TAL International Group, Inc.
Form 424B7
February 22, 2013

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Pursuant to Rule 424(b)(7)
Registration No. 333-179771

CALCULATION OF REGISTRATION FEE

Title of each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Unit or Share(2)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee(3)
Common Stock, par value $0.001 per share	4,036,796	$42.31	$170,796,839	$23,296.69

(1) Pursuant to Rule 416 under the Securities Act of 1933, as amended (the "Securities Act"), the shares being registered hereunder include such indeterminate number of common shares as may be issuable with respect to the common shares being registered hereunder as a result of stock splits, stock dividends or similar transactions.

(2) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457 promulgated under the Securities Act. The offering price per share and the aggregate offering price are based upon the average of the high and low prices of the registrant's common shares as reported on the New York Stock Exchange on February 21, 2013.

(3) The registration fee is calculated and being paid pursuant to Rule 457(r) under the Securities Act, and relates to the Registration Statement on Form S-3 (File No. 333-179771) filed by the registrant on February 28, 2012.

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PROSPECTUS SUPPLEMENT
(To prospectus dated February 28, 2012)

4,036,796 Shares

TAL INTERNATIONAL GROUP, INC.

Common Stock

The selling stockholders are selling 4,036,796 shares of our common stock. We will not receive any proceeds from the sale of shares to be offered by the selling stockholders.

Our shares trade on the New York Stock Exchange under the symbol "TAL." On February 20, 2013, the last sale price of the shares as reported on the New York Stock Exchange was $45.62 per share.

Investing in our common stock involves a high degree of risk. See "Risk Factors" beginning on page S-3 of this prospectus supplement and page 14 of our Annual Report on Form 10-K for the year ended December 31, 2012, which is incorporated herein by reference.

The underwriter has agreed to purchase the common stock from the selling stockholders at a price of $42.90 per share, which will result in $173,178,548 of proceeds to the selling stockholders before expenses. The underwriter may offer the shares of common stock from time to time for sale in one or more transactions on the New York Stock Exchange, in the over-the-counter market, through negotiated transactions or otherwise at market prices prevailing at the time of sale, at prices related to prevailing market prices or at negotiated prices.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about February 26, 2013.

BofA Merrill Lynch

The date of this prospectus supplement is February 21, 2013.

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ABOUT THIS PROSPECTUS SUPPLEMENT

Unless the context otherwise requires, "TAL International Group," "TAL," "the Company," "we," "us," "our" and similar names refer to TAL International Group, Inc. and its subsidiaries.

This document is in two parts. The first part is the prospectus supplement, which describes the terms of this offering of shares of our common stock. The second part is the accompanying prospectus, which provides more general information. Generally, when we refer to "this prospectus", we are referring to both parts of this document combined. If the description of this offering varies between the prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement. This prospectus supplement contains information about the shares of our common stock offered in this offering and may add, update or change information in the accompanying prospectus. Before you invest in shares of our common stock, you should carefully read this prospectus supplement, along with the accompanying prospectus, in addition to the information contained in the documents we refer to under the headings "Where You Can Find More Information" and "Information Incorporated by Reference."

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus or any free writing prospectus prepared by us. We have not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. Neither we, the underwriter nor the selling stockholders are making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information in this prospectus supplement, including any information incorporated in this prospectus supplement by reference, the accompanying prospectus or any free writing prospectus prepared by us is accurate as of any date other than the date of the respective document. Our business, financial condition, results of operations and prospects may have changed since that date. Neither the delivery of this prospectus supplement nor any sale made under it implies that there has been no change in our affairs or that the information in this prospectus supplement is correct as of any date after the date of this prospectus supplement.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information about us. This summary does not contain all of the information that may be important to you or that you should consider before deciding to invest in our common stock. You should read carefully this entire prospectus supplement, the accompanying prospectus and the information incorporated by reference herein, including the risk factors and our consolidated financial statements and the related notes before investing in our common stock.

Our Company

TAL International Group, Inc. is one of the world's leading owners and lessors of intermodal containers and chassis. Intermodal containers are large, standardized steel boxes used to transport freight by ship, rail or truck. Because of the handling efficiencies they provide, intermodal containers are the primary means by which many goods and materials are shipped internationally. Chassis are rectangular, wheeled steel frames used for the transportation of containers domestically.

Our operations include the acquisition, leasing, re-leasing and subsequent sale of multiple types of intermodal containers. According to Drewry Maritime Research, we are the world's fourth largest lessor of intermodal containers as measured by fleet size. As of December 31, 2012, our total fleet consisted of 1,201,683 containers and chassis, including 22,848 containers under management for third parties, representing 1,957,776 twenty-foot equivalent units ("TEU"). We have an extensive global presence, offering leasing services through 17 offices in 11 countries and approximately 230 third-party container depot facilities in 40 countries as of December 31, 2012. Our customers are among the world's largest shipping lines and include, among others, APL-NOL, CMA CGM, Hapag-Lloyd, Mediterranean Shipping Company and NYK Line.

While our total revenue is primarily made up of leasing revenues, gains or losses on the sale of used containers can have a significant positive or negative impact on our profitability. The most important driver of our profitability is the extent to which leasing revenues (which are driven primarily by our owned container fleet size, utilization and average rental rates) exceed our ownership, operating and administrative costs. We seek to exceed a targeted return on our investment over the life cycle of each container by managing container utilization, per diem lease rates, drop-off restrictions and the used container sale process.

Corporate Information

Our principal executive offices are located at 100 Manhattanville Road, Purchase, New York 10577 and our telephone number is (914) 251-9000. Our website address is www.talinternational.com. Information contained on, or that can be accessed through, our website is not a part of this prospectus supplement or the accompanying prospectus.

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The Offering

Common stock offered by the selling stockholders	4,036,796 shares
Common stock outstanding before and after this offering	33,839,523 shares
Use of proceeds	We will not receive any of the proceeds from the sale of common stock by the selling stockholders.
Risk factors	See "Risk Factors" beginning on page S-3 of this prospectus supplement and on page 2 of the accompanying prospectus for a discussion of specific risks you should consider before purchasing our common stock.
New York Stock Exchange symbol	TAL

The number of shares outstanding after this offering includes 33,839,523 shares of common stock outstanding as of February 11, 2013 and, unless otherwise indicated, excludes:

- 47,146 shares of common stock issuable upon exercise of outstanding options under our stock incentive plan at a weighted average exercise price of $18.21 per share; and

- 1,438,301 shares of common stock reserved for future issuance under our stock incentive plan.

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RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider all the information set forth in this prospectus supplement and the accompanying prospectus and the information incorporated by reference herein before deciding to invest in our common shares. In particular, we urge you to consider carefully the factors set forth under the heading "Item IA. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012, incorporated by reference herein. The occurrence of any such risks might cause you to lose all or part of your investment. Some statements in our risk factors constitute forward looking statements. Please refer to the section entitled "Cautionary Note Regarding Forward-Looking Statements" in the accompanying prospectus.

RELATED PARTY TRANSACTIONS

We and certain of our stockholders have entered in a stockholders agreement setting forth certain rights and restrictions relating to ownership of our securities, including the voting of shares with respect to the election of directors and registration rights. As described below under "Selling Stockholders," pursuant to the stockholders agreement, The Resolute Funds, the Edgewater Funds and JZ Capital Partners Limited, who collectively beneficially own approximately 12% of our common stock prior to this offering, have agreed to vote their respective shares in favor of the nominees designated by The Resolute Fund, L.P. to our Board of Directors. The parties to the stockholders agreement shall terminate the stockholders agreement upon the completion of this offering.

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SELLING STOCKHOLDERS

The following table sets forth the name of the selling stockholders, the number of shares of common stock beneficially owned by the selling stockholders as of February 11, 2013 and the number of shares to be offered by the selling stockholders pursuant to this prospectus supplement. The table also provides information regarding the beneficial ownership of our common stock by the selling stockholders as adjusted to reflect the assumed sale of all of the shares offered under this prospectus supplement. Please see "Related Party Transactions" in this prospectus supplement and "Director Independence" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012, which has been incorporated by reference herein, for a description of the material relationships between us and the selling stockholders.

Beneficial ownership is determined in accordance with the rules of the SEC, and includes voting or investment power with respect to shares of our common stock. Generally, a person "beneficially owns" shares if the person has, or shares with others, the right to vote those shares or to dispose of them, or if the person has the right to acquire voting or disposition rights within 60 days. The number of shares of our common stock beneficially owned by a person includes shares of common stock issuable with respect to options and convertible securities held by the person which are exercisable or convertible within 60 days. The percentage of our common stock beneficially owned by a person assumes that the person has exercised all options, and converted all convertible securities, the person holds which are exercisable or convertible within 60 days, and that no other persons exercised any of their options or converted any of their convertible securities. Except as otherwise indicated in the footnotes to the table or in cases where community property laws apply, we believe that each person identified in the table possesses sole voting and investment power over all shares of common stock shown as beneficially owned by the person.

The percentages in the table below are based on 33,839,523 shares of our common stock outstanding as of February 11, 2013, together with the person's options to purchase shares of our common stock outstanding which are fully vested at February 11, 2013 and restricted stock granted and not yet vested, in each case which are exercisable or that will vest within 60 days of the date of this prospectus supplement.

	Beneficial Ownership Before Offering		Number of Shares	Beneficial Ownership After Offering	
Selling Stockholder	**Number**	**%**	**Offered**	**Number**	**%**
The Resolute Fund, L.P.(1)	3,321,961	9.8	3,321,961		
JZ Capital Partners Limited(2)	357,418	1.1	357,418		
Edgewater Growth Capital Partners, L.P.(3)	357,417	1.1	357,417		

(1) Represents an aggregate of 3,321,961 shares of common stock owned by The Resolute Fund, L.P. and certain of its affiliated funds (collectively, "The Resolute Funds"). The respective ownership of the shares of common stock owned by each of The Resolute Funds are: (a) The Resolute Fund, L.P. 2,947,575 shares of common stock; (b) The Resolute Fund Singapore PV, L.P. 115,909 shares of common stock; (c) The Resolute Fund Netherlands PV I, L.P. 139,091 shares of common stock; (d) The Resolute Fund Netherlands PV II, L.P. 115,909 shares of common stock; and (e) The Resolute Fund NQP, L.P. 3,477 shares of common stock. The Resolute Funds are managed by The Jordan Company, L.P. Resolute Fund Partners, LLC, the general partner of each of The Resolute Funds, exercises investment discretion and control over the shares held by The Resolute Funds. The address for this beneficial owner is 767 Fifth Avenue, 48th Floor, New York, New York 10153. A. Richard Caputo, Jr. may be deemed to

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share voting and investment power over the shares owned by The Resolute Funds as a result of their position or affiliation with Resolute Fund Partners, LLC and/or The Jordan Company, L.P. Each such individual disclaims beneficial ownership of the shares owned by The Resolute Funds. The Resolute Funds, the Edgewater Funds (as defined below) and JZ Capital Partners Limited (collectively owning approximately 12% of our common stock) are parties to a stockholders agreement pursuant to which such stockholders have agreed to vote their respective shares of common stock in favor of the nominees designated by The Resolute Fund, L.P. to our Board of Directors. The amounts in the table above relating to The Resolute Funds do not include any shares owned by the Edgewater Funds or JZ Capital Partners Limited, as The Resolute Funds disclaim beneficial ownership of such shares.

(2)

JZ Capital Partners Limited is an investment trust listed on the London Stock Exchange. Its business is to invest, primarily in the United States, in debt and equity securities recommended by Jordan/Zalaznick Advisers, Inc., a Delaware corporation based in New York, that is its sole investment advisor. JZ Capital Partners Limited is governed by a board of independent directors, comprised of David Macfarlane (Chairman), David Allison, Patrick Firth, James Jordan and Tanja Tibaldi, who have shared voting and investment power over the shares held by JZ Capital Partners Limited. The address for this beneficial owner is 2nd Floor, Regency Court, Glategny Esplanade, St. Peter Port, Guernsey, Channel Islands GY13NQ. The Resolute Funds, the Edgewater Funds and JZ Capital Partners Limited (collectively owning approximately 12% of our common stock) are parties to a stockholders agreement pursuant to which such stockholders have agreed to vote their respective shares of common stock in favor of the nominees designated by The Resolute Fund, L.P. to our Board of Directors. The amounts in the table relating to JZ Capital Partners Limited above do not include any shares owned by The Resolute Funds or the Edgewater Funds, as JZ Capital Partners Limited disclaims beneficial ownership of such shares.

(3)

Represents an aggregate of 357,417 shares of common stock owned by Edgewater Private Equity Fund III, L.P. and Edgewater Growth Capital Partners, L.P. (collectively the "Edgewater Funds"). The respective ownership of the shares of common stock owned by Edgewater Private Equity Fund III, L.P. and Edgewater Growth Capital Partners, L.P. are (a) Edgewater Private Equity Fund III, L.P. 49,214 shares of common stock; and (b) Edgewater Growth Capital Partners, L.P. 308,203 shares of common stock. The address for these beneficial owners is 900 N. Michigan Ave., Suite 1800, Chicago, Illinois 60616. Edgewater Private Equity Fund III, L.P. and Edgewater Growth Capital Partners, L.P. are governed by an executive committee (the "Committee") which has voting and investment power with respect to the shares owned by Edgewater Private Equity Fund III, L.P. and Edgewater Growth Capital Partners, L.P. The Committee is comprised of James A. Gordon, Gregory K. Jones and David M. Tolmie, each of whom may be deemed to share voting and investment power over the shares owned by Edgewater Private Equity Fund III, L.P. and Edgewater Growth Capital Partners, L.P. The Resolute Funds, the Edgewater Funds and JZ Capital Partners Limited (collectively owning approximately 12% of our common stock) are parties to a stockholders agreement pursuant to which such stockholders have agreed to vote their respective shares of common stock in favor of the nominees designated by The Resolute Fund, L.P. to our Board of Directors. The amounts in the table above relating to the Edgewater Funds do not include any shares owned by The Resolute Funds or JZ Capital Partners Limited, as the Edgewater Funds disclaim beneficial ownership of such shares.

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MATERIAL UNITED STATES FEDERAL TAX CONSEQUENCES TO NON-U.S. HOLDERS

This section describes the material United States federal income and estate tax consequences of the ownership and disposition of shares of our common stock by a non-U.S. holder. When we refer to a non-U.S. holder, we mean a beneficial owner of our common stock that, for U.S. federal income tax purposes, is other than:

- a citizen or resident of the United States;
- a corporation (including for this purpose any other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any political subdivision thereof;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust that is subject to the primary supervision of a U.S. court and to the control of one or more U.S. persons, or that has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If a partnership (including for this purpose any other entity, either organized within or without the United States, treated as a partnership for U.S. federal income tax purposes) holds the shares, the tax treatment of a partner as a beneficial owner of the shares generally will depend upon the status of the partner and the activities of the partnership. Foreign partnerships also generally are subject to special U.S. tax documentation requirements. If you are a partner of a partnership holding our common stock, you should consult your tax advisors.

This section does not consider the specific facts and circumstances that may be relevant to a particular non-U.S. holder and does not address the treatment of a non-U.S. holder under the laws of any state, local or foreign taxing jurisdiction. This section is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended (the "Code"), existing and proposed U.S. Treasury regulations, and administrative and judicial interpretations, all as currently in effect. These laws are subject to change, possibly on a retroactive basis.

You should consult a tax advisor regarding the U.S. federal tax consequences of acquiring, holding and disposing of our common stock in your particular circumstances, as well as any tax consequences that may arise under the laws of any state, local or foreign taxing jurisdiction.

Dividends

Except as described below, if you are a non-U.S. holder, dividends paid to you are subject to withholding of U.S. federal income tax at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate. Even if you are eligible for a lower treaty rate, we will generally be required to withhold at a 30% rate (rather than the lower treaty rate) on dividend payments to you, unless you have furnished to us a valid U.S. Internal Revenue Service ("IRS") Form W-8BEN or an acceptable substitute form upon which you certify, under penalties of perjury, your status as a non-U.S. person and your entitlement to the lower treaty rate with respect to such payments. If you are eligible for a reduced rate of U.S. withholding tax under a tax treaty, you may obtain a refund of any amounts withheld in excess of that rate by timely filing a refund claim with the IRS.

If dividends paid to you are "effectively connected" with your conduct of a trade or business within the United States, and, if required by a tax treaty, the dividends are attributable to a permanent establishment that you maintain in the United States, we generally are not required to withhold tax from the dividends, provided that you have furnished to us a valid IRS W-8ECI or an acceptable substitute form upon which you certify, under penalties of perjury, your status as a non-U.S. person and your entitlement to this exemption from withholding. In lieu of withholding, "effectively connected" dividends are taxed at rates applicable to U.S. citizens, resident aliens and domestic U.S. corporations. If you are a corporate non-U.S. holder, "effectively connected" dividends that you receive may, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate.

Gain on Disposition of Common Stock

If you are a non-U.S. holder, you generally will not be subject to U.S. federal income tax on gain that you recognize on a disposition of our common stock unless:

- you are an individual who is present in the United States for 183 days or more in the taxable year of disposition and certain other conditions are met;
- such gain is effectively connected with your conduct of a trade or business within the United States and, if certain tax treaties apply, is attributable to a U.S. permanent establishment maintained by you;
- you are subject to the Code provisions applicable to certain U.S. expatriates; or
- we are or have been a "United States real property holding corporation" for U.S. federal income tax purposes and, assuming that our common stock is deemed to be "regularly traded on an established securities market," you held, directly or indirectly at any time during the five-year period ending on the date of disposition or such shorter period that such shares were held, more than five percent of our common stock. We have not been, are not and do not anticipate becoming a United States real property holding corporation for U.S. federal income tax purposes.

Special rules may apply to certain non-U.S. holders, such as "controlled foreign corporations," "passive foreign investment companies," and corporations that accumulate earnings to avoid U.S. federal income tax. Such entities should consult their own tax advisors to determine the U.S. federal, state, local and other tax consequences that may be relevant to them.

Federal Estate Taxes

If our common stock is held by a non-U.S. holder at the time of death, such stock will be included in the holder's gross estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

Additional Withholding Requirements

Under the Foreign Account Tax Compliance Act, the relevant withholding agent may be required to withhold 30% of any dividends paid after December 31, 2013, and the proceeds of a sale of our common stock paid after December 31, 2016 to (i) a foreign financial institution unless such foreign financial institution agrees to verify, report and disclose its U.S. accountholders, including certain accountholders that are foreign entities with U.S. owners, and meets certain other specified requirements or (ii) a non-financial foreign entity unless such entity certifies that it does not have any substantial United States owners or provides the name, address and taxpayer identification number of each substantial United States owner and such entity meets certain other specified requirements. Prospective investors should consult their own tax advisors regarding this new legislation.

Backup Withholding and Information Reporting

If you are a non-U.S. holder, you are generally exempt from backup withholding and information reporting on IRS Form 1099 with respect to dividend payments and the payment of the proceeds from the sale of our common stock effected at a U.S. office of a broker, as long as:

- the income associated with such payments is otherwise exempt from U.S. federal income tax;

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- the payor or broker does not have actual knowledge or reason to know that you are a U.S. person; and

- you have furnished to the payor or broker a valid IRS Form W-8BEN or an acceptable substitute form upon which you certify, under penalties of perjury, that you are a non-U.S. person, or other documentation upon which it may rely to treat the payments as made to a non-U.S. person in accordance with U.S. Treasury regulations (or you otherwise establish an exemption).

Payment of the proceeds from the sale of our common stock effected at a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, a sale of our common stock that is effected at a foreign office of a broker will be subject to information reporting and backup withholding if:

- the proceeds are transferred to an account maintained by you in the United States,

- the payment of proceeds or the confirmation of the sale is mailed to you at a U.S. address, or

- the sale has some other specified connection with the United States as provided in U.S. Treasury regulations,

unless the documentation requirements described above are met or you otherwise establish an exemption and the broker does not have actual knowledge or reason to know that you are a U.S. person.

In addition, a sale of our common stock will be subject to information reporting if it is effected at a foreign office of a broker that is:

- a U.S. person;

- a controlled foreign corporation for U.S. federal income tax purposes;

- a foreign person 50% or more of whose gross income is effectively connected with the conduct of a U.S. trade or business for a specified three-year period; or

- a foreign partnership, if at any time during its tax year one or more of its partners are "U.S. persons", as defined in U.S. Treasury regulations, who in the aggregate hold more than 50% of the income or capital interest in the partnership, or such foreign partnership is engaged in the conduct of a U.S. trade or business,

unless the documentation requirements described above are met or you otherwise establish an exemption and the broker does not have actual knowledge or reason to know that you are a U.S. person. Backup withholding will apply if the sale is subject to information reporting and the broker has actual knowledge that you are a U.S. person.

You generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed your income tax liability by timely filing a refund claim with the IRS.

In addition to the foregoing, we must report annually to the IRS and to each non-U.S. holder on IRS Form 1042-S the entire amount of any distribution irrespective of any estimate of the portion of the distribution that represents a taxable dividend. This information may also be made available to the tax authorities in the country in which the non-U.S. holder resides under the provisions of an applicable income tax treaty.

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UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated is acting as underwriter of the offering. Subject to the terms and conditions set forth in an underwriting agreement among us, the selling stockholders and the underwriter, the selling stockholders, severally and not jointly, have agreed to sell to the underwriter, and the underwriter has agreed to purchase from the selling stockholders 4,036,796 shares of our common stock.

Subject to the terms and conditions set forth in the underwriting agreement, the underwriter has agreed to purchase all of the shares sold under the underwriting agreement if any of these shares are purchased.

We and the selling stockholders, severally and not jointly, have agreed to indemnify the underwriter against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriter may be required to make in respect of those liabilities.

The underwriter is offering the shares, subject to prior sale, when, as and if issued to and accepted by it, subject to approval of legal matters by its counsel, including the validity of the shares, and other conditions contained in the underwriting agreement, such as the receipt by the underwriter of officer's certificates and legal opinions. The underwriter reserves the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

The aggregate amount of fees and expenses expected to be incurred by the Company in connection with this offering is $300,000.

Commissions and Discounts

The underwriter is purchasing the shares of common stock from the selling stockholders at $42.90 per share (representing approximately $173,178,548 aggregate net proceeds to the selling stockholders, before deducting any out-of-pocket expenses). The underwriter may offer the shares of common stock from time to time for sale in one or more transactions on the New York Stock Exchange, in the over-the-counter market, through negotiated transactions or otherwise at market prices prevailing at the time of sale, at prices related to prevailing market prices or at negotiated prices. In connection with the sale of the shares of common stock offered hereby, the underwriter may be deemed to have received compensation in the form of underwriting discounts. The underwriter may effect such transactions by selling shares of common stock to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriter and/or purchasers of shares of common stock for whom they may act as agents or to whom they may sell as principal.

No Sales of Similar Securities

We have agreed not to sell or transfer any common stock or securities convertible into, exchangeable for, exercisable for, or repayable with common stock, for 45 days after the date of this prospectus supplement without first obtaining the written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated. Specifically, we have agreed, with certain limited exceptions, not to directly or indirectly:

- offer, pledge, sell or contract to sell any common stock,
- sell any option or contract to purchase any common stock,
- purchase any option or contract to sell any common stock,
- grant any option, right or warrant for the sale of any common stock,
- lend or otherwise dispose of or transfer any common stock,

- request or demand that we file a registration statement related to the common stock, or

- enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any common stock whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

This lock-up provision applies to common stock and to securities convertible into or exchangeable or exercisable for or repayable with common stock. It also applies to common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition.

New York Stock Exchange Listing

The shares are listed on the New York Stock Exchange under the symbol "TAL".

Price Stabilization, Short Positions

Until the distribution of the shares is completed, SEC rules may limit the underwriter and selling group members from bidding for and purchasing our common stock. However, the underwriter may engage in transactions that stabilize the price of the common stock, such as bids or purchases to peg, fix or maintain that price.

In connection with the offering, the underwriter may purchase and sell our common stock in the open market. These transactions may include short sales, purchases on the open market to cover positions created by short sales and stabilizing transactions. Short sales involve the sale by the underwriter of a greater number of shares than it is required to purchase in the offering. The underwriter must close out any short position by purchasing shares in the open market. A short position is more likely to be created if the underwriter is concerned that there may be downward pressure on the price of our common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of shares of common stock made by the underwriter in the open market prior to the completion of the offering.

Similar to other purchase transactions, the underwriter's purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. The underwriter may conduct these transactions on the New York Stock Exchange in the over-the-counter market or otherwise.

Neither we nor the underwriter makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In addition, neither we nor the underwriter makes any representation that the underwriter will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Electronic Offer, Sale and Distribution of Shares

In connection with the offering, the underwriter or securities dealers may distribute prospectuses by electronic means, such as e-mail. In addition, the underwriter may facilitate Internet distribution for this offering to certain of its Internet subscription customers. The underwriter may allocate a limited number of shares for sale to its online brokerage customers. An electronic prospectus is available on the Internet web site maintained the underwriter. Other than the prospectus in electronic format, the information on the underwriter's website is not part of this prospectus.

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Other Relationships

The underwriter and its affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. The underwriter has received, or may in the future receive, customary fees and commissions for these transactions. Banc of America Leasing and Capital Company, an affiliate of the underwriter, leases equipment to TAL under various equipment leases.

In addition, in the ordinary course of their business activities, the underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The underwriter and its affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Notice to Prospective Investors in the European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), no offer of shares may be made to the public in that Relevant Member State other than:

A. to any legal entity which is a qualified investor as defined in the Prospectus Directive;

B. to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the underwriter; or

C. in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of shares shall require the Company, the selling stockholders or the underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Each person in a Relevant Member State (other than a Relevant Member State where there is a Permitted Public Offer) who initially acquires any shares or to whom any offer is made will be deemed to have represented, acknowledged and agreed that (A) it is a "qualified investor" within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive, and (B) in the case of any shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, the shares acquired by it in the offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than "qualified investors" as defined in the Prospectus Directive, or in circumstances in which the prior consent of the Subscribers has been given to the offer or resale. In the case of any shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the shares acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the underwriter has been obtained to each such proposed offer or resale.

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We, the selling stockholders, the underwriter and their affiliates will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement.

This prospectus has been prepared on the basis that any offer of shares in any Relevant Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of shares. Accordingly any person making or intending to make an offer in that Relevant Member State of shares which are the subject of the offering contemplated in this prospectus may only do so in circumstances in which no obligation arises for us, the selling stockholders or the underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. None of we, the selling stockholders and the underwriter has authorized, nor do they authorize, the making of any offer of shares in circumstances in which an obligation arises for we, the selling stockholders or the underwriter to publish a prospectus for such offer.

For the purpose of the above provisions, the expression "an offer to the public" in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the same may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in the Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member States) and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Notice to Prospective Investors in the United Kingdom

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are "qualified investors" (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order") and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

Notice to Prospective Investors in Switzerland

The shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, us or the shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA (FINMA), and the offer of shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes ("CISA").

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The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of shares.

Notice to Prospective Investors in the Dubai International Financial Centre

This prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ("DFSA"). This prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and has no responsibility for the prospectus. The shares to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this prospectus you should consult an authorized financial advisor.

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LEGAL MATTERS

Certain legal matters in connection with the sale of the shares of common stock offered by this prospectus supplement will be passed upon for us and the selling stockholders by Mayer Brown LLP, New York, New York. The underwriter has been represented by Cravath, Swaine & Moore LLP.

EXPERTS

Ernst & Young LLP, independent registered public accounting firm, has audited our consolidated financial statements and schedule included in our Annual Report on Form 10-K for the year ended December 31, 2012, and the effectiveness of our internal control over financial reporting as of December 31, 2012, as set forth in their reports, which are incorporated by reference in this prospectus and elsewhere in the registration statement. Our financial statements and schedule are incorporated by reference in reliance on Ernst & Young LLP's reports, given on their authority as experts in accounting and auditing.

INFORMATION INCORPORATED BY REFERENCE

The SEC allows us to "incorporate by reference" in this prospectus supplement the information contained in the documents we file with the SEC, which means that we can disclose important information to you by referring you to those documents. Any information referred to in this way is considered part of this prospectus supplement from the date we file that document. Any reports filed by us with the SEC after the date of this prospectus supplement and before the date that the offerings of the shares of common stock by means of this prospectus supplement are terminated will automatically update and, where applicable, supersede any information contained in this prospectus supplement or incorporated by reference in this prospectus supplement. Any such statement or document so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement.

We are incorporating by reference the following documents in this prospectus supplement:

- our Annual Report on Form 10-K for the year ended December 31, 2012 filed with the SEC on February 20, 2013;

- our proxy statement on Schedule 14A filed with the SEC on March 23, 2012;

- the description of our common stock contained in our registration statement on Form 8-A filed with the SEC on October 5, 2005; and

- all documents filed by us under Sections 13(a), 13(c), 14, or 15(d) of the Exchange Act after the date of this prospectus supplement and before the termination of the offerings to which this prospectus supplement relates. Notwithstanding the foregoing, unless specifically stated to the contrary, none of the information that we disclose under Items 2.02 or 7.01 of any Current Report on Form 8-K that we may from time to time furnish to the SEC will be incorporated by reference into, or otherwise included in, this prospectus supplement.

We will provide without charge to each person, including any beneficial owner, to whom a copy of this prospectus supplement is delivered, upon written or oral request of such person, a copy of any or all of the documents incorporated by reference in this prospectus supplement, other than exhibits to such documents unless such exhibits are specifically incorporated by reference into such documents. Requests may be made in writing or by telephoning us as the following address and telephone number:

TAL International Group, Inc.
100 Manhattanville Road
Purchase, New York 10577

Attn: Marc Pearlin, Vice President, General Counsel and Secretary
Telephone: (914) 251-9000

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WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement on Form S-3 with the SEC relating to the securities offered by this prospectus supplement. This prospectus supplement, which is a part of that registration statement, does not include all of the information contained in the registration statement. For more information with respect to us and the securities offered by this prospectus, you should refer to the registration statement and to the exhibits filed with it. Statements contained or incorporated by reference in this prospectus regarding the contents of any contract or other document are not necessarily complete and, where the contract or other document is an exhibit to the registration statement or incorporated or deemed to be incorporated by reference, each of these statements is qualified in all respects by the provisions of the actual contract or other document.

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file with the SEC at its public reference facilities at 100 F Street, N.E., Room 1580, Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities.

These filings are also available on the Internet website maintained by the SEC at http://www.sec.gov and may also be inspected and copied at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

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PROSPECTUS

Shares of Common Stock

of

TAL INTERNATIONAL GROUP, INC.

From time to time, the selling stockholders may offer and sell our shares of common stock in amounts, at prices and on terms described in one or more supplements to this prospectus.

This prospectus describes some of the general terms that may apply to an offering of our shares of common stock by the selling stockholders. The specific terms and any other information relating to a specific offering, including the names of any selling stockholders, will be set forth in a post-effective amendment to the registration statement of which this prospectus is a part or in a supplement to this prospectus, or may be set forth in one or more documents incorporated by reference in this prospectus. We may also authorize one or more free writing prospectuses to be provided to you in connection with a specific offering. You should read this prospectus, the applicable prospectus supplement and any free writing prospectuses we have authorized for use in connection with a specific offering, as well as any documents incorporated by reference in this prospectus and the applicable prospectus supplement, carefully before you invest in our common stock.

Our common stock is listed on the New York Stock Exchange under the symbol "TAL." On February 27, 2012, the closing price of our common stock on the New York Stock Exchange was $39.53.

Investing in our common stock involves a high degree of risk. For a discussion of factors that you should consider before you invest in our securities, see "Risk Factors" on page 2 of this prospectus and in the documents which are incorporated by reference herein, and contained in the applicable prospectus supplement and any related free writing prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful and complete. Any representation to the contrary is a criminal offense.

The selling stockholders may sell these securities on a continuous or delayed basis directly, through agents, dealers or underwriters as designated from time to time, or through a combination of these methods. The selling stockholders reserve the right to accept, and together with any agents, dealers and underwriters, reserve the right to reject, in whole or in part, any offer to purchase our shares of common stock offered hereby. If any agents, dealers or underwriters are involved in the sale of any securities, the applicable prospectus supplement will set forth the specific terms of the plan of distribution, including any applicable commissions or discounts.

The date of this prospectus is February 28, 2012.

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CONTENTS

(1,435

)

$
31,994

Net loss
—

—

(1,331
)

—

(1,331
)
Stock-based compensation
—

150

—

—

150

Restricted (non-vested) stock grants, net of
forfeitures
—

—

—

—

—

Exercise of stock options
1

21

—

(5
)

17

Shares withheld for payment of taxes upon
vesting of restricted stock
—

(67
)

—

—

(67
)

Balances, December 27, 2013
$
111

$
43,906

$
(11,814
)

$
(1,440
)

$
30,763

	Common Stock, par $0.01	Additional Paid-In Capital	Retained Earnings/ (Accumulated Deficit)	Treasury Stock, at cost	Total Stockholders' Equity
Balances, September 30, 2014, restated	$ 111	$ 44,302	$ (25,554)	$ (1,454)	$ 17,405
Net loss	—	—	(795)	—	(795)
Stock-based compensation	—	141	—	—	141
Restricted (non-vested) stock grants, net of forfeitures	1	(1)	—	—	—
Exercise of stock options	—	4	—	—	4
Shares withheld for payment of taxes upon vesting of restricted stock	—	(39)	—	—	(39)
Balances, December 26, 2014	$ 112	$ 44,407	$ (26,349)	$ (1,454)	$ 16,716

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

IEC ELECTRONICS CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS of CASH FLOWS
THREE MONTHS ENDED DECEMBER 26, 2014 and DECEMBER 27, 2013
(unaudited; in thousands)

	Three Months Ended	
	December 26, 2014	December 27, 2013 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income/(loss)	$(795)	$(1,331)
Non-cash adjustments:		
Stock-based compensation	141	150
Depreciation and amortization	1,240	1,195
Reserve for doubtful accounts	(157)	244
Deferred tax expense/benefit	—	(629)
Changes in assets and liabilities:		
Accounts receivable	1,531	5,972
Inventory	(5,590)	687
Other current assets	1,180	(392)
Other long term assets	94	(91)
Accounts payable	1,847	(3,213)
Accrued expenses	(820)	(341)
Customer deposits	989	1,012
Other long term liabilities	(41)	(4)
Net cash flows from operating activities	(381)	3,259
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(1,194)	(2,593)
Grant proceeds from outside parties	698	—
Proceeds from (net cost of) disposal of fixed assets	—	323
Net cash flows from investing activities	(496)	(2,270)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Advances from revolving line of credit	16,429	15,603
Repayments of revolving line of credit	(16,416)	(17,900)
Borrowings under other loan agreements	—	1,300
Repayments under other loan agreements	(727)	(706)
Debt issuance costs	—	(2)
Proceeds from exercise of stock options	4	17
Shares withheld for payment of taxes upon vesting of restricted stock	(39)	(67)
Net cash flows from financing activities	(749)	(1,755)
Net increase/(decrease) in cash and cash equivalents	(1,626)	(766)
Cash and cash equivalents, beginning of period	1,980	2,499
Cash and cash equivalents, end of period	$354	$1,733
Supplemental cash flow information:		
Interest paid	$345	$403
Income taxes paid	—	11

Non-cash transactions	
Fixed assets purchased with extended payment terms	89

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

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IEC ELECTRONICS CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—OUR BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Our Business

IEC Electronics Corp. ("IEC", "we", "our", “us”, “Company”) is a provider of electronic contract manufacturing services (“EMS”) to companies in various industries that require advanced technology. We specialize in the custom manufacture of high reliability, complex circuit boards and system-level assemblies; a wide array of cable and wire harness assemblies capable of withstanding extreme environments; and precision metal components.

Generally Accepted Accounting Principles

IEC's financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), as set forth in the Financial Accounting Standards Board's (“FASB”) Accounting Standards Codification (“ASC”).

Fiscal Calendar

The Company’s fiscal year ends on September 30th, and the first three quarters end generally on the Friday closest to the last day of the calendar quarter.

Consolidation

The consolidated financial statements include the accounts of IEC and its wholly owned subsidiaries: IEC Electronics Wire and Cable, Inc. (“Wire and Cable”); IEC Electronics Corp-Albuquerque ("Albuquerque"); Dynamic Research and Testing Laboratories, LLC (“DRTL”); and Southern California Braiding, Inc. (“SCB”). The Celmet unit ("Celmet") operates as a division of IEC. All significant intercompany transactions and accounts are eliminated in consolidation.

Unaudited Financial Statements

The accompanying unaudited financial statements for the three months ended December 26, 2014 and December 27, 2013 have been prepared in accordance with GAAP for interim financial information. In the opinion of management, all adjustments required for a fair presentation of the information have been made. The accompanying financial statements should be read in conjunction with the financial statements and notes included in the Company's Annual Report on Form 10-K/A for the fiscal year ended September 30, 2014.

Cash and Cash Equivalents

The Company's cash and cash equivalents principally represent deposit accounts with Manufacturers and Traders Trust Company ("M&T Bank" and "M&T"), a banking corporation headquartered in Buffalo, NY.

Allowance for Doubtful Accounts

The Company establishes an allowance for doubtful accounts receivable based on the age of outstanding invoices and management's evaluation of collectability. Accounts are written off after all reasonable collection efforts have been exhausted and management concludes that likelihood of collection is remote.

Inventory Valuation

Inventories are stated at the lower of cost or market value under the first-in, first-out method. The Company regularly assesses slow-moving, excess and obsolete inventory and maintains balance sheet reserves in amounts required to reduce the recorded value of inventory to lower of cost or market.

Property, Plant and Equipment

Property, plant and equipment ("PP&E") are stated at cost and are depreciated over various estimated useful lives using the straight-line method. Maintenance and repairs are charged to expense as incurred, while renewals and improvements are capitalized. At the time of retirement or other disposition of PP&E, cost and accumulated depreciation are removed from the accounts and any gain or loss is recorded in earnings.

Depreciable lives generally used for PP&E are presented in the table below. Leasehold improvements are amortized over the shorter of the lease term or estimated useful life of the improvement.

PP&E Lives	Estimated Useful Lives (years)
Land improvements	10
Buildings and improvements	5 to 40
Machinery and equipment	3 to 5
Furniture and fixtures	3 to 7

Intangible Assets

Intangible assets (other than goodwill) are those that lack physical substance and are not financial assets. Such assets held by IEC were acquired in connection with business combinations and represent economic benefits associated with acquired customer relationships, a non-compete agreement, and a property tax abatement. Values assigned to individual intangible assets are amortized using the straight-line method over their estimated useful lives.

Reviewing Long-Lived Assets for Potential Impairment

The Company tests long-lived assets (PP&E and definitive lived assets) for recoverability whenever events or circumstances indicate that the carrying amount of the asset may not be recoverable. If the carrying value of an asset exceeds the undiscounted future cash flows attributable to an asset, it is considered impaired and the excess of carrying value over fair value must be charged to earnings. No impairment charges were recorded by IEC for property, plant and equipment during the first three months of fiscal 2015 or fiscal 2014.

Goodwill

Goodwill represents the excess of cost over fair value of net assets acquired in a business combination. Most of IEC's recorded goodwill relates to SCB acquired in December 2010, and a lesser portion relates to Celmet, which was acquired in July 2010.
Goodwill is not amortized but is reviewed for impairment at least annually or when events or circumstances indicate that carrying value may exceed fair value. The Company performs its annual impairment test for SCB goodwill during the third quarter. The Company may elect to precede a quantitative review for impairment with a qualitative assessment of the likelihood that fair value of a particular reporting unit exceeds carrying value. If the qualitative assessment leads to a conclusion that it is more than 50 percent likely that fair value of the reporting units exceeds its carrying value, then no further testing is required. In the event of a less favorable outcome, the Company is required to proceed with quantitative testing.

The quantitative process entails comparing the overall fair value of the unit to which goodwill relates to its carrying value. If the fair value of the unit exceeds its carrying value, no further assessment of potential impairment is required. If the fair value of the unit is less than its carrying value, a valuation of the unit's individual assets and liabilities is required to determine whether or not goodwill is impaired. Goodwill impairment losses are charged to earnings.

Legal Contingencies

When legal proceedings are brought or claims are made against us and the outcome is uncertain, ASC 450-10 (Contingencies) requires that we determine whether it is probable that an asset has been impaired or a liability has been incurred. If such impairment or liability is probable and the amount of loss can be reasonably estimated, the loss must be charged to earnings. No material charges for legal contingencies have been recorded by IEC during the first three months of fiscal 2015 or fiscal 2014.

When it is considered probable that a loss has been incurred, but the amount of loss cannot be estimated, disclosure but not accrual of the probable loss is required. Disclosure of a loss contingency is also required when it is reasonably possible, but not probable, that a loss has been incurred.

Customer Deposits

Customer deposits represent amounts invoiced to customers for which the revenue has not yet been earned and therefore represent a commitment for the Company to deliver goods or services in the future. Deposits are generally short term in nature and are recognized as revenue when earned.

Grants from Outside Parties

Grants from outside parties are recorded as other long-term liabilities and are amortized over the same period during which the associated fixed assets are depreciated.

Derivative Financial Instruments

The Company actively monitors its exposure to interest rate risk and from time to time uses derivative financial instruments to manage the impact of this risk. The Company uses derivatives only for purposes of managing risk associated with underlying exposures. The Company does not trade or use instruments with the objective of earning financial gains on the interest rate, nor does the Company use derivative instruments where it does not have underlying exposures. The Company manages its hedging position and monitors the credit ratings of counterparties and does not anticipate losses due to counterparty nonperformance. Management believes its use of derivative instruments to manage risk is in the Company's best interest. However, the Company's use of derivative financial instruments may result in short-term gains or losses and increased earnings volatility. The Company's instruments are recorded in the consolidated balance sheets at fair value in other assets or other long-term liabilities.

Fair Value Measurements

Under ASC 825 (Financial Instruments), the Company is required to disclose the fair value of financial instruments for which it is practicable to estimate value. The Company's financial instruments consist of cash, accounts receivable, accounts payable, accrued liabilities, borrowings and an interest rate swap agreement. IEC believes that recorded value approximates fair value for all cash, accounts receivable, accounts payable and accrued liabilities.

ASC 820 (Fair Value Measurements and Disclosures) defines fair value, establishes a framework for measurement, and prescribes related disclosures. ASC 820 defines fair value as the price that would be received upon sale of an asset or would be paid to transfer a liability in an orderly transaction. Inputs used to measure fair value are categorized under the following hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model-derived valuations in which all significant inputs are observable market data.

Level 3: Model-derived valuations in which one or more significant inputs are unobservable.

The Company deems a transfer between levels of the fair value hierarchy to have occurred at the beginning of the reporting period. There were no such transfers during the first three months of fiscal 2015 or fiscal 2014.

Revenue Recognition

The Company’s revenue is principally derived from the sale of electronic products built to customer specifications, but also from other value-added support services and repair work. Revenue from product sales is recognized when (i) goods are shipped or title and risk of ownership have passed, (ii) the price to the buyer is fixed or determinable, and (iii) realization is reasonably assured. Service revenue is generally recognized once the service has been rendered. For material management arrangements, revenue is generally recognized as services are rendered. Under such arrangements, some or all of the following services may be provided: design, bid, procurement, testing, storage or other activities relating to materials the customer expects to incorporate into products that it manufactures. Value-added support services revenue, including material management and repair work revenue, amounted to less than 5% of total revenue in the first three months of fiscal 2015 or fiscal 2014.

Provisions for discounts, allowances, rebates, estimated returns and other adjustments are recorded in the period the related sales are recognized.

Stock-Based Compensation

ASC 718 (Stock Compensation) requires that compensation expense be recognized for equity awards based on fair value as of the date of grant. For stock options, the Company uses the Black-Scholes pricing model to estimate grant date fair value. Costs associated with stock awards are recorded over requisite service periods, generally the vesting period. If vesting is contingent on the achievement of performance objectives, fair value is accrued over the period the objectives are expected to be achieved only if it is considered probable that the objectives will be achieved.

The Company also has an employee stock purchase plan ("ESPP") that provides for a discounted stock purchase price. Compensation expense related to the discount is recognized as employees contribute to the plan. On May 21, 2013, the Compensation Committee of the Company’s Board of Directors suspended operation of the ESPP indefinitely in connection with the Prior Restatement discussed below (including unavailability of the registration statement covering shares offered under the plan due to the failure of the Company to be current in its filings with the SEC until the Company filed its Form 10-K on December 24, 2013). Operation of the ESPP was resumed effective October 1, 2014. Subsequent to the end of the first fiscal quarter, on February 13, 2015, the Compensation Committee of the Company’s Board of Directors suspended operation of the ESPP indefinitely in connection with the 2014 Restatements described in Note 2—Restatement of Deferred Tax Asset Valuation Allowance and Excess and Obsolete Inventory Reserve (including unavailability of the registration statement covering shares offered under the plan due to the failure of the Company to be current in its filings with the SEC).

Restatement and Related Expenses

Restatement and related expenses represents third-party expenses arising from the restatement of labor and overhead costs in work-in-process inventory at SCB. The Company restated its consolidated financial statements for the fiscal year ended September 30, 2012, and the interim fiscal quarters and year to date periods within the year ended September 30, 2012, included in the Company’s Annual Report on Form10-K/A and the fiscal quarter ended December 28, 2012, as reported in the Company’s Quarterly Report on Form 10-Q/A for that fiscal quarter, (the "Prior Restatement"). These expenses include legal and accounting fees incurred by the Company from external counsel and independent accountants directly attributable to the Prior Restatement as well as other matters arising from the Prior Restatement including those more fully described in Note 17—Litigation. The Company receives reimbursement for certain of these expenses which may result in a benefit in a given period.

The Company also restated its consolidated financial statements for the fiscal year ended September 30, 2014 its interim financial statements for each quarterly period within the year ended September 30, 2014, included in the Company's Annual Report on Form 10-K/A to correct an error in the valuation allowance on deferred income tax assets as well as an error in the estimate of excess and obsolete inventory reserves (the "2014 Restatements"). No Restatement and related expenses were incurred during the first quarter of fiscal 2015 related to the 2014 Restatements.

Income Taxes and Deferred Taxes

ASC 740 (Income Taxes) requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns, but not in both. Deferred tax assets are also established for tax benefits associated with tax loss and tax credit carryforwards. Such deferred balances reflect tax rates that are scheduled to be in effect, based on currently enacted legislation, in the years the book/tax differences reverse and tax loss and tax credit carryforwards are expected to be realized. An allowance is established for any deferred tax asset for which realization is not likely.

ASC 740 also prescribes the manner in which a company measures, recognizes, presents, and discloses in its financial statements uncertain tax positions that the Company has taken or expects to take on a tax return. The Company recognizes tax benefits from uncertain tax positions only if it is more likely than not that the position will be sustained following examination by taxing authorities, based on technical merits of the position. The Company believes that it has no material uncertain tax positions.

Any interest or penalties incurred are reported as interest expense. The Company's income tax filings are subject to audit by various tax jurisdictions and current open years are fiscal 2010 through fiscal 2013. The federal income tax audit for fiscal 2011 concluded in fiscal 2013 and did not have a material impact on the financial statements.

Earnings Per Share

Basic earnings per common share are calculated by dividing income available to common stockholders by the weighted average number of shares outstanding during each period. Diluted earnings per common share add to the denominator incremental shares resulting from the assumed exercise of all potentially dilutive stock options, as well as restricted (non-vested) stock, and anticipated issuance through the employee stock purchase plan. Options and restricted stock are primarily held by directors, officers and certain employees. A summary of shares used in earnings per share ("EPS") calculations follows.

Shares for EPS Calculation	Three Months Ended December 26, 2014	December 27, 2013
Weighted average shares outstanding	9,864,927	9,780,896
Incremental shares	—	—
Diluted shares	9,864,927	9,780,896
Anti-dilutive shares excluded	678,943	468,132

As a result of the net loss for the three months ended December 26, 2014 and December 27, 2013, the Company calculated diluted earnings per share using weighted average basic shares outstanding, as using diluted shares would be anti-dilutive to loss per share.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and the disclosure of contingent assets and liabilities. Actual results may differ from management's estimates.

Statements of Cash Flows

The Company presents operating cash flows using the indirect method of reporting under which non-cash income and expense items are removed from net income.

Recently Issued Accounting Standards

FASB ASU 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (a consensus of the FASB Emerging Issues Task Force)," was issued July 2013 and is effective for fiscal years beginning after December 15, 2013. ASU 2013-11 provides guidance on financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. This ASU applies to all entities with unrecognized tax benefits that also have tax loss or tax credit carryforwards in the same tax jurisdiction as of the reporting date. The Company adopted this ASU in the first quarter of fiscal 2015 and there was no impact upon adoption.

FASB ASU 2014-09, "Revenue from Contracts with Customers," was issued May 2014 and updates the principles for recognizing revenue. The ASU will supersede most of the existing revenue recognition requirements in U.S. GAAP and will require entities to recognize revenue at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. This ASU also amends the required disclosures of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The guidance is effective for annual periods beginning after December 15, 2016, including interim periods within that period. Early adoption is not permitted under U.S. GAAP. The Company is determining its implementation approach and evaluating the potential impacts of the new standard on its existing revenue recognition policies and procedures.

FASB ASU 2014-12, "Compensation - Stock Compensation (Topic 718), Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period," was issued June 2014. This guidance was issued to resolve diversity in accounting for performance targets. A performance target in a share-based payment that affects vesting and that could be achieved after the requisite service period should be accounted for as a performance condition and should not be reflected in the award's grant date fair value. Compensation cost should be recognized over the required service period, if it is probable that the performance condition will be achieved. The guidance is effective for annual periods beginning after December 15, 2015 and interim periods within those annual periods. The Company does not anticipate a significant impact upon adoption.

FASB ASU 2014-15, "Presentation of Financial Statements-Going Concern (Subtopic 205-40) Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern," which was issued September 2014. This provides guidance on determining when and how to disclose going-concern uncertainties in the financial statements. The new standard requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date the financial statements are issued. An entity must provide certain disclosures if conditions or events raise substantial doubt about the entity's ability to continue as a going concern. The ASU applies to all entities and is effective for annual periods ending after December 15, 2016, and interim periods thereafter, with early adoption permitted. The Company does not anticipate a significant impact upon adoption.

FASB ASU 2015-03, "Interest - Imputation of Interest (Subtopic 835-30) Simplifying the Presentation of Debt Issuance Costs" was issued in April 2015. These amendments require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The ASU applies to all entities and is effective for public business entities for annual periods ending after December 15, 2015, and interim periods thereafter, with early adoption permitted. The guidance should be applied on a retrospective basis. The Company does not anticipate a significant impact upon adoption.

NOTE 2—RESTATEMENT OF DEFERRED TAX ASSET VALUATION ALLOWANCE AND EXCESS AND OBSOLETE INVENTORY RESERVE

The Consolidated Balance Sheet at September 30, 2014 and Consolidated Statements of Income, Changes in Stockholders' Equity and Cash Flows for the year then ended and the fiscal quarters ended December 27, 2013, March 28, 2014 and June 27, 2014 have been restated.

The summary impacts of the restatement adjustments on the Company's previously reported consolidated net loss for the three months ended December 27, 2013 follows:

	Three months ended December 27, 2013
(in thousands)	
Net income/(loss) - Previously reported	$(1,099)
Deferred tax asset valuation allowance adjustment	—
Excess and obsolete inventory reserve adjustment	(232)
Net income/(loss) - Restated	$(1,331)

The summary impacts of the restatement adjustments on the Company's previously reported consolidated income statement for the three months ended December 27, 2013 follows:

	Three Months Ended December 27, 2013		
	As Reported	Adjustment	Restated
(in thousands, except per share data)			
Cost of sales	$28,528	$232	$28,760
Gross profit	3,610	(232)	3,378
Operating profit /(loss)	(1,337)	(232)	(1,569)
Income/(loss) before income taxes	(1,716)	(232)	(1,948)
Net income /(loss)	(1,099)	(232)	(1,331)
Net income /(loss) per share	$(0.11)	$(0.03)	$(0.14)

While closing the first quarter of fiscal 2015, the Company revisited its assessment of realizability of deferred tax assets and identified an error in interpretation of the guidance for the valuation allowance on deferred tax assets.

The Company performed a realizability assessment for the fourth quarter of fiscal 2014 and came to the conclusion that there was no additional valuation allowance required on federal deferred tax assets; however, due to a change in New York State tax laws which reduces the State tax rate for qualified manufacturers to 0% for IEC's fiscal year ended September 30, 2015, the valuation allowance was increased by $1.1 million to fully reserve for New York State deferred tax assets.

This conclusion regarding federal deferred tax assets at the time of the fourth quarter of fiscal 2014 assessment was based on the Company's evaluation of the negative and positive evidence available at that time. The Company's cumulative loss in recent years was considered; however, the Company determined that the goodwill and intangibles impairment charge taken in the fourth quarter of fiscal 2013 should be excluded when weighing the evidence. Positive evidence included taxable income each year beginning in 2004 through 2013, forecasted results and backlog. At the time of our Original 2014 Form 10-K filing, there was forecasted pre-tax income for fiscal 2015 and earnings growth was forecasted in subsequent years. The Company's Federal net operating losses ("NOLs") do not begin to expire until 2022. As aggregate future taxable income was expected to exceed Federal NOLs, it was concluded that realizability of these was more likely than not. In addition, future taxable income was expected to exceed the amount of Federal NOLs and deferred tax assets expected to reverse in future years combined. As such, there was no additional valuation allowance recorded for federal deferred tax assets.

During the process of closing the first quarter of fiscal 2015, the Company revisited its determination regarding the valuation of its deferred tax assets. After consulting applicable accounting guidance and interpretations thereof, the Company determined that the impairment charge should not have been excluded from the cumulative loss calculation. Once a cumulative three year loss is identified, it is very difficult to overcome this negative evidence. IEC does not believe there is enough positive evidence to outweigh the cumulative three year loss. Based on this interpretation, the Company is now recording a full valuation allowance beginning in the second quarter of fiscal 2014, which is when the Company first accumulated a three year loss. As such, an error in the valuation allowance on deferred income tax assets has been identified resulting in an understatement of tax expense and overstatement of deferred tax assets. The Company determined this error was material and required restatement of its consolidated financial statements for fiscal 2014 as well as the second, third and fourth quarters of fiscal 2014.

The Company also performed additional analysis related to its excess and obsolete inventory reserves. This analysis identified an error in the Albuquerque and SCB operating locations. The Company discovered that not all pertinent information was factored into the excess and obsolete inventory reserve estimates during fiscal 2014.

During fiscal 2014, given the time that has passed since SCB was acquired in December 2010, the Company should have factored in the age of SCB's inventory and its demand when estimating its excess and obsolete inventory reserve. Instead, the Company employed an approach that factored in the usage of the inventory since the SCB acquisition date and estimated a general reserve for remaining inventory. The restated excess and obsolete inventory reserve for SCB is based on an analysis that appropriately incorporates the age of SCB's inventory and its demand and involves the review of specific inventory items with a large extended value. This additional analysis was performed consistently for all items, regardless of whether they were purchased before or after the date the Company acquired SCB.

The Albuquerque excess and obsolete inventory reserve as originally reported did not take into consideration facts and circumstances related to certain customer programs. The Company's methodology was applied consistently, however, the rigor around the analysis of excess inventory did not take into account certain customer information that was available at the time. As a result, the Company concluded the inventory on hand for these customer programs was not adequately reserved for.

NOTE 3—ALLOWANCE FOR DOUBTFUL ACCOUNTS

A summary follows of activity in the allowance for doubtful accounts during the three months ended December 26, 2014 and December 27, 2013.

Allowance for Doubtful Accounts	Three Months Ended December 26, 2014	December 27, 2013
(in thousands)		
Allowance, beginning of period	$525	$452
Provision for doubtful accounts	(104)	244
Write-offs	(53)	—
Allowance, end of period	$368	$696

NOTE 4—INVENTORIES

A summary of inventory by category at period end follows:

Inventories	December 26, 2014	September 30, 2014
(in thousands)		(restated)
Raw materials	$21,036	$16,769
Work-in-process	9,055	7,906
Finished goods	1,327	757
Total inventories	31,418	25,432
Reserve for excess/obsolete inventory	(3,302)	(2,906)
Inventories, net	$28,116	$22,526

The Company has restated its excess and obsolete inventory reserve for the fiscal year ended September 30, 2014 and interim quarterly periods during the fiscal year then ended. The restatement is further discussed in Note 2—Restatement of Deferred Tax Asset Valuation Allowance and Excess and Obsolete Inventory Reserve.

NOTE 5—FIXED ASSETS

A summary of fixed assets and accumulated depreciation at period end follows:

Fixed Assets	December 26, 2014	September 30, 2014
(in thousands)		
Land and improvements	$1,601	$1,601
Buildings and improvements	13,494	13,452
Leasehold improvements	1,458	1,458
Machinery and equipment	27,744	26,996
Furniture and fixtures	7,320	7,207
Construction in progress	761	381
Total fixed assets, at cost	52,378	51,095
Accumulated depreciation	(34,419)	(33,245)
Fixed assets, net	$17,959	$17,850

Depreciation expense during the three months ended December 26, 2014 and December 27, 2013 follows:

	Three Months Ended	
	December 26, 2014	December 27, 2013
(in thousands)		
Depreciation expense	$1,173	$1,109

NOTE 6—INTANGIBLE ASSETS

IEC's intangible assets (other than goodwill) were acquired in connection with purchases of SCB in the first quarter of fiscal 2011 and Albuquerque in fiscal 2010.

Among SCB’s key attributes as an acquisition candidate were the relationships established with a number of military and defense contractors. The anticipated profitability of those relationships was considered by IEC in arriving at an amount to offer for the firm and also became the basis for allocating a portion of the purchase price to a related customer relationship intangible asset. Based upon several key assumptions and a detailed analysis of value, $5.9 million was allocated to this intangible asset. The asset is being amortized over its 15-year estimated useful life, using the straight-line method.

The Company recorded an impairment of the customer relationship intangible asset of $2.4 million in the fourth quarter of fiscal 2013. There has been no further impairment of SCB customer relationships during the first three months of fiscal 2015 or fiscal 2014.

In connection with the SCB acquisition, IEC also allocated $100 thousand to an intangible asset representing the estimated value of a five-year, non-compete agreement entered into with SCB's selling shareholders. This intangible asset is being amortized evenly over its contractual life, and no impairment has been taken for this asset since the SCB acquisition.

As for Albuquerque, its building and land were acquired subject to an Industrial Revenue Bond ("IRB") that exempts the property from real estate taxes for the term of the IRB. The tax abatement was valued at $360 thousand at date of acquisition, and such value is being amortized over the 9.2 year exemption period that remained as of the acquisition date. No impairment has been taken for this asset since the Albuquerque acquisition.

A summary of intangible assets by category and accumulated amortization at period end follows:

Intangible Assets	December 26, 2014	September 30, 2014
(in thousands)		
Customer relationships - SCB	$5,900	$5,900
Property tax abatement - Albuquerque	360	360
Non-compete agreement - SCB	100	100
Total intangibles	6,360	6,360
Accumulated amortization	(1,619)	(1,556)
Accumulated impairment - customer relationships	(2,412)	(2,412)
Intangible assets, net	$2,329	$2,392

Amortization expense during the three months ended December 26, 2014 and December 27, 2013 follows:

Amortization Expense	Three Months Ended December 26, 2014	December 27, 2013
(in thousands)		
Intangible amortization expense	$64	$64

A summary of amortization expense for the next five years follows:

Future Amortization	Estimated future amortization
(in thousands)	
Twelve months ended December,	
2015	$253
2016	234
2017	234
2018	234
2019	203
2020 and thereafter	1,171

NOTE 7—GOODWILL

Goodwill balances resulting from the acquisitions of SCB in the first quarter of fiscal 2011 and Celmet in fiscal 2010 were $13.7 million and $0.1 million, respectively, prior to the impairment described below.

Since its acquisition, SCB has operated as a reporting unit of the Company, primarily in the aerospace & defense (previously disclosed as military & aerospace) market sector. As previously disclosed, due to changing circumstances, the Company determined it was necessary to perform a quantitative assessment which resulted in a goodwill impairment charge of $11.8 million recorded in the fourth quarter of fiscal 2013.

There has been no further impairment of SCB goodwill during the first three months of fiscal 2015 or fiscal 2014.

As for the goodwill from the Celmet acquisition, there has been no impairment since acquisition date.

A summary of the total goodwill and accumulated impairment at period end follows:

Goodwill	December 26, 2014	September 30, 2014
(in thousands)		
Goodwill	$13,810	$13,810
Accumulated impairment	(11,805)	(11,805)
Goodwill, net	$2,005	$2,005

NOTE 8—CREDIT FACILITIES

A summary of borrowings at period end follows:

Debt	Fixed/ Variable Rate	Maturity Date	December 26, 2014 Balance	December 26, 2014 Interest Rate (1)	September 30, 2014 Balance	September 30, 2014 Interest Rate (1)
(in thousands)						
M&T credit facilities:						
Revolving Credit Facility	v	1/18/2016	$7,444	4.44 %	$7,431	4.44 %
Term Loan A	f	2/1/2022	7,870	3.98	8,148	3.98
Term Loan B	v	2/1/2023	11,433	3.41	11,783	3.41
Albuquerque Mortgage Loan	v	2/1/2018	2,667	4.69	2,733	4.69
Celmet Building Term Loan	f	11/7/2018	1,159	4.72	1,192	4.72
Other credit facilities:						
Albuquerque Industrial Revenue Bond	f	3/1/2019	100	5.63	100	5.63
Total debt			30,673		31,387	
Less: current portion			(2,908)		(2,908)	
Long-term debt			$27,765		$28,479	

(1) Rates noted are before impact of interest rate swap.

M&T Bank Credit Facilities

On January 18, 2013, the Company and M&T Bank entered into the Fourth Amended and Restated Credit Facility Agreement ("2013 Credit Agreement"), replacing a prior agreement dated December 17, 2010 ("2010 Credit Agreement"). Many of the terms, conditions and covenants remained unchanged from the 2010 Credit Agreement. For the variable rate debt, the applicable margin is the interest rate added to Libor and is based on the Debt to EBITDARS Ratio. Borrowings under the 2013 Credit Agreement are secured by, among other things, the assets of IEC and its subsidiaries.

Individual debt facilities provided under the 2013 Credit Agreement are described below:

a) Revolving Credit Facility ("Revolver"): Up to $20 million is available through January 18, 2016. The Company may borrow up to the lesser of (i) 85% of eligible receivables plus 35% of eligible inventories or (ii) $20 million. At IEC's election, another 35% of eligible inventories may be included in the borrowing base for limited periods of time during which a higher rate of interest is charged on the Revolver. Borrowings based on inventory balances are further limited to a cap of $3.75 million, or when subject to the higher percentage limit, $4.75 million. At December 26, 2014, the upper limit on Revolver borrowings was $20.0 million. Average available balances amounted to $14.6 million and $8.5 million during the three months ended December 26, 2014 and December 27, 2013, respectively.

The Company incurs quarterly unused commitment fees ranging from 0.125% to 0.500% of the excess of $20.0 million over average borrowings under the Revolver. Fees incurred amounted to $18 thousand and $11 thousand

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during the three months ended December 26, 2014 and December 27, 2013, respectively. The fee percentage varies based on IEC's ratio of debt to EBITDARS.

b) Term Loan A: $10.0 million was borrowed on January 18, 2013. Principal is being repaid in 108 monthly installments of $93 thousand.

c) Term Loan B: $14.0 million was borrowed on January 18, 2013. Principal is being repaid in 120 monthly installments of $117 thousand.

d) Albuquerque Mortgage Loan: $4.0 million was borrowed on December 16, 2009. The loan is secured by real property in Albuquerque, NM, and principal is being repaid in monthly installments of $22 thousand plus a balloon payment due at maturity.

The 2013 Credit Agreement permits an aggregate maximum of $3.5 million of dividends and stock repurchases prior to February 1, 2023 absent default at the time of the applicable payment.

On November 8, 2013, the Company obtained an amendment to the 2013 Credit Agreement (the “Celmet Building Amendment”) for the Celmet Building Term Loan for $1.3 million. The proceeds were used to reimburse the Company’s cost of purchasing the Rochester, New York facility.

The 2013 Credit Agreement also contains various affirmative and negative covenants including financial covenants. The Company is required to maintain (i) a minimum level of quarterly EBITDARS ("Quarterly EBITDARS") , (ii) a ratio of total debt to twelve month EBITDARS (“Debt to EBITDARS Ratio”) that is below a specified limit, and (iii) a minimum fixed charge coverage ratio (“Fixed Charge Coverage Ratio”) as described in the tables below.

On May 15, 2013 we obtained an amendment to the 2013 Credit Agreement (the “First 2013 Amendment”) which modified the Debt to EBITDARS Ratio and Fixed Charge Coverage Ratio covenants, and on August 6, 2013 we obtained a further amendment to the 2013 Credit Agreement (the “Second 2013 Amendment,” and together with the First 2013 Amendment, the “2013 Amendments”) which modified the Debt to EBITDARS Ratio, as shown in the table below. On December 13, 2013 and February 4, 2014 we obtained further amendments to the 2013 Credit Agreement (the “First 2014 Amendment” and “Second 2014 Amendment”, respectively, and together the “2014 Amendments”) which modified the ratios. Covenant Ratios currently in effect are as follows:

Debt to EBITDARS Ratio: (a)	
2013 Credit Agreement, after Second 2014 Amendment:	
12/26/2014 through and including 3/26/2015	< 4.50 to 1.00
3/27/2015 through and including 6/25/2015	<3.50 to 1.00
6/26/2015 through and including 9/29/2015	<3.25 to 1.00
09/30/2015 and thereafter	< 2.75 to 1.00
Fixed Charge Coverage Ratio: (b)	
2013 Credit Agreement, after Second 2014 Amendment:	
12/26/2014 through and including 3/26/2015	≥1.00 to 1.00
03/27/2014 through and including 6/25/2015	≥1.15 to 1.00
6/26/2015 and thereafter	≥1.25 to 1.00

(a) The ratio of debt to earnings before interest, taxes, depreciation, amortization, rent expense and non-cash stock compensation expense.

(b) The ratio compares (i) 12 month EBITDA plus non-cash stock compensation expense minus unfinanced capital expenditures minus cash taxes paid, to (ii) the sum of interest expense, principal payments, sale-leaseback payments and dividends, if any (fixed charges).

The Second 2013 Amendment also amended two definitions used in the calculation of the financial covenants, including: (i) the definition of net income, to add back, through the fiscal quarter ending June 27, 2014, up to $1.1 million of legal and accounting fees associated with the restatement, and (ii) the definition of interest expense as related to Rate Management Transactions (defined in the 2013 Credit Agreement), to be “the net cash cost or benefit associated with Rate Management Transactions net cash benefit or loss”.

The Second 2014 Amendment also modified the Quarterly EBITDARS covenant to be equal to or greater than $1.25 million for the fiscal quarter ending March 28, 2014, and $1.5 million for each fiscal quarter thereafter.

At December 26, 2014, the Company was not in compliance with the Debt to EBITDARS Ratio, the Quarterly EBITDARS covenant and the Fixed Charge Coverage Ratio. At September 30, 2014 and June 27, 2014, the Company was in compliance with the Quarterly EBITDARS covenant. At March 28, 2014, the Company was not in compliance with the Quarterly EBITDARS covenant. At December 27, 2013, the Company was not in compliance with Quarterly EBITDARS covenant or the Debt to EBITDARS Ratio. The Company has obtained waivers from M&T Bank with respect to such noncompliance. As a result of the 2014 Restatements as described in Note 2—Restatement of Deferred Tax Asset Valuation Allowance and Excess and Obsolete Inventory Reserve, the Company was in default of the Credit Agreement for failure to deliver financial statements prepared in accordance with GAAP. The Company received a waiver from M&T regarding this event of default. The First 2014 Amendment did not require measurement of the Fixed Charge Coverage Ratio in the first quarter of fiscal 2014. The Second 2014 Amendment does not require measurement of the Debt to EBITDARS Ratio or the Fixed Charge Coverage Ratio for any quarter during fiscal 2014.

The waivers received by the Company for failure to comply with the financial covenants during the first and second quarters of fiscal 2014 did not affect the quarterly calculation of the applicable interest rate margin for the Revolver and Albuquerque Mortgage Loan and the Revolver unused fees. However, the Second 2013 Amendment modified the ranges of applicable margins and unused fees by increasing both the lower and upper limit of each range with respect to the applicable debt facility. The applicable margins are determined based on the Debt to EBITDARS Ratio. Changes to applicable margins and unused fees resulting from the Debt to EBITDARS Ratio generally become effective mid-way through the subsequent quarter. The higher Debt to EBITDARS Ratio calculated as of June 28, 2013, in conjunction with the Second 2013 Amendment resulted in an increase of 0.25% in the effective rate applicable to those two loans and the unused commitment fee for the Revolver remained unchanged. However, the First 2014 Amendment fixed the applicable margin for the Revolver at 4.25%, for the Albuquerque Mortgage Loan at 4.50% and Term Loan B at 3.25% and the unused fee at 0.50%, in each case for the period December 13, 2013 through December 13, 2014 and if the Company was not compliant with financial covenants on December 13, 2014, during the period of non-compliance. The Second 2014 Amendment further fixed the applicable margins at the rates noted in the First 2014 Amendment through March 27, 2015 and if the Company is not compliant with financial covenants on March 27, 2015, during the period of non-compliance.

In connection with the 2013 Credit Agreement, on January 18, 2013, the Company and M&T Bank entered into an interest rate swap arrangement (“Swap Transaction”). The Swap Transaction is for a notional amount of $14.0 million with an effective date of February 1, 2013 and a termination date of February 1, 2023. The Swap Transaction is designed to reduce the variability of future interest payments with respect to Term Loan B by effectively fixing the annual interest rate payable on the loan’s outstanding principal. Pursuant to the swap transaction, the Company’s one month Libor rate is swapped for a fixed rate of 1.32%. When the swap fixed rate is added to the Term Loan B spread of 2.50%, the Company’s interest rate applicable to Term Loan B is effectively fixed at 3.82%. The 2014 Amendments temporarily modified the Term Loan B spread to 3.25% which results in an effectively fixed rate of 4.57%.

Other Credit Facilities

Albuquerque Industrial Revenue Bond: When IEC acquired Albuquerque, the Company assumed responsibility for a $100 thousand Industrial Revenue Bond issued by the City of Albuquerque. Interest on the bond is paid semiannually, and principal is due in its entirety at maturity.

Contractual Principal Payments

A summary of contractual principal payments under IEC's borrowings for the next five years taking into consideration the 2013 Credit Agreement follows:
Debt Repayment Schedule

(in thousands)	Contractual Principal Payments
Twelve months ended December 26,	
2015	$2,908
2016 (1)	10,352
2017	2,908
2018	5,147
2019 and thereafter	9,358
	$30,673

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(1) Includes Revolver balance of $7.4 million at December 26, 2014

NOTE 9—DERIVATIVE FINANCIAL INSTRUMENTS

Interest Rate Risk Management

In connection with the 2013 Credit Agreement, on January 18, 2013, the Company and M&T Bank entered into an interest rate swap arrangement (“Swap Transaction”). The Swap Transaction is for a notional amount of $14.0 million with an effective date of February 1, 2013 and a termination date of February 1, 2023. The Swap Transaction is designed to reduce the variability of future interest payments with respect to Term Loan B by effectively fixing the annual interest rate payable on outstanding principal of Term Loan B. Pursuant to the interest rate swap, the Company’s one month Libor rate is swapped for a fixed rate of 1.32%. As more fully described in Note 8—Credit Facilities, the applicable margin on Term Loan B is fixed at 3.25% until March 27, 2015. When the swap fixed rate is added to the Term Loan B Spread of 3.25%, the Company’s interest rate applicable to Term Loan B is effectively fixed at 4.57%.

The fair value of the interest rate swap agreement represented an asset of $0.2 million at both December 26, 2014 and September 30, 2014 and was estimated based on Level 2 inputs. The Company did not designate the swap as a cash flow hedge at inception and therefore, the gains or losses from the changes in fair value of the derivative instrument are recognized in earnings for the period ended December 26, 2014 within interest expense.

The fair value of the interest rate swap of $0.2 million and $0.2 million is recorded in other long term assets in the Consolidated Balance Sheet at December 26, 2014 and September 30, 2014, respectively.

NOTE 10—FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial Instruments Carried at Fair Value

The Company’s interest rate swap agreement is recorded on the balance sheet as either an asset or a liability measured at fair value. The Company estimates the fair value of its interest rate swap agreement based on Level 2 valuation inputs, including fixed interest rates, Libor implied forward interest rates and the remaining time to maturity. At December 26, 2014, the interest rate swap agreement was an asset with a fair value of $0.2 million.

Financial Instruments Carried at Historical Cost

The Company’s long-term debt is not quoted. Fair value was estimated using a discounted cash flow analysis based on Level 2 valuation inputs, including borrowing rates the Company believes are currently available to it for loans with similar terms and maturities.

The Company’s debt is carried at historical cost on the balance sheet. A summary of the fair value and carrying value of variable rate debt at period end follows:

	December 26, 2014		September 30, 2014	
	Fair Value	Carrying Value	Fair Value	Carrying Value
(in thousands)				
Term Loan A	6,733	7,870	6,924	8,148
Celmet Building Term Loan	1,004	1,159	1,035	1,192

The fair value of the remainder of the Company’s debt approximated carrying value at September 30, 2014 as it is variable rate debt.

NOTE 11—WARRANTY RESERVES

IEC generally warrants its products and workmanship for up to twelve months from date of sale. As an offset to warranty claims, the Company is sometimes able to obtain reimbursement from suppliers for warranty-related costs or losses. Based on historical warranty claims experience and in consideration of sales trends, a reserve is maintained for estimated future warranty costs to be incurred on products and services sold through the balance sheet date.

A summary of additions to and charges against IEC's warranty reserves during the period follows:

Warranty Reserve	Three Months Ended	
	December 26, 2014	December 27, 2013
(in thousands)		
Reserve, beginning of period	$251	$219
Provision	37	104
Warranty costs	(60)	(93)
Reserve, end of period	$228	$230

NOTE 12—DEFERRED GRANTS

The Company received grants for certain facility improvements from state and local agencies in which the Company operates. These grants reimburse the Company for a portion of the actual cost or provide in kind services in support of capital projects. Deferred grants of $0.7 million were recorded during the year ended September 30, 2014, from such grant programs.

One of the Company's grants is a loan to grant agreement. The Company has signed a promissory note, which will be forgiven if certain employment targets at the Newark, NY facility are obtained at future dates. If the employment targets are not obtained, the Company is obligated to repay the loan with interest. As the Company intends to comply with these agreements, the Company has recorded the funds received as a deferred amount within other long-term liabilities on the balance sheet.

The Company received a government grant for the purchase of equipment upgrades to accommodate existing and anticipated business growth. Required employment targets at the Newark, NY facility for this grant have been met as of September 30, 2014.

The Company is also the recipient of matching grants from two local governmental agencies related to certain renovations for one of its operating locations. One agency is contributing in kind services and property of $0.1 million while the other is contributing cash of $0.1 million to match expenditures by the Company of at least the same amount.

The grants will be amortized over the useful lives of the related fixed assets when there is reasonable assurance that the Company will meet the employment targets. The Company recorded amortization of $41 thousand and $5 thousand for the deferred grants for the three months ended December 26, 2014 and December 27, 2013, respectively.

NOTE 13—STOCK-BASED COMPENSATION

The 2010 Omnibus Incentive Compensation Plan ("2010 Plan") was approved by the Company's stockholders at the January 2011 Annual Meeting of the Shareholders. This plan replaced IEC's 2001 Stock Option and Incentive Plan ("2001 Plan"), which expired in December 2011. The 2010 Plan, which is administered by the Compensation Committee of the Board of Directors, provides for the following types of awards: incentive stock options, nonqualified options, stock appreciation rights, restricted shares, restricted stock units, performance compensation awards, cash incentive awards, director stock and other equity-based and equity-related awards. Awards are generally granted to certain members of management and employees, as well as directors. Under the 2010 Plan, up to 2,000,000 common shares may be issued over a term of ten years.

Stock-based awards granted through December 2011, were made under the 2001 Plan. Awards granted after December 2011, were made under the 2010 Plan and future awards will be made under the 2010 Plan.

Stock compensation expense recorded under the plans totaled $0.1 million and $0.2 million for the three months ended December 26, 2014 and December 27, 2013, respectively. Expenses relating to stock options that comply with certain U.S. income tax rules are neither deductible by the Company nor taxable to the employee. Further information regarding awards granted under the 2001 Plan, 2010 Plan and employee stock purchase plan is provided below.

Stock Options

When options are granted, IEC estimates the fair value of the option using the Black-Scholes option pricing model and recognizes the computed value as compensation cost over the vesting period, which is typically four years. The contractual term of options granted under the 2010 Plan is generally seven years.

Assumptions used in the Black-Scholes model and the estimated value of options granted during the three months ended December 26, 2014 are included in the table below, there were no options granted during the three months ended December 27, 2013.

Valuation of Options	Three Months Ended December 26, 2014	
Assumptions for Black-Scholes:		
Risk-free interest rate	1.43	%
Expected term in years	4.5	
Volatility	40	%
Expected annual dividends	none	
Value of options granted:		
Number of options granted	26,000	
Weighted average fair value per share	$1.92	
Fair value of options granted (000's)	$50	

A summary of stock option activity, together with other related data, follows:

Stock Options	Three Months Ended December 26, 2014 Number of Options	Wgtd. Avg. Exercise Price	December 27, 2013 Number of Options	Wgtd. Avg. Exercise Price
Outstanding, beginning of period	234,000	$4.48	246,383	$4.38
Granted	26,000	5.41	—	
Exercised	(2,000)	1.76	(14,504)	1.37
Shares withheld for payment of taxes upon exercise of stock option	—	—	(996)	1.43
Forfeited	(4,100)	5.78	(8,983)	5.87
Expired	(2,500)	7.53	—	
Outstanding, end of period	251,400	$4.55	221,900	$4.58
For options expected to vest				
Number expected to vest	220,961	$4.50	212,732	$4.51
Weighted average remaining term, in years	3.2		3.5	
Intrinsic value (000s)		$257		$137
For exercisable options				
Number exercisable	125,900	$3.73	114,750	$3.15
Weighted average remaining term, in years	1.5		2.1	
Intrinsic value (000s)		$216		$137
For non-exercisable options				
Expense not yet recognized (000s)		$178		$159
Weighted average years to be recognized	2.9		2.3	
For options exercised				
Intrinsic value (000s)		$7		$43

Changes in the number of non-vested options outstanding, together with other related data, follows:

Stock Options	Three Months Ended December 26, 2014 Number of Options	Wgtd. Avg. Grant Date Fair Value	December 27, 2013 Number of Options	Wgtd. Avg. Grant Date Fair Value
Non-vested, beginning of period	112,350	$2.15	138,350	$2.51
Granted	26,000	1.92	—	
Vested	(8,750)	2.47	(22,217)	2.40
Forfeited	(4,100)	2.26	(8,983)	5.87
Non-vested, end of period	125,500	$2.08	107,150	$2.54

Restricted (Non-vested) Stock

Holders of IEC restricted stock have voting and dividend rights as of the date of grant, but until vested the shares may be forfeited and cannot be sold or otherwise transferred. At the end of the vesting period, which is typically four or five years (three years in the case of directors), holders have all the rights and privileges of any other IEC common stockholder. The fair value of a share of restricted stock is its market value on the date of grant, and that value is recognized as stock compensation expense over the vesting period.

A summary of restricted stock activity, together with related data, follows:

	Three Months Ended			
	December 26, 2014		December 27, 2013	
Restricted (Non-vested) Stock	Number of Non-vested Shares	Wgtd. Avg. Grant Date Fair Value	Number of Non-vested Shares	Wgtd. Avg. Grant Date Fair Value
Outstanding, beginning of period	322,873	$4.97	275,474	$5.96
Granted	128,195	5.29	39,000	3.91
Vested	(16,152)	5.65	(48,640)	5.28
Shares withheld for payment of taxes upon vesting of restricted stock	(7,373)	5.25	(15,639)	5.11
Forfeited	—	—	(3,963)	6.10
Outstanding, end of period	427,543	$5.04	246,232	$5.93
For non-vested shares				
Expense not yet recognized (000s)		$1,260		$797
Weighted average remaining years for vesting		3.2		3.2
For shares vested				
Aggregate fair value on vesting dates (000s)		$123		$303

Employee Stock Purchase Plan

The Company administers an employee stock purchase plan (“ESPP”) that provides for a discounted stock purchase price. On May 21, 2013, the Compensation Committee of the Company’s Board of Directors suspended operation of the ESPP indefinitely in connection with the Prior Restatement (including unavailability of the registration statement covering shares offered under the plan due to the failure of the Company to be current in its filings with the SEC until the Company filed its Form 10-K on December 24, 2013). The ESPP was reinstated effective October 1, 2014. Subsequent to the end of the first fiscal quarter, on February 13, 2015, the Compensation Committee of the Company’s Board of Directors suspended operation of the ESPP indefinitely in connection with the 2014 Restatements described in Note 2—Restatement of Deferred Tax Asset Valuation Allowance and Excess and Obsolete Inventory Reserve (including unavailability of the registration statement covering shares offered under the plan due to the failure of the Company to be current in its filings with the SEC).

Employees currently receive a 10% discount on stock purchases through the ESPP. Employee contributions to the plan, net of withdrawals were $6.0 thousand for the three months ended December 26, 2014. Compensation expense recognized under the ESPP was $1.0 thousand for the three months ended December 26, 2014. There were no employee contributions or compensation expense recognized under the ESPP during the three months ended December 27, 2013.

Stock Issued to Board Members

In addition to annual grants of restricted stock, included in the table above, Board members may elect to have their meeting fees paid in the form of shares of the Company's common stock. In connection with the restatement of the Company's financial statements described herein (including unavailability of the registration statement covering shares offered under the 2010 Plan due to the failure of the Company to be current in its filings with the SEC until the Company filed its Form 10-K on December 24, 2013), the Company determined not to pay, and has not paid, any meeting fees in stock during the period since May 21, 2013.

NOTE 14—RETIREMENT PLAN

The Company administers a retirement savings plan for the benefit of its eligible employees and their beneficiaries under the provisions of Sections 401(a) and (k) of the Internal Revenue Code. Eligible employees may contribute a portion of their compensation to the plan, and the Company is permitted to make discretionary contributions as determined by the Board of Directors. During the first three months of fiscal 2015, the Company contributed 25% of the first 6% contributed by all employees at all locations. During the first three months of fiscal 2014, the Company contributed 25% of the first 6% contributed by employees at its Albuquerque operating location. Contributions during the three months ended December 26, 2014 and December 27, 2013 totaled $63 thousand and $8 thousand, respectively.

NOTE 15—INCOME TAXES

Provision for income taxes during the three months ended December 26, 2014 and December 27, 2013 follows:

Income Tax Provision/Benefit	Three Months Ended December 26, 2014	December 27, 2013
(in thousands)		
Provision for/(benefit from) income taxes	$—	$(617)

The Company restated to record a full valuation allowance on all deferred tax assets during the second quarter of fiscal 2014. The restatement is further discussed in Note 2—Restatement of Deferred Tax Asset Valuation Allowance and Excess and Obsolete Inventory Reserve.

Although we have recorded a full valuation allowance for all deferred tax assets, including net operating loss carryforwards ("NOLs"), these NOLs remain available to the Company to offset taxable income and reduce tax payments. IEC has federal NOLs for income tax purposes of approximately $16.3 million at September 30, 2014, expiring mainly in years 2021 through 2025, with a small portion expiring in 2034.

At September 30, 2014, the Company also had state NOLs of $27.7 million, expiring mainly in years 2021 through 2025 and $1.2 million of New York State investment tax and other credit carryforwards, expiring in various years through 2028. The credits cannot be utilized until the New York NOL is exhausted. Recent New York state corporate tax reform has resulted in the reduction of the business income base rate for qualified manufacturers in New York state to 0% beginning in fiscal 2015 for IEC. As a result of this legislation, it is more likely than not that the New York state NOLs and credits will not be realized.

Due to the Company's NOLs, a provision for pre-tax income was not recorded in the first quarter of fiscal 2015.

NOTE 16—MARKET SECTORS AND MAJOR CUSTOMERS

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

% of Sales by Sector	Three Months Ended December 26, 2014	December 27, 2013
Aerospace & Defense (previously Military & Aerospace)	45%	53%
Medical	29%	20%
Industrial	23%	22%
Communications & Other	3%	5%
	100%	100%

Four individual customers each represented 10% or more of sales for the three months ended December 26, 2014. Two customers in the medical sector represented 15% and 10% of sales, one customer in the industrial sector represented 16% of sales and one customer in the aerospace & defense sector represented 11% of sales. For the three months ended December 27, 2013, one customer in the industrial sector represented 13% of sales.

Two individual customers represented 10% or more of receivables and accounted for 24% of outstanding balances at December 26, 2014. One individual customer represented 10% or more of receivables and accounted for 11% of the outstanding balances at December 27, 2013.

Credit risk associated with individual customers is periodically evaluated by analyzing the entity's financial condition and payment history. Customers generally are not required to post collateral.

NOTE 17—LITIGATION

In connection with the Prior Restatement, the Audit Committee conducted an independent review of the underlying facts and circumstances, and the Company is responding to a formal investigation by the staff of the SEC relating to the Prior Restatement and other matters. The Company is unable to predict what action, if any, might be taken in the future by the SEC or its staff as a result of the investigation or what impact the cost of responding to the SEC might have on the Company's financial position, results of operations, or cash flows.

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

NOTE 18—COMMITMENTS AND CONTINGENCIES

Purchase Commitments

During August 2011, one of IEC's operating units entered into a five-year agreement with one of its suppliers to purchase a minimum volume of materials in exchange for receiving favorable pricing on the unit's purchases. In the event the unit's cumulative purchases do not equal or exceed stated minimums, the supplier has a right to terminate the agreement and the IEC unit would be obligated to pay an early termination fee that declines from $365 thousand to zero over the term of the agreement. As of the date of this Form 10-Q, the Company expects to exceed the minimum purchase requirements under the agreement, thereby avoiding any termination fee.

NOTE 19—SUBSEQUENT EVENTS

On February 2, 2015, the Company announced its shareholders have elected all seven Vintage Opportunity Fund, LP-nominated directors to IEC's Board of Directors. Due to the preceding proxy contest, we anticipate higher legal and other expenses in the second quarter of fiscal 2015. The change in control event triggers vesting and payment requirements for various compensation agreements which will result in higher stock based compensation and cash outflows in the second quarter of fiscal 2015.

The Company announced the termination of W. Barry Gilbert, its former chief executive officer and appointment, of Jeffrey T. Schlarbaum, its new chief executive officer on February 6, 2015 and February 12, 2015, respectively. On March 30, 2015, the Company announced the resignation of Brett E. Mancini, its Vice President, Business Development and Engineering Solutions. The accrual of potential future severance payments related to these departures will be recorded in the second quarter of fiscal 2015. In addition, during the second quarter of fiscal 2015, we have accrued for the estimated reimbursement to Vintage Opportunity Fund, LP of their costs related to the proxy contest discussed above. Any further impacts of the change in the Board of Directors and executive management cannot be determined.

On May 8, 2015, the Company and M&T entered into a Sixth Amendment to the 2013 Credit Agreement, as previously amended (the "Sixth Amendment"). Pursuant to the Sixth Amendment, M&T agreed to (i) modify the financial covenants related to Quarterly EBITDARS, the Debt to EBITDARS Ratio and the Fixed Coverage Charge Ratio and (ii) waive events of default arising from the Company's non-compliance with these covenants during the fiscal quarters ended December 26, 2014 and March 27, 2015. The Sixth Amendment also amended the definition of EBITDARS under the 2013 Credit Agreement to add back a maximum amount of professional services fees and expenses incurred and paid or to be paid prior to December 25, 2015. EBITDARS as amended and restated means, for the applicable period, earnings before interest, taxes, depreciation, amortization, plus (i) payments due under the M&T sale-leaseback arrangement, (ii) non-cash stock option expense and (iii) professional services fees and expenses incurred and paid or to be paid prior to December 25, 2015, up to a maximum of (a) for the fiscal quarter ended December 26, 2014, $235,000, (b) for the fiscal quarter ending March 27, 2015, $2,625,600, (c) for the fiscal quarter ending June 26, 2015, $200,000 plus costs incurred and paid by Borrower during such Fiscal Quarter in connection with mortgages, environmental site assessments, title insurance and appraisals ("Costs") and (d) for the fiscal quarter ending September 30, 2015, $200,000, all on a consolidated basis and determined in accordance with GAAP on a consistent basis.

Additionally, the Sixth Amendment extended each facility's applicable interest rate margin established under the Fifth Amendment to the 2013 Credit Agreement, which rates otherwise would have expired on March 27, 2015, through March 26, 2016, and thereafter if the Company is not then in compliance with its financial covenants, as follows, per annum: Revolver (4.25% above Libor), Albuquerque Mortgage Loan (4.50% above Libor) and Term Loan B (3.25% above Libor). The applicable unused line fee of 0.50% also was extended through March 26, 2016, and thereafter if the Company is not in compliance with its financial covenants.

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

The information in this Management's Discussion and Analysis should be read in conjunction with the accompanying unaudited consolidated financial statements and notes. All references to Notes are to the accompanying consolidated financial statements and Notes included in this Quarterly Report on Form 10-Q ("Form 10-Q").

Forward-Looking Statements

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 10-Q contains certain statements that are, or may be deemed to be, forward-looking statements within the meaning of section 27A of the Securities Act of 1933 and section 21E of the Securities Exchange Act of 1934, and are made in reliance upon the protections provided by such Acts for forward-looking statements. These forward-looking statements (such as when we describe what we "believe", "expect" or "anticipate" will occur, and other similar statements) include, but are not limited to, statements regarding future sales and operating results, future prospects, the capabilities and capacities of business operations, any financial or other guidance and all statements that are not based on historical fact, but rather reflect our current expectations concerning future results and events. The ultimate correctness of these forward-looking statements is dependent upon a number of known and unknown risks and events and is subject to various uncertainties and other factors that may cause our actual results, performance or achievements to be different from any future results, performance or achievements expressed or implied by these statements.

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

Except as required by law, all forward looking statements included in this Form 10-Q are made only as of the date of this Form 10-Q. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. New risks and uncertainties arise from time to time and we cannot predict those events or how they may affect us. When considering these risks, uncertainties and assumptions, you should keep in mind the cautionary statements contained elsewhere in this report and in any documents incorporated herein by reference. In particular, you should consider the Risk Factors identified in Item 1 of the Company's Annual Report on Form 10-K/A for the fiscal year ended September 30, 2014 and in the Company's subsequently filed SEC reports. You should read this document and the documents that we incorporate by reference into this Report on Form

10-Q 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.

Overview

IEC Electronics Corp. conducts business directly, as well as through its subsidiaries and divisions, Wire and Cable, Albuquerque, SCB, Celmet and DRTL described in Note 1—Our Business and Summary of Significant Accounting Policies – Our Business and Consolidation.

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

- A technology center that combines dedicated prototype manufacturing with an on-site laboratory capable of solving our customers' complex design and reliability issues, enabling the seamless transition concept to production.
- An in-house engineering development team capable of designing and building custom, functional testing systems to certify the reliability of our customers' complex system-level products and support of end-order fulfillment.
- A testing services laboratory that enables us to provide our customers with complex failure analysis of electronic components as well as component risk mitigation planning for obsolete and suspect parts utilized in life threatening and mission-critical systems.
- A Lean/Six Sigma continuous improvement program supported by a team of Six Sigma Blackbelts delivering best-in-class results.
- Proprietary software-driven Web Portal which provides customers real-time access to their critical, project specific data.

We primarily serve the aerospace & defense (previously discussed as military & aerospace), medical, industrial and communications markets. We focus on developing relationships with customers who manufacture advanced technology products and who are unlikely to utilize offshore suppliers due to the proprietary nature of their products, governmental restrictions or volume considerations.

IEC is ISO 9001:2008 certified. Four of our units (IEC and Wire and Cable in Newark, NY; Albuquerque in NM; and SCB in Bell Gardens, CA) are AS9100 certified to serve the military and commercial aerospace market sector, and are ITAR registered. In addition, the Company’s locations in Newark, NY and Albuquerque, NM are Nadcap accredited for electronics manufacturing to support the most stringent quality requirements of the aerospace industry and the Newark, NY location is ISO 13485 certified to serve the medical market sector. Our Newark, NY location is also an NSA approved supplier under the COMSEC standard and its environmental systems are ISO 14001:2004 certified. DRTL in Albuquerque, NM is ISO 17025 accredited, which is the international standard covering testing and calibration laboratories. Albuquerque and SCB also perform work per NASA-STD-8739 and J-STD-001ES space standards.

Prior Restatement

The Company previously disclosed in its Annual Report on Form 10-K/A for the fiscal year ended September 30, 2012 (“FY 2012”) and Quarterly Report on Form 10-Q/A for the quarter ended December 28, 2012 (“Q1-2013”), both filed with the SEC on July 3, 2013, that it restated its financial statements for the periods described therein because the Company was incorrectly accounting for work-in-process inventory at one of its subsidiaries, SCB (the "Prior Restatement"). The Company restated: (i) its previously issued consolidated financial statements for FY 2012, as included in the Company’s Annual Report on Form 10-K for FY 2012, as well as the unaudited interim consolidated financial statements as of and for the fiscal quarter and year-to-date periods ended December 30, 2011 (“Q1-2012”), March 30, 2012 (“Q2-2012”) and June 29, 2012 (“Q3-2012”) (collectively, the “2012 Restated Periods”) as included in its Quarterly Reports on Form 10-Q for Q-1 2012, Q-2 2012 and Q-3 2012, and (ii) its previously issued financial statements for Q1-2013 as included in its Quarterly Report on Form 10-Q for Q1-2013.

2014 Restatements

As discussed further in this Management’s Discussion and Analysis and in Note 2—Restatement of Deferred Tax Asset Valuation Allowance and Excess and Obsolete Inventory Reserve, we restated our previously issued consolidated financial statements for fiscal year ended September 30, 2014 (“FY 2014”) and our unaudited interim financial statements for the fiscal quarters ended March 28, 2014 (“Q2-2014”) and June 27, 2014 (“Q3-2014”) due to an error in the valuation allowance on deferred income tax assets resulting in an understatement of income tax expense and a corresponding overstatement of deferred income tax assets during Q2-2014 of approximately $14.0 million. Income tax expense was overstated and deferred income tax assets were understated by $3.0 thousand and $1.8 million in Q3-2014 and the fiscal quarter ended September 30, 2014 ("Q4-2014"), respectively. In FY 2014, income tax expense was understated and deferred income tax assets were overstated by approximately $12.3 million.

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

Q4-2014, respectively. For FY 2014, cost of goods sold was understated and inventory was overstated by approximately $0.7 million. We refer to the restatements related to the deferred tax asset valuation allowance and excess and obsolete inventory reserve as the 2014 Restatements.

Three Months Results

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

Income Statement Data	Three Months Ended December 26, 2014	December 27, 2013
(in thousands)		(restated)
Net sales	$30,943	$32,138
Gross profit	3,252	3,378
Selling and administrative expenses	3,602	3,791
Restatement and related expenses	(89)	1,156
Interest and financing expense	534	360
Other expense/(income)	—	19
Income/(loss) before income taxes	(795)	(1,948)
Provision for/(benefit from) income taxes	—	(617)
Net income/(loss)	$(795)	$(1,331)

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

% of Sales by Sector	Three Months Ended December 26, 2014	December 27, 2013
Aerospace & Defense (previously Military & Aerospace)	45%	53%
Medical	29%	20%
Industrial	23%	22%
Communications & Other	3%	5%
	100%	100%

Revenue decreased in the first quarter of fiscal 2015 by $1.2 million or 3.7% as compared to the first quarter of the prior fiscal year. Decreases in the aerospace & defense market sector as well as the communications & other market sector of $2.9 million and $0.7 million, respectively were partially offset by an increase of $2.5 million in the medical market sector.

Various decreases and increases for our aerospace & defense customers resulted in a net decrease of $2.9 million. Decreases of $4.5 million resulted from lower demand for several of our customers. Programs frequently fluctuate in demand or end and are replaced by new programs. Some of the decreases in demand were due to new program delays due to design and testing and some were due to delays in government funding. The winding down of three programs caused $1.8 million of the decrease and the decision to end a customer relationship combined with the loss of one customer caused an aggregate decrease of $0.4 million. The decreases were partially offset by increases in demand from existing customers. New programs with existing customers increased revenue by $1.0 million. Increased demand from several existing programs of $2.8 million also partially offset the decreases.

The net decrease in the communications & other market sector of $0.7 million resulted primarily from ending two customer relationships, one of which was due to lack of profitability.

Revenue for the medical market sector increased $2.5 million primarily due to increases in demand. Higher demand from our medical customer that was awaiting FDA approval in fiscal 2014, caused an increase of $1.6 million. In the first quarter of the prior fiscal year, this customer was seeking FDA approval for modifications to its existing programs which caused the programs to be put on hold. The hold was lifted during the third quarter of fiscal 2014 and the customer's testing was completed in the fourth quarter. We began shipping production orders late in the fourth quarter of fiscal 2014 and volume continued to increase in the first quarter of fiscal 2015. Revenue for another medical customer increased $1.6 million due to higher demand. The remaining net decrease was due to fluctuations in demand at other customers.

Although revenue in the industrial market sector was flat compared to the first quarter of the prior fiscal year, there were fluctuations for some of our customers. The net decrease caused by demand fluctuations at three of our customers was offset by a new program from an existing customer.

Our first quarter gross profit was flat at 10.5% of sales in the first quarter of the current fiscal year as well as the first quarter of the prior fiscal year. Several factors impacted gross margin including reduced leverage on fixed manufacturing costs caused by lower sales volume, changes in customer mix and higher labor costs. Higher labor costs were due to the continued onboarding of additional labor for the growth in our medical market sector. Offsetting these decreases were lower material costs resulting from improvements in supply chain management.

Selling and administrative ("S&A") expense is presented excluding Restatement and related expenses discussed below. S&A expense decreased $0.2 million, and represented 11.6% of sales in the first quarter of fiscal 2015, compared to 11.8% of sales in the same quarter of the prior fiscal year. The decrease in S&A expense was primarily due to lower bad debt expense.

During the first quarter of fiscal 2015, the Company incurred legal and other expenses included in S&A related to a proxy contest related to the Company's board of directors. We anticipate higher legal and other expenses as a result of the recent activities discussed further in Note 19—Subsequent Events. In addition, we anticipate higher stock based compensation and cash outflows related to the change in control in the second quarter of fiscal 2015.

Restatement and related expenses represent third party legal and accounting fees directly attributable to the Prior Restatement as well as other matters arising from the Prior Restatement including those more fully described in Note 17—Litigation. During the first quarter of fiscal 2015, restatement and related expenses of $0.5 million were more than offset by $0.6 million of partial reimbursement for certain expenses incurred. As previously announced, the Company reached resolution of certain directors and officers liability insurance claims during the fourth quarter of the prior fiscal year. As part of the resolution, the Company reached agreement with its primary insurance carrier as to the scope of coverage for certain expenses incurred after June 30, 2014. Resolution had not been reached as of the first quarter of the prior fiscal year, therefore no insurance reimbursement offset the $1.2 million of restatement and related expenses. We anticipate continued legal expenses due to the Prior Restatement and other matters (including the formal SEC investigation) for the foreseeable future. While we anticipate certain of these expenses will continue to be reimbursed, any such reimbursement for future expenses will vary with the circumstances under which such expenses are incurred and their respective amounts. We also anticipate additional Restatement and related expenses during the remainder of the current fiscal year and going forward related to the 2014 Restatements.

Interest expense increased by $0.1 million compared to the same quarter of the prior fiscal year. The net impact of adjusting the interest rate swap to fair value contributed $0.2 million of higher interest expense in the first quarter of the current fiscal year compared to the prior fiscal year. The weighted average interest rate on IEC's debt, excluding the impact of the interest rate swap, was 0.6% higher than in the first quarter of the prior fiscal year. Our average outstanding debt balances declined from $36.5 million for the first quarter of fiscal 2014 to $29.5 million for the first quarter of fiscal 2015. Average borrowings in the first quarter of fiscal 2015 were lower than the first quarter of the prior fiscal year due to repayments on term debt as well as lower revolver borrowing. Cash paid for interest was approximately $0.3 million and $0.4 million for the first quarter of fiscal 2015 and fiscal 2014, respectively. Detailed information regarding our borrowings, including a summary of modifications in the Fourth Amended and Restated Credit Facility Agreement, is provided in Note 8—Credit Facilities.
There was no income tax expense or benefit in the first quarter of fiscal 2015 as we have net operating loss carryforwards (“NOLs”) to offset any current tax expense and a full valuation on all deferred tax assets. As part of the

2014 Restatements, described in Note 2—Restatement of Deferred Tax Asset Valuation Allowance and Excess and Obsolete Inventory Reserve, a full valuation allowance was recorded in the second quarter of fiscal 2014. In the first quarter fiscal 2014, our effective tax rate was approximately 32%.

With respect to tax payments, in the near term IEC expects to be sheltered by sizable net operating loss ("NOL") carryforwards for federal income tax purposes. At the end of fiscal 2014, the carryforwards amounted to approximately $16.3 million. The carryforwards expire in varying amounts between 2021 and 2025, with a small portion expiring in 2034, unless utilized prior to these dates.

Liquidity and Capital Resources

Capital Resources

As of December 26, 2014 outstanding capital expenditure commitments were $0.4 million for manufacturing equipment and building improvements. We generally fund capital expenditures with cash flow from operations and our revolving credit facility.

Summary of Cash Flows

A summary of selected cash flow amounts for the three months ended follows:

Cash Flow Data	Three Months Ended December 26, 2014	December 27, 2013
(in thousands)		
Cash and cash equivalents, beginning of period	$1,980	$2,499
Net cash flow from:		
Operating activities	(381)	3,259
Investing activities	(496)	(2,270)
Financing activities	(749)	(1,755)
Net (decrease) increase in cash and cash equivalents	(1,626)	(766)
Cash and cash equivalents at end of period	$354	$1,733

Operating activities

Cash flows provided by operations, before considering changes in IEC's working capital accounts, was $0.4 million for the first three months of fiscal 2015. Cash flow used in operations, before considering changes in working capital, in the first three months of fiscal 2014 was $0.4 million. The increase was primarily driven by an improvement in net loss of $0.5 million compared to the first three months of the prior fiscal year. Deferred tax expense decreased by $0.6 million compared to fiscal 2014 due to a change in the deferred tax asset valuation. Working capital used cash flows of $0.8 million in the first three months of fiscal 2015 and provided cash flows of $3.6 million in the first three months of fiscal 2014. The change in working capital in the first three months of fiscal 2015 was due to an increase in inventory of $5.6 million, partially offset by a decrease in accounts payable and customer deposits of $1.8 million and $1.0 million, respectively. The increase in inventory was driven by aerospace & defense customers requiring purchases of inventory in advance for testing prior to production as well as delays in some smaller programs. Further increases were for production ramps for relatively new medical customers and a ramp in production volume for one industrial customer. Decreases in accounts receivable and other current assets also contributed to cash flow provided by operations, while a decrease in accrued payroll and related expenses used cash flow. Accounts receivable decreased $1.5 million mainly due to lower sales volume in the first quarter of fiscal 2015 compared to the fourth quarter of fiscal 2014. A decrease in other current assets of $1.2 million was due to receipt of an insurance reimbursement.

Investing activities

Cash flows used in investing activities were $0.5 million and $2.3 million for the first three months of fiscal 2015 and 2014, respectively. Cash flows used in the first three months of fiscal 2015 primarily consisted of the purchases of equipment and, to a lesser extent, building improvements totaling $1.2 million, partially offset by cash received from a community development block grant of $0.7 million. The community development block grant was initiated in fiscal 2012 but not completed and submitted for reimbursement until September 2014. Cash used in the first three months of fiscal 2014 primarily consisted of the Celmet building purchase of $1.3 million and purchases of equipment.

Financing activities

Cash flows used in financing activities were $0.7 million for the first three months of fiscal 2015 and cash flows used in financing activities were $1.8 million for the first three months of fiscal 2014. During the first three months of fiscal 2015, net repayments under all credit facilities were $0.7 million and the net borrowing under the revolver remained flat. In the first three months of fiscal 2014, net cash flows reduced outstanding credit facilities by $1.8 million, due to net repayments funded by operations.

Credit Facilities

At December 26, 2014, borrowings outstanding under the revolving credit facility (“Revolver”) amounted to $7.4 million, and the maximum available was $20.0 million. Borrowings on the Revolver during the current fiscal year were used to fund working capital changes discussed above. The Company believes that its liquidity is sufficient to satisfy anticipated operating requirements during the next twelve months.

The financial covenants in the 2013 Credit Agreement include (i) a minimum level of quarterly EBITDARS ("Quarterly EBITDARS"), (ii) a ratio of total debt to twelve month EBITDARS (“Debt to EBITDARS Ratio”) that is below a specified limit, and (iii) a minimum fixed charge coverage ratio (“Fixed Charge Coverage Ratio”). EBITDARS is defined as earnings before interest, taxes, depreciation, amortization, rent expense and non-cash stock compensation expense. At March 28, 2014, the Company was not in compliance with the Quarterly EBITDARS covenant. At December 27, 2013, the Company was not in compliance with Quarterly EBITDARS covenant or the Debt to EBITDARS Ratio. At December 26, 2014, the Company was not in compliance with the Debt to EBITDARS Ratio, the Quarterly EBITDARS covenant and the Fixed Charge Coverage Ratio. We have obtained waivers from M&T Bank with respect to such noncompliance. As a result of the restatement as described in Note 2—Restatement of Deferred Tax Asset Valuation Allowance and Excess and Obsolete Inventory Reserve, the Company was in default of the Credit Agreement for failure to deliver financial statements prepared in accordance with GAAP at September 30, 2014. The Company received a waiver from M&T regarding this event of default.

An amendment to the 2013 Credit Agreement obtained in February 2014 did not require measurement of the Debt to EBITDARS Ratio or the Fixed Charge Coverage Ratio for any quarter during fiscal 2014. Amendments to the 2013 Credit Agreement obtained in May 2013, August 2013, December 2013 and February 2014, which modified financial covenants and related definitions, are more particularly described in Note 8—Credit Facilities.

The calculation of debt covenants follows:

Debt Covenant	Limit at December 26, 2014	September 30, 2014	Calculated Amount At December 26, 2014	September 30, 2014 (restated)	
Quarterly EBITDARS (000s)	Minimum $1,500	Minimum $1,500	$1,121	$2,641	
Debt to EBITDARS Ratio	Maximum 4.50x	Not Measured	4.80x	Not Measured	(a)
Fixed Charge Coverage Ratio (b)	Minimum 1.00x	Not Measured	0.80x	Not Measured	(a)

(a) Compliance waived.

(b) The ratio compares (i) 12-month EBITDA plus non-cash stock compensation expense, plus permitted fiscal 2013 restatement related expenses minus unfinanced capital expenditures minus cash taxes paid ("Adjusted EBITDA"), to (ii) the sum of interest expense, principal payments, sale-leaseback payments and dividends, if any (fixed charges).

A reconciliation of EBITDARS to Net income follows:

(in thousands)	Three Months Ended December 26, 2014	September 30, 2014 (restated)
Net income/(loss)	$(795)	$1,034
Provision for/(benefit from) income taxes	—	(161)
Depreciation and amortization expense	1,241	1,218

Interest expense	534	386
Non-cash stock compensation	141	164
EBITDARS	$1,121	$2,641

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A reconciliation of Adjusted EBITDA to Net income follows:

	Three Months Ended	
	December 26, 2014	September 30, 2014
(in thousands)		(restated)
Net income/(loss)	$(795)	$1,034
Provision for/(benefit from) income taxes	—	(161)
Depreciation and amortization expense	1,241	1,218
Interest expense	534	386
Non-cash stock compensation	141	164
Unfinanced capital expenditures	(583)	(512)
Income taxes paid	—	(3)
Adjusted EBITDA	$538	$2,126

EBITDARS and Adjusted EBITDA are non-GAAP financial measures. They should not be considered in isolation or as a measure of the Company's profitability or liquidity; are in addition to, and are not a substitute for, financial measures under GAAP. EBITDARS and Adjusted EBITDA may be different from non-GAAP financial measures used by other companies, and may not be comparable to similarly titled measures reported by other companies. Non-GAAP financial measures have limitations since they do not reflect all of the amounts associated with the Company's results of operations as determined in accordance with GAAP.

EBITDARS and Adjusted EBITDA do not take into account working capital requirements, capital expenditures, debt service requirements and other commitments, and accordingly, EBITDARS and Adjusted EBITDA are not necessarily indicative of amounts that may be available for discretionary use. We present EBITDARS and Adjusted EBITDA because certain covenants in our credit facilities are tied to these measures. We also view EBITDARS and Adjusted EBITDA as useful measures of operating performance given our large net operating loss carryforward and because, as supplemental measures: (i) they are a basis upon which we assess our liquidity position and performance and (ii) we believe that investors will find the data useful in assessing our ability to service and/or incur indebtedness. We believe that EBITDARS and Adjusted EBITDA, when considered with both our GAAP results and the reconciliation to net income, provide a more complete understanding of our business than could be obtained absent this disclosure.

Off-Balance Sheet Arrangements

IEC is not a party to any material off-balance sheet arrangements.

Application of Critical Accounting Policies

Our application of critical accounting policies are disclosed in our 2014 Annual Report on Form 10-K filed for the fiscal year ended September 30, 2014. During the three months ended December 26, 2014 there have been no material changes to these policies.

Recently Issued Accounting Standards

See Note 1—Our Business and Summary of Significant Accounting Policies for further information concerning recently issued accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a result of its financing activities, the Company is exposed to changes in interest rates that may adversely affect operating results. The Company actively monitors its exposure to interest rate risk and from time to time uses derivative financial instruments to manage the impact of this risk. The Company uses derivatives only for the purpose of managing risk associated with underlying exposure. The Company does not trade or use instruments with the objective of earning financial gains on the interest rate, nor does the Company use derivatives instruments where it does not have underlying exposure. The Company manages its hedging position and monitors the credit ratings of counterparties and does not anticipate losses due to counterparty nonperformance. Management believes its use of derivative instruments to manage risk is in the Company’s best interest. However, the Company’s use of derivative financial instruments may result in short-term gains or losses and increased volatility.

At December 26, 2014, the Company had $30.7 million of debt, comprised of a combination of term loans and revolving credit facilities. $21.6 million of the debt had variable interest rates and $9.1 million with fixed interest rates. Interest rates on variable loans are based on London interbank offered rate ("Libor"). The Company is party to a swap transaction that effectively fixes an additional $11.5 million of variable interest rate debt, which increased the portion of debt with effectively fixed interest rates from $9.1 million to $20.6 million at December 26, 2014. The credit facilities and related swap transaction are more fully described in Note 8—Credit Facilities and Note 9—Derivative Financial Instruments. The rates effectively fixed by the swap transaction continue to vary due to the variable margin based on financial covenant metrics. The variable margins were modified by a December 2013 amendment to the 2013 Credit Agreement to temporarily fix the applicable margin for the twelve-month period commencing December 13, 2013, and thereafter if the Company is not in compliance with its financial covenants, with respect to the Revolver to 4.25% above LIBOR, with respect to the Albuquerque Mortgage Loan to 4.50% above LIBOR and with respect to Term Loan B to 3.25% above LIBOR. The applicable unused fee for the same period was changed to 0.50%. The February 2014 amendment to the 2013 Credit Agreement extended these temporarily fixed applicable margins and unused fee through March 27, 2015 and thereafter if the Company is not in compliance with its financial covenants. Interest rates based on Libor currently adjust daily, causing interest on such loans to vary from period to period. A sensitivity analysis as of December 26, 2014 indicates that a one-percentage point increase or decrease in our variable interest rates, which represents more than a 10% change, would increase or decrease the Company's annual interest expense by approximately $0.2 million. The rates and sensitivity analysis noted above exclude the impact of the swap transaction.

The Company is exposed to credit risk to the extent of non-performance by M&T Bank under the 2013 Credit Agreement and the Swap Transaction. M&T Bank's credit rating (reaffirmed A- by Fitch in October 2014) is monitored by the Company, and IEC expects that M&T Bank will perform in accordance with the terms of the 2013 Credit Agreement and the Swap Transaction.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

IEC's management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(c) and 15d-15(c) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of December 26, 2014, the end of the period covered by this Form 10-Q. Based on that evaluation, solely as a result of the material weaknesses discussed in greater detail in our Form 10-K/A filed with the SEC on or about the date of filing of this Quarterly Report (the "2014 Form 10-K/A"), our Chief Executive Officer and Chief Financial Officer concluded that as of December 26, 2014, the Company's disclosure controls and procedures were not effective. To address these material weaknesses, we have implemented certain remedial measures, as described in our 2014 Form 10-K/A.

Changes in internal control over financial reporting

Management identified material weaknesses in our internal control over financial reporting related to an error in the valuation allowance on deferred income tax assets and an error in estimated excess and obsolete inventory reserves, as discussed in greater detail in Item 9A of our 2014 Form 10-K/A. To address these material weaknesses, we have implemented certain remedial measures, as described in Item 9A of our 2014 Form 10-K/A, which description is incorporated by reference herein. The material weaknesses cannot be considered fully remediated until the applicable remedial controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.
Except as described above, during the three months ended December 26, 2014, there were no changes in our internal controls that materially affected, or are reasonably likely to materially affect, our internal control over financial

reporting.

Limitations on the effectiveness of control systems

IEC's management does not expect that our disclosure controls and internal controls will prevent all errors and fraud. Because of inherent limitations in any such control system (e.g. faulty judgments, human error, information technology system error, or intentional circumvention), there can be no assurance that the objectives of a control system will be met under all circumstances. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. The benefits of a control system also must be considered relative to the costs of the system and management's judgments regarding the likelihood of potential events. In summary, there can be no assurance that any control system will succeed in achieving its goals under all possible future conditions, and as a result of these inherent limitations, misstatements due to error or fraud may occur and may or may not be detected.

Part II OTHER INFORMATION

Item 1. Legal Proceedings

In connection with the restatement, the Audit Committee conducted an independent review of the underlying facts and circumstances, and the Company is responding to a formal investigation by the staff of the SEC relating to the restatement and other matters. The Company is unable to predict what action, if any, might be taken in the future by the SEC or its staff as a result of the investigation or what impact the cost of responding to the SEC might have on the Company’s financial position, results of operations, or cash flows.

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

Item 1A. Risk Factors

There are no material changes to the risk factors described in Item 1A to Part I of our Annual Report on Form 10-K/A for the fiscal year ended September 30, 2014, as filed with the SEC on or about the date of filing of this Quarterly Report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchase of Equity Securities

Period (1)	Total Number of Shares Purchased (2)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 1, 2014 - October 24, 2014	—	$—	—	—
October 25, 2014 - November 21, 2014	6,992	5.25	—	—
November 22, 2014 - December 26, 2014	381	5.23	—	—
Total	7,373	$5.25	—	—

(1) The reported periods conform to the Company's fiscal calendar.

(2) The total number of shares purchased in the period consists of shares withheld by the Company in satisfaction of withholding taxes due upon the vesting of restricted stock awards granted under the 2001 Plan and 2010 Plan. Shares withheld are held as Treasury Shares and are no longer deemed outstanding.

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not Applicable

Item 5. Other Information

None.

Item 6. Exhibits

For the exhibits that are filed herewith or incorporated herein by reference, see the Index to Exhibits located immediately following the signature page to this Report. The Index to Exhibits is incorporated herein by reference.

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: May 11, 2015	By: /s/ Jeffery T. Schlarbaum Jeffery T. Schlarbaum Chief Executive Officer and President
Dated: May 11, 2015	By: /s/ Michael T. Williams Michael T. Williams Vice President of Finance and Chief Financial Officer

IEC ELECTRONICS CORP.
Form 10-Q for Quarter Ended December 26, 2014
INDEX TO EXHIBITS

Exhibit No.	Description
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350
101	The following items from this Quarterly Report on Form 10-Q formatted in Extensible Business Reporting Language: (i) Consolidated Balance Sheets (unaudited), (ii) Consolidated Income Statements (unaudited), (iii) Consolidated Statements of Changes in Stockholders' Equity (unaudited), (iv) Consolidated Statements of Cash Flows (unaudited), and (v) Notes to Consolidated Financial Statements.

* Management contract or compensatory plan or arrangement.

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