SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2001-08-03** | Period of Report: **2001-06-29**
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FILER

IEC ELECTRONICS CORP

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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 June 29, 2001

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)	(I.R.S. Employer Identification No.)

105 Norton Street, Newark, New York 14513

(Address of Principal Executive Offices (Zip Code)

(315) 331-7742

Registrant's telephone number, including area code:

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

YES [X] NO [ ]

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

Common Stock, $0.01 Par Value - 7,677,751 shares as of July 31, 2001.

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PART 1 FINANCIAL INFORMATION

PART II

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<TABLE>

IEC ELECTRONICS CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 29, 2001 AND SEPTEMBER 30, 2000
(in thousands, except for per share data)

<CAPTION>

	JUNE 29, 2001	SEPTEMBER 30,2000
ASSETS	(Unaudited)	
<S>	<C>	<C>
Current Assets:		
Accounts receivable	$ 30,353	$ 27,915
Inventories	27,288	36,157
Other current assets	716	75
Total current assets	58,357	64,147
Property, Plant and Equipment, net	14,416	15,225
Other Assets:		
Cost in excess of net assets acquired, net	9,555	9,820
Other assets	196	300
Total other assets	9,751	10,120
	$ 82,524	$ 89,492

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:		
Current portion of long-term debt	$ 2,105	$ 2,105
Accounts payable	17,513	25,295
Accrued payroll and related expenses	2,710	2,572
Accrued income taxes	16	-
Accrued insurance	1,130	1,225
Accrued restructuring charges	1,101	358
Other accrued expenses	1,794	1,663
Total current liabilities	26,369	33,218

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Long-Term Debt	20,798	15,266
Commitments and Contingencies		
Shareholders' Equity:		
Preferred stock, par value $.01 per share		
Authorized - 500,000 shares		
Outstanding - 0 shares	-	-
Common stock, par value $.01 per share		
Authorized - 50,000,000 shares		
Outstanding - 7,659,230 shares and 7,626,565, respectively	77	76
Additional paid-in capital	38,382	38,332
(Accumulated deficit) Retained earnings	(3,081)	2,611
Accumulated other comprehensive loss -		
Cumulative translation adjustment	(10)	-
Treasury Stock, at cost - 573 shares	(11)	(11)
Total shareholders' equity	35,357	41,008
	$ 82,524	$ 89,492

<FN>

The accompanying notes to unaudited consolidated financial statements are an integral part of these balance sheets

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IEC ELECTRONICS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED JUNE 29, 2001 AND JUNE 30, 2000
(in thousands, except per share data)

<CAPTION>

<S>	3 MONTHS ENDED June 29, 2001 (Unaudited) <C>	3 MONTHS ENDED June 30, 2000 (Unaudited) <C>

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Net sales	$40,032	$54,694
Cost of sales	38,897	53,991
	-------	-------
Gross profit	1,135	703
Selling and administrative expenses	2,495	3,051
Restructuring charge (reversal)	1,400	(92)
	-------	-------
Operating loss	(2,760)	(2,256)
Interest expense	(488)	(598)
Other income, net	12	41
	-------	-------
Loss before benefit from income taxes	(3,236)	(2,813)
Benefit from income taxes	(27)	-
	-------	-------
Net loss	$(3,209)	$(2,813)
	=======	=======
Net loss per common and common equivalent share:		
Basic and diluted	$ (0.42)	$ (0.37)
Weighted average number of common and common equivalent shares outstanding:		
Basic and diluted	7,658	7,604

<FN>
The accompanying notes to unaudited consolidated financial statements are an integral part of these financial statements.
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IEC ELECTRONICS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE NINE MONTHS ENDED JUNE 29, 2001 AND JUNE 30, 2000
(in thousands, except per share data)

<CAPTION>

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	9 MONTHS ENDED June 29, 2001 (Unaudited)	9 MONTHS ENDED June 30, 2000 (Unaudited)
<S>	<C>	<C>
Net sales	$145,280	$162,802
Cost of sales	139,905	159,703
Gross profit	5,375	3,099
Selling and administrative expenses	8,210	9,239
Restructuring charge (reversal)	1,400	(949)
Operating loss	(4,235)	(5,191)
Interest expense	(1,426)	(1,512)
Life insurance proceeds	-	2,000
Other income, net	41	55
Loss before provision for (benefit from) income taxes	(5,620)	(4,648)
Provision for(benefit from)income taxes	72	(5)
Net loss	$ (5,692)	$ (4,643)
Net loss per common and common equivalent share:		
Basic and diluted	$ (0.75)	$ (0.61)
Weighted average number of common and common equivalent shares outstanding:		
Basic and diluted	7,639	7,583

<FN>

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

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<TABLE>

IEC ELECTRONICS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED JUNE 29, 2001 AND JUNE 30, 2000
(in thousands)

<CAPTION>

<S>	9 MONTHS ENDED JUNE 29, 2001 (Unaudited) <C>	9 MONTHS ENDED JUNE 30, 2000 (Unaudited) <C>
Cash Flows from Operating Activities:		
Net loss	$(5,692)	$(4,643)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	4,106	5,361
Loss (gain) on disposal of fixed assets	215	(38)
Amortization of cost in excess of net assets acquired	264	265
Common Stock issued under Directors stock plan	51	22
Changes in operating assets and liabilities:		
(Increase) decrease		
Accounts receivable	(2,438)	(8,537)
Inventories	8,869	(5,526)
Income taxes receivable	-	2,966
Other current assets	(641)	229
Other assets	105	(316)
Increase (decrease)		
Accounts payable	(6,000)	3,369
Accrued payroll and related expenses	138	(1,401)
Accrued income taxes	16	-
Accrued insurance	(95)	690
Accrued restructuring charges	743	(51)
Other accrued expenses	131	441
Net cash used in operating activities	(228)	(7,169)
Cash Flows from Investing Activities:		
Purchases of property, plant and equipment	(3,496)	(654)
Proceeds from sale of equipment	23	1,369
Payments related to building/equipment restructuring	(39)	(142)
Net cash (used in) provided by investing activities	(3,512)	573
Cash Flows from Financing Activities:		
Net decrease in drafts payable	(1,782)	-
Borrowings under line of credit agreements	7,111	3,126

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Principal payments on long-term debt	(1,579)	(526)
Net cash provided by financing activities	3,750	2,600
Net increase (decrease) in cash and cash equivalents	10	(3,996)
Effect of exchange rates changes	(10)	(11)
Cash and cash equivalents at beginning of period	-	4,007
Cash and cash equivalents at end of period	$ -	$ -
Supplemental Disclosures of Cash Flow Information:		
Cash paid (received) during the period for:		
Interest	$ 1,365	$ 1,528
Income taxes	$ 56	$(2,950)

Supplemental Disclosure of Noncash Information:
During the nine months ended June 30, 2000, the Company issued shares of its common stock in the amount $102 thousand in the settlement of an accrued liability

<FN>
The accompanying notes to unaudited consolidated financial statements are an integral part of these financial statements.

</FN>
</TABLE>

IEC ELECTRONICS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 29, 2001

(1) Business and Summary of Significant Accounting Policies

Business

IEC Electronics Corp. (IEC) is an independent contract manufacturer of complex printed circuit board assemblies and electronic products and systems. IEC offers

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its customers a wide range of manufacturing and management services, on either a turnkey or consignment basis, including material procurement and control, manufacturing and test engineering support, statistical quality assurance and complete resource management.

Consolidation

The consolidated financial statements include the accounts of IEC and its wholly-owned subsidiaries, IEC Electronicos de Mexico and IEC Electronics-Ireland Limited (collectively, the "Company"). In December 1999, the Company closed its underutilized Ireland operations and transferred some of the customers served there to its other operations in New York and Texas. All significant intercompany transactions and accounts have been eliminated.

Revenue Recognition

The Company recognizes revenues upon shipment of product for both turnkey and consignment contracts.

In December 1999, the United States Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin 101, "Revenues Recognition in Financial Statements" subsequently updated by SAB 101A and SAB 101B ("SAB 101"). SAB 101 summarizes certain of the SEC's views in applying generally accepted accounting principles to revenue recognition in financial statements. The Company is required to adopt SAB 101 as of the beginning of the fourth quarter of fiscal 2001. Management does not expect a material impact on the results of operations from the implementation of SAB 101.

Accounts Payable

Trade accounts payable include drafts payable of $2.6 million and $4.4 million at June 29, 2001, and September 30, 2000, respectively.

Cash and Cash Equivalents

Cash and cash equivalents include money market and bank account balances. The Company's cash and cash equivalents are held and managed by institutions which 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):

	June 29, 2001	September 30, 2000

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	(Unaudited)	
Raw materials	$18,960	$23,331
Work-in-process	7,261	8,418
Finished goods	1,067	4,408
	$27,288	$36,157

Foreign Currency Translation

The assets and liabilities of the Company's foreign subsidiary are translated based on the current exchange rate at the end of the period for the balance sheet and a weighted-average rate for the period of the consolidated statement of operations. Translation adjustments are recorded as a separate component of equity. Transaction gains or losses are included in operations.

Unaudited Financial Statements

The accompanying unaudited financial statements as of June 29, 2001, and for the three and nine months ended June 29, 2001 have been prepared in accordance with generally accepted accounting principles for the 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, 2000 Annual Report on Form 10-K.

Net Loss per Common and Common Equivalent Share

(in thousands, except for share and per share data)

Three Months Ended	(Loss) (Numerator)	Shares (Denominator)	Per Share Amount
June 29, 2001			
Basic EPS			
Loss available to common shareholders	$(3,209)	7,658,215	$(0.42)

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	(Loss) (Numerator)	Shares (Denominator)	Per Share Amount
June 30, 2000			
Basic EPS			
Loss available to common shareholders	$(2,813)	7,604,146	$(0.37)

Nine Months Ended	(Loss) (Numerator)	Shares (Denominator)	Per Share Amount
June 29, 2001			
Basic EPS			
Loss available to common shareholders	$(5,692)	7,638,691	$(0.75)
June 30, 2000			
Basic EPS			
Loss available to common shareholders	$(4,643)	7,582,992	$(0.61)

Basic EPS was computed by dividing reported earnings available to common shareholders by weighted-average common shares outstanding during the three and nine month period. No reconciliation is provided as the effect would be antidilutive.

(2) Comprehensive Loss

Comprehensive loss, which includes net loss and foreign currency translation adjustments, was as follows for the three and nine months ended June 29, 2001 and June 30, 2000.(in thousands):

	3 MONTHS ENDED June 29, 2001 (Unaudited)	3 MONTHS ENDED June 30, 2000 (Unaudited)
Net loss	$ (3,209)	$ (2,813)
Other comprehensive loss:		
Foreign currency translation adjustments	(4)	(4)
Comprehensive loss	$ (3,213)	$ (2,817)

	9 MONTHS ENDED June 29, 2001	9 MONTHS ENDED June 30, 2000

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	(Unaudited)	(Unaudited)
Net loss	$ (5,692)	$ (4,643)
Other comprehensive loss:		
Foreign currency translation adjustments	(10)	(11)
Comprehensive loss	$ (5,702)	$ (4,654)

(3) Restructuring Plans

In April 2001, the Company's Board of Directors approved a restructuring plan to consolidate its Texas and Mexico business operations including reducing its cost structure and improving working capital. As part of the business-restructuring plan, the Company recorded a charge to earnings of $1.4 million for the third quarter of fiscal 2001. The charge relates to facility consolidations ($1.0 million) and headcount reductions ($400,000). This restructuring plan will allow the Company to concentrate its investments, resources and management attention on lower cost, high volume production at its Mexico operations. As of June 29, 2001, a reserve balance of approximately $800,000 still remained. There have been no significant reallocations or re-estimates of this restructuring charge to date.

In September 1999, the Company announced its plan to close its underutilized Irish operation (Longford) and transfer some of the customers served there to its other operations in New York and Texas. Accordingly, a restructuring charge of approximately $4.0 million was recorded in the fourth quarter of fiscal 1999. The components of the charge are as follows: the write-down of assets to be disposed of to their fair market value ($1.1 million), the write-down of goodwill ($670,000), severance and employee benefits ($619,000), accrual of the remaining lease payments and related building maintenance costs ($895,000) and repayment of a grant provided by the Irish Development Agency ($681,000). In February 2000 a third party purchased from the Company certain assets of Longford and assumed the lease of the Longford facility. This resulted in a benefit of $1.0 million from the reversal of a previously established restructuring reserve which included $800,000 relating to the lease and $200,000 from a guarantee from Ohshima. The Company recorded charges against the accrual of approximately $100,000 during the nine months ending June 29, 2001, and approximately $2.9 million through fiscal year-ended September 30, 2000.

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In October 1998, the Company closed its underutilized Alabama facility and transferred many of the customers to its other operations in New York and Texas. Accordingly, a restructuring charge of $4.7 million was recorded in the fourth quarter of fiscal 1998. The components of the charge are as follows: the write-down of assets to be disposed of to their fair market value ($2.2 million), the write-down of goodwill ($1.3 million), and severance and employee benefits ($1.2 million). The Company recorded charges against the accrual of approximately $100,000 during the nine months ending June 29, 2001, and approximately $3.1 million through fiscal year-ended September 30, 2000. During the nine months ended June 29, 2001, the Company reallocated approximately $300,000 of the restructuring charge from severance and employee benefits to building maintenance costs. There have been no other significant reallocations or re-estimates of this restructuring charge to date.

At June 29, 2001, approximately $1.1 million of the above restructuring charges are classified as a current liability. The balance is recorded to reduce the property, plant and equipment to its net realizable value.

The restructuring plans are in compliance with revised financial covenants.

(4) Financing Arrangements

On December 28, 1999, the Company entered into a three-year secured asset-based facility for $35.0 million. The credit facility as amended on March 30, 2000, December 1, 2000, and April 24, 2001, consists of two components, the first a $25.0 million revolving credit facility based on eligibility criteria for receivables and inventory. Amounts borrowed are limited to 85 percent of qualified accounts receivable, 20 percent of raw materials, and 30 percent of finished goods inventory, respectively. The second component consists of a $10 million three-year term loan with monthly principal installments based on a five-year amortization which began in April 2000. At June 29, 2001, $22.9 million was outstanding consisting of $15.5 million and $7.4 million relating to the revolving credit facility and term loan, respectively, with $3.7 million available under the revolving credit facility.

Interest on this revolving credit facility is determined at the Company's option on a LIBOR or prime rate basis, plus a margin. A facility fee is paid on the unused portion of the facility.

The credit facility contains specific affirmative and negative covenants, including, among others, the maintenance of certain financial covenants, as well as limitations on amounts available under the lines of credit relating to the borrowing base, capital expenditures, lease payments and additional debt. The more restrictive of the covenants requires the Company to maintain a minimum tangible net worth, minimum net income after taxes, maximum debt-to-tangible worth ratio, and minimum cash flow coverage. As of the date of this filing, the Company is in compliance with these debt covenants. Management believes that the Company is at risk of default on certain of these covenants during the fourth quarter of this fiscal year. However, Management intends to seek such amendments and/or waivers that are necessary to meet these covenants.

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IEC ELECTRONICS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 29, 2001

The Company's liquidity is dependent upon its ability to generate positive cash flow from operations, completion of the planned sales of its Alabama and Texas facilities and/or obtaining additional debt or equity financing if required, of which there can be no assurance.

(5) Life Insurance Proceeds

The Company's President and Chief Executive Officer died suddenly on December 11, 1999. In the second quarter of fiscal 2000, the Company received non-taxable income from insurance proceeds of approximately $2.0 million.

(6) Litigation

The Company is subject to legal proceedings and claims which arise in the ordinary course of its business. Although occasional adverse decisions (or settlements) may occur, the Company believes that the final disposition of such matters will not have a material adverse effect on the financial position or results of operations of the Company.

(7) IEC Electronicos de Mexico

In December 1998, the Company entered into a Shelter Services Agreement with a Texas Limited Partnership and its Mexican corporate subsidiary which leased 50,000 square feet in a newly constructed industrial park in Reynosa, Mexico. This Maquiladora facility thereafter commenced manufacturing printed circuit board assemblies and wire harnesses and began shipping in April 1999 as IEC Electronicos de Mexico.

Effective February 1, 2001, the Company terminated the Shelter Services Agreement and exercised its option to acquire the Mexican subsidiary of the Texas Limited Partnership for one U.S. dollar ($1.00). On March 28, 2001, the subsidiary, now wholly owned by the Company, executed a new five-year lease agreement with a five-year renewal option combining the original 50,000 square

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feet with an additional 62,000 square feet at the Reynosa facility. Effective May 1, 2001, the Mexican subsidiary, IEC Electronicos de Mexico, S. De R. L. De C.V. occupied the entire 112,000 square foot facility.

(8) New Accounting Pronouncements

Goodwill and Other Intangible Assets:

During June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142) which addresses financial accounting and reporting for acquired goodwill and other intangible assets. SFAS No. 142 supercedes APB Opinion No. 17, Intangible Assets. The Company is required to adopt SFAS No. 142 during the first quarter of its fiscal year ended September 30, 2002. Management is in the process of assessing the potential impact on the results of operations.

Business Combinations:

During June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 141, "Business Combinations". This FASB addresses financial accounting and reporting for business combinations and supercedes APB Opinion No. 16, Business Combinations. The provision of this statement applies to all business combinations initiated after June 30, 2001.

Management's Discussion and Analysis

Results of Operations - Three Months Ended June 29, 2001, Compared to the Three Months Ended June 30, 2000.

Net sales for the three months ended June 29, 2001, were $40.0 million, compared to $54.7 million for the comparable period of the prior fiscal year, a decrease of 26.9%. The decrease in sales is primarily due to a downturn in the telecommunications and industrial sectors of the U.S. economy. Visibility for the fourth quarter is limited, and sales are expected to continue to trend downward. Turnkey sales for the quarter represented 97.7% and 97.1% of net sales for the comparable period of the prior fiscal year.

Gross profit was $1.1 million or 2.8% of net sales for the three month period ended June 29, 2001, versus $0.7 million or 1.3% of sales in the comparable period of the prior fiscal year. The increase in gross profit is due to improved direct labor costs and lower cost of materials being offset by lower sales

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volume and less efficient manufacturing absorption.

Selling and administrative expenses decreased to $2.5 million for the three months ended June 29, 2001, from $3.1 million in the comparable quarter of the prior fiscal year. This decrease is primarily due to decreases in office and other expenses. As a percentage of net sales, selling and administrative expenses increased to 6.3% from 5.6% in the comparable period of the prior fiscal year.

The Company recorded an income tax benefit relating to foreign operations in the amount of $27,000. The benefit was due to a change in calculating Mexican income taxes from using safe harbor rules to using transfer-pricing rules. The Company has recorded no benefit from U.S. income tax as a result of the net loss, and accordingly, has a full valuation allowance against its net deferred tax asset including the net operating loss carry-forward.

Net loss for the quarter was $(3.2)million versus $(2.8)million in the comparable period of the prior fiscal year. Loss per share was $(0.42) as compared to loss per share of $(0.37) in the comparable period of prior fiscal year. Excluding the restructuring charge to consolidate the Texas and Mexico business operations, the net loss would have been $(1.8)million, or $(0.24) per share in the current period. Excluding the reversal of the previously established restructuring charge for the closure of the Longford facility of $92,000, the net loss would have been $(2.9) million or $(0.38) per share in the prior period.

At quarter-end the inventory level was $27.3 million, down from $36.2 million since the beginning of the fiscal year. This represents annualized turnover of 5.2. Inventory levels, which adequately support current production demand, are a major focus item at IEC.

Results of Operations - Nine months Ended June 29, 2001, compared to nine months ended June 30, 2000.

Net sales for the nine months ended June 29, 2001, were $145.3 million, as compared to $162.8 million for the comparable period of the prior fiscal year, a decrease of 10.7%. The decrease in sales is primarily due to a downturn in the telecommunications and industrial sectors of the U.S. economy. Visibility for the fourth quarter is limited, and sales are expected to continue to trend downward. Turnkey sales represented 96.4% and 96.8% of net sales for the comparable period of the prior fiscal year.

Gross profit was $5.4 million or 3.7% of sales in fiscal 2001 versus $3.1 million or 1.9% of sales in the comparable period of the prior fiscal year. The increase was due to improved direct labor costs and lower cost of materials as a percent of sales.

Selling and administrative expenses decreased to $8.2 million for the nine

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months ended June 29, 2001, from $9.2 million in the comparable period of the prior fiscal year. This decrease is primarily due to decreases in sales commissions, office and other expenses. As a percentage of net sales, selling and administrative expenses decreased to 5.6% from 5.7% in the comparable period of the prior fiscal year.

The Company recorded an income tax expense relating to foreign operations in the amount of $72,000. The Company has recorded no benefit from U.S. income tax as a result of the net loss, and accordingly, has a full valuation allowance against its net deferred tax asset including the net operating loss carry-forward.

Net loss for the nine months was $(5.7) million versus $(4.6) million in the comparable period of the prior fiscal year. Loss per share was $(0.75) as compared to loss per share of $(0.61) per share in the comparable period of the prior fiscal year. Excluding the restructuring charge to consolidate the Texas and Mexico business operations, the net loss would have been $(4.3) million or $(0.56) per share in the current period. Excluding the reversal of the previously established restructuring charge for the closure of the Longford facility of approximately $1.0 million, and the life insurance proceeds of $2.0 million, the net loss would have been $(7.6) million or $(1.00) per share in the previous period.

Restructuring Plans

In April 2001, the Company's Board of Directors approved a restructuring plan to consolidate its Texas and Mexico business operations including reducing its cost structure and improving working capital. As part of the business-restructuring plan, the Company recorded a charge to earnings of $1.4 million for the third quarter of fiscal 2001. The charge relates to facility consolidations ($1.0 million) and headcount reductions ($400,000). This restructuring plan will allow the Company to concentrate its investments, resources and management attention on lower cost, high volume production at its Mexico operations. As of June 29, 2001, a reserve balance of $800,000 still remained. There have been no significant reallocations or re-estimates of this restructuring charge to date.

In September 1999, the Company announced its plan to close its underutilized Irish operation (Longford) and transfer some of the customers served there to its other operations in New York and Texas. Accordingly, a restructuring charge of approximately $4.0 million was recorded in the fourth quarter of fiscal 1999. The components of the charge are as follows: the write-down of assets to be disposed of to their fair market value ($1.1 million), the write-down of goodwill ($670,000), severance and employee benefits ($619,000), accrual of the remaining lease payments and related building maintenance costs ($895,000) and repayment of a grant provided by the Irish Development Agency ($681,000). In February 2000 a third party purchased from the Company certain assets of Longford and assumed the lease of the Longford facility. This resulted in a benefit of $1.0 million from the reversal of a previously established restructuring reserve which included $800,000 relating to the lease and $200,000

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from a guarantee from Ohshima. The Company recorded charges against the accrual of approximately $100,000 during the nine months ending June 29, 2001, and approximately $2.9 million through fiscal year-ended September 30, 2000.

In October 1998, the Company closed its underutilized Alabama facility and transferred many of the customers to its other operations in New York and Texas. Accordingly, a restructuring charge of $4.7 million was recorded in the fourth quarter of fiscal 1998. The components of the charge are as follows: the write-down of assets to be disposed of to their fair market value ($2.2 million), the write-down of goodwill ($1.3 million), and severance and employee benefits ($1.2 million). The Company recorded charges against the accrual of approximately $100,000 during the nine months ending June 29, 2001, and approximately $3.1 million through fiscal year-ended September 30, 2000. During the nine months ended June 29, 2001, the Company reallocated approximately $300,000 of the restructuring charge from severance and employee benefits to building maintenance costs. There have been no other significant reallocations or re-estimates of this restructuring charge to date.

At June 29, 2001, approximately $1.1 million of the above restructuring charges are classified as a current liability. The balance is recorded to reduce the property, plant and equipment to its net realizable value.

The restructuring plans are in compliance with revised financial covenants.

Liquidity and Capital Resources

As reflected in the Consolidated Statement of Cash Flows for the nine months ending June 29, 2001, net cash provided by financing activities was $3.7 million, of which $200,000 was used to support operating activities and $3.5 million was used in net investing activities. An overall slowdown in the Electronics Manufacturing Services industry has resulted in fewer orders, reducing inventory levels by $8.9 million since inventory is not being replaced as existing orders are being filled. Similarly, accounts payable has decreased by $6.0 million due to fewer purchase orders being processed. The slowdown has also resulted in $2.8 million of receivable growth from raw material having been sold back to customers. Capital additions were $3.5 million and were primarily used to upgrade the manufacturing capabilities of the Company.

On December 28, 1999, the Company entered into a three-year secured asset-based facility for $35.0 million. The credit facility as amended on March 30, 2000, December 1, 2000, and April 24, 2001, consists of two components, the first a $25.0 million revolving credit facility based on eligibility criteria for receivables and inventory. Amounts borrowed are limited to 85 percent of qualified accounts receivable, 20 percent of raw materials, and 30 percent of finished goods inventory, respectively. The second component consists of a $10 million three-year term loan with monthly principal installments based on a five-year amortization which began in April 2000. At June 29, 2001, $22.9 million was outstanding consisting of $15.5 million and $7.4 million relating to the revolving credit facility and term loan, respectively, with $3.7 million available under the revolving credit facility.

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The Company is required to meet certain financial covenants in relation to its aforementioned credit facilities. At June 29, 2001, and through the date of this filing, the Company was in compliance with these debt covenants. Management believes that the Company is at risk to default on certain of these covenants during the fourth quarter of this fiscal year. However, Management intends to seek such amendments and/or waivers that are necessary to meet these covenants.

The Company's liquidity is dependent upon its ability to generate positive cash flow from operations, completion of the planned sales of its Alabama and Texas facilities and/or obtaining additional debt or equity financing if required, of which there can be no assurance.

The impact of inflation on the Company's operations has been minimal due to the fact that it is able to adjust its bids to reflect any inflationary increases in cost.

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 the Company due to adverse changes in financial rates. The Company is exposed to market risk in the area of interest rates. This exposure is directly related to its Term Loan 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 the Company's results of operations.

New Accounting Pronouncements

Goodwill and Other Intangible Assets:

During June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142) which addresses financial accounting and reporting for acquired goodwill and other intangible assets. SFAS No. 142 supercedes APB Opinion No. 17, Intangible Assets. The Company is required to adopt SFAS No. 142 during the first quarter of its fiscal year ended September 30, 2002. Management is in the process of assessing the potential impact on the results of operations.

Business Combinations:

During June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 141, "Business Combinations". This FASB addresses financial accounting and reporting for business combinations and supercedes APB Opinion No. 16, Business Combinations. The provision of this statement applies to all business combinations initiated after June 30, 2001.

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Forward-looking Statements

Except for historical information, statements in this quarterly report are forward-looking made pursuant to the safe harbor created by the Private Securities Litigation Reform Act of 1995 and are therefore subject to certain risks and uncertainties including timing of orders and shipments, availability of material, product mix and general market conditions that could cause actual results to differ materially from those projected in the forward looking statements. Investors should consider the risks and uncertainties discussed in the Company's Form 10K for the fiscal year ending September 30, 2000 and its other filings with the Securities and Exchange Commission.

PART II. OTHER INFORMATION

Item 1 -- Legal Proceedings

None.

Item 2 -- Changes in Securities

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 and Reports on Form 8-K

a. Exhibits

None.

b. Reports on Form 8-K

None.

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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: August 3, 2001 /s/Thomas W. Lovelock

Thomas W. Lovelock
President and
Chief Executive Officer

Dated: August 3, 2001 /s/Richard L. Weiss

Richard L. Weiss
Vice President and
Chief Financial Officer

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