IEC ELECTRONICS CORP
Form 10-K
November 19, 2010

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

(Mark One)
x Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended September 30, 2010 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 ID No.)

105 Norton Street, Newark, New York 14513
(Address of principal executive offices, including 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 Amex
(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 x

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 x

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 ¨

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 (§232.405 of this chapter) 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 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 x 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 x

At March 26, 2010, the last business day of the registrant’s most recently completed second fiscal quarter, the aggregate market value of the shares of common stock held by non-affiliates for the registrant was $40,802,628 (based on the closing price of the registrant’s common stock on NYSE Amex 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 under certain circumstances may be deemed to be an affiliate. 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 November 15, 2010, there were 9,109,324 shares of Common Stock outstanding.

Documents incorporated by reference:

Portions of IEC Electronics Corp.'s definitive Proxy Statement for the 2011 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K.

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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 excep where the context otherwise requires. This Annual Report on Form 10-K 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 expressed or implied in our forward-looking statements: business conditions and growth in our customers' industries, the electronic manufacturing services industry and the general economy, variability of operating results, our dependence on a limited number of major customers, the potential consolidation of our customer base, availability of components, dependence on certain industries, variability of customer requirements, 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 and other factors that we may not have currently identified or quantified. 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 document. All forward-looking statements included in this Report on Form-10-K are made only as of the date of this Report on Form 10-K. 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. You should read this document and the documents that we incorporate by reference into this Annual Report on Form-10-K 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”, the “Company”) is a premier provider of electronic manufacturing services (“EMS”) to advanced technology companies. We specialize in the custom manufacture of high reliability, complex circuit cards, system level assemblies, a wide array of custom cable and wire harness assemblies, and precision sheet metal. 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 card 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, responsive 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. As a true extension of our customers' operation, we have applied industry-leading Six Sigma and Lean Manufacturing principles to eliminate waste and reduce our customers’ total cost of ownership. While many EMS services are viewed as commodities, we believe we set ourselves apart through an uncommon mix of capabilities, including:

- A world class Technology Center that combines dedicated prototype manufacturing with an on-site Materials Analysis Lab (headed by two staff PhD’s), enabling the seamless transition of complex electronics from design to production

- In-house custom, functional test development supporting complex system-level assembly, test, troubleshooting and end-order fulfillment

- An authentic Lean/Six Sigma continuous improvement program supported by five certified Six Sigma Blackbelts delivering best-in-class results

- An industry-leading Web Portal providing customers real-time access to a wide array of critical data

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.

On July 30, 2010 the Company acquired the assets of Celmet Co., Inc. (“Celmet”), a privately held manufacturer of metal chassis and assemblies located in Rochester, New York. IEC outsources millions of dollars of chassis assemblies annually, at times encountering quality and delivery issues. The acquisition of this well managed, small business, serving customers similar to those of IEC in the military and industrial markets enables us to extend our capabilities in terms of the products and services we can offer to our customers, as well as assuring flawless quality and improved assurance of supply for a key purchased commodity. This business is now operating as a division of IEC known as Celmet, an IEC Company.

On December 16, 2009 the Company acquired all of the stock of General Technology Corporation (“GTC”) from Crane International Holdings, Inc. The acquired business employs complementary technologies and serves markets similar to IEC’s. GTC occupies an important niche in the military and defense market, helping its customers manage their legacy products and programs. The acquisition, located in Albuquerque, New Mexico, broadens IEC’s product mix and further diversifies our customer base.

On May 30, 2008, IEC acquired all of the stock of Val-U-Tech Corp., a wire and cable-harness interconnect business, located in Victor, New York. Val-U-Tech was renamed IEC Electronics Wire and Cable, Inc. (“Wire and Cable”) during 2009. IEC Electronics Wire and Cable, Inc. is a premier cable and wire harness manufacturer specializing in

high-reliability applications for companies in the military, medical, industrial and transportation market sectors. The company manufactures a diverse portfolio of custom cable and wire harness assemblies, mechanical sub-assemblies, circuit card assemblies and box builds with an emphasis on perfect quality delivered precisely on time.

IEC is a world-class ISO 9001:2008, AS9100 and ISO13485 certified company. The AS9100 certification enables IEC to serve the military and commercial aerospace markets. The ISO13485 certification supports the quality requirements of the medical device markets. We are also ITAR registered and NSA approved under the COMSEC standard. Our manufacturing processes encompass the best aspects of Lean Manufacturing and Six Sigma Principles. Many customers consider these certifications crucial when qualifying an EMS provider. Our state-of-the-art Technology Center includes prototype assembly, design engineering services, and an Advanced Materials Technology Laboratory.

We continually evaluate emerging technologies and maintain a technology road map to ensure that relevant processes and advances in new equipment are available to our customers when commercial and design factors so indicate. The current generation of interconnection technologies includes chip scale packaging and ball grid array (BGA) assembly techniques. We have placed millions of plastic and ceramic BGA's since 1994. Future advances will be directed by our Technology Center, which combines Prototype and Pilot Build Services with the capabilities of our Advanced Materials Technology Laboratory and our Design Engineering Group.

Our experienced workforce has a high level of technical expertise. Our emphasis is on building the most challenging and complex advanced electronics and wire & cable technology systems serving original equipment manufacturers (“OEMs”).

Our 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 Manufacturing Services 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 execution of 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, and sophisticated in-circuit and functional testing and distribution.

IEC's Strategy

Our strategy is to cultivate strong manufacturing partnerships with established and emerging OEMs that require high reliability final assemblies in the industrial, communications, medical, homeland security, military, and aerospace industries. These long-term business partnerships involve the joint development of manufacturing and support strategies with OEM customers and promote customer satisfaction. In implementing this strategy, we offer our customers a full range of manufacturing solutions through flexibility in production, high quality and fast-turnaround manufacturing services and computer-aided testing.

We generally enter into formal agreements with our OEM customers. These agreements with significant customers can provide fixed pricing for one year, subject to customer changes that impact cost of labor or material, and rolling forecasts of customer requirements. After establishing an OEM relationship, we provide our customers consultation services with respect to the manufacturability and testability of the product design. Our objective is to maximize our customer’s value proposition by identifying design changes to reduce their total cost of ownership and improve the quality and reliability of their finished assemblies.

Products and Services

We manufacture a wide range of assemblies, which are incorporated into many different products. We provide electronic manufacturing services primarily for wireless communication systems, military and defense systems, transportation products, and medical systems and instrumentation. During the fiscal year ended September 30, 2010, we provided electronics and cable harness manufacturing services to approximately 90 different customers. We

support multiple divisions and product lines for many of our customers and typically manufacture successive generations of product for our customers. In some cases, we are the sole contract manufacturer for the customer site or division, providing all services, prototype through final assembly and functional testing.

Materials Management

We generally procure material to meet specific contract requirements. In addition, many of our agreements with significant customers provide for reimbursement of costs incurred by us as a result of a customer's cancellation of contracted quantities. Our internal systems provide controls for all materials, whether purchased by us or provided by a customer, through all stages of the manufacturing process, from receiving to final shipment.

Availability of Components

Our net sales are principally derived from turnkey manufacturing services in which we provide both materials procurement and assembly services. We are well positioned with supplier relationships and material procurement expertise to acquire needed materials. However, availability of customer-consigned parts and unforeseen shortages of components on the world market are beyond our control and could adversely affect revenue levels and operating efficiencies.

Suppliers

We view our key distribution suppliers as strategic partners. As such, we have developed automated trading methodologies with them that provide benefits such as better payment terms, consignment or bonded inventories, reduced procurement lead-time, competitive pricing, reduced quotation processing time, some protection during periods of supply allocation and access to global resources. We also have preferred supplier partnership agreements in place for custom commodities such as printed circuit boards.

Marketing and Sales

Our sales increased during 2010, due to the addition of several new customers, increased market share with existing customers, and the acquisitions of GTC and Celmet. We utilize a direct sales force as well as a nationwide network of Manufacturers 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 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 of quantity and mix requirements for end-item configurations. These products often represent emerging technologies requiring high-intensity manufacturing support to transfer them from the early product development stage through prototyping and on to volume manufacturing. As these products exit the development phase, specialized capabilities are required to support rapid response prototyping requirements in a dynamic engineering environment. As a result, these customers rarely rely on the more common industry outsourcing model associated with lower cost labor regions.

The Company made progress during 2010 in its efforts to reduce dependency on large customers as shown in the market sector and customer data below.

	Year ended September 30,	
Industry Sectors and Large Customers	2010	2009
% of Sales by Sector		
Military & Aerospace	58%	55%
Industrial & Communications	29%	37%
Medical & Other	13%	8%
	100%	100%
Customers Representing Over 10% of Sales		
General Electric	14%	15%
Ultralife	< 10%	13%
ViaSat, Inc.	< 10%	12%
Percent of 9/30 receivables owed by customers with balances exceeding 10% of total	11%	24%

Backlog

During fiscal 2010 our backlog more than doubled, an excellent result given the continuing economic challenges of the last year. We closed the year with backlog of $91.4 million as compared to a fiscal 2009 closing backlog of $41.4 million. Backlog consists of two categories: purchase orders and firm forecasted commitments. In addition to working through the backlog, in the ordinary course we also receive orders during a quarter, to ship within the same period. These intra-quarter orders and shipments will not appear in our 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. In general, the majority of our current backlog is expected to be shipped within our current fiscal year, though a small portion of orders may be expected to ship out into 2014.

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, waste management, health and safety matters. Management believes that our business is operated in substantial compliance with all applicable laws and governmental regulations. Current costs of compliance are not material to us. However, new or modified requirements, not at present anticipated, could create additional expense for us if adopted.

Employees

Our employees are our single greatest resource, and the Company added 199 during fiscal 2010. IEC's employees numbered 567 at September 30, 2010, including 476 employees engaged in manufacturing and manufacturing support, 57 in engineering, and 34 in administrative and marketing functions. 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 contributions to it, and believe that our employee relations are good. We have access to a large and technically qualified work force in our three northeast locations between Rochester and Syracuse, two upstate New York industrial cities, as well as our location in Albuquerque, New Mexico.

Patents and Trademarks

We do not hold any patents related to electronics manufacturing services, but do 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

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

- Ø adverse changes in general economic conditions
- Ø the level and timing of customer orders and the accuracy of their forecasts
- Ø the level of capacity utilization of our manufacturing facilities and associated fixed costs
- Ø price competition
- Ø market acceptance of our customers' products
- Ø business conditions in our customers' end markets
- Ø our level of experience manufacturing a particular product
- Ø change in the sales mix of our customers
- Ø the efficiencies achieved in managing inventories and fixed assets
- Ø fluctuations in cost and availability of materials
- Ø the timing of expenditures in anticipation of future orders
- Ø changes in cost and availability of labor and components
- Ø our effectiveness in managing the manufacturing process.

The EMS industry is affected by the condition of 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. The demand for our services could weaken, which in turn could substantially influence our sales, capacity utilization, margins and financial results. Historically, we have seen periods, such as in fiscal 2002-2003, when EMS industry sales were adversely affected by a slowdown in wireless/networking and wireless infrastructure sectors as a result of reduced end-market demand and in 2008-2010 when reduced availability of capital to fund existing and emerging technologies forced some firms to contract and some industry consolidation.

WE DEPEND ON A RELATIVELY SMALL NUMBER OF CUSTOMERS, AND IF WE LOSE ANY OF THESE CUSTOMERS OUR SALES AND OPERATING RESULTS COULD DECLINE SIGNIFICANTLY. A relatively small number of customers is responsible for a significant portion of our net sales. During fiscal 2010, 2009 and 2008, our five largest customers accounted for 45%, 55% and 62% of net sales, respectively. During fiscal 2010, 2009 and 2008, our single largest customer in each year accounted for 14%, 15% and 21% of net sales, respectively. The percentage of IEC's sales to its major customers may fluctuate from period to period, and our principal customers have varied from period to period. Going forward our principal customers may not continue to purchase services from us at the current levels.

WE DEPEND ON 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
- the potential that our customers' products may become obsolete or the failure of our customers' products to gain widespread commercial acceptance
- periods of significantly decreased demand in our customers' markets

OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION MAY BE ADVERSELY AFFECTED BY GLOBAL ECONOMIC AND FINANCIAL MARKET CONDITIONS. Current global economic and financial market conditions, including the continued threat of disruption in the credit markets and the potential for a lagging recovery from the global economic 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 existing purchase orders or to reduce the volume of products they purchase from us in the future. We may have significant balances owing from customers that operate in cyclical industries and under leveraged conditions that may impair the collectability of those receivables. Failure to collect a significant portion of those receivables could have a material adverse effect on our results of operations and financial condition. Adverse economic and financial 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 therefore have an 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 adversely affected.

FAILURE TO MANAGE GROWTH AND CONTRACTION, IF ANY, MAY ADVERSELY AFFECT OUR BUSINESS. Since late 2006, we have been focused on expanding our operations and have added many new employees. These actions have resulted in additional costs and start-up inefficiencies. If we are unable to effectively manage the currently anticipated growth or if the anticipated net sales are not realized, our operating results could be adversely affected.

ENERGY PRICE INCREASES MAY NEGATIVELY IMPACT OUR RESULTS OF OPERATIONS. Certain of the components used in our manufacturing activities are petroleum-based. In addition, we, along with our suppliers and customers, rely on various energy sources (including oil) in our transportation activities. Over the past several years, energy prices have experienced significant volatility. Increasing energy prices have resulted in an increase to our raw material costs and transportation costs. In addition, the transportation costs of certain of our suppliers and customers have increased, and some of these increased costs may be passed along to us. We may not be able to increase our product prices enough to offset these increased costs. In addition, any increase in our product prices may reduce our future customer orders and profitability.

START-UP COSTS AND INEFFICIENCIES RELATED TO NEW OR TRANSFERRED PROGRAMS CAN ADVERSELY AFFECT OUR OPERATING RESULTS AND MAY NOT BE RECOVERABLE. Start-up costs, the management of labor and equipment resources in connection with establishing new programs and new customer relationships, the need to estimate required resources, and the timing of obtaining those resources in advance of production, can adversely affect our operating results. If new programs or new customer relationships are terminated or delayed, our operating results may be adversely affected, particularly in the near term, as we may not be able to recoup our start-up costs or quickly replace anticipated new program revenues.

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 control. Cancellations, reductions or delay 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:

- Ø variation in demand for our customers' products in their end markets
- Ø actions taken by our customers to manage their inventory

- Ø product design changes by our customers
- Ø changes in our customers' manufacturing strategy
- Ø reduced demand for our customers' products

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

- Ø deciding on the levels of business that we will seek
- Ø production schedules
- Ø component procurement commitments
- Ø equipment requirements
- Ø personnel needs
- Ø 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 other 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 price of their products or services and to introduce new products or services that may offer greater performance and improved pricing. Any of these may cause a decline in our sales, loss of market acceptance of our products or services, profit margin compression, or loss of market share.

THE INTEGRATION OF ACQUIRED OPERATIONS MAY POSE DIFFICULTIES FOR US. We completed acquisitions of GTC and Celmet in December 2009 and July 2010, respectively. We may continue to acquire additional businesses in the future. These acquisitions and future acquisitions involve risks, which may include, but not be limited to:

- Ø integration and management of operations
- Ø retention of key personnel
- Ø integration of information systems, internal procedures, accounts receivable as well as management, financial and operational controls
- Ø retention of customer base of acquired businesses
- Ø diversion of management's attention from other ongoing business concerns
- Ø exposure to unanticipated liabilities of acquired companies

These and other factors could harm our ability to achieve expected levels of profitability or realize other anticipated benefits of an acquisition and could adversely affect our operating results.

IF WE DO NOT MANAGE OUR BUSINESS EFFECTIVELY, OUR PROFITABILITY COULD DECLINE. To manage our business effectively we must continually improve our operational, financial and management information systems; develop the skills of our managers and supervisors; and train, motivate and manage our other employees. Our failure to effectively do so could adversely affect our operating results.

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 turnkey manufacturing for which we provide materials procurement. 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, certain component price increases could adversely affect our operating results.

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 component which could contribute to an increase in our inventory levels. There have been times when 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 have previously cut back their production capabilities excessively in response to reduced activity. World events, armed conflict, governmental regulation and epidemics could also affect our supply chain, leading to an inability to obtain sufficient components on a timely basis, adversely affecting relationships with our customers.

In addition, due to the specialized nature of some components and our customers' products specifications, we may be required to use sole source suppliers for certain components. Such sole source suppliers may encounter financial difficulties, which could preclude them from delivering components on time, or at all.

OUR TURNKEY MANUFACTURING SERVICES INVOLVE INVENTORY RISK. Most of our services are provided on a turnkey basis, whereby we purchase some or all of the materials required for product assembly and manufacturing. These services involve greater resource investment and inventory risk management than consignment services, where the customer provides materials. For example, in our turnkey operations, we must frequently order parts and supplies in minimum lot sizes that may be larger than the quantity of product ultimately ordered for our customers. Customers' cancellation or reduction of orders could result in additional expense to us. While most of our customer agreements typically include provisions which require customers to reimburse us for excess inventory specifically ordered to meet their forecasts, if we are not reimbursed, we could have excess inventory and/or cancellation or return charges from our suppliers. Accordingly, for turnkey products various component price increases and inventory obsolescence could adversely affect our operating results.

In addition, we provide inventory management programs for some of our customers under which we reduced required to hold and manage finished goods inventories. This inventory management program may lead to higher finished goods inventory levels, reduced inventory turns and increased financial exposure to some customers. These customers will generally have contractual obligations to purchase such managed inventories from us, however, we may remain subject to the risk of enforcing those obligations.

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 products to our customers' specifications, which are highly complex and may contain design or manufacturing errors or failures. Despite our quality control and quality assurance efforts, defects may occur. Defects in the products we manufacture, whether caused by a customer design, workmanship or component failure or error, may result in delayed shipments to customers or reduced or cancelled customer orders and we may suffer adverse reputational effects as a result of these circumstances. In addition, these defects 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 any costs associated with product failure.

WE MAY NOT BE ABLE TO MAINTAIN OUR ENGINEERING, TECHNOLOGICAL AND MANUFACTURING COMPETITVE ADVANTAGE. 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:

- Ø hire and retain qualified engineering and technical personnel
- Ø maintain and enhance our technological leadership
- Ø 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, which 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 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. We have employment agreements with W. Barry Gilbert, our Chief Executive Officer, Jeffrey T. Schlarbaum, our President and Donald S. Doody, our Executive Vice President. We do not have employment agreements or non-competition agreements with any of our other key employees.

THE FAILURE TO COMPLY WITH CURRENT AND FUTURE GOVERNMENTAL REGULATIONS COULD IMPARE 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 conflict metals and environmental, waste management, health and safety matters relating to the use, storage, discharge and disposal of hazardous chemicals used in our manufacturing process. If we fail to comply with any present and future regulations, we could be subject to future liabilities or the suspension of production. 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.

IF WE ARE UNABLE TO MAINTAIN EFFECTIVE INTERNAL CONTROL OVER OUR FINANCIAL REPORTING, INVESTORS COULD LOSE CONFIDENCE IN THE RELIABILITY OF OUR FINANCIAL STATEMENTS, WHICH COULD ADVERSELY AFFECT THE VALUE OF OUR COMMON STOCK. 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 (ICFR) and to report our evaluation on effectiveness in Form 10-K.

We continue our ongoing efforts to comply with Section 404(a) of the Sarbanes-Oxley Act. If we are unable to maintain effective internal control over financial reporting, this could lead to a loss of confidence in the reliability of our financial statements, adversely affecting the value of our common stock.

THE AGREEMENTS GOVERNING OUR DEBT CONTAIN VARIOUS COVENANTS THAT IMPACT THE OPERATION OF OUR BUSINESS. The agreements and instruments governing our secured bank credit facility and other existing debt contain various restrictive covenants that, among other things, require us to comply with or maintain certain financial tests and ratios including, among others, limitations on the amount available under our Revolver relative to the borrowing base, limits on capital expenditures, and minimum earnings before interest, taxes, depreciation and amortization, rent payments and stock compensation expense (“EBITDARS”) and restrict our ability to:

- Ø incur debt
- Ø incur or maintain liens
- Ø make acquisitions of businesses or entities
- Ø make investments, including loans, guarantees and advances
- Ø engage in mergers, consolidations or certain sales of assets
- Ø engage in transactions with affiliates
- Ø pay dividends or engage in stock redemptions or repurchases

Our bank credit facilities are secured by a general security agreement attached to 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.

Our ability to comply with covenants contained in our secured bank credit facilities and other existing debt may be affected by events beyond our control, including prevailing economic, financial and industry conditions. While we

are currently in compliance with all of our debt covenants, our failure to comply in the future could result in an acceleration of our primary indebtedness and cross-defaults under subordinate indebtedness, causing a material adverse effect on our financial condition.

OUR STOCK PRICE MAY BE VOLATILE DUE TO FACTORS BEYOND OUR CONTROL. Our common stock is traded on the NYSE Amex. 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, government regulations, litigation, fluctuations in quarterly operating results, or general conditions in the EMS industry.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not Applicable

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”) capabilities, as follows:

Location	Principal Use	Building SF	Owned/Leased	Lease Expiration
Newark, New York	AO,E,M,W,D	235,000	Owned	
Victor, New York	M,W,D	19,000	Leased	December 31, 2012
Rochester, New York	M,W,D	47,500	Leased	July 30, 2014
Albuquerque, New Mexico	AO,M,W,D	72,000	Owned	

We believe that our properties are generally in good condition, well maintained, and are suitable and adequate for our business.

ITEM 3. LEGAL PROCEEDINGS

The Company is involved in an arbitration proceeding being conducted to resolve IEC's claim that the price paid for GTC should be reduced by $238 thousand. The claim relates to the value assigned by the seller to certain current assets acquired. We are unable to predict the outcome of the arbitration.

With the exception of the claim discussed in the preceding paragraph, there are no legal proceedings pending to which IEC or its subsidiaries are a party or of which any of their 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 five percent of common stock, or any associate of any of the foregoing, is a party adverse to IEC or its subsidiaries.

ITEM 4. (Removed and Reserved)

EXECUTIVE OFFICERS OF THE REGISTRANT

IEC's executive officers as of September 30, 2010, were as follows:

	Age	
W. Barry Gilbert	64	Chief Executive Officer and Chairman of the Board
Jeffrey T. Schlarbaum	44	Executive Vice President
Donald S. Doody	43	Senior Vice President
Susan E. Topel-Samek	52	Vice President and Chief Financial Officer

W. Barry Gilbert has served as Chief Executive Officer since June 2002. He has been a director of IEC since February 1993, and Chairman of the Board since February 2001. He is an adjunct faculty member at the William E. Simon Graduate School of Business Administration of the University of Rochester. Mr. Gilbert previously held the position of President of the Thermal Management Group of Bowthorpe (now known as Spirent) and was corporate Vice President and President of the Analytical Products Division of Milton Roy Company, a manufacturer of analytical instrumentation. He holds an MBA from the University of Rochester in Applied Economics and Finance.

Jeffrey T. Schlarbaum served as Executive Vice President of IEC until October 1, 2010 when he was promoted to President of the Company. He joined IEC in May 2004 as Vice President of Sales and Marketing, in November 2006 he was appointed Executive Vice President of Sales and Marketing, and was promoted to Executive Vice President and President of IEC Contract Manufacturing in May 2008. Before joining IEC, Mr. Schlarbaum had over 15 years of progressive sales management experience in the electronics industry. Most recently, he served as Regional Vice President of Sales for Plexus Corp., a contract manufacturer of electronics products, in Neenah, Wisconsin. Prior to that, he worked as Vice President of Sales, Eastern Region for MCMS as well as holding various senior sales and marketing management positions with MACK Technologies and Conner Peripherals. He holds an MBA from Pepperdine University.

Donald S. Doody served as Senior Vice President of IEC until October 1, 2010 when he was named Executive Vice President of Operations. He joined IEC in November 2004 as Vice President of Operations, and was appointed Senior Vice President of Operations in May 2008. Before joining IEC, Mr. Doody had more than 8 years of experience in the contract electronics manufacturing industry. He began his career with GE Transportation and Industrial Systems and became a Master Black Belt/Supplier Quality Engineer. He was a senior manufacturing engineer at Plexus Corporation, then became Vice President and General Manager of MCMS’s North Carolina facility. When Plexus acquired MCMS, Mr. Doody was appointed to lead Lean Manufacturing and Six Sigma initiatives throughout the company. Mr. Doody holds an M.S. degree in Industrial Sciences from Colorado State University.

Susan E. Topel-Samek joined IEC in June 2010 as Vice President and Chief Financial Officer. Prior to joining the Company, Ms. Topel-Samek held a variety of positions of increasing responsibility at Bausch & Lomb, including most recently Vice President & Treasurer. Prior to that she had served as Vice President of Treasury Operations where Ms. Topel-Samek had responsibility for global oversight of the company’s risk management/insurance, real estate, environment health & safety organizations. Ms. Topel-Samek holds an MBA from the Simon School at the University of Rochester, and is a member of the Beta Gamma Sigma Honor Society.

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 began trading on the NYSE Amex on June 9, 2009 under the symbol "IEC". Prior to that, IEC's Common Stock was traded on the Over-the-Counter Bulletin Board ("OTCBB") under the symbol "IECE.OB".

The following table sets forth, for the fiscal quarters indicated, the high and low closing sales prices for IEC's common stock as reported on the OTCBB or NYSE Amex. The quotations on the OTCBB reflect inter-dealer prices, without mark-up, mark-down or commission, and may not represent actual transactions.

IEC Stock Prices	Low	High
Fiscal Quarters		
First 2009	$1.40	$1.90
Second 2009	1.19	1.60
Third 2009	1.35	3.98
Fourth 2009	3.30	7.45
First 2010	$3.42	$5.55
Second 2010	4.15	6.18
Third 2010	4.30	5.49
Fourth 2010	4.57	5.26

IEC's closing price on the NYSE Amex on November 15, 2010, was $5.80 per share.

(b) Holders

As of November 15, 2010, there were approximately 185 holders of record of IEC's common stock, which does not include shareholders whose stock is held through securities position listings. Many of our common shares are held in street name by brokers and other institutions for which we are unable to estimate the number of beneficial stockholders.

(c) Dividends

IEC does not pay dividends on its common stock. It is the current policy of the Board of Directors to retain earnings for use in our business, and certain covenants set forth in IEC's loan agreement restrict the Company from paying cash dividends. We do not anticipate paying cash dividends on our common stock in the foreseeable future.

(d) Securities Authorized for Issuance under Equity Compensation Plans

The table that follows sets forth information concerning IEC's equity compensation plans as of September 30, 2010. Under the 2001 Stock Option and Incentive Plan, the following types of equity awards have been made: stock options; share-based compensation for outside directors; restricted stock; and other stock-based awards. In addition, stock purchase programs have been administered.

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Stock Plan Shares (as of September 30, 2010)	Shares to be	Wgtd average	Shares available for