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2019
ANNUAL
REPORT

IEH CORPORATION
INDEX TO FORM 10-K
FOR THE YEAR ENDED MARCH 29, 2019

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



140 58TH STREET 8E
BROOKLYN NY 11220
www.iehcorp.com

October 23, 2019

To Our Shareholders, Employees and Friends,

We are very pleased to share exceptionally strong results for our Fiscal Year 2019, characterized as meaningful revenue growth, gross margin improvement and an unprecedented increase in our net income.

Even disregarding a one-time large contract with a customer in the Oil & Gas sector, our top and bottom-line growth continues unabated. In addition, our pipeline of opportunities remains robust, due in large part to the increased efforts of our growing sales force, and the health and bright prospects of the primary industries we serve, Defense and Commercial Aerospace.

In the Defense and Military Aerospace market, IEH's well-established position as a preferred supplier within a very conservative industry continues to serve us well, as does customer familiarity with our Hyperboloid technology and our products which employ it. As a result, our connectors continue to be specified for mission-critical applications and vital defense programs. Although gestation for these programs can be lengthy, the extended lifecycles once in production virtually guarantees rewarding revenue streams for the long-term. As defense spending in the US continues to rise in response to geopolitical dynamics, IEH continues to benefit. In addition, Foreign Military Sales (FMS) remains a growth-driver for our defense customers and by extension, for us.

On the Commercial Aerospace side, despite recent regulatory issues, the demands on the aviation supply chain remains intense, with customers pushing suppliers to deliver more parts sooner. As a result, IEH's biggest challenge is increasing capacity to meet demand.

International Sales represent a growing share of overall revenue, and with the addition of new sales management and personnel in new markets, this embodies perhaps the most promising path to revenue growth. Overseas, our products continue to be pursued as highly desirable alternatives to incumbent suppliers.

Finally, our involvement in the Commercial Space industry, which includes rocket launches, satellites and space exploration continues to bear fruit. As this nascent industry further develops, IEH's advantageous position will fuel ever higher revenue.

2019 has seen the introduction of new Hyperboloid products, which sprang from customer demand and industry requirements. These new types of connectors will serve our existing customer base, while also opening new avenues for growth in markets not previously served by us. Initial response to these new series' has been positive, and we anticipate they will contribute meaningful revenue to the company in the very near future.



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Financial highlights of the year include revenue growth from FY18's \$23.47 million to FY19's \$28.4 million, an increase of 21%. Operating Income rose from \$4.35 million to \$7.6 million, an increase of 75%. Net income effectively doubled, as the Company reported \$5.16 million for fiscal 2019, or \$2.24 per share, compared to net income of \$2.56 million, or \$1.11 per share, in fiscal 2018. Our first two quarters of the current fiscal year (2020) were similarly excellent, our cash position grows, and our inventory remains manageable.

As alluded to earlier, our most pressing current challenge is increasing capacity to meet the demands of our primary markets. Our sales growth over the past 12-18 months has been exceptionally strong, and our backlog is at an all-time high. This is not particular to IEH either, as many of our peers in the aerospace supply chain have similarly experienced a sharp uptick in orders and contracts. While this is a good problem to have, it is still a problem, something which, by nature, needs to be solved. We are addressing this by expanding our workforce, adding a third overnight shift in departments that represent a bottleneck in production, and reviewing options for expanding our facility within the Brooklyn Army Terminal, where there is ample space available at below-market rents.

In addition, our shift to automation in some of our key subassembly processes continues. This is a long-term effort, of which we are still in the early stages. We are starting to see results however, and with the delivery and onboarding of more equipment in the coming months, we expect these production efficiencies to increase, improving production yields while lowering overall costs, as the labor element is reduced.

External market forces, while not currently a factor, continue to be monitored. While IEH is not immune to market shifts, we are well-positioned as a supplier to industries that are not as susceptible to the whims of Wall Street or the consumer markets. Tariffs and trade issues, while also a concern, have not yet directly impacted our costs.

While these and other challenges remain, we are very optimistic that our programs and strategy will serve us well in this fiscal year. With the most welcome support of our shareholders, employees and friends, we can look forward to another successful year ahead.

Thank you,

A handwritten signature in black ink, appearing to read 'Dave Offerman'.

Dave Offerman
President and Chief Executive Officer

IEH CORPORATION

Forward-Looking Statements

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

Except as may be required by applicable law, we do not undertake or intend to update or revise our forward-looking statements, and we assume no obligation to update any forward-looking statements contained in this report as a result of new information or future events or developments. Thus, you should not assume that our silence over time means that actual events are bearing out as expressed or implied in such forward-looking statements. You should carefully review and consider the various disclosures we make in this report and our other reports filed with the Securities and Exchange Commission (“SEC”) that attempt to advise interested parties of the risks, uncertainties and other factors that may affect our business.

IEH CORPORATION

PART I

Item 1. Business

IEH Corporation (hereinafter referred to as the “Company”) was organized under the laws of the State of New York on March 22, 1943 under the name Industrial Heat Treating Company, Inc. On March 15, 1989, the Company changed its name to its current name. The Company’s executive offices and manufacturing facilities are located at 140 58th Street, Suite 8E, Brooklyn, New York 11220. The Company’s telephone number is (718) 492-4440; Fax: 718-492-9898; its email address is ieh@iehcorp.com.

The majority of our customers require that we maintain a quality system in strict accordance with ISO 9001. This is an International Standard Organization (ISO) specification and we have been recently audited and have received certification to ISO 9001:2015. Our quality policy is: “Listening to our Customers and Meeting their Needs, while Continuously Improving our Processes and Services.”

The Company has developed a web site that reflects the standard catalog items produced along with custom offerings. New product lines currently under development will be added later this year. You can view it by going to: <http://www.iehcorp.com>.

The Company designs, develops and manufactures printed circuit board connectors and custom interconnects for high performance applications. All of our connectors utilize the HYPERBOLOID contact design, a rugged, high-reliability contact system ideally suited for high-stress environments. We believe we are the only independent producer of HYPERBOLOID printed circuit board connectors in the United States.

Our customers consist of OEMs (Original Equipment Manufacturers) and distributors who resell our products to OEMs. We sell our products directly and through 25 independent sales representatives and distributors located in all regions of the United States, Canada, the European Union (EU), Southeast Asia, Central Asia and the Middle East.

The customers we service are in the Military, Aerospace, Space, Medical, Oil and Gas, Industrial, Test Equipment and Commercial Electronics markets. We appear on the Military Qualified Product Listing “QPL” to MIL-DTL-55302 and supply customer requested modifications to this specification. Sales to the Commercial electronics (inclusive of commercial aerospace, space, oil & gas, medical and miscellaneous markets) and Military markets were 49.9% and 50.1%, respectively, of the Company’s net sales for the year ended March 29, 2019. Our offering of “QPL” items has recently been expanded to include additional products.

In order to remain competitive, the Company has an internal program to upgrade, add and maintain machinery, review material costs and increase labor force productivity. During the fiscal years ended March 29, 2019 and March 30, 2018, the Company purchased several machines to increase the productivity of certain processes. This will help us meet this goal.

New Product Development

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

A recent product line featuring high-speed and hybrid power signal connectors has been added to the Company’s product offering. The Company expects to recognize meaningful revenue from these product lines and we expect it to contribute substantially to the bottom line in the coming years.

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

IEH CORPORATION

PART I

Item 1. Business (continued)

Commitments

The Company has a collective bargaining multi-employer pension plan (“Multi-Employer Plan”) with the United Auto Workers of America, Local 259 (the “Union”). Contributions are made in accordance with a negotiated labor contract and are based on the number of covered employees employed per month. With the passage of the Multi-Employer Pension Plan Amendments Act of 1990 (the “1990 Act”), the Company may become subject to liabilities in excess of contributions made under the collective bargaining agreement. Generally, these liabilities are contingent upon the termination, withdrawal, or partial withdrawal from the Multi-Employer Plan. The Company has not taken any action to terminate, withdraw or partially withdraw from the Multi-Employer Plan nor does it intend to do so in the future. Under the 1990 Act, liabilities would be based upon the Company’s proportional share of the Multi-Employer Plan’s unfunded vested benefits. Based upon such Plan’s information and data as of December 31, 2018 furnished to the Company (including, without limitation, unfunded vested benefits, accumulated benefits and net assets), such Plan is fully funded. Based thereupon, the Company’s proportional share of the liability through December 31, 2018 is fully funded. The total contributions charged to operations under such Plan were \$65,075 for the year ended March 29, 2019 and \$151,314 for the year ended March 30, 2018.

Marketing and Sales

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

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

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

The Company is primarily a manufacturer and its products are essentially basic components of larger assemblies of finished goods. Approximately 90% of the Company’s net sales for the years ended March 29, 2019 and March 30, 2018, respectively, were made directly to manufacturers of finished products with the balance of the Company’s products sold to distributors. Distributors often purchase connectors for customers who do not require large quantities of connectors over a short period of time but rather require small allotments of connectors over an extended period of time.

During the fiscal year ended March 29, 2019, two customers accounted for \$7,451,032 constituting 26.2% of the Company’s net sales. One of those customers accounted for 13.7% of the Company’s net sales while the second customer accounted for 12.5% of the Company’s net sales.

During the fiscal year ended March 30, 2018, one customer accounted for \$2,685,250 constituting 11.4% of the Company’s net sales.

The Company currently employs 25 independent sales representatives to market its products in all regions in the United States as well as in Canada, the European Union (EU), Southeast Asia, Central Asia and the Middle East. These

IEH CORPORATION

PART I

Item 1. Business *(continued)*

Marketing and Sales *(continued)*

independent sales representatives also promote the product lines of other electronics manufacturers; however, they do not promote the product lines of manufacturers which compete directly with the Company's products. These sales representatives accounted for approximately 95% of Company net sales for the year ended March 29, 2019 (with the balance of Company net sales being generated via direct customer contact).

International sales accounted for approximately 18.3% of net sales for the year ended March 29, 2019 and 20% of net sales for the year ended March 30, 2018, respectively.

Backlog of Orders/Capital Requirements

The backlog of orders for the Company's products amounted to approximately \$18,407,000 at March 29, 2019 as compared to \$15,658,000 at March 30, 2018. A portion of these orders are subject to cancellation or postponement of delivery dates and, therefore, no assurance can be given that actual sales will result from these orders. The Company does not foresee any problems which would prevent it from fulfilling its orders.

Competition

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

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

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

Suppliers of Raw Materials and Component Parts

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

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

Employees

The Company presently employs approximately 199 people, two (2) of whom are executive officers; six (6) are engaged in management activities; eight (8) provide general and administrative services; and approximately 183 are employed in manufacturing and testing activities. Most of the employees engaged in manufacturing and testing activities are covered by

IEH CORPORATION

PART I

Item 1. Business *(continued)*

Employees *(continued)*

a collective bargaining agreement with the Union, which will expire on March 31, 2021. The Company believes that it has a good relationship with its employees and the Union.

Governmental Regulations

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

OSHA provides federal guidelines and specifications to companies in order to insure the health and safety of employees. DSCC oversees the quality and specifications of products and components manufactured and sold to the government and the defense industry. DSCC’s primary customer is the U.S. military. Many of our products appear on the DSCC Qualified Products Listing (“QPL”). To remain qualified, the Company submits its products to an outside testing laboratory which performs all required testing. After review by the Company of the testing results the data is then submitted to the DSCC. The Company and its products are only approved and remain on the QPL if the Company has passed all testing requirements. Although DSCC continuously requires products to an outside testing laboratory which performs all required testing. After review by the Company of the testing results the data is then submitted to the DSCC. The Company and its products are only approved and remain on the QPL if the Company has passed all testing requirements. Although DSCC continuously requires suppliers to meet changing specifications, the Company has not encountered any significant problems meeting such specifications and its products have, in the past, been approved. The Company is unaware of any changes in the Government’s regulations which are expected to materially affect the Company’s business.

Item 1A. Risk Factors

We are a “smaller reporting company” as defined by Regulation S-K and as such, are not required to provide the information contained in this item pursuant to Regulation S-K. Notwithstanding the foregoing sentence, the Company is providing the following information concerning risk factors:

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

Risks Related to Our Business

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

We have generated net income of \$5,160,776, \$2,565,559, and \$1,473,976, respectively, for the fiscal years ended March 29, 2019, March 30, 2018, and March 31, 2017. The results for the fiscal year ended March 29, 2019 reflect the completion of a large customer contract in the amount of \$3,766,000 which was fulfilled by the end of the first fiscal quarter. Our reasonable expectation at this time is that this customer’s business will not be repetitive and accordingly there can be no assurance that the operating revenues in future fiscal quarters will equal or exceed the results of the first fiscal quarter. 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.

IEH CORPORATION

PART II: OTHER INFORMATION

Item 1A. Risk Factors *(continued)*

Risks Related to Our Business *(continued)*

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 commercial finance company whereby we can borrow up to 80 percent of our eligible receivables at an interest rate of 2.5% above JP Morgan Chase's publicly announced prime rate with a minimum rate of 6% 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.

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

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

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

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

Risks Related to Our Common Stock

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

The price of our common stock has been, and is likely to continue to be, volatile. For example, our stock price during the fiscal year ended March 29, 2019 traded as low as \$7.30 per share and as high as \$22.00 per share. We cannot assure you that your investment in our common stock will not decline.

Item 1B. Unresolved Staff Comments

None.

IEH CORPORATION

PART 1

Item 2. Properties

The Company's lease term for its manufacturing facility located at 140 58th Street, Suite 8E, Brooklyn, New York runs from December 1, 2010 through November 30, 2020. The basic minimum annual rentals remaining are as follows:

| | |
|---------------------------|-------------------|
| Fiscal year ending March: | |
| 2020 | \$ 189,200 |
| 2021 | <u>128,640</u> |
| | <u>\$ 317,840</u> |

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

The rental expense for the years ended March 29, 2019 and March 30, 2018 and was \$183,720 and \$178,360, respectively. In addition to the base rent, the Company pays insurance premiums and utility charges relating to the use of the premises. The Company considers its present facilities to be adequate for its present and anticipated future needs.

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosure

Not applicable

PART II

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

Principal Market

On March 22, 2019, the Company's shares of common stock (the "common stock") commenced trading exclusively on the OTCQX Marketplace. Prior to March 22, 2019, the common stock was traded exclusively on the OTCQB Marketplace commencing on March 17, 2017. On March 17, 2017, the Company's shares of common stock (the "common stock") commenced trading exclusively on the OTCQB Marketplace. The shares are quoted on the National Association of Securities Dealers Automated Quotation ("NASDAQ") System under the ticker symbol "IEHC". Investors are able to view real-time quotes at <http://www.otcm Markets.com>.

Prior to March 17, 2017, the common stock of the Company was traded in the Over-The-Counter Market Electronic Bulletin Board (OTCBB).

Market Information

The range of high and low bid prices for the Company's common stock, for the periods indicated as set forth below as quoted (i) over the OTCBB prior to March 17, 2017, (ii) commencing on March 17, 2017 quoted on the OTCQB, and (iii) commencing on March 22, 2019, quoted on the OTCQX. Set forth below is a table indicating the high and low bid prices of the common stock during the periods indicated.

IEH CORPORATION

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters *(continued)*

Market Information *(continued)*

| | Year | High Bid | Low Bid |
|----------------------------------|------|----------|----------|
| Fiscal Year ended March 29, 2019 | | | |
| 1st Quarter | | \$ 9.66 | \$ 7.30 |
| 2nd Quarter | | \$ 22.00 | \$ 10.25 |
| 3rd Quarter | | \$ 14.70 | \$ 11.50 |
| 4th Quarter | | \$ 17.94 | \$ 12.05 |
| Fiscal Year ended March 30, 2018 | | | |
| 1 st Quarter | | \$ 6.80 | \$ 6.12 |
| 2 nd Quarter | | \$ 6.78 | \$ 6.36 |
| 3 rd Quarter | | \$ 8.89 | \$ 6.57 |
| 4 th Quarter | | \$ 8.87 | \$ 8.11 |

On July 11, 2018 (the last day prior to the filing of this report on which trading in the common stock occurred), the high bid for the common stock was \$19.50 and the low bid was \$18.00.

Dividends

On May 17, 2017, the Board of Directors of the Company authorized a \$0.25 one-time special cash dividend payable on June 19, 2017 to shareholders of record on the close of business of June 6, 2017. This dividend was the first dividend ever paid by the Company since it became an SEC reporting company.

Approximate Number of Equity Security Holders

The number of record holders of the Company's common stock as of July 12, 2019 was approximately 279. Such number of record owners was determined from the Company's shareholder records, and does not include the beneficial owners of the Company's common stock whose shares are held in the names of various security holders, dealers and clearing agencies.

Transfer Agent

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

Item 6. Selected Financial Data

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

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Statements contained in this report, which are not historical facts, may be considered forward-looking information with respect to plans, projections, or future performance of the Company as defined under the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to risks and uncertainties, which could cause actual

IEH CORPORATION

PART II

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

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.

The Company designs, develops and manufactures printed circuit board connectors and custom interconnects for high performance applications.

Overview of Business

All of our connectors utilize the HYPERBOLOID contact design, a rugged, high-reliability contact system ideally suited for high-stress environments. We believe we are the only independent producer of HYPERBOLOID printed circuit board connectors in the United States.

Our customers consist of OEMs (Original Equipment Manufacturers) and distributors who resell our products to OEMs. We sell our products directly and through 25 independent sales representatives and distributors located in all region of the United States, Canada, the European Union, Southeast Asia, Central Asia and the Middle East.

The customers we service are in the Military, Aerospace, Space, Medical, Oil and Gas, Industrial, Test Equipment and Commercial Electronics markets. We appear on the Military Qualified Product Listing “QPL” to MIL-DTL-55302 and supply customer requested modifications to this specification. Sales to the commercial electronics (inclusive of commercial aerospace, space, oil & gas, medical and miscellaneous markets) and military markets were 49.9% and 50.1%, respectively, of the Company's net sales for the year ended March 29, 2019. Our offering of “QPL” items has recently been expanded to include additional products.

Critical Accounting Policies

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

- Impairment of Long-Lived Assets:

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

IEH CORPORATION

PART II

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

Critical Accounting Policies *(continued)*

- **Inventory Valuation:**
Raw materials and supplies are stated at the average cost on a first-in first-out basis which does not exceed net realizable value. Finished goods and work in process are valued at the lower of actual cost, determined on a specific identification basis, or the net realizable value of each Product. 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:**
In May 2014, the Financial Accounting Standards Board issued ASC 606 "Revenue from Contracts with Customers" that, as amended on August 12, 2015, became effective to annual report periods beginning after December 15, 2017.

The core principle underlying ASC 606, is to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." ASC 606-10-05-4 sets out the following steps for an entity to follow when applying the core principle to its revenue -generating transactions:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations
- Recognize revenue when (or as) each performance obligation is satisfied

The Company has adopted the provisions of ASC 606 as of June 29, 2018. However, such adoption did not have any effect on the way in which the Company recognizes, records and reports revenues.

The Company does not offer any discounts, credits or other sales incentives. Historically, the Company believes that it has no collection issues with its customer base.

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 cost of defective products is immaterial at this time.

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.

IEH CORPORATION

PART II

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

Critical Accounting Policies (continued)

The Company did not expend any funds on, nor receiving any revenues related to, customer sponsored research and development activities, relating to the development of new designs, techniques and the improvement of existing designs, for the fiscal years ended March 29, 2019 and March 30, 2018, respectively, relating to the development of new designs, techniques and the improvement of existing designs.

Results of Operations

Stock-Based Compensation Plan:

Compensation expense for stock options granted to directors, officers and key employees is based on the fair value of the award on the measurement date, which is the date of the grant. The expense is recognized ratably over the service period of the award. The fair value of stock options is estimated using a Black-Scholes valuation model. The fair value of any other non-vested stock awards is generally the market price of the Company’s common stock on the date of the grant.

Year End Results: March 29, 2019 vs. March 30, 2018

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

| | <u>March 29, 2019</u> | <u>March 30, 2018</u> |
|--|---------------------------|---------------------------|
| Operating revenues (in thousands) | <u>\$ 28,407</u> | <u>\$ 23,473</u> |
| Operating expenses: (as a percentage of operating revenues) | | |
| Costs of products sold | 57.7% | 62.8% |
| Selling, general and administrative | 14.1% | 17.1% |
| Interest expense | .2% | .2% |
| Depreciation and amortization | <u>1.2%</u> | <u>1.4%</u> |
| TOTAL COSTS AND EXPENSES | <u>73.2%</u> | <u>81.5%</u> |
| Operating income | 26.8% | 18.5% |
| Other income | <u>.1%</u> | <u>0%</u> |
| Income before income taxes | 26.9% | 18.5% |
| Income taxes | <u>(8.7%)</u> | <u>(7.6%)</u> |
| Net income | <u>18.2%</u> | <u>10.9%</u> |

IEH CORPORATION

PART II

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

Results of Operations *(continued)*

Year End Results: March 29, 2019 vs. March 30, 2018 *(continued)*

Net sales for the year ended March 29, 2019 amounted to \$28,406,666 reflecting a \$4,933,972 increase versus the year ended March 30, 2018 which amounted to \$23,472,694. The increase in net sales is a direct result of the Company's efforts in increasing sales in both the military and commercial aerospace sectors.

The Company is primarily a manufacturer and its products are essentially basic components of larger assemblies of finished goods. Approximately 90% of the Company's net sales for the fiscal years ended March 29, 2019 and March 30, 2018, respectively, were made directly to manufacturers of finished products with the balance of the Company's products sold to distributors.

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

During the fiscal year ended March 29, 2019, two customers accounted for \$7,451,032 constituting 26.2% of the Company's net sales. One of those customers accounted for 13.7% of the Company's net sales while the second customer accounted for 12.5% of the Company's net sales.

During the fiscal year ended March 30, 2018, one customer accounted for \$2,685,250 constituting 11.4% of the Company's net sales.

The Company currently employs 25 independent sales representatives to market its products in all regions in the United States as well as in Canada, the European Union (EU), Southeast Asia, Central Asia and the Middle East. These sales representatives accounted for approximately 95% of the Company's net sales for the year ended March 29, 2019, with the balance of net sales being generated by direct customer contact.

For the fiscal year ended March 29, 2019, 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 products (inclusive of aerospace, space, oil & gas, medical & miscellaneous) were 49.9% and government markets comprised 50.1% of the Company's net sales for the year ended March 29, 2019 and 35% and 45% of the Company's net sales for the year ended March 30, 2018, respectively. Approximately 18% of net sales were made to international customers for the year ended March 29, 2019 and 20% for the year ended March 30, 2018, respectively.

Cost of products sold amounted to \$16,377,063 for the fiscal year ended March 29, 2019, or 57.7% of operating revenues. This reflected a \$1,642,502 or 11.2% increase in the cost of products sold of \$14,734,561 or 62.8% of operating revenues for the fiscal year ended March 30, 2018. This increase in cost of products sold is due primarily to the increased cost of production associated with and necessary to support the increase in sales.

Selling, general and administrative expenses were \$4,007,145 and \$4,006,950 or 14.1% and 17.1% of net sales for the fiscal years ended March 29, 2019 and March 30, 2018, respectively. This category of expenses increased by \$195 or 0% from the prior year.

For the fiscal year ended March 29, 2019, interest expense was \$63,271 or .2% of net sales. For the fiscal year ended March 30, 2018, interest expense was \$48,178 or .2% of net sales. The increase of \$15,093 or 31.3% reflects the additional borrowings from the Financing Company (as defined below) during the year.

Depreciation and amortization of \$345,840 or 1.2% of net sales was reported for the fiscal year ended March 29, 2019 as compared to \$330,037 or 1.4% of net sales for the prior period. The increase was due to the purchase of machinery and equipment.

IEH CORPORATION

PART II

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

Results of Operations *(continued)*

Year End Results: March 29, 2019 vs March 30, 2018 *(continued)*

The Company reported net income of \$5,160,766 for the year ended March 29, 2019 representing basic earnings of \$2.23 per share as compared to net income of \$2,565,559 or \$1.11 per share for the year ended March 30, 2018. The increase in net income for the current year can be attributed primarily to the reported increase in production and sales.

Liquidity and Capital Resources

The Company reported working capital of \$19,653,160 as of March 29, 2019 compared to working capital of \$14,951,572 as of March 30, 2018. The increase in working capital of \$4,701,588 was attributable to the following items:

| | |
|-------------------------------|---------------------|
| Net income | \$ 5,160,776 |
| Depreciation and amortization | 345,840 |
| Capital expenditures | (840,292) |
| Other | 35,264 |
| | <u>\$ 4,701,588</u> |

As a result of the above, the current ratio (current assets to current liabilities) was 6.15 to 1 at March 29, 2019 as compared to 7.56 to 1 at March 30, 2018. Current liabilities at March 29, 2019 were \$3,816,396 as compared to \$2,280,760 at March 30, 2018.

The Company reported \$840,292 in capital expenditures for the year ended March 29, 2019 and recorded depreciation expense of \$345,840 for the year ended March 29, 2019.

Total stockholders' equity increased by \$5,196,040 which represented the reported net income for the year ended March 29, 2019 of \$5,160,776 and the increase of Capital in excess of par value for the additional stock option compensation expense of \$35,264. Accordingly, the Company reported a total stockholders' equity as of March 29, 2019 of \$22,268,256 as compared to total stockholders' equity of \$17,072,216 as of March 30, 2018.

The Company has an accounts receivable financing agreement with a non-bank lending institution ("Financing Company") whereby it can borrow up to 80 percent of its eligible receivables (as defined in such financing agreement) at an interest rate of 2 ½% above JP Morgan Chase's publicly announced rate with a minimum interest rate of 6% per annum.

The financing agreement has an initial term of one year and will automatically renew for successive one-year terms, unless terminated by the Company or its lender upon receiving 60 days' prior notice. Funds advanced by the Financing Company are secured by the Company's accounts receivable and inventories. As of March 29, 2019, the Company had reported a liability to the Financing Company of \$334,306 as compared to March 30, 2018 when the Company had reported excess payments to the Factor of \$154,960. These excess payments are reported in the accompanying financial statements as "Excess payments to accounts receivable financing company."

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 Company has the Multi-Employer Plan with the Union. Contributions are made in accordance with a negotiated labor contract and are based on the number of covered employees employed per month.

IEH CORPORATION

PART II

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

Results of Operations *(continued)*

Year End Results: March 29, 2019 vs. March 30, 2018 *(continued)*

Liquidity and Capital Resources *(continued)*

With the passage of the 1990 Act the Company may become subject to liabilities in excess of contributions made under the collective bargaining agreement. The Company has the Multi-Employer Plan with the Union. 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. 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.

Based upon such Plan's information and data as of December 31, 2018 furnished to the Company (including, without limitation, unfunded vested benefits, accumulated benefits and net assets), such Plan is fully funded. Based thereupon, the Company's proportional share of the liability through December 31, 2018 is fully funded. The total contributions charged to operations under the provisions of the Multi-Employer Plan were \$65,075 and \$151,314 for the fiscal years ended March 29, 2019 and March 30, 2018, respectively.

Stock Option Plan

On August 31, 2011, the Company's shareholders approved the adoption of the Company's 2011 Equity Incentive Plan ("2011 Plan") to provide for the grant of stock options and restricted stock awards to purchase up to 750,000 shares of the Company's common stock to all employees, consultants and other eligible participants including senior management and members of the Board of Directors of the Company.

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

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

Exercise prices of non-incentive stock options may be less than the fair market value of the Company's common stock. The aggregate fair market value of shares subject to options granted to a participant(s), which are designated as incentive stock options, and which become exercisable in any calendar year, shall not exceed \$100,000.

IEH CORPORATION

PART II

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

Results of Operations *(continued)*

Year End Results: March 29, 2019 vs. March 30, 2018 *(continued)*

Liquidity and Capital Resources *(continued)*

Stock Option Plan *(continued)*

Effective August 15, 2016, the Board of Directors also approved the granting of stock options to purchase shares of the Company's common stock under the 2011 Plan to each of Dr. Marciano and Mr. Hugel as follows: Each of the new non-management directors received a grant of options totaling 5,000 shares each subject to the following vesting schedule: (i) 1,000 shares vested immediately (August 15, 2016); (ii) 2,000 shares vested on August 15, 2017; and (iii) 2,000 shares vested on August 15, 2018. The stock options (i) have a ten-year term; and (ii) have an exercise price equal to the fair market value of the Company's common stock as determined under the 2011 Plan, as reported in the OTCBB, on the date of grant (\$5.30). In the event of the termination of each recipient's association with the Company, the options will remain exercisable in accordance with the terms of the 2011 Plan.

On September 7, 2018, the Board of Directors elected Michael E. Rosenfeld to the Board of Directors to fill the vacancy of a Class I Director of the Company created by the death of the Company's then President and Chief Executive Officer, Michael Offerman. Such appointment became effective on October 26, 2018.

At the same time, the Board of Directors also approved the granting of stock options to purchase shares of the Company's common stock under the 2011 Plan to Mr. Rosenfeld as follows: He received a grant of options totalling 5,000 shares each subject to the following vesting schedule: (i) 1,000 shares vested on October 26, 2018; (ii) 2,000 shares will vest on October 26, 2019; and (iii) 2,000 shares will vest on October 26, 2020. The stock options: (i) have a ten-year term; and (ii) have an exercise price equal to the value of the Company's common stock on the date of grant. In the event of the termination of each recipient's association with the Company, the options will remain exercisable in accordance with the terms of the 2011 Plan.

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

| <u>Name</u> | <u>Stock Option Grants</u> |
|-----------------------------------|------------------------------------|
| David Offerman | 50,000 |
| Robert Knoth | 50,000 |
| Allen Gottlieb | 5,000 |
| Gerald Chafetz | 5,000 |
| Sonia Marciano | 5,000 |
| Eric Hugel | 5,000 |
| Michael E. Rosenfeld ¹ | 5,000 |

¹Options to purchase 1,000 shares of common stock were vested on October 26, 2018 and options to purchase 4,000 shares of common stock have not yet vested. Options for 2,000 shares shall vest on October 26, 2019 and options for 2,000 shares shall vest on October 26, 2020.

IEH CORPORATION

PART II

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

Results of Operations (continued)

Year End Results: March 29, 2019 vs. March 30, 2018 (continued)

Liquidity and Capital Resources (continued)

Stock Option Plan (continued)

The following table shows the option activity for the fiscal years ended March 29, 2019 and March 30, 2018.

Stock-based compensation expense

Stock-based compensation expense, shown in the table below, is recorded in general and administrative expenses included in our statement of operations:

| | <u>Ref</u> | Year ended March 29, 2019 (in thousands) | Year ended March 30, 2018 (in thousands) |
|----------------------------|------------|---|---|
| IEH employees | | \$ — | \$ — |
| Non-employee directors | | <u>35</u> | <u>28</u> |
| Total stock option expense | (a) | <u>\$ 35</u> | <u>\$ 28</u> |

(a): The Company reported compensation expense of \$27,980 during the year ended March 30, 2018 .

The Company also reported compensation expense of \$35,264 during the year ended March 29, 2019.

Unrecognized stock-based compensation expense

| | <u>Ref</u> | Year ended March 29, 2019 (in thousands) | Year ended March 30, 2018 (in thousands) |
|---|------------|---|---|
| Unrecognized expense for IEH employees | | \$ — | \$ — |
| Unrecognized expense for Non-employee directors | | <u>42</u> | <u>14</u> |
| Total unrecognized expense | (b) | <u>\$ 42</u> | <u>\$ 14</u> |

(b): Unrecognized stock-based compensation expense related to prior years’ equity grants of stock options to non-employee directors, that had not vested as of the end of the applicable fiscal year.

The Company expects to recognize \$25,454 in stock option compensation expense for the fiscal year ended March 2020 and \$16,992 for the fiscal year ended March 2021.

Note: Stock option grants to IEH officers, directors and key employees in the fiscal years ended March 29, 2019 and March 30, 2018 were valued using a Black-Scholes model, under the following criteria:

| | <u>March 29, 2019</u> | <u>March 30, 2018</u> |
|-------------------------|---------------------------|---------------------------|
| Risk free interest rate | 2.40% | 2.09% |
| Contractual term | 10 years | 10 years |
| Dividend yield | — | — |
| Expected lives | 10 years | 10 years |

IEH CORPORATION

PART II

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

Results of Operations (continued)

Year End Results: March 29, 2019 vs. March 30, 2018 (continued)

Liquidity and Capital Resources (continued)

Stock Option Plan (continued)

The following table shows the activity for the fiscal years ended March 29, 2019 and March 30, 2018.

| | | <u>Shares</u> | <u>Weighted Avg. Exercise Price</u> | <u>Remaining Contractual Term (Years)</u> | <u>Aggregate Intrinsic Value (in thousands)</u> |
|--|-----------|----------------|---|---|---|
| Outstanding at the Beginning of the Year | 3/31/2017 | 255,000 | \$ 6.15 | 8.82 | \$ 125 |
| Granted | | 0 | | | |
| Exercised | | 0 | | | |
| Forfeited or Expired | | <u>0</u> | | | |
| Outstanding at the End of the Year | 3/30/2018 | <u>255,000</u> | \$ 6.15 | 8.07 | \$ 3,852 |
| Fully Vested | | <u>251,000</u> | \$ 6.02 | | |
| Exercisable at the End of the Year | | <u>251,000</u> | | | |
| Outstanding at the Beginning of the Year | 3/30/2018 | 255,000 | 6.15 | 8.07 | \$ 702 |
| Granted | | 5,000 | 12.75 | | |
| Exercised | | (75,000) | 6.60 | | |
| Forfeited or Expired | | <u>0</u> | | | |
| Outstanding at the End of the Quarter | 3/29/2019 | <u>185,000</u> | 6.05 | 7.75 | \$ 1,832 |
| Fully Vested | | <u>181,000</u> | 5.88 | | |
| Exercisable at the End of the Year March 29, 2019 | | <u>181,000</u> | | | |

The aggregate intrinsic value in the table above represents the total pretax intrinsic value (i.e., the difference between the Company’s closing stock price on the last trading day of the period and the exercise price, times the number of shares) that would have been received by the option holders had all option holders exercised their in-the-money options on those dates. This amount will change based on the fair market value of the Company’s common stock.

IEH CORPORATION

PART II

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

Results of Operations *(continued)*

Year End Results: March 29, 2019 vs. March 30, 2018 *(continued)*

Liquidity and Capital Resources *(continued)*

Cash Bonus Plan

In 1987, the Company adopted the Cash Bonus Plan for non-union, management and administration staff. Contributions to the Cash Bonus Plan are made by the Company only when the company is profitable for the fiscal year. Accordingly, the Company has accrued a contribution provision of \$324,000 for the years ended March 29, 2019 and March 30, 2018, respectively.

Effects of Inflation

The Company does not view the effects of inflation to have a material effect upon its business. Increases in costs of raw materials and labor costs have been offset by increases in the price of the Company's products, as well as reductions in costs of production, reflecting management's efforts in this area. While the Company has in the past increased its prices to customers, it has maintained its relatively competitive price position.

However, significant decreases in government and military subcontractor spending have provided excess production capacity in the industry, which in turn has tightened pricing margins.

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

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

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

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

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. 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. Our primary purpose is to preserve capital. We have not used derivative financial instruments in our investment portfolio.

As of March 29, 2019, our unrestricted cash was \$7,204,126 of which \$4,757,283 was in an interest-bearing money market account with and the balance of \$2,446,843 was maintained in non-interest-bearing checking accounts used to pay operating expenses.

IEH CORPORATION

PART II

Item 8. Financial Statements and Supplementary Data

See our audited Financial Statements for the fiscal year ended March 29, 2019 which follows Item 15 of this Annual Report on Form 10-K.

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

None.

Item 9A. Controls and Procedures

Evaluations of Disclosure Controls and Procedures

Under the supervision and with the participation of our management including the Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15e) under the Exchange Act as of the end of the period covered by this Annual Report on Form 10-K. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures throughout the period covered by this report were effective. As described below, they determined that deficiencies that were previously identified with respect to prior periods were corrected. These deficiencies included how the information required to be disclosed by us in reports filed under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms; and (ii) accumulated and communicated to our management to allow for timely decisions regarding disclosure. The deficiencies in our internal controls over financial reporting and disclosure controls related to the expertise of recording complex accounting issues with respect to stock-based compensation expense.

A controls system cannot provide absolute assurance, however, that the objectives of the controls systems are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

Management previously determined following the filing of the Company's Annual Report on Form 10-K for the fiscal year ended March 30, 2018 that as of March 30, 2018, there were material weaknesses in both the design and effectiveness of our internal controls over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal controls over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. Specifically, these weaknesses related to the analysis and reporting of stock-based compensation expense. Additionally, the Company did not report fully diluted earnings per share for the year ended March 30, 2018.

Following the filing of the Company's Annual Report on Form 10-K, the Company filed Amendment No. 1 to Form 10-K to report properly stock-based compensation and fully diluted earnings per share for the year ended March 30, 2018.

Management immediately thereafter undertook steps to correct these past deficiencies in its system of internal controls over financial reporting and implemented procedures to closely monitor its system of internal controls in the future. Specifically, management implemented protocols to report properly in all future quarterly and annual reports stock-based compensation and fully diluted earnings per share. The Company started properly reporting stock-based compensation in the Company's Annual Report on Form 10-K for the fiscal year ended March 30, 2018 and in the Quarterly Report on Form 10-Q for the fiscal quarter ended June 29, 2018 properly reported stock-based compensation and fully diluted earnings per share. Thereafter, the Company properly reported stock-based compensation in the Quarterly Reports on Form 10-Q for the fiscal quarters ended September 28, 2018 and December 28, 2018, respectively.

IEH CORPORATION

PART II

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

Evaluations of Disclosure Controls and Procedures (continued)

In addition, management recommended to the Board of Directors to form an audit committee of the Board which will be responsible to review: (i) all financial reports of the Company including, without limitation, the audited and unaudited financial statements of the Company, as applicable; and (ii) periodically review our disclosure controls and internal controls over financial reporting. The audit committee will also be authorized to investigate and make recommendations to the Board to implement any necessary system of internal controls over financial reporting to prevent any future deficiency in the internal controls over financial reporting. The audit committee will be comprised of at least three (3) independent directors of the Company. In making this recommendation management believed that these changes were reasonably likely to affect materially and positively the Company's internal controls over financial reporting. At its meeting on November 27, 2018, the Board of the Directors approved formation of the audit committee and appointed the following independent directors to the audit committee: Eric Hugel, Michael E. Rosenfeld and Allen Gottlieb. Mr. Hugel is designated as our Audit Committee Financial Expert.

Management's Report on Internal Control over Financial Reporting

Our management, under the supervision of our Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Our internal controls over financial reporting is a process designed by, or under the supervision of our principal executive officer and principal financial officer, or persons performing similar functions, and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal controls over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the Company; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our internal control over financial reporting as of March 29, 2019. In making this evaluation, management used the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). As stated above, based on our evaluation under the framework in Internal Control—Integrated Framework, our management has concluded that our internal controls over financial reporting are effective as of March 29, 2019.

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

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

IEH CORPORATION

PART II

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

Changes in Internal Control over Financial Reporting

As stated above, management previously undertook steps to correct the deficiencies in our system of internal controls over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) which have now been in effect for the Company's fiscal year ended as of March 29, 2019. As described above, the Board of Directors approved the formation of an audit committee and appointed three (3) independent directors to the audit committee.

Inherent Limitations on Effectiveness of Controls

We do not expect that internal controls over financial reporting will prevent all errors or all instances of fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs.

Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within its company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls.

The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and any design may not succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures. Because of the inherent limitation of a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Other Information Related to Internal Controls

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

Item 9B. Other Information

None.

IEH CORPORATION

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Executive Officers and Directors

As of March 29, 2019, the executive officers and directors of the Company are as follows:

| Name | Age | Office | Class |
|----------------------|-----|---|-------|
| David Offerman | 44 | Chairman of the Board of Directors, President and Chief Executive Officer | II |
| Robert Knoth | 76 | Chief Financial Officer, Controller, Secretary and Treasurer | — |
| Allen Gottlieb | 77 | Director | II |
| Gerald E. Chafetz | 76 | Director | II |
| Eric C. Hugel | 48 | Director | I |
| Sonia Marciano | 56 | Director | I |
| Michael E. Rosenfeld | 35 | Director | I |

IEH's Certificate of Incorporation provides that the directors of the Company are to be elected in two (2) classes; each class to be elected to a staggered two (2) year term and until their successors are duly elected and qualified. The Board of Directors currently consists of six (6) members divided into two classes with three Class I Members (Mr. Hugel, Ms. Marciano and Mr. Rosenfeld) and three Class II Members (Mr. David Offerman, Mr. Gottlieb and Mr. Chafetz). The Class II Members of the Board of Directors are scheduled to be elected at the Company's 2019 Annual Meeting. All officers are elected by and serve at the discretion of the Board of Directors.

David Offerman. On March 26, 2017, the Board of Directors of the Company held a special meeting by telephonic conference call to elect David Offerman as the Company's new Chairman of the Board, President and Chief Executive Officer. David succeeded his late father, Michael Offerman, who passed away on March 24, 2017. David Offerman has been a member of IEH's Board of Directors since July 15, 2016. Prior to March 24, 2017, he was the Vice President – Sales and Marketing of the Company. He joined the Company in September 2004 as the National Sales Manager and was appointed to Vice President – Sales and Marketing in April 2011. Prior to joining IEH, David worked as an account executive and sales manager in the telecommunication industry. David graduated from the University of Michigan in 1993 with a Bachelor of Arts in film and communications. In 2016 he received an MBA from the NYU Stern School of Business with a concentration in leadership and management. David is the son of Michael Offerman, the late Chairman of the Board, President and Chief Executive Officer of the Company.

Robert Knoth. Robert Knoth joined the Company as Controller in January 1990 and was elected Chief Financial Officer and Treasurer of the Company in March 1990. He was elected as Secretary of the Company in September 1992 and Mr. Knoth has held these positions since said dates. From 1986 to January 1990, Mr. Knoth was employed as controller by G&R Preuss, Inc., a company engaged in the business of manufacturing truck bodies and accessories. On May 1, 2019, Atiqur Mufti replaced Mr. Knoth as Controller of the Company.

IEH CORPORATION

PART III

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

Executive Officers and Directors *(continued)*

Allen Gottlieb. Allen Gottlieb has been a member of the Company's Board of Directors since 1992. Mr. Gottlieb is retired. Mr. Gottlieb was previously engaged in the practice of law for 40 years, specializing in Labor-Management Relations.

Gerald Chafetz. Mr. Chafetz is President of GEC Enterprises, LLC since 2011. GEC Enterprises, LLC is a property management company headquartered in Rockville Centre, New York. He was previously President of Capitol City Companies. Prior to founding Capitol City Companies, he had an extended 22-year executive career in the textile industry with several knitwear and high fashion manufacturers, including Arista Knitwear, Berwick Fashion Knitwear and Bege-d-or Knitwear. Mr. Chafetz graduated from the University of Hartford in 1965 with a Bachelor of Science degree in business.

Eric C. Hugel, CPA, CFA. Eric C. Hugel has been a member of IEH's Board of Directors since July 15, 2016. He is the Co-Chief Executive Officer and Chief Financial Officer of Deb's Buried Treasure, an online retailer, since July 2014. From March 2013 to February 2014, Mr. Hugel held the position of Senior Institutional Specialist in U.S. Fundamental Equity Research Analyst at McGraw Hill Financial – S&P Capital IQ providing investment advisory services. In particular he provided research and analysis in the U.S. aerospace and defense and industrial conglomerates sectors. From July 2002 through June 2012 he was a managing director at Stephens Inc. providing investment research and analytical services in the U.S. aerospace and defenses sectors. Mr. Hugel graduated from Lehigh University in 1993 with a Bachelor of Science in accounting.

Dr. Sonia Marciano. Dr. Sonia Marciano has been a member of IEH's Board of Directors since July 15, 2016. She is a clinical professor at the NYU Stern School of Business since July 2007 where she teaches courses and manages academic programs. She graduated from the University of Chicago in 1984 with a Bachelor of Arts degree. In 2000, Dr. Marciano received from the University of Chicago her MBA in Economics and Finance and her PhD in Business Economics.

Michael E. Rosenfeld. is a co-founder and principal of Olive Tree Holdings LLC, a real estate private equity company based in New York, NY and Atlanta, GA since 2017. Olive Tree is an owner-operator of value-added multifamily assets across the Southern U.S. From 2013-2016 he was Vice President and Chief of Staff at Bert E. Brodsky & Associates, Inc., a private investment firm with a diverse portfolio of companies across several industries. Prior to that from 2006-2013, he served as Vice President of Business Development of Mobile Health Management Services, Inc., a subsidiary of Bert Brodsky & Associates, Inc. Mr. Rosenfeld received his Bachelor of Arts in Political Science from Emory University in 2006, and his Master of Business Administration (MBA) in Corporate Finance from the New York University Stern School of Business in 2016.

Significant Employees

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

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

IEH CORPORATION

PART III

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

Executive Officers and Directors *(continued)*

Significant Employees *(continued)*

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

Alexa Maldonado is the Director of Human Resources for IEH, a position she has held since July, 2018. Alexa has responsibility for policy implementation, handling employee relations, health and welfare benefit, administration, staffing and compliance training, payroll and supervisory training. She became employed by the Company on a full-time basis in March 2016. Prior to joining IEH, she worked for The New York Stock Exchange for 10 years in various human resources capacities and responsibilities including as a Human Resources Generalist, Benefits Administration and Staffing Coordinator.

Atiqur Mufti joined IEH as a consultant in February, 2016 and was promoted to be the Controller of IEH on May 1, 2019 replacing Mr. Knoth. He has eight (8) years of SAP ECC and SAP Business One implementation experience. Prior to joining IEH, he worked as an independent contractor as well as worked as a Financial Consultant at Accenture, Inc. located in Accenture's New York City office. Mr. Mufti has successfully implemented three (3) life cycles of SAP in FICO (financial controlling) and FICA (finance contract accounting). He has two (2) Master Degrees in Finance and Accounting from Stony Brook University and SUNY College at Old Westbury respectively.

Compliance with Section 16(a) of the Exchange Act

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

Officers, directors and greater than 10% shareholders are required to furnish the Company with copies of all Section 16(a) reports that they file. Based solely on review of the copies of such reports received by the Company, the Company believes that filing requirements applicable to officers, directors and 10% shareholders were complied with during the year ended March 29, 2019.

Director Independence; Meetings of Directors; Corporate Governance; Committees of the Board

Our Board of Directors currently consists of six individuals. Five of our directors are "independent" as defined in the Marketplace Rules of The NASDAQ Stock Market. During the fiscal year ended March 29, 2019, our Board of Directors held eight (8) meetings and took action by written consent on one occasion.

During the fiscal year ended March 29, 2019, the Chief Executive Officer and the Chief Financial Officer made an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. They concluded that our disclosure controls and procedures were not effective during the period covered by the fiscal year ended March 30, 2018. In response to such determination, management immediately undertook steps to correct the deficiencies.

IEH CORPORATION

PART III

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

Director Independence; Meetings of Directors; Corporate Governance; Committees of the Board (*continued*)

in our internal controls over financial reporting, They recommended, in part, to the Board of Directors that the Board approve the formation of an audit committee and a compensation committee. Each such committee would initially have three (3) members consisting of independent directors. At its meeting of December 11, 2018, the Board of Directors approved the formation of an audit committee and a compensation committee and nominated the following directors to each such committee: (i) Audit Committee – Eric Hugel (Chair), Allen Gottlieb and Michael E. Rosenfeld; and (ii) Compensation Committee – Gerald Chafetz (Chair), Michael E. Rosenfeld and Dr. Sonia Marciano. Each of these Board committees has a written charter approved by the Board of Directors. Each of the charters of these Board committees is available at the Company’s website, www.iehcorp.com (click on “Investors”, then on “Corporate Governance”).

For the fiscal year ended March 29, 2019, a general description of the duties of the committees were as follows:

Audit Committee. Our Audit Committee will act to: (i) review with management the finances, financial condition and interim financial statements of the Company; (ii) review with our independent registered public accounting firm the year-end financial statements; (iii) review implementation with the independent registered public accounting firm and management of any action recommended by the independent registered public accounting firm; and (iv) retain and terminate our independent registered public accounting firm. Mr. Hugel, the Chair of the Audit Committee was also designated as our Audit Committee Financial Expert. During the 2018 fiscal year, all of the members of our Audit Committee were “independent” within the definition of that term as provided by the OTCQX Marketplace Rules. During the fiscal year ended March 29, 2018, the Audit Committee held its initial meeting on February 6, 2019 and was scheduled to meet additionally in the first fiscal quarter of the fiscal year ending as of March 28, 2020.

Compensation Committee. The Compensation Committee will act to: (i) review, approve and administer compensation arrangements for our executive officers; (ii) administer our equity-based compensation plans, (iii) establish and review general policies relating to the compensation and benefits of our executive officers and other personnel, (iv) evaluate the relationship between executive officer compensation policies and practices and corporate risk management to confirm those policies and practices do not incentivize excessive risk-taking, and (iv) evaluate and makes recommendations to our Board of Directors regarding the compensation of our non-employee directors. During the fiscal year ended March 29, 2019, the Compensation Committee did not yet hold its initial meeting but was scheduled to hold such initial meeting in April 2019.

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

IEH CORPORATION

PART III

Item 11. Executive Compensation

The following table sets forth below the summary compensation paid or accrued by the Company during the fiscal years ended March 29, 2019 and March 30, 2018 for the Company's Chief Executive Officer and Chief Financial Officer:

| <u>Name and Principal Position</u> | <u>Year</u> | <u>Salary</u> | <u>Bonus</u> | <u>Other Annual Compensation</u> | <u>Total</u> |
|--|----------------|---------------|--------------|----------------------------------|--------------|
| David Offerman, Chief Executive Officer, President | March 29, 2019 | \$ 305,192 | \$ 83,947 | \$ | \$ 389,139 |
| | March 30, 2018 | \$ 346,533 | \$ 45,000 | \$ | \$ 391,533 |
| Robert Knoth, Chief Financial Officer | March 29, 2019 | \$ 198,153 | \$ 40,100 | \$ 0 | \$ 238,253 |
| | March 30, 2018 | \$ 181,122 | \$ 40,000 | \$ 0 | \$ 221,122 |

The Company intends to provide additional information regarding the compensation awarded to the named executive officers and non-management directors in respect of and during the fiscal year ended March 29, 2019, in the proxy statement for the Company's 2019 annual meeting of shareholders.

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

On September 1, 2017, the Company and Mr. Knoth executed an Amended and Restated Employment Agreement amending certain terms of the 2009 Employment Agreement including increasing the per annum payment to him to \$25,000, payable in monthly installments of \$2,083.33. While the retirement payments would be payable for up to 10 years, the aggregate payments during the retirement period were increased to a maximum not exceed \$250,000. In addition, during the active period, the Company shall provide Mr. Knoth (a) group healthcare and insurance benefits as generally made available to the Company's senior management; and (b) such other insurance benefits obtained by the Company and generally made available to the Company's senior management. Also during the first five (5) years of the retirement period, the Company shall provide Mr. Knoth with group health insurance benefits as generally made available to the Company's senior management. Upon expiration of such five (5) year period, Mr. Knoth shall be entitled to all applicable COBRA benefits.

Cash Bonus Plan

In 1987, the Company adopted the Cash Bonus Plan for non-union, management and administration staff. Contributions to the Cash Bonus Plan are made by the Company only when the Company is profitable for the fiscal year. Accordingly, the Company has accrued a contribution provision of \$324,000 for the years ended March 29, 2019 and March 30, 2018, respectively.

Stock Option Plan

On August 31, 2011, the Company's shareholders approved the adoption of the Company's 2011 Equity Incentive Plan ("2011 Plan") to provide for the grant of options to purchase up to 750,000 shares of the Company's common stock to all

IEH CORPORATION

PART III

Item 11. Executive Compensation (continued)

Stock Option Plan (continued)

employees, consultants and other eligible participants, including senior management. The 2011 Plan terminates on August 30, 2022 and as of March 30, 2018, the Company had issued options or awards as described below.

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

Effective August 15, 2016, the Board of Directors also approved the granting of stock options to purchase shares of the Company's common stock under the 2011 Plan to each of Dr. Marciano and Mr. Hugel as follows:

Each of the new non-management directors received a grant of options totaling 5,000 shares each subject to the following vesting schedule: (i) 1,000 shares vested immediately (August 15, 2016); (ii) 2,000 shares vested on August 15, 2017; and (iii) 2,000 shares will vest on August 15, 2018. The stock options (i) have a ten-year term; and (ii) have an exercise price equal to the fair market value of the Company's common stock as determined under the 2011 Plan, as reported in the OTCBB, on the date of grant (\$5.30). In the event of the termination of each recipient's association with the Company, the options will remain exercisable in accordance with the terms of the 2011 Plan.

Options granted to employees under the 2011 Plan may be designated as options which qualify for incentive stock option treatment under Section 422A of the Internal Revenue Code, or option which do not so qualify. Under the 2011 Plan, the exercise price of an option designated as an incentive stock option shall not be less than the fair market value of the Company's common stock on the day the option is granted. In the event an option designated as an incentive stock option is granted to a ten percent (10%) shareholder, such exercise price shall be at least 110 percent (110%) of the fair market value or the Company's common stock and the option must not be exercisable after the expiration of ten years from the day of the grant. Exercise prices of non-incentive stock options may be less than the fair market value of the Company's common stock. The aggregate fair market value of shares subject to options granted to a participant, which are designated as incentive stock options, and which become exercisable in any calendar year, shall not exceed \$100,000.

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

| <u>Name</u> | <u>Stock Option Grants</u> |
|--------------------------|------------------------------------|
| David Offerman | 50,000 |
| Rob Knoth | 50,000 |
| Allen Gottlieb | 5,000 |
| Gerald Chafetz | 5,000 |
| Sonia Marciano | 5,000 |
| Eric Hugel | 5,000 |
| Michael E. Rosenfeld (1) | 5,000 |

(1) Options to purchase 1,000 shares of common stock were vested on October 26, 2018 and options to purchase 4,000 shares of common stock have not yet vested. Options for 2,000 shares shall vest on October 26, 2019 and options for 2,000 shares shall vest on October 26, 2020.

IEH CORPORATION

PART III

Item 11. Executive Compensation (continued)

Stock Option Plan (continued)

Stock-based compensation expense

Stock-based compensation expense, shown in the table below, is recorded in general and administrative expenses included in our statement of operations:

| | <u>Ref</u> | Year ended March 29, 2019 <u>(in thousands)</u> | Year ended March 30, 2018 <u>(in thousands)</u> |
|----------------------------|------------|--|--|
| IEH employees | | \$ — | \$ — |
| Non-employee directors | | <u>35</u> | <u>28</u> |
| Total stock option expense | (a) | <u>\$ 35</u> | <u>\$ 28</u> |

(a): The Company reported compensation expense of \$27,980 during the year ended March 30, 2018.

The Company also reported compensation expense of \$35,264 during the year ended March 29, 2019.

Unrecognized stock-based compensation expense

| | <u>Ref</u> | Year ended March 29, 2019 <u>(in thousands)</u> | Year ended March 30, 2018 <u>(in thousands)</u> |
|---|------------|--|--|
| Unrecognized expense for IEH employees | | \$ — | \$ — |
| Unrecognized expense for Non-employee directors | | <u>42</u> | <u>14</u> |
| Total unrecognized expense | (b) | <u>\$ 42</u> | <u>\$ 14</u> |

(b): Unrecognized stock-based compensation expense related to prior years' equity grants of stock options to non-employee directors, that had not vested as of the end of the applicable fiscal year.

The Company expects to recognize \$25,454 in stock option compensation expense for the fiscal year ended March 2020 and \$16,992 for the fiscal year ended March 2021.

Note: Stock option grants to IEH officers, directors and key employees in the fiscal years ended March 29, 2019 and March 30, 2018 were valued using a Black-Scholes model, under the following criteria:

| | <u>March 29, 2019</u> | <u>March 30, 2018</u> |
|-------------------------|---------------------------|---------------------------|
| Risk free interest rate | 2.40% | 2.09% |
| Contractual term | 10 years | 10 years |
| Dividend yield | — | — |
| Expected lives | 10 years | 10 years |

IEH CORPORATION

PART III

Item 11. Executive Compensation (continued)

Stock Option Plan (continued)

The following table shows the activity for the fiscal years ended March 29, 2019 and March 30, 2018.

| | | <u>Shares</u> | <u>Weighted Avg. Exercise Price</u> | <u>Remaining Contractual Term (Years)</u> | <u>Aggregate Intrinsic Value (in thousands)</u> |
|--|-----------|----------------|---|---|---|
| Outstanding at the Beginning of the Year | 3/31/2017 | 255,000 | \$ 6.15 | 8.82 | \$ 125 |
| Granted | | 0 | | | |
| Exercised | | 0 | | | |
| Forfeited or Expired | | 0 | | | |
| Outstanding at the End of the Year | 3/30/2018 | <u>255,000</u> | \$ 6.15 | 8.07 | \$ 3,852 |
| Fully Vested | | <u>251,000</u> | \$ 6.02 | | |
| Exercisable at the End of the Year | | <u>251,000</u> | | | |
| Outstanding at the Beginning of the Year | 3/30/2018 | 255,000 | \$ 6.15 | 8.07 | \$ 702 |
| Granted | | 5,000 | 12.75 | | |
| Exercised | | (75,000) | 6.60 | | |
| Forfeited or Expired | | 0 | | | |
| Outstanding at the End of the Quarter | 3/29/2019 | <u>185,000</u> | \$ 6.05 | 7.75 | \$ 1,832 |
| Fully Vested | | <u>181,000</u> | \$ 5.88 | | |
| Exercisable at the End of the Year March 29, 2019 | | <u>181,000</u> | | | |

The aggregate intrinsic value in the table above represents the total pretax intrinsic value (i.e., the difference between the Company's closing stock price on the last trading day of the period and the exercise price, times the number of shares) that would have been received by the option holders had all option holders exercised their in-the-money options on those dates. This amount will change based on the fair market value of the Company's common stock.

IEH CORPORATION

PART III

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

The following table sets forth certain information as of July 12, 2019 with respect to: (i) the persons (including any “group” as that term is used in Section 13(d)(3) of the Exchange Act), known by the Company to be the beneficial owner of more than five percent (5%) of any class of the Company’s voting securities; (ii) each Executive Officer and Director who owns common stock in the Company; and (iii) all Executive Officers and Directors as a group. As of July 12, 2019, there were 2,323,468 shares of common stock issued and outstanding. The figures stated below are based upon Schedule 13Ds, Schedule 13D/As, Form 3s and Form 4s filed with the SEC by the named persons.

| Title of Class | Name and Address of Beneficial Owner | Shares of Common Stock Beneficially Owned (7) | Percentage (%) of Common Stock Owned |
|--|---|---|--------------------------------------|
| <i>Officers and Directors</i> Common Stock \$.01 Par Value | Estate of Michael Offerman ⁽¹⁾ c/o IEH Corporation 140 58 th Street Brooklyn, NY 11220 | 943,784 | 40% |
| | David Offerman ⁽²⁾ c/o IEH Corporation 140 58 th Street Brooklyn, NY 11220 | 50,100 | 2% |
| | Robert Knoth ⁽³⁾ c/o IEH Corporation 140 58 th Street Brooklyn, NY 11220 | 52,195 | 2% |
| | Allen Gottlieb ⁽⁴⁾ c/o IEH Corporation 140 58 th Street Brooklyn, NY 11220 | 5,000 | * |
| | Gerald E. Chafetz ⁽⁴⁾ c/o IEH Corporation 140 58 th Street Brooklyn, NY 11220 | 5,000 | * |
| | Sonia Marciano ⁽⁴⁾ c/o IEH Corporation 140 58 th Street Brooklyn, NY 11220 | 5,000 | * |
| | Eric C. Hugel ⁽⁴⁾ c/o IEH Corporation 140 58 th Street Brooklyn, NY 11220 | 5,000 | * |
| | Michael E. Rosenfeld ⁽⁵⁾ c/o IEH Corporation 140 58 th Street Brooklyn, NY 11220 | 1,000 | * |

IEH CORPORATION

PART III

| Title of Class | Name and Address of Beneficial Owner | Shares of Common Stock Beneficially Owned (7) | Percentage (%) of Common Stock Owned |
|----------------|--|---|--------------------------------------|
| | All Officers & Directors as a Group (6 in number) (2), (3), (4), (5) | 123,295 | 5% |
| | 5% Shareholders Zeff Capital LP. ⁽⁶⁾ 1601 Broadway, 12 th Floor New York, NY 10019 | 325,435 | 14% |

* Denotes ownership percentage of less than 1%.

All shares set forth above are owned directly by the named individual unless otherwise stated.

- (1) 43,600 shares of common stock are jointly owned by the Estate of Mr. Offerman and his wife, Gail Offerman
- (2) Includes vested options to purchase 50,000 shares of common stock.
- (3) Includes vested options to purchase 50,000 shares of common stock.
- (4) Includes vested options to purchase 5,000 shares of common stock.
- (5) Includes vested options to purchase 1,000 shares of common stock but excludes unvested options to purchase 4,000 shares of common stock.
- (6) Based on a Schedule 13G dated January 7, 2019 filed by the reporting person.
- (7) Includes all shares owned and vested options to purchase shares of common stock. Excludes unvested options to purchase common stock.

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

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

Item 14. Principal Accountant Fees and Services

On August 8, 2017, Jerome Rosenberg CPA, P.C. (“Rosenberg”) sent a letter to the Company notifying David Offerman, President and Chief Executive Officer of the Company, that Rosenberg had resigned as the Company’s independent registered public accounting firm, effective immediately. Rosenberg’s reports on the Company’s financial statements for the year ended March 31, 2017 did not contain any adverse opinion or disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope, or accounting principles. Rosenberg’s resignation was not the result of any disagreement between the Company and Rosenberg on matters of accounting principles or practices, financial statement disclosure or auditing scope or procedures.

On November 16, 2017, the shareholders of the Company ratified the engagement of Manuel Reina CPA as the Company’s new independent registered public accounting firm for the Company’s fiscal year ending March 30, 2018. Prior to his engagement, Mr. Reina had been associated with Rosenberg and performed auditing and tax services with respect to the Company.

The Board of Directors of IEH selected Manuel Reina CPA as the independent auditor of IEH for the fiscal year ending March 29, 2019. The audit services provided by Manuel Reina CPA consist of examination of financial statements, services relative to filings with the SEC, and consultation in regard to various accounting matters.

IEH CORPORATION

PART III

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

Audit Fees. During the fiscal years ended March 30, 2018, IEH paid an aggregate of \$32,000 to Jerome Rosenberg, CPA, P.C. for fees related to the audit of its financial statements. During the fiscal years ended March 29, 2019 and March 30, 2018, respectively, IEH paid an aggregate of \$132,000 and \$45,000, respectively, to Manuel Reina CPA for fees related to the audit of its financial statements.

Audit Related Fees. During the fiscal years ended March 29, 2019 and March 30, 2018, respectively, no fees were paid to Jerome Rosenberg, CPA, P.C. or Manuel Reina CPA with respect to financial systems design or implementation.

Tax Fees. During the fiscal years ended March 29, 2019 and March 30, 2018, the Company paid to Jerome Rosenberg, CPA, P.C. the sum of \$6,000, for tax compliance and representation, tax advice and tax planning services. During the fiscal year ended March 29, 2019 and March 30, 2018, respectively, the Company did not pay Manuel Reina CPA for tax compliance and representation, tax advice and tax planning services.

All Other Fees. During the fiscal years ended March 29, 2019 and March 30, 2018, respectively, IEH did not pay any other fees for services to either of its independent auditors.

The Board of Directors has determined that the services provided by Jerome Rosenberg, CPA, P.C. and the fees paid to it for such services during the fiscal year ended March 30, 2018 have not compromised the independence of Jerome Rosenberg, CPA, P.C. The Board of Directors has further determined that the services provided by Manuel Reina CPA and the fees paid to it for such services during the fiscal years ended March 29, 2019 and March 30, 2018, respectively, have not compromised the independence of Manuel Reina CPA.

IEH CORPORATION

PART IV

Item 15. Exhibits and Financial Statement Schedules.

Exhibits filed with Form 10-K:

(a)(1) Financial Statements

The Financial Statements referenced in Part II, Item 9 of this Annual Report appear on pages 40 to 57.

(a)(2) Financial Statement Schedule

None.

(a)(3) Exhibits

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

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

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

10.5(#) Amended and Restated Agreement between the Company and Robert Knoth, dated as of September 1, 2017 (filed as Exhibit 10.5 to the Company's Annual Report on Form K filed on July 12, 2018).

23.1* Consent of Manuel Reina, CPA

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

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

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

101.1* The following information from the IEH Corporation's Annual Report in Form 10-K for the fiscal year ended March 29, 2019, formatted in XBRL (Extensible Business Reporting language) and filed electronically herewith: (i) the Balance Sheets; (ii) the Statements of Operations; and (iii) the Statements of Stockholders' Equity; (iv) the Statements of Cash Flow; and (v) the Notes to Financial Statements.

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

IEH CORPORATION
March 29, 2019 and March 30, 2018
Index to Financial Statements

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Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
IEH Corporation

Opinion on the Financial Statements

I have audited the accompanying balance sheet of IEH Corporation (the “Company”), as of March 29, 2019 and the related statements of operations, stockholders’ equity, and cash flows for the year then ended and the related notes and schedules (collectively referred to as the “Financial Statements”). In my opinion, the Financial Statements referred to above present fairly, in all material respects, the financial position of IEH Corporation as of March 29, 2019, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These Financial Statements are the responsibility of the Company’s management. My responsibility is to express an opinion on these Financial Statements based upon my audit. I am a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

I conducted my audit in accordance with the standards of the PCAOB. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free from material misstatement, whether due to error or fraud. My audit included performing procedures to assess the risk of material misstatement of the Financial Statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the Financial Statements. My audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall Financial Statements. I believe that my audit provides a reasonable basis for my opinion.

/s/Manuel Reina, CPA

I have served as the Company’s auditor since 2017.

West Babylon, New York
July 12, 2019

IEH CORPORATION

BALANCE SHEETS

As of March 29, 2019 and March 30, 2018

| | <u>March 29, 2019</u> | <u>March 30, 2018</u> |
|---|---------------------------|---------------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash | \$ 7,080,126 | \$ 1,407,013 |
| Accounts receivable, less allowances for doubtful accounts of \$0 and \$11,562 at March 29, 2019 and March 30, 2018, respectively | 3,833,090 | 4,483,011 |
| Inventories (Note 2) | 12,021,443 | 10,751,498 |
| Excess payments to accounts receivable finance company (Note 5) | - | 154,960 |
| Prepaid expenses and other current assets (Note 3) | <u>534,897</u> | <u>489,594</u> |
| Total Current Assets | <u>23,469,556</u> | <u>17,286,076</u> |
| | | |
| PROPERTY, PLANT AND EQUIPMENT, less accumulated depreciation and amortization of \$9,723,201 at March 29, 2019 and \$9,377,361 at March 30, 2018 (Note 4) | <u>2,560,607</u> | <u>2,066,155</u> |
| | | |
| OTHER ASSETS: | | |
| Other assets | <u>54,489</u> | <u>54,489</u> |
| | | |
| Total Assets | <u>\$ 26,084,652</u> | <u>\$ 19,406,720</u> |

The accompanying notes should be read in conjunction with the Financial Statements.

IEH CORPORATION

BALANCE SHEETS *(Continued)*

As of March 29, 2019 and March 30, 2018

| LIABILITIES AND STOCKHOLDERS' EQUITY | March 29, 2019 | March 30, 2018 |
|--|---------------------------|---------------------------|
| | <u> </u> | <u> </u> |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 480,012 | \$ 576,629 |
| Due to accounts receivable financing company | 334,306 | - |
| Customer advance payments | 348,230 | 53,744 |
| Accrued corporate income taxes | 1,676,428 | 935,762 |
| Other current liabilities <i>(Note 6)</i> | 977,420 | 768,369 |
| | <u>3,816,396</u> | <u>2,334,504</u> |
| Total Current Liabilities | <u>3,816,396</u> | <u>2,334,504</u> |
| Total Liabilities | <u>3,816,396</u> | <u>2,334,504</u> |
| STOCKHOLDERS' EQUITY: | | |
| Common Stock, \$.01 par value; 10,000,000 shares authorized; 2,323,468 shares issued and outstanding at March 29, 2019 and 2,303,468 shares issued and outstanding at March 30, 2018 | 23,235 | 23,035 |
| Capital in excess of par value | 3,802,672 | 3,767,608 |
| Retained earnings | 18,442,349 | 13,281,573 |
| | <u>22,268,256</u> | <u>17,072,216</u> |
| Total Stockholders' Equity | <u>22,268,256</u> | <u>17,072,216</u> |
| Total Liabilities and Stockholders' Equity | <u>\$ 26,084,652</u> | <u>\$ 19,406,720</u> |

The accompanying notes should be read in conjunction with the Financial Statements.

IEH CORPORATION

STATEMENTS OF OPERATIONS

For the Years Ended March 29, 2019 and March 30, 2018

| | <u>March 29, 2019</u> | <u>March 30, 2018</u> |
|--|---------------------------|---------------------------|
| REVENUE, net sales | <u>\$ 28,406,666</u> | <u>\$ 23,472,694</u> |
| COSTS AND EXPENSES: | | |
| Cost of products sold | 16,377,063 | 14,734,561 |
| Selling, general and administrative | 4,007,145 | 4,006,950 |
| Interest expense | 63,271 | 48,178 |
| Depreciation and amortization | <u>345,840</u> | <u>330,037</u> |
| | <u>20,793,319</u> | <u>19,119,726</u> |
| OPERATING INCOME | 7,613,347 | 4,352,968 |
| OTHER INCOME | <u>16,559</u> | <u>3,069</u> |
| INCOME BEFORE PROVISION FOR INCOME TAXES | 7,629,906 | 4,356,037 |
| PROVISION FOR INCOME TAXES | <u>(2,469,130)</u> | <u>(1,790,478)</u> |
| NET INCOME | <u>\$ 5,160,776</u> | <u>\$ 2,565,559</u> |
| | | |
| BASIC EARNINGS PER COMMON SHARE <i>(Note 1)</i> | <u>\$ 2.23</u> | <u>\$ 1.11</u> |
| FULLY DILUTED EARNINGS PER SHARE <i>(Note 1)</i> | <u>\$ 2.15</u> | <u>\$ 1.10</u> |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – BASIC (IN THOUSANDS) | <u>2,321</u> | <u>2,303</u> |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – FULLY DILUTED (IN THOUSANDS) | <u>2,414</u> | <u>2,334</u> |

The accompanying notes should be read in conjunction with the Financial Statements.

IEH CORPORATION

STATEMENTS OF STOCKHOLDERS' EQUITY

For the Years Ended March 29, 2019 and March 30, 2018

| | Common Stock | | Capital in Excess of Par Value | Retained Earnings | Total |
|--|------------------|------------------|--------------------------------------|----------------------|----------------------|
| | Shares | Amount | | | |
| Balances, March 31, 2017 | 2,303,468 | \$ 23,035 | \$ 3,739,628 | \$ 11,291,881 | \$ 15,054,544 |
| Dividend Declared | — | — | — | (575,867) | (575,867) |
| Recognition of stock option compensation expense | — | — | 27,980 | — | 27,980 |
| Net Income: year ended March 30, 2018 | — | — | — | <u>2,565,559</u> | <u>2,565,559</u> |
| Balances, March 30, 2018 | 2,303,468 | 23,035 | 3,767,608 | 13,281,573 | 17,072,216 |
| Recognition of stock compensation expense | — | — | 35,264 | — | 35,264 |
| Exercise of stock options | 20,000 | 200 | (200) | — | — |
| Net income: year ended March 29, 2019 | — | — | — | <u>5,160,776</u> | <u>5,160,776</u> |
| Balances, March 29, 2019 | <u>2,323,468</u> | <u>\$ 23,235</u> | <u>\$ 3,802,672</u> | <u>\$ 18,442,349</u> | <u>\$ 22,268,256</u> |

The accompanying notes should be read in conjunction with the Financial Statements.

IEH CORPORATION

STATEMENTS OF CASH FLOWS

Increase (Decrease) in Cash

For the Years Ended March 29, 2019 and March 30, 2018

| | <u>March 29, 2019</u> | <u>March 30, 2018</u> |
|--|----------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | <u>\$ 5,160,776</u> | <u>\$ 2,565,559</u> |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Depreciation and amortization | 345,840 | 330,037 |
| Recognition of stock option compensation expense | 35,264 | 27,980 |
| Obsolescence Provision | 399,979 | 208,257 |
| Changes in assets and liabilities: | | |
| Decrease (Increase) in accounts receivable | 944,407 | (1,321,597) |
| Decrease in excess payments to accounts receivable factor | 154,960 | 36,470 |
| (Increase) in inventories | (1,669,924) | (2,273,767) |
| (Increase) Decrease in prepaid expenses and other current assets | (45,303) | 818,444 |
| (Increase) in other assets | — | (38) |
| Decrease (Increase) in accounts payable | (96,617) | 341,444 |
| Increase in other current liabilities | 209,051 | 80,349 |
| Increase in accrued corporate income taxes | 740,666 | 336,023 |
| Total adjustments | <u>1,018,323</u> | <u>(1,416,398)</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>6,179,099</u> | <u>1,149,161</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Acquisition of property, plant and equipment | <u>(840,292)</u> | <u>(377,042)</u> |
| NET CASH (USED) BY INVESTING ACTIVITIES | <u>(840,292)</u> | <u>(377,042)</u> |
| CASH FLOW FROM FINANCING ACTIVITIES: | | |
| Net activity on accounts receivable financing | 334,306 | — |
| Cash dividend payment | <u>—</u> | <u>(575,867)</u> |
| NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES | <u>334,306</u> | <u>(575,867)</u> |
| INCREASE IN CASH | 5,673,113 | 196,252 |
| CASH, beginning of period | <u>1,407,013</u> | <u>1,210,761</u> |
| CASH, end of period | <u><u>\$ 7,080,126</u></u> | <u><u>\$ 1,407,013</u></u> |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: | | |
| Cash paid during the year for: | | |
| Interest | <u>\$ 59,535</u> | <u>\$ 42,588</u> |
| Income Taxes | <u>\$ 1,691,322</u> | <u>\$ 684,893</u> |

The accompanying notes should be read in conjunction with the Financial Statements.

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Description of Business:

The Company designs, develops and manufactures printed circuit connectors for high performance applications. We have also developed a high performance plastic circular connector line. All of our connectors utilize the HYPERBOLOID contact design, a rugged, high-reliability contact system ideally suited for high-stress environments. We believe we are the only independent producer of HYPERBOLOID printed circuit board connectors in the United States.

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

The customers the Company services are in the Government, Military, Aerospace, Medical, Automotive, Industrial, Test Equipment and Commercial Electronics markets. The Company appears on the Military Qualified Product Listing "QPL" to MIL-DTL-55302 and supply customer requested modifications to this specification. Sales to the commercial electronic (inclusive of aerospace, space, oil & gas, medical & miscellaneous) and military markets were 49.9% and 50.1%, respectively, of the Company's net sales for the year ended March 29, 2019 as compared to the comparable sales of 35% and 45%, respectively, for the year ended March 30, 2018. The Company's offering of "QPL" items has recently been expanded to include additional products.

In order to remain competitive, the Company has an internal program to upgrade, add and maintain machinery, review material costs and increase labor force productively. During the fiscal year ended March 29, 2019, we purchased several machines to increase the productivity of certain processes. This should help us meet this goal.

New Product Development:

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

A new product line featuring high density connectors has been added to the Company's product offering. The Company is beginning to recognize meaningful revenue from this product line and we expect it to grow in the coming years.

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

Accounting Period:

The Company maintains an accounting period based upon a 52-53 week year, which ends on the nearest Friday in business days to March 31st. Each of the years ended March 29, 2019 and March 30, 2018 were comprised of 52 weeks.

Revenue Recognition:

In May 2014, the Financial Accounting Standards Board issued ASC 606 "Revenue from Contracts with Customers" that, as amended on August 12, 2015, became effective for annual report periods beginning after December 15, 2017.

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS

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

The core principle underlying ASC 606, is to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.” ASC 606-10-05-4 sets out the following steps for an entity to follow when applying the core principle to its revenue -generating transactions:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations
- Recognize revenue when (or as) each performance obligation is satisfied

The Company has adopted the provisions of ASC 606 for the quarter ended June 29, 2018. However, such adoption did not have any material effect on the way in which the Company recognizes, records and reports revenues.

The Company does not offer any discounts, credits or other sales incentives. Historically, the Company believes that it has no collection issues with its customer base. 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 products 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 cost of this warranty with respect to defective products is immaterial at this time.

The Company provides engineering services as part of the relationship with its customers in developing custom products. 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 an average basis, which does not exceed net realizable 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. The Company recognized \$399,979 and \$208,257 for the years ended March 29, 2019 and March 30, 2018, respectively, as a reduction of inventory due to obsolescence.

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

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS

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

Concentration of Credit Risk:

Under the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Federal Deposit Insurance Corporation (FDIC) will permanently insure all accounts maintained in each financial institution up to \$250,000 in the aggregate.

As of March 29, 2019, the Company had funds on deposit in the amount of \$7,263,839 in one financial institution of which \$7,013,839 exceeds FDIC coverage. The Company has not experienced any losses in such accounts and believes its cash balances are not exposed to any significant risk.

Property, Plant and Equipment:

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

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

Income Taxes:

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.

Earnings Per Share:

The Company accounts for earnings per share pursuant to ASC Topic 260, "Earnings per Share", which requires disclosure on the Financial Statements of "basic" and "diluted" earnings per share. Basic earnings per share are computed by dividing net income by the weighted average number of common shares outstanding for the year. Diluted earnings per share is computed by dividing net income by the weighted average number of common shares outstanding plus common stock equivalents (if dilutive) related to stock options for each year. As the Company reported net income for both the years ended March 29, 2019 and March 30, 2018, respectively, basic and diluted income per share are calculated separately as follows:

| | <u>3/29/2019</u> | <u>3/30/2018</u> |
|---|------------------|------------------|
| NET INCOME | \$5,160,776 | \$2,565,559 |
| BASIC EARNINGS PER COMMON SHARE | \$ 2.23 | \$ 1.11 |
| FULLY DILUTED EARNINGS PER SHARE | \$ 2.15 | \$ 1.10 |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING-BASIC | 2,321,331 | 2,303,468 |
| DILUTIVE EFFECT OF OPTIONS GRANTED WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING-FULLY DILUTED | 92,399 | 30,238 |
| | 2,413,730 | 2,333,706 |

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*:

Fair Value of Financial Instruments:

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

Use of Estimates:

The preparation of Financial Statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and disclosure of contingent assets and liabilities at the date of the Financial Statements. Actual amounts could differ from those estimates.

Impairment of Long-Lived Assets:

The Company has adopted the provisions of ASC Topic 360, "Property, Plant and Equipment-Impairment or Disposal of Long Lived Assets," and requires that long-lived assets and certain identifiable intangibles to be held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. There were no long-lived asset impairments recognized by the Company for the years ended March 29, 2019 and March 30, 2018, respectively.

Stock-Based Compensation Plan:

Compensation expense for stock options granted to directors, officers and key employees is based on the fair value of the award on the measurement date, which is the date of the grant. The expense is recognized ratably over the service period of the award. The fair value of stock options is estimated using a Black-Scholes valuation model. The fair value of any other non-vested stock awards is generally the market price of the Company's common stock on the date of the grant.

Recent Accounting Pronouncements:

In December 2016, the FASB issued ASU 2016-20, Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers. The amendments in this update are of a similar nature to the items typically addressed in the ASU 2016-19, Technical Corrections and Improvements. The FASB elected to issue a separate update for technical corrections and improvements to Topic 606 as well as other Topics amended by ASU 2014-09 to increase public awareness of the proposals and to expedite improvements to ASU-2014-9. The adoption of ASU 2016-20 is effective from the periods beginning after December 31, 2017, including interim reporting periods within that reporting period. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period.

Leases

FASB ASC 2016-02 Leases (Topic 842) – In February 2016, the FASB issued ASC 2016-02, which requires lessees to recognize almost all leases on their balance sheet as a right-of-use asset and a lease liability. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. Classification will be based on criteria that are largely similar to those applied in current lease accounting, but without explicit bright lines. Lessor accounting is similar to the current model, but has been updated to align with certain changes to the lessee model and the new revenue recognition standard. ASC 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We have adopted ASC 2016-02 as of April 1, 2019, and do expect guidance to have an impact on the financial statements for the forthcoming fiscal year.

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 2 INVENTORIES:

Inventories are stated at cost, on the average basis that does not exceed net realizable value.

Inventories are comprised of the following:

| | March 29, 2019 | March 30, 2018 |
|------------------|---------------------------|---------------------|
| Raw materials | \$ 7,053,896 | \$ 6,644,437 |
| Work in progress | 2,797,006 | 2,288,115 |
| Finished goods | 2,170,541 | 1,818,946 |
| | \$12,021,443 | \$10,751,498 |

Note 3 PREPAID EXPENSES AND OTHER CURRENT ASSETS:

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

| | March 29, 2019 | March 30, 2018 |
|-------------------------|---------------------------|-------------------|
| Prepaid insurance | \$ 106,801 | \$ 16,256 |
| Prepaid corporate taxes | — | 467,606 |
| Prepaid payroll taxes | 289,311 | — |
| Prepaid other | 138,785 | 5,732 |
| | \$ 534,897 | \$ 489,594 |

Note 4 PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment are as follows:

| | March 29, 2019 | March 30, 2018 |
|---|---------------------------|---------------------|
| Computers | \$ 502,723 | \$ 496,489 |
| Leasehold improvements | 934,648 | 888,488 |
| Machinery and equipment | 6,657,876 | 6,189,340 |
| Tools and dies | 3,999,705 | 3,681,077 |
| Furniture and fixture | 179,072 | 179,072 |
| Website development cost | 9,784 | 9,050 |
| | 12,283,808 | 11,443,516 |
| Less: accumulated depreciation and amortization | (9,723,201) | (9,377,361) |
| | \$ 2,560,607 | \$ 2,066,155 |
| Depreciation and amortization expense | \$ 345,840 | \$ 330,037 |

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 5 ACCOUNTS RECEIVABLE FINANCING:

The Company has an accounts receivable financing agreement with a non-bank lending institution (“Financing Company”) 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 6% per annum.

The financing agreement has an initial term of one year and automatically renews for successive one-year terms, unless terminated by the Company or its lender upon receiving 60 days prior notice. Funds advanced by the Financing Company are secured by the Company’s accounts receivable and inventories. As of March 29, 2019, the Company reported in the accompanying Financial Statements, a liability to the Financing Company of \$334,306 compared to March 30, 2018, when the Company had reported excess payments to the Financing Company of \$154,960. These excess payments are reported in the accompanying Financial Statements as “Excess payments to accounts receivable financing company.”

Note 6 OTHER CURRENT LIABILITIES:

Other current liabilities are comprised of the following:

| | March 29, 2019 | March 30, 2018 |
|-------------------------------|---------------------------|--------------------------|
| Payroll and vacation accruals | \$ 831,187 | \$ 569,043 |
| Sales commissions | 80,553 | 104,791 |
| Insurance | — | 52,648 |
| Other | <u>65,680</u> | <u>41,887</u> |
| | <u>\$ 977,420</u> | <u>\$ 768,369</u> |

Note 7 INCOME TAXES:

The Company accounts for income taxes under the provisions of ASC Topic 740, “Income Taxes.” Under ASC Topic 740, deferred income tax assets or liabilities are computed based upon the temporary differences between the Financial Statement and income tax bases of assets and liabilities using the currently enacted marginal income tax rates. Deferred income tax expense or credits are based on the changes in the deferred income tax assets or liabilities from period to period.

The provision for income taxes consists of the following:

| | March 29, 2019 | March 30, 2018 |
|-----------------------------|----------------------------|----------------------------|
| Current: | | |
| Federal | \$ 828,728 | \$ 449,123 |
| State and local | <u>1,166,106</u> | <u>222,982</u> |
| Total current tax provision | <u>1,994,834</u> | <u>672,105</u> |
| Deferred: | | |
| Federal | 408,174 | 561,920 |
| State and local | <u>222,217</u> | <u>556,453</u> |
| Total deferred tax expense | <u>630,391</u> | <u>1,118,373</u> |
| Total provision | <u>\$ 2,625,225</u> | <u>\$ 1,790,478</u> |

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 7 INCOME TAXES (continued):

With the enactment of the Tax Cuts and Jobs Act (TCJA) in December 2017, Federal corporate income tax rates were reduced from 35 percent to 21 percent. As the Company reported on a fiscal year ending in March, the federal income tax rate for the year ended March 30, 2018 was a blended rate.

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

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

| | March 29, 2019 | March 30, 2018 |
|---|---------------------------|---------------------------|
| Income tax expense (benefit) – twelve months | 21% | — |
| Income tax expense (benefit) – nine months | — | 26% |
| Income tax expense (benefit) – three months | — | 5% |
| Income tax expense (benefit) | — | — |
| Income tax expenses – state and local, net of federal benefit | 11% | 10% |

During the year ended March 29, 2019, the Company received a remittance of \$460,442 from the Internal Revenue Service. The remittance did not indicate the basis for the payment. The Company has reported this payment as a current liability in the accompanying financial statements until such time that the basis for this remittance can be determined.

Note 8 2011 EQUITY INCENTIVE PLAN:

On August 31, 2011, the Company's shareholders approved the adoption of the Company's 2011 Equity Incentive Plan ("2011 Plan") to provide for the grant of stock options and restricted stock awards to purchase up to 750,000 shares of the Company's common stock to all employees, consultants and other eligible participants including senior management and members of the Board of Directors of the Company.

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

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

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

The aggregate fair market value of shares subject to options granted to a participant(s), which are designated as incentive stock options, and which become exercisable in any calendar year, shall not exceed \$100,000.

Effective August 15, 2016, the Board of Directors also approved the granting of stock options to purchase shares of the Company's common stock under the 2011 Plan to each of Dr. Marciano and Mr. Hugel as follows: Each of the new non-management directors received a grant of options totaling 5,000 shares each subject to the following vesting schedule: (i) 1,000 shares vested immediately (August 15, 2016); (ii) 2,000 shares vested on August 15,

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 8 - 2011 EQUITY INCENTIVE PLAN (continued):

2017; and (iii) 2,000 shares will vest on August 15, 2018. The stock options (i) have a ten-year term; and (ii) have an exercise price equal to the fair market value of the Company's common stock as determined under the 2011 Plan, as reported in the OTCBB, on the date of grant (\$5.30). In the event of the termination of each recipient's association with the Company, the options will remain exercisable in accordance with the terms of the 2011 Plan.

On September 7, 2018, the Board of Directors elected Michael E. Rosenfeld to the Board of Directors to fill the vacancy of a Class I Director of the Company created by the death of the Company's then President and Chief Executive Officer, Michael Offerman. Such appointment became effective on October 26, 2018.

At the same time, the Board of Directors also approved the granting of stock options to purchase shares of the Company's common stock under the 2011 Plan to Mr. Rosenfeld as follows: He received a grant of options totalling 5,000 shares each subject to the following vesting schedule: (i) 1,000 shares vested on October 26, 2018; (ii) 2,000 shares will vest on October 26, 2019; and (iii) 2,000 shares will vest on October 26, 2020. The stock options: (i) have a ten-year term; and (ii) have an exercise price equal to the value of the Company's common stock on the date of grant. In the event of the termination of each recipient's association with the Company, the options will remain exercisable in accordance with the terms of the 2011 Plan.

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

| <u>Name</u> | <u>Stock Option Grants</u> |
|----------------------|----------------------------|
| David Offerman | 50,000 |
| Robert Knoth | 50,000 |
| Allen Gottlieb | 5,000 |
| Gerald Chafetz | 5,000 |
| Sonia Marciano | 5,000 |
| Eric Hugel | 5,000 |
| Michael E. Rosenfeld | 5,000* |

*Options for 1,000 shares vested on October 26, 2018. Options for 2,000 shares shall vest on October 26, 2019 and options for 2,000 shares shall vest on October 26, 2020.

The following table shows the option activity for the fiscal years ended March 29, 2019 and March 30, 2018.

Stock-based compensation expense

Stock-based compensation expense, shown in the table below, is recorded in general and administrative expenses included in our statement of operations:

| | <u>Ref</u> | Year ended March 29, 2019 <u>(in thousands)</u> | Year ended March 30, 2018 <u>(in thousands)</u> |
|----------------------------|------------|--|--|
| IEH employees | | \$ — | \$ — |
| Non-employee directors | | <u>35</u> | <u>28</u> |
| Total stock option expense | (a) | <u>\$ 35</u> | <u>\$ 28</u> |

(a): The Company reported compensation expense of \$27,980 during the year ended March 30, 2018.

The Company reported compensation expense of \$35,264 during the year ended March 29, 2019.

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 8 2011 EQUITY INCENTIVE PLAN (continued):

Unrecognized stock-based compensation expense

| | Ref | Year ended March 29, 2019 <u>(in thousands)</u> | Year ended March 30, 2018 <u>(in thousands)</u> |
|---|-----|--|--|
| Unrecognized expense for IEH employees | | \$ — | \$ — |
| Unrecognized expense for Non-employee directors | | <u>42</u> | <u>14</u> |
| Total unrecognized expense | (b) | <u>\$ 42</u> | <u>\$ 14</u> |

(b): Unrecognized stock-based compensation expense related to prior years' equity grants of stock options to non-employee directors, that had not vested as of the end of the applicable fiscal year.

The Company expects to recognize \$25,454 in stock option compensation expense for the fiscal year ended March 2020 and \$16,992 for the fiscal year ended March 2021.

Note: Stock option grants to IEH officers, directors and key employees in the fiscal years ended March 29, 2019 and March 30, 2018 were valued using a Black-Scholes model, under the following criteria:

| | March 29, 2019 | March 30, 2018 |
|-------------------------|-------------------|-------------------|
| Risk free interest rate | 2.40% | 2.09% |
| Contractual term | 10 years | 10 years |
| Dividend yield | — | — |
| Expected lives | 10 years | 10 years |

The following table shows the activity for the fiscal years ended March 29, 2019 and March 30, 2018.

| | | Shares | Weighted Avg. Exercise Price | Remaining Contractual Term (Years) | Aggregate Intrinsic Value (in thousands) |
|--|-----------|----------------|------------------------------------|--|--|
| Outstanding at the Beginning of the Year | 3/31/2017 | 255,000 | \$ 6.15 | 8.82 | \$ 125 |
| Granted | | 0 | | | |
| Exercised | | 0 | | | |
| Forfeited or Expired | | <u>0</u> | | | |
| Outstanding at the End of the Year | 3/30/2018 | <u>255,000</u> | \$ 6.15 | 8.07 | \$ 3,852 |
| Fully Vested | | <u>251,000</u> | \$ 6.02 | | |
| Exercisable at the End of the Year | | <u>251,000</u> | | | |
| Outstanding at the Beginning of the Year | 3/30/2018 | 255,000 | \$ 6.15 | 8.07 | \$ 702 |
| Granted | | 5,000 | | | |
| Exercised | | (75,000) | | | |
| Forfeited or Expired | | <u>0</u> | | | |
| Outstanding at the End of the Quarter | 3/29/2019 | <u>185,000</u> | \$ 6.05 | 7.75 | \$ 1,832 |
| Fully Vested | | <u>181,000</u> | \$ 5.88 | | |
| Exercisable at the End of the Year March 29, 2019 | | <u>181,000</u> | | | |

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 8 **2011 EQUITY INCENTIVE PLAN (continued):**

The aggregate intrinsic value in the table above represents the total pretax intrinsic value (i.e., the difference between the Company’s closing stock price on the last trading day of the period and the exercise price, times the number of shares) that would have been received by the option holders had all option holders exercised their in-the-money options on those dates. This amount will change based on the fair market value of the Company’s common stock.

Note 9 **CASH BONUS PLAN:**

In 1987, the Company adopted a cash bonus plan (the “Cash Bonus Plan”) for non-union, management and administration staff. Contributions to the Cash Bonus Plan are made by the Company only when the Company is profitable for the fiscal year. Accordingly, the Company has accrued a contribution provision of \$324,000 for the fiscal years ended March 29, 2019 and March 30, 2018, respectively.

Note 10 **COMMITMENTS AND CONTINGENCIES:**

The Company leases space for its corporate offices and its manufacturing facility located at 140 58th Street, Suite E, Brooklyn, New York, runs from December 1, 2010 through November 30, 2020. The basic minimum annual rentals are as follows:

Fiscal year ending March:

| | |
|------|-------------------|
| 2020 | 189,200 |
| 2021 | 128,640 |
| | <u>\$ 317,840</u> |

The rental expense for the years ended March 29, 2019 and March 30, 2018, was \$183,720 and \$178,360, respectively.

The Company has a collective bargaining multi-employer pension plan (“Multi-Employer Plan”) with the United Auto Workers of America, Local 259 (ID No. 136115077). Contributions are made in accordance with a negotiated labor contract and are based on the number of covered employees employed per month. With the passage of the Multi-Employer Pension Plan Amendments Act of 1990 (the “1990 Act”), the Company may become subject to liabilities in excess of contributions made under the collective bargaining agreement. Generally, these liabilities are contingent upon the termination, withdrawal, or partial withdrawal from the Multi-Employer Plan.

Based upon such Plan’s information and data as of December 31, 2018 furnished to the Company (including, without limitation, unfunded vested benefits, accumulated benefits and net assets), such Plan is fully funded. Based thereupon, the Company’s proportional share of the liability through December 31, 2018 is fully funded. The total contributions charged to operations under the provisions of the Multi-Employer Plan were \$65,075 and \$151,314 for the fiscal years ended March 29, 2019 and March 30, 2018, respectively. 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.

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 11 REVENUES FROM MAJOR CUSTOMERS:

During the fiscal year ended March 29, 2019, two customers accounted for \$7,451,032 constituting 26.2% of the Company's net sales. One of those customers accounted for 13.7% of the Company's net sales while the second customer accounted for 12.5% of the Company's net sales.

During the fiscal year ended March 30, 2018, one customer accounted for \$2,685,250 constituting 11.4% of the Company's net sales.

Note 12 SUBSEQUENT EVENTS:

The Company has evaluated all other subsequent events through July 12, 2019, the date the financial statements were available to be issued. Based on this evaluation, except as set forth below, the Company has determined that no subsequent events have occurred which require disclosure through the date that these Financial Statements were available to be issued.

IEH CORPORATION

SIGNATURES

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

IEH CORPORATION

By: /s/ David Offerman
David Offerman
Chairman of the Board, President and Chief
Executive Officer

Dated: July 12, 2019

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/ David Offerman July 12, 2019
David Offerman, Chairman of the
Board, Chief Executive Officer and President

/s/ Robert Knoth July 12, 2019
Robert Knoth, Secretary and
Treasurer; Chief Financial Officer,
Controller and Principal Accounting Officer

/s/ Alan Gottlieb July 12, 2019
Alan Gottlieb, Director

/s/ Gerald E. Chafetz July 12, 2019
Gerald E. Chafetz, Director

/s/ Eric C. Hugel July 12, 2019
Eric C. Hugel, Director

/s/ Sonia Marciano July 12, 2019
Sonia Marciano, Director

/s/ Michael E. Rosenfeld July 12, 2019
Michael E. Rosenfeld, Director

CONSENT OF REGISTERED INDEPENDENT PUBLIC ACCOUNTING FIRM

I hereby consent to the incorporation by reference of my report dated July 12, 2019 relating to the financial statements of IEH Corporation (the “Company”) as of and for the year ended March 29, 2019 included in this Annual Report on Form 10-K into the Company’s previously filed Registration Statement on Form S-8 (File No. 333-224675).

/s/ Manuel Reina, CPA

Manuel Reina, CPA
West Babylon, New York
July 12, 2019

Exhibit 31.1
CERTIFICATIONS

I, David Offerman, certify that:

1. I have reviewed this report on Form 10-K of IEH Corporation for the year ended March 29, 2019.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function); and
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 12, 2019

/s/ David Offerman

David Offerman, Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2
CERTIFICATIONS

I, Robert Knoth, certify that:

1. I have reviewed this report on Form 10-K of IEH Corporation for the year ended March 29, 2019.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function); and
 - a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 12, 2019

/s/ Robert Knoth

Robert Knoth

Chief Financial Officer and Controller (Principal Accounting Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of IEH Corporation (the “Company”) on Form 10-K for the year ending March 29, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, being, David Offerman, President and Chief Executive Officer (Principal Executive Officer), and Robert Knoth, Chief Financial Officer (Principal Accounting Officer), of the Company, respectfully certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002, that:

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

Dated: July 12, 2019

/s/ David Offerman

David Offerman
Chairman of the Board, President and Chief Executive Officer
(Principal Executive Officer)

/s/ Robert Knoth

Robert Knoth
Chief Financial Officer
(Principal Accounting Officer)

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

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CORPORATE INFORMATION

Company Officers and Directors

David Offerman
Chairman of the Board, Chief Executive Officer
and President

Robert Knoth
Chief Financial Officer
Secretary and Treasurer

Allen Gottlieb
Director

Gerald E. Chafetz
Director

Eric C. Hugel
Director

Dr. Sonia Marciano
Director

Michael E. Rosenfeld
Director

Transfer Agent
Computershare
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Canton, MA 02021
Tel: (800) 962-4284

Corporate Office

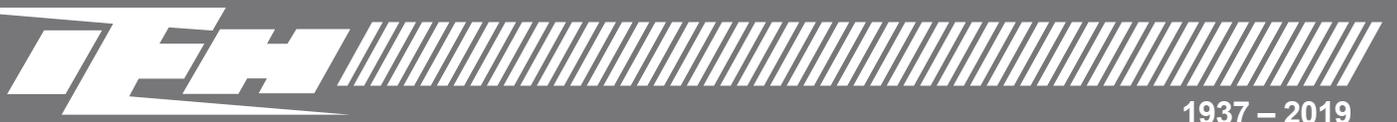
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Independent Public Registered Accounting Firm

Manuel Reina CPA
140 Curcio Court
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Tel: (516) 314-4308



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