

IEH CORPORATION  
Form 10-K  
July 08, 2016

**U.S. SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-K**

**x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934 FOR THE FISCAL YEAR ENDED MARCH 25, 2016.  
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934.**

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

**Commission File Number 0-5278**

**IEH CORPORATION**

(Name of Small Business Issuer in Its Charter)

**NEW YORK**  
(State or Other Jurisdiction of  
In Company)

**13-5549348**  
(I.R.S. Employer Identification No.)

**140 58<sup>th</sup> Street, Suite 8E**  
**Brooklyn, NY 11220**  
(Address of Principal Executive Offices)

**(718) 492-4440**  
(Issuer's Telephone Number,  
Including Area Code)

**Securities registered under Section 12(b) of the Exchange Act: NONE**

**Securities registered under Section 12(g) of the Act: Common Stock, \$.01 Par Value Per Share**

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Indicate by check mark if Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes  No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act. Yes  No

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, as amended (the "Exchange Act") 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 Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or such shorter period that the Registrant was required to submit and post such files).

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (ss.229.405 of this chapter) is not contained herein and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the Registrant's most recently completed second fiscal quarter (September 25, 2015): \$10,055,669.70.

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date: On June 30, 2016, the Registrant had 2,303,468 shares of common stock issued and outstanding.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to Rule 424(b) or (e) under the Securities Act of 1933 ("Securities Act").

None

IEH CORPORATION

**INDEX TO FORM 10-K**

**FOR THE YEAR ENDED MARCH 25, 2016**

	Page
<u>PART I</u>	5
<u>ITEM 1. BUSINESS</u>	5
<u>ITEM 1A. RISK FACTORS</u>	9
<u>ITEM 1B. UNRESOLVED STAFF COMMENTS</u>	9
<u>ITEM 2. PROPERTIES</u>	10
<u>ITEM 3. LEGAL PROCEEDINGS</u>	10
<u>ITEM 4. MINE SAFETY DISCLOSURE</u>	10
<u>PART II</u>	10
<u>ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS</u>	10
<u>ITEM 6. SELECTED FINANCIAL DATA</u>	12
<u>ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATION</u>	12
<u>ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	19
<u>ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA</u>	20
<u>ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE</u>	20
<u>ITEM 9A. CONTROLS AND PROCEDURES</u>	20
<u>ITEM 9B. OTHER INFORMATION</u>	22
<u>PART III</u>	22
<u>ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE</u>	22
<u>ITEM 11. EXECUTIVE COMPENSATION</u>	25
<u>ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS</u>	26
<u>ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE</u>	28
<u>PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	28

ITEM

14.

PART

IV

29

ITEM

15.

EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

29

SIGNATURES

References in this Annual Report to, the terms “**Company**”, “**IEH**”, “**we**”, “**us**” and “**our**” refer to IEH Corporation, unless otherwise stated or the context clearly indicates otherwise.

3

Index

**IEH CORPORATION**

**Forward-Looking Statements**

This report contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and Section 27A of the Securities Act of 1933 (the “Securities Act”). Any statements contained in this report that are not statements of historical fact may be forward-looking statements. When we use the words “anticipates,” “plans,” “expects,” “believes,” “should,” “could,” “may,” “will” and similar expressions, we are identifying forward-looking statements. All statements that express expectations, estimates, forecasts or projections are forward-looking statements within the meaning of the Securities Act and the Exchange Act, respectively. We have based these forward-looking statements largely on our current expectations and projections about future financial events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. Forward-looking statements involve risks and uncertainties, which may cause our actual results, performance or achievements to be materially different from those expressed or implied by forward-looking statements. These factors include our limited experience with our business plan; pricing pressures on our product caused by competition; the risk that our products will not gain market acceptance; our ability to obtain additional financing; our ability to protect intellectual property; and our ability to attract and retain key employees. No forward-looking statement is a guarantee of future performance and you should not place undue reliance on any forward-looking statements. Our actual results may differ materially from those projected in any forward-looking statements, as they will depend on many factors about which we are unsure, including many factors beyond our 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 Securities and Exchange Commission (“SEC”) that attempt to advise interested parties of the risks, uncertainties and other factors that may affect our business.

Index

IEH CORPORATION

PART I

Item 1. Business

IEH Corporation (hereinafter referred to as the “Company”) was organized under the laws of the State of New York on March 22, 1943 under the name Industrial Heat Treating Company, Inc. On March 15, 1989, the Company changed its name to its current name. The Company’s executive offices and manufacturing facilities are located at 140 5<sup>th</sup> Street, Suite 8E, Brooklyn, New York 11220. The Company’s telephone number is (718) 492-4440; Fax: 718-492-9898; its email address is [ieh@iehcorp.com](mailto:ieh@iehcorp.com).

The majority of our customers require that we maintain a quality system in strict accordance with ISO 9001. This is an International Standard Organization (ISO) specification and we have been recently audited and have received certification to ISO 9001:2008. Our quality policy is: “Listening to our Customers and meeting their needs, while continuously improving our processes and services.”

The Company has developed a web site that reflects the standard catalog items produced along with custom offerings. The web site is currently undergoing a major expansion and addition that will allow our customers to obtain information on our product line very quickly. Newsworthy information about the Company will also be included on the web site. You can view it by going to: <http://www.iehcorp.com>.

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 connectors utilize the HYPERBOLOID contact design, a rugged, high-reliability contact system ideally suited for high-stress environments. We are the only independent producer of HYPERBOLOID 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).

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 39% and 53%, respectively, of the Company's net sales for the year ended March 25, 2016. 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.



Index

**IEH CORPORATION**

PART I

**Item 1. Business (continued)**

**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 has been added to the Company's product offering. 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."

**Commitments**

The Company has a collective bargaining multi-employer pension plan ("Multi-Employer Plan") with the United Auto Workers of America, Local 259 (the "Union"). Contributions are made 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 Amendments 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 liabilities are contingent upon the 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 such Plan were \$134,036 for the year ended March 25, 2016 and \$122,668 for the year ended March 27, 2015.

Index

IEH CORPORATION

PART I

**Item 1. Business (continued)**

Marketing and Sales

The market for connectors and interconnect devices, domestic and worldwide, is highly fragmented as a result of the manufacture by many companies of a multitude of different types and varieties of connectors and interconnects. For example, connectors include: printed wiring board, rectangular I/O, circular, planar (IOC) RF coaxial, IC socket and fiber optic. The Company has been servicing a niche in the market by manufacturing connectors containing HYPERBOLOID contact designs in the printed wiring board style of connectors.

The Company is continuously experimenting with innovative connection designs, which may cause it to alter its marketing plans in the future if a market should develop for any of its current or future innovative designs. The Company is continually reviewing product lines being sold in the connector and interconnector marketplace. We are committed to expanding our product offering and we consider that many of our current or future custom designs will become product lines.

The Company's products are marketed to OEM's (original equipment manufacturers) directly and through authorized representatives and distributors serving primarily the Government, Military, Aerospace, Medical, Automotive, Industrial, Test Equipment and Commercial Electronics markets. The Company is also involved in developing new connectors for specific uses, which result from changes in technology. The Company assists customers in the development and design of connectors for specific customer applications. This service is marketed to customers who require the development of connectors and interconnection devices specially designed to accommodate the customers' own products.

The Company is primarily a manufacturer and its products are essentially basic components of larger assemblies of finished goods. Approximately 96% of the Company's net sales for the years ended March 25, 2016 and March 27, 2015, respectively, were made directly to manufacturers of finished products with the balance of the Company's products sold to distributors. Distributors often purchase connectors for customers who do not require large quantities of connectors over a short period of time but rather require small allotments of connectors over an extended period of time.

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In the fiscal year ended March 25, 2016, five customers of the Company accounted for \$5,569,000 constituting approximately 29% of the Company's net sales. Two of those customers accounted for 16% of the Company's net sales. In the fiscal year ended March 27, 2015, five customers of the Company accounted for \$5,082,035 constituting approximately 31% of the Company's net sales. Two of those customers accounted for 16% of the Company's net sales.

The Company currently employs 16 independent sales representatives to market its products in all regions in the United States as well as in Canada, Israel, India, various Pacific Rim countries, South Korea and the European Union (EU). These independent sales representatives also promote the product lines of other electronics manufacturers; however, they do not promote the product lines of manufacturers which compete directly with the Company's products. These sales representatives accounted for approximately 95% of Company net sales for the year ended March 25, 2016 (with the balance of Company net sales being generated via direct customer contact).

International sales accounted for approximately 8% of net sales for the years ended March 25, 2016 and March 27, 2015, respectively.

Index

IEH CORPORATION

PART I

**Item 1. Business (continued)**

**Backlog of Orders/Capital Requirements**

The backlog of orders for the Company's products amounted to approximately \$7,000,000 at March 25, 2016 as compared to \$8,674,000 at March 27, 2015. A portion of these orders are subject to cancellation or postponement of delivery dates and, therefore, no assurance can be given that actual sales will result from these orders. The Company does not foresee any problems which would prevent it from fulfilling its orders.

Competition

The design, development, manufacture and distribution of electrical connectors and interconnection devices is a highly competitive field. The Company principally competes with companies who produce high performance connectors in printed circuits and wireboards for high technology application. The Company competes by adapting certain technologies to meet specific product applications, producing connectors cost-effectively, and through its production capabilities. In addition, there are many companies who offer connectors with designs similar to those utilized by the Company and are direct competitors of the Company.

The primary basis upon which the Company competes is product performance and production capabilities. The Company usually receives job orders after submitting bids pursuant to customer-issued specifications for connectors and interconnectors. The Company's bid can be for a new item that requires the item to perform under harsh environment requirements or it can be for a standard catalog item. The Company also offers engineering services to its customers in designing and developing connectors for specialized products and specific customer applications. This enables the Company to receive a competitive advantage over those companies who basically manufacture connectors based solely or primarily on cataloged specifications.

Many of the Company's competitors have greater financial resources than the Company and no assurances can be given that the Company will be able to compete effectively with these companies in the future.

### Suppliers of Raw Materials and Component Parts

The Company utilizes a variety of raw materials and manufactured component parts, which it purchases from various suppliers. These materials and components are available from numerous sources and the Company does not believe that it will have a problem obtaining such materials and parts in the future.

However, any delay in the Company's ability to obtain necessary raw materials and component parts may affect its ability to meet customer production needs. In anticipation of such delays, the Company carries an inventory of raw materials and component parts to avoid shortages and to insure continued production.

### 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

Index

IEH CORPORATION

PART I

**Item 1. Business (continued)**

**Research and Development (continued)**

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 designs during the years ended March 25, 2016 and March 27, 2015.

Employees

The Company presently employs approximately 160 people, two (2) of whom are executive officers; three (3) are engaged in management activities; nine (9) provide general and administrative services; and approximately 146 are employed in manufacturing and testing activities. The employees engaged in manufacturing and testing activities are covered by a collective bargaining agreement with the Union, which will expire on March 31, 2018. The Company believes that it has a good relationship with its employees and the Union.

**Governmental Regulations**

The Company is subject to federal regulations under the Occupational Safety and Health Act (“OSHA”) and the Defense Supply Command Columbus (“DSCC”).

OSHA provides federal guidelines and specifications to companies in order to insure the health and safety of employees. DSCC oversees the quality and specifications of products and components manufactured and sold to the government and the defense industry. DSCC’s primary customer is the U.S. military. Many of our products appear on

the DSCC Qualified Products Listing (“QPL”). To remain qualified, the Company submits its products to an outside testing laboratory which performs all required testing. After review by the Company of the testing results the data is then submitted to the DSCC. The Company and its products are only approved and remain on the QPL if the Company has passed all testing requirements. Although DSCC continuously requires suppliers to meet changing specifications, the Company has not encountered any significant problems meeting such specifications and its products have, in the past, been approved. The Company is unaware of any changes in the Government’s regulations which are expected to materially affect the Company’s business.

**Item 1A. Risk Factors**

We are a “smaller reporting company” as defined by Regulation S-K and as such, are not required to provide the information contained in this item pursuant to Regulation S-K.

**Item 1B. Unresolved Staff Comments**

None.



Index

**IEH CORPORATION**

**PART 1**

**Item 2. Properties**

The Company's lease term for its manufacturing facility located at 140 5<sup>th</sup> Street, Suite 8E, Brooklyn, New York runs from December 1, 2010 through November 30, 2020. The basic minimum annual rentals remaining are as follows:

Fiscal year ending March:	
2017	173,180
2018	178,360
2019	183,720
2020	189,200
Thereafter	128,640
	\$853,100

The Company leases approximately 20,400 square feet of space, of which it estimates 6,000 square feet are used as executive, sales and administrative offices and 14,400 square feet are used for its manufacturing, testing and plating operations.

The rental expense for the years ended March 25, 2016 and March 27, 2015 was \$162,403 and \$162,840, respectively. In addition to the base rent, the Company pays insurance premiums and utility charges relating to the use of the premises. The Company considers its present facilities to be adequate for its present and anticipated future needs.

**Item 3. 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 4. Mine Safety Disclosure**

Not applicable

## **PART II**

### Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

#### Principal Market

The common stock of the Company (the "common stock") is traded in the Over-The-Counter Market Electronic Bulletin Board (OTCBB) and is quoted on the National Association of Securities Dealers Automated Quotation ("NASDAQ") System Bulletin Board under the symbol "IEHC").

#### **Market Information**

The range of high and low bid prices for the Company's common stock, for the periods indicated as set forth below as quoted over the Electronic Bulletin Board (OTCBB). Set forth below is a table indicating the high and low bid prices of the common stock during the periods indicated.

10

Index**IEH CORPORATION****PART II****Item 5. Market for Registrant's Common Equity and Related Stockholder Matters (continued)****Market Information (continued)**

Year	High Bid	Low Bid
Fiscal Year ended March 25, 2016 (*)		
1st Quarter	\$ 6.49	\$ 5.40
2nd Quarter	\$ 7.77	\$ 6.40
3rd Quarter	\$ 8.70	\$ 6.50
4th Quarter	\$ 7.30	\$ 5.37
Fiscal Year ended March 27, 2015 (*)		
1 <sup>st</sup> Quarter	\$ 4.09	\$ 3.28
2 <sup>nd</sup> Quarter	\$ 4.09	\$ 3.00
3 <sup>rd</sup> Quarter	\$ 3.50	\$ 2.02
4 <sup>th</sup> Quarter	\$ 2.95	\$ 2.10
(*) As reported by the OTCBB.		

The above quotations, as reported, represent prices between dealers and do not include retail mark-ups, mark-downs or commissions. Such quotations do not necessarily represent actual transactions.

On July 7, 2016 (the last day prior to the filing of this report on which trading in the common stock occurred), the high bid for the common stock was \$6.65 and the low bid was \$6.55.

## **Dividends**

The Company has not paid any cash dividends on its common stock during the last five (5) fiscal years. At present, the Company does not anticipate issuing any cash dividends on its common stock in the foreseeable future by reason of its contemplated future financial requirements and business plans. The Company will retain earnings, to the extent that there are any, to finance the development of its business.

## **Approximate Number of Equity Security Holders**

The number of record holders of the Company's common stock as of June 22, 2016 was approximately 352. Such number of record owners was determined from the Company's shareholder records, and does not include the beneficial owners of the Company's common stock whose shares are held in the names of various security holders, dealers and clearing agencies.

## **Transfer Agent**

The transfer agent for our common stock is Computer Share located in Canton, Massachusetts.

Index

**IEH CORPORATION**

## **PART II**

### **Item 6. Selected Financial Data**

We are a “smaller reporting company” as defined by Regulation S-K and as such, are not required to provide the information contained in this item pursuant to Regulation S-K.

### **Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

Statements contained in this report, which are not 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.

The following discussion and analysis should be read in conjunction with our audited financial statements and related footnotes included elsewhere in this report, which provide additional information concerning the Company’s financial activities and condition.

#### **Overview**

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 connectors utilize the HYPERBOLOID contact design, a rugged, high-reliability contact system ideally suited for high-stress environments. We are the only independent producer of HYPERBOLOID 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).

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 39% and 53%, respectively, of the Company's net sales for the year ended March 25, 2016. Our offering of "QPL" items has recently been expanded to include additional products.

### **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.

Index

**IEH CORPORATION**

**PART II**

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)**

**Critical Accounting Policies (continued)**

· 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.

· 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 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 a 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 not repairable, the Company will either offer an allowance against payment or will reimburse the customer for the total cost of the product deemed defective.

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.

13



Index

**IEH CORPORATION**

**PART II**

**Item 7. 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, 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 designs during the years ended March 25, 2016 and March 27, 2015, respectively.

**Results of Operations**

**Year End Results: March 25, 2016 vs March 27, 2015**

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**

	March 25, 2016	March 27, 2015
Operating revenues (in thousands)	\$ 19,358	\$ 16,392

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Operating expenses:

(as a percentage of operating revenues)

Costs of products sold	66.3	%	62.9	%
Selling, general and administrative	15.7	%	16.0	%
Interest expense	.1	%	.1	%
Depreciation and amortization	1.7	%	2.0	%
<b>TOTAL COSTS AND EXPENSES</b>	<b>83.8</b>	<b>%</b>	<b>81.0</b>	<b>%</b>
Operating income	16.2	%	19.0	%
Other income	0	%	0	%
Income before income taxes	16.2	%	19.0	%
Income taxes	(7.4	%)	(8.0	%)
Net income	8.8	%	11.0	%

Index

**IEH CORPORATION**

**PART II**

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations** *(continued)*

**Results of Operations** *(continued)*

**Year End Results: March 25, 2016 vs. March 27, 2015** *(continued)*

Net sales for the year ended March 25, 2016 amounted to \$19,358,246 reflecting a \$2,966,029 increase versus the year ended March 27, 2015 which amounted to \$16,392,217. The increase in net sales is a direct result of the Company's efforts in increasing sales in both the commercial and international sectors.

The Company is primarily a manufacturer and its products are essentially basic components of larger assemblies of finished goods. Approximately 96% of the Company's net sales for the fiscal years ended March 25, 2016 and March 27, 2015, respectively, were made directly to manufacturers of finished products with the balance of the Company's products sold to distributors.

Distributors often purchase connectors for customers who do not require large quantities of connectors over a short period of time but rather require small allotments of connectors over an extended period of time.

During the fiscal year ended March 25, 2016, five customers accounted for \$5,569,000 constituting 29% of the Company's net sales. Two of those customers accounted for 16% of the Company's net sales. In the fiscal year ended March 27, 2015, five customers of the Company accounted for \$5,082,035 constituting approximately 31% of the Company's net sales. Two of those customers accounted for 16% of the Company's net sales.

The Company currently employs 16 independent sales representatives to market its products in all regions of the United States as well as in Canada, Israel, India, various Pacific Rim countries, South Korea and the European Union (EU). These sales representatives accounted for approximately 95% of the Company's net sales for the year ended March 25, 2016, with the balance of net sales being generated by direct customer contact.

For the fiscal year ended March 25, 2016, the Company's principal customers included manufacturers of commercial electronic products, military defense contractors and distributors who service these markets. Sales to the commercial electronic and government markets comprised 92% of the Company's net sales for the years ended March 25, 2016 and March 27, 2015, respectively. Approximately 8% of net sales were made to international customers for the years

ended March 25, 2016 and March 27, 2015, respectively.

Cost of products sold amounted to \$12,831,775 for the fiscal year ended March 25, 2016, or 66.3% of operating revenues. This reflected a \$2,529,135 or 24.5% increase in the cost of products sold of \$10,302,640 or 62.9% of operating revenues for the fiscal year ended March 27, 2015. This increase in cost of products sold is due primarily to the increased cost of production associated with the increase necessary to support the increase in sales.

Selling, general and administrative expenses were \$3,047,556 and \$2,617,212 or 15.7% and 16.0% of net sales for the fiscal years ended March 25, 2016 and March 27, 2015, respectively. This category of expenses increased by \$430,344 or 16.4% from the prior year. The increase can be attributed to an increase in travel and sales commissions.

For the fiscal year ended March 25, 2016, interest expense was \$25,193 or .1% of net sales. Interest expense was \$17,782 for the fiscal year ended March 27, 2015 or 0.1% of net sales. The increase of \$7,411 or 41.7% reflects the increased borrowings from the Factor during the year.

15

Index

**IEH CORPORATION**

**PART II**

**Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations (continued)**

**Results of Operations (continued)**

**Year End Results: March 25, 2016 vs. March 27, 2015 (continued)**

Depreciation and amortization of \$331,786 or 1.7% of net sales was reported for the fiscal year ended March 25, 2016 as compared to \$333,000 or 2% of net sales for the prior period.

The Company reported net income of \$1,690,110 for the year ended March 25, 2016 representing basic earnings of \$.73 per share as compared to net income of \$1,809,555 or \$.79 per share for the year ended March 27, 2015. The decrease in net income for the current year can be attributed primarily to the reported increase in general and administrative expenses.

**Liquidity and Capital Resources**

The Company reported working capital of \$11,659,016 as of March 25, 2016 compared to working capital of \$10,144,556 as of March 27, 2015. The increase in working capital of \$1,514,460 was attributable to the following items:

Net income	\$1,690,110
Depreciation and amortization	331,786
Capital expenditures	(507,436 )
	\$1,514,460

As a result of the above, the current ratio (current assets to current liabilities) was 11.40 to 1 at March 25, 2016 as compared to 11.67 to 1 at March 27, 2015. Current liabilities at March 25, 2016 were \$1,121,523 as compared to \$950,712 at March 27, 2015.

The Company reported \$507,436 in capital expenditures for the year ended March 25, 2016 and recorded depreciation expense of \$331,786 for the year ended March 25, 2016.

The net income of \$1,690,110 for the year ended March 25, 2016 resulted in an increase in stockholders' equity to \$13,580,568 as compared to stockholders' equity of \$11,890,458 at March 27, 2015.

The Company has 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 ½% above JP Morgan Chase's publicly announced rate with a minimum interest 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 its lender upon receiving 60 days' prior notice. Funds advanced by the Factor are secured by the Company's accounts receivable and inventories. As of March 25, 2016, the Company had reported excess payments to the Factor of \$186,114 as compared to March 27, 2015 when the Company had reported excess payments to the Factor of \$43,041. These excess payments are reported in the accompanying financial statements as "Excess payments to accounts receivable factor."

Index

**IEH CORPORATION**

**PART II**

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (*continued*)**

**Results of Operations (*continued*)**

**Year End Results: March 25, 2016 vs. March 27, 2015 (*continued*)**

**Liquidity and Capital Resources**

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.

The Company has a collective bargaining multi-employer pension plan ("Multi-Employer Plan") with the United Auto Workers of America, Local 259. Contributions are made 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 liabilities are contingent upon the 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 such 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 Plan were \$134,036 for the year ended March 25, 2016 and \$122,668 for the year ended March 27, 2015.

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).

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 ten 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.



Index**IEH CORPORATION****PART II****Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)****Results of Operations (continued)****Year End Results: March 25, 2016 vs. March 27, 2015 (continued)****Liquidity and Capital Resources (continued)**

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.

On July 1, 2015, our Board of Directors granted 245,000 non-qualified options to purchase shares of the Company's common stock under the 2011 Plan, including, without limitation, as follows: (i) Michael Offerman, our Chief Executive Officer, was granted 75,000 options; (ii) Robert Knoth, our Chief Financial Officer, was granted 50,000 options; (iii) four non-executive officer key employees were granted 110,000 options; and (iv) each of our non-management directors, Allen Gottlieb and Gerald Chafetz, was granted 5,000 options. The stock options (i) have a ten-year term; (ii) have an exercise price equal to the fair market value of the Company's common stock as determined under the 2011 Plan, as reported in the OTCBB, on the date of grant (\$6.00), except that the options granted to Michael Offerman has an exercise price equal to 110% of such fair market value because he owns ten percent (10%) or greater of the Company's outstanding common stock; and (iii) were all immediately vested. In the event of the termination of each recipient's employment by, or association with, the Company (as applicable), the options will remain exercisable in accordance with the terms of the 2011 Plan.

The table below summarizes the option awards for the named executive officers and non-management directors:

<u>Name</u>	<u>Stock Option Grants</u>
Michael Offerman	75,000
Robert Knoth	50,000
Allen Gottlieb	5,000
Gerald Chafetz	5,000



Index

## IEH CORPORATION

### PART II

#### Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

##### Results of Operations *(continued)*

##### Year End Results: March 25, 2016 vs. March 27, 2015 *(continued)*

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

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. Accordingly, the Company has accrued a contribution provision of \$227,700 for the year ended March 25, 2016.

##### Effects of Inflation

The Company does not view the effects of inflation to have a material effect upon its business. Increases in costs of raw materials and labor costs have been offset by increases in the price of the Company's products, as well as reductions in costs of production, reflecting management's efforts in this area. While the Company has in the past increased its prices to customers, it has maintained its relatively competitive price position. However, significant decreases in government and military subcontractor spending have provided excess production capacity in the industry, which in turn has tightened pricing margins.

##### Off Balance Sheet Arrangements

The Company does not have any off balance sheet arrangements within the meaning of Item 303 of Regulation S-B.

#### Item 7A. Quantitative and Qualitative Disclosure About Market Risk

We are a “smaller reporting company” as defined by Regulation S-K and as such, are not required to provide the information contained in this item pursuant to Regulation S-K.

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 March 25, 2016, our unrestricted cash was \$1,753,749 of which \$1,117,793 was in an interest bearing money market account with and the balance of \$635,956 was maintained in non-interest bearing checking accounts used to pay operating expenses.

Index

**IEH CORPORATION**

**PART II**

**Item 8. Financial Statements and Supplementary Data**

See our audited Financial Statements for the fiscal year ended March 25, 2016 which follows Item 15 of this Annual Report on Form 10-K.

**Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure**

None.

**Item 9A. Controls and Procedures**

*Evaluations of Disclosure Controls and Procedures*

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based upon that evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures were effective at the reasonable level as of the end of the year to ensure that information we are required to disclose in the reports that we file and submit under the Exchange Act is: (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms; and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding disclosure.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an assessment of the effectiveness of our internal control over financial reporting based upon the framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon assessment, our management concluded that our internal

control over financial reporting is effective as of March 25, 2016.

*Management's Report on Internal Control over Financial Reporting*

Our management, under the supervision of our Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Our internal control over financial reporting is a process designed by, or under the supervision of our principal executive officer and principal financial officer, or persons performing similar functions, and effected by our Board of Directors, management and other personnel, 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. The Company's internal control over financial reporting includes those policies and procedures that:

*Management's Report on Internal Control over Financial Reporting (continued)*

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

20

Index

**IEH CORPORATION**

**PART II**

**Item 9A. Controls and Procedures** (*continued*)

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the Company; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our internal control over financial reporting as of March 25, 2016. In making this evaluation, management used the framework in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our evaluation under the framework in *Internal Control—Integrated Framework*, our management has concluded that our internal control over financial reporting was effective as of March 25, 2016.

This Annual Report on Form 10-K does not include an attestation report of our independent registered public accounting firm regarding our internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the SEC that permit us to provide only management's report in this Annual Report.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

*Changes in Internal Control over Financial Reporting*

There was no change in our system of internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) during our fiscal year ended March 25, 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

*Inherent Limitations on Effectiveness of Controls*

We do not expect that internal controls over financial reporting will prevent all errors or all instances of fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be 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.

*Inherent Limitations on Effectiveness of Controls (Continued)*

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 its company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and any design may not succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with



Index

**IEH CORPORATION**

**PART II**

**Item 9A. Controls and Procedures** *(continued)*

policies or procedures. Because of the inherent limitation of a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

*Other Information Related to Internal Controls*

Historically, the Company has relied upon the entire Board of Directors in appointing the Company's independent auditors and reviewing the financial condition and statements of the Company. Given the relatively small size of the Company's operations and revenues, the Board has not believed that appointing an independent committee was a necessity.

Additionally, in response to the passage of the Sarbanes-Oxley Act of 2002, our Board of Directors and management have adopted a Code of Ethics and have instituted a periodic review by members of our management team to assist and guide the disclosure process. The Board has also determined to periodically review and develop policies and procedures to enhance our disclosure controls and procedures as well as with reviewing our periodic reports and other public disclosures.

In connection with their review and assessment of our disclosure controls and procedures, the Company's management 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 Rules 13a – 15(f) and 15d-15(f) under the Exchange Act) during the year ended March 25, 2016 that have been materially affected, or are reasonably likely to materially affect our internal controls over financial reporting.

**Item 9. Other Information**

None

**PART III**

**Item 10. Directors, Executive Officers and Corporate Governance**

As of March 25, 2016, the executive officers and directors of the Company are as follows:

Name	Age	Office	Class
Michael Offerman	75	Chairman of the Board of Directors, President and Chief Executive Officer	I
Robert Knoth	73	Chief Financial Officer, Controller, Secretary and Treasurer	—
Allen Gottlieb	75	Director	II
Gerald E. Chafetz	73	Director	II

Index

**IEH CORPORATION**

**PART III**

**Item 10. Directors, Executive Officers and Corporate Governance** *(continued)*

IEH's Certificate of Incorporation provides that the directors of the Company are to be elected in two (2) classes; each class to be elected to a staggered two (2) year term and until their successors are duly elected and qualified. The Board of Directors currently consists of three (3) members divided into two classes with one Class I Member (Mr. Offerman) and two Class II Members (Mr. Gottlieb and Mr. Chafetz). The Class I Members of the Board of Directors are scheduled to be elected at the Company's 2016 Annual Meeting. All officers are elected by and serve at the discretion of the Board of Directors.

**Executive Officers and Directors**

**Michael Offerman.** Michael Offerman has been a member of the Board of Directors since 1973. In May 1987, Mr. Offerman was elected President and Chief Executive Officer of the Company and has held that position since that date. Prior to his becoming President, Mr. Offerman served as Executive Vice-President of the Company.

**Robert Knoth.** Robert Knoth joined the Company as Controller in January 1990 and was elected Treasurer of the Company in March 1990. He was elected as Secretary of the Company in September 1992 and Mr. Knoth has held these positions since said dates. From 1986 to January 1990, Mr. Knoth was employed as controller by G&R Preuss, Inc., a company engaged in the business of manufacturing truck bodies and accessories.

**Allen Gottlieb.** Allen Gottlieb has been a member of the Company's Board of Directors since 1992. Mr. Gottlieb is retired.

**Gerald Chafetz.** Mr. Chafetz is President of GEC Enterprises, LLC since 2011. GEC Enterprises, LLC is a property management company headquartered in Rockville Centre, New York. He was previously President of Capitol City Companies. Prior to founding Capitol City Companies, he had an extended 22-year executive career in the textile industry with several knitwear and high fashion manufacturers, including Arista Knitwear,

Berwick Fashion Knitwear and Beged-or Knitwear. Mr. Chafetz graduated from the University of Hartford in 1965 with a Bachelor of Science degree in business.

## Significant Employees

**Joan Prideaux** joined the Company in April 1994, as Director of Sales and Marketing. Joan has been in the connector business over 30 years and brings this experience to IEH. Prior to joining us, she was employed by Automatic Connector as Director of Sales.

**Mark Iskin** is the Director of Purchasing, a position he has held since September 2000. On April 14, 2011, the Board of Directors appointed Mark to the position of Vice-President-Operations. Prior to joining the Company, Mark worked as a materials and purchasing specialist, in manufacturing and distribution companies. In his last position with an industrial distributor, he was responsible for purchasing as well as managing vendors for the cutting tool section of the catalog. In addition, he participated in setting up and developing such company's forecasting/planning software related to that department procedures.

**David Offerman** joined IEH in September 2004 as the National Sales Manager. On April 14, 2011, the Board of Directors appointed David to the position of Vice-President-Sales and Marketing. Prior to joining IEH, David worked as an account executive and sales manager in the telecommunication industry. David is the son of Michael Offerman, President and Chief Executive Officer of the Company.

Index

**IEH CORPORATION**

**PART III**

**Item 10. Directors, Executive Officers and Corporate Governance** *(continued)*

**Executive Officers and Directors** *(continued)*

**Significant Employees** *(continued)*

**Robert Romeo** serves as Vice President of Engineering for IEH, a post he has held since October 2005. Robert has corporate responsibility for engineering products and driving product enhancements to satisfy the demanding application requirements of IEH customers. In addition, Robert is tasked with engineering new product developments in the IEH connector offerings to broaden the market base of potential customers. These new connectors will introduce the traditional IEH quality and value to industries that specify exceptional reliability and performance in electrical equipment. Before joining IEH, Robert worked for more than 20 years in positions of increasing responsibility for major national manufacturers of electrical and electronic goods for residential, industrial, government and OEM markets.

**Sherif Mahdi** joined IEH in October, 2014 as Director of Quality. Sherif has 22 years of progressive professional experience in total quality management/operations and engineering management, most notably, with a multinational manufacturing organization and distribution client. He has managed accounts in the aviation, space, government, commercial, medical, telecommunication, retail, construction, and automotive industries. His expertise encompasses development, implementation and auditing of quality systems such as ISO9001, AS9100/AS9120, ISO13485, QS9000, TE Supplement, ISO20000, ISO14000, TS16949 and design for Six Sigma, Lean Six Sigma Black Belt directives impacting the lifecycle of plant and corporate operations including affiliated business and developmental concerns. His background is strengthened by significant experience as an industrial engineer. Sherif holds a Master of Science Degree in Engineering Management and a Master of Business Administration Degree.

**Compliance with Section 16(a) of the Exchange Act**

Section 16(a) of the Exchange Act requires the Company's directors and officers and persons who own, directly or indirectly, more than 10% of a registered class of the Company's common stock, to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock.

Officers, directors and greater than 10% shareholders are required to furnish the Company with copies of all Section 16(a) reports that they file. Based solely on review of the copies of such reports received by the Company, the

Company believes that filing requirements applicable to officers, directors and 10% shareholders were complied with during the year ended March 25, 2016.

**Director Independence; Meetings of Directors; Committees of the Board**

Our Board of Directors currently consists of three individuals. Two of our directors (other than Michael Offerman) are “independent” as defined in the Marketplace Rules of The NASDAQ Stock Market. During the fiscal year ended March 25, 2016, our Board of Directors held one meeting and acted by unanimous written consent on two occasions.

Since the Board of Directors has historically and will in the immediate future consist of only a small number of directors, we have not formed any Board committees. All matters relating to audit, compensation, nominations and corporate governance are considered and acted only by the entire Board of Directors.

The Board did not adopt any modifications to the procedures by which security holders may recommend nominees to its Board of Directors.

Index**IEH CORPORATION****PART III****Item 11. Executive Compensation**

The following table sets forth below the summary compensation paid or accrued by the Company during the fiscal years ended March 25, 2016 and March 27, 2015 for the Company's Chief Executive Officer and Chief Financial Officer:

Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation	Total
Michael Offerman, Chief Executive Officer, President (1)	March 25, 2016	\$238,645	\$55,000	\$ 0	\$293,645
	March 27, 2015	\$211,001	\$55,000	\$ 0	\$266,001
Robert Knoth, Chief Financial Officer	March 25, 2016	\$189,276	\$40,000	\$ 0	\$229,276
	March 27, 2015	\$174,001	\$40,000	\$ 0	\$214,001

(1) During the fiscal years ended March 25, 2016 and March 27, 2015, the Company provided automobile allowances to Mr. Offerman. This does not include the aggregate incremental cost to the Company of such automobile allowance.

On September 1, 2009, the Company entered into agreements with each of Michael Offerman, its President and Chief Executive Officer, and Robert Knoth, its Chief Financial Officer, respectively, providing for certain retirement benefits to be payable to each of them after termination of each such officer's active service of employment with the Company. Each agreement provides that each officer's employment with the Company shall be divided into an "active period" and a "retirement period". The active period shall mean the period of time until the officer attains the age of 70 years, or further period of employment beyond such date if extended by mutual agreement of the officer and the Company. The retirement period shall mean the period beginning with the officer attaining the age of 70 years and continuing until 10 years thereafter unless the officer's employment has been previously terminated or extended by the mutual agreement of the officer and the Company. The retirement period shall take effect only on termination of the active period. Pursuant to Mr. Offerman's agreement, he will be entitled to receive \$50,000 per annum and aggregate payments during the retirement period not to exceed \$500,000. Pursuant to Mr. Knoth's agreement, he will be entitled to receive \$12,000 per annum and aggregate payments during the retirement period not to exceed \$120,000.

The Company and Messrs. Offerman and Knoth have mutually agreed to extend their respective periods of employment.

**Cash Bonus 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. For the fiscal year ended March 25, 2016, the contribution was \$227,700. For the fiscal year ended March 27, 2015, the contribution was \$288,000.

### **Stock Option Plan**

On August 31, 2011, the Company's shareholders approved the adoption of the Company's 2011 Employees Stock Option Plan ("2011 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. The plan terminates on August 30, 2022 and as of March 25, 2016, the Company had issued options or awards as follows:



Index**IEH CORPORATION****PART III****Item 11. Executive Compensation (continued)****Stock Option Plan (continued)**

On July 1, 2015, our Board of Directors granted 245,000 non-qualified options to purchase shares of the Company's common stock under the 2011 Plan, including, without limitation, as follows: (i) Michael Offerman, our Chief Executive Officer, was granted 75,000 options; (ii) Robert Knoth, our Chief Financial Officer, was granted 50,000 options; (iii) four non-executive officer key employees were granted 110,000 options; and (iv) each of our non-management directors, Allen Gottlieb and Gerald Chafetz, was granted 5,000 options. The stock options (i) have a ten-year term; (ii) have an exercise price equal to the fair market value of the Company's common stock as determined under the 2011 Plan, as reported in the OTCBB, on the date of grant (\$6.00), except that the options granted to Michael Offerman has an exercise price equal to 110% of such fair market value because he owns ten percent (10%) or greater of the Company's outstanding common stock; and (iii) were all immediately vested. In the event of the termination of each recipient's employment by, or association with, the Company (as applicable), the options will remain exercisable in accordance with the terms of the 2011 Plan.

The table below summarizes the option awards for the named executive officers and non-management directors:

<u>Name</u>	<u>Stock Option Grants</u>
Michael Offerman	75,000
Robert Knoth	50,000
Allen Gottlieb	5,000
Gerald Chafetz	5,000

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 option which do not so qualify. 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%) 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 ten 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, which are designated as incentive stock options, and which become exercisable in any calendar year, shall not exceed \$100,000.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The following table sets forth certain information as of June 23, 2016 with respect to: (i) the persons (including any "group" as that term is used in Section 13(d)(3) of the Securities Exchange Act of 1934), known by the Company to be the beneficial owner of more than five percent (5%) of any class of the Company's voting securities; (ii) each Executive Officer and Director who owns common stock in the Company; and (iii) all Executive Officers and Directors as a group. As of June 23, 2016, there were 2,303,468 shares of common stock issued and outstanding. The figures stated below are based upon Schedule 13Ds, Schedule 13D/As, Form 3s and Form 4s filed with the SEC by the named persons.

Index**IEH CORPORATION****PART III****Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**  
*(continued)*

<b>Title of Class</b>	<b>Name and Address of Beneficial Owner</b>	<b>Shares of Common Stock Beneficially Owned</b>	<b>Percentage (%) of Common Stock Owned</b>
Officers and Directors	Michael Offerman		
Common Stock \$.01 Par Value	c/o IEH Corporation 140 58 <sup>th</sup> Street Brooklyn, NY 11220	923,784 (1)	40 %
	Allen Gottlieb c/o IEH Corporation 140 58 <sup>th</sup> Street Brooklyn, NY 11220	0	0
	Robert Knoth c/o IEH Corporation 140 58 <sup>th</sup> Street Brooklyn, NY 11220	2,195	*
	Gerald E. Chafetz c/o IEH Corporation	0	0

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140 58<sup>th</sup> Street

Brooklyn, NY 11220

All Officers & Directors as a Group (4 in number)	925,979	(1)	40	%
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5% Shareholders

Zeff Capital LP

1601 Broadway, 12 <sup>th</sup> Floor	168,967		7.34	%
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New York, NY 10019

GRT Capital Partners, L.L.C.

GRT Deep Woods GP, L.L.C.	111,473		4.84	%
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One Liberty Square, 11<sup>th</sup> Floor

Boston, MA 02109

\* Denotes ownership percentage of less than 1%.

- (1) 43,600 shares of common stock are jointly owned by Mr. Offerman and his wife, Gail Offerman.
- (2) All shares set forth above are owned directly by the named individual unless otherwise stated.

Index

**IEH CORPORATION**

**PART III**

**Item 13. Certain Relationships and Related Transactions, and Director Independence**

Other than the employment terms for its executive officers as described elsewhere in this Form 10-K, and as described below, there have been no related transactions between the Company, officers, directors or shareholders holding in excess of 5% of its securities within the last three years. Messrs. Gottlieb and Chafetz are deemed independent directors.

**Item 14. Principal Accountant Fees and Services**

The Board of Directors of IEH has selected Jerome Rosenberg, CPA P.C. as the independent auditor of IEH for the fiscal year ending March 25, 2016. Shareholders will be asked to ratify such selection at the Company's annual meeting to be held in October 2016. The audit services provided by Jerome Rosenberg, CPA P.C. consist of examination of financial statements, services relative to filings with the SEC, and consultation in regard to various accounting matters. A member of Jerome Rosenberg, CPA P.C. is expected to be present at the next annual meeting of shareholders, will have the opportunity to make a statement if he so desires, and will be available to respond to appropriate questions.

*Audit Fees.* During the fiscal years ended March 25, 2016 and March 27, 2015, IEH paid an aggregate of \$60,000 and \$60,000, respectively, to Jerome Rosenberg, CPA P.C. for fees related to the audit of its financial statements.

*Audit Related Fees.* During the fiscal years ended March 25, 2016 and March 27, 2015, no fees were paid to Jerome Rosenberg, CPA P.C. with respect to financial systems design or implementation.

*Tax Fees.* During the fiscal years ended March 25, 2016 and March 27, 2015, the Company paid to Jerome Rosenberg, CPA P.C. the sums of \$37,250 and \$26,150, respectively, for tax compliance and representation, tax advice and tax planning services.

*All Other Fees.* During the fiscal year ended March 25, 2016 and March 27, 2015, IEH did not pay any other fees for services to its independent auditor.

The Board of Directors has determined that the services provided by Jerome Rosenberg, CPA P.C. and the fees paid to it for such services during the fiscal year ended March 25, 2016 and March 27, 2015 have not compromised the

independence of Jerome Rosenberg, CPA P.C.

The Board of Directors of the Company is comprised of three persons. Due to the limited size and scope of the Company's operations which are limited to one office and the level of revenue and income, the Board of Directors has not established an Audit Committee. Further, as the Company's securities are not traded on any exchange or on NASDAQ, but solely are listed for quotations on the Over the Counter Bulletin Board, there is no requirement that an Audit Committee be established. The Board, as an entirety, approves that appointment of its independent auditor and the related work performed by the auditor for services which are not audit related. In its deliberations regarding approval of the independent auditor for auditing and other services, the Board reviews the auditor's history of representing the Company, the fees to be paid and paid historically, the level of performance provided by the auditor and the ability of the Company, given its lack of profits to obtain similar services for similar costs.

Index

**IEH CORPORATION**

**PART III**

**Item 14. Principal Accountant Fees and Services (continued)**

Consistent with SEC policies regarding auditor independence, the Board of Directors has responsibility for appointing, setting compensation and overseeing the work of the independent auditor. In recognition of this responsibility, the Board has established a policy to pre-approve all audit and permissible non-audit services provided by the independent auditor. Prior to engagement of the independent auditor for the next year's audit, management advises the Board of the audit and permissible non-audit services expected to be rendered during that year for each of the categories of services which may be provided by the independent auditor to the Board for approval. The primary categories of services expected to be provided by the independent auditor are as described in the list of fees set forth above. In addition, management will also provide to the Board for its approval a fee proposal for the services proposed to be rendered by the independent auditor. Prior to the engagement of the independent auditor, the Board will approve both the description of audit and permissible non-audit services proposed to be rendered by the independent auditor and the budget for all such services. The fees are budgeted and the Board requires the independent auditor and management to report actual fees versus the budget periodically throughout the year by category of service.

During the year, circumstances may arise when it may become necessary to engage the independent auditor for additional services not contemplated in the original pre-approval. In those instances, the Board requires separate pre-approval before engaging the independent auditor.

**Item 15. Exhibits and Financial Statement Schedules.**

Exhibits filed with Form 10-K:

(a)(1) Financial Statements

The financial statements referenced in Part II, Item 9 of this Annual Report appear on pages 33 to 49

(a)(2) Financial Statement Schedule

None.

(a)(3) Exhibits

10.1(#) Agreement between the Company and Michael Offerman (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 4, 2009).

10.2(#) Agreement between the Company and Robert Knoth (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed on September 4, 2009).

10.3(#) 2011 Equity Incentive Plan (filed as Exhibit A to definitive Proxy Statement dated August 31, 2011).

10.4(#) \* Form of Non-Qualified Stock Option Certificate and Agreement under the 2011 Equity Incentive Plan.

31.1 \* Certification of Chief Executive Officer pursuant to Section 17 CFR 240.13a-14(a) or 17 CFR 240.15d-14(a) pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 \* Certification of Chief Accounting Officer pursuant to Section 17 CFR 240.13a-14(a) or 17 CFR 240.15d-14(a) pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.



Index

**IEH CORPORATION**

**PART IV**

**Item 15. Exhibits and Financial Statement Schedules. (continued)**

32.1\* Certifications by Chief Executive Officer and Chief Financial Officer, pursuant to 17 CFR 240.13a-14(b) or 17 CFR 240.15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101.1\* The following information from the IEH Corporation's Annual Report in Form 10-K for the fiscal year ended March 25, 2016, formatted in XBRL (eXtensible Business Reporting language) and filed electronically herewith: (i) the Balance Sheets; (ii) the Statements of Operations; and (iii) the Statements of Stockholders' Equity; (iv) the Statements of Cash Flow; and (v) the Notes to Financial Statements.

The exhibits designated with an asterisk (\*) are filed herewith. All other exhibits have been previously filed with the SEC and pursuant to 17 C.F.R. Section 201.24 and 240.12b-32, are incorporated by reference to the document referenced in parentheses following the description of such exhibit. The exhibits designated with a number sign (#) indicate a management contract or compensation plan or arrangement.

Index

**IEH CORPORATION**

**March 25, 2016 and March 27, 2015**

**Index to Financial Statements**

	Page Number
Independent Auditor's Report	32
Financial Statements:	
Balance Sheets as of March 25, 2016 and March 27, 2015	33
Statements of Operations for the years ended March 25, 2016 and March 27, 2015	35
Statements of Stockholders' Equity for the years ended March 25, 2016 and March 27, 2015	36
Statements of Cash Flows for the years ended March 25, 2016 and March 27, 2015	37
Notes to Financial Statements	38

Index

**Report of Independent Registered Public Accounting Firm**

Board of Directors and Stockholders

IEH Corporation

We have audited the accompanying balance sheets of IEH Corporation, as of March 25, 2016 and March 27, 2015 and the related statements of operations, stockholders' equity, and cash flows for each of the two years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based upon our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IEH Corporation as of March 25, 2016 and March 27, 2015, and the results of its operations and its cash flows for each of the two years then ended in conformity with U.S. generally accepted accounting principles.

*/s/Jerome Rosenberg CPA, P.C.*

Jerome Rosenberg CPA, P.C.

Melville, New York

June 28, 2016

Index

IEH CORPORATION

**BALANCE SHEETS**

As of March 25, 2016 and March 27, 2015

	March 25, 2016	March 27, 2015
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$1,753,749	\$1,721,410
Accounts receivable, less allowances for doubtful accounts of \$11,562 at March 25, 2016 and March 27, 2015	2,212,508	2,226,707
Inventories ( <i>Note 2</i> )	7,250,300	6,749,659
Excess payments to accounts receivable factor ( <i>Note 5</i> )	186,114	43,041
Prepaid expenses and other current assets ( <i>Note 3</i> )	1,377,868	354,451
Total Current Assets	12,780,539	11,095,268
 <b>PROPERTY, PLANT AND EQUIPMENT, less accumulated depreciation and amortization of \$8,603,892 at March 25, 2016 and \$8,272,106 at March 27, 2015 and (Note 4)</b>		
	1,867,191	1,691,541
	1,867,191	1,691,541
 <b>OTHER ASSETS:</b>		
Other assets	54,361	54,361
	54,361	54,361
 Total Assets	 \$ 14,702,091	 \$12,841,170

*The accompanying notes and independent auditors' report should be read in conjunction with the financial statements.*

Index

IEH CORPORATION

**BALANCE SHEETS (Continued)**

As of March 25, 2016 and March 27, 2015

LIABILITIES AND STOCKHOLDERS' EQUITY	March 25, 2016	March 27, 2015
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 195,831	\$ 138,653
Accrued corporate income taxes	294,412	181,934
Other current liabilities ( <i>Note 6</i> )	631,280	630,125
Total Current Liabilities	1,121,523	950,712
Total Liabilities	1,121,523	950,712
<b>STOCKHOLDERS' EQUITY:</b>		
Common Stock, \$.01 par value; 10,000,000 shares authorized; 2,303,468 shares issued and outstanding at March 25, 2016 and March 27, 2015	23,035	23,035
Capital in excess of par value	2,744,573	2,744,573
Retained earnings ( <i>Note 8</i> )	10,812,960	9,122,850
Total Stockholders' Equity	13,580,568	11,890,458
Total Liabilities and Stockholders' Equity	\$ 14,702,091	\$ 12,841,170

*The accompanying notes and independent auditors' report should be read in conjunction with the financial statements.*

Index

IEH CORPORATION

**STATEMENTS OF OPERATIONS**

For the Years Ended March 25, 2016 and March 27, 2015

	March 25, 2016	March 27, 2015
REVENUE, net sales ( <i>Note 12</i> )	\$ 19,358,246	\$ 16,392,217
<b>COSTS AND EXPENSES:</b>		
Cost of products sold	12,831,775	10,302,640
Selling, general and administrative	3,047,556	2,617,212
Interest expense	25,193	17,782
Depreciation and amortization	331,786	333,000
	16,236,310	13,270,634
<b>OPERATING INCOME</b>	<b>3,121,936</b>	<b>3,121,583</b>
<b>OTHER INCOME</b>	<b>853</b>	<b>912</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>3,122,789</b>	<b>3,122,495</b>
<b>PROVISION FOR INCOME TAXES</b>	<b>(1,432,679 )</b>	<b>(1,312,940 )</b>
<b>NET INCOME</b>	<b>\$ 1,690,110</b>	<b>\$ 1,809,555</b>
<b>BASIC AND DILUTED EARNINGS PER COMMON SHARE (<i>Note 1</i>)</b>	<b>\$ .73</b>	<b>\$ .79</b>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (IN THOUSANDS)</b>	<b>2,303</b>	<b>2,303</b>

*The accompanying notes and independent auditors' report should be read in conjunction with the financial statements.*

Index

## IEH CORPORATION

**STATEMENTS OF STOCKHOLDERS' EQUITY**

For the Years Ended March 25, 2016 and March 27, 2015

	Common Stock Shares	Common Stock Amount	Capital in Excess of Par Value	Retained Earnings	Total
Balances, March 28, 2014	2,303,468	\$23,035	\$2,744,573	\$7,313,295	\$10,080,903
Net Income: year ended March 27, 2015	—	—	—	1,809,555	1,809,555
Balances, March 27, 2015	2,303,468	23,035	2,744,573	9,122,850	11,890,458
Net Income: year ended March 25, 2016	—	—	—	1,690,110	1,690,110
Balances, March 25, 2016	2,303,468	\$23,035	\$2,744,573	\$10,812,960	\$13,580,568

*The accompanying notes and independent auditors' report should be read in conjunction with the financial statements.*

Index**IEH CORPORATION****STATEMENTS OF CASH FLOWS**

Increase (Decrease) in Cash

For the Years Ended March 25, 2016 and March 27, 2015

	March 25, 2016	March 27, 2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$1,690,110	\$1,809,555
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	331,786	333,000
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	14,199	(570,777 )
(Increase) decrease in excess payments to accounts receivable factor	(143,073 )	587,018
(Increase) in inventories	(500,641 )	(2,168,227)
(Increase) decrease in prepaid expenses and other current assets	(1,023,417)	425,722
(Increase) in other assets	—	(8,077 )
Increase (decrease) in accounts payable	57,175	(128,946 )
Increase in other current liabilities	1,158	70,982
Increase in accrued corporate income taxes	112,478	85,765
Total adjustments	(1,150,335)	(1,373,540)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>539,775</b>	<b>436,015</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of property, plant and equipment	(507,436 )	(448,065 )
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<b>(507,436 )</b>	<b>(448,065 )</b>
<b>INCREASE (DECREASE) IN CASH</b>	<b>32,339</b>	<b>(12,050 )</b>
CASH, beginning of period	1,721,410	1,733,460
CASH, end of period	\$1,753,749	\$1,721,410



SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the year for:

Interest	\$25,193	\$17,782
Income Taxes	\$2,327,000	\$786,000

*The accompanying notes and independent auditors' report should be read in conjunction with the financial statements.*

Index

**IEH CORPORATION**

NOTES TO FINANCIAL STATEMENTS

**Note 1 - 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 connectors utilize the HYPERBOLOID contact design, a rugged, high-reliability contact system ideally suited for high-stress environments. We are the only independent producer of HYPERBOLOID in the United States.

The Company's customers consist of OEM's (Original Equipment Manufacturers), companies manufacturing medical equipment, and distributors who resell the Company's products to OEMs. The Company sells its products directly and through regional representatives located in all regions of the United States, Canada, Israel, India, various Pacific Rim countries, South Korea and the European Union (EU).

The customers the Company services are in the Government, Military, Aerospace, Medical, Automotive, Industrial, Test Equipment and Commercial Electronics markets. The Company appears 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 39% and 53%, respectively, of the Company's net sales for the year ended March 25, 2016. The Company's 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 productively. During the fiscal year ended March 25, 2016, we 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."

Index

**IEH CORPORATION**

NOTES TO FINANCIAL STATEMENTS

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

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<sup>st</sup>. The year ended March 25, 2016 was comprised of 52 weeks and the year ended March 27, 2015 was comprised of 52 weeks.

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 a 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 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 defective 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 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.

Concentration of Credit Risk:

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

Index

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*:

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 maintained with financial institutions up to \$250,000 in the aggregate.

As of March 25, 2016, the Company had funds on deposit in the amount of \$1,753,749 in one financial institution comprised of the following:

Non-interest bearing accounts	\$635,956
Interest bearing account	1,117,793
	\$1,753,749

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 account. 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”.

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 years ended March 25, 2016 and March 27, 2015, respectively, there were no items of potential dilution that would impact on the computation of diluted earnings or loss per share.

Index

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

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 (three months) of these instruments.

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:

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 of Long-Lived Assets And Long-Lived Assets To Be Disposed Of", 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 years ended March 25, 2016 and March 27, 2015, respectively.

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 financial position. There were no material items of comprehensive income to report for the years ended March 25, 2016 and March 27, 2015.

**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.

Index

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*:

**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 designs during the years ended March 25, 2016 and March 27, 2015, respectively.

**Recent Accounting Pronouncements:**

The Financial Accounting Standards Board ("FASB") has issued certain accounting standards updates as of March 25, 2016 that will become effective in subsequent periods. The Company believes that none of those updates would have significantly affected the Company's financial accounting measures or disclosures had they been in effect during the fiscal years ended March 25, 2016 or March 27, 2015, and it does not believe that any of those pronouncements will have a significant impact on the Company's financial statements at the time that they become effective.

Index

## IEH CORPORATION

## NOTES TO FINANCIAL STATEMENTS

**Note 2 - 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:

	March 25, 2016	March 27, 2015
Raw materials	\$4,844,510	\$4,752,311
Work in progress	596,371	980,427
Finished goods	1,809,419	1,016,921

\$7,250,300 \$6,749,659

Index

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS

**Note 3 - PREPAID EXPENSES AND OTHER CURRENT ASSETS:**

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

	March 25, 2016	March 27, 2015
Prepaid insurance	\$22,834	\$ 15,791
Prepaid corporate taxes	1,345,459	338,660
Prepaid other	9,575	—
	\$1,377,868	\$ 354,451

**Note 4 - PROPERTY, PLANT AND EQUIPMENT:**

Property, plant and equipment are as follows:

	March 25, 2016	March 27, 2015
Computers	\$394,175	\$382,698
Leasehold improvements	845,589	830,442
Machinery and equipment	5,767,672	5,520,429
Tools and dies	3,283,953	3,050,384
Furniture and fixture	170,644	170,644
Website development cost	9,050	9,050
	10,471,083	9,963,647
Less: accumulated depreciation and amortization	(8,603,892 )	(8,272,106)

\$1,867,191    \$1,691,541

**Note 5 - ACCOUNTS RECEIVABLE FINANCING:**

The Company has 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 ½% 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 automatically renews for successive one-year terms, unless terminated by the Company or its lender upon receiving 60 days prior notice. Funds advanced by the Factor are secured by the Company’s accounts receivable and inventories. As of March 25, 2016, the Company reported in the accompanying financial statements, excess payments to the Factor of \$186,114 compared to March 27, 2015, when the Company had reported excess payments to the Factor of \$43,041.

Index

IEH CORPORATION

## NOTES TO FINANCIAL STATEMENTS

**Note 6 - OTHER CURRENT LIABILITIES:**

Other current liabilities are comprised of the following:

	March 25, 2016	March 27, 2015
Payroll and vacation accruals	\$ 560,995	\$ 569,725
Sales commissions	50,357	44,844
Insurance	17,014	10,556
Other	2,914	5,000
	\$ 631,280	\$ 630,125

**Note 7 - INCOME TAXES:**

The Company accounts for income taxes under the provisions of ASC Topic 740, Income Taxes which includes the provisions of SFAS No. 109 ("SFAS 109"). Under SFAS 109, deferred income tax assets or liabilities are computed based upon the temporary differences between the financial statement and income tax bases of assets and liabilities using the currently enacted marginal income tax rates. Deferred income tax expenses or credits are based on the changes in the deferred income tax assets or liabilities from period to period.

The provision for income taxes consists of the following:

	March 25, 2016
Current:	
Federal	\$639,476

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State and local	406,379
Total current tax provision	1,045,855

Deferred:

Federal	236,519
State and local	150,305
Total deferred tax benefit	386,824

Total provision (benefit)	\$1,432,679
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Index

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS

**Note 7 - INCOME TAXES (continued):**

The components of the Company's deferred taxes at March 25, 2016 are as follows:

Deferred tax assets:	
Accounts receivable reserves	\$ 11,562
Accrued expenses	611,355
Prepaid expenses	1,345,459
	1,968,376
Deferred tax liabilities:	
Depreciation	221,715
Net deferred tax assets before valuation allowance	2,190,091
Valuation allowance	(2,190,091)
Net deferred tax assets	\$—

The Company has fully utilized its net operating loss carryovers in prior years.

The foregoing amounts are management's estimates and the actual results could differ from those estimates. Future profitability in this competitive industry depends on continually obtaining and fulfilling net profitable contracts or the failure of the Company's engineering development efforts could reduce estimates of future profitability, which could affect the Company's ability to realize the deferred tax assets.

A reconciliation of the income tax benefit at the statutory Federal tax rate of 34 % to the income tax benefit recognized in the financial statements is as follows:

March 25,  
2016

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Income tax expense (benefit) – statutory rate	34	%
Income tax expenses – state and local, net of federal benefit	12	%
Income tax expense (benefit)	46	%

46

Index

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS

**Note 8 - CHANGES IN STOCKHOLDERS' EQUITY:**

Stockholders' equity increased by \$1,690,110 which represented the reported net income for the year ended March 25, 2016.

**Note 9 - 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).

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 ten 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.

On July 1, 2015, our Board of Directors granted 245,000 options to purchase shares of the Company's common stock under the 2011 Plan, including without limitation, as follows: (i) Michael Offerman, our Chief Executive Officer, was granted 75,000 options; (ii) Robert Knoth, our Chief Financial Officer, was granted 50,000 options; (iii) four non-executive officer key employees were granted 110,000 options; and (iv) each of our non-management directors, Allen Gottlieb and Gerald Chafetz, was granted 5,000 options. The stock options (i) have a ten-year term; (ii) have an exercise price equal to the fair market value of the Company's common stock as determined under the 2011 Plan, as reported in the OTCBB, on the date of grant (\$6.00), except that the options granted to Michael Offerman has an exercise price equal to 110% of such fair market value because he owns ten percent (10%) or greater of the Company's outstanding common stock; and (iii) were all immediately vested. In the event of the termination of each recipient's employment by, or association with, the Company (as applicable), the options will remain exercisable in accordance with the terms of the 2011 Plan.

The table below summarizes the option awards for the named executive officers and non-management directors:

Index

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS

**Note 9 - 2011 EQUITY INCENTIVE PLAN (continued):**

<u>Name</u>	<u>Stock Option Grants</u>
Michael Offerman	75,000
Robert Knoth	50,000
Allen Gottlieb	5,000
Gerald Chafetz	5,000

**Note 10 - CASH BONUS PLAN:**

In 1987, the Company adopted a cash bonus plan (“Cash Bonus Plan”) for Executive Officers. Contributions to the 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. For the year ended March 25, 2016, the Company’s contribution was \$227,700. For the year ended March 27, 2015, the Company’s contribution was \$288,000.

**Note 11 - COMMITMENTS AND CONTINGENCIES:**

The Company’s lease term for its manufacturing facility located at 140 5<sup>th</sup> Street, Suite E, Brooklyn, New York, runs from December 1, 2010 through November 30, 2020. The basic minimum annual rentals are as follows:

Fiscal year ending March:	
2017	\$173,180
2018	178,360
2019	183,720
2020	189,200

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Thereafter	128,640
	\$853,100

The rental expense for the years ended March 25, 2016 and March 27, 2015, was \$162,403 and \$162,840, respectively.

The Company has a collective bargaining multi-employer pension plan (“Multi-Employer Plan”) with the United Auto Workers of America, Local 259. Contributions are made 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 Amendments 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 liabilities are contingent upon the termination, withdrawal, or partial withdrawal from the Multi-Employer Plan.

Index

**IEH CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**Note 11 - COMMITMENTS AND CONTINGENCIES** *(continued)*:

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 this pension plan were \$134,036 for the year ended March 25, 2016 and \$122,668 for the year ended March 27, 2015.

**Note 12 - REVENUES FROM MAJOR CUSTOMERS:**

During the year ended March 25, 2016 five customers accounted for \$5,569,000 constituting approximately 29% of the Company's revenues. Two of such customers accounted for 16% of such revenues. In the fiscal year ended March 27, 2015 five customers accounted for \$5,082,035 constituting approximately 31% of revenues. Two of such customers accounted for 16% of such revenues.

As of March 25, 2016, amounts due from four customers represented approximately 46% of the total amount of accounts receivable.

The Company intends to provide additional information regarding the compensation awarded to the named executive officers and non-management directors in respect of and during the fiscal year ended March 25, 2016, in the proxy statement for the Company's 2016 annual meeting of stockholders.





