Ladies and Gentlemen:

We have acted as counsel to Optical Cable Corporation (the "Company"), a Virginia corporation, in connection with the preparation of a registration statement on Form S-3 (the "Registration Statement"), to which this opinion is an exhibit. The Registration Statement pertains to the registration of 250,000 common shares of the Company (the "Common Shares") issuable upon exercise of common share purchase warrants issued and to be issued to class members pursuant to a Stipulation of Settlement that was approved by the United States District Court of the Western District of Virginia relating to a consolidated class action lawsuit filed against the Company and some of its current and former officers and directors. The Registration Statement is being filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Act"). Terms not otherwise defined herein shall have the meanings assigned to them in the Registration Statement.

We have reviewed originals or copies of (i) the Amended and Restated Articles of Incorporation, Bylaws and other corporate documents of the Company, (ii) the Warrant Agreement between the Company and Wachovia Bank, N.A. dated October 24, 2002 (the "Warrant Agreement"), (iii) the Stipulation of Settlement dated October 24, 2002 (the "Stipulation") and (iv) the Registration Statement. In addition, we have reviewed such other documents and have made such legal and factual inquiries as we have deemed necessary or advisable for purposes of rendering the opinions set forth below. Where we have considered it appropriate, as to certain facts we have relied without investigation or analysis of any underlying data contained therein, upon representations of officers or other appropriate representatives of the Company.

Based on and subject to the foregoing and the further limitations and qualifications hereinafter expressed, we are of the opinion that:

- (1) The Company is validly existing under the laws of the Commonwealth of Virginia; and
- (2) The Common Shares, when issued in accordance with the terms of the Warrant Agreement and the Stipulation, will be, legally issued, fully paid and non-assessable.

Our opinions expressed herein are as of the date hereof, and we undertake no obligation to advise you of any changes in applicable law or any other matters that may come to our attention after the date hereof that may affect our opinions expressed herein.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference to us with respect to this opinion under the heading "'Legal Matters" in the prospectus which is a part of such Registration Statement. In giving this consent, we do not admit that we are in the category of persons whose consent is required by Section 7 of the Act or the rules and regulations promulgated thereunder by the Securities and Exchange Commission.

Very truly yours,

/s/ McGuireWoods LLP

Independent Auditors' Consent

The Board of Directors
Optical Cable Corporation:

We consent to the use of our report incorporated by reference herein and to the reference to our firm under the heading "Experts" in the prospectus.

/s/ KPMG LLP

Roanoke, Virginia
April 14, 2003

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF VIRGINIA
ROANOKE DIVISION

IN RE OPTICAL CABLE CORPORATION)

SECURITIES LITIGATION) Case No. 7:01CV00937

STIPULATION OF SETTLEMENT

THIS STIPULATION OF SETTLEMENT ("Stipulation" or "Settlement") is made and entered into as of July 18, 2002, by and among (a) plaintiffs in the above-captioned class action lawsuit ("Plaintiffs") on their own behalf and on behalf of the class as hereinafter defined, and (b) Optical Cable Corporation ("OCCF" or "the Company"), Robert Kopstein ("Kopstein"), Kenneth W. Harber ("Harber") and Luke J. Huybrechts ("Huybrechts") (collectively, the "Defendants") by their undersigned counsel as set forth below:

WHEREAS, the captioned securities class action entitled Optical Cable Corporation Securities Litigation, Master Consolidated Docket No. 7:01CV00937 (the "Action") consists of several lawsuits filed in the United States District Court for the Western District of Virginia: Charles S. Farrell, Jr. v. Optical Cable Corporation, No. 7-01CV00937; Lerner Group v. Optical Cable Corporation, No. 7:01CV01005; Richard Simone v. Optical Cable Corporation, No. 7:01CV01033; Charles H. Yeatts v. Optical Cable Corporation, No. 7:02CV00088.

WHEREAS, by Order dated March 22, 2002, the United States District Court for the Western District of Virginia (the "District Court") consolidated all pending Federal securities actions against the Defendants and appointed Charles S. Farrell, Jr., Richard Simone, Charles E.

Yeatts and Rivka Carmi as lead plaintiffs ("Lead Plaintiffs") and approved Lead Plaintiffs' selection of Federman & Sherwood and Cauley, Geller, Bowman & Coates, LLP as co-lead counsel for Lead Plaintiffs ("Co-Lead Counsel for Lead Plaintiffs"); and

WHEREAS, on May 2, 2002, Lead Plaintiffs, individually and as putative representatives of a class consisting of all persons and entities who purchased the common stock of the Company during the period commencing June 14, 2000, through and including September 26, 2001 (the "Class Period"), but excluding the Defendants, their immediate families, and any subsidiary, or controlling or controlled person of such persons or entities, filed a consolidated amended class action complaint (the "Complaint") in the Action, against the Defendants, superseding all complaints previously filed;

WHEREAS, Plaintiffs allege, inter alia, that the Defendants violated certain sections of the Securities Exchange Act of 1934 (the "Exchange Act") as a result of certain alleged material misstatements and omissions in connection with the investment practices of the Company's former President, CEO and controlling shareholder, Robert Kopstein, and the potential impact of such practices on the Company's financial position, which allegedly had the effect of artificially inflating the market price of the Company's common stock during the Class Period;

WHEREAS, on June 10, 2002, the Defendants moved to dismiss the Complaint;

WHEREAS, Co-Lead Counsel for Lead Plaintiffs and counsel for the Defendants have engaged in several negotiations regarding settling the claims against the Defendants, which resulted in settlement of the Action on terms contained in a Memorandum of Understanding ("MOU") executed by Co-Lead Counsel for Lead Plaintiffs and counsel for the Defendants;

WHEREAS, Defendants deny any wrongdoing in connection with the claims alleged in the Action, but, nevertheless, without acknowledging in any way any fault, wrongdoing or liability whatsoever, Defendants have concluded that further defense of the Action would be protracted and burdensome and expensive and therefore are willing to enter into a settlement in accordance with the terms of this Stipulation (the "Settlement"), solely in order to eliminate the controversies and to avoid further expense and inconvenience;

WHEREAS, attorneys for Plaintiffs have: (i) conducted a thorough investigation into and analysis of the facts and the law relating to the matters at issue in the Action which investigation included review and analysis of the Company's filings with the United States Securities and Exchange Commission for fiscal years 1999 through 2002, the Company's press releases and other publicly disseminated statements made by the Company during the relevant time period, reports and articles contained in the print and electronic media and computer data bases and reports of securities analysts and investor advisory services; (ii) considered carefully the likelihood of success against the Defendants and the likely total damages which could be recovered against the Defendants; (iii) conducted extensive arms' length settlement negotiations with counsel for Defendants; and (iv) determined, after taking into account the substantial benefits conferred on the Class by a settlement in accordance with the terms of this Stipulation, that this settlement would be fair, reasonable and adequate and in the best interests of the Class;

NOW THEREFORE, it is hereby stipulated and agreed by Lead Plaintiffs and the Defendants, acting through their respective counsel, subject to District Court approval pursuant to Rule 23(e) of the Federal Rules of Civil Procedure that the Action be compromised and settled

as against the Defendants, with prejudice, upon and subject to the following terms and conditions:

I. DEFINITIONS

1. As used in this Stipulation, in addition to the terms defined above and elsewhere in the Stipulation, the following terms shall have the following meanings:

a. "Authorized Claimant" means any Class Member whose claim for recovery has been allowed pursuant to the terms of the Stipulation;

b. "Claimant" means any Class Member who files a Proof of Claim in such form and manner, and within such time, as the Court shall prescribe;

c. "Class" and "Class Members" mean, for purposes of this settlement only, Plaintiffs and all other persons or entities who purchased or acquired the common stock of the Company during the period commencing June 14, 2000 through and including September 26, 2001. Excluded from the Class are Defendants; the members of the individual Defendants' immediate families; the Company's current and former officers and directors, and their assigns; any entity in which any Defendant has or had a controlling interest; and the legal affiliates, representatives, heirs, controlling persons, successors and predecessors in interest or assigns of any such excluded person or entity.

d. "Class Period" means, the period of time commencing June 14, 2000 through and including September 26, 2001;

e. "Co-Lead Counsel for Lead Plaintiffs" means the law firms of Federman & Sherwood and Cauley, Geller, Bowman & Coates, LLP ("Cauley Geller");

f. "Effective Date" means the date upon which the settlement contemplated by this Stipulation becomes effective as set forth in paragraph 10 below;

g. "Escrow Agent" means the law firms of Federman & Sherwood and Cauley Geller or their agent or successor(s);

h. "Releasees" means any and all of the Defendants and any and all of their present and former parents, subsidiaries, affiliates, predecessors and successors, and each of their present and former officers, directors, employees, partners, and principals, trustees, attorneys, auditors, accountants, investment bankers, consultants, agents, insurers, co-insurers, re-insurers and each of their respective heirs, executors, administrators, predecessors, successors, and assigns;

i. "Settled Claims" means any and all claims arising out of the purchase, sale or ownership of the Company's common stock during the Class Period, whether known or unknown, and all claims, which were or could have been asserted directly, indirectly or derivatively, in the Action, including but not limited to claims for negligence, gross negligence, recklessness, fraud (whether intentional or constructive), or violations of any federal or state securities laws, rules or regulations, arising from or based upon any acts, facts, transactions, occurrences, representations, or omissions during the Class Period in connection with, arising out of, or in any way related to the allegations of the Complaint, any violation of law in connection therewith, or any public statements concerning or relating to the Company. Class Members and Defendants stipulate and agree that, upon the Effective Date, each of the Class Members shall be deemed to, and by operation of the Final Judgment (defined below) shall, waive and relinquish, to the fullest extent permitted by law, the provisions, rights, and benefits of (S) 1542 of the California Civil Code, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

Each of the Class Members also shall be deemed to, and upon the Effective Date and by operation of the Final Judgment shall, waive and relinquish any and all provisions, rights, and benefits conferred by any Federal law or law of any state or territory of the United States, or any principle of common law, that is similar, comparable, or equivalent to (S) 1542 of the California Civil Code. The foregoing waiver was separately bargained for and is a key element of the Settlement of which this release is a part;

j. "Settled Defendants' Claims" means any and all claims of any and all Defendants' relating to the institution, prosecution, or settlement of the Action; and

k. "Settlement Fund" means \$700,000 in cash and the Warrants, defined below.

l. "Warrants" means warrants to purchase two million (2,000,000) shares of Common Voting Stock of Optical Cable Corporation at any time within five years from date of issuance at an exercise price equal to the average of the closing ask prices for such Common Stock for the last fifteen (15) trading days prior to June 18, 2002, in the form of Warrant Agreement provided at Exhibit E; provided that if at any time or from time to time Optical Cable Corporation combines or reclassifies, or conducts a "reverse stock split" of, the number of its shares of Common Stock then outstanding into a lesser number of shares of Common Stock, then the number of shares purchasable upon exercise of the Warrants shall be reduced proportionately as of the effective date of such action, and the exercise price of the Warrants shall be adjusted accordingly in a manner consistent with the terms and conditions typical of

instruments of this type. Optical Cable Corporation shall be responsible to and will use its reasonable best efforts to register the shares of Common Stock purchasable pursuant to such Warrants for sale under the Securities Act of 1933, as amended, within a reasonable amount of time after the issuance of such Warrants;

m. "Settlement Administrator" means the firm retained by Co-Lead Counsel for Lead Plaintiffs to provide Notice to the Class and to process Proof of Claim forms;

n. "Summary Notice" means the initial Summary Notice of Pendency and Settlement of Class Action that counsel for the Company will cause to be published in the form of Exhibit A hereto;

o. "Notice" means the Notice to Class Members that Co-Lead Counsel for Plaintiffs will caused to be issued in the form of Exhibit B hereto;

p. "Proof of Claim" means the Proof of Claim incorporated in the Notice attached hereto as Exhibit B;

q. "Order of Preliminary Approval" means the Order of Preliminary Approval Pursuant to Rule 23 of the Federal Rules of Civil Procedure attached hereto as Exhibit C;

r. "Plan of Allocation" means a plan or formula of allocation of the Net Settlement Proceeds whereby the Settlement Fund shall be distributed to Authorized Claimants after payment of Notice and Administration Costs, Taxes and Tax Expenses and the Fee Award. The Plan of Allocation is not part of the Stipulation and Defendants shall have no responsibility or liability with respect thereto;

s. "Final Judgment" means a judgment entered by the District Court in the Action substantially in the form of Exhibit D hereto that contains all of the provisions of (P) 7 of this Stipulation.

t. "Notice and Administration Costs" means all costs and expenses reasonably and actually incurred in connection with providing notice to the Class (other than those costs and expenses incurred by the Company in publishing the Summary Notice at Exhibit A), locating Class Members, distributing and processing Proofs of Claim, administering and distributing the Net Settlement Proceeds to Authorized Claimants, and paying escrow fees and related costs, if any;

u. "Net Settlement Proceeds" means the amount remaining of the Settlement Fund after the payment of any Fee Award, as described in (P) 8, the payment of any Taxes and Tax Expenses, as described in (P) 4(k), and the payment of any Notice and Administration Costs;

II. TERMS AND CONDITIONS

2. Upon the Effective Date, each of the Class Members, on behalf of themselves and their respective present and former officers, directors, controlling shareholders, general partners, limited partners, parent companies, subsidiaries, trusts, divisions and affiliates, their respective successors, predecessors, assigns, heirs, executors, administrators, attorneys, servants, agents and representatives, their respective related or affiliated entities, entities in which they directly or indirectly have a controlling interest, and any and all persons natural or corporate in privity with them or acting in concert with them or any of them, and for anyone claiming through any of the foregoing entities (and regardless of whether any such Class Member submits a timely and valid Proof of Claim), shall be deemed to have, and by operation of the Final Judgment shall have,

fully, finally, and forever released, relinquished, discharged, and covenanted not to sue all Releasees with respect to all Settled Claims and shall be permanently barred and enjoined from instituting, commencing, or prosecuting any such Settled Claim against any Releasee.

3. Upon the Effective Date, each Defendant, on behalf of itself, himself, his executor, administrator and the Releasees, shall be deemed to have, and by operation of the Final Judgment shall have, fully, finally, and forever released, relinquished, discharged, and covenanted not to sue any of the Class Members or their attorneys with respect to all Settled Defendants' Claims and shall be permanently barred and enjoined from instituting, commencing, or prosecuting any such Settled Defendants' Claim against any of the Class Members or their attorneys.

4. In full and final satisfaction of the foregoing:

a. The Company agrees to pay the sum of \$700,000 as follows: (i) \$500,000 upon Court approval of the settlement agreement and certification of the class defined in the Amended Complaint, and (ii) \$200,000 on November 1, 2002 or upon approval of the settlement agreement and certification of the Class by the Court, whichever occurs later. The \$200,000 payment will bear interest at a fixed rate equal to the prime lending rate of WachoviaBank, National Association, as of and from the date of Court approval of the settlement agreement through and until the date on which it is paid. The Company shall transfer this cash component by wire transfer into an interest-bearing joint account (the "Escrow Account") as designated by Co-Lead Counsel for Lead Plaintiffs.

b. The Company agrees to issue to Class Plaintiffs warrants (the "Warrants") to purchase two million (2,000,000) shares of Common Voting Stock of Optical Cable Corporation at any time within five years from date of issuance at an exercise price equal to the average of the

closing ask prices for such Common Stock for the last fifteen (15) trading days prior to June 18, 2002, in the form of Warrant Agreement provided at Exhibit E; provided that if at any time or from time to time Optical Cable Corporation combines or reclassifies, or conducts a "reverse stock split" of, the number of its shares of Common Stock then outstanding into a lesser number of shares of Common Stock, then the number of shares purchasable upon exercise of the Warrants shall be reduced proportionately as of the effective date of such action, and the exercise price of the Warrants shall be adjusted accordingly in a manner consistent with the terms and conditions typical of instruments of this type. Optical Cable Corporation shall be responsible to and will use its reasonable best efforts to register the shares of Common Stock purchasable pursuant to such Warrants for sale under the Securities Act of 1933, as amended, within a reasonable amount of time after the issuance of such Warrants.

c. Co-Lead Counsel for Lead Plaintiffs, as Escrow Agent, shall administer the Escrow Account subject to Court oversight, and a signature from a partner of Cauley Geller and Federman & Sherwood shall be required to release deposited funds from the Escrow Account.

d. The Settlement Fund may be invested only in instruments with maturity dates that do not exceed six months and which are backed by the full faith and credit of the United States Government or fully insured by the United States Government or an agency thereof and reinvestments of the proceeds derived from such investments also are limited to similar instruments at their then-current market rates. The Escrow Agent shall bear all risks related to investment of the Settlement Fund. Defendants expressly shall have no responsibility, obligation or oversight over the Settlement Fund, its administration or disbursement.

e. The Settlement Fund shall not be disbursed except as provided in the Stipulation unless by an order of the District Court.

f. Subject to further orders and/or directions as may be made by the District Court, the Escrow Agent is authorized to execute such transactions on behalf of the Class Members as are consistent with the terms of the Stipulation.

g. The Settlement Fund shall be deemed and considered to be in custodia legis of the Court, and shall remain subject to the jurisdiction of the Court, until such time as the Settlement Fund shall be distributed pursuant to the Stipulation and/or further order(s) of the Court.

h. None of the Defendants shall be required to pay any portion of the class Notice and Administration Costs, which costs shall be paid from the Settlement Fund.

i. The Parties agree to treat the Settlement Fund as being at all times a "qualified settlement fund" within the meaning of Treas. Reg. (S)1.468B-1. In addition, the Escrow Agent shall timely make such elections as necessary or advisable to carry out the provisions of this paragraph, including the "relation-back election" (as defined in Treas. Reg. (S)1.468B-1) back to the earliest permitted date. Such elections shall be made in compliance with the procedures and requirements contained in such regulations. It shall be the responsibility of the Escrow Agent to timely and properly prepare and deliver the necessary documentation for signature by all necessary parties, and thereafter to cause the appropriate filing to occur.

j. For the purpose of (S)468B of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder, the "administrator" shall be the Escrow Agent. The Escrow Agent shall timely and properly file all informational and other tax returns necessary or advisable with respect to the Settlement Fund (including without limitation the returns described

in Treas. Reg.(S)1.468B-2(k)). Such returns (as well as the relation back election described above), shall be consistent with the terms of this Stipulation and in all events shall reflect that all Taxes (including any estimated taxes, interest or penalties) on the income earned by the Settlement Fund shall be paid out of the Settlement Fund.

k. All (i) Taxes (including any estimated Taxes, interest or penalties) arising with respect to the income earned by the Settlement Fund, including any Taxes or tax detriments that may be imposed upon the Defendants, the Insurer or their counsel with respect to any income earned by the Settlement Fund for any period during which the Settlement Fund does not qualify as a "qualified settlement fund" for federal or state income tax purposes ("Taxes"), and (ii) expenses and costs incurred in connection with the operation and implementation of this P. 4(k) (including, without limitation, expenses of tax attorneys and/or accountants and mailing and distribution costs and expenses relating to filing (or failing to file) the returns described in this (P) 4(k) ("Tax Expenses"), shall be paid out of the Settlement Funds; in all events the Defendants, the Insurers and their counsel shall have no liability or responsibility for the Taxes or the Tax Expenses or the filing of any tax returns or other document with the IRS or any other state or local taxing authority. Taxes and Tax Expenses shall be treated as, and considered to be, a cost of administration of the Settlement Fund and shall be timely paid by the Escrow Agent out of the Settlement Fund without prior order from the Court and the Escrow Agent shall be obligated (notwithstanding anything herein to the contrary) to withhold from distribution to Authorized Claimants any funds necessary to pay such amounts including the establishment of adequate reserves for any Taxes and Tax Expenses (as well as any amounts that may be required to be withheld under Treas. Reg. (S)1.468B-2(1)(2)); neither the Defendants, the Insurers nor their

counsel are responsible nor shall they have any liability therefore or for any reporting requirements that may relate thereto. The parties hereto agree to cooperate with the Escrow Agent, each other, and their tax attorneys and accountants to the extent reasonably necessary to carry out the provisions of this Stipulation.

1. Subject to further order of and direction by, the District Court, Co-Lead Counsel for Lead Plaintiffs are authorized to execute such transactions on behalf of the Class Members as are consistent with the terms of this Stipulation.

5. The parties to this Stipulation and their respective counsel shall use their best efforts and cooperate fully with one another in (a) preparing and executing all documents necessary to effectuate the Settlement contemplated by this Stipulation; (b) seeking first preliminary and then final District Court approval of the Settlement; and (c) effecting the full consummation of the Settlement in accordance with their respective responsibilities set forth herein.

6. Promptly after execution of this Stipulation, the parties shall submit this Stipulation to the District Court and shall jointly present to the District Court the proposed Order of Preliminary Approval, which, among other things:

a. Preliminarily approves the terms of the Settlement contemplated by this Stipulation;

b. Certifies the Class solely for purposes of the Settlement;

c. Schedules a hearing date to determine whether the Settlement proposed by this Stipulation is fair, reasonable, and adequate and whether the District Court should enter final judgment finally approving such Settlement (the "Final Approval Hearing");

d. Directs for a Summary Notice substantially in the form annexed hereto as Exhibit A (the "Summary Notice") to be published by the Company once in the national edition of The Wall Street Journal.

e. Provides for notice of the proposed Settlement and the Final Approval Hearing to be sent by Co-Lead Counsel for Lead Plaintiffs or by the Settlement Administrator to all members of the Class that can be identified through a reasonable effort, by mail, in a form substantially the same as the document attached hereto as Exhibit B (the "Notice");

f. Provides that any requests for exclusion from the Class be submitted in the manner set forth in the Notice and by the time specified by the District Court, but in no event later than 10 business days prior to the Final Approval Hearing.

g. Provides that any person who is legally entitled to object, and who desires to object to the approval of the proposed Settlement, Plan of Allocation, or the application for attorneys' fees and expenses, and entry of a final judgment of approval in the form attached hereto as Exhibit D (the "Final Judgment"), must appear at the Final Approval Hearing and show cause why the proposed Settlement should not be approved as fair, reasonable and adequate, and why said Final Judgment should not be entered approving the Settlement.

h. Provides that objections to the Settlement shall be heard at the Final Approval Hearing; and that objectors must file with the District Court written notice of their intention to appear and must file, and serve Co-Lead Counsel for Lead Plaintiffs and Defendants' counsel with copies of, all papers in support of their objections by a date prior to that hearing specified by the District Court, but in no event later than 10 business days prior to that hearing, or else be deemed to have waived and be forever foreclosed and barred from asserting such objections.

i. Provides that Class Members must timely submit a qualifying Proof of Claim or else be forever barred from receiving any payment from the Net Settlement Proceeds notwithstanding that they will be bound by all other aspects of any judgment finally approving the Settlement.

j. Provides that pending final determination as to whether the Settlement as set forth in this Stipulation should be approved, no Class Member shall commence, prosecute, pursue or litigate any Settled Claim against any Releasee, whether directly, representatively or in any other capacity, and whether or not any such Class Member has appeared in the Action.

7. If the District Court grants final approval of the Settlement embodied in this Stipulation, the parties to this Stipulation shall submit to the District Court pursuant to Rule 23 of the Federal Rules of Civil Procedure a proposed Final Judgment in a form substantially the same as the document attached hereto as Exhibit D, which:

a. Approves this Settlement as fair, reasonable and adequate as to members of the Class, and directs the consummation and performance of the terms of this Stipulation;

b. Approves the Plan of Allocation;

c. Provides that all Class Members who do not exclude themselves from the Class in the manner and by the time specified in the Order of Preliminary Approval shall be Class Members and be deemed to have released the Releasees from the Settled Claims in accordance with the terms of this Stipulation and the Final Judgment and shall be forever barred from prosecuting any action against the Releasees asserting the Settled Claims;

d. Dismisses the Action with prejudice;

e. Provides that the Releasees are released and discharged by the Final Judgment from the Settled Claims and that Class Members and their attorneys are released and discharged by the Final Judgment from the Settled Defendants' Claims;

f. Awards counsel fees and expenses to plaintiffs' counsel or reserves jurisdiction with respect thereto; and

g. Without affecting the finality of the Final Judgment, reserves jurisdiction over consummation, performance, enforcement and administration of the Settlement.

8. On or before the date for the Final Approval Hearing, Co-Lead Counsel for Lead Plaintiffs shall serve and file a motion for an award of attorneys' fees and reimbursement of expenses (including experts' fees and expenses) to be paid out of the Settlement Fund (the "Fee Award"). The parties to this Stipulation have had no discussions concerning any Fee Award, except that the parties have agreed that those fees and expenses will be paid only out of the Settlement Fund. Defendants agree that they will take no position with regard to such an application for a Fee Award of up to thirty percent of the value of the Settlement Fund. The procedure for, and the allowance or disallowance by the District Court of, any application for an award of attorneys' fees and reimbursement of expenses to be paid out of the Settlement Fund are not part of the Settlement and are to be considered by the District Court separately from the District Court's consideration of the fairness, reasonableness and adequacy of the Settlement, and any order or proceedings relating to the Fee Award, or any appeal from any order relating thereto or reversal or modification thereof, shall not operate to terminate or cancel this Settlement or to affect or delay the finality of the Order and Final Judgment. All fees and expenses (including experts' fees and expenses) awarded by the District Court to plaintiffs' counsel shall be paid out

of the Settlement Fund upon entry of the Final Judgment to Co-Lead Counsel for Lead Plaintiffs for distribution to plaintiffs' counsel at the sole discretion of Co-Lead Counsel for Lead Plaintiffs in accordance with the work performed by plaintiffs' counsel and the benefit provided to the Class. In the event that the Settlement does not become effective, or the Final Judgment is reversed or modified, or the Settlement is cancelled or terminated for any other reason, and in the event that the attorneys' fees and expenses have been paid to any extent, then Co-Lead Counsel for Lead Plaintiffs shall be jointly and severally liable for, within five (5) business days from receiving notice from counsel for any Defendant or from a court of appropriate jurisdiction, refunding to the Settlement Fund the fees, expenses, and costs previously paid to them and other plaintiffs' counsel from the Settlement Fund plus interest thereon from the time of withdrawal to the date of refund at the same rate as earned on the Settlement Fund. Co-Lead Counsel for Lead Plaintiffs and other plaintiffs' counsel, as a condition to receiving such fees and expenses, on behalf of itself and each partner and/or shareholder of it, agrees that the law firm and its partners and/or shareholders are subject to the jurisdiction of the District Court for purposes of enforcing the provisions of this paragraph.

9. In the event that the Settlement and/or any orders proposed jointly by the parties relating thereto are not approved by the District Court substantially in the form submitted, or approval of the Settlement and/or such orders are modified or reversed in any material respect by any appellate or other court, Lead Plaintiffs and the Company shall have the right to terminate the Settlement by providing written notice to all parties within thirty (30) days from the denial, modification or reversal of its approval of the Settlement by the District Court or from the modification or reversal of the approval of the Settlement in any material respect by any such

appellate or other court. In that event, this Stipulation and all orders entered in connection with it shall become null and void and of no further force and effect with respect to Defendants and Lead Plaintiffs, except that the provisions of paragraphs 12 and 17 of this Stipulation shall take effect.

10. The "Effective Date" of the Settlement contemplated by this Stipulation shall be the later of the date, after entry of the Final Judgment contemplated by paragraph 7 above, when (a) the time to file a motion to alter or amend the Final Judgment has expired without any such motion having been filed, (b) the time to seek review of or appeal from the Final Judgment has expired without any such review or appeal having been sought or taken, or (c) if such motion to alter or amend is filed or if such review or appeal is sought or taken, the last of such motion, review or appeal shall have been finally determined in such a manner as to permit the implementation of the Settlement according to the terms set out in this Stipulation.

11. If the Effective Date occurs, the Settlement Fund shall be distributed as follows:

a. to the extent not already paid pursuant to paragraph 9, all Taxes, Tax Expenses, Notice and Administration Costs and payment of plaintiffs' counsel fees and related expenses (including experts' fees and expenses and compensatory awards), shall be payable out of the Settlement Funds; and

b. after the distributions contemplated by subparagraph (a), the remaining Settlement Fund (the "Net Settlement Proceeds") shall be distributed to Authorized Claimants in accordance with the Plan of Allocation and subject to the following:

- i. Each Class Member who wishes to make a claim against the Net Settlement Proceeds shall be required to submit to the settlement

administrator identified in the Notice annexed hereto as Exhibit B (the "Settlement Administrator") a completed Proof of Claim postmarked by the date set by the District Court.

- ii. Except as otherwise ordered by the District Court, Class Members who fail to submit a qualifying Proof of Claim on a timely basis shall be forever barred from receiving any payment from the Net Settlement Proceeds, but will in all other respects be subject to and bound by the provisions of this Stipulation, the Final Judgment and any orders entered in connection therewith, including the releases contained in said documents, and will be barred from commencing, prosecuting, pursuing, or litigating any Settled Claim against any Releasee, whether directly or indirectly, representatively, or in any other capacity.
- iii. The Plan of Allocation shall be considered by the District Court separately from the District Court's consideration of the fairness, reasonableness and adequacy of the Settlement. Notwithstanding the provisions of paragraph 9 of this Stipulation, any order or proceeding relating to the Plan of Allocation, or any appeal from any order relating thereto or reversal or modification thereof, shall not operate to allow the parties hereto to terminate or cancel this Stipulation, or be grounds for delaying the approval or the entry of, or for modifying or otherwise affecting the Settlement, this

Stipulation, the Final Judgment or any other order entered pursuant to this Stipulation.

c. Defendants shall not have any reversionary interest in the cash component of the Settlement Fund and any cash balance in the Net Settlement Proceeds remaining one (1) year after the initial distribution to the Authorized Claimants shall be contributed to not-for-profit entities organized under Section 501(c)(3) of the Internal Revenue Code and existing in the Roanoke Valley, as may be jointly agreed by Co-Lead Counsel for Lead Plaintiffs and counsel for the Company, and as approved by the District Court. Any Warrants issued to the Class but not distributed to any Authorized Claimants pursuant to the approved Plan of Allocation one (1) year after the initial distribution shall be returned to the Company and cancelled.

12. If the Effective Date does not occur, or the Settlement contemplated by this Stipulation is voided or terminated, (a) the entire amounts (Settlement Fund) paid by the Company pursuant to paragraph 4 above (including all interest that has accrued thereon), less (i) Notice and Administration Costs and (ii) Taxes and Tax Expenses that have been paid from the Escrow Account, shall be promptly returned to the Company; and (b) the parties will be restored to their respective positions existing immediately prior to the execution of this Stipulation.

13. Except for the Company's obligations to pay the amounts set forth in paragraph 4, the Defendants shall have no responsibility for, interest in, or liability whatsoever with respect to the administration of the Settlement or disbursement of the Settlement Fund, including without limitation the administration, investment or distribution of the Escrow Account or the Net Settlement Proceeds, the determination or implementation of the Plan of Allocation, the determination, administration, calculation or payment of claims, the payment or withholding of

taxes in connection with any of the foregoing, or any losses incurred in connection with any of the foregoing.

14. Counsel for each of the Defendants shall cooperate in the administration of the Settlement to the extent reasonably necessary to effectuate its terms; provided, however, that such cooperation shall under no circumstances be construed to give rise to any responsibility for, interest in, or liability whatsoever on the part of any Defendant for any matter related to the administration of the Settlement (including without limitation the matters set forth in paragraph 12 above).

15. The Company agrees to request from its transfer agent a list of its shareholders sufficient to permit Co-Lead Counsel for Lead Plaintiffs to direct notices to the Class of the proposed Settlement. The Company further agrees to direct its transfer agent to cooperate with Co-Lead Counsel for Lead Plaintiffs in providing any information necessary to notify Class Members of the proposed Settlement. In agreeing to the foregoing, it is understood and agreed that any costs associated with obtaining such information from the Company's transfer agent shall not be the responsibility of the Defendants, or any of them but rather, such costs are to be paid from the Settlement Fund.

16. The Company may withdraw from the Settlement prior to the Final Approval Hearing in the event that the beneficial owners of greater than ten percent (10%) of the number of shares of the Company common stock purchased during the Class Period timely and validly request exclusion from the Class. Copies of all requests for exclusion from the Class, together with copies of all written revocations of such requests for exclusion, shall be delivered by Co-Lead

Counsel for Lead Plaintiffs to counsel for the Defendants no fewer than five (5) business days before the Final Approval Hearing.

17. This Stipulation and the Settlement provided for herein, whether or not consummated, and all related negotiations, statements, and proceedings constitute an attempt to compromise disputed claims, are encompassed by Rule 408 of the Federal Rules of Evidence and analogous state rules of evidence, and are not and shall not in any event be:

a. construed as or deemed to be evidence of a presumption, concession or admission by any one or more of the Defendants of the truth of any fact alleged or the validity of any claim which has or could have been asserted in any litigation, or the deficiency of any defense which has or could have been asserted in any litigation, or of any liability, fault, wrongdoing or otherwise of any Defendant or as a presumption, concession or an admission of any infirmity of any defense asserted by any Defendant; or

b. offered or received as evidence of a presumption, concession or admission of any fault, misrepresentation or omission in any statement or written document approved or made by any Defendant; or

c. offered or received as evidence of a presumption, concession or admission of any liability, fault or wrongdoing alleged or in any way referred to by any of the parties in the Action or in any other civil, criminal or administrative action or proceeding other than such proceedings as may be necessary to effectuate the provisions of this Stipulation; or

d. construed as an admission or concession by anyone that the consideration to be given hereunder represents the amount which could be or would have been recovered after trial or construed as an admission or concession by anyone against the Class Members or any of them

that any of their claims are without merit or that damages recoverable under the Complaint would not have exceeded the value of the Settlement Fund.

18. All counsel executing this Stipulation and any of the Exhibits hereto warrant and represent that they are fully authorized to enter into the terms and conditions of, and to execute, such documents on behalf of their respective clients.

19. This Stipulation and its Exhibits may be executed in one or more counterparts, all of which together shall be considered one instrument, and all of which shall be considered duplicate originals.

20. This Stipulation may be amended or modified only by a written instrument signed by all the signatories hereto, their principals or their principals' respective successors-in-interest.

21. This Stipulation, and all Exhibits hereto, shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia, without giving effect to the choice-of-law rules thereof.

22. The parties to this Stipulation intend the Settlement to be a final and complete resolution of all disputes asserted or which could be asserted by Class Members against the Releasees with respect to the Settled Claims. Accordingly, all parties to this Stipulation agree that none of them will assert in any forum that the litigation was brought or defended in bad faith or without a reasonable basis, under Federal Rule of Civil Procedure 11 or otherwise. No press release or other public statement to that effect shall be made by any party hereto or any party's counsel, except as may be agreed to by the parties hereto.

23. The headings herein are used for the purpose of convenience only and are not meant to have legal effect.

24. All recitals contained in this Stipulation are incorporated into and deemed to be part of the substantive provisions hereof as if fully set forth therein.

25. The District Court shall retain jurisdiction over the Action, including without limitation over all matters arising from or related to the Stipulation and the Settlement, and all parties hereto submit to the jurisdiction of the District Court for such purposes.

26. The waiver by one party of any breach of this Stipulation by any other party shall not be deemed a waiver of any other prior or subsequent breach of this Stipulation.

27. This Stipulation, and the exhibits attached hereto, constitutes the entire agreement among the parties hereto, and supersede all prior oral or written agreements, representations, and understandings among the parties concerning the subject matter hereof, except that any and all provisions of the MOU that are expressly incorporated herein shall survive as set forth herein.

28. Whenever this Stipulation requires or contemplates that one party give notice to another, or notice shall be otherwise required by law, notice should be provided by personal delivery, by fax, or by a national overnight carrier to the party's counsel as listed at the end of this Stipulation.

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