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IEC ELECTRONICS CORP
Form 10-K/A
May 11, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K/A
Amendment No. 1

Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended September 30, 2014
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 0-6508

IEC ELECTRONICS CORP.

(Exact name of registrant as specified in its charter)

Delaware

13-3458955

(State or other jurisdiction of incorporation or
organization)

(IRS Employer Identification No.)

105 Norton Street, Newark, New York 14513
(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code: 315-331-7742

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, \$.01 par value

NYSE MKT LLC

(Title of Class)

(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

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.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K/A or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

At March 28, 2014, the last business day of the registrant's second quarter for the fiscal year ended September 30, 2014, the aggregate market value of the shares of common stock held by non-affiliates of the registrant was \$35,032,117 (based on the

closing price of the registrant's common stock on the NYSE MKT on such date). Shares of common stock held by each executive officer and director and by each person and entity who beneficially owns more than 10% of the outstanding common stock have been excluded in that such person or entity may be deemed to be an affiliate for purposes of this calculation. Such exclusion should not be deemed a determination or admission by registrant that such individuals or entities are, in fact, affiliates of the registrant.

As of May 6, 2015, there were 10,180,308 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of IEC Electronics Corp.'s definitive Proxy Statement filed with the Securities and Exchange Commission on December 16, 2014 in connection with its 2015 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K/A.

EXPLANATORY NOTE

References in this Annual Report on Form 10-K/A to "IEC", the "Company", "we", "our", or "us" mean IEC Electronics Corp. and its subsidiaries except where the context otherwise requires.

Background of the 2014 Restatements

This Form 10-K/A restates the Company's previously issued consolidated financial statements for the fiscal year ended September 30, 2014 ("FY 2014"), the ("Original 2014 10-K") and the fiscal quarters ended December 27, 2013 ("Q1-2014"), March 28, 2014 ("Q2-2014") and June 27, 2014 ("Q3-2014"), (collectively, the "Fiscal 2014 Restated Periods").

As previously disclosed in the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission (the "SEC") on February 9, 2015, management concluded and the Audit Committee of the Board of Directors of the Company concurred that the previously issued consolidated financial statements covering the Company's FY 2014, Q2-2014 and Q3-2014 require restatement. These financial statements contained an error in the valuation allowance on deferred income tax assets. The Company should have recorded a full valuation allowance for its deferred tax assets. As such, income tax expense was understated and deferred income tax assets were overstated during Q2-2014 by approximately \$14.0 million. Income tax expense was overstated and deferred income tax assets were understated by \$3.0 thousand and \$1.8 million in Q3-2014 and September 30, 2014 ("Q4-2014"), respectively. For FY 2014 income tax expense was understated and deferred income tax assets were overstated by approximately \$12.3 million.

As further disclosed in the Company's Current Report on Form 8-K filed with the SEC on May 7, 2015, management concluded and the Audit Committee of the Board of Directors of the Company concurred that the previously issued consolidated financial statements covering FY 2014, Q1-2014, Q2-2014 and Q3-2014, require restatement for an additional error. These financial statements contained an error in the estimation of the excess and obsolete inventory reserve at the Company's Albuquerque, NM and Bell Gardens, CA operating locations resulting in an understatement of cost of goods sold and overstatement of inventory. Cost of goods sold was understated by approximately \$0.2 million, \$0.1 million, \$0.1 million and \$0.3 million in Q1-2014, Q2-2014, Q3-2014 and Q4-2014, respectively. Inventory was overstated by approximately \$0.2 million, \$0.4 million, \$0.4 million and \$0.7 million as of the end of Q1-2014, Q2-2014, Q3-2014 and Q4-2014, respectively. For FY 2014 cost of goods sold was understated and inventory was overstated by approximately \$0.7 million.

In addition, the Company has determined that the above-described accounting errors were not detected in a timely manner due to material weaknesses in internal control over financial reporting. The material weaknesses, and the Company's process for remediation thereof, are further described in Part II – Item 9A – Controls and Procedures of this Form 10-K/A.

Implementation of the 2014 Restatements

The restatement of the FY 2014 financial statements (the "2014 Restatements") has been implemented as follows. This Form 10-K/A restates all Fiscal 2014 Restated Periods presented herein, as applicable, to reflect the adjustments applicable to each of those periods. The annual adjustments made as a result of the 2014 Restatements are more fully

described in Note 3—Fiscal 2014 Restatement of Deferred Tax Asset Valuation Allowance and Excess and Obsolete Inventory Reserve of the Notes to Consolidated Financial Statements in Part II, Item 8 of this Form 10-K/A. Such adjustments include the Company's restated consolidated balance sheet as of September 30, 2014 and the related consolidated statements of income, changes in stockholders' equity, and cash flows for FY 2014, and are reflected in the information derived therefrom contained in this Form 10-K/A. This Form 10-K/A also includes the impact of such adjustments on the unaudited quarterly financial information for each of the Fiscal 2014 Restated Periods in Note 20—Quarterly Financial Data (Unaudited) of the Notes to the Consolidated Financial Statements included herein.

The Company will not file amendments to its Quarterly Reports on Form 10-Q for Q1-2014, Q2-2014 or Q3-2014. Accordingly, the Company cautions investors that certain information contained in the Quarterly Reports on Form 10-Q previously filed for those interim periods, specifically the consolidated financial statements contained in those reports and the information derived therefrom, should no longer be relied upon.

In addition, the Company's Quarterly Reports on Form 10-Q during its 2015 fiscal year will restate the comparable prior year quarterly information.

Items Amended

This Form 10-K/A amends the Original 10-K Filing to reflect the 2014 Restatements described above. The following items, and no others, have been amended as a result of the restatement:

The Cover Page

"Safe Harbor" Cautionary Statement

Part I, Item 1A, Risk Factors;

Part II, Item 6, Selected Financial Data;

Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations;

Part II, Item 8, Financial Statements and Supplementary Data;

Part II Item 9, Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Part II, Item 9A, Controls and Procedures; and

Part IV, Item 15, Exhibits and Financial Statement Schedules.

Part II, Items 6, 7 and 8 and Part IV, Item 15 include not only information for the full FY 2014 but also for the interim quarterly periods of that year impacted by the restatement, and also include reconciliations of previously filed annual and quarterly financial information to the restated financial information.

The Company's Chief Executive Officer and Chief Financial Officer are providing currently dated certifications in connection with this Form 10-K/A. The certifications are filed as Exhibits 31.1, 31.2 and 32.1.

The Company engaged Crowe Horwath LLP ("Crowe Horwath") to serve as the Company's independent accounting firm for the Company's fiscal year ended September 30, 2015. EFP Rotenberg, LLP ("EFPR") served as the Company's independent registered public accounting firm for FY 2014 and for the fiscal year ended September 30, 2013. EFPR disagrees with the Company's conclusion that a full valuation allowance on deferred tax assets is required as of the second quarter of fiscal 2014. EFPR has declined to take a position regarding the excess and obsolete inventory reserve restatement. The Company has engaged Crowe Horwath to audit its FY 2014 financial statements. This Form 10-K/A includes EFPR's audit report on the fiscal year ended September 30, 2013 and Crowe Horwath's audit report for FY 2014.

Except as required to reflect the effects of the restatement for the items set forth above and disclosure of certain events subsequent to the Original 2014 10-K filing in Note 21—Subsequent Event, the financial statements and other disclosures in this Form 10-K/A do not reflect any events that have occurred since the Original 2014 10-K was filed on November 25, 2014 (or, in the case of the quarterly information reflected in this Form 10-K/A, as of the filing date of the applicable original Quarterly Report on Form 10-Q).

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“SAFE HARBOR” CAUTIONARY STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

References in this report to “IEC”, the “Company”, “we”, “our”, or “us” mean IEC Electronics Corp. and its subsidiaries except where the context otherwise requires. This Annual Report on Form 10-K/A for the fiscal year ended September 30, 2014 (“Form 10-K/A”) contains certain statements that are, or may be deemed to be, forward-looking statements within the meaning of section 27A of the Securities Act of 1933 and section 21E of the Securities Exchange Act of 1934, and are made in reliance upon the protections provided by such Acts for forward-looking statements. These forward-looking statements (such as when we describe what we “believe”, “expect” or “anticipate” will occur, and other similar statements) include, but are not limited to, statements regarding future sales and operating results, future prospects, the capabilities and capacities of business operations, any financial or other guidance and all statements that are not based on historical fact, but rather reflect our current expectations concerning future results and events. The ultimate correctness of these forward-looking statements is dependent upon a number of known and unknown risks and events and is subject to various uncertainties and other factors that may cause our actual results, performance or achievements to be different from any future results, performance or achievements expressed or implied by these statements.

The following important factors, among others, could affect future results and events, causing those results and events to differ materially from those views expressed or implied in our forward-looking statements: additional information that may arise as a result of the 2014 Restatements; our ability to successfully remediate material weaknesses in our internal controls; litigation and governmental investigations or proceedings arising out of or relating to accounting and financial reporting matters; business conditions and growth or contraction in our customers’ industries, the electronic manufacturing services industry and the general economy; variability of our operating results; our ability to control our material, labor and other costs; our dependence on a limited number of major customers; the potential consolidation of our customer base; availability of component supplies; dependence on certain industries; variability and timing of customer requirements; technological, engineering and other start-up issues related to new programs and products, uncertainties as to availability and timing of governmental funding for our customers; the types and mix of sales to our customers; our ability to assimilate acquired businesses and to achieve the anticipated benefits of such acquisitions; unforeseen product failures and the potential product liability claims that may be associated with such failures; the availability of capital and other economic, business and competitive factors affecting our customers, our industry and business generally; failure or breach of our information technology systems; natural disasters; and other factors that we may not have currently identified or quantified. Any one or more of such risks and uncertainties could have a material adverse effect on us or the value of our common stock. For a further list and description of various risks, relevant factors and uncertainties that could cause future results or events to differ materially from those expressed or implied in our forward-looking statements, see the “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” sections elsewhere in this 10-K/A and other filings with the SEC.

All forward-looking statements included in this Form-10-K/A are made only as of the date of this Form 10-K/A. We do not undertake any obligation to, and may not, publicly update or correct any forward-looking statements to reflect events or circumstances that subsequently occur or which we hereafter become aware of, except as required by law. New risks and uncertainties arise from time to time and we cannot predict these events or how they may affect us. When considering these risks, uncertainties and assumptions, you should keep in mind the cautionary statements contained in this report and any documents incorporated herein by reference. You should read this document and the documents that we incorporate by reference into this Form-10-K/A completely and with the understanding that our actual future results may be materially different from what we expect. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

PART I

Item 1. BUSINESS

Overview

IEC Electronics Corp. (“IEC”, “we”, “our”, “us”, “Company”) conducts business directly, as well as through its subsidiaries and divisions, Wire and Cable, Albuquerque, SCB and Celmet described below in “Organization and Recent Acquisitions” and DRTL described in this “Overview”.

IEC is a premier provider of electronic contract manufacturing services (“EMS”) to companies in various industries that require advanced technology. We specialize in the custom manufacture of high reliability, complex circuit boards and system-level assemblies; a wide array of cable and wire harness assemblies capable of withstanding extreme environments; and precision metal components. We excel where quality and reliability are of paramount importance and when low-to-medium volume, high-mix production is the norm. We utilize state-of-the-art, automated circuit board assembly equipment together with a full complement of high-reliability manufacturing stress testing methods. With our customers at the center of everything we do, we have created a high-intensity, rapid response culture capable of reacting and adapting to their ever-changing needs. Our customer-centric approach offers a high degree of flexibility while simultaneously complying with rigorous quality and on-time delivery standards. While many EMS services are viewed as commodities, we believe we set ourselves apart through an uncommon mix of capabilities including:

- A technology center that combines dedicated prototype manufacturing with an on-site Materials Analysis Lab, enabling the seamless transition of complex electronics from design to production.

- In-house, custom, functional testing and troubleshooting of complex system-level assemblies in support of end-order fulfillment.

- A laboratory that enables us to assist customers in mitigating the risk of purchasing counterfeit parts through our subsidiary, Dynamic Research and Testing Laboratories, LLC (“DRTL”).

- Build-to-print precision sheet metal and complex wire harness assemblies supporting just-in-time delivery of critical end-market, system-level electronics.

- A Lean/Six Sigma continuous improvement program supported by a team of Six Sigma Blackbelts delivering best-in-class results.

- Proprietary software-driven Web Portal providing customers real-time access to a wide array of operational data.

We focus on developing relationships with customers who manufacture advanced technology products and who are unlikely to utilize offshore suppliers due to the proprietary nature of their products, governmental restrictions or volume considerations. We have continued to add new customers and markets, and our customer base is stronger and more diverse as a result. We proactively invest in areas we view as important for our continued long-term growth. IEC is ISO 9001:2008 certified. Four of our units (IEC and Wire and Cable in Newark, NY; Albuquerque in NM; and SCB in Bell Gardens, CA) are ITAR registered. In addition, the Company’s locations in Newark, NY and Albuquerque, NM are Nadcap accredited for electronics manufacturing to support the most stringent quality requirements of the aerospace industry and the Newark, NY location is ISO 13485 certified to serve the medical market sector. Our Newark, NY location is also an NSA approved supplier under the COMSEC standard and its environmental systems are ISO 14001:2004 certified. DRTL in Albuquerque, NM is ISO 17025 accredited, which is the international standard covering testing and calibration laboratories. Albuquerque and SCB also perform work per NASA-STD-8739 and J-STD-001ES space standards. During Fiscal 2014, our Newark, NY and Albuquerque, NM facilities were awarded the IPC-J-STD-001/IPC-A-610 Qualified Manufacturers Listing. DRTL has been certified as an IPC-approved Validation Services Test Laboratory.

The technical expertise of our experienced workforce enables us to build some of the most advanced electronic, wire & cable, and precision metal systems sought by original equipment manufacturers (“OEMs”).

Organization and Recent Acquisitions

We have executed several strategic acquisitions that advanced our capability to support existing and potential customers in the EMS market.

On December 17, 2010, we acquired the assets of Southern California Braiding Co., Inc., a privately held company principally engaged in providing wire and cable products to military and defense markets. The business is now operated through IEC’s subsidiary, Southern California Braiding, Inc. (“SCB”). The acquisition reinforced IEC’s foundation as a premier provider of high-reliability contract manufacturing services. SCB specializes in providing its customers, including military ‘primes’ and NASA, with complex cables and wire harnesses built to withstand the demands of extreme environments. The acquisition further diversified IEC’s customer base, and enables us to complement and expand our existing wire and cable business that itself is the outgrowth of a 2008 acquisition. SCB is located in the Los Angeles metropolitan area (Bell Gardens, CA).

On July 30, 2010, we acquired the assets of Celmet Co., Inc., a privately held manufacturer of metal chassis and assemblies located in Rochester, NY. Celmet operates as a division of IEC (“Celmet”). IEC previously outsourced the manufacture of thousands of such chassis each year, and this acquisition has ensured the Company a steady supply of high quality units. In addition, Celmet serves the same military, medical, industrial and transportation markets as IEC, and the acquisition has enabled us to expand our offerings in those markets.

On December 16, 2009, the Company acquired the stock of General Technology Corporation from Crane International Holdings, Inc. The acquired business employed complementary technologies and served markets similar to IEC’s. In April 2011, the entity’s name was changed to IEC Electronics Corp - Albuquerque (“Albuquerque”). Our Albuquerque operation occupies an important niche in the military and defense markets by supporting its customers in managing their legacy products and programs. Located in Albuquerque, NM, the acquisition broadened IEC’s product mix and further diversified our customer base.

We also conduct business through our subsidiary, IEC Electronics Wire and Cable, Inc. (“Wire and Cable”), located in Newark, New York.

IEC Electronics Corp., a Delaware corporation, is the successor by merger in 1990 to IEC Electronics Corp., a New York corporation, which was originally organized in 1966. Executive offices are located at 105 Norton Street, Newark, New York 14513. Our telephone number is 315-331-7742, and our Internet address is www.iec-electronics.com.

The Electronics Contract Manufacturing Services (“EMS”) Industry

The EMS industry specializes in providing the program management, technical support and manufacturing expertise required to take a product from the early design and prototype stages through volume production and distribution. Primarily as a response to rapid technological change and increased competition in the electronics industry, OEMs have recognized that by utilizing EMS providers they can improve their competitive position, realize an improved return on investment and concentrate on their core competencies such as research, product design and development and marketing. In addition, EMS providers allow OEMs to bring new products to market more rapidly and to adjust more quickly to fluctuations in product demand; avoid additional investment in plant, equipment and personnel; reduce inventory and other overhead costs; and determine known unit costs over the life of a contract. Many OEMs now consider EMS providers valued partners in executing their business and manufacturing strategy.

OEMs increasingly require EMS providers to provide complete turnkey manufacturing and material handling services, rather than working on a consignment basis, in which the OEM supplies all materials and the EMS provider supplies labor. Turnkey contracts involve design, manufacturing and engineering support, the procurement of all materials, sophisticated in-circuit and functional testing, and distribution.

IEC’s Strategy

We endeavor to develop long-term manufacturing partnerships with established and emerging OEMs that value high-reliability final assemblies for their aerospace, defense, medical and industrial businesses. In implementing this strategy, we offer our customers a full range of manufacturing solutions, flexible production, high quality, fast turnaround, and sophisticated computer-aided testing. In the early stages of product or program design, we frequently work with customers to evaluate the manufacturability and testability of their products, with the objective of enhancing quality and reducing the overall cost of ownership for our customers.

Competition

The EMS industry is highly fragmented and characterized by intense competition. We believe that the principal competitive factors in the EMS market include: technology capabilities, quality and range of services, past performance, design, cost, responsiveness and flexibility. We specialize in the custom manufacture of high reliability, complex circuit boards and system-level assemblies; a wide array of cable and wire harness assemblies capable of withstanding extreme environments; and precision metal components. We are certified to serve the military and commercial aerospace sector as well as the medical sector and hold various accreditations. We excel where quality and reliability are of paramount importance and when low-to-medium volume, high-mix production is the norm. We utilize state-of-the-art, automated circuit board assembly equipment together with a full complement of high-reliability manufacturing stress testing methods. Our customer-centric approach offers a high degree of flexibility while simultaneously complying with rigorous quality and on-time delivery standards.

We compete against numerous foreign and domestic companies in addition to the internal capabilities of some of our customers. Some of our competitors include Jabil Circuit Inc., Benchmark Electronics, Inc., Plexus Corp. and Ducommun Incorporated. We may face new competitors in the future as the outsourcing industry evolves and existing or start-up companies develop capabilities similar to ours.

Products and Services

We manufacture a wide range of assemblies that are incorporated into many different products, such as aerospace and defense systems, medical devices, industrial equipment and transportation products. Our products are distributed to and through OEMs. We support multiple divisions and product lines for many of our customers and frequently manufacture successive generations of products. In some cases, we are the sole EMS contract manufacturer for the customer site or division.

Materials Management

We generally procure materials to meet specific contract requirements and are often protected by contract terms that call for reimbursement to us in the event a contract is terminated by the customer. Whether purchased by us or supplied by a customer, materials are tracked and controlled by our internal systems throughout the manufacturing process.

Availability of Components

Our revenues are principally derived from turn-key services that involve the acquisition of raw and component materials, often from a limited number of suppliers, to be manufactured in accordance with each customer's specifications. While we believe we are well positioned with supplier relationships and procurement expertise, potential shortages of components in the world market could materially adversely affect our revenue levels or operating efficiencies.

Suppliers

Although we depend on a limited number of key suppliers, as a result of strategic relationships we have established with them, the Company frequently benefits from one or more of the following enhancements: reduced lead-times; competitive pricing; favorable payment terms; and preference during periods of limited supply. We have preferred supplier partnership agreements in place to support our business generally and to ensure access to custom commodities such as printed circuit boards.

For the year ended September 30, 2014, IEC obtained 23% of the materials used in production from two vendors, Arrow Electronics, Inc. and Avnet, Inc. If either of these vendors were to cease supplying us with materials for any reason, we would be forced to find alternative sources of supply. A change in suppliers could cause a delay in availability of products and a possible loss of sales, which could adversely affect operating results.

Marketing and Sales

Revenues have declined since fiscal 2012, primarily as a result of fluctuations in customer demand partially offset by new programs and new customers. We utilize a direct sales force as well as a nationwide network of manufacturer's representatives. Through this hybrid sales approach, we execute a focused sales strategy targeting those customers whose product profiles are aligned with our core areas of expertise. For example, we focus on customers that are developing complex, advanced technology products for a wide array of market sectors ranging from satellite communications to medical, military and ruggedized industrial products.

Typically, the demand profiles associated with these customers are in the low-to-moderate volume range with high variability in required quantities and product mix. These customers' products often employ emerging technologies that require concentrated engineering and manufacturing support from product development through prototyping and on to volume manufacturing, which can result in significant lead times before full production and are difficult to forecast. As a result of the specialized services required, such customers rarely rely on an outsourcing model that focuses primarily on minimizing costs.

To reduce risk, the Company seeks a balanced distribution of business across industry sectors. As indicated in the table that follows, we maintained a relatively balanced distribution.

% of Sales by Sector	Years Ended	
	September 30, 2014	September 30, 2013
Aerospace & Defense (previously Military & Aerospace)	49%	51%
Medical	20%	20%
Industrial	25%	21%
Communications & Other	6%	8%
	100%	100%

Individual customers representing 10% or more of sales included General Electric Company (“GE”) (16%) and Zoll Lifecor Corporation (“Zoll”) (14%) in the 2014 fiscal year, and in fiscal 2013 GE (15%). Two customers represented 10% or more of receivables at September 30, 2014. One customer in the industrial sector and one customer in the medical sector together accounted for 33% of outstanding balances. At September 30, 2013, one customer in the aerospace & defense market sector represented 10% or more of receivables and accounted for 13% of such outstanding balances.

Backlog

Our backlog at the end of fiscal 2014 was 20.8% higher than at the end of fiscal 2013. We closed the year with a backlog of \$105.3 million as compared to \$87.2 million in fiscal 2013. Backlog consists of two categories: purchase orders and firm forecasted commitments. In addition to fulfilling orders and commitments contained in quarter-end backlog reports, we also receive and ship orders within each quarter that do not appear in the period end backlog reports. Variations in the magnitude and duration of contracts as well as customer delivery requirements may result in fluctuations in backlog from period to period. Approximately \$93.4 million of our backlog at September 30, 2014 is expected to be shipped within fiscal 2015, with the remainder expected to ship in future years.

Governmental Regulation

Our operations are subject to certain United States government regulations that control the export and import of defense-related articles and services, as well as federal, state and local regulatory requirements relating to environmental protection, waste management, and employee health and safety matters. Management believes that our business is operated in substantial compliance with all applicable laws and governmental regulations. While current costs of compliance, including compliance with environmental laws, are not material, our expenses could increase if new laws, regulations or requirements were to be introduced. Some of our medical and other customers are highly regulated. Any failure to comply by them, related to products we produce for them, can delay or disrupt their orders from us.

Employees

Employees are our single greatest resource, and the Company added 43 employees during fiscal 2014. IEC’s total employees numbered 994 at September 30, 2014, all of which are full-time. Some of our full-time employees are temporary. None of our employees are covered by a collective bargaining agreement, nor have we experienced any work stoppages. We make a concerted effort to engage our employees in initiatives that improve our business and their opportunities for growth, and we believe that our employee relations are good. We have access to large and technically qualified workforces in close proximity to all of our operating locations: Rochester and Syracuse, NY; Albuquerque, NM; and Los Angeles, CA.

Patents and Trademarks

We hold two patents related to counterfeit detection, one of which is not yet published. We employ various registered trademarks. We do not believe that either patent or trademark protection is material to the operation of our business.

Item 1A. RISK FACTORS

THE RESTATEMENT OF OUR FINANCIAL STATEMENTS COULD NEGATIVELY IMPACT OUR BUSINESS, REPUTATION AND FINANCIAL CONDITION. As discussed in the Explanatory Note as well as “Note 3—Fiscal 2014 Restatement of Deferred Tax Asset Valuation Allowance and Excess and Obsolete Inventory Reserve” in this Annual Report on Form 10-K/A, we restated our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2014, and our unaudited interim consolidated financial statements included in our Quarterly Reports on

Form 10-Q for the fiscal quarters ended December 27, 2013, March 28, 2014 and June 27, 2014 (the “2014 Restatements”). The 2014 Restatements relate to an error made in the valuation allowance on deferred income tax assets and an error made in the estimation of excess and obsolete inventory reserves at two operating locations, as further discussed in Note 3. The 2014 Restatements may, among other impacts, affect investor confidence in the accuracy of our financial disclosures and may raise reputational issues for our business. The restatement process was highly time and resource-intensive and involved a significant amount of attention from management as well as significant legal and accounting costs. Although we have completed the 2014 Restatements, we continue to be subject to a formal investigation by the SEC staff in connection with the prior restatement discussed in Note 2—Prior Restatement of SCB Work-In-Process Inventory to the consolidated financial statements in this Annual Report on Form 10-K/A (the "Prior Restatement" and, together with the 2014 Restatements, the “Restatements”). We could be subject to additional shareholder, governmental, or other actions in connection with the Restatements or other matters, and the 2014 Restatements could result in the delisting of our stock from the NYSE MKT if the NYSE MKT does not concur that we have regained compliance with the NYSE MKT listing standards or our listing agreement with the NYSE MKT. Any such proceedings will, regardless of the outcome, consume a significant amount of our internal resources and result in additional legal, accounting, insurance and other costs. In addition, the Restatements and related matters could impair our reputation, could cause our customers, including the government contractors with which we deal, to lose confidence in us or cause a default under our contractual arrangements with those customers, and could make it more difficult to attract and retain qualified individuals to serve on the board of directors or as executive officers. Each of these occurrences could have a material adverse effect on our business, results of operations, financial condition and stock price and could cause a default under the Company’s arrangements with Manufacturers and Traders Trust Company (“M&T Bank”) with respect to which, if M&T Bank chooses to exercise its remedies, the Company may not be able to obtain replacement financing or continue its operations.

IF WE ARE UNABLE TO MAINTAIN EFFECTIVE INTERNAL CONTROL OVER OUR FINANCIAL REPORTING, THE REPUTATIONAL EFFECTS COULD MATERIALLY ADVERSELY AFFECT OUR BUSINESS. Under the provisions of Section 404(a) of the Sarbanes-Oxley Act of 2002, as amended by the Dodd Frank Wall Street Reform and Consumer Protection Act of 2010, the SEC adopted rules requiring public companies to perform an evaluation of Internal Control over Financial Reporting (Internal Controls) and to report on our evaluation in our Annual Report on Form 10-K. As discussed in greater detail in Item 9A of our Annual Report on Form 10-K/A filed July 3, 2013 with the SEC, we identified a material weakness in our Internal Controls resulting in restatement of its consolidated financial statements for fiscal 2012, related quarterly periods, and the first quarter of fiscal 2013. We consider this material weakness to have been fully remediated. As discussed in greater detail in Item 9A of this Annual Report on Form 10-K/A, we have identified two material weaknesses in our Internal Controls resulting in the 2014 Restatements. If our remediation of such reported material weaknesses is ineffective, or if in the future we are unable to maintain effective Internal Controls, additional resulting material restatements could occur, regulatory actions could be taken, and a resulting loss of investor confidence in the reliability of our financial statements could materially adversely affect the value of our common stock. We have been and may be required to expend substantial funds and resources in order to rectify any deficiencies in our Internal Controls. Further, if lenders lose confidence in the reliability of our financial statements, it could have a material adverse effect on our ability to fund our operations.

OUR COMMON STOCK COULD BE DELISTED FROM THE NYSE MKT. On February 10, 2015, we received a deficiency notice from the NYSE MKT notifying us that we are not in compliance with Sections 134 and 1101 of the NYSE MKT’s Company Guide as a result of our failure to file our quarterly report on Form 10-Q for the quarter ended December 26, 2014 by the requisite deadline of the SEC. In addition, the NYSE MKT asserted that our failure to timely file the Quarterly Report is a material violation of our listing agreement with the NYSE MKT. We were unable to file the 10-Q with the SEC due to the 2014 Restatements. On February 10, 2015, we were notified by NYSE MKT that we were required to submit our plan to regain compliance with the continued listing standards by May 11, 2015. We submitted such plan on February 24, 2015. If we are not in compliance with the continued listing standards of the Company Guide by May 11, 2015, or if the Company is not making progress consistent with the plan, then we may be

subject to delisting procedures.

If we are delisted from the NYSE MKT, our stockholders may face material adverse consequences, including, but not limited to, a decrease in the price of our common stock, a lack of trading market for our common stock, reduced liquidity, decreased analyst coverage of our securities, and an inability to obtain additional financing to fund our operations. In addition, delisting from the NYSE MKT might negatively impact our reputation and, as a consequence, our business. There can be no assurance that our common stock will remain listed on the NYSE MKT.

IF OUR COMMON STOCK WERE DELISTED FROM THE NYSE MKT, WE WOULD NO LONGER BE SUBJECT TO THE NYSE MKT RULES, INCLUDING RULES LIMITING THE NUMBER OF SHARES WE MAY ISSUE WITHOUT SHAREHOLDER APPROVAL AND CERTAIN CORPORATE GOVERNANCE STANDARDS. Our ability to issue common stock currently is limited by the NYSE MKT's shareholder approval requirements. For example, the NYSE MKT requires that we obtain shareholder approval before issuing 20% or more of our common stock in an acquisition. We also must generally seek shareholder approval before issuing 20% or more of our common stock in a financing transaction, unless the transaction satisfies certain pricing requirements or is considered a "public offering" by the NYSE MKT staff. If our common stock is delisted from the NYSE MKT, we would no longer be subject to such shareholder approval requirements, and

we could issue shares in excess of 20% of our outstanding shares in acquisitions or financing transactions without shareholder approval. Any such issuance would dilute the ownership of our current stockholders. In addition, following a delisting of our common stock, we would no longer be subject to the NYSE MKT rules requiring us to meet certain corporate governance standards, which could decrease investor interest in our common stock.

THE AGREEMENTS GOVERNING OUR DEBT CONTAIN VARIOUS COVENANTS THAT MAY CONSTRAIN THE OPERATION OF OUR BUSINESS, AND OUR FAILURE TO COMPLY WITH THESE COVENANTS MAY HAVE A MATERIAL ADVERSE EFFECT ON OUR FINANCIAL CONDITION. The agreements and instruments governing our secured bank credit facility with M&T Bank (“Credit Facility”) and other existing debt contain various covenants that, among other things, require us to comply with certain financial covenants including maintenance of minimum earnings before interest, taxes, depreciation, amortization, rent payments and stock compensation expense (“EBITDARS”), limits on the ratio of debt to EBITDARS, and maintenance of a fixed charge coverage ratio (collectively, “Financial Covenants”). The agreements and instruments governing the Credit Facility require financial and other reporting, contain limitations on revolving loan borrowings and restrict or limit our ability to:

- incur debt
- incur or maintain liens
- make acquisitions of businesses or entities
- make investments, loans or advances
- enter into guarantee agreements
- engage in mergers, consolidations or certain sales of assets
- engage in transactions with affiliates
- pay dividends or engage in stock redemptions or repurchases
- make capital expenditures

The Credit Facility is secured by a general security agreement covering the assets of the Company and its subsidiaries, a pledge of the Company’s equity interest in its subsidiaries, a negative pledge on the Company’s real property, and a guarantee by the Company’s subsidiaries, all of which restrict use of these assets to support other financial instruments.

In connection with the Prior Restatement and the 2014 Restatements described above in “The Restatement Of Our Financial Statements Could Negatively Impact Our Business, Reputation and Financial Condition ” (the “Restatement Risk Factor”), M&T Bank has waived the defaults under the Credit Facility caused by (i) our failure to provide financial statements in accordance with generally accepted accounting principles, (ii) our non-compliance with Financial Covenants, and (iii) our failure to timely deliver financial statements as further described in Note 9—Credit Facilities to the consolidated financial statements in this Annual Report on Form 10-K/A. M&T Bank also amended the Financial Covenants for measurement periods starting with the fiscal quarter ending June 28, 2013. In connection with each of our 2013 fiscal year end and 2014 first fiscal quarter end, M&T Bank further waived compliance with, and further amended, certain Financial Covenants as described in “Note 9—Credit Facilities”. These waivers and amendments have increased our borrowing costs through covenant waiver fees, other related fees and increased interest rates. To the extent we are required to seek additional waivers and/or amendments, we may continue to experience increased borrowing costs. If the Company is not in compliance with all of our debt covenants, and if M&T Bank chooses to exercise its remedies, M&T Bank could accelerate our primary indebtedness which could cause cross-defaults with respect to other obligations, causing a material adverse effect on our financial condition including, our inability to obtain replacement financing or continue operations. Our ability to comply with covenants contained in our Credit Facility and other existing debt may be affected by matters described in the Restatement Risk Factor as well as events beyond our control, including prevailing economic, financial and industry conditions.

OUR OPERATING RESULTS MAY FLUCTUATE FROM PERIOD TO PERIOD. Our annual and quarterly operating results may fluctuate significantly depending on various factors, many of which are beyond our control. These factors may include, but are not necessarily limited to:

- adverse changes in general economic conditions
- natural disasters that may impede our operations, the operation of our customers' business, or availability of manufacturing inputs from our suppliers
- the level and timing of customer orders and the accuracy of customer forecasts
- the capacity utilization of our manufacturing facilities and associated fixed costs
- price competition
- market acceptance of our customers' products
- business conditions in our customers' end markets
- our level of experience in manufacturing a particular product
- changes in the mix of sales to our customers
- variations in efficiencies achieved in managing inventories and fixed assets

- fluctuations in cost and availability of materials
- timing of expenditures in anticipation of future orders
- changes in cost and availability of labor and components
- our effectiveness in managing the high reliability manufacturing process required by our customers
- failure or external breach of our information technology systems

The EMS industry is affected by the United States and global economies, both of which are influenced by world events. An economic slowdown, particularly in the industries we serve, may result in our customers reducing their forecasts or delaying orders. The demand for our services could weaken, which in turn could substantially influence our sales, capacity utilization, margins and financial results. Recent periods in which EMS sales were adversely affected included 2008-2010 when reduced availability of capital to fund existing and emerging technologies forced some firms to contract or to seek strategic alliances and Department of Defense spending reductions resulting from sequestration and a partial government shut-down during 2013.

WE DEPEND ON A RELATIVELY SMALL NUMBER OF CUSTOMERS, THE LOSS OF ONE OR MORE OF WHOM MAY NEGATIVELY AFFECT OUR OPERATING RESULTS. A relatively small number of customers are responsible for a significant portion of our net sales. During fiscal 2014 and 2013, our five largest customers accounted for 50% and 46% of net sales, respectively. During the same two years, our single largest customer accounted for 16% and 15% of net sales, respectively. The percentage of IEC's sales to its major customers may fluctuate from period to period, and our principal customers may also vary from year to year. Significant reduction in sales to any of our major customers, or the loss of a major customer, could have a material adverse effect on our results of operations and financial condition.

We rely on the continued growth and financial stability of our customers, including our major customers. Adverse changes in the end markets they serve can reduce demand from our customers in those markets and/or make customers in these end markets more price sensitive. Further, mergers or restructurings among our customers, or their end customers, could increase concentration or reduce total demand as the combined entities reevaluate their business and consolidate their suppliers. Future developments, particularly in those end markets that account for more significant portions of our revenues, could harm our business and our results of operations.

Because of this concentration in our customer base, we have significant amounts of trade accounts receivable from some of our customers. If one or more of our customers experiences financial difficulty and is unable to provide timely payment for the services provided, our operating results and financial condition could be adversely affected.

In addition, consolidation among our customers could intensify this concentration and adversely affect our business. In the event of consolidation among our customers, depending on which organization controls the supply chain function following the consolidation, we may not be retained as a preferred or approved supplier. In addition, product duplication could result in the termination of a product line that we currently support. While there is potential for increasing our position with the combined customer, our revenues could decrease if we are not retained as a continuing supplier. Even if we are retained as a supplier, we may also face the risk of increased pricing pressure from the combined customer because of its increased market share.

WE PARTICIPATE IN THE ELECTRONICS INDUSTRY, WHICH HISTORICALLY PRODUCES TECHNOLOGICALLY ADVANCED PRODUCTS WITH SHORT LIFE CYCLES. Factors affecting the electronics industry in general could seriously harm our customers and, as a result, us. These factors may include, but may not be limited to:

- the inability of our customers to adapt to rapidly changing technology and evolving industry standards, which result in short product life cycles
- the inability of our customers to develop and market their products, some of which are new and untested

increased competition among our customers and their competitors, including downward pressure on pricing
the potential that our customers' products may become obsolete, or the failure of our customers' products to gain
anticipated commercial acceptance
periods of significantly decreased demand in our customers' markets

SINCE A SIGNIFICANT PORTION OF OUR BUSINESS IS DEFENSE-RELATED, REDUCTIONS OR DELAYS IN UNITED STATES DEFENSE SPENDING MAY MATERIALLY ADVERSELY AFFECT IEC'S REVENUES.

During fiscal years 2014 and 2013, our sales to customers serving the military and aerospace industries approximated 49% and 51% of our sales, respectively. Because these products and services are ultimately sold to the U.S. government by our customers, these sales are affected by, among other things, the federal budget process, which is driven by numerous factors beyond our control, including geo-political, macroeconomic and political conditions. The contracts between our direct customers and their government customers are subject to political and budgetary constraints and processes, changes in short-range and long-range strategic plans, the timing of contract awards, the congressional budget authorization and appropriation processes, the government's ability to terminate contracts for convenience or for default, as well as other risks such as contractor suspension or debarment in the event of certain violations of legal and regulatory requirements.

While we believe that our customers' programs are well aligned with national defense and other priorities, shifts in domestic and international spending and tax policy, changes in security, defense, and intelligence priorities, the affordability of our products and services, general economic conditions and developments, and other factors may affect a decision to fund or the level of funding for existing or proposed programs. An impasse in federal budget decision-making could lead to substantial delays or reductions in federal spending. For example, as a result of inability of the U.S. Government to reach agreement on budget reduction measures required by the Budget Control Act of 2011, sequestration triggered very substantial automatic spending reductions beginning in January 2013, divided between defense and domestic spending over a nine-year period. As a result, U.S. Government funding for certain of our customers has been and could continue to be reduced, delayed or eliminated, which could significantly impact these customers' demand for our products and services and if so this could have a material adverse effect on our business, results of operations and cash flows.

OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION MAY BE MATERIALLY ADVERSELY AFFECTED BY GLOBAL ECONOMIC AND FINANCIAL MARKET CONDITIONS. Current global economic and financial market conditions, including the slow recovery from the global economic recession or the onset of another recession, may materially and adversely affect our results of operations and financial condition. These conditions may also materially impact our customers and suppliers. Economic and financial market conditions that adversely affect our customers may cause them to terminate or delay existing purchase orders or to reduce the volume of products they purchase from us in the future. We may be owed significant balances from customers that operate in cyclical industries and under leveraged conditions that could impair their ability to pay amounts owed to IEC on a timely basis. Failure to collect a significant portion of those receivables could have a material adverse effect on our results of operations and financial condition.

Similarly, adverse changes in credit terms extended to us by our suppliers, such as shortening the required payment period for outstanding accounts payable or reducing the maximum amount of trade credit available to us could significantly affect our liquidity and thereby have a material adverse effect on our results of operations and financial condition.

If we are unable to successfully anticipate changing economic and financial market conditions, we may be unable to effectively plan for and respond to those changes, and our operating results could be materially adversely affected.

START-UP COSTS AND INEFFICIENCIES RELATED TO NEW OR TRANSFERRED PROGRAMS CAN MATERIALLY ADVERSELY AFFECT OUR OPERATING RESULTS AND MAY NOT BE RECOVERABLE.

Our long term success depends in part upon our ability to support our customers as they bring new products and programs to market, or transfer programs to us. Often these products and programs have technological issues and require, or our customers desire, engineering and other changes and innovations in order to facilitate full-scale production and end-user acceptance. Although some of these programs, particularly in the defense and space industries, once mature, will likely profitably extend over many years and will be difficult to transfer to our competitors, we may have to make significant upfront investments in them that may be recovered only over the longer term. These investments may have a significant impact on our profitability in nearer term periods. Moreover, start-up costs, including the management of labor and equipment resources in connection with establishing new programs and new customer relationships; and difficulties in estimating required resources and the timing of those resources in advance of production, can adversely affect our operating results. If new programs or customer relationships are terminated or delayed, our operating results may be materially adversely affected, particularly in the near term, as we may not recoup those start-up costs or quickly replace anticipated new program revenues.

SOME OF OUR CUSTOMERS MAY HAVE REGULATORY ISSUES THAT ADVERSELY AFFECT OUR OPERATING RESULTS. Some of our larger customers are in heavily regulated industries, such as health care. If

they encounter issues with their regulators related to products we manufacture for them, there may be long delays in resolving those issues or the issues may not be resolved at all, which would adversely affect our operating results.

MOST OF THE CUSTOMERS IN OUR INDUSTRY DO NOT COMMIT TO LONG-TERM PRODUCTION SCHEDULES, WHICH CAN MAKE IT DIFFICULT FOR US TO SCHEDULE PRODUCTION. Customers may cancel their orders, change production quantities or delay production for any number of reasons that are beyond our ability to foresee or control. Although we are always seeking new opportunities, we may not be able to replace any deferred, reduced or cancelled orders. Cancellations, reductions or delays by a significant customer or by a group of customers could adversely affect our operating results and working capital levels. Such cancellations, reductions or delays have occurred and may occur again. The volume and timing of sales to our customers may vary due to:

- variation in demand for our customers' products in their end markets
- actions taken by our customers to manage their inventory
- product design changes by our customers
 - changes in our customers' manufacturing strategy

Due in part to these factors, most of our customers do not commit to firm, long-term production schedules. Therefore, we make significant judgments based on our estimates of customer requirements, including:

- deciding on the levels of business that we will seek
- production schedules
- component procurement commitments
- equipment requirements
- personnel needs
- other resource requirements

The short-term nature of our customers' commitments and the possibility of rapid changes in demand for their products reduce our ability to accurately estimate and forecast the future requirements of those customers. Since many of our costs and operating expenses are relatively fixed, a reduction in customer demand can adversely affect our revenue and operating results.

INCREASED COMPETITION MAY RESULT IN DECREASED DEMAND OR REDUCED PRICES FOR OUR PRODUCTS AND SERVICES. The EMS industry is highly fragmented and characterized by intense competition. We may be operating at a cost disadvantage compared to larger EMS providers who have greater direct buying power from component suppliers, distributors and raw material suppliers or who have lower cost structures as a result of their geographic location. As a result, other EMS providers may have a competitive advantage. Our manufacturing processes are generally not subject to significant proprietary protection, and companies with greater resources or a greater market presence may enter our market or increase their competition with us. We also expect our competitors to continue to improve the performance of their current products or services, to reduce the prices of their products or services and to introduce new products or services that may offer greater performance and improved pricing. Any of these factors may cause a decline in our sales, loss of market acceptance for our products or services, profit margin compression, or loss of market share.

DIFFICULTIES IN INTEGRATING ACQUIRED OPERATIONS MAY MATERIALLY ADVERSELY AFFECT OPERATING RESULTS. We completed acquisitions of SCB in fiscal 2011 and Albuquerque and Celmet in fiscal 2010, and we may continue to acquire additional businesses in the future. Acquisitions involve risks that may include, but not be limited to:

- failure to integrate operations
- loss of key personnel
- exposure to information technology infrastructure weaknesses of acquired companies
- failure to integrate information systems
- failure to establish management, financial and operational controls such as adequate accounts receivable and inventory control processes
- failure to retain the customer base of acquired businesses
- failure to achieve initial projections established at acquisition date, including within anticipated time periods
 - diversion of management's attention from other ongoing business concerns
- exposure to unanticipated liabilities of acquired companies
- additional costs and start-up inefficiencies

These and other factors could affect our ability to achieve expected levels of profitability or to realize other anticipated benefits of an acquisition, could require us to recognize an impairment of goodwill and long lived assets, including intangibles, and could have a material adverse effect on our operating results, as we have experienced.

WE DEPEND ON A LIMITED NUMBER OF SUPPLIERS FOR COMPONENTS THAT ARE CRITICAL TO OUR MANUFACTURING PROCESSES. A SHORTAGE OF THESE COMPONENTS OR AN INCREASE IN THEIR PRICE COULD INTERRUPT OUR OPERATIONS AND ADVERSELY AFFECT OUR OPERATING RESULTS.

Much of our net revenue is derived from turn-key manufacturing for which we provide the materials specified by our customers. Some of our customer agreements permit periodic adjustments to pricing based on increases or decreases in component prices and other factors. However, we typically bear the risk of component price increases that occur between any such re-pricing dates or, if such re-pricing is not permitted during the balance of the term of a particular customer agreement. As a result, some component price increases may materially adversely affect our operating results, if we cannot increase prices enough to offset increased costs or if increased prices lead to cancelled orders.

Many of the products we manufacture require one or more components that are available from a limited number of suppliers. In response to supply shortages, some of these components are from time to time subject to allocation limits. In some cases, supply shortages or delayed deliveries could substantially curtail production of those assemblies requiring a limited-supply component, which could contribute to an increase in our inventory levels, and could delay shipments to customers and the associated revenue of all products using that component. Component shortages have been prevalent in our industry, and such shortages may recur. An increase in economic activity could result in shortages if manufacturers of components do not

adequately anticipate increased order volume or if they have excessively reduced their production capabilities. World events, armed conflict, governmental regulation, natural disaster, and epidemics could also affect our supply chain, leading to an inability to obtain sufficient components on a timely basis.

In addition, due to the specialized nature of some components and our customers' product specifications, we may be required to use sole-source suppliers for certain components. Such suppliers may encounter financial or operational difficulties that could cause delays in or the curtailment of component deliveries.

OUR TURN-KEY MANUFACTURING SERVICES INVOLVE INVENTORY RISK. Our turn-key manufacturing services described above involve a greater investment in inventory and a corresponding increase in risk as compared to consignment services, for which the customer provides all materials. For example, in our turn-key operations, we must frequently order parts and supplies in minimum lot sizes that may be larger than the quantity of product ultimately needed for our customers. Customers' cancellation or reduction of orders could result in additional expense to us. If we are not reimbursed for excess inventory ordered to meet customer forecasts, we may accumulate excess inventory and/or incur return charges imposed by suppliers. In addition, component price increases and inventory obsolescence associated with turn-key orders could adversely affect our operating results.

Furthermore, we provide inventory management programs for some of our customers under which we are required to hold and manage finished goods inventories. Such inventory management programs may lead to higher finished goods inventory levels, reduced inventory turns and increased financial exposure. In cases where customers have contractual obligations to purchase managed inventories from us, we remain subject to the risk of enforcing the obligation.

PRODUCTS WE MANUFACTURE MAY CONTAIN DEFECTS IN WORKMANSHIP, WHICH COULD RESULT IN REDUCED DEMAND FOR OUR SERVICES AND PRODUCT LIABILITY CLAIMS AGAINST US. We manufacture highly complex products to our customers' specifications, often within tight tolerance ranges, and such products may contain design or manufacturing errors or defects. Defects in the products we manufacture, whether caused by customer design, workmanship, component failure or other error, may result in delayed shipments to customers or reduced or cancelled customer orders, adversely affecting our reputation and may result in product liability claims against us. Even if customers or component suppliers are responsible for the defects, they may be unwilling or unable to assume responsibility for costs associated with product failure.

OUR OPERATING RESULTS MAY BE ADVERSELY AFFECTED BY NEW REGULATIONS RELATING TO THE SOURCING OF CERTAIN RAW MATERIALS. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") contains provisions to improve the transparency and accountability concerning the supply of minerals originating from the conflict zones of the Democratic Republic of Congo and adjoining countries. As a result, the SEC established new annual disclosure and reporting requirements for those companies who use "conflict" minerals mined from those countries in their products. As these new requirements are implemented, they could affect the sourcing and availability of minerals used in our manufacturing processes. As a result, we may not be able to obtain products at competitive prices and there are additional costs associated with complying with the SEC's new due diligence procedures and disclosure requirements. Also, since our supply chain is complex, we may face reputational challenges with our customers and other stakeholders if we are unable to sufficiently verify the origins for all metals used in our products through the due diligence procedures that we implement. We may also encounter challenges to satisfy those customers who require that all of the components of our products are certified as conflict-free. If we are not able to meet customer requirements, customers may choose to disqualify us as a supplier.

DAMAGE TO OUR MANUFACTURING FACILITIES DUE TO FIRE, NATURAL DISASTER, OR OTHER EVENTS COULD HARM OUR FINANCIAL RESULTS. At September 30, 2014, we have four manufacturing and assembly facilities. The destruction or closure of any of our facilities for a significant period of time as a result of fire, explosion, blizzard, act of war or terrorism, flood, tornado, earthquake, lightning, other natural disasters, required

maintenance or other events could harm us financially, increasing our costs of doing business and limiting our ability to deliver our manufacturing services on a timely basis. Our insurance coverage with respect to damages to our facilities or our customers' products caused by natural disasters is limited and is subject to deductibles and coverage limits. Such coverage may not be adequate or continue to be available at commercially reasonable rates and terms.

If one or more of our facilities is closed on a temporary or permanent basis as a result of a natural disaster, required maintenance or other event, our operations could be significantly disrupted. Such events could delay or prevent product manufacturing and shipment for the time required to transfer production to another facility or to repair, rebuild and/or replace the affected manufacturing facility. This time period could be lengthy and could result in significant expenses for repair and related costs. While we have established disaster recovery plans, such plans may not be sufficient to allow our operations to continue in the event of every natural or man-made disaster, pandemic, required repair or other extraordinary event. Any

extended inability to continue our operations at unaffected facilities following such an event would reduce our revenue and potentially damage our reputation as a reliable supplier.

IF WE ARE UNABLE TO MAINTAIN SATISFACTORY CAPACITY UTILIZATION RATES, OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION WOULD BE ADVERSELY AFFECTED. Given the high fixed costs of our operations, decreases in capacity utilization rates can have a significant effect on our business. Accordingly, our ability to maintain or enhance gross margins continues to depend, in part, on maintaining satisfactory capacity utilization rates. In turn, our ability to maintain satisfactory capacity utilization depends on the demand for our products, the volume of orders we receive, and our ability to offer products that meet our customers' requirements at competitive prices. If current or future production capacity fails to match current or future customer demands, our facilities would be underutilized, our sales may not fully cover our fixed overhead expenses, and we would be less likely to achieve anticipated gross margins. If forecasts and assumptions used to support the implied fair value of goodwill or realizability of our long-lived assets including intangible assets change, we may incur significant impairment charges, which would adversely affect our results of operations and financial condition, as we have experienced.

In addition, we generally schedule our production facilities at less than full capacity to retain our ability to respond to unexpected additional quick-turn orders. However, if these orders are not received, we may forego some production and could experience continued excess capacity. If we conclude that we have significant, long-term excess capacity, we may decide to permanently close one or more of our facilities, and lay off some of our employees. Closures or lay-offs could result in our recording restructuring charges such as severance and other exit costs, and asset impairments.

IF OUR CUSTOMERS CHOOSE TO PROVIDE MANUFACTURING SERVICES IN-HOUSE OR OVERSEAS, OUR RESULTS OF OPERATIONS COULD SUFFER. Our business has benefited from OEMs deciding to outsource their EMS needs to us. Our future revenue growth depends, in part, on new outsourcing opportunities from OEMs. Current and prospective customers continuously evaluate our performance against other providers, including off-shore procurement opportunities. They also evaluate the potential benefits of manufacturing their products themselves. To the extent that outsourcing opportunities are not available either due to OEM decisions to produce these products themselves or to use other domestic or foreign providers, our financial results and prospects could be materially adversely affected.

WE MAY NOT BE ABLE TO MAINTAIN THE ENGINEERING, TECHNOLOGICAL AND MANUFACTURING CAPABILITIES REQUIRED BY OUR CUSTOMERS IN THE FUTURE. The markets for our manufacturing and engineering services are characterized by rapidly changing technology and evolving process development. The continued success of our business will depend upon our ability to:

- hire and retain qualified engineering and technical personnel
- maintain and enhance our technological leadership
- develop and market manufacturing services that meet changing customer needs

Although we believe that our operations provide the assembly and testing technologies, equipment and processes that are currently required by our customers, there is no certainty that we will develop the capabilities required by our customers in the future. The emergence of new technology, industry standards or customer requirements may render our equipment, inventory or processes obsolete or uncompetitive; or we may have to acquire new assembly and testing technologies and equipment to remain competitive. The acquisition and implementation of new technologies and equipment may require significant expense or capital investment that could adversely affect our operating results, as could our failure to anticipate and adapt to our customers' changing technological requirements.

FAILURE TO ATTRACT AND RETAIN KEY PERSONNEL AND OTHER SKILLED EMPLOYEES COULD MATERIALLY ADVERSELY AFFECT OUR BUSINESS. Our continued success depends to a large extent on our ability to recruit, train, and retain skilled employees, particularly executive management and technical employees. The competition for these individuals is significant; hence the loss of the services of certain of these key employees or an inability to attract or retain qualified employees could negatively impact us.

FAILURE TO COMPLY WITH CURRENT AND FUTURE GOVERNMENTAL REGULATIONS RELATED TO DEFENSE, HEALTH AND SAFETY AND THE ENVIRONMENT COULD IMPAIR OUR OPERATIONS OR CAUSE US TO INCUR SIGNIFICANT EXPENSE. We are subject to a variety of United States government regulations that control the export and import of defense-related articles and services, as well as federal, state and local regulatory requirements relating to employee occupational health and safety, and environmental and waste management regulations relating to the use, storage, discharge and disposal of hazardous materials used in our manufacturing process. To date, the cost to the Company of such compliance has not had a material impact on our business, financial condition or results of operations. However, violations may occur in the future as a result of human error, equipment failure or other causes. Further, we cannot predict the nature, scope or effect of environmental legislation or regulatory requirements that could be imposed in the future, or how existing or

future laws or regulations will be administered or interpreted. Compliance with more stringent laws or regulations, as well as more vigorous enforcement policies of regulatory agencies, could require substantial expenditures by the Company and could have a material adverse effect on our business, financial condition and results of operations. If we fail to comply with any present or future regulations, we could be subject to future liabilities or the suspension of production which could have a material adverse effect on our results of operations. While we are not currently aware of any violations, such regulations could restrict our ability to expand our facilities or could require us to acquire costly equipment, or to incur other significant compliance-related expenses.

RECENT AND FUTURE CHANGES IN SECURITIES LAWS AND REGULATIONS MAY INCREASE COSTS.

As a U.S. public company registered with the SEC under the Exchange Act, we incur significant legal, financial, accounting and other expenses. In addition, the Sarbanes-Oxley Act, as well as rules subsequently implemented by the SEC and listing requirements subsequently adopted by the NYSE MKT in response to the Sarbanes-Oxley Act, have required changes in internal control and disclosure control policies and procedures, and audit committee practices of most public companies. More recently, the Dodd-Frank Act has required and will require changes to our compliance practices and SEC reporting. These and future developments also may result in the Company having difficulty attracting and retaining qualified individuals to serve on the board of directors or as executive officers, and could increase the difficulty and expense involved in retaining third-party advisers, such as compensation consultants. We expect to incur increased costs associated with the compliance and implementation of procedures under these and future laws, regulations and listing requirements, including additional legal, financial and accounting costs, which could have a material adverse effect on our results of operations.

A FAILURE OF OUR INFORMATION TECHNOLOGY SYSTEMS COULD MATERIALLY ADVERSELY AFFECT OUR BUSINESS. A failure or prolonged interruption in our information technology systems, some of which are aging, or difficulties encountered in upgrading our systems or implementing new systems, that compromises our ability to meet our customers' needs, or impairs our ability to record, process and report accurate information could have a material adverse effect on our financial condition.

SECURITY BREACHES AND OTHER DISRUPTIONS COULD COMPROMISE OUR INFORMATION, HARM CUSTOMER RELATIONSHIPS AND EXPOSE US TO LIABILITY, WHICH WOULD CAUSE OUR BUSINESS AND REPUTATION TO SUFFER. We have access to, create and store sensitive data, including intellectual property, our proprietary business information and that of our customers, and personally identifiable information of our employees. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise our networks and the information stored there could be improperly accessed, disclosed, lost or stolen. Any such access, disclosure or other loss of information could disrupt our operations and the services we provide to customers, damage our reputation or our customer relationships, impair our ability to record, process and report accurate information to our stockholders and the SEC, or result in legal claims or proceedings, any of which could adversely affect our business, financial condition, revenues and competitive position.

OUR STOCK PRICE MAY BE VOLATILE DUE TO FACTORS BEYOND OUR CONTROL. Our common stock is traded on the NYSE MKT. The market price of our common stock has fluctuated substantially in the past and could fluctuate substantially in the future, based on a variety of factors, including future announcements concerning us or our key customers or competitors, governmental regulations, litigation and/or regulatory investigations and other proceedings, fluctuations in quarterly operating results, thin trading volume, general conditions in the EMS industry and economy in general, and other Risk Factors set forth above.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

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Item 2. PROPERTIES

We own or lease properties in four locations that together house our administrative offices (“AO”), engineering (“E”), manufacturing (“M”), warehouse (“W”) and distribution (“D”) functions, as follows:

Location	Principal Use	Building SF	Owned/Leased	Lease Expiration
Newark, New York	AO,E,M,W,D	235,000	Owned	N/A
Rochester, New York	M,W,D	47,000	Owned	N/A
Albuquerque, New Mexico	AO,E,M,W,D	72,000	Owned	N/A
Bell Gardens, California	AO,E,M,W,D	42,000	Leased	September 30, 2018

Our properties are generally in good condition and are suitable for their intended purpose. Wire and Cable’s operations that were previously conducted at the Victor, New York facility were consolidated to the Newark, New York facility during November 2012. The Victor, New York facility’s lease expired in December 2012. During fiscal 2014, we purchased the Rochester, New York property.

Item 3. LEGAL PROCEEDINGS

As discussed in “Note 2—Prior Restatement of SCB Work-In-Process Inventory” to the consolidated financial statements included in this Form 10-K/A, the Company restated its financial statements, (the "Prior Restatement"). In connection with the Prior Restatement, the Audit Committee conducted an independent review of the underlying facts and circumstances, and the Company is responding to a formal investigation by the staff of the SEC relating to the Prior Restatement and other matters. The Company is unable to predict what action, if any, might be taken in the future by the SEC or its staff as a result of the investigation or what impact the cost of responding to the SEC might have on the Company’s financial position, results of operations, or cash flows. The previously reported amended complaint in the consolidated shareholder class action originally filed June 28, 2013 in the United States District Court, Southern District of New York, against the Company and its CEO and former CFO seeking unspecified compensatory damages was dismissed in its entirety without right to replead. The Court’s opinion and order granting the motion to dismiss was issued on September 11, 2014, and the judgment dismissing the complaint and closing the case was entered on September 12, 2014.

From time to time, the Company may be involved in other legal action in the ordinary course of its business, but management does not believe that any such other proceedings commenced through the date of the financial statements included in this Form 10-K/A, individually or in the aggregate, will have material adverse effect on the Company’s consolidated financial position.

Item 4. MINE SAFETY DISCLOSURES

Not Applicable

EXECUTIVE OFFICERS OF THE REGISTRANT

IEC’s executive officers at September 30, 2014 were as follows:

	Age	
W. Barry Gilbert	68	Chief Executive Officer and Chairman of the Board
Michael T. Williams	47	Vice President, Finance and Chief Financial Officer
Brett E. Mancini	45	Vice President of Business Development and Engineering Services

W. Barry Gilbert, age 68, has served as IEC's Chief Executive Officer since January 2004, and served as Acting Chief Executive Officer from June 2002 until that time. He has served on the board of directors of IEC since February 1993, and Chairman of the Board since February 2001. He is an adjunct faculty member at the Simon School of Business of the University of Rochester. Mr. Gilbert previously held the position of President of the Thermal Management Group of Bowthorpe Plc. (now known as Spirent Plc.) and was corporate Vice President and President of the Analytical Products Division of Milton Roy Company, a manufacturer of analytical instrumentation. He holds a Masters of Business Administration degree from the Simon School of Business at the University of Rochester.

Michael T. Williams, age 47, has served as IEC's Vice President, Finance since February 2014 and was appointed as Chief Financial Officer in June 2014. Previously, he was employed by Bausch & Lomb, Inc. from 1995 through October, 2013, and most recently served as Vice President Finance & Controller for its \$1.3 billion Global Vision Care Business. From February, 2008 to September, 2012, he served as Controller, Global Surgical Business, Bausch & Lomb, Inc.'s \$500 million global

medical device business. Prior to that time he served in varying capacities including among others Executive Commercial Director for the U.S. Refractive Business, Director of Finance, U.S. Surgical Business., Controller, U.S. Vision Care Business and Controller, European Logistics Center. After October 2013, Mr. Williams served as a consultant with JC Jones & Associates, LLC, a business and financial consulting firm. Mr. Williams holds a Masters of Business Administration degree from the Simon School of Business at the University of Rochester and is a certified public accountant.

Brett E. Mancini, age 45, joined the Company in 2008. He has served as Vice President of Business Development and Engineering Solutions for the Company since February 2014, having previously served as Director, Customer Management, Vice President, Customer Management and Vice President, Customer Management and Sales. Before joining the Company, he had management positions in the contract manufacturing industry, including between 1995 and 2002 as Strategic Account Manager, Business Unit Manager and Engineering Manager with Solectron Corporation (which was subsequently acquired by Flextronics International Ltd.), and as Account Executive with Plexus Corp. between 2002 and 2008. He holds a Master of Science in Engineering Management from Kansas State University.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

(a) Market Information

IEC's common stock trades on the NYSE MKT, LLC ("NYSE MKT") under the symbol "IEC".

The following table sets forth, for the fiscal quarters indicated, the high and low sales prices for IEC's common stock as reported on the NYSE MKT.

IEC Closing Stock Prices	Low	High
Fiscal Quarters		
Fourth 2014	\$3.97	\$4.99
Third 2014	4.25	4.62
Second 2014	3.89	4.71
First 2014	3.67	4.64
Fourth 2013	\$3.09	\$4.07
Third 2013	2.92	5.90
Second 2013	5.03	7.20
First 2013	6.50	7.35

IEC's closing price on the NYSE MKT on November 18, 2014, was \$5.36 per share.

(b) Holders

As of November 18, 2014, there were approximately 177 holders of record of IEC's common stock. This figure does not include an estimate of the indeterminate number of beneficial holders whose shares may be held of record by brokerage firms and clearing agencies.

(c) Dividends

IEC does not pay dividends on its common stock, as it is the Company's current policy to retain earnings for use in the business. Furthermore, certain covenants in IEC's credit agreement with M&T Bank includes certain restrictions on the Company's ability to pay cash dividends. The Company does not expect to pay cash dividends on shares of its common stock in the foreseeable future.

(d) Issuance of Unregistered Securities

None

(e) Repurchases of IEC Securities

The Company did not repurchase any shares during the fourth quarter of the fiscal year ended September 30, 2014.

Item 6. SELECTED FINANCIAL DATA

	Years Ended September 30,				
	2014	2013	2012	2011	2010
(amounts in thousands, except per share data)	(restated)		(restated)	(a)	(b)
Net sales	\$135,621	\$140,946	\$144,963	\$133,296	\$96,674
Gross profit	15,324	17,677	26,306	25,757	16,263
Operating profit/(loss)	(379)	(13,835)	10,541	10,389	7,687
Income/(loss) before income taxes	(2,192)	(15,052)	10,364	9,816	7,055
Provision/(benefit) for income taxes	12,879	(5,522)	3,670	3,056	2,400
Net income/(loss)	\$(15,071)	\$(9,530)	\$6,694	\$6,760	\$4,655
Gross margin as a % of sales	11.3 %	12.5 %	18.1 %	19.3 %	16.8 %
Operating profit as % of sales	(0.3)%	(9.8)%	7.3 %	7.8 %	8.0 %
Net income/(loss) per share:					
Basic	\$(1.53)	\$(0.98)	\$0.69	\$0.71	\$0.52
Diluted	(1.53)	(0.98)	0.67	0.68	0.48
Common and common equivalent shares:					
Basic	9,827	9,712	9,664	9,461	8,990
Diluted	9,827	9,712	9,969	9,968	9,608
Working capital	\$24,046	\$31,592	\$19,320	\$17,292	\$17,712
Total assets	72,996	88,935	87,898	85,820	55,682
Long-term debt (excluding current portion)	28,479	34,026	21,104	28,213	15,999
Stockholders' equity	17,405	31,994	40,796	33,686	25,419

(a) IEC acquired the assets of Southern California Braiding Company, Inc. on December 17, 2010.

(b) IEC acquired General Technology Corporation (now IEC-Albuquerque) on December 16, 2009, and purchased the assets of Celmet Co., Inc. on July 30, 2010.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information in this Management's Discussion & Analysis should be read in conjunction with the accompanying Consolidated Financial Statements ("Financial Statements"), the related Notes and the five-year summary of Selected Financial Data. References to "Notes" in this report are references to the Notes to the Consolidated Financial Statements unless otherwise specified. Forward-looking statements in this Management's Discussion and Analysis are qualified by the cautionary statement preceding Item 1 of this Form 10-K/A and the risk factors identified in Item 1A.

Prior Restatement

The Company previously disclosed in its Annual Report on Form 10-K/A and Quarterly Report on Form 10-Q/A, both filed with the SEC on July 3, 2013, that it restated its financial statements for the periods described therein because the Company was incorrectly accounting for work-in-process inventory at one of its subsidiaries, SCB (the "Prior Restatement"). The

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Company restated: (i) its previously issued consolidated financial statements for the fiscal year ended September 30, 2012 (“FY 2012”), as included in the Company’s Annual Report on Form 10-K for FY 2012, as well as the unaudited interim consolidated financial statements as of and for the fiscal quarter and year-to-date periods ended December 30, 2011 (“Q1-2012”), March 30, 2012 (“Q2-2012”) and June 29, 2012 (“Q3-2012”) (collectively, the “2012 Restated Periods”) as included in its Quarterly Reports on Form 10-Q for Q-1 2012, Q-2 2012 and Q-3 2012, and (ii) its previously issued financial statements for the quarter ended December 28, 2012 (“Q1-2013”) as included in its Quarterly Report on Form 10-Q for Q1-2013.

2014 Restatements

As discussed further in this Management’s Discussion and Analysis and in Note 3—Fiscal 2014 Restatement of Deferred Tax Asset Valuation Allowance and Excess and Obsolete Inventory Reserve, we restated our previously issued consolidated financial statements for fiscal year ended September 30, 2014 (“FY 2014”) and the unaudited interim financial statements for the fiscal quarters ended March 28, 2014 (“Q2-2014”) and June 27, 2014 (“Q3-2014”) due to an error in the valuation allowance on deferred income tax assets resulting in an understatement of income tax expense and a corresponding overstatement of deferred income tax assets during Q2-2014 of approximately \$14.0 million. Income tax expense was overstated and deferred income tax assets were understated by \$3.0 thousand and \$1.8 million in Q3-2014 and Q4-2014, respectively. In FY 2014, income tax expense was understated and deferred income tax assets were overstated by approximately \$12.3 million.

In addition, we restated our previously issued consolidated financial statements for FY 2014, and the unaudited interim financial statements for Q3-2014, Q2-2014 and the fiscal quarter ended December 27, 2013 (“Q1-2014”) due to an error in the estimation of the excess and obsolete inventory reserve at two operating locations, which resulted in an understatement of cost of goods sold and overstatement of inventory. Cost of goods sold was understated by approximately \$0.2 million, \$0.1 million, \$0.1 million and \$0.3 million in Q1-2014, Q2-2014, Q3-2014 and Q4-2014, respectively. Inventory was overstated by approximately \$0.2 million, \$0.4 million, \$0.4 million and \$0.7 million as of the end of Q1-2014, Q2-2014, Q3-2014 and Q4-2014, respectively. For FY 2014, cost of goods sold was understated and inventory was overstated by approximately \$0.7 million. We refer to the restatements related to the deferred tax asset valuation allowance and excess and obsolete inventory reserve as the 2014 Restatements.

This Management’s Discussion and Analysis reflects the 2014 Restatements and also includes Management’s Discussion and Analysis for Q1, Q2, Q3 and Q4-2014 as updated to reflect the 2014 Restatements. Although they have been updated herein to reflect the 2014 Restatements, the disclosures relevant to each period continue to speak as of the dates of their original filing.

Three Months Ended September 30, 2014 and 2013 (Fourth Fiscal Quarter)

A summary of selected income statement amounts for the three months ended follows:

Income Statement Data (in thousands)	Three Months Ended	
	September 30, 2014 (restated)	September 30, 2013
Net sales	\$35,687	\$39,122
Gross profit	3,508	5,454
Selling and administrative expenses	3,551	3,761
Impairment of goodwill and other intangibles	—	14,217
Restatement and related expenses	(1,302) 625

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Interest and financing expense	386	522	
Other expense/(income)	—	—	
Income/(loss) before income taxes	873	(13,671)
Provision for/(benefit from) income taxes	(161) (5,004)
Net income/(loss)	\$1,034	\$(8,667)

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A summary of sales, according to the market sector within which IEC's customers operate, follows:

% of Sales by Sector	Three Months Ended	
	September 30, 2014	September 30, 2013
Aerospace & Defense (previously Military & Aerospace)	46%	49%
Medical	23%	20%
Industrial	26%	22%
Communications & Other	5%	9%
	100%	100%

Revenue decreased in the fourth quarter of fiscal 2014 by \$3.4 million or 8.8% as compared to the fourth quarter of the prior fiscal year. A decrease in the aerospace & defense market sector of \$2.5 million and the communications & other market sector of \$1.9 million were partially offset by increases in the industrial and medical market sector.

The net decrease in aerospace & defense revenue of \$2.5 million was primarily due to decreased customer demand. Decreases of \$5.0 million resulted from lower demand for several of our customers, some of which were due to delays in government funding. The winding down of three programs caused lower revenue of \$2.4 million and our decision to end a customer relationship decreased revenue an additional \$0.9 million. Availability of component parts can cause fluctuations in revenue and impacted two other programs causing a net decrease of \$0.2 million in the fourth quarter. Partially offsetting the decreases were increased demand from three existing customers of \$2.6 million, new programs with existing customers of \$2.5 million and revenue from new customers of \$1.0 million.

The net decrease in the communications & other market sector of \$1.9 million is primarily due to a lower revenue of \$1.5 million from one customer as a result of converting from turn-key manufacturing to a customer furnished materials program. A lost program and fluctuations in demand also caused revenue decreases. A temporary increase in demand from another customer as they transition to a new product partially offset these decreases.

The net increase in the industrial market sector of \$0.7 million was primarily due to demand fluctuations. A new program from an existing customer and revenue from a new customer caused an increase of \$0.4 million. Increased demand from existing customers of \$0.9 million was mostly offset by \$0.8 million in decreased demand from another customer.

Revenue for the medical market sector increased \$0.3 million primarily due to increased demand at one customer of \$2.1 million mostly offset by decreased revenue at another customer of \$1.9 million. Lower revenue at this customer is due to the customer awaiting approval by the U.S. Food & Drug Administration ("FDA") for modifications to its existing programs which caused the programs to be put on hold. The hold has been lifted and the customer's testing is complete. We began shipping production orders late in the fourth quarter. We anticipate revenue related to these programs to continue to ramp up in the first quarter of fiscal 2015.

Our fourth quarter gross profit decreased \$1.9 million to 9.8% of sales from 13.9% of sales in the fourth quarter of the prior fiscal year. Several factors contributed to the decrease including reduced leverage on fixed manufacturing costs caused by lower sales volume, increased excess and obsolete inventory expense, changes in customer mix and higher labor costs. Labor costs in the fourth quarter of fiscal 2014 were higher to enable onboarding of additional labor for our medical market sector. One medical customer's program ramped in the fourth quarter and another customer's program is expected to continue to ramp in the first quarter of fiscal 2015 following an FDA hold that has recently been lifted. Separately, at one of our operating locations, we streamlined the manufacturing process, which decreased work in process inventory thereby reducing the capitalization of labor and overhead costs. Overhead was also higher during the fourth quarter due to hiring personnel focused on labor and production efficiencies and improving materials

management. The increase in excess and obsolete inventory reserves was due to aging of inventory and a more rapid decline in some of our military customers' programs than expected.

Selling and administrative (“S&A”) expense is presented excluding Restatement and related expenses discussed below. S&A expense decreased \$0.2 million, and represented 10.0% of sales in the fourth quarter of fiscal 2014, compared to 9.6% of sales in the same quarter of the prior fiscal year. The decrease in S&A expense was primarily due to lower bad debt expense and intangible amortization.

There were no impairment charges during the fourth quarter of fiscal 2014. During the fourth quarter of fiscal 2013, we recorded impairment charges of \$14.2 million relating to our SCB reporting unit. These charges are discussed in Note 7—Intangible Assets and Note 8—Goodwill.

Restatement and related expenses represent third party legal and accounting fees directly attributable to the Prior Restatement as well as other matters arising from the Prior Restatement including those more fully described in Note 18—Litigation. Restatement and related expenses of \$0.4 million in the fourth quarter of fiscal 2014 were more than offset by \$1.7 million that was recorded in connection with the Company’s previously-announced resolution of certain directors and officers liability insurance claims. As part of the resolution, the Company (i) received \$1.3 million from its primary insurance carrier in partial reimbursement for certain expenses incurred through June 30, 2014 in connection with the formal SEC investigation and consolidated shareholder class action (recently dismissed) and (ii) reached agreement with its primary insurance carrier as to the scope of coverage for certain expenses incurred after June 30, 2014. In connection with the resolution, the Company recorded an additional \$0.4 million including a portion of a reimbursement previously received, as well as anticipated reimbursement for certain expenses incurred during the fourth quarter of fiscal 2014. We anticipate continued legal expenses due to the Prior Restatement and other matters (including the formal SEC investigation) for the foreseeable future. While we anticipate certain of these expenses will continue to be reimbursed, the reimbursement for future expenses will vary with the circumstances under which such expenses are incurred and their respective amounts. We also anticipate additional Restatement and related expenses related to the 2014 Restatements.

Interest expense decreased by \$0.1 million compared to the same quarter of the prior fiscal year. IEC’s average outstanding debt balances decreased to \$32.8 million for the fourth quarter of fiscal 2014 from \$35.3 million for the same quarter of the prior fiscal year. Average borrowings in the fourth quarter of fiscal 2014 were lower than the fourth quarter of the prior fiscal year due to lower revolver borrowing partially offset by borrowing under a new term loan in connection with the Celmet building purchase in the first quarter of fiscal 2014. The weighted average interest rate on IEC’s debt, excluding the impact of the interest rate swap, was 0.7% higher than in the fourth quarter of the prior fiscal year. The net impact of adjusting the swap to fair value decreased interest expense by \$0.1 million in the fourth quarter of the current fiscal year compared to the prior fiscal year. Cash paid for interest was approximately \$0.4 million for the fourth quarter of fiscal 2014 and fiscal 2013. Detailed information regarding our borrowings, including a summary of modifications in the Fourth Amended and Restated Credit Facility Agreement (the “2013 Credit Agreement”), is provided in Note 9—Credit Facilities.

The benefit for income tax in the fourth quarter of fiscal 2014 was \$0.2 million compared to a benefit from income tax in the fourth quarter of fiscal 2013 of \$5.0 million. The benefit in fourth quarter of fiscal 2014 resulted from adjusting the current tax provision for fiscal 2014. As discussed in Note 3—Fiscal 2014 Restatement of Deferred Tax Asset Valuation Allowance and Excess and Obsolete Inventory Reserve, the Company recorded a full valuation allowance on deferred tax assets in the second quarter of fiscal 2014. Due to the Company’s net operating loss (“NOL”) carryforwards, a provision for pre-tax income was not recorded in the fourth quarter of fiscal 2014. Also as discussed in Note 3—Fiscal 2014 Restatement of Deferred Tax Asset Valuation Allowance and Excess and Obsolete Inventory Reserve, the Company restated its excess and obsolete inventory reserve and valuation allowance on deferred tax assets. The increase in the excess and obsolete inventory reserve resulted in an increased deferred tax asset; however the valuation allowance fully reserved for this asset.

Although we have recorded a full valuation allowance for all deferred tax assets, including NOL carryforwards, should we have taxable income in the future these deferred tax assets, including NOLs would remain available to offset our taxable income. At the end of fiscal 2014, the Federal NOLs amounted to approximately \$16.3 million. The majority of the carryforwards expire in varying amounts between 2021 and 2025, with a small portion expiring in 2034, unless utilized prior to these dates.

Full Year Ended September 30, 2014 and 2013