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

FORM 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): September 15, 2008

OPTICAL CABLE CORPORATION

(Exact name of registrant as specified in its charter)

Virginia
(State or other jurisdiction of
incorporation or organization)

000-27022
(Commission File Number)

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

5290 Concourse Drive
Roanoke, VA
(Address of principal executive offices)

24019
(Zip Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition

On September 15, 2008, the Company issued a press release announcing its 2008 third quarter financial results. The Company also held a conference call on September 16, 2008 to discuss its financial results for the third quarter ended July 31, 2008. The press release is attached hereto as Exhibit 99.1. The transcript of the conference call is attached hereto as Exhibit 99.2.

Item 9.01. Financial Statements and Exhibits

(c) Exhibits

The following are filed as Exhibits to this Report.

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
99.1	Press release issued September 15, 2008 (FILED HEREWITH)
99.2	Transcript of conference call on September 16, 2008 (FILED HEREWITH)

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 hereunto duly authorized.

OPTICAL CABLE CORPORATION

By: /s/ TRACY G. SMITH

Name: Tracy G. Smith

Title: Senior Vice President and Chief Financial Officer

Dated: September 19, 2008

EXHIBIT INDEX
OPTICAL CABLE CORPORATION
Current report on Form 8-K

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FOR IMMEDIATE RELEASE

**OPTICAL CABLE CORPORATION REPORTS
 FISCAL THIRD QUARTER 2008 FINANCIAL RESULTS**

***Net Sales Increased 40.4% and Gross Profit Increased 31.8% in Third Quarter
 Due to Organic Growth and Acquisition of SMP Data Communications***

ROANOKE, VA, September 15, 2008 — Optical Cable Corporation (Nasdaq GM: OCCF) today announced financial results for its fiscal third quarter and the nine months ended July 31, 2008. The Company recorded significant increases in both net sales and gross profit as a result of organic growth and the acquisition of SMP Data Communications during the quarter.

Third Quarter 2008 Financial Results

Net sales for the third quarter of fiscal 2008 increased 40.4% to \$16.4 million compared to net sales of \$11.7 million for the comparable period last year. Optical Cable's net sales growth during the third quarter was achieved over a broad customer base and product mix, with notable increases in both commercial and specialty markets. The acquisition of SMP Data Communications on May 30, 2008 added \$3.3 million to Optical Cable's net sales during the third quarter.

Exclusive of the impact of the acquisition, the Company's net sales increased 11.7% to \$13.1 million for the third quarter of fiscal year 2008. Net sales to customers outside of the United States showed substantial strength in the third quarter of fiscal year 2008, increasing 16.9%

compared to the same period last year, as did net sales to customers located in the United States, which increased 9.6%, in both cases exclusive of the net sales generated by the product lines of SMP Data Communications.

Gross profit increased 31.8% to \$6.2 million in the third quarter of fiscal 2008, up from \$4.7 million in the third quarter of fiscal 2007. Gross profit as a percentage of net sales (or gross profit margin) for the third quarter of fiscal 2008 decreased to 37.7% compared to 40.2% for the third quarter of fiscal 2007. Optical Cable's lower gross profit margin reflected the fact that SMP Data Communications has historically had gross profit margin percentages lower than the historical gross profit margins of Optical Cable Corporation. Gross profit margin during the quarter was also impacted by accounting rules requiring the finished goods inventory acquired in the acquisition to be recorded at approximate net selling price, reducing the gross profits normally realized upon the sale of such inventory.

Exclusive of the impact of the acquisition of SMP Data Communications, Optical Cable's gross profit margin increased to 42.0% during the third quarter of fiscal 2008 compared to 40.2% for the same period last year.

Net income decreased to \$482,000, or \$0.08 per basic and diluted share, for the third quarter of fiscal year 2008, as compared to net income of \$538,000, or \$0.09 per basic and diluted share, for the same period last year.

Fiscal Year-to-Date 2008 Financial Results

Net sales for the first nine months of fiscal year 2008 increased 32.6% to \$42.6 million compared to net sales of \$32.1 million for the first nine months of fiscal year 2007. The acquisition of SMP Data Communications added \$3.3 million to Optical Cable's net sales during the first nine months of fiscal 2008.

Exclusive of the impact of the acquisition of SMP Data Communications, Optical Cable's net sales for the first nine months of fiscal 2008 increased 22.2% to \$39.2 million from \$32.1 million for the same period in fiscal 2007. Net sales to customers outside of the United States were strong during the first nine months of fiscal year 2008, increasing 43.2% compared to the same period last year, as were net sales to customers located in the United States, which increased 13.8%, in both cases exclusive of the net sales generated by the product lines of SMP Data Communications.

Gross profit increased 47.0% to \$17.3 million for the first nine months of fiscal year 2008 from \$11.7 million for the same period in fiscal year 2007. Gross profit margin was 40.6% for the nine months ended July 31, 2008, compared to 36.6% for the same period in fiscal 2007.

Exclusive of the impact of the acquisition of SMP Data Communications, Optical Cable's gross profit increased 41.0% to \$16.6 million for the nine months ended July 31, 2008, compared to \$11.7 million for same period last year. Optical Cable's gross profit margin increased to 42.2% for the first nine months of fiscal 2008, compared to 36.6% for the same period last year, exclusive of the impact of the acquisition.

Optical Cable Corporation increased net income to \$2.2 million, or \$0.37 per basic and diluted share, for the nine months ended July 31, 2008, as compared to net income of \$442,000, or \$0.07 per basic and diluted share, for the same period last year.

Management's Comments

“We are pleased that Optical Cable continues to show significant net sales growth both in our U.S. and international markets despite weakness in the global economy. The Optical Cable team has increased sales both organically and through the recent acquisition of SMP Data Communications, demonstrating the success of our global growth strategy and the benefits of the recently completed acquisition,” stated Neil Wilkin, President and CEO of Optical Cable Corporation.

“This marks the fifth consecutive quarter in which Optical Cable has increased net sales and gross profit compared to the same period in the prior year. The acquisition of SMP Data Communications has enabled Optical Cable to offer an integrated suite of cabling and connectivity solutions which, together with our other strategic and marketing initiatives, position Optical Cable for strong financial performance and shareholder value creation,” stated Mr. Wilkin.

Company Information

Optical Cable Corporation is a leading manufacturer of a broad range of fiber optic cable and data communication connectivity solutions, and offers an integrated suite of high quality, warranted cabling and connectivity products, primarily for the enterprise market. The Company's product offerings include designs for uses ranging from commercial, enterprise network and campus installations to customized products for specialty applications and harsh environments, including military, industrial, mining and broadcast applications. Optical Cable Corporation products are designed to meet the most demanding needs of end-users, delivering a high degree of reliability and outstanding performance characteristics.

Optical Cable Corporation is internationally recognized for pioneering the design and production of fiber optic cables for the most demanding military field applications, as well as of fiber optic cables suitable for both indoor and outdoor use, and creating a broad product offering built on the evolution of these fundamental technologies. In May 2008, the Company acquired SMP Data Communications, a company internationally recognized for its role in establishing copper connectivity data communications standards, through its innovative and patented technologies.

Founded in 1983, Optical Cable Corporation is headquartered in Roanoke, Virginia with offices and manufacturing and warehouse facilities located both in Roanoke, Virginia and near Asheville, North Carolina. The Company primarily manufactures its high quality fiber optic cables at its ISO 9001:2000 registered and MIL-STD-790F certified facility located in Roanoke, Virginia and its high quality connectivity products at its ISO 9001:2000 registered facility located near Asheville, North Carolina.

Further information about Optical Cable Corporation is available on the World Wide Web at www.occfiber.com.

FORWARD-LOOKING INFORMATION

This news release by Optical Cable Corporation (the “Company”) may contain certain forward-looking information within the meaning of the federal securities laws. The forward-looking information may include, among other information, (i) statements concerning the Company’s outlook for the future, (ii) statements of belief, anticipation or expectation, (iii) future plans, strategies or anticipated events, and (iv) similar information and statements concerning matters that are not historical facts. Such forward-looking information is subject to risks and uncertainties that may cause actual events to differ materially from the Company’s expectations. Factors that could cause or contribute to such differences include, but are not limited to, the level of sales to key customers, including distributors; timing of certain projects and purchases by key customers; the economic conditions affecting network service providers; corporate and/or government spending on information technology; actions by competitors; fluctuations in the price of raw materials (including optical fiber, copper and other precious metals, and plastics and other materials affected by petroleum product pricing); fluctuations in transportation costs; the Company’s dependence on customized equipment for the manufacture of its products and a limited number of production facilities; the Company’s ability to protect its proprietary manufacturing technology; market conditions influencing prices or pricing; the Company’s dependence on a limited number of suppliers; the loss of or conflict with one or more key suppliers or customers; an adverse outcome in litigation, claims and other actions, and potential litigation, claims and other actions against the Company; an adverse outcome in regulatory reviews and audits and potential regulatory reviews and audits; adverse changes in state tax laws and/or positions taken by state taxing authorities affecting the Company; technological changes and introductions of new competing products; changes in end-user preferences for competing technologies, including copper cable and wireless, relative to fiber optic cable; economic conditions that affect the telecommunications sector, certain technology sectors or the economy as a whole; terrorist attacks or acts of war, and any current or potential future military conflicts; changes in the level of military spending by the United States government; ability to retain key personnel; inability to recruit needed personnel; poor labor relations; the inability to successfully integrate the operations of the Company’s new subsidiary; the impact of changes in accounting policies, including those by the Securities and Exchange Commission and the Public Company Accounting Oversight Board; the Company’s ability to successfully comply with, and the cost of compliance with, the provisions of Section 404 of the Sarbanes-Oxley Act of 2002 or any revisions to that act which apply to the Company; impact of future consolidation among competitors and/or among customers adversely affecting the Company’s position with its customers and/or its market position; actions by customers adversely affecting the Company in reaction to the expansion of its product offering in any manner, including, but not limited to, by offering products that compete with its customers, and/or by entering into alliances with, making investments in or with, and/or acquiring parties that compete with and/or have conflicts with customers of the Company; impact of weather or natural disasters in the areas of the world in which the Company operates and markets its products; economic downturns and/or changes in market demand, exchange rates, productivity, or market and economic conditions in the areas

of the world in which the Company operates and markets its products, and the Company's success in managing the risks involved in the foregoing. The Company cautions readers that the foregoing list of important factors is not exclusive and the Company incorporates by reference those factors included in current reports on Form 8-K.

(Financial Tables Follow)

OPTICAL CABLE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(thousands, except per share data)
(unaudited)

	Three Months Ended		Nine Months Ended	
	July 31,		July 31,	
	2008	2007	2008	2007
Net sales	\$16,415	\$11,694	\$42,572	\$32,103
Cost of goods sold	10,221	6,992	25,301	20,357
Gross profit	6,194	4,702	17,271	11,746
SG&A expenses	5,481	3,862	13,867	11,046
Amortization of intangible assets	161	—	161	—
Income from operations	552	840	3,243	700
Interest income (expense), net	(78)	13	(10)	2
Other, net	274	—	259	2
Other income, net	196	13	249	4
Income before income taxes	748	853	3,492	704
Income tax expense	266	315	1,270	262
Net income	<u>\$ 482</u>	<u>\$ 538</u>	<u>\$ 2,222</u>	<u>\$ 442</u>
Net income per share:				
Basic and diluted	<u>\$ 0.08</u>	<u>\$ 0.09</u>	<u>\$ 0.37</u>	<u>\$ 0.07</u>
Weighted average shares outstanding:				
Basic	<u>6,043</u>	<u>6,196</u>	<u>6,062</u>	<u>6,090</u>
Diluted	<u>6,044</u>	<u>6,209</u>	<u>6,062</u>	<u>6,100</u>

—MORE—

OPTICAL CABLE CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEET DATA
(thousands)
(unaudited)

	July 31, 2008	October 31, 2007
Cash and cash equivalents	\$ 2,514	\$ 3,139
Trade accounts receivable, net	11,497	9,057
Inventories	11,699	7,340
Other current assets	2,813	1,279
Total current assets	<u>\$28,523</u>	<u>\$ 20,815</u>
Non-current assets	23,625	16,466
Total assets	<u>\$52,148</u>	<u>\$ 37,281</u>
Current liabilities	\$ 7,481	\$ 4,878
Non-current liabilities	9,936	425
Total liabilities	<u>\$17,417</u>	<u>\$ 5,303</u>
Total shareholders' equity	<u>34,731</u>	<u>31,978</u>
Total liabilities and shareholders' equity	<u>\$52,148</u>	<u>\$ 37,281</u>

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Conference Call Transcript

OCCF—Q3 2008 Optical Cable Earnings Conference Call

Event Date/Time: Sep. 16. 2008 / 10:00AM ET

Operator

Good morning. My name is Cheryl and I will be your conference operator today. At this time I would like to welcome everyone to the Optical Cable conference call. Thank you.

It is now my pleasure to turn the call over to your host, Andrew Siegel. Sir, you may begin your conference.

Andrew Siegel—*Joele Frank, Wilkinson Brimmer Katcher—IR*

Thank you and good morning. Thank you all for participating on Optical Cable's third quarter of fiscal year 2008 conference call. By this time, everyone should have obtained a copy of the earnings press release. If you haven't, see www.occfiber.com for a copy. On the call with us today is Neil Wilkin, President and Chief Executive Officer of Optical Cable Corporation.

Before we begin, I would like to remind everyone that this call may contain forward-looking statements that involve risks and uncertainties. The actual future results of Optical Cable Corporation may differ materially due to a number of factors including, but not limited to, those factors set forth in detail in the "forward looking statements" section of yesterday's press release. These cautionary statements apply to the contents of the internet webcast on www.occfiber.com as well as today's call.

Now I'd like to turn the call over to Neil Wilkin. Neil, please begin.

Neil Wilkin—*Optical Cable Corporation—President and CEO*

Thank you, Andrew, and good morning, everyone. Joining me today at Optical Cable Corporation's offices is Tracy Smith, our Senior Vice President and Chief Financial Officer. I'd like to begin the call today with a few opening remarks. I will then have Tracy review the third quarter results for the three month and nine month periods ended July 31st, 2008 in some additional detail.

After Tracy's remarks I will have a few remarks before we answer as many of your questions as we can. I'd like to note that during the Q&A session we will—as we normally do—take questions from analysts and institutional investors. Additionally, we also provide an opportunity to answer a number of questions, if any, from individual investors that are submitted prior to today's call. As a reminder, when we do offer an opportunity for shareholders to submit questions in advance of our earnings call, we will include instructions regarding such submissions in our press release announcing the date and time of our earnings call—as we did for today's call.

Optical Cable Corporation recorded significant increases in net sales and gross profit—both during the third quarter and during the nine months ended July 31st, 2008 when compared to the prior year. These net sales and gross profit increases were a result of not only the acquisition of SMP Data Communications on May 30th, but also organic growth. Our third quarter of fiscal year 2008 marks the fifth consecutive quarter of increases in both our net sales and gross profit when compared to the same period in the prior year.

During the third quarter of fiscal 2008, net sales increased 40.4% to \$16.4 million when compared to the same period last year. And fiscal year-to-date, net sales increased 32.6% to \$42.6 million when compared to the same period last year. The acquisition of SMP Data Communications on May 30th added about \$3.3 million to net sales for the three month and nine month periods ended July 31st. Exclusive of the impact of the acquisition, the company's net sales increased 11.7% to \$13.1 million for the third quarter of fiscal year 2008, and increased 22.2% to \$39.2 million for the first nine months of 2008 when compared to the same periods from last year.

Gross profit margin was 37.7% for the third quarter of fiscal year 2008 and 40.6% for the first nine months of fiscal 2008. This represents an increase in gross profit margin for the nine month period, but a decrease during the third quarter when compared to last year. Recently, our quarterly gross profit margins have ranged from 40.2% to 42.6%. Our third quarter gross profit margin reflects the fact that SMP Data Communications has historically had gross profit margin percentages lower than OCC—and that's consistent with what we have discussed during our last earnings call.

Also impacting gross profit margin in the third quarter was the impact of accounting rules that require the finished goods inventory purchased in the acquisition to be recorded at approximate net selling price, reducing the gross profit normally realized on sales of such inventory. These inventory adjustments resulted in approximately \$284,000 in additional cost of goods sold expense during the third quarter. Exclusive of the acquisition of SMP, OCC's gross profit margin increased during the third quarter to 42%.

Optical Cable posted net income of \$0.08 and \$0.37 per share during the three months and nine months ended July 31st, 2008, respectively. Through the third quarter, OCC's trailing 12 month EPS is \$0.50 with a low 11.6 times PE ratio at Monday's close price of \$5.80 per share.

We are pleased with our financial performance during fiscal 2008 to date. We continue to show significant net sales growth in both our US and international markets despite weakness in the global economy. Our global growth strategy and investments are positively impacting our results as evidenced by our year-over-year increases in net sales, gross profit and net income. And we believe our strategy will positively impact our future results as well.

Since the acquisition of SMP Data Communications on May 30, 2008, we have already combined and integrated a significant portion of multiple functions of the two entities into one management structure, most notably in our sales and marketing team, but also in a number of other functions. Our combined product lines are exceptionally complementary and provide integrated cabling and connectivity solutions to our customers and end users.

And with that, I'd like to turn the call over to Tracy, our CFO, who will review some additional specifics regarding our financial results for the quarter.

Tracy Smith—Optical Cable Corporation—CFO

Thank you, Neil. As we discussed in our second quarter of fiscal year 2008 conference call, SMP Data Communications' financial results and OCC's financial results were consolidated for the first time during the third quarter of 2008. As expected, consolidated net sales were higher in the third quarter when compared to the same period last year, while consolidated gross profit margins were lower, as Neil just discussed.

For our third quarter of fiscal year 2008, we reported net income of \$482,000, or \$0.08 per basic and diluted share, compared to net income of \$538,000, or \$0.09 per basic and diluted share, for the same period last year. On a year-to-date basis, we reported net income of \$2.2 million, or \$0.37 per basic and diluted share compared to net income of \$442,000, or \$0.07 per basic and diluted share, for the same period last year.

Net sales increased 40.4% to \$16.4 million for the third quarter of fiscal year 2008 compared to \$11.7 million for the same period last year. Net sales growth during the third quarter was achieved over a broad customer base and product mix, with notable increases in both commercial and specialty markets. Exclusive of the impact of the acquisition, net sales increased 11.7% to \$13.1 million for the third quarter of fiscal 2008. Net sales outside the U.S. continued to show substantial strength in the third quarter of fiscal 2008, increasing 16.9% compared to the same period last year, while net sales in the U.S. increased 9.6% compared to the same period last year, in both cases exclusive of the net sales generated by the product lines of SMP Data Communications.

Net sales increased 32.6% to \$42.6 million for the first nine months of fiscal year 2008 compared to \$32.1 million for the same period in fiscal 2007. Exclusive of the impact of the acquisition, net sales for the first nine months of fiscal 2008 increased 22.2% to \$39.2 million from \$32.1 million for the same period in fiscal 2007. On a year-to-date basis, net sales outside the U.S. increased 43.2% compared to the same period last year, while net sales in the U.S. increased 13.8% compared to the same period last year. Again, in both cases, exclusive of the net sales generated by the product lines of SMP Data Communications.

Our gross profit increased 31.8% to \$6.2 million in the third quarter of fiscal 2008, up from \$4.7 million in the third quarter of fiscal 2007. Gross profit margin, or gross profit as a percentage of net sales, decreased to 37.7% for the third quarter of fiscal 2008 compared to 40.2% for the third quarter of fiscal 2007. Exclusive of the impact of the acquisition, gross profit increased 16.7% to \$5.5 million for the third quarter of fiscal year 2008 compared to \$4.7 million for the same period last year. Gross profit margin increased to 42% in the third quarter of fiscal year 2008 from 40.2% in the third quarter of fiscal year 2007, exclusive of the impact of the acquisition. By comparison, gross profit margin for each of the prior four quarters has ranged from 40.2% to 42.6%.

Exclusive of the impact of the acquisition, gross profit margin, or gross profit as a percentage of net sales, increased to 42% for the third quarter of 2008 compared to 40.2% for the same period last year. Gross profit increased 16.7% to \$5.5 million for the third quarter of fiscal 2008 compared to \$4.7 million for the same period last year. For the year-to-date period, gross profit margin increased to 42.2% compared to 36.6% for the same period last year. We believe the improvement in gross profit margin during the first nine months of fiscal 2008 is due to higher sales volumes and enhanced manufacturing efficiency, including improvements resulting from the successful implementation of our ERP system at our Roanoke, Virginia facility.

Our gross profit margin percentages are heavily dependent upon product mix on a quarterly basis, and may deviate from expectations based on both anticipated and unanticipated changes in product mix. Additionally, gross profit margins tend to be higher when we achieve higher net sales levels, as certain fixed manufacturing costs are spread over higher sales volumes.

SG&A expenses for the third quarter of fiscal 2008 increased to \$5.5 million compared to \$3.9 million for the comparable period last year. SG&A expenses as a percentage of net sales were 33.4% in the third quarter of 2008, compared to 33% in the third quarter of fiscal 2007. The increase in SG&A expenses during the third quarter of fiscal 2008, compared to the same period last year was primarily due to increases in employee performance-based incentives based on improved financial results during the third quarter fiscal 2008. The increase in SG&A expenses is also attributable to the impact of the acquisition of SMP Data Communications, including their operating costs, as well as increased costs related to operation integration efforts which began immediately after the completion of the merger.

As of the end of our third quarter, we had outstanding loan balances under two of our credit facilities, totaling \$8.7 million, and a total of \$8.26 million in availability.

And with that, I will turn the call back over to Neil.

Neil Wilkin—Optical Cable Corporation—President and CEO

Thanks, Tracy. We continue to be optimistic about Optical Cable Corporation's performance for the remainder of the fiscal year—despite the weakness in the global economy. We recognize the economic environment continues to present challenges, and Optical Cable could be impacted by those economic realities during the remainder of the year. However, we are taking the steps we believe are necessary in order to insure our continued performance this year and future periods, as well.

And now, we are happy to answer as many questions as we can. Operator, if you could please indicate the instructions for participants to call in their questions.

QUESTION AND ANSWER

Operator

Thank you. (OPERATOR INSTRUCTIONS). We will pause for just a moment to compile the Q&A roster. (OPERATOR INSTRUCTIONS). Your first question is coming from Russ Silvestri of Skiritai.

Russ Silvestri —Skiritai Capital—Analyst

Hi.

Neil Wilkin —Optical Cable Corporation—President and CEO

Hey, Russ how are you?

Russ Silvestri —Skiritai Capital—Analyst

I'm all right, Neil. Hey, quick question.

Neil Wilkin —Optical Cable Corporation—President and CEO

Hello? Hello?

Russ Silvestri—Skiritai Capital—Analyst

I'm here. Hello.

Neil Wilkin—Optical Cable Corporation—President and CEO

You got cut off there for a second.

Russ Silvestri—Skiritai Capital—Analyst

Okay. Can you hear me now?

Neil Wilkin—Optical Cable Corporation—President and CEO

I can. You said you had a quick question and then you got cut off.

Russ Silvestri—Skiritai Capital—Analyst

There you go. I guess I need a long question. Trying to understand, obviously the top line growth is good, and the gross margins without the acquisition looks good. But the SG&A seems a little bit out of control relative. I would have hoped to have seen a little bit more leverage. Can you tell me a little bit about what components of the SG&A we might expect to improve going forward? Or is this the model we should expect going forward?

Neil Wilkin—Optical Cable Corporation—President and CEO

We are still reviewing and looking at that. When we made the acquisition of SMP Data Communications, there were some cost synergies that were saved in the way our sales team was organized, particularly our outside sales force. But for the most part, there was not a lot of overlap between the two entities that would cause us to cut SG&A expenses.

SMP Data Communications, as you can tell from these results, was not exceptionally profitable before the acquisition, but we believe through, over time, that we will be able to improve that, as well as realize some additional synergies between the two companies, it will generate additional sales. So, I am not prepared to really say this is where SG&A expenses will be cut.

I would point out that, as you would expect with any acquisition and for the period of integration after that, there's a number of additional expenses that are being incurred with travel and other work that needs to be done in connection with the acquisition. Some of that, of course, is capitalized in the purchase price, but there are other expenses that don't end up getting capitalized when you take on a project like this. So, the bottom line is this: I believe that in the short term, SMP Data Communications will be slightly accretive to not accretive on the earnings per share side, but expect that, over the mid-term to long-term, to change substantially.

And as you can see, Optical Cable, excluding the effects of the acquisition, has been performing exceptionally well. And so we will continue to look at SG&A expenses, but we are doing a good job in what we need to on the sales and the gross profit side.

I'd also point out to you that the fact that we went through purchase accounting with respect to the acquisition had some effects, as well. What we end up, when you end up acquiring a company, as you probably know, you have to write up the assets to their fair market value. And that includes inventory, patents and intangibles and other things that the company normally wouldn't have to expense. And inventory is a good example where you essentially are trying to get to a net selling price. Under GAAP, the concept is they don't want you to essentially acquire profits. So because of that, a lot of the turnover in sales that happened in those two months after the acquisition had reduced gross profit margin, as well, and that was impacting the quarter. And the amount of that was about \$284,000 in the third quarter with respect to a revaluation of finished goods inventory.

Russ Silvestri—Skiritai Capital—Analyst

The \$280,000 is the direct cost then?

Neil Wilkin—Optical Cable Corporation—President and CEO

Right. In other words, when we did the acquisition we had to write up the value of SMP's inventory to approximate net sales price. So with respect to those inventory items that turned in the second quarter, we did not really recognize — in the third quarter but in the first two months of our ownership — we didn't recognize as much profit as we otherwise would by that amount.

Russ Silvestri—Skiritai Capital—Analyst

Okay.

Neil Wilkin—Optical Cable Corporation—President and CEO

And that's on a before-tax basis, obviously. So there's some things like that that have impacted the quarter. I wouldn't expect that the type of performance of the combined entities that you saw this quarter would continue in mid- to long-term, but remember we are still going through our integration, and we're also going through difficult economic situation although we have not been experiencing that yet.

Russ Silvestri—Skiritai Capital—Analyst

Could you break down also your commercial business versus the military?

Neil Wilkin—Optical Cable Corporation—President and CEO

Well, we haven't broken down commercial versus military. What we have broken down is commercial versus specialty which includes military.

Russ Silvestri—Skiritai Capital—Analyst

Okay.

Neil Wilkin—Optical Cable Corporation—President and CEO

And both of those areas are up substantially, both in the third quarter and in the year-to-date numbers. We are seeing some softness, some noise in the marketplace, if you will, at the distribution level of things slowing. We just have not experienced that so far.

Russ Silvestri—Skiritai Capital—Analyst

My last question would be, do you have any idea of inventory at distribution beginning of the quarter versus the end of the quarter?

Neil Wilkin—Optical Cable Corporation—President and CEO

No. I can't specifically speak to that, but what I can tell you is traditionally that's not an issue for us. In other words, distributors are typically fairly aggressive about managing their inventory, so you don't have these buildups of inventory that result in lower sales in a following period. We typically haven't experienced fluctuations resulting from that sort of thing.

Russ Silvestri—Skiritai Capital—Analyst

Okay. Thank you.

Operator

Thank you. (OPERATOR INSTRUCTIONS). There appear to be no more questions at this time. I would now like to turn the floor over back to Andrew Siegel.

Andrew Siegel—*Joele Frank, Wilkinson Brimmer Katcher—IR*

Thank you. Neil, we did not have any questions submitted by individual shareholders for this conference call so I will turn it back over to you for your closing remarks.

Neil Wilkin—*Optical Cable Corporation—President and CEO*

Okay. Well, I understand this is a challenging time on Wall Street with everything that's going on in the financial industry. Fortunately, we haven't had significant impact from that, from what's going on in the financial side at Optical Cable, and hope that that continues. I would like to thank everyone for participating in today's call and for your questions and interest in Optical Cable Corporation, and your continued support. Thank you.

Operator

Thank you. This concludes today's Optical Cable conference call. You may now disconnect.