

Edgar Filing: IEH CORPORATION - Form 10-K/A

IEH CORPORATION  
Form 10-K/A  
August 06, 2009

U.S. SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K  
Amendment No. 1

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED MARCH 27, 2009.
- 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 58th Street, Suite 8E  
140 58th Street, Suite 8E  
Brooklyn, NY 11220  
(Address of Principal Executive Offices)

(718) 492-9673  
(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

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.

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 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)

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Indicate by check mark if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form and no disclosure will 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 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 26, 2008): \$3,924,900.60.

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Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date: On July 10, 2009, 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.

None

### EXPLANATORY NOTE

We are filing this Amendment No. 1 ("Amendment No. 1") to our Annual Report on Form 10-K for the year ended March 27, 2009 ("Original Form 10-K"), as filed with the Securities and Exchange Commission ("SEC") on July 10, 2009, in order to amend and correct certain typographical errors in Item 7. Management's Discussion and Analysis or Plan of Operation and specifically the section therein entitled "Results of Operation - Year End Results: March 27, 2009 vs. March 28, 2008 - Liquidity and Capital Resources" as follows:

- (i) The Company's working capital reported in the Original Form 10-K as \$3,115,072 as of March 27, 2009 should be corrected to \$2,715,072.
- (ii) The increase in working capital reported in the Original Form 10-K as \$1,224,350 as of March 27, 2009 should be corrected to \$824,350.
- (iii) The amount of "Other Transactions" reported in the Original Form 10-K as \$468,228 as of March 27, 2009 should be corrected to \$68,228.
- (iv) The current ratio (current assets to current liabilities) reported in the Original Form 10-K as 3.69 to 1 at March 27, 2009 should be corrected to 2.74 to 1.
- (v) Current liabilities at March 27, 2009 reported in the Original Form 10-K as \$1,158,972 should be corrected to \$1,558,972.

The remainder of Item 7 remains the same as previously reported in the Original Form 10-K.

The foregoing changes have no effect on and will not result in any

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changes to the Company's audited financial statements or the Notes to the Financial Statements thereto for the year ended March 27, 2009 previously reported in the Original Form 10K.

This Amendment No. 1 is limited in scope to the items identified above and should be read in conjunction with the Original Form 10-K and our other filings with the SEC.

This Amendment No. 1 does not reflect events occurring after the filing of the Original Form 10-K or modify or update those disclosures affected by subsequent events. Consequently, all other information is unchanged and reflects the disclosures made at the time of the filing of the Original Form 10-K. With this Amendment No. 1, the principal executive officer and principal financial officer of the Company have reissued their certifications required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002, included in Part IV, Item 15. Exhibits, Financial Statement Schedules, furnished herewith.

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### 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.

#### Critical Accounting Policies

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

- o Impairment of Long-Lived Assets:

- The Company reviews its long-lived assets for impairment

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

- o Inventory Valuation:  
Raw materials and supplies are valued at the lower of first-in, first-out cost or market. Finished goods and work in process are valued at the lower of actual cost, determined on a specific identification basis, or market. The Company estimates which materials may be obsolete and which products in work in process or finished goods may be sold at less than cost, and adjusts their inventory value accordingly. Future periods could include either income or expense items if estimates change and for differences between the estimated and actual amount realized from the sale of inventory.
- o Income Taxes:  
The Company records a liability for potential tax assessments based on its estimate of the potential exposure. Due to the subjectivity and complex nature of the underlying issues, actual payments or assessments may differ from estimates. Income tax expense in future periods could be adjusted for the difference between actual payments and the Company's recorded liability based on its assessments and estimates.

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

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

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

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

- o Research & Development:

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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 expended \$0 and \$15,000 for the years ended March 27, 2009 and March 28, 2008, respectively, on customer sponsored research and development activities relating to the development of new designs, techniques and the improvement of existing designs. The Company was fully reimbursed by its customers for this research.

### Results of Operations

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:

	March 27, 2009	March 28, 2008
	-----	-----
Operating Revenues (in thousands)	\$ 10,718	\$ 7,805
	-----	-----
Operating Expenses: (as a percentage of Operating Revenues)		
Costs of Products Sold	69.3%	70.8%
Selling, General and Administrative	15.3%	16.4%
Interest Expense	.6%	2.3%
Depreciation and amortization	1.6%	2.5%
	-----	-----
TOTAL COSTS AND EXPENSES	86.8%	92.0%
	-----	-----
Operating Income (loss)	13.2%	8.0%
Other Income	--	--
	-----	-----
Income (loss) before Income Taxes	13.2%	8.0%
Income Taxes	(6.0%)	(.3%)
	-----	-----
Net Income (loss)	7.2%	7.7%
	=====	=====

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Year End Results: March 27, 2009 vs. March 28, 2008

Operating revenues for the year ended March 27, 2009 amounted to

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\$10,717,543 reflecting a 37.3% increase versus the year ended March 28, 2008 revenues of \$7,805,443. The increase in revenues is a direct result of an increase in defense and commercial sales.

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 27, 2009 and March 28, 2008, 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.

For the fiscal year ended March 27, 2009, three of the Company's customers accounted for approximately 26% of total sales. Each of those customer accounted for approximately 9% of sales.

The Company currently employs 15 independent sales representatives to market its products in all regions of the United States. These sales representatives accounted for approximately 94% of the Company's sales, with the balance of sales being generated by direct customer contact.

For the fiscal year ended March 27, 2009, 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 30% and 69%, respectively, of the Company's net sales for the year ended March 27, 2009 and 28% and 71% for the year ended March 28, 2008 respectively. Approximately 1% of net sales were made to international customers.

Cost of products sold amounted to \$7,425,771 for the fiscal year ended March 27, 2009, or 69.3% of operating revenues. This reflected a \$1,899,296 or 34.4% increase in the cost of products sold from \$5,526,475 or 70.8% of operating revenues for the fiscal year ended March 28, 2008. This increase is due primarily to the increased cost of production associated with the increase in defense and commercial sales.

Selling, general and administrative expenses were \$1,643,083 and \$1,277,924 or 15.3% and 16.4% of operating revenues for the fiscal years ended March 27, 2009 and March 28, 2008, respectively. This category of expense increased by \$365,159 or 28.6% from the prior year. The increase can be attributed to an increase in salaries, commissions and travel. Additionally a workers compensation assessment of \$101,362 was recorded during the current fiscal year.

Interest expense was \$66,681 for the fiscal year ended March 27, 2009 or .6% of operating revenues. For the fiscal year ended March 28, 2008, interest expense was \$177,675 or 2.3% of operating revenues. The decrease of \$110,994 or 62.5% reflects the interest payments made during the year ended March 28, 2008, as part of the settlement with the UAW Local 259 pension fund which amounted to \$85,052.

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Depreciation and amortization of \$172,658 or 1.6% of operating

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revenues was reported for the fiscal year ended March 27, 2009. This reflects a decrease of \$25,242 or 12.8% from the prior year ended March 28, 2008 of \$197,900 or 2.5% of operating revenues. The decrease is due primarily to capital assets being fully depreciated over the current fiscal year.

The Company reported net income of \$768,003 for the year ended March 27, 2009 representing basic earnings of \$.33 per share as compared to net income of \$603,865 or \$.26 per share for the year ended March 28, 2008. The increase in net income for the current year can be attributed primarily to the reported increase in defense and commercial sales.

### Liquidity and Capital Resources

The Company reported working capital of \$2,715,072 as of March 27, 2009 compared to a working capital of \$1,890,722 as of March 28, 2008. The increase in working capital of \$824,350 was attributable to the following items:

Net income	\$ 768,003
Depreciation and amortization	172,658
Capital expenditures	(184,539)
Other transactions	68,228
	-----
	\$ 824,350
	=====

As a result of the above, the current ratio (current assets to current liabilities) was 2.74 to 1 at March 27, 2009 as compared to 2.42 to 1.0 at March 28, 2008. Current liabilities at March 27, 2009 were \$1,558,972 compared to \$1,329,138 at March 28, 2008.

The Company reported \$184,539 in capital expenditures for the year ended March 27, 2009 and reported depreciation of \$172,658 for the year ended March 27, 2009.

The net income of \$768,003 for the year ended March 27, 2009 resulted in an increase in stockholders' equity to \$3,855,888 as compared to stockholders' equity of \$3,087,885 at March 28, 2008.

The Company has an accounts receivable financing agreement with a factor, which bears interest at 2.5% above prime with a minimum of 12% per annum. At March 27, 2009 the amount outstanding with the factor was \$454,723 as compared to \$513,378 at March 28, 2008. The loan is secured by the Company's accounts receivables and inventories. The factor provides discounted funds based upon the Company's accounts receivables, these funds provide the primary source of working capital for operations.

In the past two fiscal years, management has been reviewing its collection practices and policies for outstanding receivables and has revised its collection procedures to a more aggressive collection policy. As a consequence of this new policy the Company's experience is that its customers have been remitting payments on a more consistent and timely basis. The Company reviews the collectability of all accounts receivable on a monthly basis. The reserve is less than 2% of average gross accounts receivable and is considered to be conservatively adequate.

One of the Company's officers has periodically loaned the Company money on a non-interest bearing basis in order to finance working

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capital requirements. As of March 28, 2008, the amount due this officer was \$17,000.

During the year ended March 27, 2009 the Company had repaid the remaining balance due to this officer.

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The Company has a collective bargaining multi-employer 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 such Plan were \$101,695 for the year ended March 27, 2009 and \$80,667 for the year ended March 28, 2008.

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 has elected the deferral option, and is making monthly payments of \$1,689 for 59 months, and \$1,711 for the 60th and final month. The Company has recorded this assessment as a charge to Cost of Sales in the quarter ended December 26, 2008. As of March 27, 2009, the current portion of this assessment liability was \$20,268 and the long-term portion was \$67,579.

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



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

Options granted to employees under this plan may be designated as options which qualify for incentive stock option treatment under Section 422A of the Internal Revenue Code, or option which do not so qualify. Under this plan, the exercise price of an option designated as an Incentive Stock Option shall not be less than the fair market value of the Company's common stock on the day the option is granted.

In the event an option designated as an incentive stock option is granted to a ten percent (10%) share holder, such exercise price shall be at least 110 percent (110%) of the fair market value or the Company's common stock and the option must not be exercisable after the expiration of five years from the day of the grant. Exercise prices of non-incentive stock options may be less than the fair market value of the Company's common stock. The aggregate fair market value of shares subject to options granted to its participants, which are designated as incentive stock options, and which become exercisable in any calendar year, shall not exceed \$100,000. As of March 27, 2009, no options had been granted under the Employee Option Plan.

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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. For the year ended March 27, 2009, the contribution was \$121,000. For the year ended March 28, 2008, the contribution was \$59,500.

### 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, has 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.

## PART IV

### Item 15. Exhibits

Exhibits filed with Form 10-K:

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31.1 Certifications 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 Certifications 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.

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.

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IEH CORPORATION

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

IEH CORPORATION

By: /s/ Michael Offerman  
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Michael Offerman  
President and Chief Executive Officer

Dated: August 6, 2009

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ Michael Offerman August 6, 2009  
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Michael Offerman, Chairman of the Board, Chief Executive Officer and President

/s/ Robert Knoth August 6, 2009  
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Robert Knoth, Secretary and Treasurer; Chief Financial Officer, Controller and Principal Accounting Officer

/s/ Murray Sennet August 6, 2009  
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Murray Sennet, Director

/s/ Alan Gottlieb August 6, 2009  
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Alan Gottlieb, Director

/s/ Gerald E. Chafetz

August 6, 2009

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Gerald E. Chafetz

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