

IEH CORPORATION  
Form 10-Q  
February 09, 2011

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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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

For the quarterly period ended December 24, 2010

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

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

Commission File No. 0-5278

IEH CORPORATION  
(Exact name of registrant as specified in its charter)

New York  
(State or other jurisdiction of incorporation or  
organization)

13-5549348  
(I.R.S. Employer Identification Number)

140 58th Street, Suite 8E, Brooklyn, New York 11220  
(Address of principal executive office)

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

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

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

Yes

No

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

Large accelerated filer

Accelerated filer

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

Smaller Reporting Company

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

2,303,468 shares of Common Shares, par value \$.01 per share, were outstanding as of December 24, 2010.

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IEH CORPORATION

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## IEH CORPORATION

## PART I: FINANCIAL INFORMATION

## Item 1. Financial Statements

## IEH CORPORATION

## BALANCE SHEETS

As of December 24, 2010 and March 26, 2010

	Dec. 24, 2010 (Unaudited)	March 26, 2010
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 360,648	\$ 320,006
Accounts receivable, less allowances for doubtful accounts of \$11,562 at December 24, 2010 and March 26, 2010	1,911,311	1,520,364
Inventories (Note 3)	3,543,700	2,573,196
Excess payments to accounts receivable factor (Note 6)	-	224,040
Prepaid expenses and other current assets (Note 4)	1,122,928	110,320
<b>Total Current Assets</b>	<b>6,938,587</b>	<b>4,747,926</b>
<b>PROPERTY, PLANT AND EQUIPMENT, less accumulated depreciation and amortization of \$7,197,052 at December 24, 2010 and \$7,084,552 at March 26, 2010 (Note 5)</b>		
	1,266,467	1,195,240
	1,266,467	1,195,240
<b>OTHER ASSETS:</b>		
Other assets	28,109	25,019
	28,109	25,019
<b>Total Assets</b>	<b>\$8,233,163</b>	<b>\$5,968,185</b>

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

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## IEH CORPORATION

## BALANCE SHEETS (Continued)

As of December 24, 2010 and March 26, 2010

	Dec. 24, 2010 (Unaudited)	March 26, 2010
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts receivable financing (Note 6)	\$ 122,383	\$-
Accrued corporate income taxes	1,088,351	8,009
Accounts payable	383,907	389,013
Workers compensation insurance assessments- current portion (Note 8)	47,638	39,285
Other current liabilities (Note 7)	533,589	432,188
<b>Total Current Liabilities</b>	<b>2,175,868</b>	<b>869,495</b>
<b>LONG-TERM LIABILITIES:</b>		
Workers compensation insurance assessments- net of current portion (Note 8)	128,940	174,365
<b>Total Long-Term Liabilities</b>	<b>128,940</b>	<b>174,365</b>
<b>Total Liabilities</b>	<b>2,304,808</b>	<b>1,042,860</b>
<b>STOCKHOLDERS' EQUITY:</b>		
Common stock, \$.01 par value; 10,000,000 shares authorized; 2,303,468 shares issued and outstanding at December 24, 2010 and March 26, 2010	23,035	23,035
Capital in excess of par value	2,744,573	2,744,573
Retained earnings (Note 9)	3,160,747	2,157,717
<b>Total Stockholders' Equity</b>	<b>5,928,355</b>	<b>4,925,325</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$8,233,163</b>	<b>\$5,968,185</b>

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

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## IEH CORPORATION

STATEMENTS OF OPERATIONS  
(Unaudited)

For the Nine and Three Months Ended December 24, 2010 and December 25, 2009

	Nine Months Ended		Three Months Ended	
	Dec. 24, 2010	Dec. 25, 2009	Dec. 24, 2010	Dec. 25, 2009
REVENUE, net sales	\$ 10,237,382	\$ 8,951,957	\$ 3,569,855	\$ 3,087,233
<b>COSTS AND EXPENSES</b>				
Cost of products sold	6,515,838	5,848,266	2,241,610	1,978,079
Selling, general and administrative	1,495,126	1,318,628	519,214	475,092
Interest expense	31,007	36,404	13,782	10,229
Depreciation	112,500	130,914	37,500	42,600
	8,154,471	7,334,212	2,812,106	2,506,000
OPERATING INCOME	2,082,911	1,617,745	757,749	581,233
OTHER INCOME	461	255	149	133
INCOME BEFORE INCOME TAXES	2,083,372	1,618,000	757,898	581,366
PROVISION FOR INCOME TAXES	1,080,342	593,400	360,000	277,800
NET INCOME	\$ 1,003,030	\$ 1,024,600	\$ 397,898	\$ 303,566
BASIC AND DILUTED EARNINGS PER SHARE (Note 2)	\$ .44	\$ .45	\$ .17	\$ .13
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (in thousands)	2,303	2,303	2,303	2,303

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



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## IEH CORPORATION

STATEMENTS OF CASH FLOWS  
(Unaudited)

For the Nine Months Ended December 24, 2010 and December 25, 2009

	Nine Months Ended	
	Dec. 24, 2010	Dec. 25, 2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$1,003,030	\$1,024,600
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	112,500	130,914
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(390,947 )	478,235
(Increase) in inventories	(970,504 )	(344,260 )
(Increase) decrease in excess payments to accounts receivable factor	224,040	(478,326 )
(Increase) in prepaid expenses and other current assets	(1,012,608)	(157,544 )
(Increase) in other assets	(3,090 )	(51 )
(Decrease) in accounts payable	(5,106 )	(54,462 )
Increase in other current liabilities	101,401	69,761
Increase in accrued corporate income taxes	1,080,342	336,106
(Decrease) in workers compensation assessment	(37,072 )	(15,204 )
Total adjustments	(901,044 )	(34,831 )
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>101,986</b>	<b>989,769</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of fixed assets	(183,727 )	(165,430 )
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<b>\$(183,727 )</b>	<b>\$(165,430 )</b>

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

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## IEH CORPORATION

STATEMENTS OF CASH FLOWS (Continued)  
(Unaudited)

For the Nine Months Ended December 24, 2010 and December 25, 2009

	Nine Months Ended	
	Dec. 24, 2010	Dec. 25, 2009
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net activity from accounts receivable financing	\$ 122,383	\$(454,723 )
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b>122,383</b>	<b>(454,723 )</b>
<b>INCREASE IN CASH</b>	<b>40,642</b>	<b>369,616</b>
CASH, beginning of period	320,006	169,316
CASH, end of period	\$360,648	\$538,932
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid during the nine months for:		
Interest	\$24,882	\$34,147
Income Taxes	\$1,026,369	\$170,700

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

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IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS  
(Unaudited)

Note 1- INTERIM RESULTS AND BASIS OF PRESENTATION:

The accompanying unaudited financial statements as of December 24, 2010 and December 25, 2009 and for the nine months and three months, then ended, respectively, have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and with the instructions to Form 10-Q. In the opinion of management, the unaudited financial statements have been prepared on the same basis as the annual financial statements and reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the financial position as of December 24, 2010 and December 25, 2009 and the results of operations and cash flows for the nine months and three months, then ended, respectively. The financial data and other information disclosed in these notes to the interim financial statements related to these periods are unaudited. The results for the nine months and three months, ended December 24, 2010, respectively, are not necessarily indicative of the results to be expected for any subsequent quarter or the entire fiscal year. The balance sheet at March 26, 2010 has been derived from the audited financial statements at that date.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). The Company believes, however, that the disclosures in this Report are adequate to make the information presented not misleading in any material respect. The accompanying financial statements should be read in conjunction with the audited financial statements and notes thereto of IEH Corporation for the fiscal year ended March 26, 2010 included in the Company’s Annual Report on Form 10-K as filed with the SEC and the attached Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Note 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Description of Business:

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

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

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IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS  
(Unaudited)

Note 2 - 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. The year ended March 26, 2010 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 defective product within one year from shipment for repair or replacement at the Company's option. If the product is repairable, the Company at its own cost, will repair and return it to the customer. If unrepairable, the Company will either offer an allowance against payment or will reimburse the customer for the total cost of product. The Company's experience has been that a loss from returns is extremely remote. Accordingly, the Company's management does not believe that an allowance for loss from returns is necessary.

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

Inventories:

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

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

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

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IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS  
(Unaudited)

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

Inventories (continued):

The Company estimates which materials may be obsolete and which finished goods may be sold at less than cost or deemed obsolete. 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.

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

An additional provision of the Dodd-Frank Act provides for all non-interest bearing transaction accounts to be fully insured by the FDIC. Coverage under this provision will begin on December 31, 2010 and end on December 31, 2012.

As of December 24, 2010, the Company had funds on deposit in the amount of \$360,648 in one financial institution comprised of the following:

Non-interest bearing accounts	\$ 156,251
Interest bearing account	204,397
	\$360,648

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.

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IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS  
(Unaudited)

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

Property, Plant and Equipment: (continued)

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

Income Taxes:

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

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 nine months ended December 24, 2010 and December 25, 2009, respectively, there were no items of potential dilution that would impact on the computation of diluted earnings or loss per share.

Fair Value of Financial Instruments:

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

Use of Estimates:

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

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IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS  
(Unaudited)

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

Impairment of Long-Lived Assets:

The Company has adopted the provisions of ASC Topic, 360, Property, Plant and Equipment-Impairment or Disposal of Long-Lived Assets which includes the provisions of SFAS No. 144, "Accounting for The Impairment or Disposal of Long-Lived Assets", which 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 nine months ended December 24, 2010 and December 25, 2009, 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 balance sheet. There were no material items of comprehensive income to report for the nine months ended December 24, 2010 and December 25, 2009, respectively.

Segment Information:

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

Research and Development:

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

The Company did not expend any funds on nor receive any revenues related to customer sponsored research and development activities relating to the development of new designs, techniques and the improvement of existing design during the nine months ended December 24, 2010 and December 25, 2009, respectively.





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IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS  
(Unaudited)

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

Effect of New Accounting Pronouncements:

In June 2009, the FASB issued SFAS No. 168, “The FASB Accounting Standards Codification and Hierarchy of Generally Accepted Principles- a Replacement of FASB Statement No. 162 (“SFAS No. 168”). SFAS No. 168 establishes the ASC as the source of authoritative accounting principles recognized by the FASB to be applied in the preparation of financial statements in conformity with GAAP.

Rules and interpretive releases of the SEC under the authority of Federal securities laws are also sources of authoritative GAAP for SEC registrants. All guidance contained in the ASC carries an equal level of authority.

The ASC superseded all existing non-SEC accounting and reporting standards. The FASB will not issue new standards in the form of any SFAS, FASB Staff Positions or Emerging Issues Task Force Abstracts. Instead, the FASB will issue Accounting Standards Updates (“ASU”) that will serve to update the ASC, provide background information about the guidance and provide the bases for conclusions on the change(s) in the ASC. The adoption of SFAS No. 168 did not have an impact upon the Company’s financial position, results of operations or cash flows.

In May 2009, the FASB issued guidance now codified as ASC Topic 855, “Subsequent Events”, which provides authoritative accounting literature related to evaluating subsequent events. ASC 855 is similar to current guidance with some exceptions that are not intended to result in significant change to current practice. ASC 855 defines subsequent events and also requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. The provisions of ASC 855 are effective for interim or annual financial periods ending after June 15, 2009. The Company has adopted the provisions of ASC 855 and its adoption did not have a material impact on the Company’s financial position, results of operations, cash flows or its required disclosures in its Form 10-Q. The Company has evaluated subsequent events through January 31, 2011.

In April 2009, the FASB issued FSP FAS No. 107-1 and Accounting Principles Board (“APB”) Opinion No. 28-1, Interim Disclosures about Fair Value of Financial Instruments”, which amends SFAS No. 107, Disclosures about Fair Value of Financial Instruments and requires disclosures about the fair value of financial instruments for interim reporting periods as well as in annual financial statements. FSP FAS No. 107-1 and APB No. 28-1 also amend APB Opinion No. 28, Interim Financial Reporting, to require these disclosures in all interim financial statements. FSP FAS No. 107-1 and APB No. 28-1 are effective for interim reporting periods ending after June 15, 2009. The guidance of FSP FAS No. 107-1 and APB No. 28-1 is now included in ASC Topic 825, Financial Statements. The adoption of FSP FAS No. 107-1 and APB No. 28-1 has not had a material impact on the Company’s financial position, results of operations or cash flows.

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IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS  
(Unaudited)

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

Effect of New Accounting Pronouncements: (continued)

The Company has adopted the provisions of ASC Topic, 740, Income Taxes which includes the provisions of Financial Accounting Standards Board Interpretation No.48 (“FIN 48”), “Accounting for Uncertainty in Income Taxes- an interpretation of FASB Statement No. 109”, which clarifies the accounting for uncertainty in income taxes recognized in an entity’s financial statements in accordance with FASB Statement No.109, “Accounting for Income Taxes” FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement disclosures of tax positions taken or expected to be taken in an income tax filing. The evaluation of a tax position is a two step process. The first step requires an entity to determine whether it is more likely than not that a tax position will be sustained upon examination based upon the technical merits of the position.

The second step requires an entity to recognize in the financial statements each tax position that meets the more likely than not criteria, measured at the largest amount of benefit that has a greater than fifty percent likelihood of being recognized. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting for interim periods, disclosure and transition.

The Company believes that, with its adoption of ASC Topic 740, the income tax positions taken by it did not have a material effect on the financial statements for the nine months ended December 24, 2010.

The Company has adopted the provisions of ASC Topic 820, Fair Value Measurements and Disclosures which includes the provisions of SFAS No. 157, “Fair Value Measurements”, which enhances existing guidance for measuring assets and liabilities using fair value. ASC Topic 820 and SFAS No. 157 provide a single definition of fair value, together with a framework for measuring it, and require additional disclosure about the use of fair value to measure assets and liabilities. The Company does not believe that ASC Topic 820 will have a material impact on its financial statements.

The Company has adopted the provisions of ASC Topic 825, Financial Instruments, which includes the provisions of SFAS 159 “The Fair Value Option for Financial Assets and Financial Liabilities”, providing companies with an option to report selected financial assets and liabilities at fair value. The objective of ASC Topic 825 and SFAS 159 is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. They also require entities to display the fair value of those assets and liabilities. The Company has chosen to use fair value on the face of the balance sheet. The Company does not believe that ASC Topic 825 will have a material impact on its financial statements.

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## IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS  
(Unaudited)

## Note 3 - INVENTORIES:

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

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

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

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

Inventories are comprised of the following:

	Dec. 24, 2010	March 26, 2010
Raw materials	\$ 1,531,489	\$ 1,112,064
Work in progress	899,811	653,382
Finished goods	1,112,400	807,750
	\$ 3,543,700	\$ 2,573,196

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

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

	Dec. 24, 2010	March 26, 2010
Prepaid insurance	\$ 16,011	\$ 30,657
Prepaid corporate taxes	1,102,617	76,248
Other current assets	4,300	3,415
	\$ 1,122,928	\$ 110,320

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## IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS  
(Unaudited)

## Note 5 - PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment are comprised of the following:

	Dec. 24, 2010	March 26, 2010
Computers	\$ 257,243	\$ 242,708
Leasehold improvements	588,685	588,685
Machinery and equipment	5,194,536	5,091,909
Tools and dies	2,255,485	2,193,005
Furniture and fixture	160,020	155,935
Website development cost	7,550	7,550
	8,463,519	8,279,792
Less: accumulated depreciation and amortization	(7,197,052)	(7,084,552)
	\$ 1,266,467	\$ 1,195,240

## Note 6 - ACCOUNTS RECEIVABLE FINANCING:

The Company entered into an accounts receivable financing agreement with a non-bank lending institution (“Factor”) whereby it can borrow up to 80 percent of its eligible receivables (as defined in such financing agreement) at an interest rate of 2 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 will automatically renew for successive one-year terms, unless terminated by the Company or the Factor upon receiving 60 days prior notice. Funds advanced by the Factor are secured by the Company’s accounts receivable and inventories. As of December 24, 2010, the Company reported a liability to the Factor of \$122,383. As of March 26, 2010, the Company had reported excess payments to the Factor resulting in an overpayment of \$224,040, which the Company applied against borrowings during the current quarter. These excess repayments are reported in the accompanying financial statements as of March 26, 2010 as “Excess repayments to accounts receivable factor.”

## Note 7 - OTHER CURRENT LIABILITIES:

Other current liabilities are comprised of the following:

	Dec. 24, 2010	March 26, 2010
Payroll and vacation accruals	\$ 335,289	\$ 315,923
Sales commissions	43,548	37,040
Insurance	55,552	73,617
Other	99,200	5,608
	\$ 533,589	\$ 432,188



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## IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS  
(Unaudited)

## Note 8 - WORKERS COMPENSATION INSURANCE ASSESSMENT:

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

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

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

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

In July 2010, the Company was subsequently notified that it was being assessed an additional \$146,073 covering the years 2002 through 2007, bringing the total deficit allocation assessment to \$247,435.

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

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

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

The Company has recorded the additional assessment of \$146,073 as a charge to Cost of Sales in the quarter ended March 26, 2010. As of December 24, 2010, the Company had paid down a total of \$70,857 and the remaining balance of the total revised assessment payable was \$176,578.



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IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS  
(Unaudited)

Note 9 - CHANGES IN STOCKHOLDERS' EQUITY:

Retained earnings increased by \$1,003,030, which represents the net income for the nine months ended December 24, 2010. As a result at December 24, 2010, the Company reported accumulated retained earnings of \$3,160,747.

Note 10- 2002 EMPLOYEE STOCK OPTION PLAN:

On December 21, 2001, the Company's shareholders approved the adoption of the Company's 2002 Employees Stock Option Plan ("2002 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.

Options granted to employees under the 2002 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 so qualify.

Under the 2002 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 of the Company's common stock and the option must not be exercisable after the expiration of five years from the day of the grant.

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

The aggregate fair market value of shares subject to options granted to a participant(s), which are designated as incentive stock options, and which become exercisable in any calendar year, shall not exceed \$100,000. As of December 24, 2010, no options had been granted under the 2002 Plan.

Note 11 - CASH BONUS PLAN:

In 1987, the Company adopted a cash bonus plan ("Cash Bonus Plan") for executive officers. Contributions to the Cash Bonus Plan are made by the Company only after pre-tax operating profits exceed \$150,000 for a fiscal year, and then to the extent of 10% of the excess of the greater of \$150,000 or 25% of pre-tax operating profits. The Company accrued \$149,600 for the nine months ended December 24, 2010. For the year ended March 26, 2010, the Company's contribution was \$163,000.



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IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS  
(Unaudited)

Note 12 - COMMITMENTS AND CONTINGENCIES:

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

Fiscal year ending March:

2011	\$ 42,096
2012	70,160
	\$ 112,256

The rental expense for the nine months ended December 24, 2010 and December 25, 2009 was \$108,081 and \$109,107, respectively.

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

The Company has not taken any action to terminate, withdraw or partially withdraw from the Multi-Employer Plan, nor does it intend to do so in the future. Under the 1990 Act, liabilities would be based upon the Company’s proportional share of the Multi-Employer Plan’s unfunded vested benefits which is currently not available.

The amount of accumulated benefits and net assets of such Plan also is not currently available to the Company. The total contributions charged to operations under the provisions of the Multi-Employer Plan were \$84,376 and \$82,530 for the nine months ended December 24, 2010 and December 25, 2009, respectively.

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IEH CORPORATION

PART I: FINANCIAL INFORMATION

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

Forward Looking Statements

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

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

Critical Accounting Policies

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

•Impairment of Long-Lived Assets:

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



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IEH CORPORATION

PART I: FINANCIAL INFORMATION

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

Critical Accounting Policies (continued)

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

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

- **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 design during the nine months ended December 24, 2010 and December 25, 2009, respectively.

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## IEH CORPORATION

## PART I: FINANCIAL INFORMATION

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

Comparative Analysis-Nine Months Ended December 24, 2010 and December 25, 2009

## Results of Operations

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

	Dec. 24, 2010		Dec. 25, 2009	
Operating Revenues (in thousands)	\$ 10,237		\$ 8,952	
Operating Expenses: (as a percentage of Operating Revenues)				
Costs of Products Sold	63.65	%	65.33	%
Selling, General and Administrative	14.60	%	14.73	%
Interest Expense	.30	%	.41	%
Depreciation and amortization	1.10	%	1.46	%
<b>TOTAL COSTS AND EXPENSES</b>	<b>79.65</b>	<b>%</b>	<b>81.93</b>	<b>%</b>
Operating Income	20.35	%	18.07	%
Other Income	-		-	
Income (loss) before Income Taxes	20.35	%	18.07	%
Income Taxes	(10.55	%)	(6.63	%)
Net Income	9.80	%	11.44	%

Operating revenues for the nine months ended December 24, 2010 amounted to \$10,237,382 reflecting a 14.36% increase versus the nine months ended December 25, 2009 revenues of \$8,951,957. The increase in revenues can be attributed to a significant increase in commercial aerospace spending and new customers in the medical device manufacturing sector.

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IEH CORPORATION

PART I

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

Comparative Analysis-Nine Months Ended December 24, 2010 and December 25, 2009 (continued)

Cost of products sold amounted to \$6,515,838 for the nine months ended December 24, 2010, or 63.65% of operating revenues. This reflected a \$667,572 or 11.41% increase in the cost of products sold from \$5,848,266 or 65.33% of operating revenues for the nine months ended December 25, 2009. The increase in cost of product sold is due primarily to the increases in material costs and related labor costs for the nine months ended December 24, 2010.

Selling, general and administrative expenses were \$1,495,126 or 14.60% of operating revenues for the nine months ended December 24, 2010 compared to \$1,318,628 or 14.73% of operating revenues for the nine months ended December 25, 2009. This category of expenses increased by \$176,498 or 13.38% from the prior year. The increase can be attributed to an increase in compensation, commissions and travel expenses.

Interest expense was \$31,007 for the nine months ended December 24, 2010 or .30% of operating revenues. For the fiscal nine months ended December 25, 2009, interest expense was \$36,404 or .41% of operating revenues. The decrease of \$5,397 or 14.83% reflects primarily management's commitment to apply operating revenues to reduce the Company's debt.

Depreciation and amortization of \$112,500 or 1.10% of operating revenues was reported for the nine months ended December 24, 2010. This reflects a decrease of \$18,414 from the comparable nine month period ended December 25, 2009 of \$130,914 or 1.46% of operating revenues. The reduction in depreciation is the result of assets being written off prior to the nine months ended December 24, 2010.

The Company reported net income of \$1,003,030 for the nine months ended December 24, 2010 representing basic earnings of \$.44 per share as compared to net income of \$1,024,600 or \$.45 per share for the nine months ended December 25, 2009. The decrease in net income for the current nine month period can be attributed primarily to higher material costs, increases in related labor costs and increased provisions for corporate taxes.

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## IEH CORPORATION

## PART I

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

## Comparative Analysis-Three Months Ended December 24, 2010 and December 25, 2009

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

	Dec. 24, 2010		Dec. 25, 2009	
Operating Revenues (in thousands)	\$ 3,570		\$ 3,087	
Operating Expenses: (as a percentage of Operating Revenues)				
Costs of Products Sold	62.79	%	64.07	%
Selling, General and Administrative	14.54	%	15.39	%
Interest Expense	.39	%	.33	%
Depreciation and amortization	1.05	%	1.38	%
<b>TOTAL COSTS AND EXPENSES</b>	<b>78.77</b>	<b>%</b>	<b>81.17</b>	<b>%</b>
Operating Income (loss)	21.23	%	18.83	%
Other Income	-		-	
Income (loss) before Income Taxes	21.23	%	18.83	%
Income Taxes	(10.08	%)	(9.00	%)
Net Income (loss)	11.15	%	9.83	%

Operating revenues for the three months ended December 24, 2010 amounted to \$3,569,855 reflecting a 15.63% increase versus the three months ended December 25, 2009 revenues of \$3,087,233. The increase in revenues can be attributed to a significant increase in commercial aerospace spending and new customers in the medical device manufacturing sector.

Cost of products sold amounted to \$2,241,610 for the three months ended December 24, 2010, or 62.79% of operating revenues. This reflected a \$263,531 or 13.32% increase in the cost of products sold from \$1,978,079 or 64.07% of operating revenues for the three months ended December 25, 2009. The increase in cost of product sold is due primarily to the increases in material costs and related labor costs for the three months ended December 24, 2010.





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## IEH CORPORATION

## PART I

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

## Comparative Analysis-Three Months Ended December 24, 2010 and December 25, 2009 (continued)

Selling, general and administrative expenses were \$519,214 or 14.54% of operating revenues for the three months ended December 24, 2010 compared to \$475,092 or 64.07% of operating revenues for the three months ended December 25, 2009. This category of expenses increased by \$44,122 or 9.29% from the prior year. The increase can be attributed to an increase in compensation, commissions and travel expenses.

Interest expense was \$13,782 for the three months ended December 24, 2010 or .39% of operating revenues. For the fiscal three months ended December 25, 2009, interest expense was \$10,229 or 15.39% of operating revenues. The increase of \$3,553 or 35.73% reflects the effect of additional borrowings during the quarter ended December 24, 2010.

Depreciation and amortization of \$37,500 or 1.05% of operating revenues was reported for the three months ended December 24, 2010. This reflects a decrease of \$5,100 from the comparable three month period ended December 25, 2009 of \$42,600 or 1.38% of operating revenues. The reduction in depreciation is the result of assets being written off prior to the three months ended December 24, 2010.

The Company reported net income of \$397,898 for the three months ended December 24, 2010 representing basic earnings of \$.17 per share as compared to net income of \$303,566 or \$.13 per share for the three months ended December 25, 2009. The increase in net income for the current three month period can be attributed primarily to higher revenues.

## Liquidity and Capital Resources

The Company reported working capital of \$4,762,719 as of December 24, 2010 compared to a working capital of \$3,878,431 as of March 26, 2010. The increase in working capital of \$884,288 was attributable to the following items:

Net income	\$ 1,003,030
Depreciation and amortization	112,500
Capital expenditures	(183,727 )
Other transactions	(47,515 )

As a result of the above, the current ratio (current assets to current liabilities) was 3.19 to 1 at December 24, 2010 as compared to 5.46 to 1 at March 26, 2010. Current liabilities at December 24, 2010 were \$2,175,868 compared to \$869,495 at March 26, 2010.

For the nine months ended December 24, 2010, the Company reported \$183,727 in capital expenditures and depreciation of \$112,500.

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IEH CORPORATION

PART I: FINANCIAL INFORMATION

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

Liquidity and Capital Resources (continued)

The net income of \$1,003,030 for the nine months ended December 24, 2010 resulted in an increase in stockholders' equity to \$5,928,355 as compared to stockholders' equity of \$4,925,325 at March 26, 2010.

The Company has an accounts receivable financing agreement with non-lending institution ("Factor") whereby it can borrow up to 80 percent of its eligible receivables (as defined in such financing agreement) at an interest rate of 2.5% above JP Morgan Chase's publicly announced prime rate with a minimum rate of 12% per annum. Funds advanced by the Factor are secured by the Company's accounts receivable and inventories. At December 24, 2010, the Company reported that the amount outstanding with the Factor was \$122,383 as compared to reported excess payments to the Factor of \$224,040 at March 26, 2010. These excess repayments are reported in the accompanying financial statements as "Excess repayments to accounts receivable factor."

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 the Multi-Employer Plan with the UAW. Contributions are made by the Company in accordance with a negotiated labor contract and are based on the number of covered employees employed per month. With the passage of the 1990 Act, the Company may become subject to liabilities in excess of contributions made under the collective bargaining agreement. Generally, these are contingent upon termination, withdrawal, or partial withdrawal from the Multi-Employer Plan. The Company has not taken any action to terminate, withdraw or partially withdraw from the Multi-Employer Plan, nor does it intend to do so in the future. Under the 1990 Act, liabilities would be based upon the Company's proportional share of the Multi-Employer Plan's unfunded vested benefits which is currently not available. The amount of accumulated benefits and net assets of such Plan also is not currently available to the Company. The total contributions charged to operations under the provisions of the Multi-Employer Plan were \$84,376 and \$85,230 for the nine months ended December 24, 2010 and December 25, 2009, respectively.

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

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## IEH CORPORATION

## PART I: FINANCIAL INFORMATION

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

## Liquidity and Capital Resources (continued)

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

2007	\$16,826
2008	24,934
2009	31,785
2010	14,748
2011	13,069
	\$101,362

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

In July 2010, the Company was subsequently notified that it was being assessed an additional \$146,073 covering the years 2002 through 2007, bringing the total deficit allocation assessment to \$247,435.

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

2003	\$23,445
2008	43,797
2009	51,381
2010	38,309
2011	46,477
2012	44,026
	\$247,435

The Company has elected to pay the revised assessment over a five year period (60 months) ending in 2012. The monthly payments, inclusive of interest at 7.50%, are \$3,970.

The Company has recorded the additional assessment of \$146,073 as a charge to Cost of Sales in the quarter ended March 26, 2010. As of December 24, 2010, the Company had paid down a total of \$70,857 and the remaining balance of the total revised assessment payable was \$176,578.

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IEH CORPORATION

PART I: FINANCIAL INFORMATION

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

Liquidity and Capital Resources (continued)

On September 21, 2001, the Company's shareholders approved the adoption of the Company's 2002 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.

Options granted to employees under the 2002 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 2002 Plan, the exercise price of an option designated as an incentive stock option shall not be less than the fair market value of the Company's common stock on the day the option is granted. In the event an option designated as an incentive stock option is granted to a ten percent (10%) shareholder, such exercise price shall be at least 110 percent (110%) of the fair market value or the Company's common stock and the option must not be exercisable after the expiration of five years from the day of the grant.

Exercise prices of non-incentive stock options may be less than the fair market value of the Company's common stock. The aggregate fair market value of shares subject to options granted to its participants, which are designated as incentive stock options, and which become exercisable in any calendar year, shall not exceed \$100,000. As of December 24, 2010, no options had been granted under the 2002 Plan.

In 1987, the Company adopted the Cash Bonus Plan for executive officers. Contributions to the Cash Bonus Plan are made by the Company only after pre-tax operating profits exceed \$150,000 for a fiscal year, and then to the extent of 10% of the excess of the greater of \$150,000 or 25% of pre-tax operating profits. The Company accrued \$149,600 for the nine months ended December 24, 2010. For the year ended March 26, 2010, the contribution was \$163,000.

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IEH CORPORATION

PART I: FINANCIAL INFORMATION

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We do not believe that any of our financial instruments have significant risk associated with market sensitivity. For more information on these investments see Note 2 to our financial statements included in this Form 10-Q. We are not exposed to significant financial market risks from changes in foreign currency exchange rates and are only minimally impacted by changes in interest rates. We have not used, and currently do not contemplate using, any derivative financial instruments.

Interest Rate Risk

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

As of December 24, 2010, our unrestricted cash was \$360,648 of which \$204,397 was in an interest bearing money market account with and the balance of \$156,251 was maintained in non-interest bearing checking accounts used to pay operating expenses.

ITEM 4. CONTROLS AND PROCEDURES

Based on an evaluation of the effectiveness of the Company's "disclosure controls and procedures" (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), the Company's President/Chief Executive Officer and the Company's Chief Financial Officer (who is also our controller and principal accounting officer) have concluded that, as of the end of the period covered by this Report on Form 10-Q, the Company's disclosure controls and procedures were effective at the reasonable assurance level to ensure that information required to be disclosed by the Company in this Report that it files or submit under the Exchange Act is, recorded, processed, summarized and reported within the time periods specified within the SEC's rules and forms and that such information is accumulated and communicated to our management, including our President/Chief Executive Officer and our Chief Financial Officer, to allow timely decisions regarding required disclosure. Management does not view the Company's inability to timely file its Annual Report on Form 10-K for the fiscal year ended March 26, 2010 as evidence that the Company's disclosure controls and procedures were not effective. The delay experienced by the Company in completing its Annual Report was caused by the delay in completing its financial statements for the period ended March 26, 2010 which consequently resulted in a delay in obtaining the review of such financial statements by its independent registered public accounting firm. Accordingly, the Company's management was not able to complete its preparation of the Annual Report prior to the required filing date. The Company filed a report on Form 12b-25 with the SEC requesting a 15-day extension period and thereafter timely filed its Annual Report on Form 10K for the fiscal year ended March 26, 2010 during such 15-day extension period. Furthermore, management reached the foregoing conclusion that the controls are effective, notwithstanding the timing of the filing of this Report, as the unforeseen delay was caused by the third party advisor to the Company responsible for administratively filing this Report.

Our management, including our President/Chief Executive Officer and our Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the

objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our Company have been detected. Our

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IEH CORPORATION

PART I: FINANCIAL INFORMATION

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK  
(continued)

management, however, believes our disclosure controls and procedures are in fact effective to provide reasonable assurance that the objectives of the control system are met.

Changes in Internal Control over Financial Reporting (continued)

There have been no changes in our internal control over financial reporting (as defined in Rule 13a – 15(f) under the Exchange Act) during the quarter ended December 24, 2010 that have been materially affected, or are reasonably likely to materially affect our internal controls over financial reporting.

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IEH CORPORATION

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

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

Risks Related to Our Business

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

We have generated net income of \$1,069,437, \$768,003 and \$603,865, respectively, for the fiscal years ended March 26, 2010, March 27, 2009 and March 28, 2008, and \$1,003,030 for the nine months ended December 24, 2010. We have expended, and will continue to be required to expend, substantial funds to pursue product development projects, enhance our marketing and sales efforts and to effectively maintain business operations. Therefore, we will need to generate higher revenues to achieve and maintain profitability and cannot assure you that we will be profitable in any future period.

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

We have an existing accounts receivable financing agreement with a non-bank lending institution ("Factor") whereby we can borrow up to 80 percent of our eligible receivables at an interest rate of 2 ½ % above JP Morgan Chase's publicly announced prime rate with a minimum rate of 12% per annum. No assurances can be given that this financing agreement will continue into the future. If we are unable to continue with this agreement, our cash flow might adversely be affected.

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

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

base could harm our ability to attract and retain other valuable employees critical to the success of our business.

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IEH CORPORATION

PART II: OTHER INFORMATION

ITEM 1A. RISK FACTORS (continued)

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

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

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

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

Risks Related to Our Common Stock

Our stock price is volatile and could decline.

The price of our common stock has been, and is likely to continue to be, volatile. For example, our stock price during the fiscal year ended March 26, 2010 traded as low as \$2.46 per share and as high as \$4.45 per share. During the three month period ended December 24, 2010, our common stock traded in the range of \$3.60 per share to \$4.89 per share. During the nine month period ended December 24, 2010, our common stock traded as low as \$3.56 per share and as high as \$4.89 per share. We cannot assure you that your initial investment in our common stock will not fluctuate significantly. The market price of our common stock may fluctuate significantly in response to a number of factors, some of which are beyond our control, including:

- Quarterly variations in our operating results.
- Announcements we make regarding significant contracts, acquisitions, dispositions, strategic partnerships, or joint ventures.
  - Additions or departures of key personnel.
  - The introduction of competitive offerings by existing or new competitors.
  - Uncertainty about and customer confidence in the current economic conditions and outlook.
    - Reduced demand for any of our products.
    - Sales of our common stock.

In addition, the stock market in general, and companies whose stock is traded in the Over-The-Counter Market and is quoted on the National Association of Securities Dealers Automated Quotation (“NASDAQ”) System Bulletin Board

under the symbol "IEHC.OB" have experienced extreme price and volume fluctuations that have often been disproportionate to the operating performance of these companies. Broad market and industry factors may negatively affect the market price of our common stock, regardless of our actual operating performance.

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IEH CORPORATION

PART II: FINANCIAL INFORMATION

ITEM 1A. RISK FACTORS (continued)

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

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

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

Not applicable

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. REMOVED AND RESERVED

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

The following exhibits are filed herewith or incorporated by reference:

Exhibit 31.1 Certification Pursuant to Section 302 of the Sarbanes Oxley Act

Exhibit 31.2 Certification Pursuant to Section 302 of the Sarbanes Oxley Act

Exhibit 32.1 Certification Pursuant to Section 906 of the Sarbanes Oxley Act

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SIGNATURES

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

IEH CORPORATION  
(Registrant)

February 9, 2011

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

February 9, 2011

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

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