

IEC ELECTRONICS CORP
Form 10-Q
January 28, 2008

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the quarterly period ended December 28, 2007

Commission File Number 0-6508

IEC ELECTRONICS CORP.
(Exact name of registrant as specified in its charter.)

Delaware
(State or other jurisdiction of
incorporation or organization)

13-3458955
(I.R.S. Employer Identification No.)

105 Norton Street, Newark, New York
(Address of Principal Executive Offices)

14513
(Zip Code)

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

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 x NO o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer o Accelerated filer o Non-Accelerated filer x

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

YES o NO x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Common Stock, \$0.01 Par Value – 8,717,974 shares as of January 23, 2008.

| | | |
|----------------|--|----|
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Part 1. Financial Information
Item 1 — Financial Statements

BALANCE SHEETS
DECEMBER 28, 2007 AND SEPTEMBER 30, 2007
(in thousands)

| | DECEMBER 28, 2007 | | SEPTEMBER 30, 2007 | |
|--|-------------------|----------|--------------------|----------|
| | (Unaudited) | | | |
| ASSETS | | | | |
| CURRENT ASSETS: | | | | |
| Cash | \$ | - | \$ | - |
| Accounts receivable (net of allowance for Doubtful accounts of \$109 and \$100 respectively) | | 7,264 | | 6,185 |
| Inventories | | 3,770 | | 3,326 |
| Deferred income taxes | | 760 | | 640 |
| Other current assets | | 42 | | 75 |
| Total current assets | | 11,836 | | 10,226 |
| FIXED ASSETS: | | | | |
| Land and land improvements | | 743 | | 704 |
| Building and improvements | | 4,164 | | 4,134 |
| Machinery and equipment | | 22,686 | | 22,626 |
| Furniture and fixtures | | 4,269 | | 4,262 |
| SUB-TOTAL GROSS PROPERTY | | 31,862 | | 31,726 |
| LESS ACCUMULATED DEPRECIATION | | (30,264) | | (30,123) |
| | | 1,598 | | 1,603 |
| OTHER NON-CURRENT ASSETS | | 13 | | 16 |
| | \$ | 13,447 | \$ | 11,845 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | |
| CURRENT LIABILITIES: | | | | |
| Short term borrowings | \$ | 2,680 | \$ | 1,325 |
| Accounts payable | | 4,833 | | 4,937 |
| Accrued payroll and related expenses | | 467 | | 628 |
| Other accrued expenses | | 440 | | 366 |
| Total current liabilities | | 8,420 | | 7,256 |
| LONG TERM DEBT | | 348 | | 426 |
| TOTAL LIABILITIES | | 8,768 | | 7,682 |
| SHAREHOLDERS' EQUITY: | | | | |
| Preferred stock, \$.01 par value, Authorized - 500,000 shares; None issued or outstanding | | - | | - |
| Common stock, \$.01 par value, Authorized - 50,000,000 shares; Issued - 8,703,243 and 8,670,030 shares | | 87 | | 87 |
| Treasury Shares at Cost 412,873 and 412,873 Shares, Respectively | | (223) | | (223) |
| Additional paid-in capital | | 38,889 | | 38,794 |
| Accumulated deficit | | (34,074) | | (34,495) |
| Total shareholders' equity | | 4,679 | | 4,163 |
| | \$ | 13,447 | \$ | 11,845 |

The accompanying notes are an integral part of these financial statements.

IEC ELECTRONICS CORP.
 STATEMENTS OF OPERATIONS
 FOR THE THREE MONTHS ENDED DECEMBER 28, 2007 AND DECEMBER 29, 2006
 (in thousands, except share and per share data)

| | 3 MONTHS ENDED DECEMBER 28, 2007 (Unaudited) | 3 MONTHS ENDED DECEMBER 29, 2006 (Unaudited) |
|--|--|--|
| Net sales | \$ 11,160 | \$ 9,246 |
| Cost of sales | 10,013 | 9,038 |
| Gross profit | 1,147 | 208 |
| Selling and administrative expenses | 754 | 607 |
| Operating profit | 393 | (399) |
| Interest and financing expense | (93) | (124) |
| Other Expense | - | (50) |
| Net Income(loss) before income taxes | 300 | (573) |
| Provision for(Benefit from) income taxes | (120) | 3 |
| Net Income(loss) | \$ 420 | \$ (576) |

Net Income(loss) per common and common equivalent share:

| | | |
|---------|---------|-----------|
| Basic | \$ 0.05 | \$ (0.07) |
| Diluted | \$ 0.05 | \$ (0.07) |

Weighted average number of common and common equivalent shares outstanding:

| | | |
|---------|-----------|-----------|
| Basic | 8,284,067 | 8,016,016 |
| Diluted | 9,069,316 | 8,016,016 |

The accompanying notes are an integral part of these financial statements.

IEC ELECTRONICS CORP.
 STATEMENTS OF CASH FLOWS
 FOR THE THREE MONTHS ENDED DECEMBER 28, 2007 AND DECEMBER 29, 2006
 (in thousands)

| | 3 MONTHS ENDED DECEMBER 28, 2007 (Unaudited) | 3 MONTHS ENDED DECEMBER 29, 2006 (Unaudited) |
|---|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net Income (loss) | \$ 420 | \$ (576) |
| Non-cash adjustments: | | |
| Compensation Expense - Stock Options | 41 | 18 |
| Depreciation | 140 | 102 |
| Issuance of director's fees in stock | 10 | 5 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (1,077) | (587) |
| Inventories | (444) | 339 |
| Deferred Income Taxes | (120) | - |
| Other assets | 36 | 95 |
| Accounts payable | (105) | 482 |
| Accrued expenses | (86) | 60 |
| Net cash flows from operating activities | (1,185) | (62) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of plant, property & equipment | (136) | (477) |
| Net cash flows from investing activities | (136) | (477) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Repayments under loan agreements | (78) | (59) |
| Borrowings on line of credit | 1,355 | 139 |
| Proceeds from Equipment Loan | - | 450 |
| Proceeds from exercise of stock options | 44 | 9 |
| Net cash flows from financing activities | 1,321 | 539 |
| Change in cash and cash equivalents | - | - |
| Cash and cash equivalents at beginning of period | - | - |
| Cash and cash equivalents at end of period | \$ - | \$ - |
| Supplemental Disclosures of Cash Flow Information: | | |
| Cash paid during the period for: | | |
| Interest | \$ 89 | \$ 121 |
| Income taxes | \$ - | \$ 3 |

The accompanying notes are an integral part of these financial statements.

IEC ELECTRONICS CORP.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 28, 2007

(1) Business and Summary of Significant Accounting Policies

IEC Electronics Corp. ("IEC", the "Company") is an independent electronics manufacturing services ("EMS") provider of complex printed circuit board assemblies and electronic products and systems. The Company provides high quality electronics manufacturing services with state-of-the-art manufacturing capabilities and production capacity. Utilizing automated manufacturing and test machinery and equipment, IEC provides manufacturing services employing surface mount technology ("SMT") and pin-through-hole ("PTH") interconnection technologies. As an independent full-service EMS provider, the Company offers its customers a wide range of manufacturing services, on either a turnkey or consignment basis. These services include product development, prototype assembly, material procurement, volume assembly, test engineering support, statistical quality assurance, order fulfillment and repair services. The Company's strategy is to cultivate strong manufacturing relationships with established and emerging original equipment manufacturers ("OEMs"). Our quarters end on the last Friday of the final month in the quarter, except that our fiscal year ends on September 30th.

Revenue Recognition

The Company's net revenue is derived from the sale of electronic products built to customer specifications. The Company also derives revenue from design services and repair work. Revenue from sales is generally recognized, net of estimated product return costs, when goods are shipped; title and risk of ownership have passed; the price to the buyer is fixed or determinable; and recovery is reasonably assured. Service related revenues are recognized upon completion of the services. The Company assumes no significant obligations after product shipment.

Allowance for Doubtful Accounts

The Company establishes an allowance for uncollectable trade accounts receivable based on the age of outstanding invoices and management's evaluation of collectibility of outstanding balances.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with original maturities of three months or less. The Company's cash and cash equivalents are held and managed by institutions that follow the Company's investment policy. The fair value of the Company's financial instruments approximates carrying amounts due to the relatively short maturities and variable interest rates of the instruments, which approximate current market interest rates.

Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market.

The major classifications of inventories are as follows at period end (in thousands):

| | December 28, 2007 | | September 30, 2007 | |
|-----------------|-------------------|-------|--------------------|-------|
| | (Unaudited) | | | |
| Raw materials | \$ | 2,177 | \$ | 1,811 |
| Work-in-process | | 1,582 | | 1,427 |
| Finished goods | | 11 | | 88 |
| | \$ | 3,770 | \$ | 3,326 |

Unaudited Financial Statements

The accompanying unaudited financial statements as of December 28, 2007, and for the three months ended December 28, 2007 have been prepared in accordance with generally accepted accounting principles for interim financial information. In the opinion of management, all adjustments considered necessary for a fair presentation, which consist solely of normal recurring adjustments, have been included. The accompanying financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's September 30, 2007 Annual Report on Form 10-K.

IEC ELECTRONICS CORP.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 28, 2007

Earnings Per Share

Net income per share is computed in accordance with Statement of Financial Accounting Standards No. 128, "Earnings Per Share". Basic earnings per share is calculated by dividing income available to common shareholders by the weighted-average number of common shares outstanding for each period. Diluted earnings per common share is calculated by adjusting the weighted-average shares outstanding, assuming conversion of all potentially dilutive stock options.

New Pronouncements

In February 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115". SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value at specified election dates. This Statement applies to all entities, including not-for-profit organizations. SFAS 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. As such, the Company is required to adopt these provisions at the beginning of the fiscal year ending September 30, 2009. The Company is currently evaluating the impact of SFAS 159 on its financial statements, but does not expect this to have a material impact.

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 157, "Fair Value Measurements". SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 is effective as of the beginning of the first fiscal year that begins after November 15, 2007. As such, the Company is required to adopt these provisions at the beginning of the fiscal year ending September 30, 2009. The Company is currently evaluating the impact of SFAS 157 on its financial statements, but does not expect this to have a material impact.

In June 2006, the FASB issued FIN 48, Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement No. 109. This interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. As such, the Company is required to adopt these provisions at the beginning of the fiscal year ended September 30, 2008. The Company is currently evaluating the impact of FIN 48 on its financial statements, but does not expect this to have a material impact.

(2) Financing Agreements

The Company's financing agreements contain various affirmative and negative covenants including, among others, limitations on the amount available under the revolving line of credit relative to the borrowing base, capital expenditures, and minimum earnings before interest, taxes, depreciation and amortization (EBITDA). The Company was compliant with these covenants for the three month period ended December 28, 2007.

(3) Stock Option Plans

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In December 2004, the FASB issued SFAS No. 123R, "Share-Based Payment". SFAS No. 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized as compensation expense in the financial statements based on their fair values. That expense will be recognized over the period during which an employee is required to provide services in exchange for the award, known as the requisite service period (usually the vesting period). We adopted SFAS No. 123R effective beginning October 1, 2005 using the Modified Prospective Application Method. Under this method, SFAS No. 123R applies to new awards and to awards modified, repurchased or cancelled after the effective date. The impact of adopting SFAS No. 123R was an increase of \$41,000 to selling and administrative expenses for the three month period ending December 28, 2007.

The Company issued 7,500 options during the three months ended December 28, 2007. The Company issued 22,500 options during the three months ended December 29, 2006. The fair value of each option issued during these periods was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

| | 3 MO. ENDED DEC 28, 2007 | 3 MO. ENDED DEC 29, 2006 |
|---------------------------|-----------------------------|-----------------------------|
| Risk free interest rate | 3.5% | 4.6% |
| Expected term | 4.9 years | 5.0 years |
| Volatility | 52% | 56% |
| Expected annual dividends | none | none |

IEC ELECTRONICS CORP.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 28, 2007

The weighted average fair value of options granted during the three months ended December 28, 2007 was \$.86 with an aggregate total value of \$6,000. The weighted average fair value of options granted during the three months ended December 29, 2006 was \$.70 with an aggregate total value of \$16,000.

(4) Litigation

Except as set forth below, there are no material legal proceedings pending to which IEC property is subject. To our knowledge, there are no material legal proceedings to which any director, officer or affiliate of IEC, or any beneficial owner of more than 5 percent (5%) of Common Stock, or any associate of any of the foregoing, is a party adverse to IEC.

On August 13, 2003 General Electric Company (“GE”) commenced an action in the state of Connecticut against IEC and Vishay Intertechnology, Inc. (“Vishay”). The action alleges cause of action for breach of a manufacturing services contract, which had an initial value of \$4.4 million, breach of express warranty, breach of implied warranty, and a violation of the Connecticut Unfair Trade Practices Act. Vishay supplied a component that IEC used to assemble printed circuit boards for GE that GE contends failed to function properly requiring a product recall. GE claims damages “in excess of \$15,000” plus interest and attorney’s fees. IEC and Vishay are proceeding to defend GE’s Connecticut action on the merits and IEC is proceeding with a cross claim against Vishay. IEC filed a motion for summary judgment directed to all counts. On January 11, 2007, the Court granted the motion in part, dismissing the claim for violation of the Connecticut Unfair Trade Practices Act, but determined that factual issues were disputed on the contract and warranty claims. On September 17, 2007, at a status conference, the parties agreed to a schedule for the case and it was set forth as an order of the Court. The Scheduling Order contemplates a trial to begin on January 5, 2010. IEC intends to vigorously defend the claims and prosecute the cross claim, and is proceeding with the discovery process in accordance with the Scheduling Order.

5. INCOME TAXES:

The provision for (benefit from) income taxes for the quarters ending December 28, 2007 and December 29, 2006 is summarized as follows (in thousands):

| | Period Ending December 28, 2007 | Period Ending December 29, 2006 |
|-------------------------------------|------------------------------------|------------------------------------|
| Current | | |
| Federal | - | 3 |
| State / Other | - | - |
| Deferred | | |
| Federal | (102) | - |
| State / Other | (18) | - |
| Provision for (benefit from) | | |
| Income taxes | (120) | 3 |

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

Results of Operations - Three Months Ended December 28, 2007,
Compared to the Three Months Ended December 29, 2006.

Net sales for the three month period ended December 28, 2007, were \$11.2 million, compared to \$9.2 million for the comparable period of the prior fiscal year, an increase of 21 percent. The increase in sales is due to the addition of several new customers, and new orders from existing customers.

Our five largest customers accounted for 77.0% of our sales for the quarter ended December 28, 2007, and 69.3% of our sales for the quarter ended December 29, 2006.

Gross profit was \$1.1 million or 10.3 percent of sales for the three month period ended December 28, 2007. This compares to \$0.2 million or 2.2 percent of sales in the comparable period of the prior fiscal year. On January 24, 2007, one of our customers, Mangrove Systems, announced that it was ceasing operations. As a result of this announcement, we recorded a \$339,000 charge against first quarter 2007 cost of sales to cover our accounts receivable and inventory exposure. Without this adjustment, gross profit would have been \$0.5 million or 5.9 percent of sales. Our prior period gross profit was quite low, even after adjusting for the Mangrove adjustment. This was due to low productivity levels associated with the training of new employees and the learning curve on new products. The improvement during the first fiscal quarter for 2008 was due to improved training and productivity of our employees.

Selling and administrative expenses were \$0.8 million for the three month period ended December 28, 2007, and \$0.6 million for the comparable period of the prior fiscal year. The increase in cost is due to higher commissions paid to our manufacturer's representatives related to the higher sales revenue, and also due to increased staffing levels necessary to support our growth. Selling and administrative expenses were 6.8 percent of sales during the current period, compared to 6.6 percent of sales during the same quarter of the prior fiscal year.

Interest expense was \$93,000 for the three month period ended December 28, 2007, down from \$124,000 in the comparable period of the prior fiscal year. The current year reduction in interest expense resulted from less borrowing from our line of credit.

During 2004, we provided engineering services to Mangrove Systems in exchange for a de minimis equity investment in their company. On January 24, 2007, Mangrove announced that they were ceasing operations. We charged this investment against first quarter 2007 other expense as a result of this announcement. We had no other expenses during the three month period ended December 28, 2007.

Income before taxes was \$300,000 for the three months ended December 28, 2007. Losses before taxes were (\$573,000) in the comparable quarter of the prior fiscal year.

We recorded a \$120,000 tax benefit during the three months ended December 28, 2007. This is due to a reversal of the valuation allowance against our deferred tax asset. The reversal of the valuation allowance was based upon management's belief that it is more likely than not that this portion of our deferred tax asset will be realized. We continue to maintain a \$19 million valuation allowance against our net deferred tax assets, which are comprised primarily of net operating loss carryforwards.

Net income was \$420,000 for the three months ended December 28, 2007. Losses before taxes were (\$576,000) in the comparable quarter of the prior fiscal year.

Diluted income per share was \$0.04 as compared a net loss of (\$.07) per share for the comparable quarter of the prior fiscal year.

Accounts receivable increased by \$1.1 million during the three month period ended December 28, 2007. The increase was due to higher sales. Inventory increased by \$0.4 million during the quarter. The increase was due to materials purchased to support next quarter's shipments.

Liquidity and Capital Resources

Cash flow provided by (used in) operating activities was \$1.2 million for the three months ended December 28, 2007 compared to (\$0.1) million for the three months ended December 29, 2006. The primary use of cash was a \$1.1 million increase in accounts receivable that was due to increased sales. We used \$0.1 million and \$0.5 million to purchase new equipment (investing activities) during the three month periods ending on December 28, 2007 and December 29, 2006 respectively.

Working capital on December 28, 2007 totaled \$3.4 million compared to \$3.0 million at our prior fiscal year end. On December 28, 2007, we were borrowing \$2.4 million under our revolving credit facility. The maximum borrowing limit under our revolving credit facility is limited to the lesser of (i) \$6.0 million or (ii) an amount equal to the sum of 85% of the receivables borrowing base and 35% of the inventory borrowing base. We believe that our liquidity is adequate to cover operating requirements for the next 12 months.

We also have a term loan balance of \$348,000 that is secured by a first mortgage on the IEC plant in Newark, New York (the "Real Estate Loan"), and another term loan balance of \$300,000 that is secured by certain manufacturing equipment (the "Equipment Loan"). The Real Estate Loan is payable in 39 monthly installments of \$12,500 that commenced on October 1, 2005, and a final payment of the remaining balance on January 1, 2009. The Equipment Loan is payable in 39 monthly installments of \$12,500 that commenced on January 2, 2007, and a final payment of the remaining balance on September 12, 2009. Both term loans have an interest rate of prime plus 1.0%.

The financing agreements contain various affirmative and negative covenants including, among others, limitations on the amount available under the revolving line of credit relative to the borrowing base, capital expenditures, and minimum earnings before interest, taxes, depreciation and amortization (EBITDA). The Company was compliant with these covenants on December 28, 2007.

Application of Critical Accounting Policies

Our financial statements and accompanying notes are prepared in accordance with generally accepted accounting principles in the United States. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. These estimates and assumptions are affected by management's application of accounting policies. Critical accounting policies for us include revenue recognition, provisions for doubtful accounts, provisions for inventory obsolescence, impairment of long-lived assets, accounting for legal contingencies and accounting for income taxes.

We recognize revenue in accordance with Staff Accounting Bulletin No.101, "Revenue Recognition in Financial Statements." Sales are recorded when products are shipped to customers. Provisions for discounts and rebates to customers, estimated returns and allowances and other adjustments are provided for in the same period the related sales are recorded.

We evaluate our long-lived assets for financial impairment on a regular basis in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." We evaluate the recoverability of long-lived assets not held for sale by measuring the carrying amount of the assets against the estimated discounted future cash flows associated with them. At the time such evaluations indicate that the future discounted cash flows of certain long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair values.

We are subject to various legal proceedings and claims, the outcomes of which are subject to significant uncertainty. Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies", requires that an estimated loss from a loss contingency should be accrued by a charge to income if it is probable that an asset has been impaired or a

liability has been incurred and the amount of the loss can be reasonably estimated.

Disclosure of a contingency is required if there is at least a reasonable possibility that a loss has been incurred. We evaluate, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. Changes in these factors could materially impact our financial position or our results of operations.

Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," establishes financial accounting and reporting standards for the effect of income taxes. The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an entity's financial statements or tax returns. Judgment is required in assessing the future tax consequences of events that have been recognized in our financial statements or tax returns. Fluctuations in the actual outcome of these future tax consequences could impact our financial position or our results of operations.

Impact of Inflation

The impact of inflation on our operations has been minimal due to the fact that we have been able to adjust our bids to reflect any inflationary increases in costs.

New Pronouncements

In February 2007, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standard (“SFAS”) No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115”. SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value at specified election dates. This Statement applies to all entities, including not-for-profit organizations. SFAS 159 is effective as of the beginning of an entity’s first fiscal year that begins after November 15, 2007. As such, the Company is required to adopt these provisions at the beginning of the fiscal year ending September 30, 2009. The Company is currently evaluating the impact of SFAS 159 on its financial statements, but does not expect this to have a material impact.

In September 2006, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standard (“SFAS”) No. 157, “Fair Value Measurements”. SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 is effective as of the beginning of the first fiscal year that begins after November 15, 2007. As such, the Company is required to adopt these provisions at the beginning of the fiscal year ending September 30, 2009. The Company is currently evaluating the impact of SFAS 157 on its financial statements, but does not expect this to have a material impact.

In June 2006, the FASB issued FIN 48, *Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement No. 109*. This interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements. This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. As such, the Company is required to adopt these provisions at the beginning of the fiscal year ended September 30, 2008. The Company is currently evaluating the impact of FIN 48 on its financial statements, but does not expect this to have a material impact.

Item 3 — Quantitative and Qualitative Disclosures About Market Risk

Quantitative and Qualitative Disclosures about Market Risk represents the risk of loss that may impact the consolidated financial position, results of operations or cash flows of IEC due to adverse changes in financial rates. We are exposed to market risk in the area of interest rates. One exposure is directly related to our Term Loans and Revolving Credit borrowings under the Credit Agreement, due to their variable interest rate pricing. Management believes that interest rate fluctuations will not have a material impact on IEC's results of operations.

Item 4T — Controls and Procedures

Based on their evaluation as of the end of the period covered by this Report, IEC’s Chief Executive Officer and Chief Financial Officer have concluded that IEC’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”)) are effective to ensure that information required to be disclosed by IEC in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. There were no changes in IEC’s internal control over financial reporting during the first three months of fiscal 2008 or in other factors that materially affected or are reasonably likely to materially affect our internal control over financial

reporting.

Forward-looking Statements

Forward-looking statements in this Form 10-Q include, without limitation, statements relating to the Company's plans, future prospects, strategies, objectives, expectations, intentions and adequacy of resources and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements may be identified by their use of words like "plans", "expects", "aims", "believes", "projects", "anticipates", "intends", "estimates", "will", "should", "could", and other expressions that indicate future events and trends. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievement of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These factors include, among others, the following: general economic and business conditions, the timing of orders and shipments, availability of material, product mix, changes in customer requirements and in the volume of sales to principal customers, competition and technological change, the ability of the Company to control manufacturing and operating costs, and satisfactory relationships with vendors. The Company's actual results of operations may differ significantly from those contemplated by such forward-looking statements as a result of these and other factors, including factors set forth in the Company's Annual Report on Form 10-K for the year ended September 30, 2007 and in other filings with the Securities and Exchange Commission.

PART II. OTHER INFORMATION

Item 1 — Legal Proceedings

The information set forth in Note 4 of the Notes to Financial Statements included in Part I -Item 1 of this Form 10-Q is incorporated by reference.

Item 1A – Risk Factors

There are no material changes to the Risk Factors described in Item 1A in our Annual Report on Form 10-K for the fiscal year ended September 30, 2007.

Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds - None

Item 3 — Defaults Upon Senior Securities - None

Item 4 — Submission of Matters to a Vote of Security Holders - None

Item 5 — Other Information - None

Item 6 — Exhibits

The following documents are filed as exhibits to this Report:

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350

SIGNATURES

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

IEC ELECTRONICS CORP.
REGISTRANT

Dated: January 28, 2008

/s/ W. Barry Gilbert
W. Barry Gilbert
Chairman and
Chief Executive Officer

Dated: January 28, 2008

/s/ Brian H. Davis
Brian H. Davis
Chief Financial Officer and Controller

