

Edgar Filing: IEH CORPORATION - Form 10-Q

IEH CORPORATION  
Form 10-Q  
November 10, 2008

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 26, 2008

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.

Check whether the Issuer: (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 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  Smaller Reporting Company   
(Do not check if a 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 26, 2008.

# Edgar Filing: IEH CORPORATION - Form 10-Q

## IEH CORPORATION

### CONTENTS

	Page Number -----
Part I - FINANCIAL INFORMATION	
ITEM 1- FINANCIAL STATEMENTS	
Balance Sheets as of September 26, 2008 (Unaudited) and March 28, 2008	3
Statement of Operations (Unaudited) for the six and the three months ended September 26, 2008 and September 28, 2007.	5
Statement of Cash Flows (Unaudited) for the six months ended September 26, 2008 and September 28, 2007.	6
Notes to Financial Statements (Unaudited)	8
ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	19
ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	27
ITEM 4 - CONTROLS AND PROCEDURES	27
PART II - OTHER INFORMATION	
ITEM 1 - LEGAL PROCEEDINGS	28
ITEM 1A - RISK FACTORS	29
ITEM 2 - UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS	30
ITEM 3 - DEFAULTS UPON SENIOR SECURITIES	30
ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	30
ITEM 5 - OTHER INFORMATION	30
ITEM 6 - EXHIBITS	30

- 1 -

SIGNATURES	31
EXHIBITS	

Edgar Filing: IEH CORPORATION - Form 10-Q

Exhibit 31.1	Certification Pursuant to Section 302 of the Sarbanes Oxley Act	32
Exhibit 31.2	Certification Pursuant to Section 302 of the Sarbanes Oxley Act	33
Exhibit 32.1	Certification Pursuant to Section 906 of the Sarbanes Oxley Act	34
Exhibit 32.2	Certification Pursuant to Section 906 of the Sarbanes Oxley Act	35

- 2 -

IEH CORPORATION

BALANCE SHEETS

As of September 26, 2008 and March 28, 2008

	Sept. 26, 2008	M
	-----	-----
	(Unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash	\$ 142,200	\$
Accounts receivable, less allowance for doubtful accounts of \$11,562 at September 26, 2008 and March 28, 2008	1,248,778	
Inventories (Note 3)	2,118,700	
Prepaid expenses and other current assets (Note 4)	40,942	
	-----	-----
Total Current Assets	3,550,620	
	-----	-----
PROPERTY, PLANT AND EQUIPMENT, less accumulated depreciation and amortization of \$6,844,649 at September 26, 2008 and \$6,756,178 at March 28, 2008 (Note 5)	1,146,656	
	-----	-----
	1,146,656	
	-----	-----
OTHER ASSETS:		
Other assets	24,846	
	-----	-----
	24,846	
	-----	-----
Total Assets	\$ 4,722,122	\$
	=====	=====

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

- 3 -

Edgar Filing: IEH CORPORATION - Form 10-Q

IEH CORPORATION

BALANCE SHEETS

As of September 26, 2008 and March 28, 2008

	Sept. 26, 2008	Mar 28, 2008
	-----	-----
		(Unaudited)
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts receivable financing (Note 6)	\$ 195,936	\$
Loans payable- officers (Note 8)	--	
Accrued corporate income taxes	11,234	
Accounts payable	447,060	
Workers compensation insurance assessment- current portion (Note 13)	20,268	
Other current liabilities (Note 7)	175,731	
	-----	-----
Total Current Liabilities	850,229	1,
	-----	-----
LONG TERM LIABILITIES:		
Workers compensation insurance assessment less- current portion (Note 13)	81,094	
	-----	-----
Total Long Term Liabilities	81,094	
	-----	-----
Total Liabilities	931,323	1,
	-----	-----
STOCKHOLDERS' EQUITY:		
Common stock, \$.01 par value; 10,000,000 shares authorized; 2,303,468 shares issued and outstanding at September 26, 2008 and March 28, 2008	23,035	
Capital in excess of par value	2,744,573	2,
Retained earnings (Note 10)	1,023,191	
	-----	-----
Total Stockholders' Equity	3,790,799	3,
	-----	-----
Total Liabilities and Stockholders' Equity	\$ 4,722,122	\$ 4,
	=====	=====

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

# Edgar Filing: IEH CORPORATION - Form 10-Q

## IEH CORPORATION

### STATEMENT OF OPERATIONS (Unaudited)

	Six Months Ended		Three
	Sept. 26, 2008	Sept. 28, 2007	Sept. 26, 2008
REVENUE, net sales	\$ 5,230,328	\$ 3,576,485	\$ 2,652,855
COSTS AND EXPENSES			
Cost of products sold	3,611,750	2,637,921	1,907,359
Selling, general and administrative	745,294	601,698	378,464
Interest expense	38,486	115,144	17,277
Depreciation and amortization	90,160	100,680	44,280
	4,485,690	3,455,443	2,347,380
OPERATING INCOME	744,638	121,042	305,475
OTHER INCOME	276	152	219
INCOME BEFORE INCOME TAXES	744,914	121,194	305,694
PROVISION FOR INCOME TAXES	42,000	21,207	18,000
NET INCOME	\$ 702,914	\$ 99,987	\$ 287,694
BASIC AND DILUTED EARNINGS PER SHARE	\$ .31	\$ .04	\$ .13
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (in thousands)	2,303	2,303	2,303

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

- 5 -

## IEH CORPORATION

### STATEMENT OF CASH FLOWS Increase (Decrease) in Cash (Unaudited)

Edgar Filing: IEH CORPORATION - Form 10-Q

	Six Months Ended	
	Sept. 26, 2008	Sept. 28, 2007
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 702,914	\$ 99,987
	-----	-----
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	90,160	100,680
Changes in assets and liabilities:		
(Increase) in accounts receivable	(68,558)	(198,740)
(Increase) in inventories	(132,333)	(109,168)
(Increase) in prepaid expenses and other current assets	(16,804)	(36,990)
(Increase) in other assets	(62)	(106)
Increase (decrease) in accounts payable	(137,879)	239,215
Increase (decrease) in other current liabilities	(15,988)	77,835
Increase (decrease) in accrued corporate income taxes	(10,869)	11,432
Increase in workers compensation assessment payable	101,362	--
(Decrease) in due to pension plan payable	--	(20,000)
	-----	-----
Total adjustments	(190,971)	64,158
	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	511,943	164,145
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of fixed assets	(64,437)	(97,120)
	-----	-----
NET CASH USED BY INVESTING ACTIVITIES	\$ (64,437)	\$ (97,120)
	=====	=====

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

- 6 -

IEH CORPORATION

STATEMENT OF CASH FLOWS  
Increase (Decrease) in Cash  
(Unaudited)

Six Months Ended	
Sept. 26, 2008	Sept. 28, 2007
-----	-----

## Edgar Filing: IEH CORPORATION - Form 10-Q

### CASH FLOWS FROM FINANCING ACTIVITIES:

Principal payments on notes payable	\$ --	\$ (1,568)
(Payment) from accounts receivable financing	(317,442)	(63,940)
(Repayment) of loans payable - officers	(17,000)	(33,600)
	-----	-----
 NET CASH (USED) BY FINANCING ACTIVITIES	 (334,442)	 (99,108)
	-----	-----
 INCREASE (DECREASE) IN CASH	 113,064	 (32,083)
 CASH, beginning of period	 29,136	 34,908
	-----	-----
 CASH, end of period	 \$ 142,200	 \$ 2,825
	=====	=====

### SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the three months for:

Interest	\$ 32,752	\$ 16,330
	=====	=====
 Income Taxes	 \$ 36,440	 \$ 4,085
	=====	=====

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

- 7 -

### IEH CORPORATION

#### NOTES TO FINANCIAL STATEMENTS (Unaudited)

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

The accompanying unaudited financial statements as of September 26, 2008 and September 28, 2007 and for the six months then ended have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q. 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 26, 2008 and September 28, 2007 and the results of operations and cash flows for the six 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 months ended September 26, 2008, are not necessarily indicative of the results to be expected for any subsequent quarter or the entire fiscal year. The balance sheet at March 28, 2008 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 generally accepted

## Edgar Filing: IEH CORPORATION - Form 10-Q

accounting principles 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 of IEH Corporation as of March 28, 2008 and notes thereto included in the Company's report on Form 10-KSB as filed with the SEC.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Description of Business:

The Company is engaged in the design, development, manufacture and distribution of high performance electronic printed circuit connectors and specialized interconnection devices. Electronic connectors and interconnection devices are used in providing electrical connections between electronic component assemblies. The Company develops and manufactures connectors, which are designed for a variety of high technology and high performance applications, and are primarily utilized by those users who require highly efficient and dense (the space between connection pins with the connector) electrical connections.

The Company is continuously redesigning and adapting its connectors to meet and keep pace with developments in the electronics industry and has, for example, developed connectors for use with flex-circuits now being used in aerospace programs, computers, air-borne communications systems, testing systems and other areas. The Company also services its connectors to meet specified product requirements.

- 8 -

### IEH CORPORATION

#### NOTES TO FINANCIAL STATEMENTS (Unaudited)

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

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. The Company's



## Edgar Filing: IEH CORPORATION - Form 10-Q

experience has been that a loss from returns is extremely remote. Accordingly, the Company's management does not believe that an allowance for loss from returns is necessary.

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.

### 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.

- 9 -

### IEH CORPORATION

#### NOTES TO FINANCIAL STATEMENTS (Unaudited)

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

##### Concentration of Credit Risk:

The Company maintains cash balances at one financial institution. Amounts on deposit are insured by the Federal Deposit Insurance Corporation up to \$100,000 in the aggregate. The Company had \$142,200 on deposit as of September 26, 2008 which exceeded the FDIC insured limits at the time. On October 3, 2008 the Emergency Economic Stabilization Act of 2008 (the "2008 Act") was enacted. The 2008 Act temporarily raised the deposit insurance coverage to \$250,000 until December 31, 2009. Pursuant to the 2008 Act, subsequent to December 31, 2009 the FDIC insurance limits will return to \$100,000. As of March 28, 2008 the Company had no uninsured balances.

##### Property, Plant and Equipment:

## Edgar Filing: IEH CORPORATION - Form 10-Q

Property, plant and equipment is 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 Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes".

### Net Income Per Share:

The Company has adopted 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 three months ended September 26, 2008 and September 28, 2007, there were no items of potential dilution that would impact on the computation of diluted earnings or loss per share.

- 10 -

## IEH CORPORATION

### NOTES TO FINANCIAL STATEMENTS

(Unaudited)

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

##### Fair Value of Financial Instruments: (continued)

SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," requires that an entity recognize all derivatives as either assets or liabilities in the statements of financial position and measure those instruments at fair value.

The respective carrying value of certain on-balance-sheet financial instruments approximates their fair values. These financial instruments include cash, accounts receivable, accounts payable and borrowings. Fair values were assumed to approximate carrying values for these financial instruments since they are short-term in nature and their carrying amounts approximate fair value or they were

## Edgar Filing: IEH CORPORATION - Form 10-Q

receivable or payable on September 26, 2008.

### Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles 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:

SFAS No. 144, "Accounting for The Impairment or Disposal of Long-Lived Assets," 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 three months ended September 26, 2008 and September 28, 2007, respectively.

### Reporting Comprehensive Income:

The Company has adopted 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 26, 2008 and September 28, 2007, respectively.

- 11 -

IEH CORPORATION

### NOTES TO FINANCIAL STATEMENTS (Unaudited)

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

##### Segment Information:

The Company has adopted 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 SFAS No. 131 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

## Edgar Filing: IEH CORPORATION - Form 10-Q

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 during the three months ended September 26, 2008 and September 28, 2007. In addition the Company did not receive any revenues related to customer sponsored research and development activities during the three months ended September 26, 2008 and September 28, 2007.

### Effect of New Accounting Pronouncements:

Effective April 1, 2007, the Company adopted the provisions of Financial Accounting Standards Board Interpretation No.48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes- an interpretation of FASB Statement No. 109", which clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with FASB Statement No.109, "Accounting for Income Taxes". FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement disclosures of tax positions taken or expected to be taken in an income tax filing. The evaluation of a tax position is a two step process. The first step requires an entity to determine whether it is more likely than not that a tax position will be sustained upon examination based upon the technical merits of the position. The second step requires an entity to recognize in the financial statements each tax position that meets the more likely than not criteria, measured at the largest amount of benefit that has a greater than fifty percent likelihood of being recognized. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting for interim periods, disclosure and transition.

The Company believes that with its adoption of FIN 48, that the income tax positions taken by it did not have a material effect on the financial statements for the six months ended September 26, 2008.

In December 2006, the FASB issued SFAS No. 157, "Fair Value Measurements", which enhances existing guidance for measuring assets and liabilities using fair value. This Standard provides a single definition of fair value, together with a framework for measuring it, and requires additional disclosure about the use of fair value to measure assets and liabilities.

- 12 -

### IEH CORPORATION

#### NOTES TO FINANCIAL STATEMENTS (Unaudited)

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

Effect of New Accounting Pronouncements: (continued)

SFAS No. 157 is effective for financial statements issued for fiscal

## Edgar Filing: IEH CORPORATION - Form 10-Q

years beginning after November 15, 2007, and interim periods within those fiscal years. The Company does not believe that SFAS No. 157 will have a material impact on its financial statements.

In February 2007, the FASB issued SFAS No. 159 ("SFAS 159"), "The Fair Value Option for Financial Assets and Financial Liabilities", providing companies with an option to report selected financial assets and liabilities at fair value. This Standard's objective is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. It also requires entities to display the fair value of those assets and liabilities for which the Company has chosen to use fair value on the face of the balance sheet. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company does not believe that SFAS No. 159 will have a material impact on its financial statements.

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:

	Sept. 26, 2008	March 28, 2008
	-----	-----
Raw materials	\$ 989,583	\$ 927,774
Work in progress	841,050	788,519
Finished goods	288,067	270,074
	-----	-----
	\$ 2,118,700	\$ 1,986,367
	=====	=====

# Edgar Filing: IEH CORPORATION - Form 10-Q

(Unaudited)

Note 4 - PREPAID EXPENSES AND OTHER CURRENT ASSETS:

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

	Sept. 26, 2008	March 28, 2008
	-----	-----
Prepaid insurance	\$ 6,343	\$ 16,348
Prepaid corporate taxes	7,681	7,681
Other current assets	26,918	108
	-----	-----
	\$ 40,942	\$ 24,137
	=====	=====

Note 5 - PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment are as follows:

	Sept. 26, 2008	March 28, 2008
	-----	-----
Computers	\$ 220,880	\$ 212,321
Leasehold improvements	585,831	585,831
Machinery and equipment	4,938,131	4,903,733
Tools and dies	2,084,667	2,063,187
Furniture and fixture	155,935	155,935
Website development cost	7,550	7,550
	-----	-----
	7,992,994	7,928,557
Less: accumulated depreciation and amortization	6,846,338	6,756,178
	-----	-----
	\$ 1,146,656	\$ 1,172,379
	=====	=====

Note 6 - ACCOUNTS RECEIVABLE FINANCING:

The Company entered into an accounts receivable financing agreement whereby it can borrow up to eighty percent of its eligible receivables (as defined in the agreement) at an interest rate of 2 1/2 % above JP Morgan Chase's publicly announced rate of 5.0% at September 26, 2008. However, the agreement does stipulate that the minimum interest rate is 12% per annum. The agreement has an initial term of one year and will automatically renew for successive one-year terms, unless terminated by the Company or the lender upon receiving sixty days prior notice. The loan is secured by the Company's accounts receivable and inventories. The balance due under this agreement as of September 26, 2008 was \$195,936. The balance due as of March 28, 2008 was \$513,378.

Edgar Filing: IEH CORPORATION - Form 10-Q

NOTES TO FINANCIAL STATEMENTS  
(Unaudited)

Note 7 - OTHER CURRENT LIABILITIES:

Other current liabilities are comprised of the following:

	Sept. 26, 2008	March 28, 2008
	-----	-----
Payroll and vacation accruals	\$ 127,755	\$ 172,215
Sales commissions	22,073	16,504
Other	25,903	3,000
	-----	-----
	\$ 175,731	\$ 191,719
	=====	=====

Note 8 - RELATED PARTIES TRANSACTIONS:

One of the Company's officers has periodically loaned the Company money on a non-interest bearing basis in order to finance working capital requirements. As of March 28, 2008, the amount due to this officer was \$17,000. During the six months ended September 26, 2008, the Company fully repaid this officer.

Note 9 - PENSION PLAN-SALARIED PERSONNEL:

On June 30, 1995, the Company applied to the Pension Benefit Guaranty Corporation ("PBGC") to have the PBGC assume all of the Company's responsibilities and liabilities under its Salaried Pension Plan (the "Salaried Pension Plan"). On April 26, 1996, the PBGC determined that the Salaried Pension Plan did not have sufficient assets available to pay benefits, which were and are currently due under the terms of such Plan.

The PBGC further determined that pursuant to the provisions of the Employment Retirement Income Security Act of 1974, as amended ("ERISA"), that the Salaried Pension Plan must be terminated in order to protect the interests of the Plan's participants. Accordingly, the PBGC proceeded pursuant to ERISA to have the Salaried Pension Plan terminated and the PBGC appointed as statutory trustee, and to have July 31, 1995 established as the Salaried Pension Plan's termination date.

The Company and the PBGC negotiated a settlement on the entire matter and on July 2, 2001, an agreement was reached whereby the Company's liability to the PBGC was reduced to \$244,000. The Company will make monthly payments to the PBGC as follows:

September 1, 2003 to August 1, 2004	\$2,000 per month
September 1, 2004 to August 1, 2006	\$3,000 per month
September 1, 2006 to August 1, 2007	\$4,000 per month

Additionally, the Company had made balloon payments of \$25,000 each on January 1, 2004, May 1, 2004, May 1, 2005 and January 1, 2006.

# Edgar Filing: IEH CORPORATION - Form 10-Q

IEH CORPORATION

## NOTES TO FINANCIAL STATEMENTS (Unaudited)

### Note 9 - PENSION PLAN-SALARIED PERSONNEL: (continued)

The Company also granted the PBGC a lien on the Company's machinery and equipment.

As a result of this agreement the amount due the PBGC was restated to \$244,000. As of August 31, 2007, the Company had satisfied its obligation to the PBGC and the resultant lien was released.

### Note 10- CHANGES IN STOCKHOLDERS' EQUITY:

Retained earnings increased by \$702,914, which represents the net income for the six months ended September 26, 2008.

### Note 11- 2002 EMPLOYEE STOCK OPTION PLAN:

Under this 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%) shareholder, such exercise price shall be at least 110 Percent (110%) of the fair market value or the Company's common stock and the option must not be exercisable after the expiration of five years from the day of the grant.

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 26, 2008 no options had been granted under this Plan.

### Note 12 - CASH BONUS PLAN:

In 1987, the Company adopted a cash bonus plan (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 \$46,200 for the six months ended September 26, 2008. For the year ended March 28, 2008, the contribution was \$33,100.

### Note 13- 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.



Edgar Filing: IEH CORPORATION - Form 10-Q

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS  
(Unaudited)

Note 13 - WORKERS COMPENSATION INSURANCE ASSESSMENT: (continued)

The estimated assessment pertains to the years 2002 through 2006. The Company was advised that there may be an additional assessment for the year 2007 and that the estimated assessments for the year 2002 through 2006 are subject to additional review and adjustment.

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

2002	\$	16,826
2003		24,934
2004		31,785
2005		14,748
2006		13,069
		-----
	\$	101,362
		=====

The Company does have the option of paying this assessment as a lump sum amount or paying off the assessment over a sixty month period. The Company has elected the deferral option, and will be making monthly payments of \$1,689 for 59 months, and \$1,711 for the 60th and final month. The Company has recorded this assessment as a charge to Cost of Sales in the quarter ended September 26, 2008. As of September 26, 2008, the current portion of this assessment liability was \$20,268 and the long-term portion was \$81,094.

Note 14 - COMMITMENTS:

The Company leases its facility under a renewed tenure lease agreement, which expires on August 23, 2011. The Company is obligated under this lease at minimum annual rentals as follows:

Fiscal year ending March:

2009	\$	84,192
2010		168,384
2011		112,256
		-----
	\$	364,832
		=====

The rental expense for the six months ended September 26, 2008 and September 28, 2007 was \$72,534 each.

- 17 -

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS  
(Unaudited)

Note 14 - COMMITMENTS: (continued)

## Edgar Filing: IEH CORPORATION - Form 10-Q

The Company has a collective bargaining multi-employer pension plan (the "Multi-Employer Plan") with the United Auto Workers of America, Local 259 (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 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 \$45,281 and \$36,318 for the six months ended September 26, 2008 and September 28, 2007, respectively.

In 1992, the Company had been in arrears with respect to its contributions to the Multi-Employer Plan in the amount of \$186,467. The Company and the UAW entered into a verbal agreement whereby the Company would continue making current contributions as well as making periodic payments to satisfy the outstanding arrears obligation to the Multi-Employer Plan. The outstanding obligation was satisfied by the Company on July 12th, 2007. Under the terms of this verbal agreement, the Company was not obligated to pay interest until the arrears was satisfied.

The UAW and the Company agreed in October 2007 that the total amount of interest due would be \$85,000. The Company paid the \$85,000 to the UAW in October 2007 and satisfied its indebtedness.

- 18 -

### IEH CORPORATION

#### 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 "1934 Act") and Section 27A of the Securities Act of 1933 (the "1933 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,

## Edgar Filing: IEH CORPORATION - Form 10-Q

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 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.

- o **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.
- o **Inventory Valuation:**  
Raw materials and supplies are valued at the lower of first-in, first-out cost or market. 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

- 19 -

IEH CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

### Critical Accounting Policies (continued)

actual amount realized from the sale of inventory.

## Edgar Filing: IEH CORPORATION - Form 10-Q

- o **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.
  
- o **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.
  
- o **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.

- 20 -

### IEH CORPORATION

#### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

##### Results of Operations

Comparative Analysis—Six Months Ended September 26, 2008 and September 28, 2007

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

##### Relationship to Total Revenues

Edgar Filing: IEH CORPORATION - Form 10-Q

	Sept. 26, 2008	Sept. 28, 2007
	-----	-----
Operating Revenues (in thousands)	\$ 5,230	\$ 3,576
	-----	-----
Operating Expenses: (as a percentage of Operating Revenues)		
Costs of Products Sold	69.05%	73.76%
Selling, General and Administrative	14.25%	16.82%
Interest Expense	.74%	3.22%
Depreciation and amortization	1.72%	2.82%
	-----	-----
TOTAL COSTS AND EXPENSES	85.76%	96.62%
	-----	-----
Operating Income (loss)	14.24%	3.38%
Other Income	.01%	--
	-----	-----
Income (loss) before Income Taxes	14.25%	3.38%
Income Taxes	.80%	.59%
	-----	-----
Net Income (loss)	13.45%	2.79%
	=====	=====

Operating revenues for the six months ended September 26, 2008 amounted to \$5,230,328 reflecting a 46.24% increase versus the six months ended September 28, 2007 revenues of \$3,576,485. The sharp increase in revenues can be attributed to a dramatic increase in commercial aerospace spending, new customers in the medical device manufacturing sector as well as internal production efficiencies.

Cost of products sold amounted to \$3,611,750 for the six months ended September 26, 2008, or 69.05% of operating revenues. This reflected a \$973,829 or 36.92% increase in the cost of products sold from \$2,637,921 or 73.76% of operating revenues for the six months ended September 28, 2007. The increase in cost of product sold is due primarily to an assessment for workers compensation from the State of New York due to the default of the self-insured workers compensation insurance trust of which the Company was a participant (see Note 13 to our financial statements) and the increase in costs related to the increase in revenues recorded during the quarter ended September 26, 2008.

- 21 -

IEH CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Comparative Analysis—Six Months Ended September 26, 2008 and September 28, 2007 (continued)

## Edgar Filing: IEH CORPORATION - Form 10-Q

Selling, general and administrative expenses were \$745,294 or 14.25% of operating revenues for the six months ended September 26, 2008 compared to \$601,698 or 16.82.% of operating revenues for the six months ended September 28, 2007. This category of expenses increased by \$143,596 or 23.87% from the prior year. The increase can be attributed to an increase in salaries to sales personnel, commissions and travel expenses.

Interest expense was \$38,486 or the six months ended September 26, 2008 or .74% of operating revenues. For the fiscal six months ended September 28, 2007, interest expense was \$115,144 or 3.22% of operating revenues. The decrease of \$76,658 or 66.58% reflects primarily management's commitment to apply revenues to reduce the Company's debt.

Depreciation and amortization of \$90,160 or 1.72% of operating revenues was reported for the six months ended September 26, 2008. This reflects a decrease of \$10,520 from the comparable six month period ended September 28, 2007 of \$100,680 or 2.82% of operating revenues. The reduction in depreciation is the result of assets being written off prior to the six months ended September 26, 2008.

The Company reported net income of \$702,914 for the six months ended September 26, 2008 representing basic earnings of \$.31 per share as compared to net income of \$99,987 or \$.04 per share for the six months ended September 28, 2007. The increase in net income for the current six month period can be attributed primarily to the increased revenue recorded during the current quarter.

- 22 -

### IEH CORPORATION

#### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Comparative Analysis—Three Months Ended September 26, 2008 and September 28, 2007

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

#### Relationship to Total Revenues

	Sept. 26, 2008	Sept. 28, 2007
	-----	-----
Operating Revenues (in thousands)	\$ 2,653	\$ 1,808
	-----	-----
Operating Expenses:		
(as a percentage of Operating Revenues)		
Costs of Products Sold	71.90%	75.64%
Selling, General and Administrative	14.27%	16.71%
Interest Expense	.65%	2.96%
Depreciation and amortization	1.67%	2.78%
	-----	-----

## Edgar Filing: IEH CORPORATION - Form 10-Q

	88.49%	98.09%
TOTAL COSTS AND EXPENSES	-----	-----
Operating Income (loss)	11.51%	1.91%
Other Income	--	--
Income (loss) before Income Taxes	11.51%	1.91%
Income Taxes	.68%	.39%
Net Income (loss)	=====	=====

Operating revenues for the three months ended September 26, 2008 amounted to \$2,652,855 reflecting a 46.74% increase versus the three months ended September 28, 2007 revenues of \$1,807,809. The increase in revenues is due to an increase in commercial sales orders during the current quarter.

Cost of products sold amounted to \$1,907,359 for the three months ended September 26, 2008, or 71.90% of operating revenues. This reflected a \$539,959 or 39.48% increase in the cost of products sold from \$1,367,400 or 75.64% of operating revenues for the three months ended September 28, 2007. The increase in cost of product sold is due primarily to an assessment for workers compensation from the State of New York due to the default of the self-insured workers compensation insurance trust of which the Company was a participant (see Note 13 to our financial statements) and the increase in costs related to the increase in revenues recorded during the quarter ended September 26, 2008.

- 23 -

### IEH CORPORATION

#### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Comparative Analysis—Three Months Ended September 26, 2008 and September 28, 2007 (continued)

Selling, general and administrative expenses were \$378,464 or 14.27% of operating revenues for the three months ended September 26, 2008 compared to \$302,077 or 16.71% of operating revenues for the three months ended September 28, 2007. This category of expenses increased by \$76,387 or 25.29% from the prior year. The increase can be attributed to an increase in sales salaries, commissions and travel.

Interest expense was \$17,277 for the three months ended September 26, 2008 or .65% of operating revenues. For the fiscal three months ended September 28, 2007, interest expense was \$53,604 or 2.96% of operating revenues. The decrease of \$36,327 or 67.77% reflects primarily management's commitment to reduce the Company's debt.

Depreciation and amortization of \$44,280 or 1.67% of operating revenues was reported for the three months ended September 26, 2008. This reflects a decrease of \$6,060 or 12.04% from the prior three months ended September 28, 2007 of \$50,340 or 2.78% of operating revenues.

## Edgar Filing: IEH CORPORATION - Form 10-Q

The Company reported net income of \$287,694 for the three months ended September 26, 2008 representing basic earnings of \$.13 per share as compared to a net income of \$27,506 or \$.01 per share for the three months ended September 28, 2007. The increase in net income for the current three month period can be attributed primarily to the increased revenue recorded during the current quarter.

### Liquidity and Capital Resources

The Company reported working capital of \$2,700,391 as of September 26, 2008 compared to a working capital of \$1,890,722 as of March 28, 2008. The increase in working capital of \$809,669 was attributable to the following items:

Net income	\$702,914
Depreciation and amortization	90,160
Capital expenditures	(64,437)
Other transactions	81,032

As a result of the above, the current ratio (current assets to current liabilities) was 4.18 to 1 at September 26, 2008 as compared to 2.42 to 1 at March 28, 2008. Current liabilities at September 26, 2008 were \$850,229 compared to \$1,329,138 at March 28, 2008.

The Company reported \$64,437 in capital expenditures for the six months ended September 26, 2008 and reported depreciation of \$90,160 for the same six month period.

The net income of \$702,914 for the six months ended September 26, 2008 resulted in an increase in stockholders' equity to \$3,790,799 as compared to stockholders' equity of \$3,087,885 at March 28, 2008.

The Company has an accounts receivable financing agreement with a factor, which bears interest at 2.5% above prime.

- 24 -

### IEH CORPORATION

#### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

### Liquidity and Capital Resources (continued)

However, the agreement does stipulate that the minimum interest rate is 12% per annum. At September 26, 2008 the amount outstanding with the factor was \$195,936 as compared to \$513,378 at March 28, 2008. The loan is secured by the Company's accounts receivables and inventories. The factor provides discounted funds based upon the Company's accounts receivables, these funds provide the primary source of working capital for operations.

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 2% of average gross accounts receivable and is considered to be conservatively adequate.

One of the Company's officers has periodically loaned the Company money on a



## Edgar Filing: IEH CORPORATION - Form 10-Q

non-interest bearing basis in order to finance working capital requirements. As of March 28, 2008 the amount due to this officer was \$17,000. During the six months ended September 26, 2008, the Company fully repaid this officer.

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 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 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 \$45,281 and \$36,318 for the six months ended September 26, 2008 and September 28, 2007, respectively.

In 1992, the Company had been in arrears with respect to its contributions to the Multi-Employer Plan in the amount of \$186,467. The Company and the UAW entered into a verbal agreement whereby the Company would continue making current contributions as well as making periodic payments to satisfy the outstanding arrears obligation to the Multi-Employer Plan. The outstanding obligation was satisfied by the Company on July 12th, 2007. Under the terms of this verbal agreement, the Company was not obligated to pay interest until the arrears was satisfied.

The UAW and the Company agreed in October 2007 that the total amount of interest due would be \$85,000. The Company paid the \$85,000 to the UAW in October 2007 and satisfied its indebtedness.

On June 30, 1995, the Company applied to the PBGC to have the PBGC assume all of the Company's responsibilities and liabilities under its Salaried Pension Plan. On April 26, 1996, the PBGC determined that the Salaried Pension Plan did not have sufficient assets available to pay benefits, which were and are currently due under the terms of such Plan.

- 25 -

### IEH CORPORATION

#### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

##### Liquidity and Capital Resources (continued)

The PBGC further determined that pursuant to the provisions of the ERISA that the Salaried Pension Plan must be terminated in order to protect the interests of such Plan's participants. Accordingly, the PBGC proceeded pursuant to ERISA to have the Salaried Pension Plan terminated and the PBGC appointed as statutory trustee and to have July 31, 1995 established as the Salaried Pension Plan's termination date.

The Company and the PBGC agreed to the terms of a settlement of the matter. The agreement is effective July 2, 2001. Under the agreement, the Company and the PBGC agreed on a total sum of \$244,000. The Company has agreed to make payments as follows:

## Edgar Filing: IEH CORPORATION - Form 10-Q

September 1, 2003 to August 1, 2004	\$2,000 per month
September 1, 2004 to August 1, 2006	\$3,000 per month
September 1, 2006 to August 1, 2007	\$4,000 per month

Additionally, the Company had made balloon payments of \$25,000 each on January 1, 2004, May 1, 2004, May 1, 2005 and January 1, 2006.

The Company granted the PBGC a lien on the Company's machinery and equipment.

As a result of this agreement the amount due the PBGC was restated to \$244,000. As of August 31, 2007, the Company had satisfied its obligation to the PBGC and the resultant lien was released.

On September 21, 2001, the Company's shareholders approved the adoption of the Company's 2002 Employee Stock Option Plan to provide for the grant of options to purchase up to 750,000 shares of the Company's common stock to all employees, including senior management. No options have been granted under the Employee Option Plan to date.

Options granted to employees under the 2002 Employee Stock Option Plan may be designated as options which qualify for incentive stock option treatment under Section 422A of the Internal Revenue Code, or option which do not so qualify.

Under this 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%) share holder, such exercise price shall be at least 110 Percent (110%) of the fair market value or the Company's common stock and the option must not be exercisable after the expiration of five years from the day of the grant. 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 its participants, which are designated as incentive stock options, and which become exercisable in any calendar year, shall not exceed \$100,000. As of September 26, 2008, no options had been granted under the 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.

- 26 -

### IEH CORPORATION

#### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

##### Liquidity and Capital Resources (continued)

The Company accrued \$46,200 for the six months ended September 26, 2008. For the year ended March 28, 2008, the contribution was \$33,100.

##### 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

## Edgar Filing: IEH CORPORATION - Form 10-Q

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 26, 2008, our unrestricted cash was \$142,200 of which \$97,420 was in an interest bearing money market account with and the balance of \$44,780 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 1934 Act) the Company's Chief Executive Officer and Chief Financial Officer (who is also our controller and principal accounting officer) concluded that, as of the end of the period covered by this Report on Form 10-Q, the Company's disclosure controls and procedures are effective to ensure that all information required to be disclosed by the Company in this Report that it files or submits under the 1934 Act is, recorded, processed, 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 President and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Our management, including our President and 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.

- 27 -

### IEH CORPORATION

### ITEM 4. CONTROLS AND PROCEDURES (continued)

#### Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the 1934 Act) during the quarter ended September 26, 2008 that have been materially affected, or are reasonably likely to materially affect our internal controls over financial reporting.

## Edgar Filing: IEH CORPORATION - Form 10-Q

### PART II - OTHER INFORMATION

#### ITEM 1. LEGAL PROCEEDINGS

The Company is not involved in any legal proceedings which may have a material effect upon the Company, its financial condition or operations.

#### ITEM 1A. RISK FACTORS

As provided for under the Private Securities Litigation Reform Act of 1995, we wish to caution shareholders and investors that the following important factors, among others discussed throughout this Report on Form 10-Q and a restated description of the risk factors associated with our business is set forth below. This description includes any material changes to and supersedes the description of the risk factors associated with our business previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended March 28, 2008. 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 \$ 603,865, \$200,693 and \$ 1,137,622, respectively, for the fiscal years ended March 28, 2008, March 30, 2007 and March 31, 2006 and \$702,914 for the six months ended September 26, 2008. 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 factor whereby we can borrow up to eighty percent of our eligible receivables at an interest rate of 2 1/2 % above JP Morgan Chase's publicly announced

- 28 -

IEH CORPORATION

#### ITEM 1A. RISK FACTORS (continued)

interest rate. No assurances can be given that this financing agreement will continue into the future. If we unable to continue with this agreement, our cash flow might adversely be affected.

## Edgar Filing: IEH CORPORATION - Form 10-Q

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.

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.

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 28, 2008 traded as low as \$1.60 per share and as high as \$2.90 per share. During the six month period ended September 26, 2008, our stock traded in the range of \$1.91 per share to \$6.96 per share. We cannot assure you that your initial investment in our common stock will not fluctuate significantly. The market price of our common stock may fluctuate significantly in response to a number of factors, some of which are beyond our control, including:

- o quarterly variations in our operating results;
- o announcements we make regarding significant contracts, acquisitions, dispositions, strategic partnerships, or joint ventures;
- o additions or departures of key personnel;
- o the introduction of competitive offerings by existing or new competitors;

IEH CORPORATION

ITEM 1A. RISK FACTORS (continued)

- o uncertainty about and customer confidence in the current economic conditions and outlook;
- o reduced demand for any of our products; and
- o sales of our common stock.

In addition, the stock market in general, and companies whose stock is listed on The NASDAQ Global Market, have experienced extreme price and volume fluctuations that have often been disproportionate to the operating performance of these companies. Broad market and industry factors may negatively affect the market price of our common stock, regardless of our actual operating performance.

Since we have not paid dividends on our common stock, you may not receive income from this investment.

We have not paid any dividends on our common stock since our inception and do not contemplate or anticipate paying any dividends on our common stock in the foreseeable future. Earnings, if any, will be used to finance the development and expansion of our business

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS;  
PURCHASES OF EQUITY SECURITIES

Not applicable

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5. OTHER MATTERS.

None

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 32.2 Certification Pursuant to Section 906 of the Sarbanes Oxley Act

(b) Reports on Form 8-K during Quarter

Edgar Filing: IEH CORPORATION - Form 10-Q

None

- 30 -

SIGNATURES

In accordance with the requirements of the Exchange Act, 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 10, 2008

/s/ Michael Offerman  
-----

Michael Offerman  
President (Principal Executive Officer)

November 10, 2008

/s/ Robert Knoth  
-----

Robert Knoth  
Chief Financial Officer/Controller/  
Principal Accounting Officer

- 31 -