

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

FORM 10-Q

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

For the quarterly period ended January 31, 2000

OR

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

For the transition period from _____ to _____

Commission file number 0-27022

OPTICAL CABLE CORPORATION
(Exact name of registrant as specified in its charter)

Virginia
(State or other jurisdiction of incorporation or organization)

54-1237042
(I.R.S. Employer Identification No.)

5290 Concourse Drive
Roanoke, Virginia 24019
(Address of principal executive offices, including zip code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. (1) Yes X No (2) Yes X No

As of March 8, 2000, 37,564,121 shares of the registrant's Common Stock, no par value, were outstanding. Of these outstanding shares 36,000,000 shares were held by Robert Kopstein, Chairman of the Board, President and Chief Executive Officer of the registrant.

OPTICAL CABLE CORPORATION
Form 10-Q Index
Three Months Ended January 31, 2000

Page

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Condensed Balance Sheets - January 31, 2000 and October 31, 1999.....	2
Condensed Statements of Income - Three Months Ended January 31, 2000 and 1999.....	3
Condensed Statement of Changes in Stockholders' Equity - Three Months Ended January 31, 2000.....	4
Condensed Statements of Cash Flows - Three Months Ended January 31, 2000 and 1999.....	5
Condensed Notes to Condensed Financial Statements.....	6-8

Item 2. Management's Discussion and Analysis of Financial

Condition and Results of Operations.....9-12

Item 3. Quantitative and Qualitative Disclosures About Market Risk..13

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.....14

SIGNATURES

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

OPTICAL CABLE CORPORATION
Condensed Balance Sheets
(Unaudited)

Assets	January 31, 2000	October 31, 1999
	-----	-----
Current assets:		
Cash and cash equivalents	\$ 3,029,046	\$ 6,816,678
Trading securities	7,523,250	-
Trade accounts receivable, net of allowance for doubtful accounts of \$271,000 at January 31, 2000 and \$316,000 at October 31, 1999	8,758,211	10,230,717
Other receivables	368,082	280,219
Due from employees	6,277	8,100
Note receivable	75,200	61,100
Inventories	8,537,940	8,754,423
Prepaid expenses	166,438	106,536
Deferred income taxes	192,539	206,652
	-----	-----
Total current assets	28,656,983	26,464,425
Note receivable, noncurrent	18,405	32,505
Other assets, net	205,452	188,328
Property and equipment, net	11,071,723	10,826,331
	-----	-----
Total assets	\$ 39,952,563	\$ 37,511,589
	=====	=====
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,861,586	\$ 3,370,244
Accrued compensation and payroll taxes	506,725	692,678
Income taxes payable	801,610	421,803
	-----	-----
Total current liabilities	4,169,921	4,484,725
Deferred income taxes	189,058	179,789
	-----	-----
Total liabilities	4,358,979	4,664,514
	-----	-----
Stockholders' equity:		
Preferred stock, no par value, authorized 1,000,000 shares; none issued and outstanding	--	--
Common stock, no par value, authorized 100,000,000 shares; issued and outstanding 37,478,496 shares at January 31, 2000 and 37,414,271 shares at October 31, 1999	4,468,711	4,128,316
Paid-in capital	732,560	359,566
Retained earnings	30,392,313	28,359,193
	-----	-----
Total stockholders' equity	35,593,584	32,847,075
Commitments and contingencies		
	-----	-----
Total liabilities and stockholders' equity	\$ 39,952,563	\$ 37,511,589
	=====	=====

See accompanying condensed notes to condensed financial statements.

OPTICAL CABLE CORPORATION
Condensed Statements of Income
(Unaudited)

	Three Months Ended January 31,	
	2000	1999
Net sales	\$ 11,346,235	\$ 10,841,939
Cost of goods sold	6,141,120	6,119,752
	-----	-----
Gross profit	5,205,115	4,722,187
Selling, general and administrative expenses	2,599,263	2,509,772
	-----	-----
Income from operations	2,605,852	2,212,415
	-----	-----
Other income:		
Gains on trading securities, net	449,681	--
Interest income	80,390	33,999
Other, net	2,474	6,249
	-----	-----
Other income, net	532,545	40,248
	-----	-----
Income before income tax expense	3,138,397	2,252,663
Income tax expense	1,105,277	804,428
	-----	-----
Net income	\$ 2,033,120	\$ 1,448,235
	=====	=====
Net income per share:		
Net income per common share	\$ 0.054	\$ 0.038
	=====	=====
Net income per common share - assuming dilution	\$ 0.054	\$ 0.038
	=====	=====

See accompanying condensed notes to condensed financial statements.

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

	Three Months Ended January 31, 2000				
	Common Stock				Total
	Shares	Amount	Paid-in Capital	Retained Earnings	Stockholders' Equity
Balances at October 31, 1999	37,414,271	\$ 4,128,316	\$ 359,566	\$ 28,359,193	\$ 32,847,075
Exercise of employee stock options (\$5.236 weighted- average price per share)	63,225	331,020	--	--	331,020
Restricted stock award (\$9.375 per share)	1,000	9,375	--	--	9,375
Tax benefit of disqualifying disposition of stock options exercised	--	--	372,994	--	372,994
Net income	--	--	--	2,033,120	2,033,120
Balances at January 31, 2000	37,478,496	\$ 4,468,711	\$ 732,560	\$ 30,392,313	\$ 35,593,584

See accompanying condensed notes to condensed financial statements.

OPTICAL CABLE CORPORATION
Condensed Statements of Cash Flows
(Unaudited)

	Three Months Ended January 31,	
	2000	1999
Cash flows from operating activities:		
Net income	\$ 2,033,120	\$ 1,448,235
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	184,250	211,282
Bad debt recovery	(46,284)	(49,000)
Deferred income tax expense	23,382	33,102
Stock-based compensation expense	9,375	--
Unrealized gains on trading securities, net	(142,790)	--
(Increase) decrease in:		
Trading securities	(7,380,460)	--
Trade accounts receivable	1,518,790	1,574,101
Other receivables	(87,863)	(20,252)
Due from employees	1,823	950
Inventories	216,483	136,957
Prepaid expenses	(59,902)	(46,800)
Increase (decrease) in:		
Accounts payable and accrued expenses	(420,678)	1,033,635
Accrued compensation and payroll taxes	(185,953)	(239,306)
Income taxes payable	752,801	771,326
	-----	-----
Net cash provided by (used in) operating activities	(3,583,906)	4,854,230
	-----	-----
Cash flows from investing activities:		
Purchase of property and equipment	(513,371)	(40,722)
Cash surrender value of life insurance	(21,375)	(25,433)
	-----	-----
Net cash used in investing activities	(534,746)	(66,155)
	-----	-----
Cash flows from financing activities:		
Repurchase of common stock	--	(773,790)
Proceeds from exercise of employee stock options	331,020	24,250
	-----	-----
Net cash provided by (used in) financing activities	331,020	(749,540)
	-----	-----
Net increase (decrease) in cash and cash equivalents	(3,787,632)	4,038,535
	-----	-----
Cash and cash equivalents at beginning of period	6,816,678	1,122,277
	-----	-----
Cash and cash equivalents at end of period	\$ 3,029,046	\$ 5,160,812
	=====	=====

See accompanying condensed notes to condensed financial statements.

OPTICAL CABLE CORPORATION
Condensed Notes to Condensed Financial Statements
Three Months Ended January 31, 2000
(Unaudited)

(1) General

The accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial reporting information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all material adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended January 31, 2000 are not necessarily indicative of the results that may be expected for the fiscal year ending October 31, 2000. The unaudited condensed financial statements and condensed notes are presented as permitted by Form 10-Q and do not contain certain information included in the Company's annual financial statements and notes. For further information, refer to the financial statements and notes thereto included in the Company's annual report on Form 10-K for the fiscal year ended October 31, 1999.

(2) Trading Securities

Trading securities are recorded at fair value, which is based on quoted market prices. Purchases and sales of trading securities are recognized on a trade-date basis, the date the order to buy or sell is executed. The Company's trading securities are bought and held principally for the purpose of selling them in the near term. Unrealized holding gains and losses for trading securities are included in net income. The amount of net unrealized holding gain that has been included in net income for the three months ended January 31, 2000 was \$142,790. As of January 31, 2000, the Company's trading securities consist of shares in a stock index mutual fund concentrated in the technology sector.

(3) Inventories

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

	January 31, 2000	October 31, 1999
	-----	-----
Finished goods	\$ 3,295,202	\$ 2,976,426
Work in process	2,567,049	2,306,209
Raw materials	2,604,216	3,416,046
Production supplies	71,473	55,742
	-----	-----
	\$ 8,537,940	\$ 8,754,423
	=====	=====

(4) Notes Payable

Under a loan agreement with its bank dated March 10, 1999, the Company has a \$5 million secured revolving line of credit and a \$10 million secured revolving line of credit. The Company's intention is that the \$5 million line of credit be available to fund general corporate purposes and that the \$10

OPTICAL CABLE CORPORATION
Condensed Notes to Condensed Financial Statements
(Unaudited)

million line of credit be available to fund potential acquisitions and joint ventures. The lines of credit bear interest at 1.50 percent above the monthly LIBOR rate and are equally and ratably secured by the Company's accounts receivable, contract rights, inventory, furniture and fixtures, machinery and equipment and general intangibles. The lines of credit will expire on February 28, 2001, unless renewed or extended. While the lines of credit do not require a compensating balance that legally restricts the use of cash amounts, at the bank's request, the Company has agreed to maintain an unrestricted target cash balance of \$125,000.

(5) Net Income Per Share

Net income per common share excludes dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Net income per common share - assuming dilution reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the net income of the entity. The following is a reconciliation of the numerators and denominators of the net income per common share computations for the periods presented:

Three Months Ended January 31, 2000 -----	Net Income (Numerator) -----	Shares (Denominator) -----	Per Share Amount -----
Net income per common share	\$ 2,033,120	37,451,813	\$ 0.054 =====
Effect of dilutive stock options	--	298,275 -----	
Net income per common share - assuming dilution	\$ 2,033,120 =====	37,750,088 =====	\$ 0.054 =====
 Three Months Ended January 31, 1999 -----			
Net income per common share	\$ 1,448,235	37,850,680	\$ 0.038 =====
Effect of dilutive stock options	--	301,466 -----	
Net income per common share - assuming dilution	\$ 1,448,235 =====	38,152,146 =====	\$ 0.038 =====

Subsequent to January 31, 2000 and through March 8, 2000, stock options totaling 81,375 shares of common stock were exercised.

(6) Segment Information

On November 1, 1998, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 131, "Disclosures about Segments of an Enterprise and Related Information." SFAS No. 131 establishes standards for the way public business enterprises are to report information about operating segments in annual financial statements and requires those enterprises to report selected information about operating segments in condensed financial statements of interim periods.

OPTICAL CABLE CORPORATION
Condensed Notes to Condensed Financial Statements

(Unaudited)

The Company has a single reportable segment for purposes of segment reporting pursuant to SFAS No. 131.

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

Forward Looking Information

This Form 10-Q may contain certain "forward-looking" information within the meaning of the federal securities laws. The forward-looking information may include, among other information, (i) statements concerning the Company's outlook for the future, (ii) statements of belief, (iii) future plans, strategies or anticipated events and (iv) similar information and statements concerning matters that are not historical facts. Such forward-looking information is subject to risks and uncertainties that may cause actual events to differ materially from the expectations of the Company. Factors that could cause or contribute to such differences include, but are not limited to, the level of sales to key customers, actions by competitors, fluctuations in the price of raw materials (including optical fiber), the Company's dependence on a single manufacturing facility, the ability of the Company to protect its proprietary manufacturing technology, the Company's dependence on a limited number of suppliers, the effect of the Year 2000 issue on suppliers and customers, technological changes and introductions of new competing products, changes in market demand, and market and economic conditions in the areas of the world in which the Company operates and markets its products.

Results of Operations

Three Months Ended January 31, 2000

Net Sales

Net sales consist of gross sales of products, less discounts, refunds and returns. Net sales increased 4.7 percent to \$11.3 million in first quarter 2000 from \$10.8 million for the same period in 1999. This increase was attributable to increased sales volume. Total cable meters shipped in first quarter 2000 increased 13.0 percent to 39.2 million from 34.7 million cable meters shipped for the same period in 1999. This increase in cable meters shipped was a result of a 1.5 million increase in multimode cable meters and a 3.0 million increase in single-mode cable meters shipped. Single-mode cable typically has a lower selling price than multimode cable.

Gross Profit Margin

Cost of goods sold consists of the cost of materials, compensation costs and overhead related to the Company's manufacturing operations. The Company's gross profit margin (gross profit as a percentage of net sales) increased to 45.9 percent in first quarter 2000 from 43.6 percent in first quarter 1999. This increase in gross profit margin is partially attributable to a decrease in large orders. During first quarter 2000, sales from orders of \$50,000 or more approximated 12.0 percent of total sales compared to 20.0 percent of total sales for first quarter 1999. In addition, during the first quarter of fiscal years 2000 and 1999, net sales to distributors approximated 61.0 percent and 55.0 percent, respectively. Discounts on large orders and on sales to distributors are generally greater than discounts on sales to the Company's other customer base.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of the compensation costs (including sales commissions) for sales and marketing personnel, travel expenses, customer support expenses, trade show expenses, advertising, the compensation cost for administration, finance and general management personnel, as well as legal and accounting fees. Selling, general and administrative expenses as a percentage of net sales were 22.9 percent in first quarter 2000 compared to 23.1 percent in first quarter 1999. This slightly lower percentage was primarily the result of a 4.7 percent increase in net sales for first quarter 2000, compared to first quarter 1999, while selling, general and administrative expenses increased only 3.6 percent over the same period.

Other Income

Other income increased \$492,000 to \$532,000 for the three months ended January 31, 2000, compared to \$40,000 for the same period in 1999. During first quarter 2000, the Company began investing in trading securities and has recognized related gains on trading securities, net of \$450,000 in other income.

Income Before Income Tax Expense

Income before income tax expense increased 39.3 percent to \$3.1 million for the three months ended January 31, 2000, compared to \$2.3 million for the three months ended January 31, 1999. This increase was primarily due to increased sales volume, the increase in gross profit margin and gains on trading securities, net.

Income Tax Expense

Income tax expense increased \$301,000 to \$1.1 million for the three months ended January 31, 2000, compared to \$804,000 for the same period in 1999 due to the increase in income before income tax expense. The Company's effective tax rate was 35.2 percent during the three months ended January 31, 2000, compared to 35.7 percent for the same period in 1999.

Net Income

Net income for first quarter 2000 was \$2.0 million, compared to \$1.4 million for first quarter 1999. Net income increased \$585,000 due to the \$886,000 increase in income before income tax expense offset by the increase in income tax expense of \$301,000.

Financial Condition

Total assets at January 31, 2000 were \$40.0 million, an increase of \$2.4 million, or 6.5 percent from October 31, 1999. This increase was primarily due to an increase of \$7.5 million in trading securities, partially offset by a decrease of \$3.8 million in cash and cash equivalents and a decrease of \$1.5 million in trade accounts receivable resulting from the decreased sales volume during first quarter 2000 as compared to the three months ended October 31, 1999.

Total stockholders' equity at January 31, 2000 increased \$2.7 million, or 8.4 percent in first quarter 2000 with net income retained accounting for the majority of the increase.

Liquidity and Capital Resources

During the first quarter of fiscal years 2000 and 1999, the Company's primary capital needs have been to fund working capital requirements and capital expenditures as needed. The Company's primary source of financing has been cash provided from operations. The Company maintains bank lines of credit; however, there were no balances outstanding under the lines as of the end of fiscal year 1999 or the end of the first quarter of fiscal year 2000.

Under a loan agreement with its bank dated March 10, 1999, the Company has a \$5 million secured revolving line of credit available and a \$10 million secured revolving line of credit. The Company's intention is that the \$5 million line of credit be available to fund general corporate purposes and that the \$10 million line of credit be available to fund potential acquisitions and joint ventures. The lines of credit bear interest at 1.50

percent above the monthly LIBOR rate and are equally and ratably secured by the Company's accounts receivable, contract rights, inventory, furniture and fixtures, machinery and equipment and general intangibles. The lines of credit will expire on February 28, 2001, unless renewed or extended. As of the date hereof, the Company has no additional material sources of financing. The Company believes that its cash flow from operations and available lines of credit will be adequate to fund its operations for at least the next twelve months.

Cash flows used in operations were approximately \$3.6 million in first quarter 2000, compared to cash flows provided by operations of approximately \$4.9 million in first quarter 1999. Cash flows used in operations in first quarter 2000 were primarily due to the purchase of approximately \$7.4 million in trading securities and decrease in accounts payable and accrued expenses of \$421,000, partially offset by an increase in operating income and a decrease in trade accounts receivable of approximately \$1.5 million. For first quarter 1999, cash flows from operations were primarily provided by operating income, a decrease in trade accounts receivable of \$1.6 million and an increase in accounts payable and accrued expenses of \$1.0 million.

Net cash used in investing activities was mainly for expenditures related to facilities and equipment and was \$535,000 and \$66,000 in first quarters 2000 and 1999, respectively. As of January 31, 2000, there were no material commitments for additional capital expenditures.

Net cash provided by financing activities was \$331,000 in first quarter 2000 and related to proceeds from exercise of employee stock options. The net cash used in financing activities of \$750,000 in first quarter 1999 was primarily related to the Company's common stock repurchase program.

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

Derivatives

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

Year 2000

The Company was cognizant of the risks posed by the Year 2000 issue for both its operations and its customers. Subsequent to December 31, 1999, the Company is not aware of any information that indicates a significant vendor or service provider may be unable to sell goods or provide services to the Company because of Year 2000 issues. Further, the Company has not received any notifications from lenders or regulatory agencies to which it is subject, indicating that (1) a lender considers or may consider the Company to be in violation of a loan agreement or (2) significant regulatory action is being or may be taken against the Company, as a result of Year 2000 issues. Nevertheless, there can be no assurances that the Year 2000 issue will not have a negative effect on the Company's customers or suppliers in the future.

The Company has not experienced any significant disruptions to its financial or operating activities caused by any failure of its computerized systems resulting from Year 2000 issues. Management does not expect Year 2000 issues to have a material adverse effect on the Company's operations or financial results in 2000.

The Company prepared for the millennium change and expects to continue to successfully operate and handle the transactions of its customers subsequent to December 31, 1999.

Future Accounting Considerations

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities." In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133." SFAS No. 137 defers the effective date of SFAS No. 133 to apply to all fiscal quarters of all fiscal years beginning after June 15, 2000. It is not anticipated that SFAS No. 133 will have a material effect on the financial position, results of operations or liquidity of the Company.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company does not engage in derivative financial instruments or derivative commodity instruments. As of January 31, 2000, the Company's financial instruments are not exposed to significant market risk due to interest rate risk, foreign currency exchange risk or commodity price risk. However, as of January 31, 2000, the Company's trading securities, which consist of shares in a stock index mutual fund concentrated in the technology industry sector, are exposed to equity price risk. It is reasonably possible that the price of these trading securities, valued at approximately \$7.5 million as of January 31, 2000, could experience an adverse change in the near term. For illustration purposes, assuming a 30 percent adverse change in the fund's equity price, the Company's trading securities would decrease in value by approximately \$2.3 million, based on the value of the Company's portfolio as of January 31, 2000. This assumption is not necessarily indicative of future performance and actual results may differ materially.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits required by Item 601 of Regulation S-K for the three months ended January 31, 2000.

27 Financial Data Schedule

- (b) Reports on Form 8-K filed during the three months ended January 31, 2000.

None.

SIGNATURES

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

OPTICAL CABLE CORPORATION
(Registrant)

Date: March 16, 2000

/s/Robert Kopstein

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

Date: March 16, 2000

/s/Kenneth W. Harber

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

INDEX TO ATTACHED EXHIBITS

Exhibit Number

Description

27

Financial Data Schedule.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED JANUARY 31, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

Amounts inapplicable or not disclosed as a separate line on the Balance Sheet or Statement of Income are reported as 0 herein.

	1,000	
	U.S. Dollars	
3-MOS		
	OCT-31-2000	
	NOV-01-1999	
	JAN-31-2000	
	1	
		3,029
		7,523
		9,123
		271
		8,538
	28,657	
		16,354
		5,283
		39,953
4,170		
		0
0		
		0
		4,469
		31,125
39,953		
		11,346
	11,879	
		6,141
		8,740
	0	
	(46)	
0		
		3,138
		1,105
2,033		
	0	
	0	
		0
		2,033
		0.054
		0.054