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

FORM 10-Q

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

For the quarterly period ended July 31, 1996

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	54-1237042
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

5290 CONCOURSE DRIVE
ROANOKE, VIRGINIA 24019
(Address of principal executive offices, including zip code)

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

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

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

(1) Yes X No (2) Yes X No

As of September 5, 1996, 38,675,416 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

Nine Months Ended July 31, 1996

PAGE

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

OPTICAL CABLE CORPORATION

Condensed Balance Sheets

(Unaudited)

ASSETS	July 31, 1996	October 31, 1995
Currents assets:		
Cash and cash equivalents	$ 3,081,597	$ 535,235
Trade accounts receivable, net of allowance for doubtful accounts of $250,000 in 1996 and $200,000 in 1995	8,078,147	6,186,888
Other receivables	198,667	98,297
Due from employees	875	3,225
Inventories	8,352,095	6,033,042
Prepaid expenses	87,237	86,553
Deferred income taxes	186,563	-
Total current assets	19,985,181	12,943,240
Other assets	-	201,237
Property and equipment, net	6,184,701	5,674,232
Total assets	$ 26,169,882	$ 18,818,709
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ 1,115,000	$ 309,000
Accounts payable and accrued expenses	2,385,574	2,726,727
Accrued compensation and payroll taxes	736,292	831,197
Income taxes payable	828,806	-
Total current liabilities	5,065,672	3,866,924
Deferred income taxes	51,106	-
Total liabilities	5,116,778	3,866,924
Stockholders' equity:		
Common stock; no par value, authorized 50,000,000 shares; issued and outstanding 38,675,416 shares at July 31, 1996 and 36,000,000 at October 31, 1995	18,594,116	596
Additional paid-in capital	-	767,849
Retained earnings	2,458,988	14,183,340
Total stockholders' equity	21,053,104	14,951,785
Commitments and contingencies		
Total liabilities and stockholders' equity	$ 26,169,882	$ 18,818,709

See accompanying condensed notes to condensed financial statements.

OPTICAL CABLE CORPORATION

Condensed Statements of Income

(Unaudited)

	Three Months Ended July 31, 1996	Three Months Ended July 31, 1995	Nine Months Ended July 31, 1996	Nine Months Ended July 31, 1995
Net sales	$ 10,862,064	$ 8,697,155	$ 31,388,496	$ 26,329,977
Cost of goods sold	5,909,041	4,720,779	17,631,613	14,897,118
Gross profit	4,953,023	3,976,376	13,756,883	11,432,859
Selling, general and administrative expenses	2,005,442	2,031,620	5,917,361	5,753,112
Income from operations	2,947,581	1,944,756	7,839,522	5,679,747
Other income (expense):				
Interest income	37,626	-	67,076	175
Interest expense	(1,622)	(67,120)	(5,115)	(363,224)
Other, net	(353)	(50)	108,971	25,486
Other income (expense), net	35,651	(67,170)	170,932	(337,563)
Income before income tax expense	2,983,232	1,877,586	8,010,454	5,342,184
Income tax expense	1,124,409	-	1,308,349	-
Net imcome	$ 1,858,823	$ 1,877,586	$ 6,702,105	$ 5,342,184
Pro forma income data:				
Net income before pro forma income tax provision, as reported	$ 1,858,823		$ 6,702,105	
Pro forma income tax provision	-		1,746,513	
Pro forma net income	$ 1,858,823		$ 4,955,592	
Pro forma net income per share	$ 0.05		$ 0.13	
Pro forma weighted average shares outstanding	40,475,416		39,989,074	

See accompanying condensed notes to condensed financial statements.

OPTICAL CABLE CORPORATION

Condensed Statement of Changes in Stockholders' Equity

Nine Months Ended July 31, 1996

(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity
Balances, October 31, 1995	36,000,000	$ 596	767,849	14,183,340	14,951,785
Net income - five months ended March 31, 1996	-	-	-	4,243,117	4,243,117
Issuance of common stock for cash ($2.50 per share, less issuance costs of $1,139,326)	2,675,416	5,549,214	-	-	5,549,214
Distributions to stockholder	-	-	-	(6,150,000)	(6,150,000)
Recapitalization	-	13,044,306	(767,849)	(12,276,457)	-
Net income - four months ended July 31, 1996	-	-	-	2,458,988	2,458,988
Balances, July 31, 1996	38,675,416	$ 18,594,116	-	2,458,988	21,053,104

See accompanying condensed notes to condensed financial statements.

OPTICAL CABLE CORPORATION

Condensed Statements of Cash Flows

(Unaudited)

	Nine Months Ended July 31, 1996	Nine Months Ended July 31, 1995
Cash flows from operating activities:		
Net income	$ 6,702,105	$ 5,342,184
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	361,525	286,792
Bad debt expense	41,431	(9,055)
Deferred income taxes	(135,457)	-
Gain on sale of property and equipment	-	381
(Increase) decrease in:		
Trade accounts receivable	(1,932,690)	(1,672,639)
Other receivables	(100,370)	(17,977)
Due from employees	2,350	(3,111)
Inventories	(2,319,053)	3,784,879
Prepaid expenses	(684)	(55,007)
Other assets	201,237	-
Increase (decrease) in:		
Accrued interest payable	-	(8,458)
Accounts payable and accrued expenses	(341,153)	1,117,280
Accrued compensation and payroll taxes	(94,905)	302,040
Income taxes payable	828,806	-
Net cash provided by operating activities	3,213,142	9,067,309
Cash flows from investing activities:		
Purchase of property and equipment	(871,994)	(210,362)
Proceeds from sale of property and equipment	-	20
Net cash used in investing activities	(871,994)	(210,342)
Cash flows from financing activities:		
Net change in notes payable	806,000	(4,087,238)
Payments on long-term debt	-	(3,500,000)
Proceeds from issuance of common stock, net of issuance costs	5,549,214	-
Cash distributions to stockholder	(6,150,000)	(1,080,000)
Net cash provided by (used in) financing activities	205,214	(8,667,238)
Net increase in cash	2,546,362	189,729
Cash and cash equivalents at beginning of period	535,235	105,720
Cash and cash equivalents at end of period	$ 3,081,597	$ 295,449

See accompanying condensed notes to condensed financial statements.

OPTICAL CABLE CORPORATION

Condensed Notes to Condensed Financial Statements

Nine Months Ended July 31, 1996

(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 nine months ended July 31, 1996 are not necessarily indicative of the results that may be expected for the fiscal year ending October 31, 1996. 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, 1995.

(2) Recapitalization And Initial Public Offering

The Company's Board of Directors authorized the filing of a registration statement for a public offering of the Company's common stock. In connection with the public offering, the Board and the previously sole stockholder approved an increase in the number of authorized shares of common stock from 50,000 shares to 50,000,000 shares, a recapitalization involving an exchange of all outstanding $1 par value common stock (596 shares) on a 60,403-for-1 basis for no par value common stock (36,000,000 shares) and the authorization of 1,000,000 shares of preferred stock, no par value, issuable in multiple series.

On April 1, 1996, the Company completed a public offering of 2,675,416 shares of the Company's common stock from which it received net proceeds of approximately $5.5 million.

At October 31, 1995, included in noncurrent other assets are deferred costs related to the public offering in the amount of $201,237. These deferred costs were charged against the gross proceeds of the public offering.

Common Stock

In connection with the recapitalization, additional paid-in capital as of March 31, 1996 has been reclassified to no par value common stock.

(Continued)

(2) (Continued)

Undistributed Earnings

In connection with the recapitalization, the amount of the undistributed taxable S Corporation earnings remaining as of March 31, 1996 has been reclassified to no par value common stock.

Distributions

Since November 1, 1995 and in connection with the termination of the Company's status as an S Corporation, the Company has made distributions to the previously sole stockholder representing a portion of the undistributed taxable S Corporation earnings. The Company made distributions totaling $6,150,000 to the previously sole stockholder during the nine months ended July 31, 1996.

(3) Inventories

Inventories at July 31, 1996 and October 31, 1995 consist of the following:

	July 31, 1996	October 31, 1995
Finished goods	$ 2,882,084	$ 2,331,995
Work in process	2,284,707	1,594,193
Raw materials	3,141,076	2,067,949
Production supplies	44,228	38,905
	$ 8,352,095	$ 6,033,042

(4) Notes Payable

On March 1, 1996, the Company and its bank executed a loan commitment letter renewing its $5 million revolving line of credit arrangement for another year under substantially similar terms; however, the line of credit as renewed does not contain the restrictive financial covenants contained in the previous agreement.

(Continued)

(5) Income Taxes

Through March 31, 1996, the Company was not subject to federal and state income taxes since it had elected to be taxed as an S Corporation. In connection with the closing of the Company's initial public offering, the Company terminated its status as an S Corporation effective March 31, 1996 and became subject to federal and state income taxes. Accordingly, the statements of income include income taxes from April 1, 1996 and for informational purposes, the statement of income for the nine months ended July 31, 1996 includes a pro forma adjustment for income taxes which would have been recorded if the Company had been subject to income taxes for the entire period presented.

Income Tax Expense

Income tax expense for the nine months ended July 31, 1996 consists of:

	Current	Deferred	Total
U.S. Federal	$ 1,259,807	(114,047)	1,145,760
State	183,999	(21,410)	162,589
Totals	$ 1,443,806	(135,457)	1,308,349

Deferred Income Taxes

The Company recorded a $114,045 net benefit for deferred income taxes upon termination of the Company's S Corporation status. The adjustment reflects the net deferred income tax asset balance at March 31, 1996 in accordance with the provisions of Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, which requires an asset and liability approach for the accounting and financial reporting of income taxes.

(Continued)

(5) (Continued)

The tax effects of temporary differences that give rise to significant portions of the Company's net deferred tax asset as of July 31, 1996 are presented below:

Deferred tax assets:		
Accounts receivable, due to allowance for doubtful accounts	$	94,900
Inventories, due to additional costs inventoried for tax purposes pursuant to the Tax Reform Act of 1986		60,175
Self-insured health care costs, due to accrual for financial reporting purposes		40,816
Total gross deferred tax assets		195,891
Less valuation allowance		-
Net deferred tax assets		195,891
Deferred tax liabilities:		
Plant and equipment, due to differences in depreciation and capital gain recognition		(51,106)
Prepaid expenses, due to deduction for tax purposes		(9,328)
Total gross deferred tax liabilities		(60,434)
Net deferred tax asset, including current net tax asset of $186,563 and noncurrent net tax liability of $51,106	$	135,457

Based on the Company's historical and current pretax earnings, management believes that it is more likely than not that the recorded deferred tax assets will be realized.

(6) Pro Forma Net Income Per Share

Pro forma net income per share was computed by dividing pro forma net income by the pro forma weighted average number of common shares outstanding during the period (as adjusted for the recapitalization) and the number of shares (1,800,000) that the Company would have needed to issue at the initial public offering price per share ($2.50) to pay a $1 million cash distribution to the sole stockholder in December 1995 and a $3.5 million cash distribution to the previously sole stockholder out of the proceeds of the initial public offering.

(Continued)

(7) Stock Incentive Plan

The Company and its previously sole stockholder adopted on March 1, 1996 a stock incentive plan which is called the Optical Cable Corporation 1996 Stock Incentive Plan (the "Plan"). The Plan is intended to provide a means for selected key management employees to increase their personal financial interest in the Company, thereby stimulating the efforts of these employees and strengthening their desire to remain with the Company through the use of stock incentives. The Company has reserved 4,000,000 shares of Common Stock for issuance pursuant to incentive awards under the Plan. Incentive awards may be in the form of either incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock or incentive stock.

The aggregate number of shares under option pursuant to the Plan is as follows:

	Number of Shares	Option Price Per Share
Options outstanding at October 31, 1995	-	-
Granted	460,000	$ 2.50
Forfeited	(16,000)	$ 2.50
Options outstanding at July 31, 1996	444,000	$ 2.50

(8) Stock Dividends

On May 14, 1996, the Board of Directors declared a 2-for-1 stock split effected in the form of a one hundred percent (100%) stock dividend paid on May 31, 1996 to stockholders of record at the close of business on May 15, 1996. On June 5, 1996, the Board of Directors declared a 2-for-1 stock split effected in the form of a one hundred percent (100%) stock dividend paid on June 21, 1996 to stockholders of record at the close of business on June 6, 1996. All share and per share data have been adjusted to reflect these stock dividends.

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

RESULTS OF OPERATIONS

THREE MONTHS ENDED JULY 31, 1996 AND 1995

Income Before Income Tax Expense

Income before income tax expense increased 58.9 percent to $3.0 million for the three months ended July 31, 1996 compared to $1.9 million for the three months ended July 31, 1995. This was primarily due to increased sales volume and a reduction in interest expense of $65,000 as noted below.

Net Income

Net income of $1.9 million for third quarter 1996 was comparable to third quarter 1995. This was a result of a $1.1 million increase in income before income tax expense which was offset by the recording of income tax expense of $1.1 million for third quarter 1996 as a result of the Company's termination of its S Corporation status effective March 31, 1996.

Net Sales

Net sales consists of gross sales of products, less discounts, refunds and returns. Net sales increased 24.9 percent to $10.9 million in third quarter 1996 from $8.7 million for the same period in 1995. This increase was attributable to the Company's continued effort to reach a broader customer base throughout the United States and internationally with increased advertising, trade show attendance, and direct sales presence in more states. This effort resulted in greater sales in all market segments and product types. Sales from orders less than $50,000 increased 19.2 percent to $9.1 million in third quarter 1996 from $7.6 million for the same period in 1995, and sales from orders $50,000 or more increased 67.0 percent to $1.8 million from $1.1 million.

Gross Profit Margin

Cost of goods sold consists of the cost of materials, compensation costs and overhead related to the Company's manufacturing operations, and warranty expenses. The Company's gross profit margin (gross profit as a percentage of net sales) decreased slightly to 45.6 percent in third quarter 1996 from 45.7 percent in third quarter 1995. This decrease was due primarily to a change in the Company's product mix sold during the quarter.

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 18.5 percent in third quarter 1996 compared to 23.4 percent in third quarter 1995. This lower percentage was primarily the result of the fact that net sales for third quarter 1996 increased 24.9 percent from the same period in 1995.

Interest Expense

The $65,000 reduction in interest expense in third quarter 1996 is due to the Company generating adequate amounts of cash from operations to meet its cash needs thereby requiring limited use of its revolving line of credit in third quarter 1996.

(Continued)

NINE MONTHS ENDED JULY 31, 1996 AND 1995

Income Before Income Tax Expense

Income before income tax expense increased 49.9 percent to $8.0 million for the nine months ended July 31, 1996 from $5.3 million for the nine months ended July 31, 1995. This increase was primarily due to increased sales volume, increased gross profit margin and a reduction in interest expense of $358,000 as noted below.

Net Income

Net income increased 25.5 percent to $6.7 million for the nine months ended July 31, 1996 from $5.3 million for the nine months ended July 31, 1995. This increase was a result of a $2.7 million increase in income before income tax expense which was offset by the recording of income tax expense of $1.3 million for the nine months ended July 31, 1996 as a result of the Company's termination of its S Corporation status effective March 31, 1996.

Net Sales

Net sales consists of gross sales of products, less discounts, refunds and returns. Net sales increased 19.2 percent to $31.4 million for the nine months ended July 31, 1996 from $26.3 million for the same period in 1995. This increase was attributable to the Company's continued effort to reach a broader customer base throughout the United States and internationally with increased advertising, trade show attendance, and direct sales presence in more states. This effort resulted in greater sales in all market segments and product types. Additionally, net sales were favorably impacted by increases in both large and small orders. Sales from orders less than $50,000 increased 18.3 percent to $25.9 million for the nine months ended July 31, 1996 from $21.9 million for the same period in 1995, and sales from orders $50,000 or more increased 24.0 percent to $5.5 million from $4.4 million.

Gross Profit Margin

Cost of goods sold consists of the cost of materials, compensation costs and overhead related to the Company's manufacturing operations, and warranty expenses. The Company's gross profit margin (gross profit as a percentage of net sales) increased slightly to 43.8 percent for the nine months ended July 31, 1996 from 43.4 percent for the nine months ended July 31, 1995. This increase was due primarily to a change in the Company's product mix sold during the period.

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 18.9 percent for the nine months ended July 31, 1996 compared to 21.9 percent for the nine months ended July 31, 1995. This lower percentage was primarily the result of the fact that net sales for the nine months ended July 31, 1996 increased 19.2 percent from the nine months ended July 31, 1995.

(Continued)

Interest Expense

The $358,000 reduction in interest expense for the nine months ended July 31, 1996 is due to the Company generating adequate amounts of cash from operations to meet its cash needs thereby requiring limited use of its revolving line of credit for the nine months ended July 31, 1996.

FINANCIAL CONDITION

Total assets at July 31, 1996 were $26.2 million, an increase of $7.4 million, or 39.1 percent over October 31, 1995. This increase was primarily due to an increase of $1.9 million in trade accounts receivable resulting from the increased sales volume during the nine months ended July 31, 1996, an increase of $2.3 million in inventory and an increase in cash and cash equivalents of $2.5 million resulting from the initial public offering of the Company's common stock.

Total stockholders' equity at July 31, 1996 increased $6.1 million from October 31, 1995 as a result of the initial public offering and net income for the nine months ended July 31, 1996, less cash distributions totaling $6.2 million to the Company's previously sole stockholder.

LIQUIDITY AND CAPITAL RESOURCES

The Company has financed its cash requirements through cash flows from operations along with short-term borrowings. On March 1, 1996, the Company and its bank executed a loan commitment letter renewing its $5 million revolving line of credit arrangement for another year under substantially similar terms; however, the line of credit as renewed does not contain the restrictive financial covenants contained in the previous agreement.

The Company's primary capital needs have been to (i) fund working capital requirements, (ii) repay indebtedness, (iii) purchase property and equipment for expansion and (iv) fund distributions to its previously sole stockholder primarily to satisfy his tax liabilities resulting from S Corporation status. The Company's primary sources of financing have been cash from operations, bank borrowings and the initial public offering of the Company's common stock. The Company believes that its cash flow from operations, available lines of credit and the portion of the net proceeds from the public offering that the Company intends to use for general corporate purposes will be adequate to fund its operations for at least the next twelve months. The Company is not aware of any trends, commitments or events that will result in or that are reasonably likely to result in a material increase or decrease in liquidity thereafter. As of the date hereof, the Company has no additional material sources of financing.

Cash flows from operations were approximately $3.2 million and $9.1 million for the nine months ended July 31, 1996 and 1995, respectively. For the nine months ended July 31, 1996, cash flows from operations were primarily provided by operating income, offset by an increase in trade accounts receivable of $1.9 million and an increase in inventory of $2.3 million. Cash flows from operations for the nine months ended July 31, 1995 were primarily provided by operating income and a decrease in inventory of $3.8 million. In 1995, the Company reduced its inventory of optical fiber because it had additional access to ready supplies.

(Continued)

Net cash used in investing activities was primarily for expenditures related to facilities and equipment and was $872,000 and $210,000 for the nine months ended July 31, 1996 and 1995, respectively. In July 1996, the Company entered into a contract for the expansion of its headquarters facilities totaling $3.2 million. Construction is expected to be completed by the end of 1996.

Net cash provided by (used in) financing activities was $.2 million and $(8.7) million for the nine months ended July 31, 1996 and 1995, respectively. The net cash provided by financing activities for the nine months ended July 31, 1996 consisted of an increase in debt outstanding under the line of credit of $.8 million and net proceeds from the issuance of common stock of $5.5 million, offset by $6.2 million in cash distributions to the Company's previously sole stockholder. The net cash used in financing activities for the nine months ended July 31, 1995 consisted primarily of a decrease in debt outstanding under the line of credit of $4.1 million, payments on long-term debt of $3.5 million and cash distributions to the Company's previously sole stockholder of $1.1 million.

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 nine months ended July 31, 1996.

(27) Financial Data Schedule.

(b) Reports on Form 8-K filed during the three months ended July 31, 1996.

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: September 5, 1996

/s/ Robert Kopstein

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

Date: September 5, 1996

/s/ Kenneth W. Harber

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

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED JULY 31, 1996 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.

1000
US

9-MOS
OCT-31-1996
NOV-01-1995
JUL-31-1996
1
$ 3,082
0
8,328
250
8,352
19,985
8,997
2,812
26,170
5,066
0
0
0
18,594
2,459
26,170
31,388
31,565
17,632
23,549
0
41
5
8,010
1,308
6,702
0
0
0
6,702
0.13
0.13