

IEC ELECTRONICS CORP
Form 8-K
May 07, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported) - May 6, 2015

IEC ELECTRONICS CORP.
(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of Incorporation)
0-6508
(Commission File Number)

13-3458955
(IRS 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)

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 4.02 Non-Reliance on Previously Issued Financial Statements or a Related Audit Report or Completed Interim Review

As previously disclosed in the Current Report on Form 8-K that IEC Electronics Corp (the "Company") filed with the Securities and Exchange Commission (the "SEC") on February 9, 2015, management concluded and the Audit Committee of the Board of Directors of the Company concurred that the previously issued consolidated financial statements covering the Company's fiscal year ended September 30, 2014 ("FY 2014"), and the fiscal quarters ended March 28, 2014 ("Q2-2014") and June 27, 2014 ("Q3-2014") required restatement and should no longer be relied upon. These financial statements contained an error in the valuation allowance on deferred income tax assets. The Company should have recorded a full valuation allowance for its deferred tax assets.

On May 6, 2015, management concluded and the Audit Committee of the Board of Directors of the Company concurred that the previously issued consolidated financial statements covering the Company's FY 2014, the fiscal quarters ended December 27, 2013 ("Q1-2014"), Q2-2014 and Q3-2014 (collectively, the "Restated Periods"), require restatement for an additional error and should no longer be relied upon. These financial statements contained an error in the estimation of the excess and obsolete inventory reserve at the Company's Albuquerque and SCB operating locations resulting in an understatement of cost of goods sold and overstatement of inventory. We currently estimate cost of goods sold was understated by approximately \$0.2 million, \$0.1 million, \$0.1 million and \$0.3 million in Q1-2014, Q2-2014, Q3-2014 and September 30, 2014 ("Q4-2014"), respectively. We currently estimate inventory was overstated by approximately \$0.2 million, \$0.4 million, \$0.4 million and \$0.7 million as of the end of Q1-2014, Q2-2014, Q3-2014 and Q4-2014, respectively. For FY 2014, we currently estimate cost of goods sold was understated and inventory was overstated by approximately \$0.7 million.

The Company estimates that the adjustments required to correct this error (the "Excess and Obsolete Inventory Reserve Adjustments"), together with the adjustments required to correct the error in the valuation allowance on deferred income tax assets (the "Deferred Income Tax Adjustments"), (collectively, the "Adjustments") will likely result in approximately the following amounts (in thousands, except per share data):

Gross Profit					
	Q1-2014	Q2-2014	Q3-2014	Q4-2014	FY 2014
As Reported	3,610	4,770	3,880	3,786	16,045
Excess and Obsolete Inventory Reserve Adjustment	(232)	(126)	(85)	(278)	(721)
Restated	3,378	4,644	3,795	3,508	15,324
Income/(Loss) Before Provision for Income Taxes*					
	Q1-2014	Q2-2014	Q3-2014	Q4-2014	FY 2014
As Reported	(1,716)	(931)	25	1,151	(1,471)
Excess and Obsolete Inventory Reserve Adjustment	(232)	(126)	(85)	(278)	(721)
Restated	(1,948)	(1,057)	(60)	873	(2,192)
Net Income/(Loss)*					
	Q1-2014	Q2-2014	Q3-2014	Q4-2014	FY 2014
As Reported	(1,099)	(569)	22	(446)	(2,092)
Deferred Income Tax Adjustment		(14,019)	3	1,758	(12,258)
Excess and Obsolete Inventory Reserve Adjustment	(232)	(126)	(85)	(278)	(721)
Restated	(1,331)	(14,714)	(60)	1,034	(15,071)
Diluted Earnings per Share*					
	Q1-2014	Q2-2014	Q3-2014	Q4-2014	FY 2014
As Reported	(0.11)	(0.06)	—	(0.05)	(0.21)
Deferred Income Tax Adjustment		(1.43)	—	0.18	(1.25)
Excess and Obsolete Inventory Reserve Adjustment	(0.03)	(0.01)	(0.01)	(0.03)	(0.07)
Restated	(0.14)	(1.50)	(0.01)	0.10	(1.53)

* Quarterly As Reported plus Adjustment amounts are rounded separately to the nearest thousand, and as a result the sum of these amounts may not equal the Restated amount. In addition, quarterly per-share amounts are rounded separately to the nearest cent, and as a result the sum of the quarterly amounts may not equal the computed per-share amount for the full year.

Revenues as previously reported will not be impacted by the Adjustments. The Adjustments also will not impact the Company's liquidity, cash flow from operations or other cash position.

The Company violated certain covenants related to minimum quarterly EBITDARS, maximum Debt to EBITDARS Ratio and minimum Fixed Charge Coverage Ratio, (collectively the "Financial Covenants"), contained and defined in its Fourth Amended and Restated Credit Facility Agreement ("Credit Agreement") with Manufacturers and Traders Trust Company ("M&T") in Q1-2014 and Q2-2014. The Company does not believe that the Adjustments for the Restated Periods will cause it to violate additional Financial Covenants during FY 2014. The Company will be unable to file its Form 10-Q for the fiscal quarter ended December 26, 2014 until the restatements related to the Adjustments are completed. The Company expects to file its Form 10-K/A and Forms 10-Q for the fiscal quarters ended December 26, 2014 and March 27, 2015 such that its Form 10-Q for the fiscal quarter ended March 27, 2015 is filed timely.

The restatement of the consolidated financial statements will be implemented as follows. The Company intends to amend its Annual Report on Form 10-K for FY 2014 to restate the Company's consolidated financial statements for FY 2014 as well as for Q1-2014, Q2-2014 and Q3-2014 (the "Interim 2014 Statement Periods") to reflect the Adjustments applicable to each of those periods. A footnote to the restated FY 2014 consolidated financial statements to be contained in the Form 10-K/A for FY 2014 will contain a more detailed description of the impact of the accounting error in each of the Interim 2014 Statement

Periods. The Company does not plan to file amendments to its Quarterly Reports on Form 10-Q for the Interim 2014 Statement Periods. Accordingly, the Company cautions investors that certain information contained in the Quarterly Reports on Form 10-Q previously filed for the Interim 2014 Statement Periods, specifically the consolidated financial statements contained in those reports and the information derived therefrom, should no longer be relied upon.

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

As a result of the matters described above, management has concluded that there were material weaknesses in the Company's internal control over financial reporting during FY 2014. Management will revise its conclusions as to the effectiveness of the Company's internal controls during the Restated Periods in the Form 10-K/A described above. Management has identified steps it believes are necessary to remediate the material weaknesses and discussed them with the Audit Committee, and is in the process of developing a remediation plan, which will be discussed in the Form 10-K/A. Management believes implementation of the remediation plan will be underway by the time the Company files its Quarterly Reports on Form 10-Q for the quarters ended December 26, 2014 and March 27, 2015.

Management and the Audit Committee have discussed the Excess and Obsolete Inventory Reserve Adjustments described herein with Crowe Horwath LLP, the Company's current independent registered public accounting firm. EFP Rotenberg, LLP, the Company's independent registered public accounting firm for the fiscal year ended September 30, 2014, declined to take a position regarding the Company's conclusion on the excess and obsolete inventory reserve described herein.

Item 7.01 Regulation FD Disclosure

On May 7, 2015 the Company issued a press release announcing the filing of this Current Report on Form 8-K. A copy of the press release is being furnished as as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated by reference herein.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

Exhibit 99.1 Press Release issued by IEC Electronics Corp. on May 7, 2015

Neither the filing or furnishing of any exhibit to this report nor the inclusion in such exhibit of a reference to the Company's Internet address shall, under any circumstances, be deemed to incorporate the information available at such address into this report. The information available at the Company's Internet address is not part of this report.

Forward-looking Statements

This Current Report on Form 8-K, including the Exhibit incorporated herein, 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 the Company describes what it "believes", "expects", or "anticipates" 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 the Company's current expectations concerning future results and events. Forward-looking statements in this filing include those regarding: (a) the Company's financial statements; (b) adjustments to the Company's periodic reports,

restatements of prior period financial statements; (c) the timing of remediation activities related to the material weaknesses in the Company's internal controls over financial reporting; and (d) the expected impact of the restatement on available borrowings. 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 the Company's actual results, performance or achievements to be different from any future results, performance or achievements expressed or implied by these statements. Factors that could cause actual future results and the Adjustments' quantitative effect to differ from those estimated within this filing include, among others, the risk that additional information may arise during the completion of the Company's work on the restatement, the Company's independent auditor's review of the restated financial statements, the Company's ability to successfully remediate identified control deficiencies, M&T's not waiving any defaults caused by the Adjustments, litigation and governmental investigations or proceedings arising out of or related to accounting and financial reporting matters, other subsequent events, as well as other factors described elsewhere in this Form 8-K and in the Company's Annual Report on Form 10-K under the heading "Risk Factors" under Item 1A for the fiscal year ended September 30, 2014 and other filings with the Securities and Exchange Commission.

All forward-looking statements included in this Form 8-K are made only as of the date of this Form 8-K. The Company does 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 it hereafter become aware of, except as required by law. New risks and uncertainties arise from time to time and the Company cannot predict these events or how they may affect it. When considering these risks, uncertainties and assumptions, you should keep in mind the cautionary statements contained in this Form 8-K and any documents incorporated herein by reference. You should read this Form 8-K and the documents that the Company incorporates by reference into this Form 8-K completely and with the understanding that the Company's actual future results may be materially different from what it expects. All forward-looking statements attributable to the Company are expressly qualified by these cautionary statements.

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 hereunto duly authorized.

IEC Electronics Corp.
(Registrant)

Date: May 7, 2015

By: /s/ Michael T. Williams
Michael T. Williams
Chief Financial Officer