

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended September 27, 2013

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 0-5278

IEH CORPORATION

(Exact name of registrant as specified in its charter)

New York

(State or other jurisdiction of incorporation or organization)

13-5549348

(I.R.S. Employer Identification Number)

140 58th Street, Suite 8E, Brooklyn, New York 11220

(Address of principal executive office)

Registrant's telephone number, including area code: (718) 492-4440

\_\_\_\_\_  
Former name, former address and former fiscal year,  
if changed since last report.

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

Yes

No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes

No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer   
(Do not check if a smaller reporting company)

Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES  NO

2,303,468 shares of Common Shares, par value \$.01 per share, were outstanding as of September 27, 2013.

**IEH CORPORATION**  
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**IEH CORPORATION**  
**PART I: FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**IEH CORPORATION**  
**BALANCE SHEETS**

As of September 27, 2013 and March 29, 2013

	Sept. 27, 2013 <i>(Unaudited)</i>	March 29, 2013
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 792,652	\$ 415,857
Accounts receivable, less allowances for doubtful accounts of \$11,562 at September 27, 2013 and March 29, 2013	2,096,934	1,817,768
Inventories <i>(Note 3)</i>	4,667,200	4,463,180
Excess payments to accounts receivable factor <i>(Note 6)</i>	523,083	36,916
Prepaid expenses and other current assets <i>(Note 4)</i>	734,831	955,226
Total Current Assets	<u>8,814,700</u>	<u>7,688,947</u>
<b>PROPERTY, PLANT AND EQUIPMENT, less accumulated depreciation and amortization of \$7,790,107 at September 27, 2013 and \$7,665,207 at March 30, 2012 <i>(Note 5)</i></b>		
	<u>1,582,720</u>	<u>1,497,690</u>
<b>OTHER ASSETS:</b>		
Other assets	40,247	34,220
	<u>40,247</u>	<u>34,220</u>
Total Assets	<u>\$ 10,437,667</u>	<u>\$ 9,220,857</u>

*The accompanying notes should be read in conjunction with the financial statements.*

IEH CORPORATION

BALANCE SHEETS (Continued)

As of September 27, 2013 and March 29, 2013

	Sept. 27, 2013 <i>(Unaudited)</i>	March 29, 2013
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 319,488	\$ 85,548
Accrued corporate income taxes	52,464	—
Workers compensation insurance assessments- current portion (Note 8)	—	47,638
Other current liabilities (Note 7)	431,959	439,117
<b>Total Current Liabilities</b>	<b>803,911</b>	<b>572,303</b>
<b>LONG-TERM LIABILITIES:</b>		
Workers compensation insurance assessments- net of current portion (Note 8)	—	21,358
<b>Total Long-Term Liabilities</b>	<b>—</b>	<b>21,358</b>
<b>Total Liabilities</b>	<b>803,911</b>	<b>593,661</b>
<b>STOCKHOLDERS' EQUITY:</b>		
Common stock, \$.01 par value; 10,000,000 shares authorized; 2,303,468 shares issued and outstanding at September 27, 2013 and March 29, 2013	23,035	23,035
Capital in excess of par value	2,744,573	2,744,573
Retained earnings (Note 9)	6,866,148	5,859,588
<b>Total Stockholders' Equity</b>	<b>9,633,756</b>	<b>8,627,196</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 10,437,667</b>	<b>\$ 9,220,857</b>

The accompanying notes should be read in conjunction with the financial statements.

**IEH CORPORATION**  
**STATEMENT OF OPERATIONS**  
*(Unaudited)*

For the Six and Three Months Ended September 27, 2013 and September 28, 2012

	Six Months Ended		Three Months Ended	
	Sept. 27, 2013	Sept. 28, 2012	Sept. 27, 2013	Sept. 28, 2012
REVENUE, net sales	\$ 8,105,981	\$ 6,707,556	\$ 4,015,342	\$ 3,238,287
<b>COSTS AND EXPENSES</b>				
Cost of products sold	4,945,909	4,504,544	2,457,084	2,236,429
Selling, general and administrative	1,276,636	1,121,658	640,396	553,199
Interest expense	12,701	13,557	5,028	6,306
Depreciation	124,900	125,400	62,100	59,100
	<u>6,360,146</u>	<u>5,765,159</u>	<u>3,164,608</u>	<u>2,855,034</u>
OPERATING INCOME	1,745,835	942,397	850,734	383,253
OTHER INCOME	54,397	239	179	143
INCOME BEFORE INCOME TAXES	1,800,232	942,636	850,913	383,396
PROVISION FOR INCOME TAXES	793,672	425,122	368,672	180,996
NET INCOME	<u>\$ 1,006,560</u>	<u>\$ 517,514</u>	<u>\$ 482,241</u>	<u>\$ 202,400</u>
BASIC AND DILUTED EARNINGS PER SHARE <i>(Note 2)</i>	<u>\$ .44</u>	<u>\$ .22</u>	<u>\$ .21</u>	<u>\$ .09</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (in thousands)	<u>2,303</u>	<u>2,303</u>	<u>2,303</u>	<u>2,303</u>

*The accompanying notes should be read in conjunction with the financial statements.*

**IEH CORPORATION**  
**STATEMENT OF CASH FLOWS**  
*(Unaudited)*

For the Six Months Ended September 27, 2013 and September 28, 2012

	Six Months Ended	
	Sept. 27, 2013	Sept. 28, 2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 1,006,560	\$ 517,514
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	124,900	125,400
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(279,166)	160,223
(Increase) decrease in inventories	(204,020)	24,648
(Increase) decrease in prepaid expenses and other current assets	220,396	(184,809)
(Increase) in other assets	(6,027)	(12)
Increase (decrease) in accounts payable	233,939	(85,418)
(Decrease) in other current liabilities	(7,159)	(66,121)
Increase in accrued corporate income taxes	52,464	—
(Decrease) in workers compensation assessment	(68,995)	(22,629)
Total adjustments	66,332	(48,718)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,072,892</b>	<b>468,796</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of fixed assets	(209,930)	(155,171)
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<b>\$ (209,930)</b>	<b>\$ (155,171)</b>

*The accompanying notes should be read in conjunction with the financial statements.*

**IEH CORPORATION**

**STATEMENT OF CASH FLOWS (Continued)**  
*(Unaudited)*

For the Six Months Ended September 27, 2013 and September 28, 2012

	Six Months Ended	
	Sept. 27, 2013	Sept. 28, 2012
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Increase (decrease) in accounts receivable financed	\$ —	\$ (54,943)
Increase (decrease) in excess payments to accounts receivable factor	(486,167)	(171,661)
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b>(486,167)</b>	<b>(226,604)</b>
<b>INCREASE IN CASH</b>	<b>376,795</b>	<b>87,021</b>
CASH, beginning of period	415,857	286,109
CASH, end of period	<u>\$ 792,652</u>	<u>\$ 373,130</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid during the six months for:		
Interest	<u>\$ 11,201</u>	<u>\$ 12,057</u>
Income Taxes	<u>\$ 540,000</u>	<u>\$ 660,000</u>

*The accompanying should be read in conjunction with the financial statements.*



**IEH CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

*(Unaudited)*

**Note 1- INTERIM RESULTS AND BASIS OF PRESENTATION:**

The accompanying unaudited financial statements as of September 27, 2013 and September 28, 2012 and for the six and three months then ended have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Regulation S-X. In the opinion of management, the unaudited financial statements have been prepared on the same basis as the annual financial statements and reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the financial position as of September 27, 2013 and September 28, 2012 and the results of operations and cash flows for the six and three months then ended. The financial data and other information disclosed in these notes to the interim financial statements related to these periods are unaudited. The results for the six and three months ended September 27, 2013, are not necessarily indicative of the results to be expected for any subsequent quarter or the entire fiscal year. The balance sheet at March 29, 2013 has been derived from the audited financial statements at that date.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). The Company believes, however, that the disclosures in this report are adequate to make the information presented not misleading in any material respect. The accompanying financial statements should be read in conjunction with the audited financial statements and notes thereto of IEH Corporation for the fiscal year ended March 29, 2013 included in the Company's Annual Report on Form 10-K/A as filed with the SEC and the attached Management's Discussion and Analysis of Financial Condition and Results of Operations.

**Note 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Description of Business:**

The Company designs, develops and manufactures printed circuit connectors for high performance applications. We have also developed a high performance plastic circular connector line. All of our products utilize the HYPERTAC™ contact design, which is identified by the generic "HYPERBOLOID" in our catalogs. This is necessary since all other HYPERTAC™ companies have been purchased by a multi-national company. We are the only independent producer of HYPERTAC™ in the United States.

Our customers consist of OEM's (Original Equipment Manufacturers), companies manufacturing medical equipment, and Distributors who resell our products to OEMs. We sell our products directly and through 16 independent sales representatives located in all regions of the United States, Canada, Israel, India, various Pacific Rim countries, South Korea and the European Union (EU).

**IEH CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

*(Unaudited)*

**Note 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Description of Business: *(continued)***

The customers we service are in the Government, Military, Aerospace, Medical, Automotive, Industrial, Test Equipment and Commercial Electronics markets. We appear on the Military Qualified Product Listing "QPL" to MIL-DTL-55302 and supply customer requested modifications to this specification. Sales to the commercial electronic and military markets were 31% and 63%, respectively, of the Company's net sales for the year ended March 29, 2013. Our offering of "QPL" items has recently been expanded to include additional products.

In order to remain competitive, the Company has an internal program to upgrade, add and maintain machinery, review material costs and increase labor force productivity. We recently purchased several machines to increase the productivity of certain processes. This will help us meet this goal.

**Business New Product Development:**

The Company is sought after by many of its customers to design and manufacture custom connectors. This has created many new products that are innovative designs and employ new technologies. The Company continues to be successful because of its ability to assist its customers and create a new design, including engineering drawing packages, in a relatively short period of time. We will continue to support our customers to the best of our ability.

The circular product line of connectors introduced several years ago for the medical industry continues to be very rewarding for the Company. The line has been expanded to include connector cable assemblies utilizing the circular connectors.

A new product line featuring high density connectors is being added to the Company's product offering. This offering should be available within the next few months. The Company expects the new product line to bring additional revenue.

The standard printed circuit board connectors we produce are continually being expanded and utilized in many of the military programs being built today. We have recently received approval for additional products that we can offer under the Military Qualified Product Listing "QPL".

**Accounting Period:**

The Company maintains an accounting period based upon a 52-53 week year, which ends on the nearest Friday in business days to March 31. The year ended March 29, 2013 was comprised of 52 weeks.

**IEH CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

*(Unaudited)*

**Note 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Revenue Recognition:**

Revenues are recognized at the shipping date of the Company's products. The Company has historically adopted the shipping terms that title to merchandise passes to the customer at the shipping point (FOB Shipping Point). At this juncture, title has passed, the Company has recognized the sale, inventory has been relieved, and the customer has been invoiced. The Company does not offer any discounts, credits or other sales incentives.

The Company's policy with respect to customer returns and allowances as well as product warranty is as follows:

The Company will accept a return of defective product within one year from shipment for repair or replacement at the Company's option. If the product is repairable, the Company at its own cost, will repair and return it to the customer. If unrepairable, the Company will either offer an allowance against payment or will reimburse the customer for the total cost of product.

Most of the Company's products are custom ordered by customers for a specific use. The Company provides engineering services as part of the relationship with its customers in developing the custom product. The Company is not obligated to provide such engineering service to its customers. The Company does not invoice its customers separately for these services.

**Inventories:**

Inventories are stated at cost, on a first-in, first-out basis which does not exceed market value.

The Company manufactures products pursuant to specific technical and contractual requirements.

The Company historically purchases material in excess of its requirements to avail itself of favorable pricing as well as the possibility of receiving additional orders from customers. This excess may result in material not being used in subsequent periods, which may result in this material being deemed obsolete.

The Company annually reviews its purchase and usage activity of its inventory of parts as well as work in process and finished goods to determine which items of inventory have become obsolete within the framework of current and anticipated orders. The Company based upon historical experience has determined that if a part has not been used and purchased or an item of finished goods has not been sold in three years, it is deemed to be obsolete. The Company estimates which materials may be obsolete and which products in work in process or finished goods may be sold at less than cost. A periodic adjustment, based upon historical experience is made to inventory in recognition of this impairment.

**IEH CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
*(Unaudited)*

**Note 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**Concentration of Credit Risk:**

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash, cash equivalents and accounts receivable.

Under the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act that was signed into law on July 21, 2010, the Federal Deposit Insurance Corporation (FDIC) will permanently insure all accounts at financial institutions up to \$250,000 in the aggregate.

As of September 27, 2013, the Company had funds on deposit in the amount of \$792,652 in one financial institution comprised of the following:

Non-interest bearing accounts	\$ 526,891
Interest bearing account	265,761
	<u>\$ 792,652</u>

The Company has not experienced any losses in such accounts and believes its cash balances are not exposed to any significant risk.

**Property, Plant and Equipment:**

Property, plant and equipment are stated at cost less accumulated depreciation and amortization. The Company provides for depreciation and amortization using the Double Declining Balance method over the estimated useful lives (5-7 years) of the related assets.

Maintenance and repair expenditures are charged to operations, and renewals and betterments are capitalized. Items of property, plant and equipment, which are sold, retired or otherwise disposed of, are removed from the asset and accumulated depreciation or amortization accounts. Any gain or loss thereon is either credited or charged to operations.

**Income Taxes:**

The Company follows the policy of treating investment tax credits as a reduction in the provision for federal income tax in the year in which the credit arises or may be utilized. Deferred income taxes arise from temporary differences resulting from different depreciation methods used for financial and income tax purposes. The Company has adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, which includes the provisions of Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes."

**IEH CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

*(Unaudited)*

**Note 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**Net Income Per Share:**

The Company has adopted the provisions of ASC Topic 260, *Earnings per Share*, which includes the provisions of SFAS No. 128, "Earnings Per Share," which requires the disclosure of "basic" and "diluted" earnings (loss) per share. Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during each period. Diluted earnings per share is similar to basic earnings per share except that the weighted average number of common shares outstanding is increased to reflect the dilutive effect of potential common shares, such as those issuable upon the exercise of stock or warrants, as if they had been issued. For the six months ended September 27, 2013 and September 28, 2012, respectively, there were no items of potential dilution that would impact on the computation of diluted earnings or loss per share.

**Fair Value of Financial Instruments:**

The carrying value of the Company's financial instruments, consisting of accounts receivable, accounts payable, and borrowings, approximate their fair value due to the relatively short maturity (six months) of these instruments.

**Use of Estimates:**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and disclosure of contingent assets and liabilities at the date of the financial statements. Actual amounts could differ from those estimates.

**Impairment of Long-Lived Assets:**

The Company has adopted the provisions of ASC Topic, 360, *Property, Plant and Equipment-Impairment or Disposal of Long-Lived Assets* which includes the provisions of SFAS No. 144, "Accounting for The Impairment or Disposal of Long-Lived Assets," and requires that long-lived assets and certain identifiable intangibles to be held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company has adopted SFAS No. 144. There were no long-lived asset impairments recognized by the Company for the six months ended September 27, 2013 and September 28, 2012, respectively.

**IEH CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
*(Unaudited)*

**Note 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**Reporting Comprehensive Income:**

The Company has adopted the provisions of ASC Topic, 220, *Comprehensive Income* which includes the provisions of SFAS No. 130, "Reporting Comprehensive Income." This Statement established standards for reporting and display of comprehensive income and its components (revenues, expenses, gains and losses) in an entity's financial statements. This Statement requires an entity to classify items of other comprehensive income by their nature in a financial statement and display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in capital in the equity section of a statement of balance sheet. There were no material items of comprehensive income to report for the six months ended September 27, 2013 and September 28, 2012, respectively.

**Segment Information:**

The Company has adopted the provisions of ASC Topic, 280, *Segment Reporting* which includes the provisions of SFAS No. 131, "Disclosures About Segment of An Enterprise and Related Information." This Statement requires public enterprises to report financial and descriptive information about its reportable operating segments and establishes standards for related disclosures about product and services, geographic areas, and major customers. The adoption of ASC Topic 280 did not affect the Company's presentation of its results of operations or financial position.

**Research and Development:**

The Company provides personalized engineering services to its customers by designing connectors for specific customer applications. The employment of electromechanical engineers is the anticipated cornerstone of the Company's future growth. The Company maintains a testing laboratory where its engineers experiment with new connector designs based on changes in technology and in an attempt to create innovative, more efficient connector designs.

The Company did not expend any funds on nor receive any revenues related to customer sponsored research and development activities relating to the development of new designs, techniques and the improvement of existing design during the six months ended September 27, 2013 and September 28, 2012, respectively.

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

Note 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

**Effect of New Accounting Pronouncements:**

In February 2013, the FASB issued ASU 2013-02, "Comprehensive Income (Topic 220), Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income". The amendments do not change the current requirements for reporting net income or other comprehensive income in financial statements. However, the amendments require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. The pronouncement is effective for fiscal years and interim periods ending after December 15, 2012. The adoption of this pronouncement is not expected to have a material effect on our Company's financial position or results of operations.

In October 2012, the FASB issued ASU 2012-04 "Technical corrections and improvements". This ASU makes certain technical correction to the FASB Accounting Standards Codification. The new guidance will be effective for fiscal years beginning after December 15, 2012. The adoption of the new amendments is not expected to have a significant impact on our financial statements.

In July, 2012, the FASB issued ASU 2012-02, "Intangibles - Goodwill and Other (Topic). ASU 2012-02 amends the required annual impairment testing of indefinite-lived intangible assets by providing an entity an option to first assess qualitative factors to determine whether it is more likely than not that the fair value of the indefinite-lived asset is less than its carrying amount. If, after assessing the totality of events and circumstances, an entity determines it is not more likely than not that the fair value of the indefinite-lived asset is less than its carrying amount, then performing the two-step impairment test under Topic 350-30 is unnecessary. However, if an entity concludes otherwise, then it is required to perform the impairment testing under Topic 350-30-35-18F by calculating the fair value of the reporting unit and comparing the results with the carrying amount. If the fair value exceeds the carrying amount, then the entity must perform the second step test of measuring the amount of the impairment test under Topic 350-30-35-19. An entity has the option to bypass the qualitative assessment and proceed directly to the two step goodwill impairment test. Additionally, the entity has the option to resume with the qualitative testing in any subsequent period.

The pronouncement is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012 and early adoption is permitted. Our Company's adoption of the new standard is not expected to have a material effect on our Company's financial position or results of operations.

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

Note 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Effect of New Accounting Pronouncements: (continued)

In December 2011, the FASB issued ASU 2011-11 "Disclosures about offsetting assets and liabilities". Under the new guidance entities must disclose both gross information and net information on instruments and transactions eligible for offset on the balance sheet in accordance with the offsetting guidance in ASC 210-20-45 or ASC 815-10-45, and instruments and transactions subject to an agreement similar to a master netting arrangement. The new guidance will be effective for the Company beginning April 1, 2013. The adoption of the new amendments is not expected to have a significant impact on our Company's financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on our Company's financial statements upon adoption.

Note 3- INVENTORIES:

Inventories are stated at cost, on a first-in, first-out basis, which does not exceed market value.

The Company manufactures products pursuant to specific technical and contractual requirements. The Company historically purchases material in excess of its requirements to avail itself of favorable pricing as well as the possibility of receiving additional orders from customers. This excess may result in material not being used in subsequent periods, which may result in this material being deemed obsolete.

The Company annually reviews its purchase and usage activity of its inventory of parts as well as work in process and finished goods to determine which items of inventory have become obsolete within the framework of current and anticipated orders. The Company based upon historical experience has determined that if a part has not been used and purchased or an item of finished goods has not been sold in three years, it is deemed to be obsolete.

The Company estimates which materials may be obsolete and which products in work in process or finished goods may be sold at less than cost. A periodic adjustment, based upon historical experience is made to inventory in recognition of this impairment.

Inventories are comprised of the following:

	<u>Sept., 27,</u> <u>2013</u>	<u>March 29,</u> <u>2013</u>
Raw materials	\$ 2,767,186	\$ 2,646,222
Work in progress	710,809	679,737
Finished goods	<u>1,189,205</u>	<u>1,137,221</u>
	<u>\$ 4,667,200</u>	<u>\$ 4,463,180</u>



**IEH CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
*(Unaudited)*

**Note 4- PREPAID EXPENSES AND OTHER CURRENT ASSETS:**

Prepaid expenses and other current assets are comprised of the following:

	Sept., 27, 2013	March 29, 2013
Prepaid insurance	\$ 31,722	\$ 63,897
Prepaid corporate taxes	604,677	805,885
Other current assets	98,432	85,444
	<u>\$ 734,831</u>	<u>\$ 955,226</u>

**Note 5- PROPERTY, PLANT AND EQUIPMENT:**

Property, plant and equipment are comprised of the following:

	Sept., 27, 2013	March 29, 2013
Computers	\$ 311,027	\$ 308,080
Leasehold improvements	791,682	784,882
Machinery and equipment	5,321,521	5,296,237
Tools and dies	2,769,569	2,596,379
Furniture and fixture	169,978	168,269
Website development cost	9,050	9,050
	<u>9,372,827</u>	<u>9,162,897</u>
Less: accumulated depreciation and amortization	(7,790,107)	(7,665,207)
	<u>\$ 1,582,720</u>	<u>\$ 1,497,690</u>

**Note 6- ACCOUNTS RECEIVABLE FINANCING:**

The Company entered into an accounts receivable financing agreement with a non-bank lending institution ("Factor") whereby it can borrow up to 80 percent of its eligible receivables (as defined in such financing agreement) at an interest rate of 2.5% above JP Morgan Chase's publicly announced rate with a minimum rate of 12% per annum. The financing agreement has an initial term of one year and will automatically renew for successive one-year terms, unless terminated by the Company or the Factor upon receiving 60 days prior notice. Funds advanced by the Factor are secured by the Company's accounts receivable and inventories.

At September 27, 2013, the Company had reported excess payments to the Factor resulting in overpayments of \$523,083, which the Company will apply against future borrowings. These excess payments are reported in the accompanying financial statements as of September 27, 2013 as "Excess payments to accounts receivable factor." As of March 29, 2013, the Company had reported excess payments to the Factor of \$36,916.

**IEH CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
*(Unaudited)*

**Note 7- OTHER CURRENT LIABILITIES:**

Other current liabilities are comprised of the following:

	<u>Sept., 27, 2013</u>	<u>March 29, 2013</u>
Payroll and vacation accruals	\$ 349,865	\$ 387,341
Sales commissions	42,141	40,214
Insurance	3,912	7,362
Other	36,041	4,200
	<u>\$ 431,959</u>	<u>\$ 439,117</u>

**Note 8- WORKERS COMPENSATION INSURANCE ASSESSMENT:**

On September 15, 2008, the Company was notified by the State of New York Workers' Compensation Board (the "Board") that the Trade Industry Workers' Compensation Trust for Manufacturers (the "Trust") had defaulted. As a member of this self-insured group, the Company was assessed on an estimated basis by the Board for its allocable share necessary to discharge all liabilities of the Trust.

The assessed amount for the years 2002 through 2006 was \$101,362. The assessed amount for each year is detailed as follows:

2002	\$ 16,826
2003	24,934
2004	31,785
2005	14,748
2006	13,069
	<u>\$ 101,362</u>

The Company did have the option of paying this assessment as a lump sum amount or paying off the assessment over a 60 month period. The Company elected the deferral option, and was obligated to making monthly payments of \$1,689 for 59 months, and \$1,711 for the 60<sup>th</sup> and final month. The Company had recorded this assessment as a charge to Cost of Sales in the quarter ended December 26, 2008.

The Company was subsequently notified that it was being assessed an additional \$146,073 covering the years 2002 through 2007, bringing the total deficit allocation assessment to \$247,435.

**IEH CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
*(Unaudited)*

**Note 8- WORKERS COMPENSATION INSURANCE ASSESSMENT: (continued)**

The total revised assessment for the years 2002 to 2007 was as follows:

2002	\$	23,445
2003		43,797
2004		51,381
2005		38,309
2006		46,477
2007		44,026
	\$	<u>247,435</u>

As of March 29, 2013, the Company had paid down \$178,440 of this assessment.

As of March 29, 2013 the remaining balance of the revised assessment payable was \$68,995.

Effective as of May 31, 2013, the Company and the WC Board executed a settlement agreement pursuant to which the Company entered into a final settlement of the outstanding liability to the Trust and paid a lump-sum settlement amount equal to \$7,771. The Company has no further liability to the Trust. In connection with this final settlement, the WC Board executed and issued a general release to the Company. The settlement resulted in the Company recognizing forgiveness of debt income of \$54,078.

**Note 9- CHANGES IN STOCKHOLDERS' EQUITY:**

The accumulated retained earnings increased by \$1,006,560, which represents the net income for the six months ended September 27, 2013. Accordingly, the Company reported accumulated retained earnings of \$6,866,148 as of September 27, 2013.

**Note 10- 2011 EQUITY INCENTIVE PLAN:**

On August 31, 2011, the Company's shareholders approved the adoption of the Company's 2011 Equity Incentive Plan ("2011 Plan") to provide for the grant of stock options and restricted stock awards to purchase up to 750,000 shares of the Company's common stock to all employees, consultants and other eligible participants including senior management and members of the Board of Directors of the Company. The 2011 Plan replaced the prior 2002 Employee Stock Option Plan which had expired in accordance with its terms.

Options granted to employees under the 2011 Plan may be designated as options which qualify for incentive stock option treatment under Section 422A of the Internal Revenue Code, or options which do not qualify (non-qualified stock options).

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

**Note 10- 2011 EQUITY INCENTIVE PLAN: (continued)**

Under the 2011 Plan, the exercise price of an option designated as an incentive stock option shall not be less than the fair market value of the Company's common stock on the day the option is granted. In the event an option designated as an incentive stock option is granted to a ten percent (10%) or greater shareholder, such exercise price shall be at least 110 percent (110%) of the fair market value of the Company's common stock and the option must not be exercisable after the expiration of five years from the day of the grant. The 2011 Plan also provides that holders of options that wish to pay for the exercise price of their options with shares of the Company's common stock must have beneficially owned such stock for at least six months prior to the exercise date.

Exercise prices of non-incentive stock options may be less than the fair market value of the Company's common stock.

The aggregate fair market value of shares subject to options granted to a participant(s), that are designated as incentive stock options, and which become exercisable in any calendar year, shall not exceed \$100,000. As of September 27, 2013, no options or restricted stock awards had been granted under the 2011 Plan.

**Note 11- CASH BONUS PLAN:**

In 1987, the Company adopted a cash bonus plan ("Cash Bonus Plan") for executive officers. Contributions to the Cash Bonus Plan are made by the Company only after pre-tax operating profits exceed \$150,000 for a fiscal year, and then to the extent of 10% of the excess of the greater of \$150,000 or 25% of pre-tax operating profits. The Company accrued \$94,800 for the six months ended September 27, 2013. For the year ended March 29, 2013, the Company's contribution was \$159,000.

**Note 12- COMMITMENTS AND CONTINGENCIES:**

The Company leases space for its corporate offices (including its manufacturing facility) at 140 58<sup>th</sup> Street, Suite 8E, Brooklyn, New York. The lease term runs from December 1, 2010 through November 30, 2020. The basic minimum annual rentals are as follows:

Fiscal year ending March:	
2014	158,480
2015	163,240
2016	168,120
2017	173,180
2018	178,360
Thereafter	501,560
	<u>\$ 1,342,940</u>

**IEH CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
*(Unaudited)*

**Note 12- COMMITMENTS AND CONTINGENCIES: *(continued)***

The rental expense for the six months ended September 27, 2013 and September 28, 2012 was \$78,450 and \$76,170, respectively.

The Company has a collective bargaining multi-employer pension plan ("Multi-Employer Plan") with the United Auto Workers of America, Local 259 ("UAW"). Contributions are made by the Company in accordance with a negotiated labor contract and are based on the number of covered employees employed per month. With the passage of the Multi-Employer Pension Plan Amendment Act of 1990 (the "1990 Act"), the Company may become subject to liabilities in excess of contributions made under the collective bargaining agreement. Generally, these are contingent upon termination, withdrawal, or partial withdrawal from the Multi-Employer Plan.

The Company has not taken any action to terminate, withdraw or partially withdraw from the Multi-Employer Plan, nor does it intend to do so in the future. Under the 1990 Act, liabilities would be based upon the Company's proportional share of the Multi-Employer Plan's unfunded vested benefits which is currently not available. The amount of accumulated benefits and net assets of such Plan also is not currently available to the Company. The total contributions charged to operations under the provisions of the Multi-Employer Plan were \$57,849 and \$59,150 for the six months ended September 27, 2013 and September 28, 2012, respectively.

**IEH CORPORATION**

**PART I: FINANCIAL INFORMATION**

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

**Forward-Looking Statements**

This report contains forward-looking statements within the meaning of Section 21E of the Securities and Exchange Act of 1934, as amended (the "Exchange Act") and Section 27A of the Securities Act of 1933 (the "Securities Act"). Statements contained in this report which are not statements of historical facts may be considered forward-looking information with respect to plans, projections, or future performance of the Company as defined under the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to risks and uncertainties which could cause actual results to differ materially from those projected. The words "anticipate," "believe," "estimate," "expect," "objective," and "think" or similar expressions used herein are intended to identify forward-looking statements. The forward-looking statements are based on the Company's current views and assumptions and involve risks and uncertainties that include, among other things, the effects of the Company's business, actions of competitors, changes in laws and regulations, including accounting standards, employee relations, customer demand, prices of purchased raw material and parts, domestic economic conditions, including housing starts and changes in consumer disposable income, and foreign economic conditions, including currency rate fluctuations. Some or all of the facts are beyond the Company's control.

Except as may be required by applicable law, we do not undertake or intend to update or revise our forward-looking statements, and we assume no obligation to update any forward-looking statements contained in this report as a result of new information or future events or developments. Thus, you should not assume that our silence over time means that actual events are bearing out as expressed or implied in such forward-looking statements. You should carefully review and consider the various disclosures we make in this report and our other reports filed with the SEC that attempt to advise interested parties of the risks, uncertainties and other factors that may affect our business. The following discussion and analysis should be read in conjunction with the financial statements and related footnotes included elsewhere in this quarterly report which provide additional information concerning the Company's financial activities and condition.

**Critical Accounting Policies**

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and revenues and expenses during the periods reported. Actual results could differ from those estimates. The Company believes the following are the critical accounting policies, which could have the most significant effect on the Company's reported results and require the most difficult, subjective or complex judgments by management.

**Impairment of Long-Lived Assets:**

The Company reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. If the sum of the expected cash flows, undiscounted and without interest, is less than the carrying amount of the asset, an impairment loss is recognized as the amount by which the carrying amount of the asset exceeds its fair value. The Company makes estimates of its future cash flows related to assets subject to impairment review.

**IEH CORPORATION**

**PART I: FINANCIAL INFORMATION**

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations** *(continued)*

**Critical Accounting Policies** *(continued)*

**Inventory Valuation:**

Inventories are stated at cost on first-in, first-out basis, which does not exceed market value. Finished goods and work in process are valued at the lower of actual cost, determined on a specific identification basis, or market. The Company estimates which materials may be obsolete and which products in work in process or finished goods may be sold at less than cost, and adjusts their inventory value accordingly. Future periods could include either income or expense items if estimates change and for differences between the estimated and actual amount realized from the sale of inventory.

**Income Taxes:**

The Company records a liability for potential tax assessments based on its estimate of the potential exposure. Due to the subjectivity and complex nature of the underlying issues, actual payments or assessments may differ from estimates. Income tax expense in future periods could be adjusted for the difference between actual payments and the Company's recorded liability based on its assessments and estimates.

**Revenue Recognition:**

Revenues are recognized at the shipping date of the Company's products. The Company has historically adopted the shipping terms that title merchandise passes to the customer at the shipping point (FOB Shipping Point). At this juncture, title has passed, the Company has recognized the sale, inventory has been relieved, and the customer has been invoiced. The Company does not offer any discounts, credits or other sales incentives.

The Company's policy with respect to customer returns and allowances as well as product warranty is as follows:

The Company will accept a return of defective product within one year from shipment for repair or replacement at the Company's option. If the product is repairable, the Company at its own cost will repair and return it to the customer. If unrepairable, the Company will either offer an allowance against payment or will reimburse the customer for the total cost of the product.

Most of the Company's products are custom ordered by customers for a specific use. The Company provides engineering services as part of the relationship with its customers in developing the custom product. The Company is not obligated to provide such engineering service to its customers. The Company does not charge separately for these services.

**IEH CORPORATION**

**PART I: FINANCIAL INFORMATION**

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations** *(continued)*

**Critical Accounting Policies** *(continued)*

Research & Development:

The Company provides personalized engineering services to its customers by designing connectors for specific customer applications. The employment of electromechanical engineers is the anticipated cornerstone of the Company's future growth. The Company maintains a testing laboratory where its engineers experiment with new connector designs based on changes in technology and in an attempt to create innovative, more efficient connector designs.

The Company did not expend any funds on customer sponsored research and development activities for the quarter ended September 27, 2013 and September 28, 2012, respectively, relating to the development of new designs, techniques and the improvement of existing designs.



## IEH CORPORATION

## PART I: FINANCIAL INFORMATION

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

## Comparative Analysis-Six Months Ended September 27, 2013 and September 28, 2012

## Results of Operations

The following table sets forth for the periods indicated, percentages for certain items reflected in the financial data as such items relate to the revenues of the Company:

Relationship to Total Revenues

	Sept. 27, 2013	Sept. 28, 2012
Operating Revenues (in thousands)	\$ 8,106	\$ 6,708
Operating Expenses: (as a percentage of Operating Revenues)		
Costs of Products Sold	61.02%	67.16%
Selling, General and Administrative	15.75%	16.72%
Interest Expense	.16%	.20%
Depreciation and amortization	1.54%	1.87%
<b>TOTAL COSTS AND EXPENSES</b>	<b>78.47%</b>	<b>85.95%</b>
Operating Income	21.53%	14.05%
Other Income	.67	—
Income (loss) before Income Taxes	22.20%	14.05%
Income Taxes	(9.79%)	(6.34%)
Net Income	12.41%	7.71%

Operating revenues for the six months ended September 27, 2013 amounted to \$8,105,981 reflecting a 20.85% increase versus the six months ended September 28, 2012 revenues of \$6,707,556. The increase in revenues can be attributed to an increase in military and commercial spending.

**IEH CORPORATION**

**PART I: FINANCIAL INFORMATION**

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)**

**Comparative Analysis - Six Months Ended September 27, 2013 and September 28, 2012 (continued)**

Cost of products sold amounted to \$4,945,909 for the six months ended September 27, 2013, or 61.02% of operating revenues. This reflected a \$441,365 or 9.80% increase in the cost of products sold from \$4,504,544 or 67.16% of operating revenues for the six months ended September 28, 2012. The increase in cost of products sold is related to the increase in military and commercial spending.

Selling, general and administrative expenses were \$1,276,636 or 15.75% of operating revenues for the six months ended September 27, 2013 compared to \$1,121,658 or 16.72% of operating revenues for the six months ended September 28, 2012. This category of expense increased by \$154,978 or 13.82% from the prior six month period. The increase can be attributed to an increase in travel expenses.

Interest expense was \$12,701 for the six months ended September 27, 2013 or .16% of operating revenues. For the fiscal six months ended September 28, 2012, interest expense was \$13,557 or .20% of operating revenues. The decrease of \$856 or 6.31% reflects a decrease in the Company's borrowings during the quarter ended September 27, 2013.

Depreciation and amortization of \$124,900 or 1.54% of operating revenues was reported for the six months ended September 27, 2013 as compared to the six month period ended September 28, 2012 of \$125,400 or 1.87% of operating revenues.

The Company reported net income of \$1,006,560 for the six months ended September 27, 2013 representing basic earnings of \$.44 per share as compared to net income of \$517,514 or \$.22 per share for the six months ended September 28, 2012. The increase in net income for the current six month period can be attributed primarily to an increase in military and commercial spending.

**Comparative Analysis-Three Months Ended September 27, 2013 and September 28, 2012**

**Results of Operations**

The following table sets forth for the periods indicated, percentages for certain items reflected in the financial data as such items relate to the revenues of the Company:

## IEH CORPORATION

## PART I: FINANCIAL INFORMATION

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

## Comparative Analysis-Three Months Ended September 27, 2013 and September 28, 2012

## Results of Operations

The following table sets forth for the periods indicated, percentages for certain items reflected in the financial data as such items relate to the revenues of the Company:

## Relationship to Total Revenues

	Sept 27, 2013	Sept 28, 2012
Operating Revenues (in thousands)	\$ 4,015	\$ 3,238
Operating Expenses: (as a percentage of Operating Revenues)		
Costs of Products Sold	61.19%	69.06%
Selling, General and Administrative	15.95%	17.08%
Interest Expense	.13%	.19%
Depreciation and amortization	1.55%	1.83%
TOTAL COSTS AND EXPENSES	78.82%	88.16%
Operating Income	21.18%	11.84%
Other Income	—	—
Income (loss) before Income Taxes	21.18%	11.84%
Income Taxes	(9.18%)	(5.59%)
Net Income	12.00%	6.25%

Operating revenues for the three months ended September 27, 2013 amounted to \$4,015,342 reflecting a 24.00% increase versus the three months ended September 28, 2012 revenues of \$3,238,287. The increase in revenues can be attributed to an increase in military and commercial spending.

Cost of products sold amounted to \$2,457,084 for the three months ended September 27, 2013, or 61.19% of operating revenues. This reflected a \$220,655 or 9.87% increase in the cost of products sold from \$2,236,429 or 69.06% of operating revenues for the three months ended September 28, 2012. Cost of products sold increased to support the work necessary to fulfill the increase in military and commercial spending.

IEH CORPORATION

PART I: FINANCIAL INFORMATION

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)**

**Comparative Analysis- Three Months Ended September 27, 2013 and September 28, 2012 (continued)**

Selling, general and administrative expenses were \$640,396 or 15.95% of operating revenues for the three months ended September 27, 2013 compared to \$553,199 or 17.08% of operating revenues for the three months ended September 28, 2012. This category of expense increased by \$87,197 or 15.76% from the prior three month period. The increase is primarily due to an increase in travel expenses.

Interest expense was \$5,028 for the three months ended September 27, 2013 or .13% of operating revenues. For the fiscal three months ended September 28, 2012, interest expense was \$6,306 or .19% of operating revenues. The decrease of \$1,278 or 20.27% reflects a decrease in the Company's borrowings during the quarter ended September 27, 2013.

Depreciation and amortization of \$62,100 or 1.55% of operating revenues was reported for the three months ended September 27, 2013 as compared to the three month period ended September 28, 2012 of \$59,100 or 1.83% of operating revenues. The increase was due to an increase in capital expenditures during the quarter ended September 27, 2013.

The Company reported net income of \$482,241 for the three months ended September 27, 2013 representing basic earnings of \$.21 per share as compared to net income of \$202,400 or \$.09 per share for the three months ended September 28, 2012. The increase in net income for the current three month period can be attributed primarily to an increase in military and commercial spending.

**Liquidity and Capital Resources**

The Company reported working capital of \$8,010,789 as of September 27, 2013 compared to a working capital of \$7,116,644 as of March 29, 2013. The increase in working capital of \$894,145 was attributable to the following items:

Net income	\$	1,006,560
Depreciation and amortization		124,900
Capital expenditures		(209,930)
Other transactions		(27,385)
	\$	<u>894,145</u>

As a result of the above, the current ratio (current assets to current liabilities) was 10.96 to 1 at September 27, 2013 as compared to 13.43 to 1 at March 29, 2013. Current liabilities at September 27, 2013 were \$803,911 compared to \$572,303 at March 29, 2013.

For the six months ended September 27, 2013, the Company reported \$209,930 in capital expenditures and depreciation of \$124,900.

The net income of \$1,006,560 for the six months ended September 27, 2013 resulted in an increase in stockholders' equity to \$9,633,756 as compared to stockholders' equity of \$8,627,196 at March 29, 2013.

IEH CORPORATION

PART I: FINANCIAL INFORMATION

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

Liquidity and Capital Resources (continued)

The Company has an accounts receivable financing agreement with non-bank lending institution ("Factor") whereby it can borrow up to 80 percent of its eligible receivables (as defined in such financing agreement) at an interest rate of 2.5% above JP Morgan Chase's publicly announced prime rate with a minimum rate of 12% per annum. Funds advanced by the Factor are secured by the Company's accounts receivable and inventories. At September 27, 2013, the Company reported excess payments to the Factor of \$523,083. These excess payments are reported in the accompanying financial statements as "Excess payments to accounts receivable factor." The Company reported excess payments to the Factor of \$36,916 at March 29, 2013.

In the past two fiscal years, management has been reviewing its collection practices and policies for outstanding receivables and has revised its collection procedures to a more aggressive collection policy. As a consequence of this new policy the Company's experience is that its customers have been remitting payments on a more consistent and timely basis. The Company reviews the collectability of all accounts receivable on a monthly basis. The reserve is less than 1% of average gross accounts receivable and is considered to be conservatively adequate.

The Company has the Multi-Employer Plan with the UAW. Contributions are made by the Company in accordance with a negotiated labor contract and are based on the number of covered employees employed per month. With the passage of the 1990 Act, the Company may become subject to liabilities in excess of contributions made under the collective bargaining agreement. Generally, these are contingent upon termination, withdrawal, or partial withdrawal from the Multi-Employer Plan. The Company has not taken any action to terminate, withdraw or partially withdraw from the Multi-Employer Plan, nor does it intend to do so in the future. Under the 1990 Act, liabilities would be based upon the Company's proportional share of the Multi-Employer Plan's unfunded vested benefits which is currently not available. The amount of accumulated benefits and net assets of such Plan also is not currently available to the Company. The total contributions charged to operations under the provisions of the Multi-Employer Plan were \$57,849 and \$59,150 for the six months ended September 27, 2013 and September 28, 2012, respectively.

On December 15, 2008, the Company was notified by the State of New York Workers' Compensation Board (the "Board") that the Trade Industry Workers' Compensation Trust for Manufacturers (the "Trust") had defaulted. As a member of this self-insured group, the Company was assessed on an estimated basis by the Board for its allocable share necessary to discharge all liabilities of the Trust.

The assessed amount for the years 2002 through 2006 was \$101,362. The assessed amount for each year is detailed as follows:

2002	\$	16,826
2003		24,934
2004		31,785
2005		14,748
2006		13,069
	\$	<u>101,362</u>

IEH CORPORATION

PART I: FINANCIAL INFORMATION

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations** *(continued)*

**Liquidity and Capital Resources** *(continued)*

The Company did have the option of paying this assessment as a lump sum amount or paying off the assessment over a 60 month period. The Company elected the deferral option, and was obligated to making monthly payments of \$1,689 for 59 months, and \$1,711 for the 60<sup>th</sup> and final month. The Company had recorded this assessment as a charge to Cost of Sales in the quarter ended December 26, 2008.

The Company was subsequently notified that it was being assessed an additional \$146,073 covering the years 2002 through 2007, bringing the total deficit allocation assessment to \$247,435.

The total revised assessment for the years 2002 to 2007 is as follows:

2002	\$	23,445
2003		43,797
2004		51,381
2005		38,309
2006		46,477
2007		44,026
	\$	<u>247,435</u>

The Company elected to pay the revised assessment over a five year period (60 months). The monthly payments, inclusive of interest at 7.50%, are \$3,970.

As of March 29, 2013, the Company had paid down \$178,440 of this assessment.

As of March 29, 2013 the remaining balance of the revised assessment payable was \$68,995.

Effective as of May 31, 2013, the Company and the WC Board executed a settlement agreement pursuant to which the Company entered into a final settlement of the outstanding liability to the Trust and paid a lump-sum settlement amount equal to \$7,771. The Company has no further liability to the Trust. In connection with this final settlement, the WC Board executed and issued a general release to the Company. The settlement resulted in the Company recognizing forgiveness of debt income of \$54,078.

On August 31, 2011 the Company's shareholders approved the adoption of the Company's 2011 Equity Incentive Plan ("2011 Plan") to provide for the grant of stock options and restricted stock awards to purchase up to 750,000 shares of the Company's common stock to all employees, consultants and other eligible participants including senior management and members of the Board of Directors of the Company. The 2011 Plan replaced the prior 2002 Employee Stock Option Plan which had expired on its terms.

Options granted to employees under the 2011 Plan may be designated as options which qualify for incentive stock option treatment under Section 422A of the Internal Revenue Code, or options which do not qualify (non-qualified stock options).

**IEH CORPORATION**

**PART I: FINANCIAL INFORMATION**

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations** *(continued)*

**Liquidity and Capital Resources** *(continued)*

Under the 2011 Plan, the exercise price of an option designated as an incentive stock option shall not be less than the fair market value of the Company's common stock on the day the option is granted. In the event an option designated as an incentive stock option is granted to a ten percent (10%) or greater shareholder, such exercise price shall be at least 110 percent (110%) of the fair market value of the Company's common stock and the option must not be exercisable after the expiration of five years from the day of the grant. The 2011 Plan also provides that holders of options that wish to pay for the exercise price of their options with shares of the Company's common stock must have beneficially owned such stock for at least six months prior to the exercise date.

Exercise prices of non-incentive stock options may be less than the fair market value of the Company's common stock.

The aggregate fair market value of shares subject to options granted to a participant(s), which are designated as incentive stock options, and which become exercisable in any calendar year, shall not exceed \$100,000. As of September 27, 2013, no options or restricted stock awards had been granted under the 2011 Plan.

In 1987, the Company adopted the Cash Bonus Plan for executive officers. Contributions to the Cash Bonus Plan are made by the Company only after pre-tax operating profits exceed \$150,000 for a fiscal year, and then to the extent of 10% of the excess of the greater of \$150,000 or 25% of pre-tax operating profits. The Company accrued \$94,800 for the six months ended September 27, 2013. For the year ended March 29, 2013, the Company's contribution was \$159,000.

**IEH CORPORATION**

**PART I: FINANCIAL INFORMATION**

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

We do not believe that any of our financial instruments have significant risk associated with market sensitivity. For more information on these investments see Note 2 to our financial statements included in this Form 10-Q.

We are not exposed to significant financial market risks from changes in foreign currency exchange rates and are only minimally impacted by changes in interest rates. We have not used, and currently do not contemplate using, any derivative financial instruments.

**Interest Rate Risk**

At any time, fluctuations in interest rates could affect interest earnings on our cash and marketable securities. We believe that the effect, if any, of reasonably possible near term changes in interest rates on our financial position, results of operations, and cash flows would not be material. Currently, we do not hedge these interest rate exposures. The primary objective of our investment activities is to preserve capital. We have not used derivative financial instruments in our investment portfolio.

As of September 27, 2013, our unrestricted cash was \$792,652 of which \$265,761 was in an interest bearing money market account with and the balance of \$526,891 was maintained in non-interest bearing checking accounts used to pay operating expenses.

**Item 4. Controls and Procedures**

Based on an evaluation of the effectiveness of the Company's "disclosure controls and procedures" (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), the Company's Chief Executive Officer (who is also our President) and its Chief Financial Officer (who is also our controller and principal accounting officer) have concluded that, as of the end of the period covered by this Report on Form 10-Q, the Company's disclosure controls and procedures were effective at the reasonable assurance level to ensure that information required to be disclosed by the Company in this Report that it files or submit under the Exchange Act is, recorded, processed, summarized and reported within the time periods specified within the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, to allow timely decisions regarding required disclosure.

Our management, including our Chief Executive Officer and our Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our Company have been detected. Our management, however, believes our disclosure controls and procedures are in fact effective to provide reasonable assurance that the objectives of the control system are met. In connection with their review and assessment of our disclosure controls and procedures, the Company has retained the services of an outside consultant to further assist management in its annual evaluation of such controls and procedures. There have been no changes in our internal control over financial reporting (as defined in Rule 13a – 15(f) under the Exchange Act) during the quarter ended September 27, 2013 that have been materially affected, or are reasonably likely to materially affect our internal controls over financial reporting.



IEH CORPORATION

PART II: OTHER INFORMATION

**Item 1. Legal Proceedings**

The Company is not a party to or aware of any pending or threatened legal proceedings which, in the opinion of the Company's management, would result in any material adverse effect on its results of operations or its financial condition.

**Item 1a. Risk Factors**

You should carefully consider the risks described below, together with all of following risk factors and the other information included in this report, in considering our business herein as well as the information included in other reports and prospects. The risks and uncertainties described below are not the only ones facing our Company. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations, financial condition and/or operating results. If any of the matters or events described in the following risks actually occurs, our business, financial condition or results of operations could be harmed. In such case, the trading price of our common stock could decline, and you may lose all or part of your investment due to any of these risks.

**Risks Related to Our Business**

**Failure to increase our revenue and keep our expenses consistent with revenues could prevent us from achieving and maintaining profitability.**

We have generated net income of \$929,930, \$1,102,424 and \$1,669,517, respectively, for the fiscal years ended March 29, 2013, March 30, 2012 and March 25, 2011, and \$1,006,560 for the six months ended September 27, 2013. We have expended, and will continue to be required to expend, substantial funds to pursue product development projects, enhance our marketing and sales efforts and to effectively maintain business operations. Therefore, we will need to generate higher revenues to achieve and maintain profitability and cannot assure you that we will be profitable in any future period.

**Our capital requirements are significant and we have historically partially funded our operations through the financing of our accounts receivable.**

We have an existing accounts receivable financing agreement with a non-lending institution ("Factor") whereby we can borrow up to 80 percent of our eligible receivables at an interest rate of 2.5% above JP Morgan Chase's publicly announced prime rate. No assurances can be given that this financing agreement will continue into the future. If we are unable to continue with this agreement, our cash flow might adversely be affected.

**Our success is dependent on the performance of our management and the cooperation, performance and retention of our executive officers and key employees.**

Our business and operations are substantially dependent on the performance of our senior management team and executive officers. If our management team is unable to perform it may adversely impact our results of operations and financial condition. We do not maintain "key person" life insurance on any of our executive officers. The loss of one or several key employees could seriously harm our business. Any reorganization or reduction in the size of our employee base could harm our ability to attract and retain other valuable employees critical to the success of our business.

IEH CORPORATION

PART II: OTHER INFORMATION

**Item 1a. Risk Factors (continued)**

**If we lose key personnel or fail to integrate replacement personnel successfully, our ability to manage our business could be impaired.**

Our future success depends upon the continued service of our key management, technical, sales, finance, and other critical personnel. We cannot assure you that we will be able to retain them. Key personnel have left our Company in the past and there likely will be additional departures of key personnel from time to time in the future. The loss of any key employee could result in significant disruptions to our operations, including adversely affecting the timeliness of product releases, the successful implementation and completion of Company initiatives, the effectiveness of our disclosure controls and procedures and our internal control over financial reporting, and the results of our operations. In addition, hiring, training, and successfully integrating replacement sales and other personnel could be time consuming, may cause additional disruptions to our operations, and may be unsuccessful, which could negatively impact future revenues.

**Our reported financial results could be adversely affected by changes in financial accounting standards or by the application of existing or future accounting standards to our business as it evolves.**

As a result of the enactment of the Sarbanes-Oxley Act and the review of accounting policies by the SEC and national and international accounting standards bodies, the frequency of accounting policy changes may accelerate. Possible future changes to accounting standards, could adversely affect our reported results of operations.

**Risks Related to Our Common Stock**

**Our stock price is volatile and could decline; we have a very limited trading market.**

The price of our common stock has been, and is likely to continue to be, volatile. For example, our stock price during the fiscal year ended March 29, 2013 traded as low as \$2.02 per share and as high as \$4.09 per share. During the six month period ended September 27, 2013, our common stock traded in the range of \$2.76 per share to \$3.48 per share. We cannot assure you that your initial investment in our common stock will not decline.

**IEH CORPORATION**

**PART II: OTHER INFORMATION**

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

Not applicable

**Item 3. Defaults Upon Senior Securities**

None

**Item 4. Removed and Reserved**

None

**Item 5. Other Information**

None

**IEH CORPORATION**  
**PART II: OTHER INFORMATION**

**Item 6. Exhibits**

(a) Exhibits

Exhibit 31.1	Certification Pursuant to Section 302 of the Sarbanes Oxley Act*
Exhibit 31.2	Certification Pursuant to Section 302 of the Sarbanes Oxley Act*
Exhibit 32.1	Certification Pursuant to Section 906 of the Sarbanes Oxley Act*
Exhibit 101.INS	XBRL Instance Document*
Exhibit 101.SCH	XBRL Taxonomy Extension Schema*
Exhibit 101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
Exhibit 101.LAB	XBRL Taxonomy Extension Label Linkbase Document*
Exhibit 101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document*
Exhibit 101.DEF	XBRL Taxonomy Extension Definition Label Document*

**IEH CORPORATION**

**PART II: OTHER INFORMATION**

**Item 6. Exhibits (continued)**

\*Submitted electronically herewith.

Attached as Exhibit 101 to this Quarterly Report on Form 10-Q are the following formatted in XBRL (Extensible Business Reporting Language): (i) Statement of Operations for the six months ended September 27, 2013 and September 28, 2012; (ii) Balance Sheets as of September 27, 2013 and March 29, 2013; (iii) Statement of Cash Flows for the six months ended September 27, 2013 and September 28, 2012; and (iv) Notes to Financial Statements for the six months ended September 28, 2012.

In accordance with Rule 406T of Regulation S-the XBRL related information in Exhibit 101 to the Quarterly Report on Form 10-Q shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that section and shall not be part of any registration statement or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

(b) Reports on Form 8-K during Quarter.

None.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized.

**IEH CORPORATION**  
(Registrant)

November 18, 2013

/s/ Michael Offerman  
Michael Offerman  
President (Principal Executive Officer)

November 18, 2013

/s/ Robert Knoth  
Robert Knoth  
Chief Financial Officer (Principal Accounting Officer)

**Exhibit 31.1**  
**CERTIFICATION**

I, Michael Offerman, certify that:

1. I have reviewed this quarterly report of Form 10-Q of IEH Corporation for the quarter ended September 27, 2013.
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report.
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in the Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13-a-15(f) and 15d-15(f)) for the registrant and we have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries is made known to me by others within those entities, particularly during the period in which this quarterly report is being prepared; and
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based upon such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 18, 2013

/s/ Michael Offerman  
Michael Offerman  
President and Chief Executive Officer (Principal Executive Officer)

**Exhibit 31.2**  
**CERTIFICATION**

I, Robert Knoth, certify that:

1. I have reviewed this quarterly report of Form 10-Q of IEH Corporation for the quarter ended September 27, 2013.
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report.
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this quarterly report is being prepared; and
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based upon such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 18, 2013

/s/ Robert Knoth  
Robert Knoth  
Chief Financial Officer (Principal Accounting Officer)



Exhibit 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO SECTION 906 OF  
THE SARBANES-OXLEY ACT OF 2004**

In connection with the Quarterly Report of IEH Corporation (the "Company") on Form 10-Q for the quarter ending September 27, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Offerman, President and Chief Executive Officer (Principal Executive Officer) and Robert Knoth, Chief Financial Officer (Principal Accounting Officer) of the Company, respectfully certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2004, that:

1. The Report fully complies with the requirements of the Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Michael Offerman  
Michael Offerman  
President and Chief Executive Officer  
(Principal Executive Officer)

/s/ Robert Knoth  
Robert Knoth  
Chief Financial Officer  
(Principal Accounting Officer)

Dated: November 18, 2013

*This Certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed "filed" by the Company for purposes of Section 18 of the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Report, irrespective of any general incorporation language contained in such filing. A signed original of this written statement required by Section 906 has been provided to IEH Corporation and will be retained by IEH Corporation and furnished to the Securities and Exchange Commission or its staff upon request.*