

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
----- THE SECURITIES EXCHANGE ACT OF 1934 (fee required)

FOR THE FISCAL YEAR ENDED OCTOBER 31, 1997 OR

----- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934 (no fee required)

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

Commission file number 1-4604

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

FLORIDA  
(State or other jurisdiction of  
incorporation or organization)

65-0341002  
(I.R.S. Employer Identification No.)

3000 TAFT STREET, HOLLYWOOD, FLORIDA  
(Address of principal executive offices)

33021  
(Zip Code)

(954) 987-6101  
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

COMMON STOCK, PAR VALUE \$.01 PER SHARE  
(Title of Each Class)

AMERICAN STOCK EXCHANGE  
(Name of Each Exchange On Which Registered)

Securities registered pursuant to Section 12(g) of the Act:

PREFERRED STOCK PURCHASE RIGHTS  
(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

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

The aggregate market value of the voting and non-voting stock held by nonaffiliates of the registrant as of December 31, 1997 was \$141,000,000 based on the closing price of \$28.50 on December 31, 1997 as reported by the American Stock Exchange and after subtracting from the number of shares outstanding on that date the number of shares held by affiliates of the Registrant.

The number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date:

COMMON STOCK, \$.01 PAR VALUE 8,289,659 SHARES  
(Class) (Outstanding at December 31, 1997)

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement for the 1998 Annual Meeting of Shareholders are incorporated by reference into Part III. See Item 14(a)(3) on page 43 for a listing of exhibits.

CERTAIN STATEMENTS IN THIS REPORT CONSTITUTE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS OF THE COMPANY, OR INDUSTRY RESULTS, TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. SUCH FACTORS INCLUDE, AMONG OTHERS, THE FOLLOWING: LOWER COMMERCIAL AIR TRAVEL, PRODUCT PRICING LEVELS, ECONOMIC CONDITIONS WITHIN THE AEROSPACE INDUSTRY, GENERAL ECONOMIC CONDITIONS AND COMPETITION ON MILITARY PROGRAMS.

## ITEM 1. BUSINESS

## GENERAL

HEICO Corporation (the Company) is principally engaged in the design, manufacture and sale of aerospace products and services through its subsidiaries HEICO Aerospace Holdings Corp. (HEICO Aerospace), which represents the Flight Support Group, and HEICO Aviation Products Corp. (HEICO Aviation), which represents the Ground Support Group. HEICO Aerospace became 20%-owned by Lufthansa Technik AG as of October 30, 1997 (see discussion below) and HEICO Aviation is wholly-owned. References in this Annual Report on Form 10-K to the "Company" include each of the Company's subsidiaries unless otherwise required by the context.

The Company is one of the world's largest non-original equipment manufacturers (OEMs) of Federal Aviation Administration (FAA)-approved jet engine replacement parts and a market leader in the sale of certain Ground Support Equipment (GSE) to the airline and defense industries. The Company's Flight Support Group, which currently accounts for approximately 65% of the Company's revenues, operates in the jet engine service market through (i) the research and development, design, manufacture and sale of FAA-approved jet engine replacement parts, (ii) the repair, maintenance and overhaul of jet engine and airframe components, and (iii) the manufacture of specialty aviation and defense component parts as a subcontractor for OEMs and the U.S. government. The Company's Ground Support Group, which currently accounts for approximately 35% of the Company's revenues, manufactures various types of GSE, including ground power, air start and air conditioning units, as well as certain electronic equipment for commercial airlines and military agencies.

On October 30, 1997, the Company entered into a strategic alliance with Lufthansa Technik AG (Lufthansa), the technical services subsidiary of Lufthansa German Airlines, whereby Lufthansa invested approximately \$26 million in HEICO Aerospace, a newly-formed subsidiary of the Company, including \$10 million paid at closing pursuant to a stock purchase agreement and approximately \$16 million to be paid to HEICO Aerospace over three years pursuant to a research and development cooperation agreement. The research and development cooperation agreement will partially fund accelerated development of additional FAA-approved replacement parts for jet engines. The funds

received pursuant to the research and development cooperation agreement will reduce research and development expenses in the period such expenses are incurred. In addition, Lufthansa and HEICO Aerospace have agreed to cooperate regarding technical services and marketing support for jet engine parts on a worldwide basis. For further information regarding the strategic alliance with Lufthansa and sale of the 20% minority interest in HEICO Aerospace, see Note 2 to the Consolidated Financial Statements.

In September 1997, the Company acquired, through HEICO Aerospace, Northwings Accessories Corporation (Northwings), a Florida-based, FAA-authorized repair and overhaul facility servicing aircraft engine components and airframe accessories, for approximately \$7.0 million in cash and 232,000 shares of the Company's common stock. For further information regarding the acquisition of Northwings, see Note 2 to the Consolidated Financial Statements.

The Company was organized in 1993 creating a new holding company known as HEICO Corporation and renaming the former holding company (formerly known as HEICO Corporation, organized in 1957) as HEICO Aerospace Corporation. The reorganization, which was completed in 1993, did not result in any change in the business of the Company, its consolidated assets or liabilities or the relative interests of its shareholders.

#### MARKETS - FLIGHT SUPPORT GROUP

The Flight Support Group's operating subsidiaries are HEICO Aerospace Corporation and its subsidiaries Jet Avion Corporation (Jet Avion), LPI Industries Corporation (LPI) and Aircraft Technology, Inc. (Aircraft Technology), as well as Northwings.

JET AVION - Jet Avion's principal business is the research and development, design, manufacture and sale of FAA-approved jet engine replacement parts that are sold to domestic and foreign commercial air carriers and aircraft repair and overhaul companies. Jet Avion's jet engine replacement parts include combustion chambers and various other jet engine replacement parts. A key element of the Company's growth strategy is the continued design and development of an increasing number of replacement parts in order to further penetrate its existing customer base and obtain new customers. The Company selects the jet engine replacement parts to design and manufacture through a selection process in which the Company analyzes industry information to determine which jet engine replacement parts are expected to generate the greatest profitability. As part of Lufthansa's investment in the Flight Support Group, Lufthansa will have the right to select 50% of the engine parts for which the Company will seek FAA authorization to manufacture (PMAs), provided that such parts are technologically and economically feasible and substantially comparable with the profitability of the Company's other PMAs.

The following table sets forth (i) the lines of engines for which the Company provides jet engine replacement parts and (ii) the approximate number of such engines currently in service as estimated by the Company. Although the Company expects that its strategic alliance with Lufthansa will broaden the Company's product lines, virtually all of the Company's current PMA parts are for Pratt & Whitney engines, with a majority for the JT8D engine.

OEM ---	LINE ----	NUMBER IN SERVICE -----	PRINCIPAL ENGINE APPLICATION -----
Pratt & Whitney	JT8D	10,300	Boeing 727 and 737 McDonnell Douglas DC-9 and MD-80
	JT9D	2,100	Boeing 747 and 767 Airbus A300 and A310 McDonnell Douglas DC-10
	PW2000	700	Boeing 757
	PW4000	1,500	Boeing 747,767 and 777 Airbus A300, A310 and A330
CFM International	CFM56	6,500	McDonnell Douglas MD-11 Boeing 737, Airbus A320 and A340

Non-OEMs of jet engine replacement parts must receive a PMA from the FAA. The PMA process includes the submission of sample parts, drawings and testing data to one of the FAA's Aircraft Certification Offices, where the submitted materials are analyzed.

For information regarding pending litigation relating to certain of Jet Avion's sales, see Item 3 to Part I of this Form 10-K.

AIRCRAFT TECHNOLOGY AND NORTHWINGS - Aircraft Technology and Northwings provide jet engine replacement parts repair and overhaul services to domestic and foreign commercial air carriers and aircraft repair and overhaul companies for the Pratt & Whitney JT8D, JT3D, JT9D, PW2000 and PW4000 and the CFM International CFM56 engines. The repair and overhaul services offered by the Company include the repair, refurbishment and overhaul of numerous accessories and parts mounted on or within gas turbine engines, aircraft wings and frames or fuselages. Engine accessories include fuel pumps, generators and fuel controls. Parts include combustion chambers, pneumatic valves, starters and actuators, turbo compressors and constant speed drives, hydraulic pumps, valves and actuators, electro-mechanical equipment and auxiliary power unit accessories.

The Company continually evaluates new engine lines, models and derivatives to determine whether the potential demand for overhaul services justifies the expenditures required for inventory and modifications to tooling and equipment. The Company believes that its acquisition of Northwings will provide the Company with a well-established platform for additional growth in the repair and overhaul sector of the aviation industry.

LPI - LPI is engaged in the production of a variety of component parts for the aerospace industry and manufactures a substantial portion of Jet Avion's products. In addition, LPI manufactures and sells component parts to OEMs as a sub-contractor and to U.S. military agencies as a replacement parts supplier. Orders generally have contract terms from one to three years. Currently, orders extending beyond one year are not significant.

## MARKETS - GROUND SUPPORT GROUP

The Ground Support Group, through Trilectron, currently serves the commercial and military GSE markets through its manufacture of ground power units, air start units and air conditioning units that are sold to both domestic and foreign commercial and military customers. Trilectron also manufactures specialty military electronics for use as shipboard power supplies and power converters and for use in connection with the ground operations of the International Space Station. Because military and commercial aircraft vary so widely by size and manufacturer, unique equipment is often required for different air frames. Military aircraft frequently require unique equipment arrangements that necessitate custom manufacturing. Examples of Trilectron's GSE products include a sophisticated cooling system for the Air Force's new F-22 fighter aircraft and a combination ground power and air conditioning unit for the F-16 aircraft.

Customers of Trilectron are primarily domestic and foreign commercial air carriers (passenger and cargo), contracted ground support service providers, military and space agencies or subcontractors (United States and foreign). Orders generally have contract terms from one to three years. Currently, orders extending beyond one year are not significant.

## SALES AND MARKETING

Each of the Company's operating divisions and subsidiaries independently conducts sales and marketing efforts directed at their respective customers and industries and, in some cases, collaborate with other operating divisions and subsidiaries for cross-marketing efforts. Sales and marketing efforts are conducted primarily by in-house sales personnel, and to a lesser extent by independent manufacturer's representatives. Generally, in-house sales personnel receive a base salary plus incentive compensation and manufacturer's representatives receive a commission on sales.

The Company believes that direct relationships are crucial to establishing and maintaining a strong customer base and, accordingly, the Company's senior management team is actively involved in the Company's marketing activities, particularly with established customers. The Company is also a member of various trade and business organizations related to the commercial aviation industry. For example, the Company is one of the smallest independent companies in the Aerospace Industries Association (AIA), the leading trade association representing the nation's manufacturers of commercial, military and business aircraft, aircraft engines and related components and equipment. Due in large part to its established industry presence, the Company believes that it benefits from strong customer relations, name recognition and repeat business.

## PRINCIPAL PRODUCTS AND CUSTOMERS

Sales of the Flight Support Group accounted for 65% of the Company's total consolidated sales in fiscal 1997, 93% of the Company's sales from continuing operations in fiscal 1996, and all of the Company's sales from continuing operations in fiscal 1995. On a proforma basis,

assuming Northwings had been acquired as of the beginning of fiscal 1997, the Flight Support Group's sales would have accounted for 69% of consolidated fiscal 1997 sales from continuing operations.

Sales of products and services related to JT8D engines accounted for approximately 51% of the Company's net sales in fiscal 1997.

No one customer accounted for sales of 10% or more of total consolidated sales from continuing operations during any of the last three fiscal years. Aggregate United States and foreign military sales were 17% of the Company's consolidated sales in fiscal 1997.

#### COMPETITION

With respect to sales of jet engine replacement parts by the Flight Support Group, the Company competes mainly with Pratt & Whitney, a division of United Technologies Corporation. The competition is principally based on price and service inasmuch as the Company's parts are interchangeable with the parts produced by Pratt & Whitney. The Company believes that it supplies over 50% of the market for certain JT8D engine components for which it holds a PMA from the FAA, with Pratt & Whitney controlling the balance. With respect to other aerospace products and services sold by the Flight Support Group, the Company competes with a large number of machining, fabrication and repair companies, some of which have greater financial resources than the Company. Competition is based mainly on price, product performance, service and technical capability.

The Company's Ground Support Group competes with several large and small domestic and foreign competitors, some of which have greater financial resources than the Company. The Company believes the market for its ground support equipment is highly fragmented, with competition based mainly on price, product performance and service.

#### BACKLOG

The Company's backlog of unshipped orders as of October 31, 1997 was \$36 million as compared to \$25 million as of October 31, 1996 and \$23 million as of October 31, 1995. The backlog includes \$17 million representing forecasted shipments over the next 12 months for certain contracts of the Flight Support Group pursuant to which customers provide estimated annual usage. Substantially all of the backlog of orders as of October 31, 1997 are expected to be delivered during fiscal 1998. For additional information regarding the Company's backlog, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Backlogs."

#### RESEARCH, DEVELOPMENT AND PRODUCT IMPROVEMENT ACTIVITIES

The Company's research and development department uses state-of-the-art equipment to design and engineer components, as well as to ensure accurate data transfer between the Company's new product development and manufacturing departments. The Company's engineers, recruited from OEMs and other aerospace industry participants, specialize in a variety of disciplines, including aerodynamics, heat transfer, manufacturing, electronics, software, materials and structures. As part of its growth strategy, the Company has continued to increase its research and development activities. In fiscal 1997, 1996 and 1995,

the cost of such activities amounted to approximately \$3,100,000, \$2,400,000 and \$1,800,000, respectively. The Company's new strategic alliance with Lufthansa discussed previously will provide the Flight Support Group with \$16 million for research and development projects relating to jet engine replacement parts over the period ending July 31, 2000. In addition, the Company has and intends to continue to increase the development of new products within its Ground Support Group in order to expand the existing product line.

#### PATENTS, TRADEMARKS, ETC.

As discussed under "Markets - Flight Support Group" above, the Company's PMAs from the FAA are material to the Company's operations. The Company does not have any patents, trademarks or licenses the loss of which would materially adversely affect the Company.

#### RAW MATERIALS

The principal materials used in the manufacture of the Company's Flight Support Group's products are high temperature alloy sheet metal and castings and forgings. The principal materials used in the manufacture of the Company's Ground Support Group's products are numerous raw materials, parts and components, including diesel and gas powered engines, compressors, and generators. The materials used by the Company's operations are generally available from a number of sources and in sufficient quantities to meet current requirements subject to normal lead times.

#### EMPLOYEES

At the end of fiscal 1997, the Company and its subsidiaries employed approximately 480 full-time persons, of which approximately 330 were employed within the Flight Support Group and approximately 140 were employed within the Ground Support Group.

#### GOVERNMENT REGULATIONS

FAA - The FAA regulates the manufacture, repair and operation of all aircraft and aircraft parts operated in the United States. Its regulations are designed to ensure that all aircraft and aviation equipment are continuously maintained in proper condition to ensure safe operation of the aircraft. Similar rules apply in other countries. All aircraft must be maintained under a continuous condition monitoring program and must periodically undergo thorough inspection and maintenance. The inspection, maintenance and repair procedures for the various types of aircraft and equipment are prescribed by regulatory authorities and can be performed only by certified repair facilities utilizing certified technicians. Certification and conformance is required prior to installation of a part on an aircraft. Aircraft operators must maintain logs concerning the utilization and condition of aircraft engines, life-limited engine parts and airframes. In addition, the FAA requires that various maintenance routines be performed on aircraft engines, certain engine parts and airframes at regular intervals based on cycles or flight time. Engine maintenance must also be performed upon the occurrence of certain events, such as foreign object damage in an aircraft engine

or the replacement of life-limited engine parts. Such maintenance usually requires that an aircraft engine be taken out of service. The operations of the Company may in the future be subject to new and more stringent regulatory requirements. In that regard, the Company closely monitors the FAA and industry trade groups in an attempt to understand how possible future regulations might impact the Company.

Because the Company's jet engine replacement parts largely consist of older model JT8D aircraft engines and engine parts, the FAA's noise regulations also have a substantial impact upon the Company. The ability of aircraft operators to utilize such JT8D aircraft engines in domestic flight operations is significantly influenced by regulations promulgated by the FAA governing, among other things, noise emission standards. Pursuant to the Aircraft Noise and Capacity Act, the FAA has required all aircraft operating in the United States with a maximum weight of more than 75,000 pounds to meet Stage 2 noise restriction levels. The FAA has mandated that all such Stage 2 aircraft (such as the non-hush-kitted Boeing 727- 200s, Boeing 737-200s and McDonnell Douglas DC-9-30/40/50s) must be phased out of operation in the contiguous United States by December 31, 1999 or fitted with hush kits. This ban on operation in the United States of non-hush-kitted Stage 2 aircraft applies to both domestic and foreign aircraft operators. The European Union has adopted similar restrictions for the operation of Stage 2 aircraft within member nations of the European Union subject to a variety of exemptions. Various communities surrounding the larger European cities also have adopted more stringent local regulations which restrict the operation of non-hush-kitted aircraft in such jurisdictions.

**ENVIRONMENTAL** - The Company's operations are subject to extensive, and frequently changing, federal, state and local environmental laws and substantial related regulation by government agencies, including the EPA. Among other matters, these regulatory authorities impose requirements that regulate the operation, handling, transportation, and disposal of hazardous materials, and require the Company to obtain and maintain licenses and permits in connection with its operations. The Company believes that it is in material compliance with all federal, state and local environmental laws and regulations governing its operations.

**OTHER** - The Company is also subject to a variety of other regulations, including worker-related and community safety laws. The Company believes that its operations are in material compliance with such requirements.

#### **SEASONALITY**

The Company believes that its business activities are not materially seasonal.

#### **FINANCIAL INFORMATION ABOUT FOREIGN AND DOMESTIC OPERATIONS AND EXPORT SALES**

The Company has no operations located outside of the United States. See Note 12 to the Consolidated Financial Statements for additional information regarding the Company's export sales.



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ITEM 2. PROPERTIES

The Company owns or leases the following facilities:

LOCATION -----	DESCRIPTION -----	SQUARE FOOTAGE -----	OWNED/LEASE EXPIRATION -----
Hollywood, Florida	Flight Support Group design and manufacturing facility and corporate headquarters	140,000	Owned
Palmetto, Florida	Ground Support Group design manufacturing facility and office	35,000	July 1998(1)
Miami, Florida	Overhaul and repair facility	18,000	Month-to-month(2)
Miami, Florida	Executive offices	2,300	December 1998

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(1) The Company has acquired 18.5 acres of land in Palmetto, Florida on which it is building a new 75,000 square foot Ground Support Group manufacturing facility and office. The Company expects to complete the facility by the end of fiscal 1998.

(2) The Company is evaluating the lease or purchase agreement of a new overhaul and repair facility.

Including the presently planned additional facilities described above, the Company believes that it has adequate capacity to handle its anticipated needs for the foreseeable future. The real property owned by the Company is subject to mortgages as set forth in Note 5 to the Consolidated Financial Statements. For additional information with respect to the Company's leases, see Note 6 to the Consolidated Financial Statements.

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ITEM 3. LEGAL PROCEEDINGS

In November 1989, HEICO Aerospace Corporation and Jet Avion were named defendants in a complaint filed by United Technologies Corporation (UTC) in the United States District court for the Southern District of Florida. The complaint, as amended in fiscal 1995, alleged infringement of a patent, misappropriation of trade secrets and unfair competition relating to certain jet engine parts and coatings sold by Jet Avion in competition with Pratt & Whitney, a division of UTC. UTC seeks approximately \$8 million in damages for the patent infringement and sought approximately \$30 million in damages for the misappropriation of trade secrets and unfair competition claims. The aggregate damages referred to in the preceding sentence did not exceed approximately \$30 million because a portion of the misappropriation and unfair competition damages duplicate the patent infringement damages. UTC also seeks, among other things, pre-judgment interest and treble damages.

In July and November 1995, the Company filed its answers to UTC's complaint denying the allegations. In addition, the Company filed counterclaims against UTC for, among other things, malicious prosecution, trade disparagement, tortious interference, unfair competition and antitrust violations. The Company is seeking treble, compensatory and punitive damages in amounts to be determined at trial. UTC filed its answer denying certain counterclaims and moved to dismiss other counterclaims. A number of motions are pending and no trial date is currently set.

In August 1997, a Motion for Summary Judgment filed by the Company on a portion of the lawsuit was granted by the United States District Court Judge. The Summary Judgment dismissed UTC's claims for misappropriation of trade secrets and unfair competition, finding that Florida's statute of limitations bars such claims. In September 1997, UTC served a Motion for Reconsideration of the Court's Motion for Summary Judgment. In October 1997, UTC's Motion for Reconsideration was denied. UTC may appeal these rulings.

These rulings leave currently pending UTC's single claim alleging infringement of a patent that expired in 1992 and the Company's Counterclaims against UTC.

Based on currently known facts, the Company's legal counsel has advised that it believes that the Company should be able to successfully defend the remaining patent infringement claim alleged in UTC's complaint. Further, the Company intends to vigorously pursue its counterclaims against UTC. The ultimate outcome of this litigation is not certain at this time and no provision for gain or loss, if any, has been made in the consolidated financial statements.

The Company is involved in various other legal actions arising in the normal course of business. After taking into consideration legal counsel's evaluation of such actions, management is of the opinion that the outcome of these other matters will not have a significant effect on the Company's consolidated financial statements.

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

There were no matters submitted to a vote of securities holders during the fourth quarter of fiscal 1997.

EXECUTIVE OFFICERS OF THE REGISTRANT

The Executive Officers are elected by the Board of Directors at the first meeting following the annual meeting of shareholders and serve at the discretion of the Board. The names and ages of, and offices held by, the executive officers of the Company are as follows:

NAME ----	AGE ---	OFFICE -----
Laurans A. Mendelson	59	Chairman of the Board, President and Chief Executive Officer of the Company
Thomas S. Irwin	51	Executive Vice President and Chief Financial Officer of the Company
Eric A. Mendelson	32	Vice President and Director of the Company; President of the Company's Flight Support Group
Victor H. Mendelson	30	Vice President, General Counsel and Director of the Company; President of the Company's Ground Support Group
James L. Reum	66	Chief Operating Officer of the Company's Flight Support Group

Mr. Laurans A. Mendelson has served as Chairman of the Board of the Company since December 1990 and as Co-Chairman of the Board of the Company from January 1990 until December 1990. Mr. Mendelson has also served as Chief Executive Officer of the Company since February 1990, President of the Company since September 1991 and served as President of MediTek Health Corporation from May 1994 until its sale in July 1996. Mr. Mendelson served as Chairman of the Board of Directors of U.S. Diagnostic Inc. from February 1997 until he resigned in December 1997. Mr. Mendelson also served on the Board of Governors of the Aerospace Industries Association (AIA) in 1997. Mr. Mendelson has been Chairman of the Board of Ambassador Square, Inc. (a Miami, Florida real estate development and management company) since 1980 and President of that company since 1988. He has been Chairman of Columbia Ventures, Inc. (a private investment company) since 1985 and President of that company since 1988. Mr. Mendelson is a Certified Public Accountant. Mr. Mendelson is also a trustee of Columbia University, New York, New York, a trustee of Mount Sinai Medical Center, Miami Beach Florida and Chairman of the Hollywood Economic Growth Corporation, Hollywood, Florida, a non-profit corporation engaged in community development activities. Mr. Mendelson holds an AB degree from Columbia College of Columbia University and an MBA degree from the Columbia University Graduate School of Business.

Mr. Thomas S. Irwin has served as Executive Vice President and Chief Financial Officer of the Company since September 1991 and served as Senior Vice President of the Company from 1986 to 1991 and Vice President and Treasurer from 1982 to 1986. Mr. Irwin is a Certified Public Accountant. Mr. Irwin holds a BBA degree from Wake Forest University.

Mr. Eric A. Mendelson has served as a Vice President of the Company since March 1992 and President of the Flight Support Group since April 1993. Mr. Mendelson served as Director of Planning and Operations of the Company and Executive Vice President of the Flight Support Group from 1990 to March 1992. Mr. Mendelson holds an AB degree from Columbia College of Columbia University and an MBA degree from the Columbia University Graduate School of Business. Mr. Mendelson served on the Product Certification and Parts Manufacturing Working Groups of the Aviation Rulemaking Advisory Committee of the FAA and the Civil Aviation Council of the AIA. Eric Mendelson is the son of Laurans Mendelson and the brother of Victor Mendelson.

Mr. Victor H. Mendelson has served as a Vice President of the Company since 1996, President of the Ground Support Group since September 1996 and General Counsel of the Company since 1993. Mr. Mendelson served as Executive Vice President of MediTek Health Corporation beginning in 1994 and its Chief Operating Officer from January 1995 until its sale in July 1996. Mr. Mendelson served as the Company's Associate General Counsel from 1992 until 1993. From 1990 until 1992, he served on a consulting basis with the Company developing and analyzing various strategic opportunities. Mr. Mendelson is a member of the American Bar Association and The Florida Bar. Mr. Mendelson is a trustee of St. Thomas University, Miami, FL. Mr. Mendelson holds an AB degree from Columbia College of Columbia University and a JD from the University of Miami School of Law. Mr. Mendelson is a member of the Legal and Legislative Committee of the AIA. Victor Mendelson is the son of Laurans Mendelson and the brother of Eric Mendelson.

Mr. James L. Reum, Chief Operating Officer of the Company's Flight Support Group since May 1995, has held various executive positions in the Company since January 1990. From 1986 to 1989, Mr. Reum was self-employed as a management and engineering consultant to companies primarily within the aerospace industry. From 1957 to 1986, he was employed in various management positions with Chromalloy Gas Turbine Corp., Cooper Airmotive (later named Aviall, Inc.), United Airlines, Inc. and General Electric Company. Mr. Reum is a member of the Product Certification and Parts Manufacturing Working Groups of the Aviation Rulemaking Advisory Committee of the FAA and the Civil Aviation Council of the AIA.

COMPLIANCE WITH SECTION 16(A) OF THE SECURITIES AND EXCHANGE ACT OF 1934

Section 16(a) of the Securities and Exchange Act of 1934 requires the Company's Directors, Executive Officers and 10% shareholders to file initial reports of ownership and changes in ownership of Common Stock with the Securities and Exchange Commission and the American Stock Exchange. Directors, Executive Officers and 10% shareholders are required to furnish the Company with copies of all Section 16(a) forms they file. Based on the review of such reports furnished to the Company, the Company believes that during 1997, the Company's Directors, Executive Officers and 10% shareholders complied with all Section 16(a) filing requirements applicable to them.

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PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The Company's common stock is traded on the American Stock Exchange under the Symbol "HEI". The following table sets forth the quarterly high and low sales prices for the common stock on the American Stock Exchange and the amounts of cash dividends paid per share during the last two fiscal years. In July 1995, February 1996, July 1996 and January 1997 the Company paid 10% stock dividends in addition to its semi-annual cash dividends. The Company also distributed a three-for-two stock split in April 1996. In November 1997, the Company declared a three-for-two stock split payable December 16, 1997 to shareholders of record December 3, 1997. The quarterly sales prices and cash dividend amounts set forth below have been retroactively adjusted for the stock splits and stock dividends, including the stock split paid in December 1997.

FISCAL QUARTER	1997			1996		
	HIGH	LOW	CASH DIVIDENDS PER SHARE	HIGH	LOW	CASH DIVIDENDS PER SHARE
First	18.00	10.08	\$.0335	6.35	6.01	\$.027
Second	19.00	14.75	--	8.86	5.83	--
Third	16.83	13.83	\$.0335	16.05	7.99	\$.030
Fourth	27.33	15.67	--	11.82	9.39	--

The Company had approximately 1,300 shareholders of record as of December 31, 1997.

ITEM 6. SELECTED FINANCIAL DATA

YEAR ENDED OCTOBER 31,

	1997	1996	1995	1994	1993
(in thousands of dollars, except per share data)					
<b>OPERATING DATA</b>					
Net sales	\$ 63,674	\$ 34,565	\$ 25,613	\$ 19,212	\$ 19,856
Gross profit	\$ 20,629	\$ 12,169	\$ 8,116	\$ 5,835	\$ 5,119
Selling, general and administrative expenses	\$ 11,515	\$ 7,657	\$ 6,405	\$ 5,495	\$ 4,850
Interest expense	\$ 477	\$ 185	\$ 169	\$ 59	\$ 205
Net income:					
From continuing operations before cumulative effect of change in accounting principle	\$ 7,019	\$ 3,665	\$ 1,437	\$ 640	\$ 728
From discontinued operations(1)	---	963	1,258	830	256(2)
From gain on sale of discontinued operations	---	5,264	---	---	---
From cumulative effect on prior years of change in accounting principle	---	---	---	381	---
Net income	\$ 7,019	\$ 9,892	\$ 2,695	\$ 1,851	\$ 984
Weighted average number of common and common equivalent shares (3)	9,612,205	8,854,726	7,953,555	7,567,444	7,785,294
Net income per share:(3)					
From continuing operations before cumulative effect of change in accounting principle	\$ .73	\$ .41	\$ .18	\$ .08	\$ .09
From discontinued operations	---	.11	.16	.11	.03
From gain on sale of discontinued operations	---	.59	---	---	---
From cumulative effect of change in accounting principle	---	---	---	.05	---
Net income per share	\$ .73	\$ 1.11	\$ .34	\$ .24	\$ .12
Cash dividends per share(3)	\$ .067	\$ .057	\$ .048	\$ .045	\$ .045
<b>BALANCE SHEET DATA</b>					
Working capital	\$ 45,131	\$ 25,248	\$ 14,755	\$ 12,691	\$ 12,517
Net property, plant and equipment	\$ 8,543	\$ 5,845	\$ 9,296	\$ 8,608	\$ 7,734
Total assets	\$ 88,639	\$ 61,836	\$ 47,401	\$ 39,020	\$ 33,738
Long-term debt	\$ 10,458	\$ 6,022	\$ 7,076	\$ 4,402	\$ 2,864
Minority interest in consolidated subsidiary	\$ 3,273	\$ --	\$ --	\$ --	\$ --
Shareholders' equity	\$ 59,446	\$ 41,488	\$ 30,146	\$ 27,061	\$ 25,513

- (1) Represents income from the discontinued health care operations that were sold in fiscal 1996.
- (2) Includes a \$194,000 loss from the discontinued health care operations and a \$450,000 reversal of a portion of reserves for costs related to the laboratory products segment disposed of in 1990, which were determined not to be required.
- (3) Information has been adjusted to reflect three-for-two stock splits distributed in April 1996 and December 1997 and 10% stock dividends paid in July 1995, February 1996, July 1996 and January 1997.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS  
OF OPERATIONS

OVERVIEW

Net sales in fiscal 1997 totaled \$63,674,000, up 84% when compared to fiscal 1996 net sales of \$34,565,000 and up 148% when compared to fiscal 1995 net sales of \$25,613,000.

The Company's net income from continuing operations totaled \$7,019,000, or \$.73 per share, in fiscal 1997, improving 92% from net income from continuing operations of \$3,665,000, or \$.41 per share, in fiscal 1996 and improving 388% from net income from continuing operations of \$1,437,000, or \$.18 per share, in fiscal 1995.

The Company paid 10% stock dividends in July 1995, February 1996, July 1996, and January 1997. In addition, the Company distributed 3-for-2 stock splits in April 1996 and December 1997. All net income per share, dividends per share and common stock outstanding information has been adjusted for all years presented to give effect to the stock dividends and stock splits, including the stock dividend paid in December 1997.

On October 30, 1997, the Company entered into a strategic alliance with Lufthansa Technik AG (Lufthansa), the technical services subsidiary of Lufthansa German Airlines, whereby Lufthansa invested approximately \$26 million in HEICO Aerospace, including \$10 million paid at closing pursuant to a stock purchase agreement and approximately \$16 million to be paid to HEICO Aerospace over three years pursuant to a research and development cooperation agreement, which will partially fund accelerated development of additional Federal Aviation Administration (FAA)-approved replacement parts for jet engines. The funds received pursuant to the research and development cooperation agreement will reduce research and development expenses in the period such expenses are incurred. In addition, Lufthansa and HEICO Aerospace have agreed to cooperate regarding technical services and marketing support for jet engine parts on a worldwide basis.

As part of the strategic alliance, the Company sold 20% of HEICO Aerospace (200 shares) with an approximate book value of \$3,273,000 to Lufthansa for \$10 million. The Company's accounting policy is to treat the sale of a subsidiary's stock as an equity transaction, recording the difference between the purchase price, net of transaction costs incurred, and book value of the subsidiary, to the subsidiary's retained earnings. As a result of this sale, \$6,427,000 was recorded as an increase to the retained earnings of the Company in the consolidated financial statements. For further information regarding the strategic alliance and sale of the 20% minority interest, see Note 2 to the Consolidated Financial Statements.

In September 1997, the Company acquired all of the outstanding stock of Northwings, an FAA-authorized overhaul and repair facility servicing aircraft engine components and airframe accessories. In consideration of this acquisition, the Company paid approximately \$7.0 million in cash and 232,360 shares of the Company's common stock, having an aggregate fair value of approximately \$3.5 million. The acquisition of Northwings has been accounted for using the purchase



method of accounting and the results of operations of Northwings are included in the Consolidated Statements of Operations from September 1, 1997. For further information regarding the acquisition of Northwings, see Note 2 to the Consolidated Financial Statements.

In September 1996, the Company acquired all of the outstanding stock of Trilectron for \$7.0 million in cash and the assumption of debt aggregating \$2.3 million. Trilectron is a leading manufacturer of ground support equipment for civil and military aircraft and a designer and manufacturer of certain military and space electronics. The acquisition of Trilectron has been accounted for using the purchase method of accounting and the results of operations of Trilectron are included in the Consolidated Statements of Operations from September 1, 1996. For further information regarding the acquisition of Trilectron, see Note 2 to the Consolidated Financial Statements.

In July 1996, the Company sold its wholly-owned healthcare subsidiary, MediTek Health Corporation (MediTek) to U.S. Diagnostic Inc. The Company received \$13.8 million in cash and a \$10.0 million, 6-1/2% convertible promissory note. The sale of MediTek resulted in a fiscal 1996 gain of \$5.3 million. In September 1997, the Company sold the convertible note to an unrelated party for the stated par value of \$10 million plus accrued interest. For further information regarding the sale of MediTek, see Note 3 to the Consolidated Financial Statements.

The increase in fiscal 1997 sales over fiscal 1996 sales reflects an increase in revenues from the Company's Flight Support products, including \$2,223,000 in revenues representing Northwing's sales for the two months since its acquisition; and an increase of \$19,827,000 in revenues from the Company's Ground Support products (twelve months of Trilectron's sales for fiscal 1997 compared to two months in fiscal 1996). The \$6,401,000 increase in fiscal 1996 sales over fiscal 1995 sales is attributable to higher sales of Flight Support products and two months of sales of Trilectron from its September 1996 acquisition.

The increases in sales of Flight Support products in fiscal 1997 and fiscal 1996, exclusive of sales of newly-acquired Northwings, are principally due to increased sales volumes of jet engine replacement parts to the Company's commercial airline industry customers.

The improvement in net income from continuing operations in fiscal 1997 and fiscal 1996 is primarily attributable to the increased sales volumes and improved profit margins as further discussed below.

#### RESULTS OF OPERATIONS

##### BACKLOGS

The Company's Flight Support operations had a backlog of unshipped orders as of October 31, 1997 of \$24 million as compared to \$14 million as of October 31, 1996 and \$23 million as of October 31, 1995. This backlog includes \$17 million representing forecasted shipments over the next 12 months for certain contracts of the Flight Support operations pursuant to which customers provide estimated annual usage. The increase in the current backlog from that of October 31, 1996 is principally due to certain customers entering into longer term contracts, which replaced shorter term purchase orders.

The Company's Ground Support operations had a backlog of \$12 million as of October 31, 1997 and \$11 million as of October 31, 1996.

Substantially all of the backlog of orders as of October 31, 1997 are expected to be delivered during fiscal 1998.

#### GROSS MARGINS AND OPERATING EXPENSES

The Company's gross profit margins averaged 32.4% in fiscal 1997 as compared to 35.2% in fiscal 1996 and 31.7% in fiscal 1995. These margins reflect the inclusion of Ground Support operations beginning in the fourth quarter of fiscal 1996, which generally carry lower profit margins than those of the Company's Flight Support operations, partially offset by improvement in gross margins in the Company's Flight Support operations. The improvement in gross profit margins in the Flight Support Group reflects volume increases in sales of higher gross profit margin products and manufacturing cost efficiencies.

Selling, general and administrative (SG&A) expenses were \$11,515,000 in fiscal 1997, \$7,657,000 in fiscal 1996 and \$6,405,000 in fiscal 1995. As a percentage of net sales, SG&A expenses declined from 25.0% in fiscal 1995 to 22.2% in fiscal 1996 and further declined to 18% in fiscal 1997, reflecting continuing efforts to control costs while increasing revenues. The \$3,858,000 increase from fiscal 1996 to fiscal 1997 is due principally to increased selling expenses of the Flight Support Group and SG&A expenses of Trilectron since acquisition. The \$1,252,000 increase in SG&A expenses from fiscal 1995 to fiscal 1996 is due principally to an increase in sales efforts.

#### INCOME FROM OPERATIONS

Income from operations increased \$4,602,000 to \$9,114,000 in fiscal 1997 and increased \$2,801,000 to \$4,512,000 in fiscal 1996. These improvements in operating income are due primarily to the increases in sales and gross margins of the Flight Support Group and Trilectron discussed above.

#### INTEREST EXPENSE

Interest expense increased \$292,000 from fiscal 1996 to fiscal 1997, after remaining approximately level from fiscal 1995 to fiscal 1996. The increase was principally due to increases in long-term debt related to equipment financing and industrial development revenue bonds.

#### INTEREST AND OTHER INCOME

Interest and other income in fiscal 1997 increased \$664,000 over fiscal 1996 due principally to interest income on the convertible note received from the sale of MediTek, as well as the interest income received on the unexpended proceeds of industrial development revenue bonds.

Fiscal 1996 interest and other income increased by \$392,000 over fiscal 1995 due primarily to interest income on the convertible note and the investment of cash received from the sale of MediTek.

## INCOME TAX EXPENSE

The Company's effective tax rate of 32.2% in fiscal 1997 was comparable with the 31.9% rate in fiscal 1996.

The Company's effective tax rate in fiscal 1996 declined from the 34.9% rate in fiscal 1995 due principally to the tax benefits from tax-free investment income and lower state taxes.

For a detailed analysis of the provisions for income taxes, see Note 7 to the Consolidated Financial Statements.

## INFLATION

The Company has generally experienced increases in its costs of labor, materials and services consistent with overall rates of inflation. The impact of such increases on the Company's net income from continuing operations has been generally minimized by efforts to lower costs through manufacturing efficiencies and cost reductions.

## LIQUIDITY AND CAPITAL RESOURCES

The Company's cash flow from operations aggregated \$10.5 million over the last three years, including \$7.1 million in fiscal 1995. Net cash provided by operations of \$1.7 million in fiscal 1997 was comparable to net cash provided by operations in fiscal 1996.

The Company's current ratio remained strong at 4.5 to 1 as of October 31, 1997 and working capital increased by approximately \$20 million in fiscal 1997, including a \$13 million increase in cash and cash equivalents.

During the past three years, the Company's principal cash proceeds from investing activities were the \$14 million in fiscal 1996 and \$10 million in fiscal 1997 from the sale of the health care operations. The principal cash used in investing activities the past three years were the cash used in the acquisition of Northwings of \$7 million, the acquisition of Trilectron for \$7 million, acquisitions by MediTek prior to its sale aggregating \$6 million and purchases of property, plant and equipment aggregating \$8 million, including approximately \$7 million purchased by the Flight Support Group primarily to expand and improve its product development, manufacturing capabilities and facilities.

The Company's principal financing activities during the same three-year period included the use of an aggregate of \$6 million for scheduled payments on short-term debt, long-term debt and capital leases. In addition, the Company received \$9.7 million in fiscal 1997 from the sale of a 20% minority interest in HEICO Aerospace to Lufthansa. The Company also received \$4 million from the issuance of long-term debt and \$3 million from the exercise of stock options during the three-year period.

The Company has available revolving credit facilities aggregating \$7 million, unexpended industrial development revenue bond proceeds of \$5.4 million available for future qualified expenditures and a \$2 million equipment facility. See Note 5 to the Consolidated Financial Statements for further information regarding credit facilities.

The Company believes that operating cash flow and available borrowings under the Company's revolving credit facility, industrial revenue bond financings and equipment loan facility will be sufficient to fund the Company's operations for the foreseeable future.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA  
HEICO CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
October 31, 1997 and 1996

ASSETS

	1997	1996
	-----	-----
Current assets:		
Cash and cash equivalents.....	\$24,199,000	\$11,025,000
Accounts receivable, net.....	12,560,000	7,879,000
Inventories.....	18,359,000	15,277,000
Prepaid expenses and other current assets....	1,500,000	874,000
Deferred income taxes.....	1,098,000	2,058,000
	-----	-----
Total current assets.....	57,716,000	37,113,000
Note receivable.....	--	10,000,000
Property, plant and equipment, net.....	8,543,000	5,845,000
Intangible assets, net.....	13,258,000	4,756,000
Unexpended bond proceeds.....	5,437,000	2,649,000
Deferred income taxes.....	857,000	--
Other assets.....	2,828,000	1,473,000
	-----	-----
Total assets.....	\$88,639,000	\$61,836,000
	=====	=====

See notes to consolidated financial statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA  
HEICO CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
October 31, 1997 and 1996

LIABILITIES AND SHAREHOLDERS' EQUITY

	1997	1996
	-----	-----
Current liabilities:		
Current maturities of long-term debt.....	\$ 342,000	\$ 494,000
Trade accounts payable.....	4,180,000	4,803,000
Accrued expenses and other current liabilities...	6,680,000	5,903,000
Income taxes payable.....	1,383,000	665,000
	-----	-----
Total current liabilities.....	12,585,000	11,865,000
Long-term debt, net of current maturities.....	10,458,000	6,022,000
Deferred income taxes.....	463,000	1,137,000
Other non-current liabilities.....	2,414,000	1,324,000
	-----	-----
Total liabilities.....	25,920,000	20,348,000
	-----	-----
Minority interest in consolidated subsidiary.....	3,273,000	--
	-----	-----
Commitments and contingencies (Notes 2, 6 and 13)		
Shareholders' equity:		
Preferred stock, par value \$.01 per share; Authorized - 10,000,000 shares issuable in series, 200,000 designated as Series A Junior Participating Preferred Stock, none issued.....	--	--
Common stock, \$.01 par value; Authorized - 20,000,000 shares; Issued - 8,283,493 shares in 1997 and 7,913,326 in 1996 (as restated - Note 4).....	83,000	53,000
Capital in excess of par value.....	35,533,000	30,881,000
Retained earnings.....	26,772,000	13,893,000
	-----	-----
	62,388,000	44,827,000
Less: Note receivable from employee savings and investment plan .....	(2,942,000)	(3,339,000)
	-----	-----
Total shareholders' equity.....	59,446,000	41,488,000
	-----	-----
Total liabilities and shareholders' equity.	\$88,639,000	\$61,836,000
	-----	-----

See notes to consolidated financial statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA  
HEICO CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
For the years ended October 31, 1997, 1996 and 1995

	1997	1996	1995
	-----	-----	-----
Net sales.....	\$ 63,674,000	\$ 34,565,000	\$ 25,613,000
	-----	-----	-----
Operating costs and expenses:			
Cost of sales.....	43,045,000	22,396,000	17,497,000
Selling, general and administrative expenses.....	11,515,000	7,657,000	6,405,000
	-----	-----	-----
Total operating costs and expenses.....	54,560,000	30,053,000	23,902,000
	-----	-----	-----
Income from operations.....	9,114,000	4,512,000	1,711,000
Interest expense.....	(477,000)	(185,000)	(169,000)
Interest and other income.....	1,722,000	1,058,000	666,000
	-----	-----	-----
Income from continuing operations before income taxes...	10,359,000	5,385,000	2,208,000
Income tax expense.....	3,340,000	1,720,000	771,000
	-----	-----	-----
Net income from continuing operations.....	7,019,000	3,665,000	1,437,000
Discontinued operations (Note 3):			
Net income from discontinued health care operations, net of applicable income taxes of \$717,000 and \$894,000 in fiscal 1996 and 1995 respectively.....	--	963,000	1,258,000
Gain on sale of health care operations, net of applicable income taxes of \$1,719,000.....	--	5,264,000	--
	-----	-----	-----
Net income.....	\$ 7,019,000	\$ 9,892,000	\$ 2,695,000
	=====	=====	=====
Net income per share:			
From continuing operations.....	\$ 0.73	\$ 0.41	\$ 0.18
From discontinued health care operations.....	--	0.11	0.16
From gain on sale of health care operations.....	--	0.59	--
	-----	-----	-----
Net income per share.....	\$ 0.73	\$ 1.11	\$ 0.34
	=====	=====	=====
Weighted average number of common and common equivalent shares outstanding.....	9,612,205	8,854,726	7,953,555
	=====	=====	=====

See notes to consolidated financial statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA  
HEICO CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
For the years ended October 31, 1997, 1996 and 1995

	COMMON STOCK	CAPITAL IN EXCESS OF PAR VALUE	RETAINED EARNINGS	NOTE RECEIVABLE	TOTAL
	-----	-----	-----	-----	-----
Balances, October 31, 1994.....	\$ 23,000	\$ 22,000	\$30,994,000	\$ (3,978,000)	\$27,061,000
Exercise of stock options.....	1,000	589,000	--	--	590,000
Payment on note receivable from employee savings and investment plan.....	--	--	--	286,000	286,000
Repurchases and retirements of 16,300 shares of common stock.....	--	(117,000)	--	--	(117,000)
Cash dividends (\$.048 per share).....	--	--	(369,000)	--	(369,000)
10% common stock dividend paid July 28, 1995.....	2,000	3,240,000	(3,242,000)	--	--
10% common stock dividend paid February 8, 1996.....	2,000	4,637,000	(4,639,000)	--	--
Net income for the year.....	--	--	2,695,000	--	2,695,000
	-----	-----	-----	-----	-----
Balances, October 31, 1995.....	28,000	8,371,000	25,439,000	(3,692,000)	30,146,000
Exercise of stock options.....	2,000	1,562,000	--	--	1,564,000
Payment on note receivable from employee savings and investment plan.....	--	--	--	353,000	353,000
Cash dividends (\$.057 per share).....	--	--	(475,000)	--	(475,000)
Three-for-two common stock split distri- buted April 24, 1996.....	14,000	(14,000)	--	--	--
10% common stock dividend paid July 26, 1996.....	4,000	10,827,000	(10,831,000)	--	--
10% common stock dividend paid January 17, 1997.....	5,000	10,127,000	(10,132,000)	--	--
Other.....	--	8,000	--	--	8,000
Net income for the year.....	--	--	9,892,000	--	9,892,000
	-----	-----	-----	-----	-----
Balances, October 31, 1996.....	53,000	30,881,000	13,893,000	(3,339,000)	41,488,000
Exercise of stock options.....	1,000	1,117,000	--	--	1,118,000
Payment on note receivable from employee savings and investment plan.....	--	--	--	397,000	397,000
Cash dividends (\$.067 per share).....	--	--	(548,000)	--	(548,000)
Stock issued in acquisition.....	2,000	3,542,000	--	--	3,544,000
Excess of purchase price over book value on sale of minority interest.....	--	--	6,427,000	--	6,427,000
Three-for-two common stock split distri- buted December 16, 1997.....	27,000	(27,000)	--	--	--
Other.....	--	20,000	(19,000)	--	1,000
Net income for the year.....	--	--	7,019,000	--	7,019,000
	-----	-----	-----	-----	-----
Balances, October 31, 1997.....	\$ 83,000	\$35,533,000	\$26,772,000	\$ (2,942,000)	\$59,446,000
	=====	=====	=====	=====	=====

See notes to consolidated financial statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA  
HEICO CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the years ended October 31, 1997, 1996 and 1995

	1997	1996	1995
Cash flows from operating activities:			
Net income.....	\$ 7,019,000	\$ 9,892,000	\$2,695,000
Adjustments to reconcile net income to cash provided by operating activities:			
Gain from sale of health care operations.....	--	(5,264,000)	--
Depreciation and amortization.....	1,624,000	2,107,000	2,638,000
Deferred income taxes.....	(486,000)	(1,048,000)	(245,000)
Deferred financing costs.....	(144,000)	(159,000)	(56,000)
(Income) loss from unconsolidated partnerships of health care operations.....	--	(393,000)	590,000
Minority interest in consolidated partnerships of health care operations.....	--	313,000	144,000
Change in assets and liabilities:			
(Increase) decrease in accounts receivable....	(2,713,000)	166,000	(967,000)
(Increase) in inventories.....	(2,912,000)	(3,283,000)	(98,000)
(Increase) decrease in prepaid expenses and other current assets.....	(605,000)	111,000	(147,000)
(Increase) in unexpended bond proceeds.....	(222,000)	--	--
(Decrease) increase in trade payables, accrued expenses and other current liabilities.....	(215,000)	(14,000)	2,111,000
Increase (decrease) in income taxes payable and deferred income taxes.....	118,000	(983,000)	488,000
Increase in other non-current liabilities.....	266,000	251,000	67,000
Other.....	(14,000)	(4,000)	(97,000)
Net cash provided by operating activities.....	1,716,000	1,692,000	7,123,000
Cash flows from investing activities:			
Proceeds from sale of health care operations, net of cash sold of \$304,000.....	--	13,524,000	--
Sale (purchase) of short-term investments.....	--	2,939,000	(2,939,000)
Acquisitions:			
Purchases of businesses, net of cash acquired....	(6,737,000)	(6,555,000)	(154,000)
Contingent note payments of health care operations.....	--	(1,106,000)	(1,945,000)
Purchases of property, plant and equipment.....	(3,551,000)	(3,227,000)	(800,000)
Payments for deferred organization costs.....	--	(387,000)	(358,000)
Payment received from employee savings and investment plan note receivable.....	397,000	353,000	286,000
Proceeds from the sale of property, plant and equipment.....	--	17,000	324,000
Distributions from (advances to) unconsolidated partnerships of health care operations.....	--	60,000	(480,000)
Distributions to minority interests of health care operations.....	--	(216,000)	(71,000)
Sale of note receivable.....	10,000,000	--	--
Other.....	(268,000)	155,000	87,000
Net cash (used in) provided by investing activities.....	(159,000)	5,557,000	(6,050,000)
Cash flows from financing activities:			
Proceeds from the issuance of long-term debt.....	2,272,000	1,343,000	201,000
Proceeds from the exercise of stock options.....	1,118,000	1,525,000	570,000
Repurchases of common stock .....	--	--	(117,000)
Principal payments on short-term debt, long-term debt and capital leases.....	(926,000)	(3,289,000)	(1,715,000)
Cash dividends paid.....	(548,000)	(475,000)	(369,000)
Proceeds from sale of minority interest, net of expenses.....	9,700,000	--	--
Other.....	1,000	8,000	(9,000)
Net cash provided by (used in) financing activities.....	11,617,000	(888,000)	(1,439,000)
Net increase (decrease) in cash and cash equivalents.....	13,174,000	6,361,000	(366,000)
Cash and cash equivalents at beginning of year....	11,025,000	4,664,000	5,030,000
Cash and cash equivalents at end of year.....	\$24,199,000	\$11,025,000	\$ 4,664,000

See notes to consolidated financial statements.



HEICO CORPORATION AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
For the years ended October 31, 1997, 1996 and 1995

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS

HEICO Corporation (the Company), through its principal subsidiaries HEICO Aerospace Holdings Corp. (HEICO Aerospace) and HEICO Aviation Products Corp. (HEICO Aviation) and their subsidiaries, is engaged in the design, manufacture and sale of aerospace products and services throughout the United States and abroad. HEICO Aerospace's subsidiaries include HEICO Aerospace Corporation, Jet Avion Corporation (Jet Avion), LPI Industries Corporation (LPI), Aircraft Technology, Inc. (Aircraft Technology) and Northwings Accessories Corporation (Northwings). HEICO Aviation's subsidiaries include Trilectron Industries, Inc. (Trilectron). The Company's customer base is primarily the commercial airline industry. As of October 31, 1997, the Company's principal operations are located in Hollywood, Miami and Palmetto, Florida.

BASIS OF PRESENTATION

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned except for HEICO Aerospace, of which a 20% interest was sold to Lufthansa Technik AG on October 30, 1997 (see Note 2). All significant intercompany balances and transactions are eliminated.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

For purposes of the consolidated financial statements, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

INVENTORIES

Portions of the inventories are stated at the lower of cost or market, with cost being determined on the first-in, first-out basis. The remaining portions of the inventories are stated at the lower of cost or market, on a per contract basis, with estimated total contract costs being allocated ratably to all units. The effects of changes in estimated total contract costs are recognized in the period determined. Losses, if any, are recognized fully when identified.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost. Depreciation and amortization is provided mainly on the straight-line method over the estimated useful lives of the various assets. Property, plant and equipment useful lives are as follows:

Buildings and components..... 7 to 55 years  
Building improvements..... 3 to 15 years  
Machinery and equipment..... 3 to 20 years

The costs of major renewals and betterments are capitalized. Repairs and maintenance are charged to operations as incurred. Upon disposition, the cost and related accumulated depreciation are removed from the accounts and any related gain or loss is reflected in earnings.

INTANGIBLE ASSETS

Intangible assets include the excess of cost over the fair value of net assets acquired and deferred charges which are amortized on the straight-line method over their legal or estimated useful lives, whichever is shorter, as follows:

Excess of cost over the  
fair market value  
of net assets acquired..... 20 to 40 years  
Deferred charges..... 3 to 20 years

The Company continually evaluates the periods of intangible asset amortization to determine whether events and circumstances subsequent to the origination dates of such assets warrant revised estimates of useful lives. In addition, the Company periodically reviews the excess of cost over the fair value of net assets acquired (goodwill) to assess recoverability based upon expectations of undiscounted cash flows and operating income of each consolidated entity having a material goodwill balance. An impairment would be recognized in operating results, based upon the difference between each consolidated entities' respective present value of future cash flows and the carrying value of the goodwill, if a permanent diminution in value were to occur. There have not been any significant revised estimates nor recognition of goodwill impairment during the three years ended October 31, 1997.

FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses and other current liabilities approximate fair value due to the relatively short maturity of the respective instruments. The Company's financial instruments also include long-term debt (see Note 5).

Long-term debt at October 31, 1997 includes industrial development revenue bonds with a carrying value of \$9,480,000 and other long-term debt with a carrying value of \$1,320,000. The carrying value of long-term debt approximates fair market value due to its floating interest rates.

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments and trade receivables. The Company places its temporary cash investments with high credit quality financial institutions and limits the amount of credit exposure to any one financial institution. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers comprising the Company's customer base, and their dispersion across many different geographical regions. At October 31, 1997, the Company had no significant concentrations of credit risk.

#### REVENUE RECOGNITION

Revenues are recognized on an accrual basis, primarily upon shipment of products and the rendering of services. Certain contracts of Trilectron are long-term contracts and the related net costs and estimated earnings in excess of billings, if any, are included in accounts receivable on a percentage of completion basis.

#### INCOME TAXES

Deferred income taxes are provided on elements of income that are recognized for financial accounting purposes in periods different from such items recognized for income tax purposes in accordance with the provisions of Statement of Financial Accounting Standard (SFAS) No. 109, "Accounting for Income Taxes."

#### NET INCOME PER SHARE

Net income per share is calculated on the basis of the weighted average number of shares outstanding plus common share equivalents arising from the assumed exercise of stock options, if dilutive, and has been adjusted for the effect of any stock dividends and splits (see Note 4).

#### STOCK BASED COMPENSATION

Effective November 1, 1996, the Company adopted SFAS No. 123, "Stock Based Compensation." This statement requires the Company to choose between two different methods of accounting for stock options. The statement defines a fair-value-based method of accounting for stock options but allows an entity to continue to measure compensation cost for stock options using the intrinsic value method of accounting prescribed by Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees." The Company has elected to continue using the accounting methods prescribed by APB No. 25 and to provide in Note 9 the pro forma disclosures required by SFAS No. 123.

#### NEW ACCOUNTING STANDARDS

In February 1997, the Financial Accounting Standards Board (FASB) issued SFAS No. 128, "Earnings Per Share." SFAS No. 128, which supersedes APB Opinion No. 15, requires a dual presentation of basic and diluted earnings per share on the face of the income statement. Basic earnings per share excludes dilution and is computed by dividing income or loss attributable to common stockholders by the weighted-

average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. Diluted earnings per share is computed similarly to primary earnings per share under APB Opinion No. 15. SFAS No. 128 is effective for financial statements issued for periods ending after December 15, 1997, including interim periods; earlier application is not permitted. Had SFAS No. 128 been adopted for the years ended October 31, 1997 and 1996, basic and diluted earnings per share would have been:

	1997	1996
	-----	-----
Basic earnings per share:		
From continuing operations.....	\$ .87	\$ .47
From discontinued health care operations.....	--	.12
From gain on sale of health care operations.....	--	.68
	-----	-----
Net income per share.....	\$ .87	\$1.27
	=====	=====
Diluted earnings per share:		
From continuing operations.....	\$ .73	\$ .41
From discontinued health care operations.....	--	.11
From gain on sale of health care operations.....	--	.59
	-----	-----
Net income per share.....	\$ .73	\$1.11
	=====	=====

In March 1997, the FASB issued Statement of Financial Accounting Standards No. 129, "Disclosure of Information About Capital Structure" (SFAS No. 129). SFAS No. 129 is effective for interim and annual periods ending after December 15, 1997. The Company believes SFAS No. 129 will have little, if any, effect on the information already disclosed in the Company's consolidated financial statements.

In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." SFAS No. 131, establishes standards for the way that public companies report selected information about operating segments in annual financial statements and requires that those companies report selected information about segments in interim financial reports issued to shareholders. It also establishes standards for related disclosures about products and services, geographic areas, and major customers. SFAS No. 131 is effective for financial statements for fiscal years beginning after December 15, 1997, with earlier application permitted. Adoption of this statement will not impact the Company's consolidated financial position, results of operations or cash flows, and any effect will be limited to the form and content of its disclosures.

#### NOTE 2 - STRATEGIC ALLIANCE AND ACQUISITIONS

##### STRATEGIC ALLIANCE AND SALE OF MINORITY INTEREST IN CONSOLIDATED SUBSIDIARY

On October 30, 1997, the Company entered into a strategic alliance with Lufthansa Technik AG (Lufthansa), the technical services subsidiary of Lufthansa German Airlines, whereby Lufthansa invested approximately \$26 million in HEICO Aerospace, including \$10 million paid at closing pursuant to a stock purchase agreement and approximately \$16 million to be paid to HEICO Aerospace over three years pursuant to a research and development cooperation agreement,

which will partially fund accelerated development of additional Federal Aviation Administration (FAA)-approved replacement parts for jet engines. The funds received as a result of the research and development cooperation agreement will reduce research and development expenses in the period such expenses are incurred. In addition, Lufthansa and HEICO Aerospace have agreed to cooperate regarding technical services and marketing support for jet engine parts on a worldwide basis.

As part of the strategic alliance, the Company sold 20% of HEICO Aerospace (200 shares) with an approximate book value of \$3,273,000 to Lufthansa for \$10 million. The Company's accounting policy is to treat the sale of a subsidiary's stock as an equity transaction, recording the difference between the purchase price, net of transaction costs incurred, and book value of the subsidiary, to the subsidiary's retained earnings. As a result of this sale, \$6,427,000 was recorded as an increase to the retained earnings of the Company in the consolidated financial statements.

#### ACQUISITIONS

Pursuant to a Stock Purchase Agreement, the Company, through a subsidiary, acquired effective as of September 1, 1997 all of the outstanding stock of Northwings. In consideration of this acquisition, the Company paid approximately \$7.0 million in cash and 232,360 shares of the Company's common stock, having an aggregate fair value of approximately \$3.5 million. Northwings is an FAA-authorized overhaul and repair facility servicing aircraft engine components and airframe accessories.

The acquisition of Northwings has been accounted for using the purchase method of accounting and the purchase price has been assigned to the net assets acquired based on the fair value of such assets and liabilities at the date of acquisition. The excess of the purchase price over the fair value of the identifiable net assets acquired amounted to \$8,395,000, which is being amortized over 20 years using the straight line method. The results of operations of Northwings are included in the Consolidated Statements of Operations from September 1, 1997.

In September 1996, the Company, through HEICO Aviation, acquired effective as of September 1, 1996 all of the outstanding stock of Trilectron for \$7.0 million in cash and the assumption of debt aggregating \$2.3 million. Trilectron is a leading manufacturer of ground support equipment for civil and military aircraft and a designer and manufacturer of certain military electronics.

The acquisition of Trilectron has been accounted using the purchase method of accounting and the purchase price has been assigned to the net assets acquired based on the fair value of such assets and liabilities at the date of acquisition. The excess of the purchase price over the fair value of the identifiable net assets acquired amounted to \$2,838,000, which is being amortized over 20 years using the straight line method. The results of operations of Trilectron are included in the Consolidated Statements of Operations from September 1, 1996.

The following table presents unaudited pro forma consolidated operating results as if the Company's sale of a 20% minority interest in HEICO Aerospace to Lufthansa, its acquisition of Northwings and its

acquisition of Trilectron had been consummated as of November 1, 1995. The unaudited pro forma consolidated operating results do not include any future income to be received from the aforementioned research and development cooperation agreement with Lufthansa or the gain on the sale of the 20% minority interest referenced above. The pro forma consolidated operating results do not purport to present actual operating results had the acquisition been made at the beginning of fiscal 1996, or the results which may occur in the future.

	1997 -----	1996 -----
Net sales.....	\$ 71,554,000 =====	\$ 52,905,000 =====
Net income from continuing operations before minority interest.....	\$ 8,454,000 =====	\$ 4,534,000 =====
Minority interest.....	\$ (2,088,000) =====	\$ (1,041,000) =====
Net income from continuing operations.....	\$ 6,366,000 =====	\$ 3,493,000 =====
Net income.....	\$ 6,366,000 =====	\$ 9,720,000 =====
Net income per share from continuing operations.....	\$ 0.66 =====	\$ 0.38 =====
Net income per share.....	\$ 0.66 =====	\$ 1.07 =====

#### NOTE 3 - SALE OF HEALTH CARE OPERATIONS

In July 1996, the Company consummated the sale of all of the outstanding capital stock of its wholly-owned subsidiary MediTek Health Corporation (MediTek), representing the Company's health care services segment, to U.S. Diagnostic Inc. In consideration for the sale of MediTek, the Company received \$13,828,000 in cash and a five-year, 6-1/2% promissory note in the principal amount of \$10,000,000. This note was sold to an unrelated party in September 1997 for the par value of the note of \$10,000,000 plus accrued interest.

The sale of MediTek resulted in a gain in fiscal 1996 of \$5,264,000, net of expenses and applicable income taxes. The income taxes on the gain are less than the normal Federal statutory rate principally due to the utilization of a \$4.6 million capital loss carryforward partially offset by state income taxes. MediTek's results of operations, net of taxes, for fiscal 1996 and 1995 have been reported separately as discontinued operations in the Consolidated Statements of Operations. No amounts related to the discontinued operations remained in the October 31, 1996 Consolidated Balance Sheet.

The condensed statements of operations related to the discontinued health care services segment during fiscal years 1996 and 1995 are presented below:

	EIGHT MONTHS ENDED JUNE 30, 1996 -----	YEAR ENDED OCTOBER 31, 1995 -----
Net revenues.....	\$ 11,382,000 =====	\$14,766,000 =====
Income before income taxes.....	\$ 1,680,000	\$ 2,152,000
Income tax expense.....	717,000	894,000
Net income.....	\$ 963,000 =====	\$ 1,258,000 =====

The effective tax rate used in calculating income tax expense related to discontinued operations exceeds the normal Federal statutory tax rate due principally to state income taxes.

NOTE 4 - STOCK DIVIDENDS AND SPLITS

In December 1996, June 1996, December 1995 and May 1995, the Company's Board of Directors declared 10% stock dividends that were paid in January 1997, July 1996, February 1996 and July 1995, respectively. In March 1996, the Company's Board of Directors declared a three-for-two stock split that was distributed in April 1996. On November 20, 1997, the Company's Board of Directors declared a second three-for-two stock split payable on December 16, 1997, to shareholders of record on December 3, 1997. Stock dividends were valued based on the closing market prices of the Company's stock as of the respective declaration dates. All income per share, dividend per share, stock options and common shares outstanding information has been retroactively restated to reflect these stock dividends and splits.

NOTE 5 - CREDIT FACILITIES AND LONG-TERM DEBT

Long-term debt consists of:

	OCTOBER 31,	
	1997	1996
Industrial Development Revenue Bonds - Series 1997A.....	\$ 3,000,000	--
Industrial Development Revenue Bonds - Series 1997B.....	1,000,000	--
Industrial Development Revenue Bonds - Series 1996.....	3,500,000	\$ 3,500,000
Industrial Development Revenue Refunding Bonds - Series 1988.....	1,980,000	1,980,000
Term loan borrowing under revolving credit facility.....	--	317,000
Equipment loans.....	1,320,000	719,000
	-----	-----
	10,800,000	6,516,000
Less current maturities.....	(342,000)	(494,000)
	-----	-----
	\$10,458,000	\$ 6,022,000
	=====	=====

The amount of long-term debt maturing in each of the next five years is \$342,000 in fiscal 1998, \$342,000 in fiscal 1999, \$291,000 in fiscal 2000, \$225,000 in fiscal 2001 and \$112,000 in fiscal 2002.

INDUSTRIAL DEVELOPMENT REVENUE BONDS

The industrial development revenue bonds represent bonds issued by Manatee County, Florida in 1997 (the 1997 bonds), and bonds issued by Broward County, Florida in 1996 (the 1996 bonds) and in 1988 (the 1988 bonds).

The Series 1997A and 1997B bonds were issued in the amounts of \$3,000,000 and \$1,000,000, respectively, for the purpose of constructing and purchasing equipment for a new facility in Palmetto, Florida. As of October 31, 1997, the Company has been reimbursed \$80,000 for such expenditures, and the balance of the unexpended bond proceeds of \$4,044,000, including investment earnings, is held by the

trustee and is available for future qualified expenditures. The Series 1997A and 1997B bonds bear interest at variable rates calculated weekly (3.80% and 5.60%, respectively, at October 31, 1997). On November 3, 1997, the Series 1997B bonds were refinanced by the issuance of Series 1997C bonds, which bear interest at the same variable rates as the Series 1997A bonds. The 1997A and 1997C bonds are due March 2017 and are secured by a letter of credit expiring in March 2004 and a mortgage on the related properties pledged as collateral. The letter of credit requires annual sinking fund payments of \$200,000 beginning in March 1998.

The 1996 bonds are due October 2011 and bear interest at a variable rate calculated weekly (3.75% at October 31, 1997). The 1996 bonds are secured by a letter of credit expiring in October 2001 and a mortgage on the related properties pledged as collateral. The letter of credit requires annual sinking fund payments beginning October 2000 in the amount of \$187,500. As of October 31, 1997, the balance of the unexpended bond proceeds of \$1,393,000, including investment earnings, is held by the trustee and is available for future qualified expenditures.

The 1988 bonds are due April 2008 and bear interest at a variable rate calculated weekly (3.60% at October 31, 1997). The 1988 bonds are secured by a letter of credit expiring in February 1999, a bond sinking fund (\$8,250 payable monthly) and a mortgage on the related properties pledged as collateral.

The pledged properties for the 1997 bonds, excluding the unexpended bond proceeds, have a carrying value aggregating approximately \$881,000 at October 31, 1997.

The pledged properties for the 1996 and 1988 bonds, excluding the unexpended bond proceeds, have a carrying value aggregating approximately \$6,621,000 at October 31, 1997.

#### REVOLVING CREDIT FACILITY

The Company has a \$7 million credit facility available for funding acquisitions, working capital and general corporate requirements. Borrowings under this credit facility bear interest at 1/4% over the bank's prime rate, adjusted daily, and are convertible to term loans that bear interest, at the Company's option, at 1/4% over the bank's prime rate, adjusted daily, or a fixed interest rate of 200 basis points over the bank's prime rate in effect on the day of the conversion. Term loan borrowings under the credit facility are payable in 36 monthly installments. The credit facility is secured by substantially all the assets of HEICO Aerospace and its subsidiaries, excluding Northwings. The revolving portion of the facility expires in February 1998 and may be renewed annually by mutual agreement. This credit facility and the letters of credit securing the 1996 bonds and 1988 bonds contain covenants which, among other things, restrict borrowings, capital expenditures and cash dividends, require the maintenance of certain net worth, working capital and debt service amounts and ratios, require the continued employment of the current Chairman, President and Chief Executive Officer and require that he and his affiliates maintain a specified ownership position in the Company.



EQUIPMENT LOAN FACILITY

In March 1994, a bank committed to advance up to \$2,000,000, as amended, for the purpose of purchasing equipment to be used in the Company's operations. Each term loan is limited to 80% of the purchase price of the related equipment and is repayable up to a maximum of 60 months with interest at a rate equal to prime rate (as defined). The term loans are secured by collateral representing the related purchased equipment, which has a carrying value of approximately \$1,763,000 at October 31, 1997. The facility expires in December 1998. Equipment loans bear interest at rates ranging from 8.50% to 9.00% as of October 31, 1997.

NOTE 6 - LEASE COMMITMENTS

The Company leases certain property and equipment, including manufacturing facilities and office equipment under operating leases. Some of these leases provide the Company with the option after the initial lease term either to purchase the property at the then fair market value or renew its lease at the then fair rental value. Generally, management expects that leases will be renewed or replaced by other leases in the normal course of business.

Minimum payments for operating leases having initial or remaining noncancelable terms in excess of one year are as follows:

Year ending October 31,	
1998.....	\$ 433,000
1999.....	427,000
2000.....	277,000
2001.....	187,000
After 2001.....	223,000
	-----
Total minimum lease commitments.....	\$1,547,000
	=====

Total rent expense charged to continuing operations for all operating leases in fiscal 1997, fiscal 1996 and fiscal 1995 amounted to \$240,000, \$166,000 and \$133,000, respectively. Included in the fiscal 1997 rent expense was approximately \$12,000 paid to a related party for the month-to-month lease of the Northwings facility.

NOTE 7 - INCOME TAXES

The provision for income taxes on income from continuing operations for each of the three years ended October 31, 1997 is as follows:

	1997	1996	1995
	-----	-----	-----
Current:			
Federal.....	\$3,468,000	\$4,084,000	\$1,592,000
State.....	358,000	459,000	318,000
	-----	-----	-----
	3,826,000	4,543,000	1,910,000
Deferred.....	(486,000)	(387,000)	(245,000)
	-----	-----	-----
Total income tax expense .....	3,340,000	4,156,000	1,665,000
Less income taxes for discontinued health care operations.....	--	(2,436,000)	(894,000)
	-----	-----	-----
Income taxes on income from continuing operations.....	\$3,340,000	\$1,720,000	\$ 771,000
	=====	=====	=====

A net deferred tax liability of \$661,000 relating to MediTek was written off as a result of the sale of such discontinued operations described in Note 3.

The following table reconciles the federal statutory tax rate to the Company's effective rate for continuing operations:

	1997	1996	1995
Federal statutory tax rate.....	34.0%	34.0%	34.0%
State taxes, less applicable federal income tax reduction.....	1.9	2.3	2.6
Tax benefits on export sales.....	(3.6)	(5.1)	(6.4)
Tax benefits from tax free investments.....	(1.0)	(1.1)	(.2)
Tax benefits from dividend income.....	(.2)	(.2)	(.1)
Nondeductible amortization of intangible assets.....	.5	.3	.8
Other, net.....	.6	1.7	4.2
Effective tax rate.....	32.2%	31.9%	34.9%

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities as of October 31, 1997, 1996 and 1995 are as follows:

	OCTOBER 31,		
	1997	1996	1995
Deferred tax assets:			
Inventory.....	\$ 571,000	\$ 600,000	\$ 412,000
Bad debt allowances.....	124,000	62,000	436,000
Deferred compensation liability.....	445,000	148,000	102,000
Vacation accruals.....	121,000	147,000	112,000
Customer rebates and credits.....	169,000	860,000	371,000
Retirement plan liability.....	156,000	--	--
Warranty accruals.....	256,000	94,000	--
Alternative minimum tax credit.....	--	--	13,000
Other.....	113,000	147,000	147,000
Total deferred tax assets.....	1,955,000	2,058,000	1,593,000
Deferred tax liabilities:			
Accelerated depreciation.....	436,000	927,000	1,208,000
Intangible asset amortization.....	22,000	345,000	545,000
Retirement plan liability.....	--	(127,000)	--
Equity in losses of partnerships....	--	--	(35,000)
Other.....	5,000	(8,000)	2,000
Total deferred tax liabilities.....	463,000	1,137,000	1,720,000
Net deferred tax asset (liability)..	\$1,492,000	\$ 921,000	\$ (127,000)

#### NOTE 8 - PREFERRED STOCK PURCHASE RIGHTS PLAN

In November 1993, pursuant to a plan adopted by the Board of Directors on such date, the Board declared a distribution of one Preferred Stock Purchase Right (the Rights) for each outstanding share of common stock, par value \$.01 per share, of the Company. The Rights trade with the common stock and are not exercisable or transferable apart from the common stock until after a person or group either acquires 15% or more of the outstanding common stock or commences or announces an intention to commence a tender offer for 30% or more of the outstanding common stock. Absent either of the aforementioned events transpiring, the Rights will expire at the close of business on November 2, 2003.

The Rights have certain anti-takeover effects and, therefore, will cause substantial dilution to a person or group who attempts to acquire the Company on terms not approved by the Company's Board of Directors or who acquires 15% or more of the outstanding common stock without approval of the Company's Board of Directors. The Rights should not interfere with any merger or other business combination approved by the Board since they may be redeemed by the Company at \$.01 per Right at any time until the close of business on the tenth day after a person or group has obtained beneficial ownership of 15% or more of the outstanding common stock or until a person commences or announces an intention to commence a tender offer for 30% or more of the outstanding common stock.

#### NOTE 9 - STOCK OPTIONS

The Company currently has two stock option plans, the 1993 Stock Option Plan (1993 Plan) and the Non-Qualified Stock Option Plan (NQSOP). In March 1997 and March 1996, shareholders of the Company approved increases in the number of shares issuable pursuant to the 1993 Plan by 397,614 shares and 376,767 shares, respectively. In September 1996, the Board of Directors reserved 105,270 shares for the issuance of non-qualified stock options in conjunction with the purchase of Trilectron. Under the terms of the plans, a total of 2,655,392 shares of the Company's stock are reserved for issuance to directors, officers and key employees as of October 31, 1997. Options issued under the 1993 Plan may be designated incentive stock options (ISO) or non-qualified stock options (NQSO). ISOs are granted at not less than 100% of the fair market value at the date of grant (110% thereof in certain cases) and are exercisable in percentages specified at date of grant over a period up to ten years. Only employees are eligible to receive ISOs. NQSOs may be granted at less than fair market value and may be immediately exercisable. Options granted under the NQSOP may be granted to directors, officers and employees at no less than the fair market value at the date of grant and are generally exercisable in four equal annual installments commencing one year from date of grant.

Information concerning all of the stock option transactions for the three years ended October 31, 1997 follows:

	SHARES AVAILABLE FOR OPTION	SHARES UNDER OPTION	
		SHARES	PRICE PER SHARE
Outstanding, October 31, 1994	374,754	2,111,059	\$ 2.19 - \$ 5.97
Granted.....	(291,048)	291,048	\$ 2.88 - \$ 5.76
Cancelled.....	86,883	(93,474)	\$ 2.92 - \$ 5.44
Exercised.....	--	(190,386)	\$ 2.31 - \$ 5.44
Outstanding, October 31, 1995	170,589	2,118,247	\$ 2.19 - \$ 5.97
Additional shares approved for 1993 Stock Option Plan...	376,767	--	--
Shares approved for grant in the Trilectron acquisition.....	105,270	--	--
Granted.....	(493,204)	493,204	\$ 6.05 - \$11.09
Cancelled.....	28,425	(44,118)	\$ 3.07 - \$ 7.63
Exercised.....	--	(303,295)	\$ 2.92 - \$ 5.97
Outstanding, October 31, 1996	187,847	2,264,038	\$ 2.19 - \$11.09
Additional shares approved for 1993 Stock Option Plan...	397,614	--	--
Granted.....	(543,000)	543,000	\$12.65 - \$18.54
Cancelled.....	3,472	(58,661)	\$ 3.98 - \$16.33
Exercised.....	--	(138,918)	\$ 2.92 - \$11.09
Outstanding, October 31, 1997	45,933	2,609,459	\$ 2.19 - \$18.54

Information concerning stock options outstanding and exercisable as of October 31, 1997 follows:

RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	OPTIONS EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
\$ 2.19 - \$ 5.00	1,533,102	\$ 3.38	3.9	1,498,686	\$ 3.38
5.01 - 11.00	503,657	6.70	6.3	364,513	6.59
11.01 - 18.54	572,700	14.95	9.4	263,715	14.81
	2,609,459	\$ 6.56	5.6	2,099,914	\$ 5.22

Information concerning stock options outstanding and exercisable as of October 31, 1996 follows:

RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	OPTIONS EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
\$ 2.19 - \$ 5.00	1,589,837	\$ 3.39	4.8	1,529,461	\$ 3.38
5.01 - 8.00	567,281	6.67	6.6	392,749	6.60
8.01 - 11.09	106,920	11.09	3.9	--	--
	2,264,038	\$ 4.57	5.2	1,922,210	\$ 4.04

During fiscal 1997 the Company granted options for 45,750 shares at an option price below the fair market value of the stock on the date of grant. The remaining options for 497,250 shares were granted at the fair market value of the stock on the date of grant. As of October 31, 1997, options for 2,099,914 shares were exercisable at a weighted average option price of \$5.22. If there were a change in control of the Company, options for an additional 509,545 shares would become immediately exercisable. All stock option share and price per share information has been retroactively restated for stock dividends and splits.

The Company applies APB Opinion No. 25 and related Interpretations in accounting for its stock option plans. Accordingly, compensation expense has been recorded in the accompanying consolidated financial statements for those options granted below the fair market value of the stock on the date of grant. The compensation expense on the aforementioned options totalled approximately \$8,000 for the year. Had the fair value of all grants under these plans been recognized as compensation expense over the vesting period of the grants, consistent with SFAS No. 123, the Company's net income for fiscal 1997 and fiscal 1996 would have been \$4,805,000 (\$.50 per share) and \$9,020,000 (\$1.02 per share), respectively. The estimated fair value of options granted during fiscal 1997 and fiscal 1996 was \$11.59 per share and \$5.85 per share, respectively.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	1997 -----	1996 -----
Volatility.....	66.21%	77.19%
Risk free interest rate (weighted average).....	6.35%	5.84%
Dividend yield (weighted average)..	.67%	1.29%
Expected life (years).....	10	10

NOTE 10 - RETIREMENT PLANS

The Company has a qualified defined contribution retirement plan (the Plan) under which eligible employees of the Company and its participating subsidiaries may contribute up to 10% of their annual compensation, as defined, and the Company will contribute specified percentages ranging from 25% to 50% of employee contributions up to 3% of annual pay in Company stock or cash, as determined by the Company. The Plan also provides that the Company may contribute additional amounts in its common stock or cash at the discretion of the Board of Directors.

In September 1992, the Company sold 988,267 shares of the Company's stock to the Plan for an aggregate price of \$4,122,000 entirely financed through a promissory note with the Company. The promissory note is payable in nine equal annual installments, inclusive of principal and interest at the rate of 8% per annum, of \$655,000 each and a final installment of \$640,000 and is prepayable in full or in part without penalty at any time. Prior to September 1992, the Company sold an aggregate of 678,643 shares of its stock to the Plan in exchange for two notes receivable, which have been fully satisfied.

Participants receive 100% vesting in employee contributions. Vesting in Company contributions is based on number of years of service. Contributions to the Plan charged to income from continuing operations for fiscal 1997, 1996 and 1995 totaled \$498,000, \$364,000 and \$240,000, respectively, net of interest income earned on the note received from the Plan of \$267,000 in fiscal 1997, \$272,000 in fiscal 1996 and \$299,000 in fiscal 1995.

In 1991, the Company established a Directors Retirement Plan covering its then current directors. The net assets of this plan as of October 31, 1997 are not material to the financial position of the Company. During fiscal 1997, 1996 and 1995, \$76,000, \$82,000 and \$75,000 respectively, was expensed for this plan.

NOTE 11 - QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	FIRST QUARTER -----	SECOND QUARTER -----	THIRD QUARTER -----	FOURTH QUARTER -----
Net sales:				
1997.....	\$14,267,000	\$13,552,000	\$16,716,000	\$19,139,000
1996.....	\$ 6,978,000	\$ 7,942,000	\$ 8,059,000	\$11,586,000
Gross profit:				
1997.....	\$ 4,741,000	\$ 4,536,000	\$ 4,869,000	\$ 6,483,000
1996.....	\$ 2,322,000	\$ 2,716,000	\$ 2,897,000	\$ 4,234,000
Net income from continuing operations:				
1997.....	\$ 1,594,000	\$ 1,640,000	\$ 1,712,000	\$ 2,073,000
1996.....	\$ 578,000	\$ 647,000	\$ 1,053,000	\$ 1,387,000
Net income:				
1997.....	\$ 1,594,000	\$ 1,640,000	\$ 1,712,000	\$ 2,073,000
1996.....	\$ 870,000	\$ 1,082,000	\$ 6,553,000	\$ 1,387,000
Net income per share share from continuing operations:				
1997.....	\$ .17	\$ .17	\$ .18	\$ .21
1996.....	\$ .07	\$ .07	\$ .11	\$ .15
Net income per share:				
1997.....	\$ .17	\$ .17	\$ .18	\$ .21
1996.....	\$ .10	\$ .12	\$ .71	\$ .15

Due to changes in the average number of common shares outstanding, net income per share for the full fiscal year does not equal the sum of the four individual quarters.

NOTE 12 - OTHER CONSOLIDATED BALANCE SHEETS, STATEMENTS OF OPERATIONS AND STATEMENTS OF CASH FLOWS INFORMATION

Accounts receivable are composed of the following:

	BALANCE AT OCTOBER 31,	
	1997	1996
Accounts receivable.....	\$ 12,922,000	\$ 7,882,000
Net costs and estimated earnings in excess of billings on un- completed contracts.....	--	265,000
Less allowance for doubtful accounts.....	(362,000)	(268,000)
Accounts receivable, net.....	\$ 12,560,000	\$ 7,879,000

Revenue amounts set forth in the accompanying Consolidated Statements of Operations do not include any material amounts in excess of billings related to long-term contracts.

Inventories are composed of the following:

	BALANCE AT OCTOBER 31,	
	1997	1996
Finished products.....	\$ 4,329,000	\$ 4,428,000
Work in process.....	7,359,000	5,845,000
Materials, parts, assemblies and supplies.....	6,671,000	5,004,000
Total inventories.....	\$ 18,359,000	\$ 15,277,000

Inventories related to long-term contracts aggregated \$628,000 as of October 31, 1996. There were no such inventories as of October 31, 1997.

Property, plant and equipment are composed of the following:

	BALANCE AT OCTOBER 31,	
	1997	1996
Land.....	\$ 525,000	\$ 523,000
Buildings and improvements.....	6,578,000	5,418,000
Machinery and equipment.....	15,753,000	13,658,000
Construction in progress.....	507,000	--
	23,363,000	19,599,000
Less accumulated depreciation.....	(14,820,000)	(13,754,000)
Property, plant and equipment, net.	\$ 8,543,000	\$ 5,845,000

Intangible assets are composed of the following:

	BALANCE AT OCTOBER 31,	
	1997	1996
Excess of cost over the fair value of net assets acquired.....	\$ 13,729,000	\$ 4,882,000
Deferred charges.....	905,000	679,000
	14,634,000	5,561,000
Less accumulated amortization.....	(1,186,000)	(805,000)
Intangible assets, net.....	\$ 13,258,000	\$ 4,756,000

Accrued expenses and other current liabilities are composed of the following:

	BALANCE AT OCTOBER 31,	
	1997	1996
Accrued employee compensation.....	\$ 2,757,000	\$ 2,071,000
Accrued customer rebates and credits.....	1,553,000	1,848,000
Other.....	2,370,000	1,984,000
Total accrued expenses and other current liabilities.....	\$ 6,680,000	\$ 5,903,000





SALES

Export sales were \$18,662,000 in fiscal 1997, \$9,806,000 in fiscal 1996 and \$5,762,000 in fiscal 1995. Fiscal 1997 export sales include \$7,912,000 to Europe.

No one customer accounted for sales of 10% or more of consolidated sales during the last three fiscal years.

RESEARCH AND DEVELOPMENT EXPENSES

Fiscal 1997, 1996 and 1995 cost of sales amounts include approximately \$3,100,000, \$2,400,000 and \$1,800,000, respectively, of new product research and development expenses.

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION ARE AS FOLLOWS:

Cash paid for interest was \$477,000, \$264,000 and \$386,000 in 1997, 1996 and 1995, respectively. Cash paid for income taxes was \$3,438,000, \$4,421,000 and \$1,400,000 in 1997, 1996 and 1995, respectively.

Non-cash investing and financing activities related to the acquisitions and contingent note payments during fiscal 1997, 1996 and 1995 were as follows:

	1997	1996	1995
	-----	-----	-----
Fair value of assets acquired:			
Intangible assets.	\$ 8,395,000	\$ 3,944,000	\$ 1,945,000
Inventories.....	669,000	6,635,000	--
Accounts re-			
ceivable.....	2,032,000	3,051,000	--
Property, plant			
and equipment...	421,000	104,000	--
Other assets.....	24,000	41,000	154,000
Cash paid, including			
contingent note			
payments.....	(6,737,000)	(7,661,000)	(2,099,000)
Fair value of common			
stock issued.....	(3,544,000)	--	--
	-----	-----	-----
Liabilities assumed...	\$ 1,260,000	\$ 6,411,000	\$ --
	=====	=====	=====

Non-cash investing and financing activities related to purchases by the discontinued health care operations of property, plant and equipment financed by capital leases during fiscal 1996 and 1995 amounted to \$1,343,000 and \$2,257,000, respectively. There were no capital lease financing activities during fiscal 1997. Non-cash investing and financing activities during fiscal 1995 also included purchases of property, plant and equipment of \$2,269,000, investments in and advances to unconsolidated partnerships of \$862,000, deferred charges of \$461,000 and other assets of \$139,000 which were financed by capital leases assumed, issuance of a note payable and distributions from an unconsolidated partnership by the discontinued health care operations. Additionally, retained earnings was charged \$20,963,000 in fiscal 1996 and \$7,881,000 in fiscal 1995 as a result of the 10% stock dividends described in Note 4 above.

NOTE 13 - PENDING LITIGATION

In November 1989, HEICO Aerospace Corporation and Jet Avion were named defendants in a complaint filed by United Technologies Corporation (UTC) in the United States District court for the Southern District of Florida. The complaint, as amended in fiscal 1995, alleged infringement of a patent, misappropriation of trade secrets and unfair competition relating to certain jet engine parts and coatings sold by Jet Avion in competition with Pratt & Whitney, a division of UTC. UTC seeks approximately \$8 million in damages for the patent infringement and sought approximately \$30 million in damages for the misappropriation of trade secrets and unfair competition claims. The aggregate damages referred to in the preceding sentence did not exceed approximately \$30 million because a portion of the misappropriation and unfair competition damages duplicate the patent infringement damages. UTC also seeks, among other things, pre-judgment interest and treble damages.

In July and November 1995, the Company filed its answers to UTC's complaint denying the allegations. In addition, the Company filed counterclaims against UTC for, among other things, malicious prosecution, trade disparagement, tortious interference, unfair competition and antitrust violations. The Company is seeking treble, compensatory and punitive damages in amounts to be determined at trial. UTC filed its answer denying certain counterclaims and moved to dismiss other counterclaims. A number of motions are pending and no trial date is currently set.

In August 1997, a Motion for Summary Judgment filed by the Company on a portion of the lawsuit was granted by the United States District Court Judge. The Summary Judgment dismissed UTC's claims for misappropriation of trade secrets and unfair competition, finding that Florida's statute of limitations bars such claims. In September 1997, UTC served a Motion for Reconsideration of the Court's Motion for Summary Judgment. In October 1997, UTC's Motion for Reconsideration was denied. UTC may appeal these rulings.

These rulings leave currently pending UTC's single claim alleging infringement of a patent that expired in 1992 and the Company's Counterclaims against UTC.

Based on currently known facts, the Company's legal counsel has advised that it believes that the Company should be able to successfully defend the remaining patent infringement claim alleged in UTC's complaint. Further, the Company intends to vigorously pursue its counterclaims against UTC. The ultimate outcome of this litigation is not certain at this time and no provision for gain or loss, if any, has been made in the consolidated financial statements.

The Company is involved in various other legal actions arising in the normal course of business. After taking into consideration legal counsel's evaluation of such actions, management is of the opinion that the outcome of these other matters will not have a significant effect on the Company's consolidated financial statements.

\*\*\*\*\*

HEICO Corporation and Subsidiaries  
INDEPENDENT AUDITORS' REPORT

To the Board of Directors and  
Shareholders of HEICO Corporation

We have audited the accompanying consolidated balance sheets of HEICO Corporation and subsidiaries (the Company) as of October 31, 1997 and 1996, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended October 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of October 31, 1997 and 1996, and the results of its operations and its cash flows for each of the three years in the period ended October 31, 1997 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP  
Certified Public Accountants  
Miami, Florida  
December 24, 1997

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND  
FINANCIAL DISCLOSURE

Not applicable.

PART III

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ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information concerning the Directors of the Company is incorporated by reference to the Company's definitive proxy statement which will be filed with the Securities and Exchange Commission (Commission) within 120 days after the close of fiscal 1997.

Information concerning the executive officers of the Company is set forth at Part I hereof under the caption "Executive Officers of the Registrant."

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ITEM 11. EXECUTIVE COMPENSATION

Information concerning executive compensation is hereby incorporated by reference to the Company's definitive proxy statement which will be filed with the Commission within 120 days after the close of fiscal 1997.

-----  
ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information concerning security ownership of certain beneficial owners and management is hereby incorporated by reference to the Company's definitive proxy statement which will be filed with the Commission within 120 days after the close of fiscal 1997.

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information concerning certain relationships and related transactions is hereby incorporated by reference to the Company's definitive proxy statement which will be filed with the Commission within 120 days after the close of fiscal 1997.

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a)(1) Financial Statements:

The following consolidated financial statements of the Company and subsidiaries are included in Part II, Item 8:

	PAGE
Consolidated Balance Sheets at October 31, 1997 and 1996.....	19
Consolidated Statements of Operations for the years ended October 31, 1997, 1996 and 1995....	21
Consolidated Statements of Shareholders' Equity for the years ended October 31, 1997, 1996 and 1995.....	22
Consolidated Statements of Cash Flows for the years ended October 31, 1997, 1996 and 1995....	23
Notes to Consolidated Financial Statements.....	24
Report of Independent Auditors.....	41

(a)(2) Financial Statement Schedules:

No schedules have been submitted because they are not applicable or the required information is included in the financial statements or notes thereto.

(a)(3) Exhibits

- 2.1 Amended and Restated Agreement of Merger and Plan of Reorganization, dated as of March 22, 1993, by and among HEICO Corporation, HEICO Industries, Corp. and New HEICO, Inc. is incorporated by reference to Exhibit 2.1 to the Company's Registration Statement on Form S-4 (Registration No. 33-57624) Amendment No. 1 filed on March 19, 1993.
- 2.2 Stock Purchase Agreement, dated June 20, 1996, by and among HEICO Corporation, MediTek Health Corporation and U.S. Diagnostic Labs Inc. is incorporated by reference to Exhibit 2 to the Form 8-K dated July 11, 1996.
- 2.3 Stock Purchase Agreement, dated as of September 16, 1996, by and between HEICO Corporation and Sigmund Borax is incorporated by reference to Exhibit 2 to the Form 8-K dated September 16, 1996.

Item 14 (a) (3) Exhibits continued

- 2.4 Stock Purchase Agreement dated July 25, 1997, among HEICO Corporation, N.A.C. Acquisition Corporation, Northwings Accessories Corporation, Ramon Portela and Otto Neuman (without schedules) is incorporated by reference to Exhibit 2 to Form 8-K dated September 16, 1997.
- 3.1 Articles of Incorporation of the Registrant are incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-4 (Registration No. 33-57624) Amendment No. 1 filed on March 19, 1993.
- 3.2 Articles of Amendment of the Articles of Incorporation of the Registrant, dated April 27, 1993, are incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form 8-B dated April 29, 1993.
- 3.3 Articles of Amendment of the Articles of Incorporation of the Registrant, dated November 3, 1993, are incorporated by reference to Exhibit 3.3 to the Form 10-K for the year ended October 31, 1993.
- 3.4 Bylaws of the Registrant are incorporated by reference to Exhibit 3.4 to the Form 10-K for the year ended October 31, 1996.
- 4.0 The description and terms of Preferred Stock Purchase Rights are set forth in a Rights Agreement between the Company and SunBank, N.A., as Rights Agent, dated as of November 2, 1993, incorporated by reference to Exhibit 1 to the Form 8-K dated November 2, 1993.
- 10.1 Loan Agreement, dated March 1, 1988, between HEICO Corporation and Broward County, Florida is incorporated by reference to Exhibit 10.1 to the Form 10-K for the year ended October 31, 1994.
- 10.2 SunBank Reimbursement Agreement, dated February 28, 1994, between HEICO Aerospace Corporation and SunBank/South Florida, N.A. is incorporated by reference to Exhibit 10.2 to the Form 10-K for the year ended October 31, 1994.

Item 14 (a) (3) Exhibits continued

- 10.3 Amendment, dated March 1, 1995, to the SunBank Reimbursement Agreement dated February 28, 1994 between HEICO Aerospace Corporation and SunBank/South Florida, N.A. is incorporated by reference to Exhibit 10.3 to the Form 10-K from the year ended October 31, 1995.
- 10.4 Loan Agreement, dated February 28, 1994, between HEICO Corporation and SunBank/South Florida, N.A. is incorporated by reference to Exhibit 10.3 to the Form 10-K for the year ended October 31, 1994.
- 10.5 The First Amendment, dated October 13, 1994, to Loan Agreement dated February 28, 1994 between HEICO Corporation and SunBank/South Florida, N.A. is incorporated by reference to Exhibit 10.4 to the Form 10-K for the year ended October 31, 1994.
- 10.6 Second Amendment, dated March 1, 1995, to the Loan Agreement dated February 28, 1994 between HEICO Corporation and SunBank/South Florida, N.A. is incorporated by reference to Exhibit 10.6 to the Form 10-K for the year ended October 31, 1995.
- 10.7 Third Amendment, dated September 16, 1997, to Loan Agreement dated February 28, 1994 between HEICO Corporation and SunTrust Bank, South Florida, National Association.
- 10.8 Fourth Amendment, dated December 1, 1997, to Loan Agreement dated February 28, 1994 between HEICO Corporation and SunTrust Bank, South Florida, National Association.
- 10.9 Loan Agreement, dated March 31, 1994, between HEICO Corporation and Eagle National Bank of Miami is incorporated by reference to Exhibit 10.5 to the Form 10-K for the year ended October 31, 1994.
- 10.10 The First Amendment, dated May 31, 1994, to Loan Agreement dated March 31, 1994 between HEICO Corporation and Eagle National Bank of Miami is incorporated by reference to Exhibit 10.6 to the Form 10-K for the year ended October 31, 1994.

Item 14 (a) (3) Exhibits continued

- 10.11 The Second Amendment, dated August 9, 1995, to the Loan Agreement dated March 31, 1994 between HEICO Corporation and Eagle National Bank of Miami is incorporated by reference to Exhibit 10.9 to the Form 10-K for the year ended October 31, 1995.
- 10.12 Second Loan Modification Agreement, dated February 27, 1997, between HEICO Corporation and Eagle National Bank of Miami is incorporated by reference to Exhibit 10.3 to the Form 10-Q for the three months ended April 30, 1997.
- 10.13 Loan Agreement, dated October 1, 1996, between HEICO Aerospace Corporation and Broward County, Florida, is incorporated by reference to Exhibit 10.10 to the Form 10-K for the year ended October 31, 1996.
- 10.14 SunTrust Bank Reimbursement Agreement, dated October 1, 1996, between HEICO Aerospace Corporation and SunTrust Bank, South Florida, N.A. is incorporated by reference to Exhibit 10.11 to the Form 10-K for the year ended October 31, 1996.
- 10.15 HEICO Savings and Investment Plan and Trust, as amended and restated effective January 2, 1987 is incorporated by reference to Exhibit 10.2 to the Form 10-K for the year ended October 31, 1987.
- 10.16 HEICO Savings and Investment Plan, as amended and restated December 19, 1994, is incorporated by reference to Exhibit 10.11 to the Form 10-K for the year ended October 31, 1994.
- 10.17 HEICO Corporation 1993 Stock Option Plan.
- 10.18 HEICO Corporation Combined Stock Option Plan, dated March 15, 1988, is incorporated by reference to Exhibit 10.3 to the Form 10-K for the year ended October 31, 1989.
- 10.19 Non-Qualified Stock Option Agreement for Directors, Officers and Employees is incorporated by reference to Exhibit 10.8 to the Form 10-K for the year ended October 31, 1985.



Item 14 (a) (3) Exhibits continued

- 10.20 HEICO Corporation Directors' Retirement Plan, as amended, dated as of May 31, 1991, is incorporated by reference to Exhibit 10.19 to the Form 10-K for the year ended October 31, 1992.
- 10.21 Key Employee Termination Agreement, dated as of April 5, 1988, between HEICO Corporation and Thomas S. Irwin is incorporated by reference to Exhibit 10.20 to the Form 10-K for the year ended October 31, 1992.
- 10.22 Employment and Non-compete Agreement, dated as of September 16, 1996, by and between HEICO Corporation and Sigmund Borax is incorporated by reference to Exhibit 10.1 to the Form 8-K dated September 16, 1996.
- 10.23 Loan Agreement, dated as of March 1, 1997, between Trilectron Industries, Inc. and Manatee County, Florida is incorporated by reference to Exhibit 10.1 to the Form 10-Q for the three months ended April 30, 1997.
- 10.24 Letter of Credit and Reimbursement Agreement, dated as of March 1, 1997, between Trilectron Industries, Inc., and First Union National Bank of Florida (excluding referenced exhibits) is incorporated by reference to Exhibit 10.2 to the Form 10-Q for the three months ended April 30, 1997.
- 10.25 Registration Rights Agreement, dated September 15, 1997, by and between HEICO Corporation and Ramon Portela is incorporated by reference to Exhibit 10.1 to Form 8-K dated September 16, 1997.
- 10.26 Employment and Non-compete Agreement dated September 16, 1997, by and between Northwings Accessories Corporation and Ramon Portela is incorporated by reference to Exhibit 10.2 to Form 8-K dated September 16, 1997.
- 10.27 Amendment to Registration and Sale Rights Agreement, dated as of December 24, 1996, by and among U.S. Diagnostic, Inc. and HEICO Corporation is incorporated by reference to Exhibit 10.22 to Form 10-K for the year ended October 31, 1996.

Item 14 (a) (3) Exhibits continued

- 10.28 Assignment of Promissory Note by and between HEICO Corporation and Forum Capital Markets L.P. is incorporated by reference to Exhibit 10.3 to Form 8-K dated September 16, 1997.
- 10.29 Amendment to 6 1/2% Convertible Note, dated as of December 24, 1996, by and among U.S. Diagnostic, Inc. and HEICO Corporation is incorporated by reference to Exhibit 10.21 to Form 10-K for the year ended October 31, 1996.
- 10.30 Second Amendment to the 6 1/2% Convertible Note, dated as of September 10, 1997, by and among U.S. Diagnostic Inc., and HEICO Corporation is incorporated by reference to Exhibit 10.4 to Form 8-K dated September 16, 1997.
- 10.31 Stock Purchase Agreement, dated October 30, 1997, by and among HEICO Corporation, HEICO Aerospace Holdings Corp. and Lufthansa Technik AG.
- 10.32 Shareholders Agreement, dated October 30, 1997, by and between HEICO Aerospace Holdings Corp., HEICO Aerospace Corporation and all of the shareholders of HEICO Aerospace Holdings Corp. and Lufthansa Technik AG.
- 11 Computation of earnings per share.
- 21 Subsidiaries of the Company.
- 23.1 Consent of independent auditors.
- 27 Financial Data Schedule.

(b) Reports on Form 8-K

A report on Form 8-K was filed by the Company dated September 16, 1997 and is reported under Item 2, "Acquisition or Disposition of Assets," relating to the purchase of all the outstanding capital stock of Northwings Accessories Corporation.

The only other report on Form 8-K filed by the Company during the fourth quarter of fiscal 1997 was dated October 30, 1997 and is reported under Item 2, "Acquisition or Disposition of Assets," relating to the sale of a 20% interest in the net assets of HEICO Aerospace Holdings Corp. to Lufthansa Technik AG.

(c) Exhibits

See Item 14 (a) (3).

(d) Separate Financial Statements Required  
Not applicable.

SIGNATURES

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

HEICO CORPORATION

Date: January 26, 1998

BY: /S/ THOMAS S. IRWIN

THOMAS S. IRWIN  
Executive Vice President  
and Chief Financial Officer  
(Principal Financial and  
Accounting Officer)

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/ LAURANS A. MENDELSON ----- LAURANS A. MENDELSON	Chairman, President, Chief Executive Officer and Director (Principal Executive Officer)	January 26, 1998
/S/ JACOB T. CARWILE ----- JACOB T. CARWILE	Director	January 26, 1998
/S/ SAMUEL L. HIGGINBOTTOM ----- SAMUEL L. HIGGINBOTTOM	Director	January 26, 1998
/S/ PAUL F. MANIERI ----- PAUL F. MANIERI	Director	January 26, 1998
/S/ ERIC A. MENDELSON ----- ERIC A. MENDELSON	Director	January 26, 1998
/S/ VICTOR H. MENDELSON ----- VICTOR H. MENDELSON	Director	January 26, 1998
/S/ ALBERT MORRISON, JR. ----- ALBERT MORRISON, JR.	Director	January 26, 1998
/S/ ALAN SCHRIESHEIM ----- ALAN SCHRIESHEIM	Director	January 26, 1998
/S/ GUY C. SHAFER ----- GUY C. SHAFER	Director	January 26, 1998

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
10.7	Third Amendment, dated September 16, 1997, to Loan Agreement dated February 28, 1994 between HEICO Corporation and SunTrust Bank, South Florida, National Association.
10.8	Fourth Amendment, dated December 1, 1997, to Loan Agreement dated February 28, 1994 between HEICO Corporation and SunTrust Bank, South Florida, National Association.
10.17	HEICO Corporation 1993 Stock Option Plan.
10.31	Stock Purchase Agreement, dated October 30, 1997, by and among HEICO Corporation, HEICO Aerospace Holdings Corp. and Lufthansa Technik AG.
10.32	Shareholders Agreement, dated October 30, 1997, by and between HEICO Aerospace Holdings Corp., HEICO Aerospace Corporation and all of the shareholders of HEICO Aerospace Holdings Corp. and Lufthansa Technik AG.
11	Computation of earnings per share.
21	Subsidiaries of the Company.
23.1	Consent of independent auditors.
27	Financial Data Schedule.

## THIRD AMENDMENT TO LOAN AGREEMENT

THIS THIRD AMENDMENT TO LOAN AGREEMENT ("Amendment") is made and entered into on September 16, 1997, by and among HEICO CORPORATION, a Florida corporation ("Heico"), HEICO AEROSPACE CORPORATION, a Florida corporation, f/k/a Heico Corporation, a Florida corporation ("Aerospace") (collectively with Heico, the ("Borrower")) and SUNTRUST BANK, SOUTH FLORIDA, NATIONAL ASSOCIATION, f/k/a Sunbank/South Florida, National Association ("Lender").

## RECITALS

WHEREAS, Borrower and Lender have previously entered into that certain Loan Agreement dated February 28, 1994, as previously amended by that certain First Amendment to Loan Agreement and Reaffirmation Agreement dated as of October 13, 1994, and that certain Second Amendment to Loan Agreement dated as of March 1, 1995 (collectively, the "Loan Agreement") pursuant to which Heico obtained extensions of credit of up to Seven Million and 00/100 Dollars (\$7,000,000.00) ("Loan"); and

WHEREAS, Borrower and Lender wish to extend the maturity date of the Loan, and to modify the Loan Agreement to reflect the extended maturity date.

NOW, THEREFORE, for good and valuable consideration, and in consideration of the extension of the Loan made for the benefit of the Borrower, the receipt and sufficiency of which are hereby acknowledged, the parties do hereby agree as follows:

1. The foregoing recitals are hereby acknowledged to be true and correct and are incorporated herein by this reference.

2. All capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to them in the Loan Agreement.

3. Subsection 1.2(dd) of the Loan Agreement is hereby amended and restated as follows to reflect the extend the maturity date of the Loan:

(dd) "MATURITY DATE": As to the Loan, November 30, 1997, unless extended pursuant to Section 2.6 hereof. As to the Letter of Credit, five (5) years from the date of the issuance of the Letter of Credit.

4. Subsection 1.2(ff) of the Loan Agreement is hereby amended and restated to read as follows:

(ff) "NOTE": A Renewal Master Revolving Promissory Note in the principal amount of Seven Million and 00/100 Dollars (\$7,000,000.00) from Heico to Lender dated September 16, 1997, and any modifications, amendments or renewals thereof, evidencing the Loan, which Note renews that certain Consolidation Master Revolving Promissory Note in the principal face amount of Seven Million and 00/100 Dollars (\$7,000,000.00) from Heico to Lender dated June 29, 1995.

5. Article 12 of the Loan Agreement is hereby amended to add the following additional sentence:

It is further agreed, acknowledged and understood that Lender has issued a Letter of Credit in the amount of Three Million Five Hundred Sixty-Three Thousand One Hundred Ninety-Five and 00/100 Dollars (\$3,563,195.00) on behalf of Aerospace, Aerospace has entered into a Reimbursement Agreement in connection therewith dated as October 1, 1996 ("1996 Reimbursement Agreement"), and that the occurrence of an Event of Default under the 1996 Reimbursement Agreement, or any amendment, renewal of modification thereof, shall constitute a default under this Loan Agreement.

6. Borrower warrants and represents that all representations and warranties contained the Loan Agreement are true and correct on the date hereof as if made on the date hereof, and that Borrower is not in default on the date hereof under any of the terms of the Loan Agreement or any of the Loan Documents to which it is a party. Heico further acknowledges and agrees that the outstanding principal balance of the Loan as of September 12, 1997, is \$ 0.00.

7. In the event of any inconsistencies between the terms of the Loan Agreement and the terms of this Amendment, the terms and provisions of this Amendment shall control. Except as modified herein, the terms and provisions of the Loan Agreement are hereby ratified and confirmed in all respects and shall remain unchanged and in full force and effect from and after the date hereof.

8. AS A MATERIAL INDUCEMENT FOR LENDER TO EXTEND THE LOAN AS PROVIDED IN THIS AMENDMENT, BORROWER COVENANTS WITH AND WARRANTS TO LENDER, AND ITS AFFILIATES AND ASSIGNS, THAT THERE EXIST NO CLAIMS, COUNTERCLAIMS, DEFENSES, OBJECTIONS, OFFSETS OR CLAIMS OF OFFSETS AGAINST LENDER RELATING IN ANY WAY TO THE NOTE, LOAN AGREEMENT OR OTHER RELATED LOAN DOCUMENTS, THROUGH THE DATE HEREOF, OR THE OBLIGATION OF BORROWER TO PAY THE INDEBTEDNESS TO THE LENDER EVIDENCED BY THE NOTE OR OTHERWISE.

9. AS A MATERIAL INDUCEMENT FOR LENDER TO AMEND THE LOAN  
AGREEMENT AS SET FORTH IN THIS AMENDMENT, BORROWER DOES HEREBY

RELEASE, WAIVE, DISCHARGE, COVENANT NOT TO SUE, ACQUIT, SATISFY AND FOREVER DISCHARGE LENDER, ITS OFFICERS, DIRECTORS, EMPLOYEES ATTORNEYS AND AGENTS AND ITS AFFILIATES AND ASSIGNS FROM ANY AND ALL LIABILITY, CLAIMS, COUNTERCLAIMS, DEFENSES, ACTIONS, CAUSES OF ACTION, SUITS, CONTROVERSIES, AGREEMENTS, PROMISES AND DEMANDS WHATSOEVER, IN LAW OR IN EQUITY, WHICH BORROWER EVER HAD, NOW HAS OR WHICH ANY SUCCESSOR OR ASSIGN OF BORROWER HEREAFTER CAN, SHALL OR MAY HAVE AGAINST LENDER, ITS OFFICERS, DIRECTORS, EMPLOYEES, ATTORNEYS AND AGENTS, AND ITS AFFILIATES AND ASSIGNS, FOR, UPON OR BY REASON OF ANY MATTER, CAUSE OR THING WHATSOEVER RELATING IN ANY WAY TO THE NOTE, THE LOAN AGREEMENT AND OTHER LOAN DOCUMENTS, THROUGH THE DATE HEREOF. BORROWER FURTHER EXPRESSLY AGREES THAT THE FOREGOING RELEASE AND WAIVER AGREEMENT IS INTENDED TO BE AS BROAD AND INCLUSIVE AS IS PERMITTED BY THE LAWS OF THE STATE OF FLORIDA.

10. LENDER AND BORROWER HEREBY MUTUALLY, KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT EITHER MAY HAVE TO A TRIAL BY JURY IN RESPECT TO ANY LITIGATION BASED HEREON OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH THE LOAN AGREEMENT AND ANY AGREEMENT CONTEMPLATED OR TO BE EXECUTED IN CONJUNCTION THEREWITH, UNDER ANY OF THE LOAN DOCUMENTS, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN), OR ACTIONS OF ANY PARTY. BORROWER ACKNOWLEDGES THAT THIS WAIVER OF JURY TRIAL IS A MATERIAL INDUCEMENT TO LENDER IN ACCEPTING THIS AMENDMENT, AND THAT LENDER WOULD NOT HAVE ACCEPTED THIS AMENDMENT WITHOUT THIS JURY TRIAL WAIVER. BORROWER ACKNOWLEDGES THAT BORROWER HAS BEEN REPRESENTED BY AN ATTORNEY OR HAS HAD AN OPPORTUNITY TO CONSULT WITH AN ATTORNEY REGARDING THIS JURY TRIAL WAIVER, AND UNDERSTANDS THE LEGAL EFFECT OF THIS JURY TRIAL WAIVER. THE WAIVER CONTAINED HEREIN IS IRREVOCABLE, CONSTITUTES A KNOWING AND VOLUNTARY WAIVER, AND SHALL BE SUBJECT TO NO EXCEPTIONS. LENDER HAS IN NO WAY AGREED WITH OR REPRESENTED TO BORROWER OR ANY OTHER PARTY THAT THE PROVISIONS OF THIS JURY TRIAL WAIVER WILL NOT BE FULLY ENFORCED IN ALL INSTANCES.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment on the respective dates set forth below, to be effective as of the date first above written.

Witnesses:

HEICO CORPORATION

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Date: September 16, 1997

HEICO AEROSPACE CORPORATION

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Date: September 16, 1997

SUNTRUST BANK, SOUTH FLORIDA,  
NATIONAL ASSOCIATION

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Date: September 16, 1997



## FOURTH AMENDMENT TO LOAN AGREEMENT

THIS FOURTH AMENDMENT TO LOAN AGREEMENT ("Amendment") is made and entered into on December 1, 1997, by and among HEICO CORPORATION, a Florida corporation ("Heico"), HEICO AEROSPACE CORPORATION, a Florida corporation, f/k/a Heico Corporation, a Florida corporation ("Aerospace") (collectively with Heico, the "Borrower") and SUNTRUST BANK, SOUTH FLORIDA, NATIONAL ASSOCIATION, f/k/a SunBank/South Florida, National Association ("Lender").

## RECITALS

WHEREAS, Borrower and Lender have previously entered into that certain Loan Agreement dated February 28, 1994, as previously amended by that certain First Amendment to Loan Agreement and Reaffirmation Agreement dated as of October 13, 1994, and that certain Second Amendment to Loan Agreement dated as of March 1, 1995, and that Third Amendment to Loan Agreement dated as of September 16, 1997 (collectively, the "Loan Agreement") pursuant to which Heico obtained extensions of credit of up to Seven Million and 00/100 Dollars (\$7,000,000.00) ("Loan"); and

WHEREAS, Borrower and Lender wish to extend the maturity date of the Loan, and to modify the Loan Agreement to reflect the extended maturity date.

NOW, THEREFORE, for good and valuable consideration, and in consideration of the extension of the Loan made for the benefit of the Borrower, the receipt and sufficiency of which are hereby acknowledged, the parties do hereby agree as follows:

1. The foregoing recitals are hereby acknowledged to be true and correct and are incorporated herein by this reference.

2. All capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to them in the Loan Agreement.

3. Subsection 1.2(dd) of the Loan Agreement is hereby amended and restated as follows to reflect and extend the maturity date of the Loan:

(dd) "MATURITY DATE": As to the Loan, February 28, 1998, unless extended pursuant to Section 2.6 hereof. As to the Letter of Credit, five (5) years from the date of the issuance of the Letter of Credit.

4. Subsection 1.2(ff) of the Loan Agreement is hereby amended and restated to read as follows:

(ff) "NOTE": a Renewal Master Revolving Promissory Note in the principal amount of Seven Million and 00/100 Dollars (\$7,000,000.00) from Heico to Lender dated December 1, 1997, and any modifications, amendments or renewals thereof, evidencing the Loan, which Note renews that certain Renewal Master Revolving Promissory Note in the principal face amount of Seven Million and 00/100 Dollars (\$7,000,000.00) from Heico to Lender dated September 16, 1997.

5. Borrower warrants and represents that all representations and warranties contained the Loan Agreement are true and correct on the date hereof as if made on the date hereof, and that Borrower is not in default on the date hereof under any of the terms of the Loan Agreement or any of the Loan Documents to which it is a party. Heico further acknowledges and agrees that the outstanding principal balance of the Loan as of December 1, 1997, is \$ 0.00.

6. In the event of any inconsistencies between the terms of the Loan Agreement and the terms of this Amendment, the terms and provisions of this Amendment shall control. Except as modified herein, the terms and provisions of the Loan Agreement are hereby ratified and confirmed in all respects and shall remain unchanged and in full force and effect from and after the date hereof.

7. AS A MATERIAL INDUCEMENT FOR LENDER TO EXTEND THE LOAN AS PROVIDED IN THIS AMENDMENT, BORROWER COVENANTS WITH AND WARRANTS TO LENDER, AND ITS AFFILIATES AND ASSIGNS, THAT THERE EXIST NO CLAIMS, COUNTERCLAIMS, DEFENSES, OBJECTIONS, OFFSETS OR CLAIMS OF OFFSETS AGAINST LENDER RELATING IN ANY WAY TO THE NOTE, LOAN AGREEMENT OR OTHER RELATED LOAN DOCUMENTS, THROUGH THE DATE HEREOF, OR THE OBLIGATION OF BORROWER TO PAY THE INDEBTEDNESS TO THE LENDER EVIDENCED BY THE NOTE OR OTHERWISE.

8. AS A MATERIAL INDUCEMENT FOR LENDER TO AMEND THE LOAN AGREEMENT AS SET FORTH IN THIS AMENDMENT, BORROWER DOES HEREBY RELEASE, WAIVE, DISCHARGE, COVENANT NOT TO SUE, ACQUIT, SATISFY AND FOREVER DISCHARGE LENDER, ITS OFFICERS, DIRECTORS, EMPLOYEES ATTORNEYS AND AGENTS AND ITS AFFILIATES AND ASSIGNS FROM ANY AND ALL LIABILITY, CLAIMS, COUNTERCLAIMS, DEFENSES, ACTIONS, CAUSES OF ACTION, SUITS, CONTROVERSIES, AGREEMENTS, PROMISES AND DEMANDS WHATSOEVER, IN LAW OR IN EQUITY, WHICH BORROWER EVER HAD, NOW HAS OR WHICH ANY SUCCESSOR OR ASSIGN OF BORROWER HEREAFTER CAN, SHALL OR MAY HAVE AGAINST LENDER, ITS OFFICERS, DIRECTORS, EMPLOYEES, ATTORNEYS AND AGENTS, AND ITS AFFILIATES AND ASSIGNS, FOR, UPON OR BY REASON OF ANY MATTER, CAUSE OR THING WHATSOEVER RELATING IN ANY WAY TO THE NOTE, THE LOAN AGREEMENT AND OTHER LOAN DOCUMENTS, THROUGH THE DATE HEREOF. BORROWER FURTHER EXPRESSLY AGREES THAT THE FOREGOING

RELEASE AND WAIVER AGREEMENT IS INTENDED TO BE AS BROAD AND INCLUSIVE AS IS PERMITTED BY THE LAWS OF THE STATE OF FLORIDA.

9. LENDER AND BORROWER HEREBY MUTUALLY, KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT EITHER MAY HAVE TO A TRIAL BY JURY IN RESPECT TO ANY LITIGATION BASED HEREON OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH THE LOAN AGREEMENT AND ANY AGREEMENT CONTEMPLATED OR TO BE EXECUTED IN CONJUNCTION THEREWITH, UNDER ANY OF THE LOAN DOCUMENTS, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN), OR ACTIONS OF ANY PARTY. BORROWER ACKNOWLEDGES THAT THIS WAIVER OF JURY TRIAL IS A MATERIAL INDUCEMENT TO LENDER IN ACCEPTING THIS AMENDMENT, AND THAT LENDER WOULD NOT HAVE ACCEPTED THIS AMENDMENT WITHOUT THIS JURY TRIAL WAIVER. BORROWER ACKNOWLEDGES THAT BORROWER HAS BEEN REPRESENTED BY AN ATTORNEY OR HAS HAD AN OPPORTUNITY TO CONSULT WITH AN ATTORNEY REGARDING THIS JURY TRIAL

WAIVER, AND UNDERSTANDS THE LEGAL EFFECT OF THIS JURY TRIAL WAIVER. THE WAIVER CONTAINED HEREIN IS IRREVOCABLE, CONSTITUTES A KNOWING AND VOLUNTARY WAIVER, AND SHALL BE SUBJECT TO NO EXCEPTIONS. LENDER HAS IN NO WAY AGREED WITH OR REPRESENTED TO BORROWER OR ANY OTHER PARTY THAT THE PROVISIONS OF THIS JURY TRIAL WAIVER WILL NOT BE FULLY ENFORCED IN ALL INSTANCES.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment on the respective dates set Forth below, to be effective as of the date first above written.

Witnesses:

HEICO CORPORATION

- -----  
- -----

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Date: December 17, 1997

HEICO AEROSPACE CORPORATION

- -----  
- -----

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Date: December 17, 1997

SUNTRUST BANK, SOUTH FLORIDA, NATIONAL ASSOCIATION

- -----  
- -----

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Date: December 17, 1997

HEICO CORPORATION  
1993 STOCK OPTION PLAN

1. PURPOSE. The purpose of this Plan is to advance the interests of HEICO Corporation, a Florida corporation (the "Company"), and its Subsidiaries by providing an additional incentive to attract and retain qualified and competent persons who provide management and other services and upon whose efforts and judgement the success of the Company and Subsidiaries is largely dependent, through the encouragement of stock ownership in the Company by such persons.

2. DEFINITIONS. As used herein, the following terms shall have the meanings indicated:

(a) "Board" shall mean the Board of Directors of the Company.

(b) "Committee" shall mean the stock option committee appointed by the Board pursuant to Section 12 hereof, or if not appointed, the Board.

(c) "Common Stock" shall mean the common stock, par value \$.01 per share, of the Company.

(d) "Director" shall mean a member of the Board.

(e) "Disinterested Person" shall mean a Director who, during one year prior to the time he serves on the Committee and during such service, has not received Shares, options for Shares or any rights with respect to Shares under this Plan or any other employee and/or Director benefit plan of the Company or any of its affiliates except pursuant to an election to receive annual director's fees in securities of the Company.

(f) "Employee" and "employment" shall, except where the context otherwise requires, mean or refer to a Director and his Directorship as well as to a regular employee and his employment.

(g) "Fair Market Value" of a Share on any date of reference shall mean the Closing Price of the Common Stock on such date, unless the Committee in its sole discretion shall determine otherwise in a fair and uniform manner. For this purpose, the Closing Price of the Common Stock on any business day shall be (i) if the Common Stock is listed or admitted for trading on any United States national securities exchange, or if actual transactions are otherwise reported on a consolidated transaction reporting system, the last reported sale price of Common Stock on such exchange or reporting system, as reported in any newspaper of general circulation, or (ii) if the Common Stock is quoted on the National Association of Securities Dealers Automated Quotations System ("NASDAQ"), or any similar system of automated dissemination of quotations of securities prices in common use, the mean between the closing bid and asked quotations for Common Stock as reported by the National Quotation Bureau, Incorporated, if at least two securities dealers have inserted both bid and asked quotations for Common Stock on at least 5 of the 10 preceding business days.

(h) "Grantee" shall mean a person to whom a stock option is granted under this Plan or any person who succeeds to the rights of such person under this Plan by reason of death of such person or transfer of such option as may be allowed under this Plan.

(i) "Incentive Stock Option" means an option to purchase Shares of Common Stock which is intended to qualify as an incentive stock option as defined in Section 422 of the Internal Revenue Code.

-1-

(j) "Internal Revenue Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(k) "Key Employee" means any person, including officers and Directors, in the regular full-time employment of the Company or any Subsidiary who, in the opinion of the Committee, is or is expected to be responsible for the management, growth or protection of some part or all of the business of the Company or a Subsidiary.

(l) "Non-qualified Stock Option" means an option to purchase Shares of Common Stock which is not intended to qualify as an Incentive Stock Option.

(m) "Option" (when capitalized) shall mean any option granted under this Plan.

(n) "Plan" shall mean this 1993 Stock Option Plan for HEICO Corporation.

(o) "Share(s)" shall mean a share or shares of the Common

Stock.

(p) "Subsidiary" shall mean any corporation (other than the Company) in any unbroken chain of corporations, beginning with the Company if, at the time of the granting of the Option, each of the corporations other than the last corporation in the unbroken chain owns stock possessing ten (10) percent or more of any class of any equity security in one of the other corporations in such chain and has the right to direct the management of the other corporation.

3. SHARES AND OPTIONS. The Company may grant to Grantees from time to time Options to purchase an aggregate of up to 855,000 Shares from Shares held in the Company's treasury or from authorized and unissued Shares. Of this amount, all or any may be optioned as Incentive Stock Options, as Non-qualified Stock Options, or any combination thereof. If any Option granted under this Plan shall terminate, expire, or be cancelled or surrendered as to any Shares, new Options may thereafter be granted covering such Shares.

4. CONDITIONS FOR GRANT OF OPTIONS.

(a) Each Option shall be evidenced by an Option Agreement, which Option Agreement may be altered consistent with this Plan and with the approval of both the Committee and the Grantee, that may contain terms deemed necessary or desirable by the Committee, including, but not limited to, a requirement that the Grantee agree that, for a specified period after termination of his employment, he will not enter into any employment with, or participate directly or indirectly in, any entity which is directly or indirectly competitive with the Company or any of its Subsidiaries, provided such terms are not inconsistent with this Plan or any applicable law. Grantees shall be selected by the Committee in its discretion and shall be employees and Directors who are not employees; provided, however, that Directors who are not employees shall not be eligible to receive Incentive Stock Options. Any person who files with the Committee, in a form satisfactory to the Committee, a written waiver of eligibility to receive any Option under this Plan shall not be eligible to receive any Option under this Plan for the duration of such waiver.

(b) In granting Options, the Committee shall take into consideration the contribution the person has made to the success of the Company or its Subsidiaries and such other factors as the Committee shall determine. The Committee shall also have the authority to consult with and receive recommendations from officers and other personnel of the Company and its Subsidiaries with regard to these matters. The Committee may from time to time in granting Options under the Plan prescribe such other terms and conditions concerning such Options as it deems appropriate, including, without limitation, (i) prescribing the date or dates on which the Option becomes exercisable, (ii) providing that the Option rights accrue or become exercisable in installments over a period of years, or upon the attainment of stated goals or both, or (iii) relating an Option to the continued employment of the Grantee for a specified period of time, provided that such terms and conditions are not more favorable to the Grantee than those expressly permitted herein.

(c) The Options granted to Grantees under this Plan shall be in addition to regular salaries, Director's fees, pension, life insurance or other benefits related to their employment or Directorships with the Company or its Subsidiaries. Neither the Plan nor any Option granted under the Plan shall confer upon any person any right to employment or Directorship or continuation of employment or Directorship by the Company or any of its Subsidiaries.

(d) The Committee in its sole discretion shall determine in each case whether periods of military or government service shall constitute a continuation of employment for the purposes of this Plan or any Option.

(e) During each fiscal year of the Company, no Employee may be granted Option(s) to purchase more than 100,000 Shares.

(f) No employee may be granted any Incentive Stock Option pursuant to this plan to the extent that the aggregate fair market value (determined at the time the Option is granted) of the Shares with respect to which Incentive Stock Options granted to the employee under the terms of this Plan or its predecessor after December 31, 1986 are exercisable for the first time by the employee during any calendar year exceeds \$100,000.

(g) Option agreements with respect to Incentive Stock Options shall contain such terms and conditions as may be required under Section 422 of the Internal Revenue Code, as such section may be amended from time to time.

5. OPTION PRICE. The option price per share of any Option shall be the price determined by the Committee; provided, however, that in no event shall the option price per Share of any Incentive Stock Option be less than (i) 100% or (ii) in the case of an individual who owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company, 110%, of the Fair Market Value of the Shares underlying such Option on the date such Option is granted.

6. EXERCISE OF OPTIONS. An Option shall be deemed exercised when (i) the Company has received written notice of such exercise in accordance with the terms of the Option, (ii) full payment of the aggregate option price of the Shares as to which the Option is exercised has been made, and (iii) arrangements that are satisfactory to the Committee in its sole discretion have been made for the Grantee's payment to the Company of the amount, if any, that is necessary to withhold in accordance with applicable Federal or State tax withholding requirements. Unless further limited by the Committee in any Option Agreement, the option price of any Shares shall be paid in cash, by certified check or official bank check, by money order, by the Grantee's promissory note, with Shares (including Shares acquired pursuant to a partial and simultaneous exercise of the Option) or by a combination of the above; provided further, however, that the Committee in its sole discretion may accept a personal check in full or partial payment of any Shares. If the exercise price is paid in whole or in part with Shares, the value of the Shares surrendered shall be their Fair Market Value on the business day immediately preceding the date the Option is exercised. The Company in its sole discretion may, on an individual basis or pursuant to a general program established in connection with this Plan, lend money to a Grantee to obtain the cash necessary to exercise all or a portion of an Option granted hereunder or to pay any tax liability of the Grantee attributable to such exercise. If the exercise price is paid in whole or in part with the Grantee's promissory note, such note shall, unless specified by the Committee at the time of grant or any time thereafter, (w) provide for full recourse to the maker, (x) be collateralized by the pledge of the Shares that the Grantee purchases upon exercise of the Option, (y) bear interest at the prime rate of the Company's principal lender and (z) contain such other terms as the Committee in its sole discretion shall reasonably require. No Grantee or permitted transferee(s) thereof shall be deemed to be a holder of any Shares subject to an Option unless and until exercise has been completed pursuant to clauses (i-iii) above. No adjustment shall be made for dividends (ordinary or extraordinary, whether in cash, securities or other property) or distributions or other rights for which the record date is prior to the date of exercise, except as expressly provided in Section 9 hereof.

7. EXERCISABILITY OF OPTIONS. Any Option shall become exercisable in such amounts, at such intervals and upon such terms as the Committee shall provide in the corresponding Option agreement, except as otherwise provided in this Section 7.

(a) The expiration date of an Option shall be determined by the Committee at the time of grant, but in no event shall an Incentive Stock Option be exercisable after the expiration of (i) ten (10) years from the date of grant of the Option or (ii) in the case of an individual who owns stock possessing more than 10% of the total combined voting power of all classes of voting stock of the Company, five years from the date of the grant of the Option.

(b) Except to the extent otherwise provided in any Option agreement, each outstanding Option shall become immediately fully exercisable

(i) if any "person" (as such term is used in Sections 13(d) and 14(d) (2) of the Securities Exchange Act of 1934), except the Mendelson Reporting Group, as that group is defined in an Amendment to a Schedule 13D filed on February 26, 1992 or any subsequent amendment to the aforementioned 13D, is or becomes a beneficial owner, directly or indirectly, of securities of the Company representing 15% or more of the combined voting power of the Corporation's then outstanding securities;

(ii) if, during any period of two consecutive years, individuals who at the beginning of such period constitute the Board cease for any reason to constitute at least a majority thereof, unless the Board in existence immediately preceding the two year period shall have nominated the new Directors whose Directorships have create the altered Board composition; or

(iii) if the stockholders of the Company shall approve a plan of merger, consolidation, reorganization, liquidation or dissolution in which the Company does not survive (unless the merger, consolidation, reorganization, liquidation or dissolution is subsequently abandoned) provided, however, that a merger or reorganization pursuant to which the Company merges with a Subsidiary which is owned principally by the Company's pre-merger or reorganization shareholders and which becomes publicly traded within five (5) business days thereafter shall not trigger immediate exercisability under this Section 7; or

(iv) if the stockholders of the Company shall approve a plan for the sale, lease, exchange or other disposition of all or substantially all of the property and assets of the Company (unless such approved plan is subsequently abandoned).

(c) The Committee may in its sole discretion accelerate the date on which any Option may be exercised.

#### 8. TERMINATION OF OPTION PERIOD.

(a) The unexercised portion of any Option shall automatically and without notice terminate and become null and void at the time of the earliest to occur of the following:

(i) one week after the date on which the Grantee's employment is terminated for any reason other than by reason of (A) cause (which, for purposes of this Plan, shall mean the termination of the Grantee's employment by reason of the Grantee's willful misconduct or gross negligence), (B) a mental or physical disability as determined by a medical doctor satisfactory to the Committee, or (C) death; provided, however, that the one week period may be extended by the Committee to up to three (3) months with respect to Incentive Stock Options and up to thirty six (36) months in the case of Non-qualified Stock Options;

(ii) immediately upon termination of the Grantee's employment for cause, provided, however, that the Committee may extend the period to up to three (3) months with respect to Incentive Stock Options and up to thirty six (36) months in the case of Non-qualified Stock Options;

(iii) six months after the date on which the Grantee's employment is terminated by reason of mental or physical disability as determined by a medical doctor satisfactory to the Committee, provided, however, that the Committee may extend the period to up to thirty six (36) months in respect to Non-qualified Stock Options;

(iv) (A) twelve months after the date of termination of the Grantee's employment by reason of death of the Grantee, or (B) three months after the date on which the Grantee shall die if such death shall occur during the six (6) month period specified in Subsection 8(a)(iii) hereof, provided, however, that the Committee may extend the period to up to thirty six (36) months in respect to Non-qualified Stock Options.

(b) The Committee in its sole discretion may by giving written notice ("cancellation notice") cancel, effective upon the date of the consummation of any corporate transaction described in Subsections 7(b)(iii) or (iv) hereof, any Option that remains unexercised on such date. Such cancellation notice shall be given a reasonable period of time prior to the proposed date of such cancellation and may be given either before or after stockholder approval of such corporate transaction.

#### 9. ADJUSTMENT OF SHARES.

(a) If, at any time while the Plan is in effect or unexercised Options are outstanding, there shall be any increase or decrease in the number of issued and outstanding Shares through the declaration of a stock dividend or through any recapitalization resulting in a stock split-up, combination or exchange of Shares, then and in such event:

(i) appropriate adjustment shall be made in the maximum number of Shares available for grant under the Plan (including, but not limited to, shares permitted to be granted to any one individual employee), so that the same percentage of the Company's issued and outstanding Shares shall continue to be subject to being so optioned; and

(ii) appropriate adjustment shall be made in the number of Shares and the option price per Share thereof then subject to any outstanding Option, so that the same percentage of the Company's issued and outstanding Shares shall remain subject to purchase at the same aggregate option price.

(b) Subject to the specific terms of any Option agreement, the Committee may change the terms of Options outstanding under this Plan with respect to the option price or the number of Shares subject to the Options, or both, when, in the Committee's sole discretion, such adjustments become appropriate by reason of a corporate transaction described in Subsections 7(b)(iii) or (iv) hereof.

(c) Except as otherwise expressly provided herein, the issuance by the Company of shares of its capital stock of any class, or securities convertible into shares of capital stock of any class, either in connection with direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to the number of or option price of Shares then subject to outstanding Options granted under this Plan.

(d) Without limiting the generality of the foregoing, the existence of outstanding Options granted under the Plan shall not affect in any manner the right or power of the Company to make, authorize or consummate (i) any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business; (ii) any merger or consolidation of the Company; (iii) any issuance by the Company of debt securities or preferred or preference stock that would rank above the Shares subject to outstanding Options; (iv) the dissolution or liquidation of the Company; (v) any sale, transfer or assignment of all or any part of the assets or business of the Company; or (vi) any other corporate act or proceeding, whether of a similar character or otherwise.



10. TRANSFERABILITY OF OPTIONS. Each Option agreement shall provide that the Option shall not be transferable by the Grantee otherwise than by will or the laws of descent and distribution or, in the case of Nonqualified Stock Options, pursuant to a qualified domestic relations order as defined by the Internal Revenue Code or Title I of the Employee Retirement Income Security Act, or the rules thereunder; provided, however, that the Committee may waive the foregoing transferability restriction with respect to Non-qualified Stock Options on a case-by-case basis.

11. ISSUANCE OF SHARES. As a condition of any sale or issuance of Shares upon exercise of any Option, the Committee may require such arrangement or undertakings, if any, as the Committee may deem necessary or advisable to ensure compliance with any applicable federal or state securities law or regulation, including, but not limited to, the following:

(i) a representation and warranty by the Grantee to the Company, at the time any Option is exercised, that he is acquiring the Shares to be issued to him for investment and not with a view to, or for sale in connection with, the distribution of any such Shares; and

(ii) a representation, warranty and/or agreement to be bound by any legends that are, in the opinion of the Committee, necessary or appropriate to comply with the provisions of any securities laws deemed by the Committee to be applicable to the issuance of the Shares and are endorsed upon the Share certificates.

12. ADMINISTRATION OF THE PLAN.

(a) The Plan shall be administered by a stock option committee (herein called the "Committee") consisting of not less than two (2) Directors, all of whom shall be Disinterested Persons; provided, however, that if no Committee is appointed, the Board may administer the Plan provided that all members of the Board at the time are Disinterested Persons. The Committee shall have all of the powers of the Board with respect to the Plan. Any member of the Committee may be removed at any time, with or without cause, by resolution of the Board, and any vacancy occurring in the membership of the Committee may be filled by appointment of the Board.

(b) The Committee, from time to time, may adopt rules and regulations for carrying out the purposes of the Plan. The determinations and the interpretation and construction of any provision of the Plan by the Committee shall be final and conclusive.

(c) Any and all decisions or determinations of the Committee shall be made either (i) by a majority vote of the members of the Committee at a meeting or (ii) without a meeting by the unanimous written approval of the members of the Committee.

13. INTERPRETATION.

(a) If any provision of the Plan should be held invalid for any reason, such holding shall not affect the remaining provisions hereof, but instead the Plan shall be construed and enforced as if such provision had never been included in the Plan.

(b) This Plan shall be governed by the laws of the State of Florida.

(c) Headings contained in this Plan are for convenience only and shall in no manner be construed as part of this Plan.

(d) Any reference to the masculine, feminine, or neuter gender shall be a reference to such other gender as is appropriate.

14. AMENDMENT AND DISCONTINUATION OF THE PLAN. The Committee may from time to time amend the Plan or any Option consistent with the Plan; provided, however, that (except to the extent provided in Section 9) no such amendment may, without approval by the stockholders of the Company, (a) increase the number of Shares reserved for Options, (b) change the requirements for eligibility to receive Options, or (c) materially increase the benefits accruing to the participants under the Plan; and provided, further, that (except to the extent provided in Section 8) no amendment or suspension of the Plan or any Option issued hereunder shall substantially impair any Option previously granted to any Grantee without the consent of such Grantee.

15. EFFECTIVE DATE AND TERMINATION DATE. The effective date of this Plan shall be March 17, 1993 provided that the Plan is approved by the Company's Stockholder(s), and the Plan shall terminate on the tenth (10th) anniversary of the effective date. After such termination date, no Options may be granted hereunder; provided, however, that Options outstanding at such date may be exercised pursuant to their terms.

Dated as of the 18TH  
day of MARCH, 1997.

HEICO CORPORATION

By: /S/ LAURANS A. MENDELSON

-----  
Laurans A. Mendelson  
Chairman, President and  
Chief Executive Officer

## STOCK PURCHASE AGREEMENT

BETWEEN

HEICO AEROSPACE HOLDINGS CORP.

AND

HEICO CORPORATION

AND

LUFTHANSA TECHNIK AG

DATED OCTOBER 30, 1997

EXECUTION COPY

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EXHIBITS

Exhibit 1	Disclosure Letter
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STOCK PURCHASE AGREEMENT

This Stock Purchase Agreement ("Agreement") is made as of October 30, 1997, by and among HEICO Aerospace Holdings Corp., a Florida corporation ("Seller"), HEICO Corporation, a Florida corporation ("HEICO") and Lufthansa Technik AG, a German corporation ("Investor").

RECITALS

Seller desires to sell, and Investor desires to purchase, two hundred (200) shares representing twenty percent (20%) of the issued and outstanding shares of common stock ("Shares") of Seller for the consideration and on the terms set forth in this Agreement.

AGREEMENT

The parties, intending to be legally bound, agree as follows:

1. DEFINITIONS

For purposes of this Agreement, the following terms have the meanings specified or referred to in this Section 1:

"BREACH" -- a "Breach" of a representation, warranty, covenant, obligation, or other provision of this agreement or any instrument delivered pursuant to this Agreement will be deemed to have occurred if there is or has been any inaccuracy in or breach of, or any failure to perform or comply with, such representation, warranty, covenant or obligation.

"INVESTOR" -- as defined in the first paragraph of this Agreement.

"CLOSING" -- as defined in Section 2.3.

"CLOSING DATE" -- the date and time as of which the Closing actually takes place.

"CONSENT" -- any approval, consent, ratification, waiver, or other authorization (including any Governmental Authorization).

"CONTEMPLATED TRANSACTIONS" -- all of the transactions contemplated by this Agreement, including:

(a) the sale of the Shares by Seller to Investor;

(b) the execution and delivery of the Shareholders Agreement, the Research and Development Cooperation Agreement, and the Tax Allocation and Sharing Agreement;

(c) the performance by Investor and Seller and HEICO of their respective covenants and obligations under this Agreement; and

(d) Investor's acquisition and ownership of the Shares.

"CONTRACT" -- any agreement, contract, obligation, promise, or undertaking (whether written or oral and whether express or implied) that is legally binding.

"DAMAGES" -- as defined in Section 5.2

"DISCLOSURE LETTER" -- the disclosure letter delivered by Seller and HEICO to Investor concurrently with the execution and delivery of this Agreement.

"ENVIRONMENT" -- soil, land surface or subsurface strata, surface waters (including navigable waters, ocean waters streams, ponds, drainage basins, and wetlands), groundwaters, drinking water supply, stream sediments, ambient air (including indoor air), plant and animal life, and any other environmental medium or natural resource.

"ENVIRONMENTAL, HEALTH, AND SAFETY LIABILITIES" -- any cost, damages, expense, liability, obligation or other responsibility arising from or under Environmental Law or Occupational Safety and Health Law and consisting of or relating to:

(a) any environmental, health, or safety matters or conditions (including on-site or off-site contamination, occupational safety and health, and regulation of chemical substances or products);

(b) fines, penalties, judgments, awards, settlements, legal or administrative proceedings, damages, losses, claims, demands and response, investigative, remedial, or inspection costs and expenses arising under Environmental Law or Occupational Safety and Health Law;

(c) financial responsibility under Environmental Law or Occupational Safety and Health Law for cleanup costs or corrective action, including any investigation, cleanup, removal, containment, or other remediation or response actions ("Cleanup") required by applicable Environmental Law or Occupational Safety and Health Law (whether or not such Cleanup has been required or requested by any Governmental Body or any other Person) and for any natural resource damages; or

(d) any other compliance, corrective investigative, or remedial measures required under Environmental Law or Occupational Safety and Health Law.

The terms "removal", "remedial," and "response action," include the types of activities covered by the United States Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. /section/9601 et seq., as amended ("CERCLA").

"ENVIRONMENTAL LAW" -- any Legal requirement that requires or relates to:

(a) advising appropriate authorities, employees, and the public of intended or actual releases of pollutants or hazardous substances or materials, violations of discharge limits, or other prohibitions and of the commencements of activities, such as resource extraction or construction, that could have significant impact on the Environment;

(b) preventing or reducing to acceptable levels the release of pollutants or hazardous substances or materials into the Environment;

(c) reducing the quantities, preventing the release, or minimizing the hazardous characteristics of wastes that are generated;

(d) assuring that products are designed, formulated, packaged, and used so that they do not present unreasonable risks to human health or the Environment when used or disposed of;

(e) protecting resources, species, or ecological amenities;

(f) reducing to acceptable levels the risks inherent in the transportation of hazardous substances, pollutants, oil, or other potentially harmful substances;

(g) cleaning up pollutants that have been released, preventing the threat of release, or paying the costs of such clean up or prevention; or

(h) making responsible parties pay private parties, or groups of them for damages done to their health or the Environment, or permitting self-appointed representatives of the public interest to recover for injuries done to public assets.

"ENVIRONMENTAL PERMITS" -- refers to all permits, licenses, authorizations, certificates and approvals of governmental authorities relating to or required by Environmental Laws and necessary for the businesses of Seller or any Seller's Company, as currently conducted.

"EXCHANGE ACT" -- the Securities and Exchange Act of 1934 or any successor law, and regulations and rules issued pursuant to that Act or any successor law.

"FACILITIES" -- any real property, leaseholds, or other interest currently or formerly owned or operated by any Seller's Company and any buildings, plants, structures, or equipment (including motor vehicles, tank cars, and rolling stock) currently or formerly owned or operated by any Seller's Company.

"FAA" -- the Federal Aviation Administration of the United States.

"GAAP" -- generally accepted United states accounting principles, applied on a basis consistent with the basis on which the Balance Sheet and the other financial statements referred to in section 3.4(b) were prepared.

"GOVERNMENTAL AUTHORIZATION" -- any approval, consent, license, permit, waiver, or other authorization issued, granted, given, or otherwise made available by or under the authority of any Governmental Body or pursuant to any Legal Requirement.

"GOVERNMENTAL BODY" -- any:

(a) nation, state, county, city, town, village, district, or other jurisdiction of any nature;

(b) federal, state, local, municipal, foreign, or other government;

(c) governmental or quasi-governmental authority of any nature (including any governmental agency, branch, department, official, or entity and any court or other tribunal);

(d) multi-national organization or body; or

(e) body exercising, or entitled to exercise, any administrative, executive, judicial, legislative, police, regulatory, or taxing authority or power of any nature.

"HAZARDOUS ACTIVITY" -- the distribution, generation, handling, importing, management, manufacturing, processing, production, refinement, Release, storage, transfer, transportation, treatment, or use (including any withdrawal or other use of groundwater) of Hazardous Materials in, on, under, about, or from the Facilities or any part thereof into the Environment, and any other act, business, operation, or thing that increases the danger, or risk of danger, or poses and unreasonable risk of harm to persons or property on or off the Facilities, or that may affect the value of the Facilities or the Seller's Companies.

"HAZARDOUS MATERIALS" -- includes any (i) "hazardous substance," "pollutants," or "contaminant" (as defined in Sections 101(14) and (33) of CERCLA or the regulations issued pursuant to Section 102 of CERCLA and found at 40 C.F.R. /section/302), including any element, compound, mixture, solution, or substance that is or may be designated pursuant to Section 102 of CERCLA; (ii) substance that is or may be designated pursuant to Section 311(b)(2)(A) of the Federal Water Pollution Control Act, as amended (33 U.S.C. /section//section/ 6901, 6921) ("RCRA") or having characteristics that may subsequently be considered under RCRA to constitute a hazardous waste; (iv) substance containing petroleum, as that term is defined in Section 9001(8) of RCRA; (v) toxic pollutant that is or may be listed under Section 307(a) of FWPCA; (vi) hazardous air pollutant that is or may be listed under section 112 of the Clean Air Act, as amended (42 U.S.C. /section//section/ 7401, 7412); (vii) imminently hazardous chemical substance or mixture with respect to which action has



been or may be taken pursuant to Section 7 of the Toxic substances Control Act, as amended (15 U.S.C. /section//section/ 2601, 2606); (viii) source, special nuclear, or by-product material as defined by the Atomic Energy Act of 1954, as amended (42 U.S.C. /section/ 2011 et seq.); (ix) asbestos, asbestos-containing material, or urea formaldehyde or material that contains it; (x) waste oil and other petroleum products; and (xii) any other toxic materials, contaminants, or hazardous substances or wastes pursuant to any Environmental Law.

"INDEMNIFIED PERSONS" -- as defined in Section 5.2.

"INTELLECTUAL PROPERTY ASSETS" -- as defined in Section 3.13.

"INTERIM BALANCE SHEET" -- as defined in Section 3.4.

"KNOWLEDGE" -- an individual will be deemed to have "Knowledge" of a particular fact or other matter if:

(a) such individual is actually aware of such fact or other matter; or

(b) such individual as an officer or director of a public company should be aware of or should have knowledge of such fact or other matter under applicable U.S. federal securities laws.

"KNOWLEDGE OF SELLER, ANY SELLER'S COMPANY, AND HEICO" -- the Knowledge of Laurans Mendelson, Eric Mendelson, Victor Mendelson, Thomas Irwin or James Reum.

"LEGAL REQUIREMENT" -- any federal, state, local, municipal, foreign, international, multinational, or other administrative order, constitution, law, ordinance, principle of common law, regulation, statute, or treaty.

"OCCUPATIONAL SAFETY AND HEALTH LAW" -- any Legal Requirement designed to provide safe and healthful working conditions and to reduce occupational safety and health hazards, and any program, whether governmental or private (including those promulgated or sponsored by industry associations and insurance companies), designed to provide safe and healthful working conditions.

"ORDER" -- any award, decision, injunction, judgment, order, ruling, subpoena, or verdict entered, issued, made, or rendered by any court, administrative agency, or other Governmental Body or by any arbitrator.

"ORDINARY COURSE OF BUSINESS" -- an action taken by a Person will be deemed to have been taken in the "Ordinary Course of Business" only if:

(a) such action is consistent with the past practices of such Person and is taken in the ordinary course of the normal day-to-day operations of such Person; or

(b) such action is similar in nature and magnitude to actions customarily taken, without any authorization by the board of directors (or by any individual or group of individuals exercising similar authority), in the ordinary course of the normal day-to-day operations of other Persons that are in similar lines of business as such Person.

"ORGANIZATIONAL DOCUMENTS" -- the articles or certificate of incorporation and the bylaws of a corporation and any amendment to any of the foregoing.

"PERSON" -- any individual, corporation (including any non-profit corporation), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, labor union, or other entity or Governmental Body.

"PRE-CLOSING ENVIRONMENTAL LIABILITIES" -- (i) any conditions existing prior to the Closing Date on any property (whether real, personal, or mixed and whether tangible or intangible) owned, leased or operated by Seller, or any Seller's Company which violates an Environmental Law in effect on the Closing Date, (ii) a Release of a Hazardous Material on any property (whether real, personal, or mixed and whether tangible or intangible) owned, leased or operated by Seller, or any Seller's Company which violates an Environmental Law in effect on the Closing Date or any Release of a Hazardous Material wherever located which any of such parties may be held responsible, and (iii) any operation of the business by Seller or any Seller's Company prior to the Closing Date which violates an Environmental Law in effect on the Closing Date.

"PROCEEDING" -- any action, arbitration, audit, hearing, investigation, litigation, or suit (whether civil, criminal, administrative, investigative, or informal) commenced, brought, conducted, or heard by or before, or otherwise involving, any Governmental Body or arbitrator.

"RELATED PERSON" -- with respect to a particular individual:

(a) each other member of such individual's Family;

(b) any Person that is directly or indirectly controlled by such individual or one or more members of such individual's Family;

(c) any Person in which such individual or members of such individual's Family hold (individually or in the aggregate) a Material Interest; and

(d) any Person with respect to which such individual or one or more members of such individual's Family serves as a director, officer, partner, executor, or trustee (or in a similar capacity).

With respect to a specified Person other than an individual:

(a) any Person that directly or indirectly controls, is directly or indirectly controlled by, or is directly or indirectly under common control with such specified Person;

(b) any Person that holds a Material Interest in such specified Person;

(c) each Person that serves as a director, officer, partner, executor, or trustee of such specified Person (or in a similar capacity);

(d) any Person in which such specified Person holds a Material Interest;

(e) any Person with respect to which such specified Person serves as a general partner or a trustee (or in a similar capacity); and

(f) any Related Person of any individual described in clause (b) or (c).

For purposes of this definition, (a) the "Family" of an individual includes (i) the individual, (ii) the individual's spouse, (iii) any other natural person who is related to the individual or the individual's spouse within the second degree, and (iv) any other natural person who resides with such individual, and (b) "Material Interest" means direct or indirect beneficial ownership (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) of voting securities or other voting interests representing at least ten percent (10%) of the outstanding equity securities or equity interest in a Person.

"RELEASE" -- any spilling, leaking, emitting, discharging, depositing, escaping, leaching, dumping, or other releasing into the Environment, whether intentional or unintentional.

"REPRESENTATIVE" -- with respect to a particular Person, any director, officer, employee, agent consultant, advisor, or other representative of such Person, including legal counsel, accountants, and financial advisors.

"RESEARCH AND DEVELOPMENT COOPERATION AGREEMENT" -- the research and development cooperation agreement by and between the Seller and Investor of even date herewith.

"SECURITIES ACT" -- the Securities Act of 1933 or any successor law, and regulations and rules issued pursuant to that Act or any successor law.

"SELLER'S COMPANIES" -- the Seller and its Subsidiaries, collectively.

"SHAREHOLDERS AGREEMENT" -- the shareholders agreement by and between Seller, Investor and HEICO of even date herewith.

"SHARES" -- as defined in the Recitals of this Agreement.

"SUBSIDIARY" -- with respect to any Person (the "Owner"), any corporation or other Person of which securities or other interests having the power to elect a majority of that corporation's or other Person's board of directors or similar governing body, or otherwise having the power to direct the business and policies of that corporation or other Person (other than securities or other interest having such power only upon the happening of a contingency that has not occurred) are held by the Owner or one or more of its Subsidiaries; when used without reference to a particular Person, "Subsidiary" means a Subsidiary of the Seller.

"TAX" -- (and, with correlative meaning, "Taxes" and "Taxable") means (A) any net income, alternative or add-on minimum tax, gross income, gross receipts, sales, use, ad valorem, franchise, profits, license, withholding on amounts paid, payroll, employment, excise, severance, stamp, occupation, premium, property, environmental or windfall profit tax, custom, duty or other tax, governmental fee or other like assessment or charge of any kind whatsoever, together with any interest or any penalty, addition to tax or additional amount imposed by any governmental authority (hereinafter a "Taxing Authority") responsible for the imposition of any such tax (domestic or foreign).

"TAX ALLOCATION AND SHARING AGREEMENT" -- the tax allocation and sharing agreement by and between the HEICO and Seller of even date herewith.

"TAX RETURN" -- any return (including any information return), report, statement, schedule, notice, form, or other document or information file with or submitted to, or required to be filed with or submitted to, any Governmental Body in connection with the determination, assessment, collection, or payment of any Tax or in connection with the administration, implementation, or enforcement of or compliance with any Legal Requirement relating to any Tax.

"THREATENED" -- a claim, Proceeding, dispute, action, or other matter will be deemed to have been "Threatened" if any demand or statement has been made (orally or in writing) or any notice has been given (orally or in writing), or if any other event has occurred or any other circumstances exist, that would require a Person to make a disclosure under U.S. federal securities laws.

## 2. SALE AND TRANSFER OF SHARES; CLOSING

### 2.1 SHARES

Subject to the terms and conditions of this Agreement, at the Closing, Seller will issue and sell the Shares to Investor, and Investor will purchase the Shares from Seller.

### 2.2 PURCHASE PRICE

The purchase price (the "Purchase Price") for the Shares will be \$10,000,000.

## 2.3 CLOSING

The purchase and sale (the "Closing") provided for in this Agreement will take place at the offices of Investor's counsel at Barnett Tower, Suite 1600, 701 Brickell Ave., Miami, Florida 33131, at 4:30 p.m. (local time) on October 30, 1997 or at such other time and place as the parties may agree, and will be effective as of the close of business on October 31, 1997.

## 2.4 CLOSING OBLIGATIONS

At the Closing:

(a) Seller and HEICO will deliver to Investor:

(i) certificates representing the Shares;

(ii) the Shareholders Agreement, duly executed by Seller and HEICO;

(iii) the Research and Development Cooperation Agreement, duly executed by the Seller;

(iv) the Tax Allocation and Sharing Agreement, duly executed by Seller and HEICO;

(v) an opinion letter from Seller's and HEICO's counsel in a form reasonably acceptable to Investor; and

(vi) a certified copy of the amended Articles of Incorporation of Seller reflecting Investor's preemptive rights;

(b) Investor will deliver to Seller:

(i) the Purchase Price by wire transfer to accounts specified by Seller or by any other means mutually agreed to by Seller and Investor;

(ii) the Shareholders Agreement duly executed by Investor;

(iii) the Research and Development Cooperation Agreement, duly executed by Investor; and

(iv) an opinion letter from counsel of Investor (that may rely on issues of German law on an opinion from Investor's in-house counsel) in a form reasonably acceptable to Seller and HEICO.

### 3. REPRESENTATIONS AND WARRANTIES OF SELLER AND HEICO

Seller and HEICO represent and warrant to Investor as follows, provided however, none of the following representations and warranties are made with respect to the business or assets of Northwings:

#### 3.1 ORGANIZATIONS AND GOOD STANDING

(a) The Seller, HEICO and each Seller's Company is a corporation duly organized, validly existing, and in good standing under the laws of its jurisdiction of incorporation, with full corporate power and authority to conduct its business as it is now being conducted, to own or use the properties and assets that it purports to own or use, and to perform all its obligations under Seller's or Seller's Companies' Contracts. The Seller, HEICO and each Seller's Company is duly qualified to do business as a foreign corporation and is in good standing under the laws of each state or other jurisdiction in which either the ownership or use of the properties owned or used by it, or the nature of the activities conducted by it, requires such qualification.

(b) Seller or HEICO has made available to Investor copies of the Organizational Documents of each Seller's Company, as currently in effect.

#### 3.2 AUTHORITY; NO CONFLICT

(a) This Agreement constitutes the legal, valid, and binding obligation of Seller and HEICO, enforceable against Seller and HEICO in accordance with its terms. Upon the execution and delivery by Seller and HEICO of the Shareholders Agreement, the Research and Development Cooperation Agreement and the Tax Allocation and Sharing Agreement (collectively, the "Seller's Closing Documents"), the Seller's Closing Documents will constitute the legal, valid, and binding obligations of Seller and HEICO, as may be applicable, enforceable against Seller and HEICO, as may be applicable, in accordance with their respective terms. Seller and HEICO have the absolute and unrestricted right, power, authority, and capacity to execute and deliver this Agreement and the Seller's Closing Documents and to perform its obligations under this Agreement and the Seller's Closing Documents.

(b) Except as set forth in Part 3.2 of the Disclosure Letter, neither the execution and delivery of this Agreement nor the consummation or performance of any of the Contemplated Transactions will, directly or indirectly (with or without notice or lapse of time):

(i) contravene, conflict with, or result in a violation of (A) any provision of the Organizational Documents of the Seller's Companies, or (B) any resolution adopted by the board of directors or the stockholders of any Seller's Company;

(ii) contravene, conflict with, or result in a violation of, or give any Governmental Body or other Person the right to challenge any of the Contemplated Transactions or to exercise any remedy or obtain any relief under, any Legal Requirement or any Order to which Seller, any Seller's Company or HEICO or any of the assets owned or used by any Seller's Company, may be subject;

(iii) contravene, conflict with, or result in a violation of any of the terms or requirements of, or give any Governmental Body the right to revoke, withdraw, suspend, cancel, terminate, or modify, any Governmental Authorization that is held by any Seller's Company or that otherwise relates to the business of, or any of the assets owned or used by, any Seller's Company;

(iv) contravene, conflict with, or result in a violation or breach of any provision of, or give any Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate, or modify, any applicable contract; or

(v) result in the imposition or creation of any encumbrance upon or with respect to any of the assets owned or used by any Seller's Company.

Except as set forth in Part 3.2 of the Disclosure Letter, neither the Seller, HEICO or any Seller's Company is or will be required to give any notice to or obtain any Consent from any Person in connection with the execution and delivery of this Agreement or the consummation or performance of any of the Contemplated Transactions.

### 3.3 CAPITALIZATION

The authorized equity securities of the Seller consist of 10,000 shares of common stock, par value \$0.01 per share, of which 800 shares are issued and outstanding. The Shares, upon consummation of the Contemplated Transactions shall constitute twenty percent (20%) of the issued and outstanding equity securities of the Seller. HEICO is and will be on the Closing Date the record and beneficial owner and holder of all the other equity securities of the Seller, free and clear of all encumbrances except for the lien of that certain credit facility with SunTrust Bank, N.A. All of the outstanding equity securities and other securities of each Seller's Company are owned of record and beneficially by one or more of the Seller's Companies, free and clear of all encumbrances except for the lien of that certain credit facility with SunTrust Bank, N.A. No legend or other reference to any purported encumbrance appears upon any certificate representing equity securities of any Seller's Company other than legends required by applicable securities laws. All of the outstanding equity securities of each Seller's Company have been duly authorized and validly issued and are fully paid and nonassessable. There are no Contracts relating to the issuance, sale, or transfer of any equity securities or other securities of any Seller's Company. None of the outstanding equity securities or other securities of any Seller's Company was issued in violation of the Securities Act or any other Legal Requirement.

No Seller's Company owns, or has any Contract to acquire, any equity securities or other securities of any Person (other than Seller's Companies) or any direct or indirect equity or ownership interest in any other business in excess of ten percent (10%) of the total equity of any such business.

### 3.4 FINANCIAL STATEMENTS

Seller or HEICO has made available to Investor: (a) unaudited balance sheets of the Seller's Companies as at October 31, 1996 and the related unaudited statements of income, changes in stockholders' equity, and cash flow for the fiscal year then ended, and (b) an unaudited balance sheet of the Seller's Companies as at July 31, 1997 (the "Interim Balance Sheet") and the related unaudited statements of income, changes in stockholders' equity, and cash flow for the nine (9) months then ended. Such financial statements fairly present the financial condition and the results of operations, changes in stockholders' equity, and cash flow of the Seller's Companies as at the respective dates of and for the periods referred to in such financial statements, all in accordance with GAAP, subject to normal recurring year-end adjustments (the effect of which will not, individually or in the aggregate, be materially adverse) and the absence of notes and deferred taxes; the financial statements referred to in this Section 3.4 reflect the consistent application of such accounting principles throughout the periods involved. No financial statements of any Person other than the Seller's Companies are required by GAAP to be included in the consolidated financial statements of the Seller.

### 3.5 SEC DOCUMENTS.

HEICO has filed all required reports, schedules, forms, statements and other documents required to be filed under the Exchange Act with the SEC since January 1, 1995 (the "HEICO SEC Documents"). As of their respective dates, the HEICO SEC Documents complied as to form in all material respects with the requirements of the Exchange Act and the rules and regulations of the SEC promulgated thereunder applicable to such HEICO SEC Documents. Except to the extent that information contained in any HEICO SEC Document has been revised or superseded by a later-filed HEICO SEC Document, filed and publicly available prior to the date of this Agreement, none of the HEICO SEC Documents contained when filed any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The financial statements of HEICO included in the HEICO SEC Documents complied as of their respective dates of filing with the SEC as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, have been prepared in accordance with generally accepted accounting principles (except, in the case of unaudited statements, as permitted by Form 10-Q of the SEC) applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto) and fairly present the financial position of HEICO as of the dates thereof and the results of its operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit



adjustments). The representations and warranties set forth in this Section 3.5 shall not apply to any noncompliance, nonfilings, misstatements, omissions or failures to present fairly or conform to generally accepted accounting principles, which would not, individually or in the aggregate, have a material adverse effect on HEICO. Except as set forth in the HEICO SEC Documents, and except for liabilities and obligations incurred in the Ordinary Course of Business, to the Knowledge of Seller, any Seller's Company and HEICO, HEICO has no liabilities or obligations of any nature (whether accrued, absolute, contingent or otherwise) required by generally accepted accounting principles to be set forth on a balance sheet of HEICO or in the notes thereto which, individually or in the aggregate, could reasonably be expected to have a material adverse effect on HEICO. Notwithstanding anything to the contrary contained in this Agreement, neither HEICO nor Seller shall have any responsibility for the breach of this Section 3.5 unless such breach relates to the financial statements, assets or liabilities of Seller's Companies.

### 3.6 NO UNDISCLOSED LIABILITIES OR MATERIAL ADVERSE CHANGE

Except for the Northwings Accessories Corp., a Florida corporation ("Northwings") acquisition by Seller, since the date of the Interim Balance Sheet, to the Knowledge of Seller, any Seller's Company and HEICO, there has not been any material adverse change in the business, operations, properties, assets or condition of any Seller's Companies taken as a whole, and to the Knowledge of Seller, any Seller's Company and HEICO, no event has occurred or circumstance exists that may result in such a material adverse change.

Except as set forth in Part 3.6 of the Disclosure Letter, to the Knowledge of Seller, any Seller's Company and HEICO, the Seller's Companies have no liabilities or obligations of any nature (whether known or unknown and whether absolute, accrued, contingent, or otherwise) except for liabilities or obligations reflected or reserved against in the Interim Balance Sheet and liabilities and obligations incurred in the Ordinary Course of Business since the respective dates thereof. The liabilities or obligations referred to in this paragraph include, but are not limited to, any liability for or with respect to any Taxes which were incurred or suffered by any Seller's Company during any Tax period (or portion thereof) up to and including the Closing Date including without limitation Taxes that are owed as a result of any dividends which are declared before the Closing Date but paid after the Closing Date.

### 3.7 LEGAL PROCEEDINGS; ORDERS

(a) Except as set forth in Part 3.7 of the Disclosure Letter, there is no pending Proceeding:

(i) that has been commenced by or against any Seller's Company or that otherwise relates to or may affect the business of, or any of the assets owned or used by, any Seller's Company; or

(ii) that challenges, or that may have the effect of preventing, delaying, making illegal, or otherwise interfering with, any of the Contemplated Transactions.

To the Knowledge of Seller, any Seller's Company and HEICO, (1) no such Proceeding has been Threatened, and (2) no event has occurred or circumstance exists that is likely to give rise to or serve as a basis for the commencement of any such Proceeding. Seller or on Seller's behalf, has made available to Investor copies of all pleadings, correspondence, and other documents relating to each Proceeding listed in Part 3.7 of the Disclosure Letter. The Proceedings listed in Part 3.7 of the Disclosure Letter will not have a material adverse effect on the business, operations, assets or financial condition of any Seller's Company.

(b) Except as set forth in Part 3.7 of the Disclosure Letter:

(i) there is no Order to which any of the Seller's Companies, or any of the assets owned or used by any Seller's Company, is subject that prohibits or prevents Seller's Companies from conducting its business in the Ordinary Course of Business;

(ii) neither Seller or HEICO is subject to any Order that relates to the business of, or any of the assets owned or used by, any Seller's Company that prohibits or prevents Seller's Companies from conducting its business in the Ordinary Course of Business; and

(iii) to the Knowledge of Seller, any Seller's Company and HEICO, no officer, director, agent, or employee of any Seller's Company is subject to any Order that prohibits such officer, director, agent, or employee from engaging in or continuing any conduct, activity, or practice relating to the business of any Seller's Company in the Ordinary Course of Business.

(c) Except as set forth in Part 3.7 of the Disclosure Letter:

(i) each Seller's Company is, and has been, in full compliance with all of the terms and requirements of each Order to which it, or any of the assets owned or used by it, is or has been subject;

(ii) to the Knowledge of Seller, any Seller's Company and HEICO, no event has occurred or circumstance exists that may constitute or result in (with or without notice or lapse of time) a violation of or failure to comply with any term or requirement of any Order to which any Seller's Company, or any of the assets owned or used by any Seller's Company, is subject; and

(iii) no Seller's Company has received any notice or other communication (whether oral or written) from any Governmental Body or any

other Person regarding any actual, alleged, possible, or potential violation of, or failure to comply with, any term or requirement of any Order to which any Seller's Company, or any of the assets owned or used by any Seller's Company, is or has been subject.

3.8 ABSENCE OF CERTAIN CHANGES AND EVENTS

Except as set forth in Part 3.8 of the Disclosure Letter, since the date of the Interim Balance Sheet, the Seller's Companies have conducted their businesses only in the Ordinary Course of Business and there has not been any:

(a) change in any Seller's Company's authorized or issued capital stock; grant of any stock option or right to purchase shares of capital stock of any Seller's Company; issuance of any security convertible into such capital stock; grant of any registration rights; purchase, redemption, retirement, or other acquisition by any Seller's Company of any shares of any such capital stock; or declaration or payment of any dividend or other distribution or payment in respect of shares of capital stock other than that certain dividend in the amount of ten million U.S. Dollars (US\$ 10,000,000) previously declared;

(b) amendment to the Organizational Documents of any Seller's Company;

(c) except for the Northwings acquisition, purchase, sale (other than sales of inventory in the Ordinary Course of Business), lease, or other disposition of any assets or property of any Seller's Company or mortgage, pledge, or imposition of any lien or other encumbrance on any material assets or property of any Seller's Company, including the sale, lease, or other disposition of any of the Intellectual Property Assets; and

(d) payment or increase by any Seller's Company of any bonuses, salaries, or other compensation to any stockholder, director, officer, or (except in the Ordinary Course of Business) employee.

3.9 INSURANCE

Part 3.9 of the Disclosure Letter contains a complete and accurate list of all policies of liability insurance to which Seller or any Seller's Company is a party or that provide coverage to Seller, any Seller's Company, or any director or officer of a Seller's Company.

3.10 ENVIRONMENTAL MATTERS

Except as set forth in Part 3.10 of the Disclosure Letter:

(a) No notice, demand, summons, or similar request for information, or complaint or Order has been issued or served on Seller or any Seller's Company and, to the Knowledge of Seller, any Seller's Company and HEICO, no penalty has been assessed,

no investigation or review is pending, or is Threatened, against any of them, and to the Knowledge of Seller, any Seller's Company and HEICO, no Environmental, Health, and Safety Liabilities exist with respect to (i) any alleged violation of any Environmental Law, (ii) any alleged failure to have any Environmental Permit, (iii) any Hazardous Activity, or (iv) any Release of Hazardous Materials.

(b) To the Knowledge of Seller, any Seller's Company and HEICO, no underground storage tank for Hazardous Materials is present at any real property owned, leased or otherwise operated by Seller or any Seller's Company, currently or (i) during the three (3) year period prior to the date of this Agreement for leased or operated real property, or (b) during the five (5) year period prior to the date of this Agreement for owned real property.

(c) To the Knowledge of Seller, any Seller's Company and HEICO, there are no Pre-Closing Environmental Liabilities that have had or are likely to have a material adverse effect on the business, financial condition, results of operations or prospects of Seller, or any Seller's Company.

(d) To the Knowledge of Seller, any Seller's Company and HEICO, no Hazardous Material has been Released by Seller or any Seller's Company at or under any (i) owned real property, leased real property or other real property during the period which Seller or any Seller's Company owned, leased or otherwise operated such property. To the Knowledge of Seller, any Seller's Company and HEICO, all Hazardous Materials used in the business of Seller or any Seller's Company have been reported in accordance with all applicable legal requirements.

(e) To the Knowledge of Seller, any Seller's Company and HEICO, no owned, leased or operated real property has directly or indirectly transported or arranged for the transportation of any Hazardous Materials in violation of any Environmental Law listed or proposed for listing on the National Priorities List promulgated pursuant to CERCLA, on CERCLIS (as defined in CERCLA) or on any similar federal, state, local or foreign site lists requiring investigation or clean-up.

(f) To the Knowledge of Seller, any Seller's Company and HEICO, there are no liens under any Environmental Laws on any owned real property, leased real property or other real property and no governmental actions have or are in the process of being taken that could subject such real property to such liens.

(g) There has been no environmental investigation, study, audit test, review or other analysis conducted within the last two (2) years on any owned real property, leased real property or other real property of Seller or any Seller's Company that has not been delivered or made available to Investor.

### 3.11 LABOR RELATIONS; COMPLIANCE

No Seller's Company has been or is a party to any collective bargaining or other labor Contract and there has not been, there is not presently pending or existing, and to the Knowledge of Seller, any Seller's Company and HEICO, there is not Threatened, any strike, slowdown, picketing, work stoppage.

### 3.12 COMPLIANCE WITH LAWS AND PERMITS

To the Knowledge of Seller, any Seller's Company and HEICO, the business of the Seller's Companies is being conducted in compliance with all applicable Legal Requirements, including without limitation, applicable Environmental Laws and the rules and regulations promulgated by the FAA. No notice of any default, violation or non-compliance of any Legal Requirement relating to any Seller's Company has been received by Seller, any Seller's Company and HEICO within the last two (2) years and, to the Knowledge of Seller, any Seller's Company and HEICO, no notice of any default, violation or non-compliance of any Legal Requirement relating to any Seller's Company has been received by Seller, any Seller's Company and HEICO prior to the two (2) year period mentioned above. To the Knowledge of Seller, any Seller's Company and HEICO, all reengineering processes used by Seller, any Seller's Company or any of their Affiliates for designing, manufacturing and testing any and all parts comply with all applicable Legal Requirements, including without limitation, applicable patent, copyright and other laws relating to intellectual property and the rules and regulations promulgated by the FAA. To the Knowledge of Seller, any Seller's Company and HEICO, any and all parts, spare or replacement parts, or other items produced by any Seller's Company or any of their Affiliates are designed, manufactured and tested consistent with such reengineering processes.

To the Knowledge of Seller, any Seller's Company and HEICO, Seller and the Seller's Companies possess all material permits including, without limitation, licenses and other authorizations required to conduct their business, including all appropriate FAA certificates, and all such permits are valid, current and in full force and effect.

### 3.13 INTELLECTUAL PROPERTY

(a) INTELLECTUAL PROPERTY ASSETS --The term "Intellectual Property Assets" includes:

(i) the name HEICO Aerospace Holdings Corporation, all fictional business names, trading names, registered and unregistered trademarks, service marks, and applications (collectively, "Marks");

(ii) all patents, patent applications, and inventions and discoveries that may be patentable (collectively, "Patents");

(iii) all copyrights in both published works and unpublished works (collectively, "Copyrights"); and

(iv) all know-how, trade secrets, confidential information, customer lists, software, technical information, data, process technology, plans, drawings, and blue prints (collectively "Trade Secrets"); owned, used, or licensed by any Seller's Company as licensee or licensor.

(b) KNOW-HOW NECESSARY FOR THE BUSINESS

(i) To the Knowledge of Seller, any Seller's Company and HEICO, the Intellectual Property Assets are all those necessary for the operation of the Seller's Companies' businesses as they are currently conducted. To the Knowledge of Seller, any Seller's Company and HEICO, one or more of the Seller's Companies is the owner of all right, title, and interest in and to each of the Intellectual Property Assets, free and clear of all liens, security interests, charges, encumbrances, equities, and other adverse claims, and has the right to use without payment to a third party all of the Intellectual Property Assets.

(ii) To the Knowledge of Seller, any Seller's Company and HEICO, no employee of any Seller's Company has entered into any Contract that restricts or limits in any way the scope or type of work in which the employee may be engaged or requires the employee to transfer, assign, or disclose information concerning his work to anyone other than one or more of the Seller's Companies.

(c) PATENTS

(i) To the Knowledge of Seller, any Seller's Company and HEICO, all of the issued Patents are currently in compliance with formal legal requirements (including payment of filing, examination, and maintenance fees and profits of working or use), are valid and enforceable, and are not subject to any maintenance fees or taxes or actions falling due within ninety days after the Closing Date.

(ii) To the Knowledge of Seller, any Seller's Company and HEICO, no Patent has been or is now involved in any interference, reissue, reexamination, or opposition proceeding. To the Knowledge of Seller, any Seller's Company and HEICO, there is no potentially interfering patent or patent application of any third party.

(iii) To the Knowledge of Seller, any Seller's Company and HEICO, no Patent is infringed or, has been challenged or threatened in any way except as claimed in the litigation set forth in Part 3.7 of the Disclosure Letter. To the Knowledge of Seller, any Seller's Company and HEICO, none of the products manufactured and sold, nor any process or know-how used, by any Seller's Company infringes or is alleged to infringe any patent or other proprietary right of any other Person.

(iv) To the Knowledge of Seller, any Seller's Company and HEICO, all products made, used, or sold under the Patents have been marked with the proper patent notice.

(d) Trademarks

(i) To the Knowledge of Seller, any Seller's Company and HEICO all Marks that have been registered with the United States Patent and Trademark Office are currently in compliance with all formal legal requirements (including the timely post-registration filing of affidavits of use and incontestability and renewal applications), are valid and enforceable, and are not subject to any maintenance fees or taxes or actions falling due within ninety days after the Closing Date.

(ii) To the Knowledge of Seller, any Seller's Company and HEICO, no Mark is now involved in any opposition, invalidation, or cancellation and, no such action is threatened with respect to any of the Marks.

(iii) To the Knowledge of Seller, any Seller's Company and HEICO, there is no potentially interfering trademark or trademark application of any third party.

(iv) To the Knowledge of Seller, any Seller's Company and HEICO, no Mark is infringed or threatened in any way. To the Knowledge of Seller, any Seller's Company and HEICO, none of the Marks used by any Seller's Company infringes or is now alleged to infringe any trade name, trademark, or service mark of any third party.

(e) Copyrights

(i) To the Knowledge of Seller, any Seller's Company and HEICO, all the Copyrights have been registered and are currently in compliance with formal legal requirements, are valid and enforceable, and are not subject to any maintenance fees or taxes or actions falling due within ninety (90) days after the date of Closing.

(ii) To the Knowledge of Seller, any Seller's Company and HEICO, no Copyright is infringed or, has been challenged or threatened in any way. To the Knowledge of Seller, any Seller's Company and HEICO, none of the subject matter of any of the Copyrights infringes or is alleged to infringe any copyright of any third party or is a derivative work based on the work of a third party.

(f) TRADE SECRETS

(i) To the Knowledge of Seller, any Seller's Company and HEICO, with respect to each Trade Secret, the documentation relating to such Trade

Secret is current, accurate, and sufficient in detail and content to identify and explain it and to allow its full and proper use.

(ii) To the Knowledge of Seller, any Seller's Company and HEICO, Seller, HEICO and the Seller's Companies have taken all reasonable precautions to protect the secrecy, confidentiality, and value of their Trade Secrets.

(iii) To the Knowledge of Seller, any Seller's Company and HEICO, one or more of the Seller's Companies has good title and an absolute (but not necessarily exclusive) right to use the Trade Secrets. The Trade Secrets are not part of the public knowledge or literature, and, to the Knowledge of Seller, any Seller's Company and HEICO, have not been used, divulged, or appropriated either for the benefit of any Person (other than one or more of the Seller's Companies) or to the detriment of the Seller's Companies. To the Knowledge of Seller, any Seller's Company and HEICO, and any of their Affiliates, no Trade Secret is subject to any adverse claim or has been challenged or threatened in any way except as claimed in the litigation set forth in Part 3.7 of the Disclosure Letter.

### 3.14 DISCLOSURE

No representation or warranty of Seller or HEICO in this Agreement and no statement in the Disclosure Letter omits to state a material fact necessary to make the statements herein or therein, in light of the circumstances in which they were made, not misleading.

### 3.15 EMPLOYEE BENEFIT MATTERS

(a) No unwritten amendment exists with respect to any Employee Benefit Plan of the Seller or any Seller's Company. For purposes of this Agreement an "Employee Benefit Plan" means each employee benefit plan, as such term is defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

(b) To the Knowledge of Seller, any Seller's Company and HEICO, each Employee Benefit Plan of the Seller or any Seller's Company has been administered and maintained in compliance with all laws, rules and regulations, except for such noncompliance that would not have a material adverse effect on the Seller or any Seller's Company. To the Knowledge of Seller, any Seller's Company and HEICO, no Employee Benefit Plans of the Seller or any Seller's Company is currently the subject of an audit, investigation, enforcement action or other similar proceeding conducted by any state or federal agency. No prohibited transactions (within the meaning of Section 4975 of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder (the "Code")) have occurred with respect to any Employee Benefit Plan of the Seller or any Seller's Company. No pending or, to the Knowledge of Seller, any Seller's Company and HEICO, Threatened, claims, suits or other proceedings exist with respect to any



Employee Benefit Plan of the Seller or any Seller's Company other than normal benefit claims filed by participants or beneficiaries.

(c) Except as disclosed in Part 3.15 of the Disclosure Letter, to the Knowledge of Seller, any Seller's Company and HEICO, no accumulated funding deficiency (within the meaning of Section 412 of the Code), whether waived or unwaived, exists with respect to any Employee Benefit Plan of Seller or any Seller's Company or any plan sponsored by any member of a "controlled group" (as defined in Section 414(b) of the Code ("Controlled Group")). With respect to each Employee Benefit Plan of Seller or any Seller's Company subject to Title IV of ERISA, to the Knowledge of Seller, any Seller's Company and HEICO, the assets of each such plan are at least equal in value to the present value of accrued benefits determined on an ongoing basis as of the date hereof. With respect to each Employee Benefit Plan of Seller or any Seller's Company described in Section 501(c)(9) of the Code, to the Knowledge of Seller, any Seller's Company and HEICO, the assets of each such plan are at least equal in value to the present value of accrued benefits as of the date hereof. To the Knowledge of Seller, any Seller's Company and HEICO, neither the Seller or any Seller's Company or any member of a Controlled Group has any liability to pay excise taxes with respect to any Employee Benefit Plan of Seller or any Seller's Company under applicable provisions of the Code or ERISA. To the Knowledge of Seller, any Seller's Company and HEICO, neither the Seller or any Seller's Company nor any member of a Controlled Group is or ever has been obligated to contribute to a multiemployer plan within the meaning of Section 3(37) of ERISA.

(d) To the Knowledge of Seller, any Seller's Company and HEICO, no reportable event (within the meaning of Section 4043 of ERISA) for which the notice requirement has not been waived has occurred with respect to any Employee Benefit Plan of Seller or any Seller's Company subject to the requirements of Title IV of ERISA.

(e) To the Knowledge of Seller, any Seller's Company and HEICO, neither the Seller or any Seller's Company has any obligation or commitment to provide medical, dental or life insurance benefits to or on behalf of any of its employees who may retire or any of its former employees who have retired from employment with the Seller or any Seller's Company.

### 3.16 RELATIONSHIPS WITH RELATED PERSONS

Neither Seller, HEICO or any Related Person of Seller, HEICO or of any Seller's Company has any material interest in any property (whether real, personal, or mixed and whether tangible or intangible), used in or pertaining to the Seller's Companies' businesses except with respect to the ownership of the building which Northwings leases as its premises. Neither Seller, HEICO or any Related Person of Seller, HEICO or of any Seller's Company owns (of record or as a beneficial owner) an equity interest or any other financial or profit interest in, a Person that has (i) had business dealings or a material financial interest in any transaction with any Seller's Company other than business dealings or transactions conducted in the Ordinary Course of Business with the Seller's Companies

at substantially prevailing market prices and on substantially prevailing market terms, or (ii) engaged in competition with any Seller's Company with respect to any line of the products or services of such Seller's Company (a "Competing Business") in any market presently served by such Seller's Company.

3.17 BROKERS OR FINDERS

Seller, HEICO and their agents have incurred no obligation or liability, contingent or otherwise, for brokerage or finders' fees or agents' commissions or other similar payment in connection with this Agreement.

4. REPRESENTATIONS AND WARRANTIES OF INVESTOR

4.1 ORGANIZATION AND GOOD STANDING

Investor is a corporation duly organized, validly existing, and in good standing under the laws of the Federal Republic of Germany.

4.2 AUTHORITY; NO CONFLICT

(a) This Agreement constitutes the legal, valid, and binding obligation of Investor, enforceable against Investor in accordance with its terms. Upon the execution and delivery by Investor of the Shareholders Agreement and the Research and Development Cooperation Agreement (collectively, the "Investor's Closing Documents"), the Investor's Closing Documents will constitute the legal, valid, and binding obligations of Investor, enforceable against Investor in accordance with their respective terms. Investor has the absolute and unrestricted right, power, and authority to execute and deliver this Agreement and the Investor's Closing Documents and to perform its obligations under this Agreement and the Investor's Closing Documents.

(b) Except as set forth in Schedule 4.2, neither the execution and delivery of this Agreement by Investor nor the consummation or performance of any of the Contemplated Transactions by Investor will give any Person the right to present, delay, or otherwise interfere with any of the Contemplated Transactions pursuant to:

(i) any provision of Investor's Organizational Documents;

(ii) any resolution adopted by the board of directors or the stockholders of Investor;

(iii) any Legal Requirements or Order to which Investor may be subject; or

(iv) any Contract to which Investor is a party or by which Investor may be bound.

Except as set forth in Schedule 4.2, Investor is not and will not be required to obtain any Consent from any Person in connection with the execution and delivery of this Agreement or the consummation or performance of any of the Contemplated Transactions.

#### 4.3 CERTAIN PROCEEDINGS

There is no pending Proceeding that has been commenced against Investor and that challenges, or may have the effect of preventing, delaying, making illegal, or otherwise interfering with, any of the Contemplated Transactions. To Investor's Knowledge, no such Proceeding has been Threatened.

#### 4.4 BROKERS OR FINDERS

Investor and its officers and agents have incurred no obligation or liability, contingent or otherwise, for brokerage or finders' fees or agents' commissions or other similar payment in connection with this Agreement and will indemnify and hold Seller and HEICO harmless from any such payment alleged to be due by or through Investor as a result of the action of Investor or its officers or agents.

#### 4.5 INVESTMENT REPRESENTATION

(a) The Investor understands and acknowledges that (i) the Shares have not been registered under the Securities Act or any applicable Blue Sky Laws in reliance upon exemptions provided thereunder and that the Shares may not be transferred or sold except pursuant to the registration provisions of the Securities Act or pursuant to an applicable exemption therefrom and pursuant to applicable Blue Sky Laws and regulations and (ii) the representations and warranties contained herein are being relied upon by the Seller as a basis for the exemption of the offer and sale of the Shares to the Investor under the registration requirements of the Securities Act and any applicable Blue Sky Laws. The Investor acknowledges that the stock certificate for the Shares shall bear a restrictive legend as required by applicable U.S. federal securities laws. The Investor is acquiring the Shares for the Investor's own account, and not as a nominee for any other party for the purpose of investment and not with a view to, or for sale in connection with, any "distribution," as such term is defined in Rule 501 of Regulation D under the Securities Act. The Investor has had the opportunity to review the books and records of the Seller and has been furnished or provided access to such relevant information that the Investor has requested. The Investor is knowledgeable, sophisticated and experienced in business and financial matters of the type contemplated hereby and is able to bear the economic risks inherent in its investment in the Seller.

(b) The Investor is an "accredited investor" within the meaning of Rule 501 of Regulation D under the Securities Act. The Investor has not been organized for the purpose of acquiring the Shares.

(c) The Investor has considered the risks associated with an investment in the Shares and has had the opportunity to ask questions of and receive answers from the officers of the Seller about an investment in the Shares and the business and financial condition of the Seller sufficient to enable it to evaluate the risks and merits of its investment in the Seller.

## 5. INDEMNIFICATION; REMEDIES

### 5.1 SURVIVAL; RIGHT TO INDEMNIFICATION NOT AFFECTED BY KNOWLEDGE

All representations, warranties, covenants, and obligations in this Agreement, the Disclosure Letter, and any other certificate or document delivered pursuant to this Agreement will survive the Closing for a period of eighteen (18) months, except for the representations and warranties contained in Sections 3.2, 3.3 and 4.2, and in Exhibit 3, which shall survive indefinitely, and the representations and warranties contained in Section 3.10, which shall survive for the applicable statute of limitations periods. The right to indemnification, payment of Damages or other remedy based on such representations, warranties, covenants, and obligations will not be affected by any investigation conducted with respect to, or any Knowledge acquired (or capable of being acquired) at any time by Investor, whether before or after the Closing Date, with respect to the accuracy or inaccuracy of or compliance with, any such representation, warranty, covenant, or obligation. The waiver of any condition based on the accuracy of any representation or warranty, or on the performance of or compliance with any covenant or obligation, will not affect the right to indemnification, payment of Damages, or other remedy based on such representations, warranties, covenants, and obligations.

### 5.2 INDEMNIFICATION AND PAYMENT OF DAMAGES BY HEICO

HEICO will indemnify and hold harmless Investor and their respective representatives, stockholders, controlling persons, and affiliates (collectively, the "Investor Indemnified Persons") for, and will pay to the Indemnified Persons based on their ownership of Seller the amount of, any loss, liability, claim, damage (including incidental and consequential damages), expense (including (i) costs of investigation and defense and reasonable attorneys' fees, and (ii) costs of cleanup, containment, or other remediation with respect to the representation and warranty made in Section 3.10 but (iii) net of recoveries and all reserves on the books of the Seller's Companies on the date of this Agreement) or diminution of value, whether or not involving a third-party claim (collectively, "Damages"), arising, directly or indirectly, from or in connection with:

(a) any Breach of any representation or warranty made by Seller or HEICO in this Agreement, the Disclosure Letter, or any other certificate or document delivered by Seller or HEICO pursuant to this Agreement; and.

(b) any Breach by Seller or HEICO of any covenant or obligation of same in this Agreement.

By way of illustration, (i) if Seller incurs \$2,000,000 in Damages under this Section 5.2, HEICO shall pay \$300,000 to Investor if Investor owns twenty percent (20%) of the issued and outstanding shares of common stock of Seller and (ii) if Seller incurs \$2,000,000 in Damages under this Section 5.2, HEICO shall pay \$150,000 to Investor if Investor owns ten percent (10%) of the issued and outstanding shares of common stock of Seller.

The remedies provided in this Section 5.2 will be the exclusive remedies that will be available to Investor or the other Investor Indemnified Persons pursuant to this Agreement.

Notwithstanding the foregoing, the parties have agreed to the terms and conditions set forth in Exhibit 3 hereof with respect to Prior Litigation (as defined hereinafter in Exhibit 3).

#### 5.3 INDEMNIFICATION AND PAYMENT OF DAMAGES BY INVESTOR

Investor will indemnify and hold harmless Seller and HEICO, and will pay to Seller, HEICO and their respective representatives, stockholders, controlling persons and Affiliates ("Seller Indemnified Persons") the amount of any Damages arising, directly or indirectly, from or in connection with (a) any Breach of any representation or warranty made by Investor in this Agreement or in any certificate delivered by Investor pursuant to this Agreement, and (b) any Breach by Investor of any covenant or obligation of Investor in this Agreement.

The remedies provided in this Section 5.3 will be the exclusive remedies that will be available to Seller and HEICO or the Seller Indemnified Persons pursuant to this Agreement.

#### 5.4 LIMITATIONS ON AMOUNT - HEICO

HEICO will have no liability (for indemnification or otherwise) with respect to the matters described until the total of all Damages with respect to such matters exceeds \$500,000, and then only for the amount by which such Damages exceed \$500,000 except with respect to Damages directly or indirectly incurred by Investor arising from the Prior Litigation for which such indemnification shall be exclusively governed by, except for the limitation provided in the next paragraph of this Section 5.4, the terms and conditions set forth in Exhibit 3. However, this Section 5.4 will not apply to any intentional Breach by Seller or HEICO of any covenant or obligation, and HEICO will be liable for all Damages with respect to such Breaches.

The indemnification obligations of HEICO under this Agreement, including those in Exhibit 3, may not exceed the Purchase Price.

#### 5.5 LIMITATIONS ON AMOUNT - INVESTOR

Investor will have no liability (for indemnification or otherwise) with respect to the matters described in Section 5.3 until the total of all Damages with respect to such matters exceeds \$500,000, and then only for the amount by which such Damages exceed \$500,000. However, this Section 5.5 will not apply to any intentional Breach by Investor of any covenant or obligation, and Investor will be liable for all Damages with respect to such Breaches.

The indemnification obligations of Investor under this Agreement may not exceed \$2,000,000.

#### 5.6 PROCEDURE FOR INDEMNIFICATION - THIRD PARTY CLAIMS

(a) Promptly after receipt by an indemnified party under Section 5.2 or 5.3 of notice of the commencement of any Proceeding against it, such indemnified party (Investor Indemnified Persons or Seller Indemnified Persons, as the case may be) will, if a claim is to be made against an indemnifying party under such Section, give notice to the indemnifying party of the commencement of such claim, but the failure to notify the indemnifying party will not relieve the indemnifying party of any liability that it may have to any indemnified party, except to the extent that the indemnifying party demonstrates that the defense of such action is prejudiced by the indemnified party's failure to give such notice.

(b) If any Proceeding referred to in Section 5.6(a) is brought against an indemnified party and it gives notice to the indemnifying party of the commencement of such Proceeding, the indemnifying party will, unless the claim involves Taxes, be entitled to participate in such Proceeding and, to the extent that it wishes (unless (i) the indemnifying party is also a party to such Proceeding and the indemnified party determines in good faith that joint representation would be inappropriate, or (ii) the indemnifying party fails to provide reasonable assurance to the indemnified party of its financial capacity to defend such Proceeding and provide indemnification with respect to such Proceeding), to assume the defense of such Proceeding with counsel satisfactory to the indemnified party and, after notice from the indemnifying party to the indemnified party of its election to assume the defense of such Proceeding, the indemnifying party will not, as long as it diligently conducts such defense, be liable to the indemnified party under this Section 5 for any fees of other counsel or any other expenses with respect to the defense of such Proceeding, in each case subsequently incurred by the indemnified party in connection with the defense of such Proceeding. If the indemnifying party assumes the defense of a Proceeding, (i) it will be conclusively established for purposes of this Agreement that the claims made in that Proceeding are within the scope of and subject to indemnification; (ii)

no compromise or settlement of such claims may be effected by the indemnifying party without the indemnified party's consent unless (A) there is no finding or admission of any violation of Legal Requirements or any violation of the rights of any Person and no effect on any other claims that may be made against the indemnified party, and (B) the sole relief provided is monetary damages that are paid in full by the indemnifying party; and (iii) the indemnified party will have no liability with respect to any compromise or settlement of such claims effected without its consent. If notice is given to an indemnifying party of the commencement of any Proceeding and the indemnifying party does not, within ten (10) days after the indemnified party's notice is given, give notice to the indemnified party of its election to assume the defense of such Proceeding, the indemnifying party will be bound by any determination made in such Proceeding or any compromise or settlement effected by the indemnified party.

(c) Notwithstanding the foregoing, if an indemnified party determines in good faith that there is a reasonable probability that a Proceeding may adversely affect it or its affiliates other than as a result of monetary damages for which it would be entitled to indemnification under this Agreement, the indemnified party may, by notice to the indemnifying party, assume the exclusive right to defend, compromise, or settle such Proceeding, but the indemnifying party will not be bound by any determination of a Proceeding so defended or any compromise or settlement effected without its consent (which may not be unreasonably withheld).

(d) The parties to this Agreement hereby consent to the exclusive jurisdiction of the courts identified in Section 6.4 hereof.

#### 5.7 PROCEDURE FOR INDEMNIFICATION - OTHER CLAIMS

A claim for indemnification for any matter not involving a third-party claim may be asserted by notice to the party from whom indemnification is sought.

#### 5.8 ATTORNEYS' FEES

If any action is taken to enforce or interpret the provisions of this Agreement, the prevailing party shall be entitled to its reasonable costs and expenses, including attorneys' fees from the non-prevailing party, in addition to any other relief to which that party may be entitled.

### 6. GENERAL PROVISIONS

#### 6.1 EXPENSES

Except as otherwise expressly provided in this Agreement, each party to this Agreement will bear its respective expenses incurred in connection with the preparation, execution, and performance of this Agreement and the Contemplated Transactions, including all fees and expenses of agents, representatives, counsel, and accountants. Seller and HEICO will

cause the Seller's Companies not to incur any out-of-pocket expenses in connection with this Agreement.

## 6.2 PUBLIC ANNOUNCEMENTS

Any public announcement or similar publicity with respect to this Agreement or the Contemplated Transactions will be issued, if at all, at such time and in such manner as Investor and Seller shall mutually agree, subject to the parties' obligations under applicable U.S. laws, as attached hereto as Exhibit 2. Seller, HEICO and Investor will consult with each other concerning the means by which the Seller's Companies' employees, customers, and suppliers and others having dealings with the Seller's Companies will be informed of the Contemplated Transactions, and Investor will have the right to be present for any such communication.

## 6.3 NOTICES

All notices, consents, waivers, and other communications under this Agreement must be in writing and will be deemed to have been duly given when (a) delivered by hand (with written confirmation of receipt), (b) sent by telecopier (with written confirmation of receipt), provided that a copy is mailed by registered mail, return receipt requested, or (c) when received by the addressee, if sent by a nationally recognized overnight delivery service (receipt requested), in each case to the appropriate addresses and telecopier numbers set forth below (or to such other addressees and telecopier numbers as a party may designate by notice to the other parties):

Seller: HEICO Aerospace Holdings Corporation  
3000 Taft Street  
Hollywood, Florida 33021  
Attention: Eric Mendelson  
Facsimile No.: (954) 987-8228

HEICO: HEICO Corporation  
825 Brickell Bay Drive, Suite 1644  
Miami, Florida 33131  
Attention: Victor Mendelson  
Facsimile No.: (305) 374-6742  
  
3000 Taft Street  
Hollywood, Florida 33021  
Attention: Thomas Irwin  
Facsimile No.: (954) 987-8228



with a copy to: Greenberg Traurig  
1221 Brickell Ave.  
Miami, Florida 33131  
Attention: Cesar Alvarez  
Facsimile No.: (305) 579-0717

Investor: Lufthansa Technik AG  
Dept. HAM TV/J  
P. O. Box 63 03 00  
D-22313 Hamburg, Germany  
Attention: Bernhard Langlotz  
Facsimile No.: (49-40) 5070-4909

with a copy to: Baker & McKenzie  
Barnett Tower, Suite 1600  
701 Brickell Ave.  
Miami, Florida 33131  
Attention: Noel H. Nation  
Facsimile No.: (305) 789-8953

6.4 JURISDICTION; SERVICE OF PROCESS

Any action or proceeding seeking to enforce any provision of, or based on any right arising out of, this Agreement shall be brought against any of the parties exclusively in the courts of the State of Florida, County of Dade, or, if it has or can acquire jurisdiction, in the United States District Court for the Southern District of Florida, and each of the parties consents to the jurisdiction of such courts (and of the appropriate appellate courts) in any such action or proceeding and waives any objection to venue laid therein. Process in any action or proceeding referred to in the preceding sentence may be served on any party anywhere in the world pursuant to the rules of the court under which the action is filed in Dade County, Florida.

6.5 FURTHER ASSURANCES

The parties agree (a) to furnish upon request to each other such further information, (b) to execute and delivery to each other such other documents, and (c) to do such other acts and things, all as the other party may reasonably request for the purpose of carrying out the intent of this Agreement and the documents referred to in this Agreement.

6.6 WAIVER

The rights and remedies of the parties to this Agreement are cumulative and not alternative. Neither the failure nor any delay by any party in exercising any right, power,

or privilege under this Agreement or the documents referred to in this Agreement will operate as a waiver of such right, power, or privilege, and no single or partial exercise of any such right, power, or privilege will preclude any other or further exercise of such right, power, or privilege or the exercise of any other right, power, or privilege. To the maximum extent permitted by applicable law, (a) no claim or right arising out of this Agreement or the documents referred to in this Agreement can be discharged by one party, in whole or in part, by a waiver or renunciation of the claim or right unless in writing signed by the other party; (b) no waiver that may be given by a party will be applicable except in the specific instance for which it is given; and (c) no notice to or demand on one party will be deemed to be a waiver of any obligation of such party or of the right of the party giving such notice or demand to take further action without notice or demand as provided in this Agreement or the documents referred to in this Agreement.

#### 6.7 ENTIRE AGREEMENT AND MODIFICATION

This Agreement supersedes all prior agreements between the parties with respect to its subject matter and constitutes (along with the documents referred to in this Agreement) a complete and exclusive statement of the terms of the agreement between the parties with respect to its subject matter. This Agreement may not be amended except by a written agreement executed by the party to be charged with the amendment.

#### 6.8 DISCLOSURE LETTER

(a) The disclosures in the Disclosure Letter relate to the representations and warranties in any of the Sections of the Agreement.

(b) In the event of any inconsistency between the statements in the body of this Agreement and those in the Disclosure Letter (other than an exception expressly set forth as such in the Disclosure Letter with respect to the representations or warranties), the statements in the body of this Agreement will control.

#### 6.9 ASSIGNMENTS, SUCCESSORS, AND NO THIRD-PARTY RIGHTS

Neither party may assign any of its rights under this Agreement without the prior consent of the other party except that either party may assign any of its rights under this Agreement to any wholly owned subsidiary thereof. Subject to the preceding sentence, this Agreement will apply to, be binding in all respects upon, and inure to the benefit of the successors and permitted assigns of the parties. Nothing expressed or referred to in this Agreement will be construed to give any Person other than the parties to this Agreement any legal or equitable right, remedy, or claim under or with respect to this Agreement or any provision of this Agreement. This Agreement and all of its provisions and conditions are for the sole and exclusive benefit of the parties to this Agreement and their successors and assigns.

6.10 SEVERABILITY

If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. Any provision of this Agreement held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

6.11 SECTION HEADINGS, CONSTRUCTION

The headings of Sections in this Agreement are provided for convenience only and will not affect its construction or interpretation. All references to "Section" or "Sections" refer to the corresponding Sections of this Agreement. All words used in this Agreement will be construed to be of such gender or number as the circumstances require. Unless otherwise expressly provided, the word "including" does not limit the preceding words or terms.

6.12 GOVERNING LAW

This Agreement will be governed by the laws of the State of Florida without regard to conflicts of laws principles.

6.13 COUNTERPARTS

This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the date first written above.

Investor:  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Seller:  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

HEICO Corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

SHAREHOLDERS AGREEMENT  
 BY AND AMONG  
 HEICO AEROSPACE HOLDINGS CORP.  
 AND  
 HEICO AEROSPACE CORPORATION  
 AND  
 ALL OF THE SHAREHOLDERS  
 OF  
 HEICO AEROSPACE HOLDINGS CORP.

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SCHEDULE 2.1

## SHAREHOLDERS AGREEMENT

THIS SHAREHOLDERS AGREEMENT (this "Agreement") dated as of October 30, 1997 by and among HEICO Aerospace Holdings Corp., a Florida corporation ("Newco"), HEICO Aerospace Corporation, a Florida corporation ("Company") which is a wholly owned subsidiary of Newco, HEICO Corporation, a Florida corporation ("Parent"), Lufthansa Technik AG, a corporation organized under the laws of the Federal Republic of Germany ("LHT") and the parties which may execute and join in this Agreement in the future. Parent, LHT, and any party which may execute and join in this Agreement in the future are collectively referred to as the "Shareholders" and individually as a "Shareholder."

### INTRODUCTION

Simultaneously with the execution and delivery of this Agreement, LHT is purchasing 200 shares (the "Acquired Shares") of Newco's common stock, par value \$.01 per share (the "Common Stock") representing twenty percent (20%) of the voting securities of Newco, pursuant to a Stock Purchase Agreement of even date herewith, by and among Parent, LHT, and Newco (the "Purchase Agreement");

Newco, Company and the Shareholders desire to enter into this Agreement for the purposes contained in this Agreement, including (i) establishing the composition of Newco's Board of Directors (the "Newco Board") and committees thereof, (ii) agreeing upon certain matters with respect to future investments in the Aerospace and Aviation Industry, (iii) agreeing upon certain matters with respect to the operation of Newco under certain circumstances, and (iv) agreeing upon certain preemptive and special rights and rights of first refusal with respect to the Common Stock of Newco.

The execution and delivery of this Agreement by Newco and the existing shareholders of Newco is a condition to LHT's purchase, and the sale by Newco, of the Acquired Shares pursuant to the Purchase Agreement.

In consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties to this Agreement hereby agree as follows:

### ARTICLE 1

#### DEFINITIONS

As used in this Agreement, the following terms have the following meanings:

"AEROSPACE AND AVIATION INDUSTRY" means all businesses and industries producing,



manufacturing, procuring, supplying, servicing or using aircraft or spacecraft or equipment used to service such aircraft or spacecraft, or parts thereof, other than ground support equipment used in the Aerospace and Aviation Industry.

"AFFILIATE" An "Affiliate" of, or a person "Affiliated" with, a specified person, is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified, but in no case shall a Person owning less than twenty five percent (25%) of the equity of LHT or Parent be deemed to be an "Affiliate" of, or a person "Affiliated" with either LHT or Parent, respectively.

"ACQUIRED SHARES" has the meaning set forth in the recitals.

"CLOSING" means the closing date of the Purchase Agreement.

"COMMON STOCK" has the meaning set forth in the recitals.

"COMPANY" has the meaning set forth in the preamble.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended from time to time, and the rules and regulations thereunder, or any successor statute, rules and regulations.

"INVESTMENT" means any expenditure or contribution of assets to acquire or form a business or to acquire a substantial portion of the assets of a business in order to produce revenue, including but not limited to the acquisition of an equity interest in any newly formed joint venture or subsidiary.

"LHT" has the meaning set forth in the preamble.

"NEWCO" has the meaning set forth in the preamble.

"NEWCO BOARD" has the meaning set forth in the recitals.

"PARENT" has the meaning set forth in the preamble.

"PERSON" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, or a governmental entity or any department, agency or political subdivision thereof.

"PURCHASE AGREEMENT" has the meaning set forth in the recitals.

"RESEARCH AND DEVELOPMENT COOPERATION AGREEMENT" means that certain research and development cooperation agreement entered into by Newco and LHT of even date hereto.

"SECURITIES ACT" means the Securities Act of 1933, as amended from time to time.

"SHARES" means (i) any Common Stock purchased or otherwise acquired by any Shareholder, (ii) any Common Stock issued or issuable with respect to the securities referred to in (i) above by way of stock dividend or stock split or in connection with a combination of shares, recapitalization, merger, consolidation or other reorganization, and (iii) any other security issued by Newco having voting rights which is controlled by any Shareholder.

"SHAREHOLDER" and "SHAREHOLDERS" have the meanings set forth in the preamble.

"TAX" (and, with correlative meaning, "Taxes" and "Taxable") means any net income, alternative, federal environmental taxes, or any other tax for which a Hypothetical Separate Tax Liability (as such term is defined in the Tax Allocation and Sharing Agreement) is computed together with any interest or any penalty, addition to tax or additional amount imposed by any governmental authority (hereinafter a "Taxing Authority") responsible for the imposition of any such tax (domestic or foreign).

"TAXING AUTHORITY" shall have the meaning ascribed to such term within the definition of the term "Tax," above.

"TAX RETURNS" shall mean all income (estimated income) excise, sales, unemployment, employer and employee withholding, social security, occupation, franchise, customs and other Tax returns or Tax reports with respect to Taxes required by Federal, State, foreign or local law or regulation.

"TAX SHARING AND ALLOCATION AGREEMENT" means the Tax Allocation and Sharing Agreement effected as of even date herewith between Parent and Newco.

"TRANSFER" means any sale, assignment, conveyance, donation, bequeath, pledge, hypothecation, transfer or other disposition (whether voluntary, involuntary or by operation of law or by merger), or any agreement to transfer.

## ARTICLE 2

### REPRESENTATIONS AND WARRANTIES

#### 2.1 REPRESENTATIONS AND WARRANTIES OF SHAREHOLDERS.

Each Shareholder represents and warrants to each other that (i) such Shareholder is the record owner of the number of Shares set forth opposite its name on SCHEDULE 2.1 attached hereto, (ii) this Agreement has been duly authorized, executed and delivered by such Shareholder and constitutes the valid and binding obligation of such Shareholder, enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles, and (iii) such Shareholder has not granted and is not a party to any proxy,

voting trust or other agreement with respect to the shares of Newco or its subsidiaries which is inconsistent with, conflicts with or violates any provision of this Agreement, or which is violated by this Agreement, and expressly agrees not to grant any proxy or become party to any voting trust or other agreement with respect to the shares of Newco or its subsidiaries which is inconsistent with, conflicts with or violates any provision of this Agreement.

## 2.2 REPRESENTATIONS AND WARRANTIES OF NEWCO AND THE COMPANY.

Newco and the Company each represent and warrant to each Shareholder that (i) each is a corporation duly organized, validly existing and in good standing under the laws of Florida and is qualified to do business in every jurisdiction in which its ownership of property or conduct of business requires it to qualify, and (ii) this Agreement has been duly authorized, executed and delivered by it and constitutes the valid and binding obligation of it enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

## ARTICLE 3

### BOARDS OF DIRECTORS AND COMMITTEES

#### 3.1 NEWCO BOARD.

From and after the Closing, and as long as LHT shall own at least ten percent (10%) of the issued and outstanding Shares of Newco, each Shareholder shall vote all of its Shares and the Shares over which such Shareholder has voting control and shall take all other necessary or desirable actions within its control (whether in its capacity as a shareholder, director, member of a board committee or officer of Newco or otherwise, and including, without limitation, attendance at meetings in person or by proxy for purposes of obtaining a quorum and execution of written consents in lieu of meetings), and Newco shall take all necessary corporate action within its control (including, without limitation, calling special board of directors and shareholder meetings), so that:

- (i) no less than (a) two directors, if the Newco Board consists of up to eight directors, (b) three directors, if the Newco Board consists of nine or ten directors, or (c) twenty percent (20%) of the directors, rounded up to the next whole number, if the Newco Board consists of more than ten directors, shall be representatives designated by LHT, provided however, such designated representatives must be reasonably acceptable to the other directors of the Newco Board (it being agreed that any LHT officer who also serves as a member of upper management of LHT shall be acceptable to such directors) (such designated representatives shall be referred to herein individually as a "LHT Director" and, collectively, as the "LHT Directors"), and each LHT Director shall serve until his or her successor is elected and qualified;

- (ii) the initial Newco Board shall consist of eight directors, two of which shall be LHT Directors;
- (iii) the removal, without cause, of any LHT Director from the Newco Board shall be effected only upon the written request of LHT and under no other circumstances;
- (iv) in the event that any LHT Director ceases to serve as a member of the Newco Board during his or her term of office, the resulting vacancy on the Newco Board shall be filled within thirty (30) days of such vacancy by another representative designated by LHT, as provided hereunder;
- (v) the removal, without cause, of any director designated by Parent, or Parent's designee, from the Newco Board shall be effected only upon the written request of Parent, or Parent's designee, and under no other circumstances; and
- (vi) in the event that any director designated by Parent, or Parent's designee, ceases to serve as a member of the Newco Board during his or her term of office, the resulting vacancy on the Newco Board shall be filled within thirty (30) days of such vacancy by a director designated by Parent or Parent's designee. The right to increase or decrease the size of the Board of Directors shall remain with Parent.

### 3.2 VISITATION RIGHTS OF LHT.

#### 3.2.1. DESIGNATED REPRESENTATIVE AND ALTERNATE.

From and after the Closing and as long as LHT shall own at least ten percent (10%) of the issued and outstanding Shares of Newco, LHT shall have the right to designate one person (the "Designated Representative") to attend each and every meeting of the boards of directors of Parent and the Company (the "HEICO Boards"), and each and every meeting of any committee of such HEICO Boards (the "HEICO Committees") either in person or by telephone (the "Visitation Rights"). LHT acknowledges that the HEICO Boards and the HEICO Committees may discuss matters regarding LHT and Newco, in which case such HEICO Boards and HEICO Committees may request the Designated Representative or the Alternate to not participate in such portion of the meetings, provided however, that the HEICO Boards and the HEICO Committees conduct themselves in accordance with applicable corporate law. In the event the Designated Representative is unable to participate in any of the meetings of the HEICO Boards or the HEICO Committees, an alternate (the "Alternate") shall be entitled to the Visitation Rights, provided however, that the Alternate shall serve as a member of upper management of LHT.

#### 3.2.2. NOTICE TO DESIGNATED REPRESENTATIVE OR ALTERNATE.

Parent and Company shall provide LHT's Designated Representative or Alternate with at least the same notice of meetings given to members of the HEICO Boards and the HEICO

Committees.

### 3.2.3. CONFIDENTIAL INFORMATION.

LHT's Designated Representative or Alternate shall have the right to access information presented in advance of, at, or following such meetings, and to participate in the meetings, each to the same extent as other members of HEICO Boards or HEICO Committees; provided however, LHT's Designated Representative's or Alternate's access and participation shall be subject to applicable United States law as to military and security issues and the right to withhold information if a potential conflict of interest exists with LHT or Newco provided the HEICO Boards and HEICO Committees conduct themselves in accordance with applicable corporate law. LHT's Designated Representative or Alternate shall have no voting rights at such meetings.

LHT agrees to use the same means it uses to protect its own confidential or proprietary information, but in any event not less than reasonable means, to prevent the disclosure and to protect the confidentiality of (i) written information received by LHT's Designated Representative or Alternate from Parent or Company, and (ii) oral or visual information identified as confidential at the time of disclosure. The term "Confidential Information" shall mean (i) and (ii) in the preceding sentence. Confidential Information will not include information which belongs to LHT or is (i) already known by LHT without an obligation of confidentiality other than under this Agreement, (ii) publicly known or becomes publicly known through no unauthorized act of LHT, (iii) rightfully received from a third party, (iv) independently developed by LHT without use of Parent's or Company's confidential information, (v) disclosed without similar restrictions to a third party by Parent and/or Company, (vi) approved by Parent and/or Company for disclosure or (vii) required to be disclosed pursuant to a requirement of a governmental agency or law of the United States of America or a state thereof, or any governmental or political subdivision thereof, so long as LHT provides Parent and/or Company, as may be applicable, with prior reasonable notice of such requirement.

This provision shall survive the termination of this Agreement for three (3) years.

LHT's Designated Representative or Alternate may disclose such confidential and proprietary information of the Board of Directors of Parent or Company only to members of upper management of LHT in connection with LHT's interests in Newco and its subsidiaries.

### 3.3 APPLICATION TO OTHER RIGHTS.

In the event LHT exercises any right granted under this Agreement to acquire its pro rata share of stock or other equity interest in any subsidiary or other Affiliate of Parent that is or will be involved in the Aerospace and Aviation Industry, including without limitation pursuant to Article 5 hereof, LHT shall have the same right and in the same proportion (subject to owning at least its Pro Rata Interest as hereinafter defined) to elect directors or their equivalent to the boards of directors or equivalent governing body of each such subsidiary or other Affiliate as set forth above in Article 3.1, and to have either LHT's Designated Representative or Alternate

attend the meetings of each such subsidiary or other Affiliate of Parent as set forth in Article 3.2.1 above, and have access to information presented in connection with such meetings, as set forth in Article 3.2.3 above. Any information provided pursuant to this Section shall be subject to the same confidentiality requirements as are set forth in Section 3.2.3.

#### ARTICLE 4

##### STRATEGIC COMMITTEE

###### 4.1 COMPOSITION OF THE STRATEGIC COMMITTEE.

Not later than November 15, 1997, Newco shall create a committee of the Newco Board (the "Strategic Committee") which shall consist of five (5) members. The Shareholders shall have the right to designate the members of the Strategic Committee, subject to the terms set out below, in proportion to their respective ownership of Shares, except that LHT shall have the right at all times while it owns at least ten percent (10%) of the issued and outstanding Shares of Newco, to designate at least one member of the Strategic Committee. The initial members of the Strategic Committee shall be: (i) the President of Newco, (ii) the Chairman of the Board of Parent, (iii) one other member from the Newco Board designated by Parent, (iv) one other member from Parent's Board of Directors designated by Parent in Parent's sole and absolute discretion, and (v) LHT's designee, it being agreed that such designee shall serve as a member of upper management of LHT.

###### 4.2 PURPOSE OF STRATEGIC COMMITTEE.

The purpose of the Strategic Committee shall be to consider, make recommendations and provide for the implementation of strategic planning in the Aerospace and Aviation Industry, including future investments, changes in the scope of Newco's and the Company's business, and governmental, regulatory and political issues involving the Aerospace and Aviation Industry. The Strategic Committee shall be the only body performing the aforesaid functions for Newco and its subsidiaries, recognizing that with respect to Parent, it shall be an advisory body to the Board of Directors of Parent. In addition, the Strategic Committee shall be the only body performing the aforesaid functions for any new subsidiary or other entity of Parent which directly or indirectly owns any stock or other interest in Newco or the Company.

#### ARTICLE 5

##### AEROSPACE AND AVIATION INDUSTRY INVESTMENTS

###### 5.1 FUTURE INVESTMENTS.

#### 5.1.1. RIGHT OF PARTICIPATION.

With respect to any future Investments in the Aerospace and Aviation Industry, such Investments shall be made in Newco if (i) Newco has the reasonable financial capability to undertake such Investment and (ii) LHT approves the making of such Investment within 45 days of receiving a request to approve such Investment. If LHT fails to approve such Investment within such period, Parent will have the right to pursue such Investment without LHT having any further involvement in such Investment.

#### 5.1.2. RIGHT TO PARTICIPATE WITH PARENT.

In the event that Newco is not financially capable of undertaking an Investment in the Aerospace and Aviation Industry and if Parent or Affiliates of Parent wish to proceed with such Investment, LHT shall have the right to participate in such Investment on similar terms as offered to Parent, or Affiliates of Parent in an amount equal to the same percentage of Shares then owned by LHT in Newco (the "Pro Rata Interest").

In the event that Newco is financially capable but LHT and Newco mutually agree to seek participation of a third party in such an Investment, LHT shall have the right to participate in such Investment on similar terms as offered to Parent or Affiliates of Parent in an amount equal to the Pro Rata Interest.

### 5.1.3. PROCEDURE RELATING TO SECTION 5.1.2.

LHT shall confirm its desire to participate with Parent or Affiliates of Parent within ninety (90) days of notice of a proposed Investment in the Aerospace and Aviation Industry, or if such Investment is proposed to be consummated within a shorter period than ninety (90) days, then at least forty-five (45) days prior to the proposed date of consummation of the Investment. Parent or any Affiliates of Parent shall have the right to proceed with any proposed Investment prior to receiving LHT's decision as long as LHT shall have received notice at least thirty (30) days prior to the consummation of such Investment. In the event Parent or any Affiliates of Parent decides to proceed with such Investment prior to receiving LHT's decision and LHT later decides (but within the above referenced 90 or 45 day periods) to participate, LHT agrees (i), in the event the party making the Investment uses outside financing, to pay interest to Parent, or to such other Affiliate of Parent as is appropriate under the circumstances, at the prime rate of Parent's principal lender for the period beginning on the date of the Investment and ending on the date in which LHT makes its decision and Investment or (ii), in the event the party making the Investment finances the Investment itself, to pay the actual carrying interest for the period beginning on the date of the Investment and ending on the date in which LHT makes its decision and Investment. If LHT elects not to participate in the Investment in the Aerospace and Aviation Industry or does not provide its notice of election within the time periods provided, the Investment by Parent or any of its Affiliates, may proceed without LHT outside the corporate chain of Newco and its subsidiaries, or may be offered to a third party on terms no more favorable than offered to LHT.

### 5.1.4. MUTUAL BUSINESS INTERESTS

The parties to this Agreement are aware of their mutual business interests and mutual benefits in relation to their common ownership in Newco. The parties are also aware that each has or may have additional business interests which might interfere with the mutual business interests of the parties in relation to their ownership in Newco or which might interfere with additional business interests of the other parties to this Agreement. It is the mutual intention of the parties to avoid such interferences and to jointly seek amicable solutions in situations where such interferences may arise.

LHT and Newco will try to include each other as a participant in any investment in an entity which engages in designing, procuring, manufacturing or selling PMA aircraft engine parts; provided, however, that such inclusion is in accordance with the rights and business intentions of such parties under this Shareholders Agreement and the Research and Development Cooperation Agreement.

With respect to future aircraft engine PMA parts which are not produced in accordance with Article 2.3 of the Research and Development Cooperation Agreement, LHT and Newco shall discuss the possibilities to have such future aircraft engine PMA parts developed, procured and/or manufactured by Newco. If either party comes to the conclusion, in its sole discretion, that the development, procurement and/or manufacturing of such parts by Newco would not be in accordance with its needs and requirements, such party shall be free to pursue such other alternative as it deems appropriate in its sole discretion. Neither LHT nor Newco shall be



restricted in any way from purchasing PMA aircraft parts from any other source at the lowest price in the market if delivery and quality are comparable to Newco's parts.

The provisions of Section 5.1.4 are intended only as an expression of the parties' present intentions and are not intended as legal obligations or legally binding commitment on any party to this Agreement.

#### 5.2 LHT'S RIGHT TO PARTICIPATE IN DEBT FINANCING FOR NORTHWINGS ACQUISITION.

LHT shall have the right to participate in up to twenty percent (20%) of the debt financing provided by Parent to Newco in connection with Newco's recent acquisition of Northwings Accessories Corp., a Florida corporation ("Northwings") on terms acceptable to LHT and no less favorable than those agreed to by Parent or its Affiliates. The amount to be financed shall be reduced by earnings of Northwings from the date of acquisition. The interest rate for any debt financing provided by the Shareholders of Newco shall be the same for each Shareholder. In the event LHT does not elect to contribute any amount up to twenty percent (20%) of any shareholder loan financing in connection with the acquisition of Northwings, Parent shall have the right to finance the acquisition with any other party or to maintain the financing itself.

### ARTICLE 6

#### LIAISON OFFICER AND EXCHANGE OF EXPERTS

##### 6.1 LIAISON OFFICER.

From and after Closing, LHT may provide a liaison officer to Newco on a part time basis, designated and paid by LHT, who may coordinate sales, marketing, engineering and business support relating to aircraft engine parts with Newco. Moreover, Newco or its subsidiaries may provide a liaison officer to LHT on a part time basis, designated and paid by Newco, who may coordinate sales, marketing, engineering and business support relating to aircraft engine parts with LHT.

##### 6.2 EXCHANGE OF EXPERTS.

The Company and LHT may develop an exchange program whereby personnel from each having expertise in engineering and aircraft engines may be exchanged on a part-time basis on mutually agreeable schedules, with the costs of each such exchange to be borne by the party employing such personnel and making the exchange. Each party participating in the exchange agrees to make reasonable office space, furnishings and telephone and telecopy facilities available to personnel exchanged by the other party during the term of the exchange. In addition, the Company and LHT hereby agree to be bound by the same confidentiality obligations agreed to by LHT in Article 3.2.3 hereof with respect to any confidential information exchanged between the parties under this Article 6.2.

ARTICLE 7

PREEMPTIVE RIGHTS

7.1 PREEMPTIVE RIGHTS.

On and after the Closing, and so long as LHT owns at least ten percent (10%) of the issued and outstanding shares of Newco, the Articles of Incorporation of Newco shall provide for preemptive rights such that if Newco authorizes the issuance or sale of additional Newco securities (other than as a dividend on the outstanding Common Stock), Newco shall first offer to sell LHT a percentage of such additional securities equal to LHT's proportionate interest in Newco at the then most favorable price and other terms offered to any other Person in connection with such offering. The Articles of Incorporation or their equivalent of any subsidiary or Affiliate of Parent involved in the Aerospace and Aviation Industry in which LHT acquires stock or other equity interest shall provide for the preemptive rights as set forth in this Article in form and substance acceptable to LHT and effective upon acquisition by LHT of the stock or other equity interest therein.

7.2 PROCEDURE.

LHT shall exercise its preemptive right by delivering a written notice to Newco setting forth the number or amount of securities to be purchased by LHT within ninety (90) days, or such shorter period of time if the Newco Board determines in good faith that there exists a bona fide business emergency for such shorter period of time which in no event shall be less than forty five (45) days, of receipt of Newco's written notice describing in reasonable detail the stock or securities being offered, the purchase price thereof, the payment terms and LHT's percentage allotment. During such ninety (90) day period, LHT may elect to either purchase all or any portion of the securities offered by Newco under this Article. LHT agrees to use its reasonable best efforts to secure an exercise decision in a shorter period of time in such an emergency. Notwithstanding, in the event LHT takes longer than forty-five (45) days to exercise its preemptive right, LHT agrees to pay interest to Parent, or such other Affiliate of Parent as is appropriate under the circumstances, at the prime rate of Parent's principal lender on the purchase price of the additional Shares offered to LHT for the period beginning forty-five (45) days after notice and ending on the date in which LHT makes its exercise decision. Upon expiration of the offering period, Newco may within ninety (90) days sell the additional securities which LHT has not elected to purchase, on terms no more favorable than offered to LHT, to any third party including Parent or any Affiliate thereof. Any stock or securities offered or sold by Newco after such ninety (90) day period must be re-offered to LHT pursuant to the terms of this Article.

## ARTICLE 8

### RESTRICTIONS ON AND RIGHTS OF LHT WITH RESPECT TO PARENT

#### 8.1 RESTRICTION ON ACQUIRING SECURITIES OF PARENT.

Except in the event of a bona fide tender offer for Parent by any Person not Affiliated with LHT, LHT shall not, directly or indirectly, acquire, enter into an agreement to acquire, or participate in any way in connection with the solicitation of proxies or consents for, the voting securities of Parent, or aid or encourage any other Person from so doing. The exclusive remedy of Parent under this Article 8.1 will be to seek injunctive relief in a court of competent jurisdiction in the United States to stop LHT from acquiring any of the voting securities of Parent, provided that any voting securities acquired in violation of this Section 8.1 shall not be voted by LHT or by anyone holding LHT's proxy.

#### 8.2 RIGHTS OF LHT WITH RESPECT TO SALE OF OR TENDER OFFER FOR PARENT.

In the event that the Board of Directors of Parent wishes to sell over fifty percent (50%) of the voting securities or assets (other than in the ordinary course of business) of Parent or if someone commences a tender offer to acquire, or acquires, sufficient shares of the common stock of Parent to trigger its existing shareholders rights plan, then, to the extent the Board of Directors of Parent desires to proceed with a sale of Parent, LHT shall have the right, on the same basis as any other bidder, to participate in the bidding for whatever shares or assets Parent wishes to ultimately sell to a potential bidder. Parent agrees not to consummate any such sale until at least thirty (30) days have expired from the time that Parent has communicated to LHT (or LHT senior management has become aware) of the commencement of such a sale or a hostile offer for Parent. During this period, and subject to LHT agreeing to a confidentiality agreement in substantially the same form as that required of other bidders in any such sale or hostile takeover attempt, Parent will give LHT the same access to confidential information that it gives to other potential bidders. The Board of Directors of Parent shall retain the right to select the bidder based on the exercise of its fiduciary duties. The rights of LHT under this Article 8.2 shall not be applicable to a merger (other than a merger in which cash consideration is in excess of fifty percent (50%) of the total consideration received in the merger) in which fifty percent (50%) or more of the directors of Parent continue in office immediately after the merger. The exclusive remedy of LHT under this Article 8.2 will be to seek injunctive relief in a court of competent jurisdiction in the United States to permit it to bid for the shares or assets of Parent on the same basis as any other bidder as provided in this Article. The rights of LHT pursuant to this Section 8.2 are subject to the fiduciary duties of the directors of Parent and the rights of the shareholders of Parent.

ARTICLE 9

RIGHTS OF FIRST REFUSAL

9.1 PARENT'S RIGHT OF FIRST REFUSAL.

If LHT desires to transfer, directly or indirectly, all or any portion of the Acquired Shares or other equity interests acquired in other entities pursuant to the provisions of this Agreement ("Equity Interests") to a bona fide third party purchaser, (excluding any wholly owned subsidiaries of LHT, and shall not be a direct or indirect competitor of Parent, Newco or the Company), LHT must provide Parent with a first right of refusal, and give notice to Parent and Newco of the proposed transfer including (i) the name of the proposed transferee(s), (ii) the number of shares or other Equity Interests desired to be transferred (the "Offered Shares"), (iii) the price per share or other Equity Interest and other material terms of the offer, and (iv) an offer to sell the Shares to Parent on the same terms. Any such transfer by LHT shall include all other interests that LHT has acquired pursuant to the rights granted under this Agreement if the transfer is of ten percent (10%) or more of the Acquired Shares. Parent shall have an irrevocable right to purchase all or a portion of the Offered Shares upon the terms of LHT's notice, and shall be required to provide notice of its intent to purchase the Offered Shares within ninety (90) days after delivery of LHT's notice (the "Initial Period"). If Parent elects to purchase all or any portion of the Offered Shares, it must pay the purchase price within the ninety (90) day period following the Initial Period upon delivery of the share certificates representing the Offered Shares, properly endorsed for transfer. If fewer than all of the Offered Shares are elected to be purchased by Parent, LHT may then transfer, subject to compliance with all applicable state and federal securities laws, the remaining Offered Shares to a third party at any time within the ninety (90) days after the Initial Period on terms no more favorable than in LHT's notice. The rights of Parent under this right of first refusal shall be exercisable by any direct or indirect Affiliate of Parent.

9.2 LHT'S RIGHT OF FIRST REFUSAL.

If Parent desires to transfer, directly or indirectly, all or any portion of its Shares in Newco, any other Equity Interests, or of any Newco subsidiary or substantially all of Newco's assets or substantially all of the assets of any of Newco's subsidiaries or any of the Equity Interests to a bona fide third party, (excluding any wholly owned subsidiaries of Parent), Parent must give notice to LHT and to Newco of the proposed transfer including (i) the name of the proposed transferee(s), (ii) the number of Shares for other Equity Interests or assets desired to be transferred (collectively, the "Offered Shares or Assets," or individually the "Offered Shares" and the "Offered Assets"), (iii) the price per Share, other Equity Interest or for the Assets and other material terms of the offer, and (iv) an offer to sell the Offered Shares or Assets to LHT on the same terms. LHT shall have an irrevocable right to purchase all or a portion of the Offered Shares or Assets upon the terms of Parent's notice, and shall be required to provide notice of its intent to purchase the Offered Shares or Assets of Newco or Newco's subsidiaries within ninety (90) days after delivery of Parent's notice (the "Initial Period"). If LHT elects to purchase all or any portion of the Offered Shares or Assets, it must pay the purchase price upon delivery of the share certificates representing the Offered Shares, properly endorsed for transfer, or the Offered Assets within the Initial Period. If fewer than all of the Offered Shares or Assets are elected to be

purchased by LHT, Parent may then transfer, subject to compliance with all applicable state and federal securities laws, the remaining Offered Shares or Assets to a third party at any time within the ninety (90) days after the Initial Period on terms no more favorable than in Parent's notice.

#### ARTICLE 10

##### RIGHTS OF LHT AND TRANSFEREE IN EVENT OF PARTIAL TRANSFER OF SHARES BY LHT

In the event LHT transfers Acquired Shares pursuant to any Article of this Agreement, LHT's transferee shall not retain any of LHT's rights granted under Articles 3, 4, 5, 6, 7, 8, 9.2, 12, 13 and 15 of this Agreement but will remain subject to all its obligations under this Agreement, including its obligations under such Articles, provided however, if LHT maintains ownership of at least ten percent (10%) of the issued and outstanding Shares of Newco, LHT may retain or grant to any transferee, together with the respective Shares transferred, the right to appoint one of its LHT Directors to the Newco Board. Notwithstanding the foregoing, Parent reserves the right to approve or reject any individual candidate designated by LHT's transferee based on the candidate's fitness and/or personality. If LHT owns less than ten percent (10%) of the Shares of Newco, LHT shall lose its rights under the following sections of this Agreement: Articles 3, 4, 5, 6, 7, 8, 9.2, 12, 13 and 15 but will remain subject to all its obligations under this Agreement, including its obligations under such Articles.

#### ARTICLE 11

##### BUY AND SELL OF NEWCO SHARES

###### 11.1 RESTRICTION ON TRANSFER DURING HOLDING PERIOD.

Unless it occurs indirectly as a result of the acquisition or merger of LHT or Parent, during the first three (3) years of this Agreement, neither LHT nor Parent shall transfer all or any portion of their Shares of Newco.

###### 11.2 CHANGE IN CONTROL OF LHT.

In the event of a change in control of LHT, Parent shall have the right to purchase and LHT shall be obligated to sell all of LHT's Shares in Newco to Parent upon mutually agreeable terms. In the event LHT and Parent cannot mutually agree to a purchase price within the forty-five (45) day period subsequent to LHT's notice to Parent of such change in control, the price of LHT's Newco Shares shall be determined by a mutually agreeable independent investment banking firm or independent accounting firm having experience in the Aerospace and Aviation Industry. If the parties cannot agree upon an independent investment banking firm or accounting firm within thirty (30) days from the expiration of the prior forty five (45) day period, the parties shall request the American Arbitration Association to select an independent investment banking or

accounting firm. For purposes of this Article, a change in control of LHT shall mean (i) the acquisition by any person of beneficial ownership of more than fifty percent (50%) of either the then outstanding shares of common stock of LHT or the combined voting power of LHT's then outstanding voting securities or (ii) LHT is not Affiliated with an entity operating a major international airline having at least 150 major commercial aircraft.

#### 11.3 RESTRICTION ON SALE BY LHT TO COMPETITOR.

Notwithstanding any provision contained in this Agreement, LHT shall not authorize the transfer of any of its Newco Shares to any third party who is, or, to LHT's knowledge, intends to become, a direct or indirect competitor of Newco, the Company or Parent or any of their Affiliates without the prior consent of Parent.

### ARTICLE 12

#### CERTAIN COVENANTS

##### 12.1 REVIEW OF INCOME TAX RETURNS AND COMPUTATION OF HYPOTHETICAL SEPARATE TAX LIABILITY OF SUB.

Parent shall provide any and all Income Tax Returns of Parent to LHT after such Tax Return has been filed. Parent may redact such information that is not applicable to Newco.

Parent shall compute the Hypothetical Separate Tax Liability of Sub (as that term is defined in the Tax Sharing and Allocation Agreement) in a manner Parent believes to be in the best interests of Newco. LHT shall have the right at its expense to review all work papers, procedures and any other relevant information used to prepare such Income Tax Returns as is necessary to determine the Hypothetical Separate Tax Liability of Sub. If LHT, after delivery of the Income Tax Return, notifies Parent in writing that LHT requests additional information reasonably relating to the determination of the Hypothetical Separate Tax Liability of Sub (as that term is defined in the Tax Sharing and Allocation Agreement), then Parent shall provide any such information within a reasonable period of time. Parent, and if necessary, their representatives, shall discuss and resolve all inquiries and disputes that LHT may have to the Parent's determination of the Hypothetical Separate Tax Liability of Sub. In the event Parent and LHT are unable to reach an agreement as to one or more disputed items, Parent shall determine the Hypothetical Separate Tax Liability of Sub in a manner that it believes to be in the best interests of Newco. To the extent that the correct amount of the Hypothetical Separate Tax Liability exceeds the amount that was previously paid by Newco, the Parent Group shall promptly refund such amount to Newco. To the extent that the correct amount of the Hypothetical Separate Tax Liability of Sub is less than the amount that was previously paid by Newco, Newco shall promptly pay such amount to Parent.

LHT shall reimburse Parent for any out of pocket expenses attributable to the foregoing, including but not limited to, any reasonable fees incurred by Parent's accounting firm in

connection with providing the requested information, and in participating in discussions with LHT's representatives; provided, however, if any inquiry results in a refund to Newco of part or all of the Hypothetical Separate Tax Liability of Sub that was previously paid by Newco to Parent, then LHT and Parent shall each pay fifty percent (50%) of Parent's out of pocket expenses that are attributable to such inquiry.

#### 12.2 LHT'S RIGHTS IN CONNECTION WITH TAX CONTROVERSIES.

Parent shall notify LHT promptly in writing if Parent or Newco receives any material inquiry relating to Newco (including without limitation any communication, notice of proposed audit, revenue agent's report or notice of proposed adjustment) from the Taxing Authority concerning any taxable year for which Parent or Newco filed a Tax Return. Upon request, Parent shall promptly provide to LHT copies of any and all written communications to or from any Taxing Authority relating to Newco. Parent, and if necessary, their representatives, shall discuss and answer all inquiries that LHT may have regarding communications with the Taxing Authority relating to Sub. Parent shall act in a manner that it believes to be in the best interests of Newco when resolving any inquiry by a Taxing Authority relating to Newco.

### ARTICLE 13

#### CERTAIN GUIDELINES

##### 13.1 DIVIDENDS.

Within sixty (60) days of Closing, Newco shall adopt general dividend payout targets providing for the declaration of dividends at least annually in the amount of eighty percent (80%) of available cash flow to the Shareholders. Notwithstanding, the declaration and payment of dividends by Newco (as well as its related determination of available cash flow, to the extent not inconsistent with the debt to equity ratio guideline below) shall be subject to the sole discretion of the Newco Board.

##### 13.2 DEBT TO EQUITY RATIO.

Newco shall use its reasonable best efforts to maintain at all times a maximum debt to equity ratio of 3:1 (i.e. 75% of debt and 25% of equity) on a consolidated basis. Notwithstanding, the decision to incur any indebtedness by Newco above such 3:1 ratio shall be subject to the sole discretion of the Newco Board, provided such action is taken pursuant to specific resolution adopted by the Newco Board.

ARTICLE 14

ALLOCATION OF OVERHEAD

Subject to the provisions of the Tax Allocation and Sharing Agreement of even date, Parent agrees that there shall be no allocation of intercompany charges to Newco and its subsidiaries for expenses of Parent and/or any other Affiliate of Parent, except for charges that would otherwise be incurred by Newco or its subsidiaries on a separate company basis in the ordinary course of business. The allocable costs shall also include (i) the fair value of stock options in Parent, as determined in accordance with FASB 123, which will be issued to employees or consultants of Newco after Closing, and to a senior consultant of Newco agreed to in writing by LHT, and (ii) the fair value of contributions to Parent's 401K Plan, or subsequent equivalent plan, for employees of Newco after Closing which are made in shares of common stock of Parent in lieu of cash or other contributions. Charges incurred on a separate company basis in the ordinary course of business do not include any management fees or general corporate or administrative overhead related to Parent or its Affiliates outside of Newco, except as agreed to in writing by LHT.

ARTICLE 15

APPROVAL OF CERTAIN TRANSACTIONS

15.1 APPROVAL OF LHT DIRECTORS.

From and after the Closing, Newco and/or its subsidiaries shall not take, without the affirmative vote of each of the LHT Directors, any action to cause Newco and/or any of its subsidiaries to:

- (i) alter, amend or repeal their Articles of Incorporation in a manner that would violate LHT's rights under this Agreement;
- (ii) alter, amend or repeal their Bylaws in any way that would violate LHT's rights under this Agreement;
- (iii) liquidate or dissolve Newco and/or any of its subsidiaries;
- (iv) materially change the organizational form of Newco or any of its subsidiaries or effect a material recapitalization or material reorganization of Newco or any of its subsidiaries engaged in a business in the Aerospace and Aviation Industry;
- (v) engage in any other business activities other than the research, development, production, commercialization and servicing of equipment, products, parts and systems related to the Aerospace and Aviation Industry;
- (vi) engage in any business transaction with Parent or its Affiliates on terms materially



less favorable to Newco and/or its subsidiaries than Newco and/or its subsidiaries could otherwise obtain from unaffiliated parties; and

(vii) directly, or indirectly, merge, consolidate, enter into a business combination, joint venture or other type of Investment with any other Person.

Parent hereby agrees not to cause Newco and its subsidiaries to breach any of their obligations under this Section 15.1.

#### 15.2 GOOD FAITH CONSULTATION REQUIREMENT.

Newco agrees to consult in good faith with LHT and/or the LHT Directors before Newco: (i) incurs any indebtedness, loans or guarantees or makes any capital expenditures for a project at any time in excess of \$1,000,000 which is outside the ordinary course of business of Newco; or (ii) grants stock options or similar stock based interests of Parent per annum in excess of five percent (5%) of Parent's then issued and outstanding shares of common stock to Newco and its subsidiaries employees and consultants. After such good faith consultation, Newco shall have the right to make the final decision.

### ARTICLE 16

#### LEGEND

Each certificate evidencing Shares and each certificate issued in exchange for or upon the transfer of any Shares shall bear the following legend:

"NEITHER THESE SHARES, NOR ANY PORTION THEREOF OR INTEREST THEREIN, MAY BE SOLD, TRANSFERRED, ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF (EACH SUCH ACTION, A "TRANSFER") UNLESS SUCH TRANSFER COMPLIES WITH THE PROVISIONS OF THE SHAREHOLDERS AGREEMENT DATED AS OF OCTOBER 30, 1997 AMONG THE ISSUER OF SUCH SECURITIES AND CERTAIN OF THE ISSUER'S SHAREHOLDERS, AS AMENDED AND MODIFIED FROM TIME TO TIME, A COPY OF WHICH IS ON FILE AT THE OFFICES OF THE ISSUER AND WILL BE FURNISHED TO ANY SHAREHOLDER ON REQUEST. BY ACCEPTANCE OF THIS CERTIFICATE, EACH HOLDER HEREOF AGREES TO BE BOUND BY THE PROVISIONS OF THE SHAREHOLDERS AGREEMENT. THESE SHARES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR UNDER ANY APPLICABLE STATE LAW. THEY MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR PLEDGED WITHOUT (1) REGISTRATION UNDER THE SECURITIES ACT OF 1933 AND ANY APPLICABLE STATE LAW, OR (2) AT HOLDER'S EXPENSE, AN OPINION (SATISFACTORY TO THE ISSUER) OF

COUNSEL (SATISFACTORY TO THE ISSUER) THAT REGISTRATION IS NOT REQUIRED."

Newco shall imprint such legends on certificates evidencing Shares held by the Shareholders. Newco agrees that it shall not issue any new securities either in exchange for or upon the transfer of any Shares unless the certificates evidencing such securities (to the extent such new securities are Shares and subject to this Agreement after such transfer) are imprinted with the legend set forth above. The legend set forth above shall be removed from the certificates evidencing any securities which cease to be Shares.

#### ARTICLE 17

##### TRANSFERS

###### 17.1 TRANSFERS.

Prior to transferring any Shares to any Person, the transferring Shareholder shall cause the prospective transferee to be bound by all the provisions of this Agreement and to execute and deliver to Newco and the other Shareholders a counterpart of this Agreement.

###### 17.2 TRANSFERS IN VIOLATION OF THIS AGREEMENT.

Any transfer or attempted transfer of any Shares in violation of any provision of this Agreement shall be void, and Newco shall not record such transfer on its books or treat any purported transferee of such Shares as the owner of such Shares for any purpose.

#### ARTICLE 18

##### ENCUMBRANCE OF NEWCO'S ASSETS BY PARENT

Newco may grant a security interest in Newco's assets in connection with a financing in which the proceeds will be used by the Parent, but only for the limited purpose of securing a credit facility with any financial institution, provided however, that such financial institution agrees to remit to LHT, subject to the rights of the creditors of Newco, an amount equal to the percentage of the Shares of Newco then owned by LHT multiplied by any amount recovered by such financial institution upon the sale of any of Newco's assets in the event of a foreclosure.

#### ARTICLE 19

##### MISCELLANEOUS

#### 19.1 AFTER-ACQUIRED SHARES.

All of the provisions of this Agreement shall apply to all of the Shares now owned by or which may be issued or transferred hereafter to any of the parties hereto or any Persons who are required hereby to become parties hereto in consequence of any additional issuance, purchase, exchange, conversion or reclassification of Shares, corporate reorganization, or any form of recapitalization, consolidation, merger, share split, share dividend or distribution, or transfer or which are acquired by such Person in any manner whatsoever.

#### 19.2 AMENDMENT AND WAIVER.

Except as otherwise provided herein, no modification, amendment or waiver of any provision of this Agreement shall be effective against the parties hereto unless such modification, amendment or waiver is approved in writing by each party hereto. The failure of any party to enforce any of the provisions of this Agreement shall in no way be construed as a waiver of such provisions and shall not affect the right of such party thereafter to enforce each and every provision of this Agreement in accordance with its terms. The parties hereto agree that the addition of new parties to this Agreement (including pursuant to Article 17.1) shall not constitute a modification, amendment or waiver of this Agreement.

#### 19.3 SEVERABILITY.

Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of any other provision of this Agreement in such jurisdiction or affect the validity, legality or enforceability of any provision in any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

#### 19.4 ENTIRE AGREEMENT.

This Agreement constitutes the entire agreement of the parties hereto and supersedes all prior or contemporaneous negotiations, understandings, agreements, representations, proposals, discussions, and communications, whether oral or in writing with respect to the transactions contemplated hereby except for (i) the Stock Purchase Agreement, dated as of October 30, 1997, by and between HEICO, Newco and LHT; (ii) the Research and Development Cooperation Agreement, dated as of October 30, 1997, by and between Newco and LHT; (iii) the Tax Sharing Agreement, dated as of October 30, 1997 by and between HEICO and Newco and (iv) existing purchase orders entered into in the normal course of business. This Agreement may not be changed or terminated orally but may only be modified by an agreement only in writing signed by a duly authorized officer of the party against whom enforcement of any such waiver, change, modification, extension, discharge or termination is sought to be bound.

#### 19.5 SUCCESSORS AND ASSIGNS.

Except as otherwise provided herein, this Agreement shall bind and inure to the benefit of and be enforceable by the Shareholders and their successors and assigns.

#### 19.6 COUNTERPARTS.

This Agreement may be executed in multiple counterparts, each of which shall be an original and all of which taken together shall constitute one and the same agreement.

#### 19.7 CURE PERIOD.

It is hereby agreed and acknowledged by each Shareholder, Newco, and the Company that a violation or default by any of the parties of any or all of the covenants and/or obligations contained in this Agreement shall not be deemed a breach unless such a violation or default is not cured within thirty (30) days from written notice to the defaulting party by any other party.

#### 19.8 FURTHER ASSURANCES.

The Shareholders hereby covenant and agree that if at any time after the date hereof any further action is necessary or desirable to carry out the purpose of this Agreement, they shall execute and deliver any further instruments or documents and take all such necessary action that may reasonably be requested by the other party.

#### 19.9 ATTORNEYS' FEES.

If any action is taken to enforce or interpret the provisions of this Agreement, the prevailing party shall be entitled to its reasonable costs and expenses, including attorneys' fees from the non-prevailing party in addition to any other relief to which that party may be entitled.

#### 19.10 NOTICES.

All notices, consents, waivers, and other communications under this Agreement must be in writing and will be deemed to have been duly given when (a) delivered by hand (with written confirmation of receipt), (b) sent by telecopier (with written confirmation of receipt), provided that a copy is mailed by registered mail, return receipt requested, or (c) when received by the addressee, if sent by a nationally recognized overnight delivery service (receipt requested), in each case to the appropriate addresses and telecopier numbers set forth below and to any other recipient at the address and telecopier numbers indicated on Schedule 2.1 attached hereto and to any subsequent Shareholder subject to this Agreement at such address and telecopier numbers as indicated by Newco's records, or at such address or to the attention of such other Person as the recipient party has specified by prior written notice to the sending party.

Newco's address is:

HEICO Aerospace Holdings Corporation  
3000 Taft Street  
Hollywood, Florida 33021  
Attention: Eric Mendelson  
Facsimile No.: (954) 987-8228

Company's address is:

HEICO Aerospace Corporation  
825 Brickell Bay Drive, Suite 1644  
Miami, Florida 33131  
Attn: Victor Mendelson  
Fax No.: (305) 374-6742

#### 19.11 GOVERNING LAW.

This Agreement shall be governed by and construed in accordance with the laws of the State of Florida.

#### 19.12 JURISDICTION; SERVICE OF PROCESS.

Any action or proceeding seeking to enforce any provision of, or based on any right arising out of, this Agreement shall be brought against any of the parties exclusively in the courts of the State of Florida, County of Dade, or, if it has or can acquire jurisdiction, in the United States District Court for the Southern District of Florida, and each of the parties consents to the jurisdiction of such courts (and of the appropriate appellate courts) in any such action or proceeding and waives any objection to venue laid therein. Process in any action or proceeding referred to in the preceding sentence may be served on any party anywhere in the world pursuant to the rules of the court under which the action is filed in Dade County, Florida.

#### 19.13 DESCRIPTIVE HEADINGS.

The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

#### 19.14 CONSTRUCTION.

The parties hereby acknowledge that this Agreement was initially prepared by LHT solely as a convenience and that all parties and their counsel have read and fully negotiated all the language used in this Agreement. The parties acknowledge and agree that because all parties and their counsel participated in negotiating and drafting this Agreement, no rule of construction shall apply to this Agreement which construes any language, whether ambiguous, unclear or otherwise,

in favor of, or against any party by reason of that party's role in drafting this Agreement.

19.15 FAILURE OF NEWCO TO RECEIVE PAYMENT UNDER THE RESEARCH AND DEVELOPMENT COOPERATION AGREEMENT.

In the event that Newco properly draws under the letter of credit provided by LHT pursuant to Article 4 of the Research and Development Cooperation Agreement and for any

reason the issuing bank refuses to make payment under such letter of credit, even if prevented to do so by a restraining order or injunction issued by a court of competent jurisdiction, Newco shall give LHT 30 days written notice of such event. In the event that LHT fails to pay or cause the payment of such letter of credit within such 30 day period, then, until such time as Newco receives full payment under the letter of credit or otherwise, including any other amounts owed by LHT pursuant to Article 4 of the Research and Development Cooperation Agreement, all the rights of LHT, but not the obligations, under Articles 3, 4, 5, 6, 7, 8, 9.2, 12, 13, and 15 of this Agreement and the right to select PMA's under Section 2.3 of the Research and Development Cooperation Agreement, shall be suspended. This suspension of rights shall be in addition to any and all remedies available to Newco for breach of such payment obligations under Article 4 of the Research and Development Cooperation Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

HEICO Aerospace Holdings Corp.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Lufthansa Technik AG

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

HEICO Aerospace Corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

HEICO Corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



SCHEDULE 2.1

SHAREHOLDERS	NUMBER OF SHARES	OWNERSHIP PERCENTAGE
-----	-----	-----
HEICO Corporation 3000 Taft Street Hollywood, Florida 33021-4499 Attn: Eric Mendelson Facsimile No.: (954)987-8228	800	80%
LUFTHANSA TECHNIK AG Dept. HAM TV/J P.O. Box 63 03 00 D-22313 Hamburg, Germany Attn: Bernhard Langlotz Facsimile No: (49-40)5707-4909	200	20%

HEICO CORPORATION AND SUBSIDIARIES  
COMPUTATION OF EARNINGS PER SHARE

Following are details of the computation of earnings per share:

	YEAR ENDED OCTOBER 31,					
	1997		1996		1995	
	PRIMARY	FULLY DILUTED	PRIMARY	FULLY DILUTED	PRIMARY	FULLY DILUTED
Weighted average number of common shares outstanding	8,026,906	8,026,906	7,786,389	7,786,389	7,538,238	7,538,238
Common stock equivalents arising from dilutive stock options (1)	1,585,299	1,865,007	1,068,337	1,100,692	415,317	526,539
	<u>9,612,205</u>	<u>9,891,973</u>	<u>8,854,726</u>	<u>8,887,081</u>	<u>7,953,555</u>	<u>8,064,777</u>
Net income:						
From continuing operations before cumulative effect of change in accounting principle	\$ .73	\$ .71	\$ .41	\$ .41	\$ .18	\$ .18
From discontinued operations	--	--	\$ .11	\$ .11	\$ .16	\$ .15
From gain on sale of discontinued operations	--	--	\$ .59	\$ .59	--	--
From cumulative effect of change in accounting principle	--	--	--	--	--	--
Net income per share	<u>\$ .73</u>	<u>\$ .71</u>	<u>\$ 1.11</u>	<u>\$ 1.11</u>	<u>\$ .34</u>	<u>\$ .33</u>

	YEAR ENDED OCTOBER 31,			
	1994		1993	
	PRIMARY	FULLY DILUTED	PRIMARY	DILUTED
Weighted average number of common shares outstanding	7,472,748	7,472,748	7,667,281	7,667,281
Common stock equivalents arising from dilutive stock options (1)	94,696	94,696	118,013	190,521
	<u>7,567,444</u>	<u>7,567,444</u>	<u>7,785,294</u>	<u>7,857,802</u>
Net income:				
From continuing operations before cumulative effect of change in accounting principle	\$ .09	\$ .09	\$ .09	\$ .09
From discontinued operations	\$ .11	\$ .11	\$ .03	\$ .03
From gain on sale of discontinued operations	--	--	--	--
From cumulative effect of change in accounting principle	\$ .05	\$ .05	--	--
Net income per share	<u>\$ .25</u>	<u>\$ .25</u>	<u>\$ .12</u>	<u>\$ .12</u>

(1) Computed under the "treasury stock" method using the average market price for the primary computation and using the higher of average or ending market prices for the fully diluted computation.



HEICO CORPORATION AND SUBSIDIARIES  
SUBSIDIARIES OF COMPANY

NAME - - - - -	STATE OF INCORPORATION -----
HEICO Aerospace Holdings Corp.	Florida
HEICO Aerospace Corporation	Florida
Jet Avion Corporation	Florida
LPI Industries Corporation	Florida
Aircraft Technology, Inc.	Florida
ATI Heat Treat Corporation	Florida
Jet Avion Heat Treat Corporation (Inactive)	Florida
N.A.C. Acquisition Corporation	Florida
Northwings Accessories Corporation	Florida
HEICO Aviation Products Corp.	Florida
Trilectron Industries, Inc.	New York
HEICO International Corporation	U.S. Virgin Islands
HEICO East Corporation	Florida
HEICO-NEWCO, Inc. (Inactive)	Florida
HEICO Engineering Corp. (Inactive)	Florida
HEICO--Jet Corp. (Inactive)	Florida
HEICO Bearings Corp. (Inactive)	Florida

Subsidiaries of the Company, all of which are directly or indirectly wholly-owned (except for HEICO Aerospace Holdings Corp. and its subsidiaries, which are 80%-owned), are included in the Company's consolidated financial statements.

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statements Nos. 33-4945, 33-62156, 333-8063, 333-19667 and 333-26059 of HEICO Corporation on Forms S-8 of our report dated December 24, 1997, appearing in this Annual Report on Form 10-K of HEICO Corporation for the year ended October 31, 1997.

DELOITTE & TOUCHE LLP  
Certified Public Accountants  
Miami, Florida

January 26, 1998

YEAR		
	OCT-31-1997	
	OCT-31-1997	24,199,000
	0	
	12,922,000	
	(362,000)	
	18,359,000	
	57,716,000	
		23,363,000
	(14,820,000)	
	88,639,000	
12,585,000		10,458,000
0		
	0	
	83,000	
	59,363,000	
88,639,000		
		63,674,000
	63,674,000	
		45,045,000
	43,045,000	
	11,515,000	
	0	
	477,000	
	10,359,000	
	3,340,000	
7,019,000		
	0	
	0	
		0
		7,019,000
		.73
		.71