

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

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

For the fiscal year ended October 31, 2008 or

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

For the transition period from _____ to _____

Commission file number 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) 987-4000

(Registrant's telephone number, including area code)

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

Common Stock, \$.01 par value per share
Class A Common Stock, \$.01 par value per share
(Title of each class)

New York Stock Exchange
(Name of each exchange on which registered)

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

Rights to Purchase Series B Junior Participating Preferred Stock
Rights to Purchase Series C Junior Participating Preferred Stock
(Title of class)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark 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.

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

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

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

The aggregate market value of the voting and non-voting common equity held by nonaffiliates of the registrant was \$1,090,456,000 based on the closing price of HEICO Common Stock and Class A Common Stock as of April 30, 2008 as reported by the New York Stock Exchange.

The number of shares outstanding of each of the registrant's classes of common stock as of December 19, 2008:

Common Stock, \$.01 par value	10,572,641 shares
Class A Common Stock, \$.01 par value	15,843,100 shares

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for the 2009 Annual Meeting of Shareholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

HEICO CORPORATION
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PART I

Item 1. BUSINESS

The Company

HEICO Corporation through its subsidiaries (collectively, “HEICO,” “we,” “us,” “our” or the “Company”) believes it is the world’s largest manufacturer of Federal Aviation Administration (“FAA”)-approved jet engine and aircraft component replacement parts, other than the original equipment manufacturers (“OEMs”) and their subcontractors. HEICO also believes it is a leading manufacturer of various types of electronic equipment for the aviation, defense, space, medical, telecommunications and electronics industries.

The Company was organized in 1993 creating a new holding corporation 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.

Our business is comprised of two operating segments:

The Flight Support Group. Our Flight Support Group, consisting of HEICO Aerospace Holdings Corp. (“HEICO Aerospace”) and its subsidiaries, accounted for 75%, 76% and 71% of our net sales in fiscal 2008, 2007 and 2006, respectively. The Flight Support Group uses proprietary technology to design and manufacture jet engine and aircraft component replacement parts for sale at lower prices than those manufactured by OEMs. These parts are approved by the FAA and are the functional equivalent of parts sold by OEMs. In addition, the Flight Support Group repairs and distributes jet engine and aircraft components, avionics and instruments for domestic and foreign commercial air carriers and aircraft repair companies as well as military and business aircraft operators; and manufactures thermal insulation products and other component parts primarily for aerospace, defense and commercial applications.

The Flight Support Group competes with the leading industry OEMs and, to a lesser extent, with a number of smaller, independent parts distributors. Historically, the three principal jet engine OEMs, General Electric (including CFM International), Pratt & Whitney and Rolls Royce, have been the sole source of substantially all jet engine replacement parts for their jet engines. Other OEMs have been the sole source of replacement parts for their aircraft component parts. While we believe that we currently supply less than 2% of the market for jet engine and aircraft component replacement parts, we have consistently been adding new products to our line and currently hold Parts Manufacturer Approvals, which we refer to as “PMAs,” for over 7,000 jet engine and aircraft component replacement parts.

We believe that, based on our competitive pricing, reputation for high quality, short lead time requirements, strong relationships with domestic and foreign commercial air carriers and repair stations (companies that overhaul aircraft engines and/or components), strategic relationships with Lufthansa and other major airlines and successful track record of receiving PMAs from the FAA, we are uniquely positioned to continue to increase our product lines and gain market share.

The Electronic Technologies Group. Our Electronic Technologies Group, consisting of HEICO Electronic Technologies Corp. and its subsidiaries, accounted for 25%, 24% and 29% of our net sales in fiscal 2008, 2007 and 2006, respectively. Through our Electronic Technologies Group, which derived approximately 41% of its sales in fiscal 2008 from the sale of products and services to U.S. and foreign

military agencies, we design, manufacture and sell various types of electronic, microwave and electro-optical products, including infrared simulation and test equipment, laser rangefinder receivers, electrical power supplies, back-up power supplies, electromagnetic interference and radio frequency interference shielding, high power capacitor charging power supplies, amplifiers, photodetectors, amplifier modules, flash lamp drivers, laser diode drivers, arc lamp power supplies, custom power supply designs, cable assemblies, high voltage interconnection devices and wire, high voltage energy generators, high frequency power delivery systems and high-speed interface products that link devices such as telemetry receivers, digital cameras, high resolution scanners, simulation systems and test systems to almost any computer.

In October 1997, we entered into a strategic alliance with Lufthansa. Lufthansa is the world's largest independent provider of engineering and maintenance services for aircraft components and jet engines and supports over 200 airlines, governments and other customers. As part of this strategic alliance, Lufthansa has invested over \$60 million in our Company to acquire and maintain a 20% minority interest in HEICO Aerospace. This strategic alliance has enabled us to expand domestically and internationally by enhancing our ability to (i) identify key jet engine and aircraft component replacement parts with significant profit potential by utilizing Lufthansa's extensive operating data on engine and component parts; (ii) introduce those parts throughout the world in an efficient manner due to Lufthansa's testing and diagnostic resources; and (iii) broaden our customer base by capitalizing on Lufthansa's established relationships and alliances within the airline industry.

In March 2001, we entered into a joint venture with American Airlines, one of the world's largest airlines, to develop, design and sell FAA-approved jet engine and aircraft component replacement parts through HEICO Aerospace. The joint venture is partly owned by American Airlines. American Airlines and HEICO Aerospace have agreed to cooperate regarding technical services and marketing support on a worldwide basis. We have also entered into several strategic relationships with other leading airlines, such as United Airlines (May 2002), Delta Air Lines (February 2003), Japan Airlines (March 2004) and British Airways (May 2007). These relationships accelerate HEICO's efforts in developing a broad range of jet engine and aircraft component replacement parts for FAA approval. Each of the aforementioned airlines purchase these newly developed parts, and many of HEICO Aerospace's current FAA-approved parts product line, on an exclusive basis from HEICO Aerospace.

In February 2006, we entered into a Joint Cooperation Agreement with China Aviation Import and Export Group Corporation ("CASGC") of the Peoples Republic of China to promote HEICO Aerospace's FAA-approved aircraft and engine replacement products in China. CASGC is a state-owned company, which is a comprehensive service provider for aviation supplies, primarily engaged in the import and export of aviation-related products in China including aircraft engines, spares, ground support and safety equipment. CASGC's business scope also covers leasing maintenance, component repair and overhaul, consignment stores, manufacturing and training.

HEICO has continuously operated in the aerospace industry for more than 50 years. Since assuming control in 1990, our current management has achieved significant sales and profit growth through a broadened line of product offerings, an expanded customer base, increased research and development expenditures and the completion of a number of acquisitions. As a result of internal growth and acquisitions, our net sales from continuing operations have grown from \$26.2 million in fiscal 1990 to \$582.3 million in fiscal 2008, a compound annual growth rate of approximately 19%. During the same period, we improved our net income from continuing operations from \$2.0 million to \$48.5 million, representing a compound annual growth rate of approximately 20%.

Flight Support Group

The Flight Support Group, headquartered in Hollywood, Florida, serves a broad spectrum of the aviation industry, including (i) commercial airlines and air cargo carriers; (ii) repair and overhaul facilities; (iii) OEMs; and (iv) U.S. and foreign governments.

Jet engine and aircraft component replacement parts can be categorized by their ongoing ability to be repaired and returned to service. The general categories in which we participate are as follows: (i) rotatable; (ii) repairable; and (iii) expendable. A rotatable is a part which is removed periodically as dictated by an operator's maintenance procedures or on an as needed basis and is typically repaired or overhauled and re-used an indefinite number of times. An important subset of rotatables is "life limited" parts. A life limited rotatable has a designated number of allowable flight hours and/or cycles (one take-off and landing generally constitutes one cycle) after which it is rendered unusable. A repairable is similar to a rotatable except that it can only be repaired a limited number of times before it must be discarded. An expendable is generally a part which is used and not thereafter repaired for further use.

Jet engine and aircraft component replacement parts are classified within the industry as (i) factory-new; (ii) new surplus; (iii) overhauled; (iv) repairable; and (v) as removed. A factory-new or new surplus part is one that has never been installed or used. Factory-new parts are purchased from FAA-approved manufacturers (such as HEICO or OEMs) or their authorized distributors. New surplus parts are purchased from excess stock of airlines, repair facilities or other redistributors. An overhauled part is one that has been completely repaired and inspected by a licensed repair facility such as ours. An aircraft spare part is classified as "repairable" if it can be repaired by a licensed repair facility under applicable regulations. A part may also be classified as "repairable" if it can be removed by the operator from an aircraft or jet engine while operating under an approved maintenance program and is airworthy and meets any manufacturer or time and cycle restrictions applicable to the part. A "factory-new," "new surplus," "overhauled" or "repairable" part designation indicates that the part can be immediately utilized on an aircraft. A part in "as removed" condition requires inspection and possibly functional testing, repair or overhaul by a licensed facility prior to being returned to service in an aircraft.

Factory-New Jet Engine and Aircraft Component Replacement Parts. The principal business of the Flight Support Group is the research and development, design, manufacture and sale of FAA-approved replacement parts that are sold to domestic and foreign commercial air carriers and aircraft repair and overhaul companies. Our principal competitors are Pratt & Whitney, a division of United Technologies Corporation, and General Electric Company, including its CFM International joint venture. The Flight Support Group's factory-new replacement parts include various jet engine and aircraft component replacement parts. A key element of our growth strategy is the continued design and development of an increasing number of Parts Manufacturer Approval ("PMA") replacement parts in order to further penetrate our existing customer base and obtain new customers. We select the jet engine and aircraft component replacement parts to design and manufacture through a selection process which analyzes industry information to determine which replacement parts are suitable candidates. As part of Lufthansa's investment in the Flight Support Group, Lufthansa has the right to select 50% of the parts for which we will seek PMAs, provided that such parts are technologically and economically feasible and substantially comparable with the profitability of our other PMA parts.

Repair and Overhaul Services. The Flight Support Group provides repair and overhaul services on selected jet engine and aircraft component parts, as well as on avionics, instruments, composites and flight surfaces of commercial aircraft. The Flight Support Group also provides repair and overhaul services to military aircraft operators and aircraft repair and overhaul companies. Our repair and overhaul operations require a high level of expertise, advanced technology and sophisticated equipment. Services include the repair, refurbishment and overhaul of numerous accessories and parts mounted on gas turbine

engines and airframes. Components overhauled include fuel pumps, generators, fuel controls, pneumatic valves, starters and actuators, turbo compressors and constant speed drives, hydraulic pumps, valves and actuators, composite flight controls, electro-mechanical equipment and auxiliary power unit accessories. The Flight Support Group also provides commercial airlines, regional operators, asset management companies and Maintenance, Repair and Overhaul (“MRO”) providers with high quality and cost effective niche accessory component exchange services as an alternative to OEMs’ spares services.

Furthermore, the Flight Support Group repairs avionics and navigation systems as well as subcomponents and other instruments utilized in military and commercial aircraft. Our customers include the United States government, foreign military agencies and both domestic and foreign commercial airlines.

Distribution. The Flight Support Group distributes FAA-approved parts including hydraulic, pneumatic, mechanical and electro-mechanical components for the commercial, regional and general aviation markets.

Manufacture of Specialty Aircraft/Defense Related Parts and Subcontracting for OEMs. The Flight Support Group manufactures thermal insulation blankets primarily for aerospace, defense and commercial applications. The Flight Support Group also manufactures specialty components for sale as a subcontractor for aerospace and industrial original equipment manufacturers and the United States government.

FAA Approvals and Product Design. Non-OEM manufacturers of jet engine replacement parts must receive a Parts Manufacturer Approval (“PMA”) from the FAA to sell the replacement part. The PMA approval process includes the submission of sample parts, drawings and testing data to one of the FAA’s Aircraft Certification Offices where the submitted data are analyzed. We believe that an applicant’s ability to successfully complete the PMA process is limited by several factors, including (i) the agency’s confidence level in the applicant; (ii) the complexity of the part; (iii) the volume of PMAs being filed; and (iv) the resources available to the FAA. We also believe that companies such as HEICO that have demonstrated their manufacturing capabilities and established favorable track records with the FAA generally receive a faster turnaround time in the processing of PMA applications. Finally, we believe that the PMA process creates a significant barrier to entry in this market niche through both its technical demands and its limits on the rate at which competitors can bring products to market.

As part of our growth strategy, we have continued to increase our research and development activities. Research and development expenditures by the Flight Support Group, which were approximately \$300,000 in fiscal 1991, increased to approximately \$11.1 million in fiscal 2008, \$10.7 million in fiscal 2007 and \$10.6 million in 2006. We believe that our Flight Support Group’s research and development capabilities are a significant component of our historical success and an integral part of our growth strategy.

Our expanded research and development activities have included development of more complex jet engine and aircraft component replacement parts. We now have over 4,500 parts approved by the FAA that are actively being marketed and have cumulative FAA approvals for over 7,000 parts. We believe the development and subsequent sale of PMA parts represents a significant long-term market opportunity. In fiscal 2008, the FAA granted us PMAs for approximately 450 new parts (excluding acquired PMAs); however, no assurance can be given that the FAA will continue to grant PMAs or that we will achieve acceptable levels of net sales and gross profits on such parts in the future.

We benefit from our proprietary rights relating to certain design, engineering and manufacturing processes and repair and overhaul procedures. Customers often rely on us to provide initial and

additional components, as well as to redesign, re-engineer, replace or repair and provide overhaul services on such aircraft components at every stage of their useful lives. In addition, for some products, our unique manufacturing capabilities are required by the customer's specifications or designs, thereby necessitating reliance on us for production of such designed products.

We have no material patents for the proprietary techniques, including software and manufacturing expertise, we have developed to manufacture jet engine and aircraft component replacement parts and instead, we primarily rely on trade secret protection. Although our proprietary techniques and software and manufacturing expertise are subject to misappropriation or obsolescence, we believe that we take appropriate measures to prevent misappropriation or obsolescence from occurring by developing new techniques and improving existing methods and processes, which we will continue on an ongoing basis as dictated by the technological needs of our business.

Electronic Technologies Group

Much of our Electronic Technologies Group's strategy is centered around producing equipment that helps the U.S. military and allied foreign military agencies conduct stand-off operations from greater distances. Our activities in this regard are focused on products that are placed in airborne, vehicle-based or handheld targeting systems as well as in providing equipment used to develop, test and calibrate such systems.

Electro-Optical Infrared Simulation and Test Equipment. The Electronic Technologies Group believes it is a leading international designer and manufacturer of niche state-of-the-art simulation, testing and calibration equipment used in the development of missile seeking technology, airborne targeting and reconnaissance systems, shipboard targeting and reconnaissance systems, space-based sensors as well as ground vehicle-based systems. These products include infrared scene projector equipment, such as our MIRAGE IR Scene Simulator, high precision blackbody sources, software and integrated calibration systems.

Simulation equipment allows the U.S. government and allied foreign military to save money on missile testing as it allows infrared-based missiles to be tested on a multi-axis, rotating table instead of requiring the launch of a complete missile. In addition, several large military prime contractors have elected to purchase such equipment from us instead of maintaining internal staff to do so because we can offer a more cost-effective solution. Our customers include major U.S. Department of Defense weapons laboratories and defense prime contractors, such as Lockheed Martin, Northrop Grumman and Boeing.

Electro-Optical Laser Products. The Electronic Technologies Group believes it is a leading designer and maker of Laser Rangefinder Receivers and other photodetectors used in airborne, vehicular and handheld targeting systems manufactured by major prime military contractors, such as Northrop Grumman and Lockheed Martin. Most of our Rangefinder Receiver product offering consists of complex and patented products which detect reflected light from laser targeting systems and allow the systems to confirm target accuracy and calculate target distances prior to discharging a weapon system. These products are also used in laser eye surgery systems for tracking ocular movement.

Electro-Optical, Microwave and Other Power Equipment. The Electronic Technologies Group produces power supplies, amplifiers and flash lamp drivers used in laser systems for military, medical and other applications that are sometimes utilized with our Rangefinder Receivers. We also produce emergency back-up power supplies and batteries used on commercial aircraft and business jets for services such as emergency exit lighting, emergency fuel shut-off, power door assists, cockpit voice recorders and flight computers. We offer custom or standard designs that solve challenging OEM requirements and meet stringent agency safety and emissions requirements. Our power electronics

products include capacitor charger power supplies, laser diode drivers, arc lamp power supplies and custom power supply designs.

Our microwave products are used in satellites and electronic warfare systems. These products, which include isolators, bias tees, circulators, latching ferrite switches and waveguide adapters, are used in satellites to control or direct energy according to operator needs. As satellites are frequently used as sensors for stand-off warfare, we believe this product line further supports our goal of increasing our activity in the stand-off market. We believe we are a leading supplier of the niche products which we design and manufacture for this market, a market that includes commercial satellites. Our customers for these products include satellite manufacturers, such as Space Systems/Loral, Boeing and Raytheon.

Electromagnetic and Radio Interference Shielding. The Electronic Technologies Group designs and manufactures shielding used to prevent electromagnetic energy and radio frequencies from interfering with computers, telecommunication devices, avionics, weapons systems and other electronic equipment. Our products include a patented line of shielding applied directly to circuit boards and a line of gasket-type shielding applied to computers and other electronic equipment. Our customers consist essentially of medical, electronic, telecommunication and defense equipment producers.

High-Speed Interface Products. The Electronic Technologies Group designs and manufactures advanced high-technology, high-speed interface products utilized in homeland security, defense, medical research, astronomical and other applications across numerous industries.

High Voltage Interconnection Devices. The Electronic Technologies Group designs and manufactures high and very high voltage interconnection devices, cable assemblies and wire for the medical equipment, defense and other industrial markets. Among others, our products are utilized in aircraft missile defense, fighter pilot helmet displays, avionic systems, medical applications, wireless communications, and industrial applications including high voltage test equipment and underwater monitoring systems.

High Voltage Advanced Power Electronics. The Electronic Technologies Group designs and manufactures a patented line of high voltage energy generators for medical, baggage inspection and industrial imaging systems, and also offers a patented line of high frequency power delivery systems for the commercial sign industry.

Financial Information About Operating Segments and Geographic Areas

See Note 13, Operating Segments, of the Notes to Consolidated Financial Statements for financial information by operating segment and by geographic areas.

Sales, Marketing and Customers

Each of our operating segments independently conducts sales and marketing efforts directed at their respective customers and industries and, in some cases, collaborates with other operating divisions and subsidiaries within its group for cross-marketing efforts. Sales and marketing efforts are conducted primarily by in-house personnel and, to a lesser extent, by independent manufacturers' representatives. Generally, the in-house sales personnel receive a base salary plus commission and manufacturers' representatives receive a commission on sales.

We believe that direct relationships are crucial to establishing and maintaining a strong customer base and, accordingly, our senior management is actively involved in our marketing activities, particularly with established customers. We are also a member of various trade and business organizations related to

the commercial aviation industry, such as the Aerospace Industries Association, which we refer to as 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 our established industry presence, we enjoy strong customer relations, name recognition and repeat business.

We sell our products to a broad customer base consisting of domestic and foreign commercial and cargo airlines, repair and overhaul facilities, other aftermarket suppliers of aircraft engine and airframe materials, OEMs, domestic and foreign military units, electronic manufacturing services companies, manufacturers for the defense industry as well as medical, telecommunication, scientific, and industrial companies. 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. Net sales to our five largest customers accounted for approximately 21% of total net sales during the year ended October 31, 2008.

Competition

The aerospace product and service industry is characterized by intense competition and some of our competitors have substantially greater name recognition, inventories, complementary product and service offerings, financial, marketing and other resources than we do. As a result, such competitors may be able to respond more quickly to customer requirements than we can. Moreover, smaller competitors may be in a position to offer more attractive pricing as a result of lower labor costs and other factors.

Our jet engine and aircraft component replacement parts business competes primarily with Pratt & Whitney and General Electric. The competition is principally based on price and service inasmuch as our parts are interchangeable. With respect to other aerospace products and services sold by the Flight Support Group, we compete with both the leading jet engine OEMs and a large number of machining, fabrication and repair companies, some of which have greater financial and other resources than we do. Competition is based mainly on price, product performance, service and technical capability.

Competition for the repair and overhaul of jet engine and aircraft components comes from three principal sources: OEMs, major commercial airlines and other independent service companies. Some of these competitors have greater financial and other resources than we do. Some major commercial airlines own and operate their own service centers and sell repair and overhaul services to other aircraft operators. Foreign airlines that provide repair and overhaul services typically provide these services for their own aircraft components and for third parties. OEMs also maintain service centers that provide repair and overhaul services for the components they manufacture. Other independent service organizations also compete for the repair and overhaul business of other users of aircraft components. We believe that the principal competitive factors in the repair and overhaul market are quality, turnaround time, overall customer service and price.

Our Electronic Technologies Group competes with several large and small domestic and foreign competitors, some of which have greater financial and other resources than we do. The market for our electronic products are niche markets with several competitors with competition based mainly on design, technology, quality, price and customer satisfaction.

Raw Materials

We purchase a variety of raw materials, primarily consisting of high temperature alloy sheet metal and castings, forgings, pre-plated metals and electrical components from various vendors. The materials used by our operations are generally available from a number of sources and in sufficient quantities to meet current requirements subject to normal lead times.

Backlog

Our total backlog of unshipped orders was \$107.1 million as of October 31, 2008 compared to \$106.3 million as of October 31, 2007. The Flight Support Group's backlog of unshipped orders was \$49.0 million as of October 31, 2008 as compared to \$43.6 million as of October 31, 2007. This backlog excludes forecasted shipments for certain contracts of the Flight Support Group pursuant to which customers provide only estimated annual usage and not firm purchase orders. Our backlogs within the Flight Support Group are typically short-lead in nature with many product orders being received within the month of shipment. The Electronic Technologies Group's backlog of unshipped orders was \$58.1 million as of October 31, 2008 as compared to \$62.7 million as of October 31, 2007. The decrease in the Electronic Technologies Group's backlog is primarily related to the timing of several large-order placements and shipments. Substantially the entire backlog of orders as of October 31, 2008 is expected to be delivered during fiscal 2009.

Government Regulation

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, some 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. Our operations may in the future be subject to new and more stringent regulatory requirements. In that regard, we closely monitor the FAA and industry trade groups in an attempt to understand how possible future regulations might impact us.

There has been no material adverse effect to our consolidated financial statements as a result of these government regulations.

Environmental Regulation

Our operations are subject to extensive, and frequently changing, federal, state and local environmental laws and substantial related regulation by government agencies, including the Environmental Protection Agency. Among other matters, these regulatory authorities impose requirements that regulate the operation, handling, transportation and disposal of hazardous materials; protect the health and safety of workers; and require us to obtain and maintain licenses and permits in connection with our operations. This extensive regulatory framework imposes significant compliance burdens and risks on us. Notwithstanding these burdens, we believe that we are in material compliance with all federal, state and local laws and regulations governing our operations.

Other Regulation

We are also subject to a variety of other regulations including work-related and community safety laws. The Occupational Safety and Health Act of 1970 mandates general requirements for safe

workplaces for all employees and established the Occupational Safety and Health Administration (“OSHA”) in the Department of Labor. In particular, OSHA provides special procedures and measures for the handling of some hazardous and toxic substances. In addition, specific safety standards have been promulgated for workplaces engaged in the treatment, disposal or storage of hazardous waste. Requirements under state law, in some circumstances, may mandate additional measures for facilities handling materials specified as extremely dangerous. We believe that our operations are in material compliance with OSHA’s health and safety requirements.

Insurance

We are a named insured under policies which include the following coverage: (i) product liability, including grounding; (ii) personal property, inventory and business income at our facilities; (iii) general liability coverage; (iv) employee benefit liability; (v) international liability and automobile liability; (vi) umbrella liability coverage; and (vii) various other activities or items subject to certain limits and deductibles. We believe that our insurance coverage is adequate to insure against the various liability risks of our business.

Employees

As of October 31, 2008, we had 2,328 full-time and part-time employees, of whom 1,613 were in the Flight Support Group, 690 were in the Electronic Technologies Group, and 25 were in corporate. None of our employees are represented by a union. We believe that we have good relations with our employees.

Available Information

Our Internet web site address is <http://www.heico.com>. We make available free of charge through our web site our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (“SEC”). These materials are also available free of charge on the SEC’s website at <http://www.sec.gov>. The information on or obtainable through our web site is not incorporated into this annual report on Form 10-K.

We have adopted a code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller and other persons performing similar functions. The code of ethics is located on our web site at <http://www.heico.com>. Any amendments to or waivers from a provision of this code of ethics will be posted on the web site. Also located on the web site are our Corporate Governance Guidelines, Finance/Audit Committee Charter, Nominating & Corporate Governance Committee Charter and Compensation Committee Charter.

Copies of the above referenced materials will be made available, free of charge, upon written request to the Corporate Secretary at the Company’s headquarters.

Executive Officers of the Registrant

Our 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 following table sets forth the names, ages of, and positions and offices held by our executive officers as of December 19, 2008:

<u>Name</u>	<u>Age</u>	<u>Position(s)</u>	<u>Director Since</u>
Laurans A. Mendelson	70	Chairman of the Board, President and Chief Executive Officer	1989
Thomas S. Irwin	62	Executive Vice President and Chief Financial Officer	—
Eric A. Mendelson	43	Executive Vice President and Director; President and Chief Executive Officer of HEICO Aerospace Holdings Corp.	1992
Victor H. Mendelson	41	Executive Vice President and Director; President and Chief Executive Officer of HEICO Electronic Technologies Corp.	1996
William S. Harlow	60	Vice President of Corporate Development	—

Laurans A. Mendelson has served as Chairman of the Board of the Company since December 1990. He has also served as Chief Executive Officer of the Company since February 1990 and President of the Company since September 1991. HEICO Corporation is a member of the Aerospace Industries Association (“AIA”) in Washington D.C., and Mr. Mendelson serves on the Board of Governors of AIA. He is also former Chairman of the Board of Trustees, former Chairman of the Executive Committee and a current member of the Society of Mt. Sinai Founders of Mt. Sinai Medical Center in Miami Beach, Florida. In addition, Mr. Mendelson served as a Trustee of Columbia University in The City of New York from 1995 to 2001, as well as Chairman of the Trustees’ Audit Committee. Mr. Mendelson currently serves as Trustee Emeritus of Columbia University. Mr. Mendelson is a Certified Public Accountant. Laurans Mendelson is the father of Eric Mendelson and Victor Mendelson.

Thomas S. Irwin has served as Executive Vice President and Chief Financial Officer of the Company since September 1991; 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. He is a Trustee of the Greater Hollywood Chamber of Commerce and a Director of the Broward Alliance.

Eric A. Mendelson has served as Executive Vice President of the Company since 2001; President and Chief Executive Officer of HEICO Aerospace Holdings Corp., a subsidiary of the Company, since its formation in 1997; and President of HEICO Aerospace Corporation since 1993. He also served as Vice President of the Company from 1992 to 2001; President of HEICO’s Jet Avion Corporation, a wholly owned subsidiary of HEICO Aerospace, from 1993 to 1996; and Jet Avion’s Executive Vice President and Chief Operating Officer from 1991 to 1993. From 1990 to 1991, Mr. Mendelson was Director of Planning and Operations of the Company. Mr. Mendelson is a co-founder, and, since 1987, has been Managing Director of Mendelson International Corporation, a private investment company, which is a shareholder of HEICO. Eric Mendelson is the son of Laurans Mendelson and the brother of Victor Mendelson. In addition, Mr. Mendelson is a member of the Board of Trustees of Mt. Sinai Medical Center in Miami Beach, Florida and Ransom – Everglades School in Coconut Grove, Florida, as well as a member of the Executive Committee of the Columbia College Alumni Association.

Victor H. Mendelson has served as Executive Vice President of the Company since 2001 and President and Chief Executive Officer of HEICO Electronic Technologies Corp., a subsidiary of the Company, since September 1996. He served as General Counsel of the Company from 1993 to September 2008 and Vice President of the Company from 1996 to 2001. In addition, Mr. Mendelson was the Executive Vice President of the Company's former MediTek Health Corporation subsidiary from 1994 and MediTek Health's Chief Operating Officer from 1995 until its sale in July 1996. He was the Company's Associate General Counsel from 1992 until 1993. From 1990 until 1992, he worked on a consulting basis with the Company, developing and analyzing various strategic opportunities. Mr. Mendelson is a co-founder, and, since 1987, has been President of Mendelson International Corporation, a private investment company, which is a shareholder of HEICO. He is a member of the Board of Visitors of Columbia College in New York City, a Trustee of St. Thomas University in Miami Gardens, Florida and a Director of the Florida Grand Opera. Victor Mendelson is the son of Laurans Mendelson and the brother of Eric Mendelson.

William S. Harlow has served as Vice President of Corporate Development since 2001 and served as Director of Corporate Development from 1995 to 2001.

Item 1A. RISK FACTORS

Our business, financial condition, operating results and cash flows can be impacted by a number of factors, many of which are beyond our control, including but not limited to those set forth below and elsewhere in this Annual Report on Form 10-K, any one of which may cause our actual results to differ materially from anticipated results:

Our success is highly dependent on the performance of the aviation industry, which could be impacted by lower demand for commercial air travel or airline fleet changes causing lower demand for our goods and services.

Economic factors and passenger security concerns that affect the aviation industry also affect our business. The aviation industry has historically been subject to downward cycles from time to time which reduce the overall demand for jet engine and aircraft component replacement parts and repair and overhaul services, and such downward cycles result in lower prices and greater credit risk. These economic factors and passenger security concerns may have a material adverse effect on our business, financial condition and results of operations.

We are subject to governmental regulation and our failure to comply with these regulations could cause the government to withdraw or revoke our authorizations and approvals to do business and could subject us to penalties and sanctions that could harm our business.

Governmental agencies throughout the world, including the FAA, highly regulate the manufacture, repair and overhaul of aircraft parts and accessories. We include, with the replacement parts that we sell to our customers, documentation certifying that each part complies with applicable regulatory requirements and meets applicable standards of airworthiness established by the FAA or the equivalent regulatory agencies in other countries. In addition, our repair and overhaul operations are subject to certification pursuant to regulations established by the FAA. Specific regulations vary from country to country, although compliance with FAA requirements generally satisfies regulatory requirements in other countries. The revocation or suspension of any of our material authorizations or approvals would have an adverse effect on our business, financial condition and results of operations. New and more stringent government regulations, if adopted and enacted, could have an adverse effect on our business, financial condition and results of operations. In addition, some sales to foreign countries of the equipment

manufactured by our Electronic Technologies Group require approval or licensing from the U.S. government. Denial of export licenses could reduce our sales to those countries and could have a material adverse effect on our business.

The retirement of commercial aircraft could reduce our revenues.

Our Flight Support Group designs, engineers, manufactures and distributes jet engine and aircraft component replacement parts and also repairs, refurbishes and overhauls jet engine and aircraft components. If aircraft or engines for which we have replacement parts or supply repair and overhaul services are retired and there are fewer aircraft that require these parts or services, our revenues may decline.

Reductions in defense, space or homeland security spending by U.S. and/or foreign customers could reduce our revenues.

In fiscal 2008, approximately 41% of the sales of our Electronic Technologies Group were derived from the sale of products and services to U.S. and foreign military agencies and their suppliers. A decline in defense, space or homeland security budgets or additional restrictions imposed by the U.S. government on sales of products or services to foreign military agencies could lower sales of our products and services.

Intense competition from existing and new competitors may harm our business.

We face significant competition in each of our businesses.

Flight Support Group

- For jet engine replacement parts, we compete with the industry's leading jet engine OEMs, particularly Pratt & Whitney and General Electric.
- For the overhaul and repair of jet engine and airframe components as well as avionics and navigation systems, we compete with:
 - major commercial airlines, many of which operate their own maintenance and overhaul units;
 - OEMs, which manufacture, repair and overhaul their own parts; and
 - other independent service companies.

Electronic Technologies Group

- For the design and manufacture of various types of electronic and electro-optical equipment as well as high voltage interconnection devices and high speed interface products, we compete in a fragmented marketplace with a number of companies, some of which are well capitalized.

The aviation aftermarket supply industry is highly fragmented, has several highly visible leading companies, and is characterized by intense competition. Some of our OEM competitors have greater name recognition than HEICO, as well as complementary lines of business and financial, marketing and other resources that HEICO does not have. In addition, OEMs, aircraft maintenance providers, leasing companies and FAA-certificated repair facilities may attempt to bundle their services and product offerings in the supply industry, thereby significantly increasing industry competition. Moreover, our smaller competitors may be able to offer more attractive pricing of parts as a result of lower labor costs or

other factors. A variety of potential actions by any of our competitors, including a reduction of product prices or the establishment by competitors of long-term relationships with new or existing customers, could have a material adverse effect on our business, financial condition and results of operations. Competition typically intensifies during cyclical downturns in the aviation industry, when supply may exceed demand. We may not be able to continue to compete effectively against present or future competitors, and competitive pressures may have a material and adverse effect on our business, financial condition and results of operations.

Our success is dependent on the development and manufacture of new products, equipment and services. Our inability to develop, manufacture and introduce new products and services at profitable pricing levels could reduce our sales or sales growth.

The aviation, defense, space and electronics industries are constantly undergoing development and change and, accordingly, new products, equipment and methods of repair and overhaul service are likely to be introduced in the future. In addition to manufacturing electronic and electro-optical equipment and selected aerospace and defense components for OEMs and the U.S. government and repairing jet engine and aircraft components, we re-design sophisticated aircraft replacement parts originally developed by OEMs so that we can offer the replacement parts for sale at substantially lower prices than those manufactured by the OEMs. Consequently, we devote substantial resources to research and product development. Technological development poses a number of challenges and risks, including the following:

- We may not be able to successfully protect the proprietary interests we have in various aircraft parts, electronic and electro-optical equipment and our repair processes;
- As OEMs continue to develop and improve jet engines and aircraft components, we may not be able to re-design and manufacture replacement parts that perform as well as those offered by OEMs or we may not be able to profitably sell our replacement parts at lower prices than the OEMs;
- We may need to expend significant capital to:
 - purchase new equipment and machines,
 - train employees in new methods of production and service, and
 - fund the research and development of new products; and
- Development by our competitors of patents or methodologies that preclude us from the design and manufacture of aircraft replacement parts or electrical and electro-optical equipment could adversely affect our business, financial condition and results of operations.

In addition, we may not be able to successfully develop new products, equipment or methods of repair and overhaul service, and the failure to do so could have a material adverse effect on our business, financial condition and results of operations.

Product specification costs and requirements could cause an increase to our costs to complete contracts.

The costs to meet customer specifications and requirements could result in us having to spend more to design or manufacture products and this could reduce our profit margins on current contracts or those we obtain in the future.

We may incur product liability claims that are not fully insured.

Our jet engine and aircraft component replacement parts and repair and overhaul services expose our business to potential liabilities for personal injury or death as a result of the failure of an aircraft component that we have designed, manufactured or serviced. The commercial aviation industry occasionally has catastrophic losses that may exceed policy limits. An uninsured or partially insured claim, or a claim for which third-party indemnification is not available, could have a material adverse effect on our business, financial condition and results of operations. Additionally, insurance coverage costs may become even more expensive in the future. Our customers typically require us to maintain substantial insurance coverage and our inability to obtain insurance coverage at commercially reasonable rates could have a material adverse effect on our business.

We may not have the administrative, operational or financial resources to continue to grow the company.

We have experienced rapid growth in recent periods and intend to continue to pursue an aggressive growth strategy, both through acquisitions and internal expansion of products and services. Our growth to date has placed, and could continue to place, significant demands on our administrative, operational and financial resources. We may not be able to grow effectively or manage our growth successfully, and the failure to do so could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to execute our acquisition strategy, which could slow our growth.

A key element of our strategy is growth through the acquisition of additional companies. Our acquisition strategy is affected by and poses a number of challenges and risks, including the following:

- Availability of suitable acquisition candidates;
- Availability of capital;
- Diversion of management's attention;
- Integration of the operations and personnel of acquired companies;
- Potential write downs of acquired intangible assets;
- Potential loss of key employees of acquired companies;
- Use of a significant portion of our available cash;
- Significant dilution to our shareholders for acquisitions made utilizing our securities; and
- Consummation of acquisitions on satisfactory terms.

We may not be able to successfully execute our acquisition strategy, and the failure to do so could have a material adverse effect on our business, financial condition and results of operations.

We may incur environmental liabilities and these liabilities may not be covered by insurance.

Our operations and facilities are subject to a number of federal, state and local environmental laws and regulations, which govern, among other things, the discharge of hazardous materials into the air and water as well as the handling, storage and disposal of hazardous materials. Pursuant to various environmental laws, a current or previous owner or operator of real property may be liable for the costs of removal or remediation of hazardous materials. Environmental laws typically impose liability whether or not the owner or operator knew of, or was responsible for, the presence of hazardous materials. Although

management believes that our operations and facilities are in material compliance with environmental laws and regulations, future changes in them or interpretations thereof or the nature of our operations may require us to make significant additional capital expenditures to ensure compliance in the future.

We do not maintain specific environmental liability insurance and the expenses related to these environmental liabilities, if we are required to pay them, could have a material adverse effect on our business, financial condition and results of operations.

We are dependent on key personnel and the loss of these key personnel could have a material adverse effect on our success.

Our success substantially depends on the performance, contributions and expertise of our senior management team led by Laurans A. Mendelson, our Chairman, President and Chief Executive Officer. Technical employees are also critical to our research and product development, as well as our ability to continue to re-design sophisticated products of OEMs in order to sell competing replacement parts at substantially lower prices than those manufactured by the OEMs. The loss of the services of any of our executive officers or other key employees or our inability to continue to attract or retain the necessary personnel could have a material adverse effect on our business, financial condition and results of operations.

Our executive officers and directors have significant influence over our management and direction.

As December 19, 2008, collectively our executive officers and entities controlled by them, our 401(k) Plan and members of the Board of Directors beneficially owned approximately 27% of our outstanding Common Stock and approximately 7% of our outstanding Class A Common Stock. Accordingly, they will be able to substantially influence the election of the Board of Directors and control our business, policies and affairs, including our position with respect to proposed business combinations and attempted takeovers.

Item 1B. *UNRESOLVED STAFF COMMENTS*

None.

Item 2. *PROPERTIES*

The Company owns or leases a number of facilities, which are utilized by its Flight Support Group (“FSG”), Electronic Technologies Group (“ETG”) and Corporate office. All of the facilities listed below are in good operating condition, well maintained and in regular use. The Company believes that its existing facilities are sufficient to meet its operational needs for the foreseeable future. Summary information on the facilities utilized within the FSG and the ETG to support their principal operating activities is as follows:

Flight Support Group

<u>Location</u>	<u>Square Footage</u>		<u>Description</u>
	<u>Leased</u>	<u>Owned</u>	
United States facilities (9 states)	324,000	159,000	Manufacturing, engineering and distribution facilities, and corporate headquarters
United States facilities (6 states)	132,000	141,000	Repair and overhaul facilities
International facilities (3 countries) - India, Singapore and United Kingdom	8,000	—	Manufacturing, engineering and distribution facilities

Electronic Technologies Group

<u>Location</u>	<u>Square Footage</u>		<u>Description</u>
	<u>Leased</u>	<u>Owned</u>	
United States facilities (6 states)	154,000	76,000	Manufacturing and engineering facilities
International facilities (2 countries) - Canada and United Kingdom	52,000	12,000	Manufacturing and engineering facilities

Corporate

<u>Location</u>	<u>Square Footage</u>		<u>Description</u>
	<u>Leased</u>	<u>Owned</u> ⁽¹⁾	
United States facilities (1 state)	—	4,000	Administrative offices

- (1) Represents the square footage of corporate offices in Miami, Florida. The square footage of the Company’s corporate headquarters in Hollywood, FL is included within the square footage under the caption “United States facilities (9 states)” under Flight Support Group.

Item 3. *LEGAL PROCEEDINGS*

The Company is involved in various legal actions arising in the normal course of business. Based upon the Company’s and its legal counsel’s evaluations of any claims or assessments, management is of the opinion that the outcome of these matters will not have a material adverse effect on the Company’s results of operations or financial position.

Item 4. *SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS*

There were no matters submitted to a vote of security holders during the fourth quarter of fiscal 2008.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

The Company's Class A Common Stock and Common Stock are listed and traded on the New York Stock Exchange ("NYSE") under the symbols "HEI.A" and "HEI," respectively. The following tables set forth, for the periods indicated, the high and low share prices for the Class A Common Stock and the Common Stock as reported on the NYSE, as well as the amount of cash dividends paid per share during such periods.

Class A Common Stock

	<u>High</u>	<u>Low</u>	<u>Cash Dividends Per Share</u>
Fiscal 2007:			
First Quarter	\$33.01	\$28.72	\$.04
Second Quarter	34.29	29.10	—
Third Quarter	37.58	30.65	.04
Fourth Quarter	44.36	32.65	—
Fiscal 2008:			
First Quarter	\$44.63	\$32.05	\$.05
Second Quarter	42.24	32.80	—
Third Quarter	41.68	24.87	.05
Fourth Quarter	36.19	19.82	—

As of December 19, 2008, there were 672 holders of record of the Company's Class A Common Stock.

Common Stock

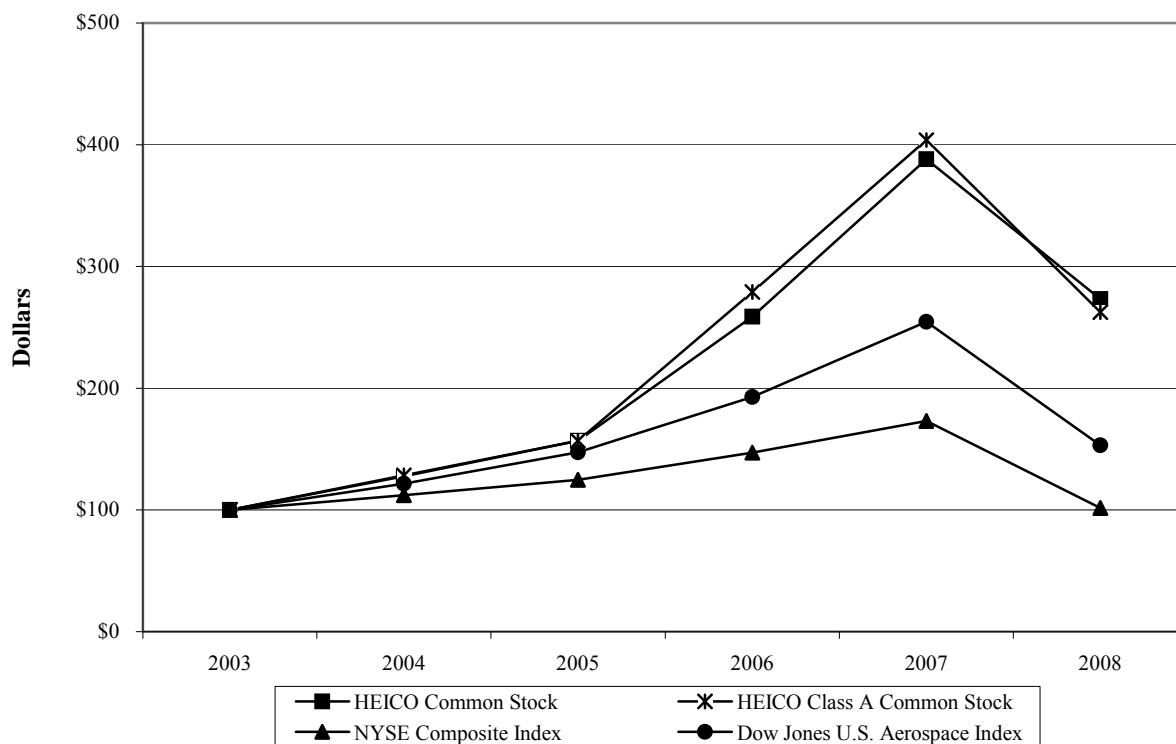
	<u>High</u>	<u>Low</u>	<u>Cash Dividends Per Share</u>
Fiscal 2007:			
First Quarter	\$40.07	\$34.01	\$.04
Second Quarter	40.35	33.76	—
Third Quarter	44.43	35.81	.04
Fourth Quarter	54.52	39.51	—
Fiscal 2008:			
First Quarter	\$56.92	\$42.00	\$.05
Second Quarter	52.78	41.80	—
Third Quarter	54.35	30.16	.05
Fourth Quarter	48.27	26.49	—

As of December 19, 2008, there were 652 holders of record of the Company's Common Stock.

Performance Graphs

The following graph and table compare the total return on \$100 invested in HEICO Common Stock and HEICO Class A Common Stock with the total return of \$100 invested in the New York Stock Exchange (NYSE) Composite Index and the Dow Jones U.S. Aerospace Index for the five-year period from October 31, 2003 through October 31, 2008. The NYSE Composite Index measures all common stock listed on the NYSE. The Dow Jones U.S. Aerospace Index is comprised of large companies which make aircraft, major weapons, radar and other defense equipment and systems as well as providers of satellites used for defense purposes. The total returns include the reinvestment of cash dividends.

Comparison of Five-Year Cumulative Total Return

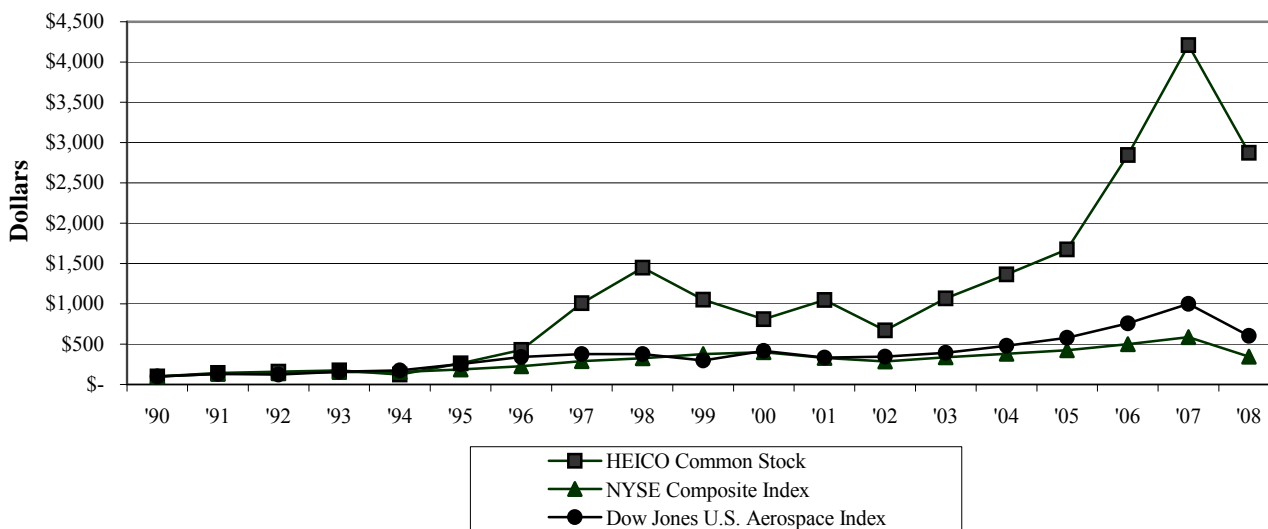


	Cumulative Total Return as of October 31,					
	2003	2004	2005	2006	2007	2008
HEICO Common Stock ⁽¹⁾	\$100.00	\$127.76	\$156.79	\$258.85	\$388.10	\$273.25
HEICO Class A Common Stock ⁽¹⁾	100.00	128.44	156.98	278.92	403.94	262.51
NYSE Composite Index	100.00	112.31	124.74	147.26	173.04	101.71
Dow Jones U.S. Aerospace Index	100.00	121.70	147.45	192.78	254.54	153.28

(1) Information has been adjusted retroactively to give effect to a 10% stock dividend paid in shares of Class A Common Stock in January 2004.

The following graph and table compare the total return on \$100 invested in HEICO Common Stock since October 31, 1990 using the same indices shown on the five-year performance graph on the previous page. October 31, 1990 was the end of the first fiscal year following the date the current executive management team assumed leadership of the Company. No Class A Common Stock was outstanding as of October 31, 1990. As with the five-year performance graph, the total returns include the reinvestment of cash dividends.

Comparison of Eighteen-Year Cumulative Total Return



Cumulative Total Return as of October 31,

	1990	1991	1992	1993	1994	1995	1996
HEICO Common Stock ⁽¹⁾	\$100.00	\$141.49	\$158.35	\$173.88	\$123.41	\$263.25	\$430.02
NYSE Composite Index	100.00	130.31	138.76	156.09	155.68	186.32	225.37
Dow Jones U.S. Aerospace Index	100.00	130.67	122.00	158.36	176.11	252.00	341.65
	1997	1998	1999	2000	2001	2002	2003
HEICO Common Stock ⁽¹⁾	\$1,008.31	\$1,448.99	\$1,051.61	\$809.50	\$1,045.86	\$670.39	\$1,067.42
NYSE Composite Index	289.55	326.98	376.40	400.81	328.78	284.59	339.15
Dow Jones U.S. Aerospace Index	376.36	378.66	295.99	418.32	333.32	343.88	393.19
	2004	2005	2006	2007	2008		
HEICO Common Stock ⁽¹⁾	\$1,366.57	\$1,674.40	\$2,846.48	\$4,208.54	\$2,872.01		
NYSE Composite Index	380.91	423.05	499.42	586.87	344.96		
Dow Jones U.S. Aerospace Index	478.49	579.77	757.97	1,000.84	602.66		

(1) Information has been adjusted retroactively to give effect to all stock dividends paid during the eighteen-year period.

Dividend Policy

The Company has historically paid semi-annual cash dividends on both its Class A Common Stock and Common Stock. In July 2008, HEICO paid its 60th consecutive semi-annual cash dividend since 1979. HEICO's Board of Directors presently intends to continue the payment of regular semi-annual cash dividends on both classes of its common stock. In December 2008, the Board of Directors declared a regular semi-annual cash dividend of \$.06 per share payable in January 2009. The cash dividend represents a 20% increase over the prior per share amount of \$.05. The Company's ability to pay dividends could be affected by future business performance, liquidity, capital needs, alternative investment opportunities and loan covenants under its revolving credit facility.

Equity Compensation Plan Information

The following table summarizes information about the Company's equity compensation plans as of October 31, 2008.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders ⁽¹⁾	1,456,742	\$10.11	1,663,564
Equity compensation plans not approved by security holders ⁽²⁾	167,000	\$7.36	—
Total	1,623,742	\$9.83	1,663,564

(1) Represents aggregated information pertaining to the Company's three equity compensation plans: the 1993 Stock Option Plan, the Non-Qualified Stock Option Plan and the 2002 Stock Option Plan. See Note 8, Stock Options, of the Notes to Consolidated Financial Statements for further information regarding these plans.

(2) Represents stock options granted to a former shareholder of a business acquired in fiscal 1999. Such stock options were fully vested and transferable as of the grant date and expire ten years from the date of grant. The exercise price of such options was the fair market value as of the date of grant.

Issuer Purchases of Equity Securities

As announced by the Company on October 21, 2002, the Company's Board of Directors has authorized the repurchase of up to 425,000 shares of its Class A Common Stock and/or Common Stock to be executed, at management's discretion, in the open market or via private transactions. From October 21, 2002 through October 31, 2003, the Company repurchased 22,000 shares of its Class A Common Stock. The remaining 403,000 shares authorized for repurchase are subject to certain restrictions included in the Company's revolving credit agreement. The Company did not repurchase any shares of its Class A Common Stock and/or Common Stock during fiscal 2008, 2007 or 2006. The repurchase program does not have a fixed termination date.

Item 6. SELECTED FINANCIAL DATA

	For the year ended October 31, ⁽¹⁾				
	2004	2005	2006	2007	2008
	(in thousands, except per share data)				
Operating Data:					
Net sales	\$215,744	\$269,647	\$392,190	\$507,924	\$582,347
Gross profit	75,812	100,996	142,513	177,458	210,495
Selling, general and administrative expenses	43,193	56,347	75,646	91,444	104,707
Operating income	32,619 ⁽²⁾	44,649	66,867	86,014	105,788 ⁽⁶⁾
Interest expense	1,090	1,136	3,523	3,293	2,314
Interest and other income (expense)	26	528	639	95	(637)
Life insurance proceeds	5,000 ⁽³⁾	—	—	—	—
Net income	20,630 ⁽²⁾⁽³⁾	22,812	31,888 ⁽⁴⁾	39,005 ⁽⁵⁾	48,511 ⁽⁶⁾
Weighted average number of common shares outstanding:					
Basic	24,037	24,460	25,085	25,716	26,309
Diluted	25,755	26,323	26,598	26,931	27,243
Per Share Data:					
Net income:					
Basic	\$.86 ⁽²⁾⁽³⁾	\$.93	\$1.27 ⁽⁴⁾	\$1.52 ⁽⁵⁾	\$1.84 ⁽⁶⁾
Diluted	.80 ⁽²⁾⁽³⁾	.87	1.20 ⁽⁴⁾	1.45 ⁽⁵⁾	1.78 ⁽⁶⁾
Cash dividends	.05	.05	.08	.08	.10
Balance Sheet Data (as of October 31):					
Cash and cash equivalents	\$214	\$5,330	\$4,999	\$4,947	\$12,562
Total assets	364,255	435,624	534,815	631,302	676,542
Total debt (including current portion)	18,129	34,124	55,061	55,952	37,601
Minority interests in consolidated subsidiaries	44,644	49,035	63,301	72,938	83,978
Shareholders' equity	247,402	273,503	317,258	371,601	417,760

(1) Results include the results of acquisitions from each respective effective date.

(2) Operating income was reduced by an aggregate of \$850 in restructuring expenses recorded by certain subsidiaries of the Flight Support Group that provide repair and overhaul services, including \$350 recorded within cost of sales and \$500 recorded within selling, general and administrative expenses. The restructuring expenses decreased net income by \$427, or \$.02 per basic and diluted share.

(3) Represents proceeds from a \$5,000 key-person life insurance policy maintained by a subsidiary of the Flight Support Group. The minority interest's share of this income totaled \$1,000, which is reported as a component of minority interests' share of income. Accordingly, the life insurance proceeds increased net income by \$4,000, or \$.17 per basic and \$.16 per diluted share.

(4) Includes the benefit of a tax credit (net of related expenses) for qualified research and development activities claimed for certain prior years, which increased net income by \$1,002, or \$.04 per basic and diluted share.

(5) Includes the benefit of a tax credit (net of related expenses) for qualified research and development activities recognized for the full fiscal 2006 year pursuant to the retroactive extension in December 2006 of Section 41, "Credit for Increasing Research Activities," of the Internal Revenue Code, which increased net income by \$535, or \$.02 per basic and diluted share.

(6) Operating income was reduced by an aggregate of \$1,835 in impairment losses related to the write-down of certain intangible assets within the Electronic Technologies Group to their estimated fair values. The impairment losses were recorded as a component of selling, general and administrative expenses and decreased net income by \$1,140, or \$.04 per basic and diluted share.

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

Overview

The Company's operations are comprised of two operating segments, the Flight Support Group ("FSG") and the Electronic Technologies Group ("ETG").

The Flight Support Group consists of HEICO Aerospace Holdings Corp. ("HEICO Aerospace") and its subsidiaries, which primarily:

- *Designs, Manufactures, Repairs and Distributes Jet Engine and Aircraft Component Replacement Parts.* The Flight Support Group designs, manufactures, repairs and distributes jet engine and aircraft component replacement parts. The parts and services are approved by the Federal Aviation Administration ("FAA"). The Flight Support Group also manufactures and sells specialty parts as a subcontractor for aerospace and industrial original equipment manufacturers and the United States government.

The Electronic Technologies Group consists of HEICO Electronic Technologies Corp. ("HEICO Electronic") and its subsidiaries, which primarily:

- *Designs and Manufactures Electronic, Microwave and Electro-Optical Equipment, High-Speed Interface Products, High Voltage Interconnection Devices and High Voltage Advanced Power Electronics.* The Electronic Technologies Group designs, manufactures and sells various types of electronic, microwave and electro-optical equipment and components, including power supplies, laser rangefinder receivers, infrared simulation, calibration and testing equipment; electromagnetic interference shielding for commercial and military aircraft operators, electronics companies and telecommunication equipment suppliers; advanced high-technology interface products that link devices such as telemetry receivers, digital cameras, high resolution scanners, simulation systems and test systems to computers; high voltage energy generators interconnection devices, cable assemblies and wire for the medical equipment, defense and other industrial markets; and high frequency power delivery systems for the commercial sign industry.

The Company's results of operations during each of the past three fiscal years have been affected by a number of transactions. This discussion of the Company's financial condition and results of operations should be read in conjunction with the Consolidated Financial Statements and Notes thereto included herein. For further information regarding the acquisitions discussed below, see Note 2, Acquisitions, of the Notes to Consolidated Financial Statements. The acquisitions have been accounted for using the purchase method of accounting and are included in the Company's results of operations from the effective dates of acquisition.

In May 2006 and September 2006, the Company, through HEICO Aerospace, acquired all of the stock of Arger Enterprises, Inc. and its related companies (collectively "Arger") and an 80% interest in Prime Air, Inc. and its affiliate (collectively "Prime"), respectively. Under the Prime transaction, a new subsidiary was formed, Prime Air, LLC ("Prime Air"), which acquired substantially all of the assets and assumed certain liabilities of Prime. Prime Air is owned 80% by the Company and 20% by certain members of Prime's management group.

In April and September 2007, the Company, through HEICO Electronic, acquired all of the stock of FerriShield, Inc. ("FerriShield") and EMD Technologies Inc. ("EMD"), respectively. In May 2007 and August 2007, the Company, through HEICO Aerospace, acquired certain assets of a supplier and

substantially all of the assets of a U.S. company that designs and manufactures FAA-approved aircraft and engine parts, respectively. The purchase price of the supplier's assets was paid using cash provided by operating activities.

During the first quarter of fiscal 2007, the Company, through HEICO Aerospace, acquired an additional 10% of the equity interests in one of its subsidiaries, which increased the Company's ownership interest to 90%. During both April 2007 and 2008, the Company, through HEICO Electronic, acquired an additional .75% of the equity interests in one of its subsidiaries, which increased the Company's ownership interest from 85% to 86.5%. The purchase prices of the acquired equity interests were paid using cash provided by operating activities.

In November 2007, the Company, through an 80%-owned subsidiary of HEICO Aerospace, acquired all of the stock of a European company that supplies aircraft parts for sale and exchange and provides repair management services. In January and February 2008, the Company, through HEICO Aerospace, acquired certain assets and assumed certain liabilities of a U.S. company that designs and manufactures FAA-approved aircraft and engine parts and acquired an 80% interest in certain assets and certain liabilities of a U.S. company that is an FAA-approved repair station which specializes in avionics, respectively. The remaining 20% of the repair station's equity interests are principally owned by certain members of the acquired company's management.

In April 2008, the Company, through HEICO Aerospace, acquired an additional 7% of the equity interests in one of its subsidiaries, which increased the Company's ownership interest to 58%.

The purchase price of each fiscal 2007 and 2008 acquisition was paid in cash using proceeds from the Company's revolving credit facility unless otherwise noted and was not significant to the Company's consolidated financial statements individually.

Critical Accounting Policies

The Company believes that the following are its most critical accounting policies, some of which require management to make judgments about matters that are inherently uncertain.

Revenue Recognition

Revenue is recognized on an accrual basis, primarily upon the shipment of products and the rendering of services. Revenue from certain fixed price contracts for which costs can be dependably estimated is recognized on the percentage-of-completion method, measured by the percentage of costs incurred to date to estimated total costs for each contract. This method is used because management considers costs incurred to be the best available measure of progress on these contracts. Variations in actual labor performance, changes to estimated profitability and final contract settlements may result in revisions to cost estimates. Revisions in cost estimates as contracts progress have the effect of increasing or decreasing profits in the period of revision. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. For fixed price contracts in which costs cannot be dependably estimated, revenue is recognized on the completed-contract method. A contract is considered complete when all significant costs have been incurred or the item has been accepted by the customer. The percentage of the Company's net sales recognized under the percentage-of-completion method was approximately 3%, 3% and 4% in fiscal 2008, 2007 and 2006, respectively. The aggregate effects of changes in estimates relating to long-term contracts did not have a significant effect on net income or diluted net income per share in fiscal 2008, 2007 or 2006.

Valuation of Accounts Receivable

The valuation of accounts receivable requires that the Company set up an allowance for estimated uncollectible accounts and record a corresponding charge to bad debt expense. The Company estimates uncollectible receivables based on such factors as its prior experience, its appraisal of a customer's ability to pay and economic conditions within and outside of the aviation, defense, space and electronics industries. Actual bad debt expense could differ from estimates made.

Valuation of Inventory

Inventory is stated at the lower of cost or market, with cost being determined on the first-in, first-out or the average cost basis. Losses, if any, are recognized fully in the period when identified.

The Company periodically evaluates the carrying value of inventory, giving consideration to factors such as its physical condition, sales patterns and expected future demand and estimates the amount necessary to write-down its slow moving, obsolete or damaged inventory. These estimates could vary significantly from actual amounts based upon future economic conditions, customer inventory levels, or competitive factors that were not foreseen or did not exist when the estimated write-downs were made.

Purchase Accounting

The Company applies the purchase method of accounting to its acquisitions. Under this method, the purchase price, including any capitalized acquisition costs, is allocated to the underlying tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair market values, with any excess recorded as goodwill. Determining the fair value of assets acquired and liabilities assumed requires management's judgment and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, asset lives and market multiples, among other items. The Company determines the fair values of such assets, principally intangible assets, generally in consultation with third-party valuation advisors.

Valuation of Goodwill and Other Intangible Assets

The Company tests goodwill for impairment annually as of October 31, or more frequently if events or changes in circumstances indicate that the carrying amount of goodwill may not be fully recoverable. The test requires the Company to compare the fair value of each of its reporting units to its carrying value to determine potential impairment. If the carrying value of a reporting unit exceeds its fair value, the implied fair value of that reporting unit's goodwill is to be calculated and an impairment loss is recognized in the amount by which the carrying value of a reporting unit's goodwill exceeds its implied fair value, if any. The determination of fair value requires the Company to make a number of estimates, assumptions and judgments of such factors as earnings multiples, projected revenues and operating expenses and the Company's weighted average cost of capital. If there is a material change in such assumptions used by the Company in determining fair value or if there is a material change in the conditions or circumstances influencing fair value, the Company could be required to recognize a material impairment charge. Based on the annual goodwill test for impairment as of October 31, 2008, the Company determined there is no impairment of its goodwill.

The Company tests each non-amortizing intangible asset for impairment annually as of October 31, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The Company also tests each amortizing intangible asset for impairment if events or circumstances indicate that the asset might be impaired. These tests consist of determining whether the carrying value of such assets will be recovered through undiscounted expected future cash flows. If the total of the

undiscounted future cash flows is less than the carrying amount of those assets, the Company recognizes an impairment loss based on the excess of the carrying amount over the fair value of the assets. The determination of fair value requires the Company to make a number of estimates, assumptions and judgments of such factors as projected revenues and earnings and from discount rates. Based on the impairment tests conducted during fiscal 2008, the Company recognized pre-tax impairment losses of \$1.3 million and \$.5 million related to the write-down of certain customer relationships and trade names, respectively, within the ETG to their estimated fair values. The impairment losses were recorded as a component of selling, general and administrative expenses in the Company's Consolidated Statements of Operations.

Results of Operations

The following table sets forth the results of the Company's operations, net sales and operating income by operating segment and the percentage of net sales represented by the respective items in the Company's Consolidated Statements of Operations:

	For the year ended October 31,		
	2008	2007	2006
Net sales	\$582,347,000	\$507,924,000	\$392,190,000
Cost of sales	371,852,000	330,466,000	249,677,000
Selling, general and administrative expenses	104,707,000	91,444,000	75,646,000
Total operating costs and expenses	476,559,000	421,910,000	325,323,000
Operating income	<u>\$105,788,000</u>	<u>\$86,014,000</u>	<u>\$66,867,000</u>
Net sales by segment:			
Flight Support Group	\$436,810,000	\$383,911,000	\$277,255,000
Electronic Technologies Group	146,044,000	124,035,000	115,021,000
Intersegment sales	(507,000)	(22,000)	(86,000)
	<u>\$582,347,000</u>	<u>\$507,924,000</u>	<u>\$392,190,000</u>
Operating income by segment:			
Flight Support Group	\$81,184,000	\$67,408,000	\$46,840,000
Electronic Technologies Group	38,775,000	33,870,000	34,026,000
Other, primarily corporate	(14,171,000)	(15,264,000)	(13,999,000)
	<u>\$105,788,000</u>	<u>\$86,014,000</u>	<u>\$66,867,000</u>
Net sales	100.0%	100.0%	100.0%
Gross profit	36.1%	34.9%	36.3%
Selling, general and administrative expenses	18.0%	18.0%	19.3%
Operating income	18.2%	16.9%	17.0%
Interest expense	0.4%	0.6%	0.9%
Interest and other (expense) income	(0.1%)	0.0%	0.2%
Income tax expense	6.1%	5.4%	5.3%
Minority interests' share of income	3.2%	3.2%	2.9%
Net income	8.3%	7.7%	8.1%

Comparison of Fiscal 2008 to Fiscal 2007

Net Sales

Net sales in fiscal 2008 increased by 14.7% to \$582.3 million, as compared to net sales of \$507.9 million in fiscal 2007. The increase in net sales reflects an increase of \$52.9 million (a 13.8% increase) to \$436.8 million in net sales within the FSG and an increase of \$22.0 million (a 17.7% increase) to \$146.0 million in net sales within the ETG. The FSG's net sales increase reflects organic growth of approximately 10% as well as the impact on net sales from the fiscal 2008 acquisitions. The organic growth principally represents higher sales of new products and services and increased demand for the FSG's aftermarket replacement parts and repair and overhaul services. The ETG's net sales increase reflects the impact on net sales from prior year acquisitions as well as organic growth of approximately 9% principally due to increased demand for certain products.

The Company's net sales in both fiscal 2008 and 2007 by market approximated 69% from the commercial aviation industry, 16% from the defense and space industries and 15% from other industrial markets including medical, electronics and telecommunications.

Gross Profit and Operating Expenses

The Company's gross profit margin increased to 36.1% in fiscal 2008 as compared to 34.9% in fiscal 2007, principally reflecting higher margins within the FSG and the ETG primarily due to a more favorable product mix. Consolidated cost of sales in fiscal 2008 and 2007 includes approximately \$18.4 million and \$16.5 million, respectively, of new product research and development expenses.

Selling, general and administrative ("SG&A") expenses were \$104.7 million and \$91.4 million in fiscal 2008 and 2007, respectively. The increase in SG&A expenses was mainly due to higher operating costs, principally personnel related, associated with the growth in net sales discussed above and the additional operating costs associated with the acquired businesses. As a percentage of net sales, SG&A expenses were 18.0% in fiscal 2008 and 2007.

Operating Income

Operating income in fiscal 2008 increased by 23.0% to \$105.8 million, compared to operating income of \$86.0 million in fiscal 2007. The increase in operating income reflects an increase of \$13.8 million (a 20.4% increase) to \$81.2 million in operating income of the FSG in fiscal 2008, an increase of \$4.9 million (a 14.5% increase) to \$38.8 million in operating income of the ETG in fiscal 2008 and a \$1.1 million decrease in corporate expenses.

As a percentage of net sales, operating income increased to 18.2% in fiscal 2008 compared to 16.9% in fiscal 2007. The increase in operating income as a percentage of net sales reflects an increase in the FSG's operating income as a percentage of net sales to 18.6% in fiscal 2008 compared to 17.6% in fiscal 2007, partially offset by a decrease in the ETG's operating income as a percentage of net sales from 27.3% in fiscal 2007 to 26.6% in fiscal 2008. The increase in the FSG's operating income as a percentage of net sales principally reflects the aforementioned increased gross profit margins. The decrease in the ETG's operating income as a percentage of net sales principally reflects an aggregate of \$1.8 million in impairment losses related to the write-down of certain intangible assets to their estimated fair values recognized in fiscal 2008.

Interest Expense

Interest expense decreased to \$2.3 million in fiscal 2008 from \$3.3 million in fiscal 2007. The decrease was principally due to lower interest rates.

Interest and Other (Expense) Income

Interest and other (expense) income in fiscal 2008 and 2007 were not material.

Income Tax Expense

The Company's effective tax rate for fiscal 2008 increased to 34.5% from 33.2% in fiscal 2007. The increase was principally related to the December 2006 retroactive extension for the two year period covering January 1, 2006 to December 31, 2007 of Section 41, "Credit for Increasing Research Activities," of the Internal Revenue Code. As a result of this retroactive extension, the Company recognized an income tax credit for qualified research and development activities for the full fiscal 2006 year in fiscal 2007, which increased net income, net of expenses, by approximately \$.5 million.

For a detailed analysis of the provision for income taxes, see Note 6, Income Taxes, of the Notes to Consolidated Financial Statements.

Minority Interests' Share of Income

Minority interests' share of income of consolidated subsidiaries relates to the 20% minority interests held in HEICO Aerospace and the minority interests held in certain subsidiaries of HEICO Aerospace and HEICO Electronic. The increase in the minority interests' share of income in fiscal 2008 compared to fiscal 2007 was attributable to the higher earnings of the FSG and certain ETG subsidiaries in which the minority interests exist.

Net Income

The Company's net income was \$48.5 million, or \$1.78 per diluted share, in fiscal 2008 compared to \$39.0 million, or \$1.45 per diluted share, in fiscal 2007 reflecting the increased operating income referenced above, partially offset by the increased minority interests' share of certain consolidated subsidiaries.

Outlook

As the Company looks forward to fiscal 2009, HEICO will continue its focus on developing new products and services, further market penetration, additional acquisition opportunities and maintaining its financial strength. The Company is targeting growth in net sales, earnings and net cash provided by operating activities in fiscal 2009 over fiscal 2008 results despite the global economic strains facing its markets and customers, including the impact of expected capacity reductions in the commercial airline industry.

Comparison of Fiscal 2007 to Fiscal 2006

Net Sales

Net sales in fiscal 2007 increased by 29.5% to \$507.9 million, as compared to net sales of \$392.2 million in fiscal 2006. The increase in net sales reflects an increase of \$106.7 million (a 38.5% increase) to \$383.9 million in net sales within the FSG and an increase of \$9.0 million (a 7.8% increase) to \$124.0 million in net sales within the ETG. The FSG's net sales increase reflects organic growth of approximately 21% and certain prior year acquisitions, principally Arger and Prime Air. The organic growth reflects increased sales of new products and services and continued increased demand for the FSG's aftermarket replacement parts and repair and overhaul services within the commercial airline industry. The ETG's net sales increase reflects organic growth of approximately 5% as well as the impact on net sales from the fiscal 2007 acquisitions. The organic growth principally reflects increased demand for certain products.

The Company's net sales in fiscal 2007 by market approximated 69% from the commercial aviation industry, 16% from the defense and space industries and 15% from other industrial markets including medical, electronics and telecommunications. The Company's net sales in fiscal 2006 by market approximated 64% from the commercial aviation industry, 19% from the defense and space industries and 17% from other industrial markets including medical, electronics and telecommunications.

Gross Profit and Operating Expenses

The Company's gross profit margin decreased to 34.9% in fiscal 2007 as compared to 36.3% in fiscal 2006, reflecting lower margins within the ETG due principally to a less favorable product mix. Consolidated cost of sales in fiscal 2007 and 2006 includes approximately \$16.5 million and \$15.3 million, respectively, of new product research and development expenses.

SG&A expenses were \$91.4 million and \$75.6 million in fiscal 2007 and 2006, respectively. The increase in SG&A expenses was mainly due to higher operating costs, principally personnel related, associated with the growth in net sales discussed above including acquisitions and an increase in corporate expenses. The increase in corporate expenses reflects higher compensation and performance awards based on improvement in consolidated operating results.

As a percentage of net sales, SG&A expenses decreased to 18.0% in fiscal 2007 compared to 19.3% in fiscal 2006. The decrease as a percentage of net sales is due to efficiencies in controlling costs while increasing revenues.

Operating Income

Operating income in fiscal 2007 increased by 28.6% to \$86.0 million, compared to operating income of \$66.9 million in fiscal 2006. The increase in operating income reflects an increase of \$20.6 million (a 43.9% increase) to \$67.4 million in operating income of the FSG in fiscal 2007, partially offset by a \$.2 million decrease (a .5% decrease) in operating income of the ETG to \$33.9 million in fiscal 2007 and a \$1.3 million increase in corporate expenses as discussed above.

As a percentage of net sales, operating income decreased slightly to 16.9% in fiscal 2007 compared to 17.0% in fiscal 2006. The decrease in operating income as a percentage of net sales reflects a decrease in the ETG's operating income as a percentage of net sales from 29.6% in fiscal 2006 to 27.3% in fiscal 2007, partially offset by an increase in the FSG's operating income as a percentage of net sales from 16.9% in fiscal 2006 to 17.6% in fiscal 2007. The decrease in the ETG's operating income as a

percentage of net sales principally reflects the lower gross profit margins discussed previously. The increase in the FSG's operating income as a percentage of net sales reflects the increase in net sales and operating efficiencies within SG&A expenses.

Interest Expense

Interest expense decreased to \$3.3 million in fiscal 2007 from \$3.5 million in fiscal 2006. The decrease was principally due to a lower weighted average balance outstanding under the revolving credit facility in fiscal 2007, partially offset by higher interest rates. Additional information about the Company's revolving credit facility may be found within "*Financing Activities*," which follows within this Item 7.

Interest and Other Income

Interest and other income in fiscal 2007 and 2006 were not material.

Income Tax Expense

The Company's effective tax rate for fiscal 2007 increased to 33.2% from 32.7% in fiscal 2006. The increase is principally due to the phase-out of the extraterritorial income ("ETI") exclusion provisions pursuant to the American Jobs Creation Act of 2004 that had resulted in a tax benefit on export sales, partially offset by a higher amount of the minority interests' share of income excluded from the Company's 2007 consolidated income subject to federal income taxes.

The effective tax rate for fiscal 2007 reflects an income tax credit (net of expenses) for qualified research and development activities recognized for the full fiscal 2006 year in fiscal 2007. The fiscal 2006 tax credit was recorded pursuant to the December 2006 retroactive extension for the two year period covering January 1, 2006 to December 31, 2007 of Section 41, "Credit for Increasing Research Activities," of the Internal Revenue Code and increased net income by approximately \$.5 million in fiscal 2007.

Income tax expense in fiscal 2006 includes an income tax credit for qualified research and development activities claimed in the Company's income tax return for fiscal 2005 and amended returns for previous tax years that were filed in fiscal 2006. The aggregate tax credit, net of expenses, increased net income by approximately \$1.0 million in fiscal 2006.

For a detailed analysis of the provision for income taxes, see Note 6, Income Taxes, of the Notes to Consolidated Statements of Operations.

Minority Interests' Share of Income

Minority interests' share of income of consolidated subsidiaries relates to the 20% minority interest held in HEICO Aerospace and the minority interests held in certain subsidiaries of HEICO Aerospace and HEICO Electronic. The increase in the minority interests' share of income in fiscal 2007 compared to fiscal 2006 is primarily attributable to the higher earnings of the FSG as well as the September 2006 acquisition of Prime Air.

Net Income

The Company's net income was \$39.0 million, or \$1.45 per diluted share, in fiscal 2007 compared to \$31.9 million, or \$1.20 per diluted share, in fiscal 2006 reflecting the increased operating

income referenced above, partially offset by the increased minority interests' share of certain consolidated subsidiaries.

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 has been generally minimized by efforts to lower costs through manufacturing efficiencies and cost reductions.

Liquidity and Capital Resources

The Company's capitalization was as follows:

	As of October 31,	
	2008	2007
Cash and cash equivalents	\$12,562,000	\$4,947,000
Total debt (including current portion)	37,601,000	55,952,000
Shareholders' equity	417,760,000	371,601,000
Total capitalization (debt plus equity)	455,361,000	427,553,000
Total debt to total capitalization	8%	13%

In addition to cash and cash equivalents of \$12.6 million, the Company had \$261.6 million of unused availability under the terms of its revolving credit facility as of October 31, 2008. The Company's principal uses of cash include acquisitions, payments of principal and interest on debt, capital expenditures, cash dividends and increases in working capital. The Company finances its activities primarily from its operating activities and financing activities, including borrowings under short-term and long-term credit agreements.

Based on the Company's current outlook, the Company believes that its net cash provided by operating activities and available borrowings under its revolving credit facility will be sufficient to fund cash requirements for the foreseeable future.

Operating Activities

Net cash provided by operating activities was \$73.2 million for fiscal 2008, principally reflecting net income of \$48.5 million, minority interests' share of income of \$18.9 million, depreciation and amortization of \$15.1 million, a tax benefit related to stock option exercises of \$6.2 million, deferred income tax provision of \$3.6 million and impairment losses of intangible assets aggregating \$1.8 million, partially offset by an increase in net operating assets of \$17.1 million and the presentation of \$4.3 million of excess tax benefit from stock option exercises as a financing activity. The increase in net operating assets (current assets used in operating activities net of current liabilities) primarily reflects a higher investment in inventories by the FSG required to meet sales demand associated with new product offerings, sales growth, and increased lead times on certain raw materials; and an increase in accounts receivable due to sales growth; partially offset by higher current liabilities associated with increased sales and purchases and higher accrued employee compensation and related payroll taxes.

Net cash provided by operating activities was \$57.5 million for fiscal 2007, principally reflecting net income of \$39.0 million, minority interests' share of income of \$16.3 million, depreciation and amortization of \$12.2 million, a tax benefit related to stock option exercises of \$6.9 million, and a deferred income tax provision of \$2.8 million, partially offset by an increase in net operating assets of

\$16.0 million and the presentation of \$5.3 million of excess tax benefit from stock option exercises as a financing activity. The increase in net operating assets primarily reflects a higher investment in inventories by the FSG required to meet increased sales demand associated with new product offerings, sales growth, improved product delivery times, and higher prices of certain raw materials; and an increase in accounts receivable due to sales growth; partially offset by higher current liabilities associated with increased sales and purchases and higher accrued employee compensation and related payroll taxes.

Net cash provided by operating activities was \$46.9 million for fiscal 2006, principally reflecting net income of \$31.9 million, minority interests' share of income of \$11.2 million, depreciation and amortization of \$10.6 million, a tax benefit related to stock option exercises of \$2.2 million, a deferred income tax provision of \$2.6 million, and stock option compensation expense of \$1.4 million, partially offset by an increase in net operating assets of \$12.0 million and the presentation of \$1.6 million of excess tax benefit from stock option exercises as a financing activity. The increase in net operating assets primarily reflects a higher investment in inventories required to meet increased sales demand associated with new product offerings, sales growth, and increased lead times on certain raw materials; and an increase in accounts receivable due to sales growth; partially offset by higher current liabilities associated with increased sales and purchases and higher accrued employee compensation and related payroll taxes.

Investing Activities

Net cash used in investing activities during the three fiscal year period ended October 31, 2008 primarily relates to several acquisitions, including contingent payments and the acquisitions of certain minority interests, totaling \$135.5 million, including \$29.0 million in fiscal 2008, \$48.4 million in fiscal 2007 and \$58.1 million in fiscal 2006. Further details on acquisitions may be found at the beginning of this Item 7 under the caption "Overview" and Note 2, Acquisitions, of the Notes to Consolidated Financial Statements. Capital expenditures aggregated \$36.3 million over the last three fiscal years, primarily reflecting the expansion of existing production facilities and capabilities, which were generally funded using cash provided by operating activities.

Financing Activities

During the three fiscal year period ended October 31, 2008, the Company borrowed an aggregate \$155.0 million under its revolving credit facility principally to fund acquisitions, including \$50.0 million in fiscal 2008, \$46.0 million in fiscal 2007 and \$59.0 million in fiscal 2006. Further details on acquisitions may be found at the beginning of this Item under the caption "Overview" and Note 2, Acquisitions, of the Notes to Consolidated Financial Statements. Repayments on the revolving credit facility aggregated \$150.0 million over the last three fiscal years, including \$66.0 million in fiscal 2008, \$46.0 million in fiscal 2007 and \$38.0 million in fiscal 2006. For the three year fiscal period ended October 31, 2008, the Company received proceeds from stock option exercises aggregating \$14.3 million, made distributions to minority interest owners aggregating \$17.2 million, paid cash dividends aggregating \$6.7 million, paid the matured industrial development revenue bonds aggregating \$2.0 million, and made net repayments of \$2.0 million on the Company's short-term line of credit. Net cash provided by financing activities also includes the presentation of \$4.3 million, \$5.3 million and \$1.6 million of excess tax benefit from stock option exercises in fiscal 2008, 2007 and 2006, respectively.

In May 2008, the Company amended its revolving credit facility by entering into a \$300 million Second Amended and Restated Revolving Credit Agreement ("Credit Facility") with a bank syndicate, which matures in May 2013. Under certain circumstances, the maturity may be extended for two one-year periods. The Credit Facility also includes a feature that will allow the Company to increase the Credit Facility, at its option, up to \$500 million through increased commitments from existing lenders or the addition of new lenders. The Credit Facility may be used for working capital and general corporate

needs of the Company, including letters of credit, capital expenditures and to finance acquisitions. Advances under the Credit Facility accrue interest at the Company's choice of the "Base Rate" or the London Interbank Offered Rate ("LIBOR") plus applicable margins (based on the Company's ratio of total funded debt to earnings before interest, taxes, depreciation and amortization, minority interest and non-cash charges, or "leverage ratio"). The Base Rate is the higher of (i) the Prime Rate or (ii) the Federal Funds rate plus .50%. The applicable margins for LIBOR-based borrowings range from .625% to 2.25%. A fee is charged on the amount of the unused commitment ranging from .125% to .35% (depending on the Company's leverage ratio). The Credit Facility also includes a \$50 million sublimit for borrowings made in euros, a \$30 million sublimit for letters of credit and a \$20 million swingline sublimit. The Credit Facility is unsecured and contains covenants that require, among other things, the maintenance of the leverage ratio, a senior leverage ratio and a fixed charge coverage ratio. In the event the Company's leverage ratio exceeds a specified level, the Credit Facility would become secured by the capital stock owned in substantially all of the Company's subsidiaries. As of October 31, 2008, the Company's leverage ratio was significantly below such specified level. See Note 5, Short-Term and Long-Term Debt, of the Notes to Consolidated Financial Statements for further information regarding the revolving credit facility.

Contractual Obligations

The following table summarizes the Company's contractual obligations as of October 31, 2008:

	Total	Payments due by fiscal period			
		2009	2010 - 2011	2012 - 2013	Thereafter
Short-term and long-term debt obligations ⁽¹⁾	\$37,489,000	\$162,000	\$275,000	\$37,052,000	\$—
Capital lease obligations and equipment loans ⁽¹⁾	112,000	58,000	54,000	—	—
Operating lease obligations ⁽²⁾	32,193,000	5,749,000	10,079,000	7,300,000	9,065,000
Purchase obligations ⁽³⁾⁽⁴⁾⁽⁵⁾	8,960,000	8,758,000	202,000	—	—
Other long-term liabilities ⁽⁶⁾⁽⁷⁾	259,000	56,000	99,000	76,000	28,000
Total contractual obligations	<u>\$79,013,000</u>	<u>\$14,783,000</u>	<u>\$10,709,000</u>	<u>\$44,428,000</u>	<u>\$9,093,000</u>

- (1) Excludes interest charges on borrowings and the fee on the amount of any unused commitment that the Company may be obligated to pay under its revolving credit facility as such amounts vary. Also excludes interest charges associated with notes payable, capital lease obligations and equipment loans as such amounts are not material. See Note 5, Short-Term and Long-Term Debt, of the Notes to Consolidated Financial Statements and "Financing Activities" above for additional information regarding the Company's long-term debt and capital lease obligations and equipment loans.
- (2) See Note 14, Commitments and Contingencies – Lease Commitments, of the Notes to Consolidated Financial Statements for additional information regarding the Company's operating lease obligations.
- (3) Includes an aggregate of \$735,000 of commitments for capital expenditures as well as purchase obligations of inventory and supplies that extend beyond one year. All purchase obligations of inventory and supplies in the ordinary course of business (i.e., with deliveries scheduled within the next year) are excluded from the table.
- (4) Also includes accrued additional contingent purchase consideration of \$2,197,000 payable in fiscal 2009 relating to a previous year acquisition (see Note 2, Acquisitions, of the Notes to Consolidated Financial Statements). The amounts in the table do not include the additional contingent purchase consideration the

Company may have to pay based on future earnings of certain acquired businesses, which is further discussed in “Off-Balance Sheet Arrangements – Acquisitions – Additional Contingent Purchase Consideration” below. The maximum amount of such contingent consideration that the Company could be required to pay aggregates approximately \$82 million payable over the future periods beginning in fiscal 2010 through fiscal 2013. Assuming the subsidiaries perform over their respective future measurement periods at the same earnings levels they performed in the comparable historical measurement periods, the aggregate amount of such contingent consideration that the Company would be required to pay is approximately \$5 million. The actual contingent purchase consideration will likely be different.

- (5) As further explained below in “Off-Balance Sheet Arrangements – Acquisitions – Put/Call Rights,” the minority interest holders of certain subsidiaries have rights (“Put Rights”) that may be exercised on varying dates causing the Company to purchase their equity interests beginning in fiscal 2009 through fiscal 2018. The amounts in the table include \$6,028,000 payable in 2009 (of which \$1.2 million was accrued as of October 31, 2008) pursuant to the exercise of such Put Rights by the minority interest holders of three of the Company’s subsidiaries. Amounts that may be paid in years subsequent to fiscal 2009 have been excluded from the table as such amounts are either contingent upon the exercise of Put Rights and/or based on a multiple of future earnings, both which are uncertain at this time. Assuming the subsidiaries perform over their respective future measurement periods at the same earnings levels they performed in the comparable historical measurement periods and assuming all Put Rights are exercised, the aggregate additional amount that the Company would be required to pay is approximately \$44 million. The actual amount will likely be different. In December 2008, the Company and the minority interest holders of one of the Company’s subsidiaries agreed to accelerate the Company’s purchase of a portion of the minority interests from fiscal 2010 to fiscal 2009 for an estimated purchase price of \$4.7 million (see Note 16, Subsequent Event, of the Notes to Consolidated Financial Statements). This amount is not reflected in the table above.
- (6) Represents projected payments aggregating \$259,000 under the Company’s Directors Retirement Plan, which is explained further in Note 9, Retirement Plans, of the Notes to Consolidated Financial Statements (the plan is unfunded and the Company pays benefits directly). The amounts in the table do not include amounts related to the Leadership Compensation Plan or the Company’s other deferred compensation arrangement as there is a related asset or an offsetting asset, respectively, included in the Company’s Consolidated Balance Sheets. See Note 3, Selected Financial Statement Information – Other Non-Current Liabilities, of the Notes to Consolidated Financial Statements for further information about these two deferred compensation plans.
- (7) The amounts in the table do not include approximately \$5,513,000 of the Company’s FIN 48 liability for unrecognized tax benefits as it is uncertain as to if or when such amounts may be settled with taxing authorities. See Note 6, Income Taxes, of the Notes to Consolidated Financial Statements and “New Accounting Pronouncements” below for additional information regarding the Company’s adoption of FIN 48 provisions.

Off-Balance Sheet Arrangements

Guarantees

The Company has arranged for standby letters of credit aggregating \$1.4 million to meet the security requirement of its insurance company for potential workers’ compensation claims, which are supported by the Company’s revolving credit facility.

Acquisitions – Put/Call Rights

Pursuant to the purchase agreement related to the acquisition of an 80% interest in a subsidiary by the FSG in fiscal 2001, the Company acquired an additional 10% of the equity interests of the subsidiary in fiscal 2007. The Company has provided notice to the minority interest holder that it will purchase the remaining 10% interest effective October 31, 2008. Accordingly, the Company accrued \$1.2 million as of October 31, 2008 related to the purchase of this equity interest, which was paid in December 2008.

As part of the agreement to acquire an 80% interest in a subsidiary by the ETG in fiscal 2004, the Company has the right to purchase the minority interests over a five-year period beginning at approximately the tenth anniversary of the acquisition, or sooner under certain conditions, and the minority interest holders have the right to cause the Company to purchase their interests over a five-year period commencing on approximately the fifth anniversary of the acquisition, or sooner under certain conditions.

Pursuant to the purchase agreement related to the acquisition of a 85% interest in a subsidiary by the ETG in fiscal 2005, certain minority interest holders exercised their option during fiscal 2007 to cause the Company to purchase their aggregate 3% interest over a four-year period ending in fiscal 2010. Accordingly, the Company increased its ownership interest in the subsidiary by 1.5% (or one-fourth of such minority interest holders' aggregate interest in fiscal 2007 and 2008, respectively) to 86.5% effective April 2008. Further, the remaining minority interest holders currently have the right to cause the Company to purchase their aggregate 12% interest over a four-year period.

Pursuant to the purchase agreement related to the acquisition of a 51% interest in a subsidiary by the FSG in fiscal 2006, the minority interest holders exercised their option during fiscal 2008 to cause the Company to purchase an aggregate 28% interest over a four-year period ending in fiscal 2011. Accordingly, the Company increased its ownership interest in the subsidiary by 7% (or one-fourth of such minority interest holders' aggregate interest) to 58% effective April 2008. In December 2008, the Company and the minority interest holders agreed to accelerate the purchase of 14% of these equity interests (7% from April 2009 and 7% from April 2010) to December 2008. The estimated purchase price of this 14% interest is \$9.3 million (see Note 16, Subsequent Event, of the Notes to Consolidated Financial Statements). Further, the Company has the right to purchase the remaining 21% of the equity interests of the subsidiary over a three-year period beginning approximately after the fourth anniversary of the acquisition, or sooner under certain conditions, and the minority interest holders have the right to cause the Company to purchase the same equity interest over the same period.

As part of the agreement to acquire an 80% interest in a subsidiary by the FSG in fiscal 2006, the Company has the right to purchase the minority interests over a four-year period beginning at approximately the eighth anniversary of the acquisition, or sooner under certain conditions, and the minority interest holders have the right to cause the Company to purchase the same equity interest over the same period.

As part of an agreement to acquire an 80% interest in a subsidiary by the FSG in fiscal 2008, the Company has the right to purchase the minority interests over a five-year period beginning at approximately the sixth anniversary of the acquisition, or sooner under certain conditions, and the minority interest holders have the right to cause the Company to purchase the same equity interest over the same period.

The above referenced rights of the minority interest holders ("Put Rights") may be exercised on varying dates causing the Company to purchase their equity interests beginning in fiscal 2009 through fiscal 2018. The Put Rights, all of which relate either to common shares or membership interests in limited liability companies, provide that the cash consideration to be paid for the minority interests ("Redemption Amount") be at a formula that management intended to reasonably approximate fair value, as defined in the applicable agreements based on a multiple of future earnings over a measurement period. Upon exercise of any Put Right, the Company's ownership interest in the subsidiary would increase and minority interest expense would decrease. The Put Rights are embedded in the shares owned by the minority interest holders and are not freestanding. Consistent with Accounting Research Bulletin No. 51, "Consolidated Financial Statements," minority interests have been recorded on the Company's consolidated balance sheets at historical cost plus an allocation of subsidiary earnings based on ownership

interests, less dividends paid to the minority interest holders. As described in Note 1, Summary of Significant Accounting Policies, of the Notes to Consolidated Financial Statements, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 160 in December 2007 that will change the current accounting and financial reporting for non-controlling (minority) interests. SFAS No. 160 will be effective for fiscal years beginning after December 15, 2008. The Company will adopt SFAS No. 160 on November 1, 2009. SFAS No. 160 will require that non-controlling (minority) interests be reported in the consolidated balance sheet within equity. The Company is not yet in a position to assess the full impact and related disclosure of adopting SFAS No. 160 on its minority interest liabilities and related Put Rights.

Acquisitions – Additional Contingent Purchase Consideration

As part of the agreement to purchase a subsidiary by the ETG in fiscal 2005, the Company may be obligated to pay additional purchase consideration currently estimated to total up to \$2.7 million should the subsidiary meet certain product line-related earnings objectives during the fourth and fifth years following the acquisition.

As part of the agreement to acquire a subsidiary by the ETG in fiscal 2006, the Company may be obligated to pay additional purchase consideration up to \$19.2 million based on the subsidiary’s fiscal 2009 earnings relative to target.

As part of the agreement to acquire a subsidiary by the ETG in fiscal 2007, the Company may be obligated to pay additional purchase consideration up to 73 million Canadian dollars in aggregate, which translates to \$59.7 million U.S. dollars based on the October 31, 2008 exchange rate, should the subsidiary meet certain earnings objectives during the first five years following the acquisition.

As part of the agreement to acquire a subsidiary by the FSG in fiscal 2008, the Company may be obligated to pay additional consideration of up to approximately \$.4 million in aggregate should the subsidiary meet certain earnings objectives during the third, fourth and fifth years following the acquisition.

The above referenced additional contingent purchase consideration will be accrued when the earnings objectives are met. Such additional contingent consideration is based on a multiple of earnings above a threshold (subject to a cap in certain cases) and is not contingent upon the former shareholders of the acquired entities remaining employed by the Company or providing future services to the Company. Accordingly, such consideration will be recorded as an additional cost of the respective acquired entity when paid.

For additional information on the aforementioned acquisitions see Note 2, Acquisitions, of the Notes to Consolidated Financial Statements.

New Accounting Pronouncements

Effective November 1, 2007, the Company adopted FASB Interpretation No. 48 (“FIN 48”), “Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109,” and began evaluating tax positions utilizing a two-step process. The first step is to determine whether it is more-likely-than-not that a tax position will be sustained upon examination based on the technical merits of the position. The second step is to measure the benefit to be recorded from tax positions that meet the more-likely-than-not recognition threshold by determining the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement and recognizing that amount in the financial statements. As a result of adopting the provisions of FIN 48, the Company recognized a

cumulative effect adjustment that decreased retained earnings as of the beginning of fiscal 2008 by \$639,000. Further, effective with the adoption of FIN 48, the Company's policy is to recognize interest and penalties related to income tax matters as a component of income tax expense. Interest and penalties, which were not significant in fiscal 2007, were previously recorded in interest expense and in selling, general and administrative expenses, respectively, in the Company's Consolidated Statements of Operations. Further information regarding income taxes can be found in Note 6, Income Taxes, of the Notes to Consolidated Financial Statements.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," which provides enhanced guidance for using fair value to measure assets and liabilities. SFAS No. 157 provides a common definition of fair value and establishes a framework to make the measurement of fair value in accordance with generally accepted accounting principles more consistent and comparable. SFAS No. 157 also requires expanded disclosures to provide information about the extent to which fair value is used to measure assets and liabilities, the methods and assumptions used to measure fair value and the effect of fair value measures on earnings. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, or in fiscal 2009 for HEICO. In February 2008, the FASB issued FASB Staff Position ("FSP") No. SFAS 157-2, "Effective Date of FASB Statement No. 157." FSP No. SFAS 157-2 delays the effective date of SFAS No. 157 by one year for nonfinancial assets and nonfinancial liabilities, except for the items that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Company is currently in the process of evaluating the effect, if any, the adoption of SFAS No. 157 will have on its results of operations, financial position and cash flows.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115." SFAS No. 159 permits entities to choose to measure certain financial assets and liabilities at fair value and report unrealized gains and losses on items for which the fair value option has been elected in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007, or in fiscal 2009 for HEICO. The Company has not yet determined if it will elect to apply any of the provisions of SFAS No. 159 and is currently evaluating the effect, if any, the adoption of SFAS No. 159 will have on its results of operations, financial position and cash flows.

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations." SFAS No. 141(R) is a revision of SFAS No. 141 and retains the fundamental requirements in SFAS 141 that the acquisition method of accounting (formerly the "purchase accounting" method) be used for all business combinations and for an acquirer to be identified for each business combination. However, SFAS No. 141(R) changes the approach of applying the acquisition method in a number of significant areas, including that acquisition costs will generally be expensed as incurred; noncontrolling interests will be valued at fair value at the acquisition date; in-process research and development will be recorded at fair value as an indefinite-lived intangible asset at the acquisition date; restructuring costs associated with a business combination will generally be expensed subsequent to the acquisition date; and changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense. SFAS No. 141(R) is effective on a prospective basis for all business combinations for which the acquisition date is on or after the beginning of the first fiscal year subsequent to December 15, 2008, or in fiscal 2010 for HEICO. The Company is in the process of evaluating the effect the adoption of SFAS No. 141(R) will have on its results of operations, financial position and cash flows.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements - an amendment of ARB No. 51." This statement requires the recognition of a noncontrolling interest (previously referred to as minority interest) as a separate component within equity in the consolidated balance sheet. It also requires the amount of consolidated net income attributable to

the parent and the noncontrolling interest be clearly identified and presented within the consolidated statement of operations. SFAS No. 160 is effective for fiscal years beginning on or after December 15, 2008, or in fiscal 2010 for HEICO. The Company is in the process of evaluating the effect the adoption of SFAS No. 160 will have on its results of operations, financial position and cash flows.

In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133.” SFAS No. 161 expands the disclosure requirements in SFAS No. 133 about an entity’s derivative instruments and hedging activities. It requires enhanced disclosures about (i) how and why an entity uses derivative instruments; (ii) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations; and (iii) how derivative instruments and related hedged items affect an entity’s financial position, financial performance and cash flows. SFAS No. 161 is effective for fiscal years and interim periods beginning after November 15, 2008, or in the second quarter of fiscal 2009 for HEICO. The Company is currently in the process of evaluating the effect the adoption of SFAS No. 161 will have on its financial statement disclosures.

In May 2008, the FASB issued SFAS No. 162, “The Hierarchy of Generally Accepted Accounting Principles.” SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements that are presented in conformity with generally accepted accounting principles. SFAS No. 162 is effective 60 days following the Securities and Exchange Commission’s approval of the Public Company Accounting Oversight Board amendments to remove the hierarchy of generally accepted accounting principles from the auditing standards. The Company is currently in the process of evaluating the effect, if any, the adoption of SFAS No. 162 will have on its results of operations, financial position and cash flows.

Forward Looking Statements

Certain statements in this Report constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained herein that are not clearly historical in nature may be forward-looking and the words “believe,” “expect,” “estimate” and similar expressions are generally intended to identify forward-looking statements. Any forward-looking statements contained herein, in press releases, written statements, or other documents filed with the Securities and Exchange Commission or in communications and discussions with investors and analysts in the normal course of business through meetings, phone calls and conference calls, concerning our operations, economic performance and financial condition are subject to known and unknown risks, uncertainties and contingencies. We have based these forward-looking statements on our current expectations and projections about future events. All forward-looking statements involve risks and uncertainties, many of which are beyond our control, which may cause actual results, performance or achievements to differ materially from anticipated results, performance or achievements. Also, forward-looking statements are based upon management’s estimates of fair values and of future costs, using currently available information. Therefore, actual results may differ materially from those expressed or implied in those statements. Factors that could cause such differences include, but are not limited to:

- Lower demand for commercial air travel or airline fleet changes, which could cause lower demand for our goods and services;
- Product specification costs and requirements, which could cause an increase to our costs to complete contracts;

- Governmental and regulatory demands, export policies and restrictions, reductions in defense, space or homeland security spending by U.S. and/or foreign customers or competition from existing and new competitors, which could reduce our sales;
- HEICO's ability to introduce new products and product pricing levels, which could reduce our sales or sales growth;
- HEICO's ability to make acquisitions and achieve operating synergies from acquired businesses, customer credit risk, interest rates and economic conditions within and outside of the aviation, defense, space and electronics industries, which could negatively impact our costs and revenues; and
- HEICO's ability to maintain effective internal controls, which could adversely affect our business and the market price of our common stock.

We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Item 7A. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

The primary market risk to which the Company has exposure is interest rate risk, mainly related to its revolving credit facility, which has variable interest rates. Interest rate risk associated with the Company's variable rate debt is the potential increase in interest expense from an increase in interest rates. Periodically, the Company enters into interest rate swap agreements to manage its interest expense. The Company did not have any interest rate swap agreements in effect as of October 31, 2008. Based on the Company's aggregate outstanding variable rate debt balance of \$37 million as of October 31, 2008, a hypothetical 10% increase in interest rates would increase the Company's interest expense by approximately \$133,000 in fiscal 2008.

The Company maintains a portion of its cash and cash equivalents in financial instruments with original maturities of three months or less. These financial instruments are subject to interest rate risk and will decline in value if interest rates increase. Due to the short duration of these financial instruments, a hypothetical 10% increase in interest rates as of October 31, 2008 would not have a material effect on the Company's results of operations, financial position or cash flows.

The Company is also exposed to foreign currency exchange rate fluctuations on the United States dollar value of its foreign currency denominated transactions, which are principally in Canadian dollar and British pound sterling. During fiscal 2008, the Company entered into a foreign currency forward contract to mitigate a portion of foreign exchange risk at one of its foreign subsidiaries for transactions denominated in a currency other than its functional currency. The impact of this forward contract did not have a material effect on the Company's results of operations, financial position or cash flows. A hypothetical 10% weakening in the exchange rate of the Canadian dollar or British pound sterling to the United States dollar as of October 31, 2008 would not have a material effect on the Company's results of operations, financial position or cash flows.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

**HEICO CORPORATION AND SUBSIDIARIES
INDEX TO FINANCIAL STATEMENTS**

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
HEICO Corporation
Hollywood, Florida

We have audited the accompanying consolidated balance sheets of HEICO Corporation and subsidiaries (the “Company”) as of October 31, 2008 and 2007, and the related consolidated statements of operations, shareholders’ equity and comprehensive income, and cash flows for each of the three years in the period ended October 31, 2008. Our audits also included the financial statement schedule listed in the Index at Item 15. We have also audited the Company’s internal control over financial reporting as of October 31, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company’s management is responsible for these financial statements and the financial statement schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and the financial statement schedule and an opinion on the Company’s internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may

become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of HEICO Corporation and subsidiaries as of October 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended October 31, 2008, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of October 31, 2008, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

DELOITTE & TOUCHE LLP
Certified Public Accountants

Miami, Florida
December 24, 2008

HEICO CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	As of October 31,	
	2008	2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$12,562,000	\$4,947,000
Accounts receivable, net	88,403,000	82,399,000
Inventories, net	132,910,000	115,770,000
Prepaid expenses and other current assets	3,678,000	4,557,000
Deferred income taxes	13,957,000	10,135,000
Total current assets	251,510,000	217,808,000
Property, plant and equipment, net	59,966,000	55,554,000
Goodwill	323,393,000	310,502,000
Intangible assets, net	24,983,000	35,333,000
Other assets	16,690,000	12,105,000
Total assets	\$676,542,000	\$631,302,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$220,000	\$2,187,000
Trade accounts payable	29,657,000	28,161,000
Accrued expenses and other current liabilities	49,586,000	53,878,000
Income taxes payable	1,765,000	3,112,000
Total current liabilities	81,228,000	87,338,000
Long-term debt, net of current maturities	37,381,000	53,765,000
Deferred income taxes	39,192,000	35,296,000
Other non-current liabilities	17,003,000	10,364,000
Total liabilities	174,804,000	186,763,000
Minority interests in consolidated subsidiaries (Note 14)	83,978,000	72,938,000
Commitments and contingencies (Notes 2 and 14)		
Shareholders' equity:		
Preferred Stock, \$.01 par value per share; 10,000,000 shares authorized; 300,000 shares designated as Series B Junior Participating Preferred Stock and 300,000 shares designated as Series C Junior Participating Preferred Stock; none issued	—	—
Common Stock, \$.01 par value per share; 30,000,000 shares authorized; 10,572,641 and 10,538,691 shares issued and outstanding, respectively	106,000	105,000
Class A Common Stock, \$.01 par value per share; 30,000,000 shares authorized; 15,829,790 and 15,612,862 shares issued and outstanding, respectively	158,000	156,000
Capital in excess of par value	229,443,000	220,658,000
Accumulated other comprehensive (loss) income	(4,819,000)	3,050,000
Retained earnings	192,872,000	147,632,000
Total shareholders' equity	417,760,000	371,601,000
Total liabilities and shareholders' equity	\$676,542,000	\$631,302,000

The accompanying notes are an integral part of these consolidated financial statements.

HEICO CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the year ended October 31,		
	2008	2007	2006
Net sales	\$582,347,000	\$507,924,000	\$392,190,000
Operating costs and expenses:			
Cost of sales	371,852,000	330,466,000	249,677,000
Selling, general and administrative expenses	104,707,000	91,444,000	75,646,000
Total operating costs and expenses	476,559,000	421,910,000	325,323,000
Operating income	105,788,000	86,014,000	66,867,000
Interest expense	(2,314,000)	(3,293,000)	(3,523,000)
Interest and other (expense) income	(637,000)	95,000	639,000
Income before income taxes and minority interests	102,837,000	82,816,000	63,983,000
Income tax expense	35,450,000	27,530,000	20,900,000
Income before minority interests	67,387,000	55,286,000	43,083,000
Minority interests' share of income	18,876,000	16,281,000	11,195,000
Net income	<u>\$48,511,000</u>	<u>\$39,005,000</u>	<u>\$31,888,000</u>
Net income per share:			
Basic	\$1.84	\$1.52	\$1.27
Diluted	\$1.78	\$1.45	\$1.20
Weighted average number of common shares outstanding:			
Basic	26,309,139	25,715,899	25,084,532
Diluted	27,243,356	26,931,048	26,597,603

The accompanying notes are an integral part of these consolidated financial statements.

HEICO CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME

	<u>Common Stock</u>	<u>Class A Common Stock</u>	<u>Capital in Excess of Par Value</u>	<u>Accumulated Other Comprehensive (Loss) Income</u>	<u>Retained Earnings</u>	<u>Comprehensive Income</u>
Balances as of October 31, 2005	\$101,000	\$145,000	\$192,523,000	(\$65,000)	\$80,799,000	
Net income	—	—	—	—	31,888,000	\$31,888,000
Foreign currency translation adjustments	—	—	—	127,000	—	127,000
Comprehensive income	—	—	—	—	—	<u>\$32,015,000</u>
Cash dividends (\$.08 per share)	—	—	—	—	(2,004,000)	
Tax benefit from stock option exercises	—	—	7,300,000	—	—	
Proceeds from stock option exercises	2,000	6,000	5,063,000	—	—	
Stock option compensation expense	—	—	1,373,000	—	—	
Other	—	—	1,000	—	(1,000)	
Balances as of October 31, 2006	<u>103,000</u>	<u>151,000</u>	<u>206,260,000</u>	<u>62,000</u>	<u>110,682,000</u>	
Net income	—	—	—	—	39,005,000	\$39,005,000
Foreign currency translation adjustments	—	—	—	2,966,000	—	2,966,000
Comprehensive income	—	—	—	—	—	<u>\$41,971,000</u>
Cash dividends (\$.08 per share)	—	—	—	—	(2,056,000)	
Tax benefit from stock option exercises	—	—	6,873,000	—	—	
Proceeds from stock option exercises	2,000	5,000	6,868,000	—	—	
Stock option compensation expense	—	—	658,000	—	—	
Other	—	—	(1,000)	22,000	1,000	
Balances as of October 31, 2007	<u>105,000</u>	<u>156,000</u>	<u>220,658,000</u>	<u>3,050,000</u>	<u>147,632,000</u>	
Net income	—	—	—	—	48,511,000	\$48,511,000
Foreign currency translation adjustments	—	—	—	(7,706,000)	—	(7,706,000)
Comprehensive income	—	—	—	—	—	<u>\$40,805,000</u>
Cash dividends (\$.10 per share)	—	—	—	—	(2,631,000)	
Cumulative effect of adopting FIN 48 (Note 6)	—	—	—	—	(639,000)	
Tax benefit from stock option exercises	—	—	6,248,000	—	—	
Proceeds from stock option exercises	1,000	2,000	2,395,000	—	—	
Stock option compensation expense	—	—	142,000	—	—	
Other	—	—	—	(163,000)	(1,000)	
Balances as of October 31, 2008	<u>\$106,000</u>	<u>\$158,000</u>	<u>\$229,443,000</u>	<u>(\$4,819,000)</u>	<u>\$192,872,000</u>	

The accompanying notes are an integral part of these consolidated financial statements.

HEICO CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended October 31,		
	2008	2007	2006
Operating Activities:			
Net income	\$48,511,000	\$39,005,000	\$31,888,000
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	15,052,000	12,167,000	10,565,000
Impairment of intangible assets	1,835,000	—	—
Deferred income tax provision	3,617,000	2,819,000	2,557,000
Minority interests' share of income	18,876,000	16,281,000	11,195,000
Tax benefit from stock option exercises	6,248,000	6,873,000	2,210,000
Excess tax benefit from stock option exercises	(4,324,000)	(5,262,000)	(1,550,000)
Stock option compensation expense	142,000	658,000	1,373,000
Changes in assets and liabilities, net of acquisitions:			
Increase in accounts receivable	(4,749,000)	(13,790,000)	(5,018,000)
Increase in inventories	(16,597,000)	(14,701,000)	(13,148,000)
Decrease (increase) in prepaid expenses and other current assets	650,000	(266,000)	431,000
Increase in trade accounts payable	808,000	4,265,000	3,696,000
Increase in accrued expenses and other current liabilities	3,803,000	7,013,000	1,698,000
(Decrease) increase in income taxes payable	(1,040,000)	1,523,000	362,000
Other	330,000	865,000	649,000
Net cash provided by operating activities	<u>73,162,000</u>	<u>57,450,000</u>	<u>46,908,000</u>
Investing Activities:			
Acquisitions and related costs, net of cash acquired	(29,038,000)	(48,367,000)	(58,117,000)
Capital expenditures	(13,455,000)	(12,886,000)	(9,964,000)
Other	166,000	59,000	520,000
Net cash used in investing activities	<u>(42,327,000)</u>	<u>(61,194,000)</u>	<u>(67,561,000)</u>
Financing Activities:			
Payments on revolving credit facility	(66,000,000)	(46,000,000)	(38,000,000)
Borrowings on revolving credit facility	50,000,000	46,000,000	59,000,000
Payments on short-term line of credit	(500,000)	(1,000,000)	(3,000,000)
Borrowings on short-term line of credit	500,000	1,000,000	1,000,000
Payment of industrial development revenue bonds	(1,980,000)	—	—
Distributions to minority interest owners	(7,456,000)	(6,448,000)	(3,306,000)
Cash dividends paid	(2,631,000)	(2,056,000)	(2,004,000)
Proceeds from stock option exercises	2,398,000	6,875,000	5,071,000
Excess tax benefit from stock option exercises	4,324,000	5,262,000	1,550,000
Other	(1,158,000)	(57,000)	(26,000)
Net cash (used in) provided by financing activities	<u>(22,503,000)</u>	<u>3,576,000</u>	<u>20,285,000</u>
Effect of exchange rate changes on cash	<u>(717,000)</u>	<u>116,000</u>	<u>37,000</u>
Net increase (decrease) in cash and cash equivalents	7,615,000	(52,000)	(331,000)
Cash and cash equivalents at beginning of year	4,947,000	4,999,000	5,330,000
Cash and cash equivalents at end of year	<u>\$12,562,000</u>	<u>\$4,947,000</u>	<u>\$4,999,000</u>

The accompanying notes are an integral part of these consolidated financial statements.

HEICO CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

HEICO Corporation, through its principal subsidiaries HEICO Aerospace Holdings Corp. (“HEICO Aerospace”) and HEICO Electronic Technologies Corp. (“HEICO Electronic”) and their subsidiaries (collectively, the “Company”), is principally engaged in the design, manufacture and sale of aerospace, defense and electronics related products and services throughout the United States and internationally. The Company’s customer base is primarily the commercial aviation, defense, space and electronics industries.

Basis of Presentation

The consolidated financial statements include the accounts of HEICO Corporation and its subsidiaries, all of which are wholly-owned except for HEICO Aerospace, which is 20%-owned by Lufthansa Technik AG, the technical services subsidiary of Lufthansa German Airlines. In addition, HEICO Aerospace consolidates a joint venture formed in March 2001, which is 16%-owned by American Airlines’ parent company, AMR Corporation, a 58%-owned subsidiary, two 80%-owned subsidiaries and a 90%-owned subsidiary. Also, HEICO Electronic consolidates two subsidiaries, which are 80% and 86.5% owned, respectively. (See Note 2, Acquisitions, of the Notes to Consolidated Financial Statements.) All significant intercompany balances and transactions are eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of 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 such as U.S. Treasury bills and money market funds with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable consist of amounts billed and currently due from customers and unbilled costs and estimated earnings related to revenues from certain fixed price contracts recognized on the percentage-of-completion method that have been recognized for accounting purposes, but not yet billed to customers. The valuation of accounts receivable requires that the Company set up an allowance for estimated uncollectible accounts and record a corresponding charge to bad debt expense. The Company estimates uncollectible receivables based on such factors as its prior experience, its appraisal of a customer’s ability to pay and economic conditions within and outside of the aviation, defense, space and electronics industries.

Inventory

Inventory is stated at the lower of cost or market, with cost being determined on the first-in, first-out or the average cost basis. Losses, if any, are recognized fully in the period when identified.

The Company periodically evaluates the carrying value of inventory, giving consideration to factors such as its physical condition, sales patterns and expected future demand and estimates the amount necessary to write-down its slow moving, obsolete or damaged inventory. These estimates could vary significantly from actual amounts based upon future economic conditions, customer inventory levels or competitive factors that were not foreseen or did not exist when the estimated write-downs were made.

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. The Company's property, plant and equipment is depreciated over the following estimated useful lives:

Buildings and improvements	15 to 40 years
Leasehold improvements	2 to 20 years
Machinery and equipment.....	3 to 10 years
Tooling.....	2 to 5 years

The costs of major additions and improvements are capitalized. Leasehold improvements are amortized over the shorter of the leasehold improvement's useful life or the lease term. 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.

Purchase Accounting

The Company applies the purchase method of accounting to its acquisitions. Under this method, the purchase price, including any capitalized acquisition costs, is allocated to the underlying tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair market values, with any excess recorded as goodwill.

Goodwill and Other Intangible Assets

The Company tests goodwill for impairment annually as of October 31, or more frequently if events or changes in circumstances indicate that the carrying amount of goodwill may not be fully recoverable. The test requires the Company to compare the fair value of each of its reporting units to its carrying value to determine potential impairment. If the carrying value of a reporting unit exceeds its fair value, the implied fair value of that reporting unit's goodwill is to be calculated and an impairment loss is recognized in the amount by which the carrying value of a reporting unit's goodwill exceeds its implied fair value, if any.

The Company's intangible assets not subject to amortization consist of trade names. The Company's intangible assets subject to amortization are amortized on the straight-line method over the following estimated useful lives:

Customer relationships.....	3 to 8 years
Intellectual property	4 to 15 years
Licenses	12 to 17 years
Non-compete agreements.....	2 to 7 years
Patents.....	5 to 20 years

The Company tests each non-amortizing intangible asset for impairment annually as of October 31, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The Company also tests each amortizing intangible asset for impairment if events or circumstances indicate that the asset might be impaired. These tests consist of determining whether the carrying value of such assets will be recovered through undiscounted expected future cash flows. If the total of the undiscounted future cash flows is less than the carrying amount of those assets, the Company recognizes an impairment loss based on the excess of the carrying amount over the fair value of the assets.

Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, trade accounts payable and accrued expenses and other current liabilities approximate fair value due to the relatively short maturity of the respective instruments. The carrying value of long-term debt approximates fair market value due to its variable 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.

Investments are stated at fair value based on quoted market prices. Investments that are intended to be held for less than one year are included within prepaid expenses and other current assets in the Company's Consolidated Balance Sheets, while those intended to be held for longer than one year are classified as non-current within other assets. Unrealized gains or losses associated with available-for-sale securities are reported net of tax within other comprehensive income in shareholders' equity. Unrealized gains or losses associated with trading securities are recorded as a component of other income in the Company's Consolidated Statement of Operations.

Derivative Instruments

The Company utilizes certain derivative instruments (e.g. interest rate swap agreements and foreign currency forward contracts) to hedge the variability of expected future cash flows of certain transactions. On an ongoing basis, the Company assesses whether derivative instruments used in hedging transactions are highly effective in offsetting changes in cash flows of the hedged items and therefore qualify as cash flow hedges. For a derivative instrument that qualifies as a cash flow hedge, the effective portion of changes in fair value of the derivative is deferred and recorded as a component of other comprehensive income until the hedged transaction occurs and is recognized in earnings. All other portions of changes in the fair value of a cash flow hedge are recognized in earnings immediately.

The Company has previously utilized interest rate swap agreements to manage interest expense related to its revolving credit facility. Interest rate risk associated with the Company's variable rate revolving credit facility is the potential increase in interest expense from an increase in interest rates. The Company did not enter into any interest rate swap agreements in fiscal 2008, 2007, or 2006.

During fiscal 2008, the Company entered into a foreign currency forward contract to mitigate foreign exchange risk at one of its foreign subsidiaries for transactions denominated in a currency other than its functional currency. The impact of this forward contract did not have a material effect on the Company's results of operations, financial position or cash flows. The Company did not enter into any foreign currency forward contracts in fiscal 2007 or 2006.

Customer Rebates and Credits

The Company records accrued customer rebates and credits as a component of accrued expenses and other current liabilities in the Company's Consolidated Balance Sheets. These amounts generally relate to discounts negotiated with customers as part of certain sales contracts that are usually tied to sales volume thresholds. The Company accrues customer rebates and credits as a reduction within net sales as the revenue is recognized based on the estimated level of discount rate expected to be earned by each customer over the life of the contract period (generally one year). Accrued customer rebates and credits are monitored by management and discount levels are updated at least quarterly.

Product Warranties

Product warranty liabilities are estimated at the time of shipment and recorded as a component of accrued expenses and other current liabilities in the Company's Consolidated Balance Sheets. The amount recognized is based on historical claims experience.

Revenue Recognition

Revenue is recognized on an accrual basis, primarily upon the shipment of products and the rendering of services. Revenues earned from rendering services represented less than 10% of consolidated net sales for all periods presented. Revenue from certain fixed price contracts for which costs can be dependably estimated is recognized on the percentage-of-completion method, measured by the percentage of costs incurred to date to estimated total costs for each contract. The percentage of the Company's net sales recognized under the percentage-of-completion method was approximately 3%, 3%, and 4% in fiscal 2008, 2007 and 2006, respectively. Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation costs. Selling, general and administrative costs are charged to expense as incurred.

Revisions in cost estimates as contracts progress have the effect of increasing or decreasing profits in the period of revision. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Variations in actual labor performance, changes to estimated profitability, and final contract settlements may result in revisions to cost estimates and are recognized in income in the period in which the revisions are determined.

The asset, "costs and estimated earnings in excess of billings" on uncompleted percentage-of-completion contracts, included in accounts receivable, represents revenues recognized in excess of amounts billed. The liability, "billings in excess of costs and estimated earnings," included in accrued expenses and other current liabilities, represents billings in excess of revenues recognized on contracts accounted for under either the percentage-of-completion method or the completed-contract method. Billings are made based on the completion of certain milestones as provided for in the contracts.

For fixed price contracts in which costs cannot be dependably estimated, revenue is recognized on the completed-contract method. A contract is considered complete when all significant costs have been incurred or the item has been accepted by the customer. The aggregate effects of changes in estimates relating to long-term contracts did not have a significant effect on net income or diluted net income per share in fiscal 2008, 2007 or 2006.

Stock Based Compensation

The Company records compensation expense associated with stock options in its Consolidated Statements of Operations based on the grant date fair value of those awards. The Company generally recognizes stock option compensation expense ratably over the award's vesting period. The Company calculates the amount of excess tax benefit that is available to offset future write-offs of deferred tax assets, or additional paid-in-capital pool ("APIC Pool") by tracking each stock option award granted after November 1, 1996 on an employee-by-employee basis and on a grant-by-grant basis to determine whether there is a tax benefit situation or tax deficiency situation for each such award. The Company then compares the fair value expense to the tax deduction received for each stock option grant and aggregates the benefits and deficiencies, which have the effect of increasing or decreasing, respectively, the APIC Pool. Should the amount of future tax deficiencies be greater than the available APIC Pool, the Company will record the excess as income tax expense in its Consolidated Statements of Operations.

Income Taxes

Income tax expense includes United States and foreign income taxes, plus the provision for United States taxes on undistributed earnings of foreign subsidiaries not deemed to be permanently invested. Deferred income taxes are provided on elements of income that are recognized for financial accounting purposes in periods different from periods recognized for income tax purposes.

Effective November 1, 2007, the Company adopted Financial Accounting Standards Board ("FASB") Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109," and began evaluating tax positions utilizing a two-step process. The first step is to determine whether it is more-likely-than-not that a tax position will be sustained upon examination based on the technical merits of the position. The second step is to measure the benefit to be recorded from tax positions that meet the more-likely-than-not recognition threshold by determining the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement and recognizing that amount in the financial statements. As a result of adopting the provisions of FIN 48, the Company recognized a cumulative effect adjustment that decreased retained earnings as of the beginning of fiscal 2008 by \$639,000. Further, effective with the adoption of FIN 48, the Company's policy is to recognize interest and penalties related to income tax matters as a component of income tax expense. Interest and penalties, which were not significant in fiscal 2007 and 2006, were previously recorded in interest expense and in selling, general and administrative expenses, respectively, in the Company's Consolidated Statements of Operations. Further information regarding income taxes can be found in Note 6, Income Taxes, of the Notes to Consolidated Financial Statements.

Net Income Per Share

Basic net income per share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted net income per share is computed by dividing net income by the weighted average number of common shares outstanding during the period plus potentially dilutive common shares arising from the assumed exercise of stock options, if dilutive. The dilutive impact of potentially dilutive common shares is determined by applying the treasury stock method.

Foreign Currency Translation

All assets and liabilities of foreign subsidiaries that do not utilize the United States dollar as its functional currency are translated at period-end exchange rates, while revenues and expenses are

translated using average exchange rates for the period. Unrealized translation gains or losses are reported as foreign currency translation adjustments through other comprehensive income in shareholders' equity.

Contingencies

Losses for contingencies such as product warranties, litigation and environmental matters are recognized in income when they are probable and can be reasonably estimated. Gain contingencies are not recognized in income until they have been realized.

New Accounting Pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements," which provides enhanced guidance for using fair value to measure assets and liabilities. SFAS No. 157 provides a common definition of fair value and establishes a framework to make the measurement of fair value in accordance with generally accepted accounting principles more consistent and comparable. SFAS No. 157 also requires expanded disclosures to provide information about the extent to which fair value is used to measure assets and liabilities, the methods and assumptions used to measure fair value and the effect of fair value measures on earnings. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, or in fiscal 2009 for HEICO. In February 2008, the FASB issued FASB Staff Position ("FSP") No. SFAS 157-2, "Effective Date of FASB Statement No. 157." FSP No. SFAS 157-2 delays the effective date of SFAS No. 157 by one year for nonfinancial assets and nonfinancial liabilities, except for the items that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Company is currently in the process of evaluating the effect, if any, the adoption of SFAS No. 157 will have on its results of operations, financial position and cash flows.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115." SFAS No. 159 permits entities to choose to measure certain financial assets and liabilities at fair value and report unrealized gains and losses on items for which the fair value option has been elected in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007, or in fiscal 2009 for HEICO. The Company has not yet determined if it will elect to apply any of the provisions of SFAS No. 159 and is currently evaluating the effect, if any, the adoption of SFAS No. 159 will have on its results of operations, financial position and cash flows.

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations." SFAS No. 141(R) is a revision of SFAS No. 141 and retains the fundamental requirements in SFAS 141 that the acquisition method of accounting (formerly the "purchase accounting" method) be used for all business combinations and for an acquirer to be identified for each business combination. However, SFAS No. 141(R) changes the approach of applying the acquisition method in a number of significant areas, including that acquisition costs will generally be expensed as incurred; noncontrolling interests will be valued at fair value at the acquisition date; in-process research and development will be recorded at fair value as an indefinite-lived intangible asset at the acquisition date; restructuring costs associated with a business combination will generally be expensed subsequent to the acquisition date; and changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense. SFAS No. 141(R) is effective on a prospective basis for all business combinations for which the acquisition date is on or after the beginning of the first fiscal year subsequent to December 15, 2008, or in fiscal 2010 for HEICO. The Company is in the process of evaluating the effect the adoption of SFAS No. 141(R) will have on its results of operations, financial position and cash flows.

In December 2007, the FASB issued SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements - an amendment of ARB No. 51.” This statement requires the recognition of a noncontrolling interest (previously referred to as minority interest) as a separate component within equity in the consolidated balance sheet. It also requires the amount of consolidated net income attributable to the parent and the noncontrolling interest be clearly identified and presented within the consolidated statement of operations. SFAS No. 160 is effective for fiscal years beginning on or after December 15, 2008, or in fiscal 2010 for HEICO. The Company is in the process of evaluating the effect the adoption of SFAS No. 160 will have on its results of operations, financial position and cash flows.

In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133.” SFAS No. 161 expands the disclosure requirements in SFAS No. 133 about an entity’s derivative instruments and hedging activities. It requires enhanced disclosures about (i) how and why an entity uses derivative instruments; (ii) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations; and (iii) how derivative instruments and related hedged items affect an entity’s financial position, financial performance and cash flows. SFAS No. 161 is effective for fiscal years and interim periods beginning after November 15, 2008, or in the second quarter of fiscal 2009 for HEICO. The Company is currently in the process of evaluating the effect the adoption of SFAS No. 161 will have on its financial statement disclosures.

In May 2008, the FASB issued SFAS No. 162, “The Hierarchy of Generally Accepted Accounting Principles.” SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements that are presented in conformity with generally accepted accounting principles. SFAS No. 162 is effective 60 days following the Securities and Exchange Commission’s approval of the Public Company Accounting Oversight Board amendments to remove the hierarchy of generally accepted accounting principles from the auditing standards. The Company is currently in the process of evaluating the effect, if any, the adoption of SFAS No. 162 will have on its results of operations, financial position and cash flows.

2. ACQUISITIONS

In November 2005, the Company, through HEICO Aerospace, acquired a 51% interest in Seal Dynamics LLC (“Seal LLC”) with the remaining 49% interest held principally by a member of Seal LLC’s management group. During fiscal 2008, the minority interest holders exercised their option to cause the Company to purchase an aggregate 28% interest over the four-year period ending in fiscal 2011. Accordingly, the Company increased its ownership interest in the subsidiary by 7% (or one-fourth of such minority interest holders’ aggregate interest) to 58% effective April 2008. Further, the Company has the right to purchase the remaining 21% of the equity interests of the subsidiary over a three-year period beginning approximately after the fourth anniversary of the acquisition, or sooner under certain conditions, and the minority interest holders have the right to cause the Company to purchase the same equity interest over the same period. Seal LLC is a distributor and designer of FAA-approved hydraulic, pneumatic, mechanical and electro-mechanical components for the commercial, regional and general aviation markets.

In November 2005, the Company, through HEICO Electronic, acquired all of the stock of Engineering Design Team, Inc. and substantially all of the assets of its affiliate (collectively “EDT”). EDT specializes in the design, manufacture, and sale of advanced high-technology, high-speed interface products that link devices such as telemetry receivers, digital cameras, high resolution scanners, simulation systems and test systems to almost any computer. EDT’s products are utilized in homeland security, defense, medical, research, astronomical and other applications across numerous industries.

In May 2006, the Company, through HEICO Aerospace, acquired all of the stock of Arger Enterprises, Inc. and its related companies (collectively “Arger”). Arger designs and distributes FAA-approved aircraft and engine parts primarily for the commercial aviation market. The Company has since combined the operations of Arger within other subsidiaries of HEICO Aerospace. As of the acquisition date, the Company recognized a \$1.8 million restructuring liability as part of the acquisition costs consisting principally of employee termination and relocation costs, moving costs and associated expenses and contract termination costs. During the remainder of fiscal 2006, \$1.1 million of such accrued costs were paid and \$.6 million were deemed not necessary and reversed. The remaining \$.1 million of costs was paid during the first quarter of fiscal 2007.

In September 2006, the Company, through HEICO Aerospace, acquired an 80% interest in the business, assets and certain liabilities of Prime Air, Inc., and its affiliate (collectively “Prime”). Under the transaction, a new subsidiary was formed, Prime Air, LLC (“Prime Air”), which acquired substantially all of the assets and assumed certain liabilities of Prime. Prime Air is owned 80% by the Company and 20% by certain members of Prime’s management group. The Company has the right to purchase the remaining 20% minority interests beginning at approximately the eighth anniversary of the acquisition, or sooner under certain conditions, and the minority interest holders have the right to cause the Company to purchase the same equity interest over the same period. Prime Air provides commercial airlines, regional operators, asset management companies and MRO providers with high quality and cost effective niche accessory component exchange services as an alternative to OEMs’ spares services.

During the first quarter of fiscal 2007, the Company, through HEICO Aerospace, acquired an additional 10% of the equity interests in one of its subsidiaries, which increased the Company’s ownership interest to 90%. The purchase price of the acquired equity interest was paid using cash provided by operating activities.

In April 2007, the Company, through HEICO Electronic, acquired all the stock of FerriShield, Inc. (“FerriShield”). FerriShield is engaged in the design and manufacture of Radio Frequency Interference and Electromagnetic Frequency Interference Suppressors for a variety of markets. The Company has since integrated the operations of FerriShield into the operations of one of its existing subsidiaries.

In May 2007, the Company, through HEICO Aerospace, acquired certain assets of a supplier. The acquired assets were integrated into one of its existing subsidiaries and will be utilized to bring certain manufacturing operations in-house. The purchase price was paid using cash provided by operating activities.

In August 2007, the Company, through HEICO Aerospace, acquired substantially all of the assets and assumed certain liabilities of a U.S. company that designs and manufactures FAA-approved aircraft and engine parts primarily for the commercial aviation market.

In September 2007, the Company, through HEICO Electronic, acquired all of the stock of EMD Technologies Inc. (“EMD”). Subject to meeting certain earnings objectives during the first five years following the acquisition, the Company may be obligated to pay additional purchase consideration of up to 73 million Canadian dollars in aggregate, which translates to \$59.7 million U.S. dollars based on the October 31, 2008 exchange rate. EMD designs and manufactures high voltage energy generators for medical, baggage inspection and industrial imaging manufacturers and high frequency power delivery systems for the commercial sign industry.

During both April 2007 and 2008, the Company, through HEICO Electronic, acquired an additional .75% of the equity interests in one of its subsidiaries, which increased the Company’s

ownership interest from 85% to 86.5%. The purchase prices of the acquired equity interests were paid using cash provided by operating activities.

In November 2007, the Company, through an 80%-owned subsidiary of HEICO Aerospace, acquired all of the stock of a European company. Subject to meeting certain earnings objectives during the third, fourth and fifth years following the acquisition, the Company may be obligated to pay additional consideration of up to approximately \$.4 million in aggregate. The acquired company supplies aircraft parts for sale and exchange as well as repair management services to commercial and regional airlines, asset management companies and FAA overhaul and repair facilities.

In January 2008, the Company, through HEICO Aerospace, acquired certain assets and assumed certain liabilities of a U.S. company that designs and manufactures FAA-approved aircraft and engine parts primarily for the commercial aviation market. The Company has since combined the operations of the acquired entity within other subsidiaries of HEICO Aerospace.

In February 2008, the Company, through HEICO Aerospace, acquired an 80% interest in certain assets and certain liabilities of a U.S. company that is an FAA-approved repair station which specializes in avionics primarily for the commercial aviation market. The remaining 20% is principally owned by certain members of the acquired company's management. The Company has the right to purchase the minority interests beginning at approximately the sixth anniversary of the acquisition, or sooner under certain conditions, and the minority interest holders have the right to cause the Company to purchase the same equity interest over the same period.

As part of the purchase agreement associated with certain acquisitions, the Company may be obligated to pay additional purchase consideration based on the acquired subsidiary meeting certain earnings objectives following the acquisition. The Company accrues an estimate of additional purchase consideration when the earnings objectives are met. During fiscal 2008, the Company, through HEICO Aerospace and HEICO Electronic, paid \$7.0 million and \$4.7 million, respectively, of such additional purchase consideration related to acquisitions made in previous years, all of which was accrued as of October 31, 2007. During fiscal 2007 and 2006, the Company, through HEICO Electronic, paid \$7.3 million and \$2.2 million, respectively, of such additional purchase consideration related to acquisitions made in previous years, of which \$7.2 million and \$2.2 million respectively, was accrued as of October 31, 2006 and 2005, respectively. As of October 31, 2008, the Company, through HEICO Electronic, accrued \$2.2 million of additional purchase consideration related to a prior year acquisition, which it expects to pay in fiscal 2009. The amounts paid in fiscal 2008, 2007 and 2006 were based on a multiple of each applicable subsidiary's earnings relative to target. Since these amounts were not contingent upon the former shareholders of each acquired entity remaining employed by the Company or providing future services to the Company, the payments were recorded as an additional cost of the respective acquired entity. Information regarding additional purchase consideration related to acquisitions may be found in Note 14, Commitments and Contingencies – Acquisitions, of the Notes to Consolidated Financial Statements.

All of the acquisitions described above were accounted for using the purchase method of accounting. The purchase price of each acquisition was principally paid in cash using proceeds from the Company's revolving credit facility unless otherwise noted and was not significant to the Company's consolidated financial statements. The results of operations of each acquired company were included in the Company's results of operations from their effective acquisition date. The following table presents the Company's unaudited pro forma consolidated operating results assuming the fiscal 2008 and 2007 acquisitions had been consummated as of the beginning of fiscal 2007. The pro forma financial information is presented for comparative purposes only and is not necessarily indicative of the results of operations that actually would have been achieved if the acquisitions had taken place as of the beginning

fiscal 2007. The unaudited pro forma financial information includes adjustments to historical amounts such as additional amortization expense related to acquired intangible assets, increased interest expense associated with borrowings to finance the acquisitions, and, when applicable, incremental minority interest in net income.

	For the year ended October 31,	
	2008	2007
Net sales	\$583,837	\$533,669
Net income	\$48,638	\$38,886
Net income per share:		
Basic	\$1.85	\$1.51
Diluted	\$1.79	\$1.44

The allocation of the purchase price of each acquisition to the tangible and identifiable intangible assets acquired and liabilities assumed is based on their estimated fair values as of the date of acquisition. The Company determines the fair values of such assets and liabilities, generally in consultation with third-party valuation advisors. The allocation of the purchase price of the fiscal 2008 acquisitions to the tangible and identifiable intangible assets acquired and liabilities assumed in these consolidated financial statements is preliminary until the Company obtains final information regarding their fair values. The excess of the purchase price over the net of the amounts assigned to assets acquired and liabilities assumed has been recorded as goodwill (see Note 15, Supplemental Disclosures of Cash Flow Information, of the Notes to Consolidated Financial Statements). The aggregate cost of acquisitions, including payments made in cash and contingent payments, was \$29.0 million, \$48.4 million and \$58.1 million in fiscal 2008, 2007 and 2006, respectively.

3. SELECTED FINANCIAL STATEMENT INFORMATION

Accounts Receivable

	As of October 31,	
	2008	2007
Accounts receivable	\$90,990,000	\$84,111,000
Less: Allowance for doubtful accounts	(2,587,000)	(1,712,000)
Accounts receivable, net	<u>\$88,403,000</u>	<u>\$82,399,000</u>

Costs and Estimated Earnings on Uncompleted Percentage-of-Completion Contracts

	As of October 31,	
	2008	2007
Costs incurred on uncompleted contracts	\$21,505,000	\$21,832,000
Estimated earnings	12,545,000	13,111,000
	34,050,000	34,943,000
Less: Billings to date	(28,337,000)	(25,661,000)
	\$5,713,000	\$9,282,000
Included in accompanying Consolidated Balance Sheets under the following captions:		
Accounts receivable, net (costs and estimated earnings in excess of billings)	\$6,115,000	\$9,300,000
Accrued expenses and other current liabilities (billings in excess of costs and estimated earnings)	(402,000)	(18,000)
	\$5,713,000	\$9,282,000

Changes in estimates did not have a material effect on net income or diluted net income per share in fiscal 2008, 2007 or 2006.

Inventories

	As of October 31,	
	2008	2007
Finished products	\$74,281,000	\$61,592,000
Work in process	17,897,000	15,406,000
Materials, parts, assemblies and supplies	40,732,000	38,772,000
Inventories, net	\$132,910,000	\$115,770,000

Inventories related to long-term contracts were not significant as of October 31, 2008 and 2007.

Property, Plant and Equipment

	As of October 31,	
	2008	2007
Land	\$3,656,000	\$3,656,000
Buildings and improvements	36,229,000	30,732,000
Machinery, equipment and tooling	73,038,000	65,242,000
Construction in progress	5,446,000	6,339,000
	118,369,000	105,969,000
Less: Accumulated depreciation and amortization	(58,403,000)	(50,415,000)
Property, plant and equipment, net	\$59,966,000	\$55,554,000

The amounts set forth above include tooling costs having a net book value of \$4,037,000 and \$4,165,000 as of October 31, 2008 and 2007, respectively. Amortization expense on capitalized tooling was \$1,575,000, \$1,448,000 and \$1,304,000 for the fiscal years ended October 31, 2008, 2007 and 2006, respectively. Expenditures for capitalized tooling costs were \$1,412,000, \$1,634,000 and \$1,363,000 in fiscal 2008, 2007 and 2006, respectively.

Depreciation and amortization expense, exclusive of tooling, on property, plant and equipment was \$7,990,000, \$6,678,000 and \$5,786,000 for the fiscal years ended October 31, 2008, 2007 and 2006, respectively.

Included in the Company's property, plant and equipment is rotatable equipment located at various customer locations in connection with certain repair and maintenance agreements. The rotatables are stated at a net book value of \$908,000 and \$1,195,000 as of October 31, 2008 and 2007, respectively. Under the terms of the agreements, the customers may purchase the equipment at specified prices, which are no less than net book value, upon termination of the agreements. The equipment is currently being depreciated over its estimated life.

Accrued Expenses and Other Current Liabilities

	As of October 31,	
	2008	2007
Accrued employee compensation and related payroll taxes	\$25,157,000	\$21,551,000
Accrued customer rebates and credits	11,758,000	10,452,000
Accrued additional purchase consideration	3,427,000	11,736,000
Other	9,244,000	10,139,000
Accrued expenses and other current liabilities	<u>\$49,586,000</u>	<u>\$53,878,000</u>

The total customer rebates and credits deducted within net sales for the fiscal years ended October 31, 2008, 2007 and 2006 were \$10,249,000, \$9,574,000 and \$7,611,000, respectively.

Other Non-Current Liabilities

During fiscal 2006, the Company established the HEICO Corporation Leadership Compensation Plan ("LCP"), a nonqualified deferred compensation plan that conforms to Section 409A of the Internal Revenue Code. The LCP was effective October 1, 2006 and provides eligible employees, officers and directors of the Company the opportunity to voluntarily defer base salary, bonus payments, commissions, long-term incentive awards and directors fees, as applicable, on a pre-tax basis. The Company matches 50% of the first 6% of base salary deferred by each participant. In September 2008, the LCP was amended principally to allow director fees that would otherwise be payable in Company common stock to be deferred into the Plan, and, when distributed, amounts would be distributable in actual shares of Company common stock. In December 2008, the LCP was amended to comply with the final Section 409A regulations issued by the Internal Revenue Service, which become effective January 1, 2009. Further, while the Company has no obligation to do so, the LCP also provides the Company the opportunity to make discretionary contributions. The Company's matching contributions and any discretionary contributions are subject to vesting and forfeiture provisions set forth in the LCP. Company contributions to the Plan charged to income in fiscal 2008, 2007 and 2006 totaled \$2,075,000, \$2,119,000 and \$985,000, respectively. In the accompanying Consolidated Balance Sheets, \$623,000 was included in accrued expenses and other current liabilities and \$7,136,000 in other non-current liabilities as of October 31, 2008, and \$688,000 was included in accrued expenses and other current liabilities and \$4,586,000 in other non-current liabilities as of October 31, 2007. The assets of the LCP, totaling \$7,148,000 and \$4,559,000 as of October 31, 2008, and 2007, respectively, are classified within other assets (long-term) and represent cash surrender values of life insurance policies that are held within an irrevocable trust that may be used to satisfy the obligations under the LCP.

Other non-current liabilities also includes deferred compensation of \$3,860,000 and \$5,201,000 as of October 31, 2008 and 2007, respectively, principally related to elective deferrals of salary and bonuses under a Company sponsored non-qualified deferred compensation plan available to selected employees. The Company makes no contributions to this plan. The assets of this plan related to this deferred compensation liability are held within an irrevocable trust and classified within other assets (long-term) in the accompanying Consolidated Balance Sheets.

4. GOODWILL AND OTHER INTANGIBLE ASSETS

The Company has two operating segments: the Flight Support Group (“FSG”) and the Electronic Technologies Group (“ETG”). Changes in the carrying amount of goodwill during fiscal 2008 and 2007 by operating segment are as follows:

	Segment		Consolidated
	FSG	ETG	Totals
Balances as of October 31, 2006	\$157,204,000	\$117,912,000	\$275,116,000
Goodwill acquired	6,210,000	16,550,000	22,760,000
Accrued additional purchase consideration	7,000,000	4,736,000	11,736,000
Foreign currency translation adjustments	—	1,354,000	1,354,000
Adjustments to goodwill	(725,000)	261,000	(464,000)
Balances as of October 31, 2007	169,689,000	140,813,000	310,502,000
Goodwill acquired	9,094,000	74,000	9,168,000
Accrued additional purchase consideration	1,215,000	2,212,000	3,427,000
Foreign currency translation adjustments	(363,000)	(3,505,000)	(3,868,000)
Adjustments to goodwill	1,491,000	2,673,000	4,164,000
Balances as of October 31, 2008	<u>\$181,126,000</u>	<u>\$142,267,000</u>	<u>\$323,393,000</u>

The goodwill acquired and accrued additional purchase consideration recognized during fiscal 2008 and 2007 are principally a result of the Company’s acquisitions described in Note 2, Acquisitions, of the Notes to Consolidated Financial Statements. The \$1.2 million accrued additional purchase consideration recognized during fiscal 2008 by the FSG is the result of the Company’s purchase of the remaining 10% of equity interests in a 90%-owned subsidiary effective October 31, 2008 (see Note 14, Commitments and Contingencies, of the Notes to Consolidated Financial Statements). The foreign currency translation adjustments reflect unrealized translation gains (losses) on the goodwill recognized in connection with foreign subsidiaries. Foreign currency translation adjustments are included in other comprehensive income in the Company’s Consolidated Statements of Shareholders’ Equity and Comprehensive Income. Adjustments to goodwill during fiscal 2008 and 2007 consist primarily of final purchase price adjustments related to the preliminary allocation of the purchase price during the allocation period for certain prior year acquisitions to the assets acquired and liabilities assumed. The Company estimates that approximately \$13 million and \$30 million of the goodwill recognized in fiscal 2008 and 2007, respectively, will be deductible for income tax purposes. Based on the annual goodwill test for impairment as of October 31, 2008, the Company determined there is no impairment of its goodwill.

Identifiable intangible assets consist of:

	As of October 31, 2008			As of October 31, 2007		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
<u>Amortizing Assets:</u>						
Customer relationships	\$16,845,000	(\$6,451,000)	\$10,394,000	\$19,784,000	(\$4,912,000)	\$14,872,000
Intellectual property	3,427,000	(1,833,000)	1,594,000	6,204,000	(1,066,000)	5,138,000
Licenses	1,000,000	(474,000)	526,000	1,000,000	(400,000)	600,000
Non-compete agreements	1,086,000	(660,000)	426,000	937,000	(628,000)	309,000
Patents	575,000	(189,000)	386,000	560,000	(132,000)	428,000
	<u>22,933,000</u>	<u>(9,607,000)</u>	<u>13,326,000</u>	<u>28,485,000</u>	<u>(7,138,000)</u>	<u>21,347,000</u>
<u>Non-Amortizing Assets:</u>						
Trade names	11,657,000	—	11,657,000	13,986,000	—	13,986,000
	<u>\$34,590,000</u>	<u>(\$9,607,000)</u>	<u>\$24,983,000</u>	<u>\$42,471,000</u>	<u>(\$7,138,000)</u>	<u>\$35,333,000</u>

The decrease in the gross carrying amount of identifiable intangible assets as of October 31, 2008 compared to October 31, 2007 principally relates to the final purchase price adjustments to the preliminary fair values of such intangible assets recognized in connection with certain prior year acquisitions, the effect of foreign currency translation adjustments on the intangible assets recognized as part of the aforementioned foreign subsidiaries, the write-off of fully amortized intangible assets and impairment losses of certain intangible assets, partially offset by the intangible assets recognized in connection with the fiscal 2008 acquisitions (see Note 2, Acquisitions, and Note 15, Supplemental Disclosures of Cash Flow Information, of the Notes to Consolidated Financial Statements). During the fourth quarter of fiscal 2008, the Company recognized impairment losses of \$1,313,000 and \$522,000, from the write-down of certain customer relationships and trade names, respectively, within the ETG to their estimated fair values, due to reductions in future cash flows associated with such assets. The impairment losses were recorded as a component of selling, general and administrative expenses in the Company's Consolidated Statements of Operations.

The weighted average amortization period of the customer relationships and non-compete agreements acquired during fiscal 2008 is approximately six and four years, respectively. The weighted average amortization period of the customer relationships, intellectual property, and non-compete agreements acquired during fiscal 2007 is approximately seven, fourteen and two years, respectively, after accounting for the aforementioned final purchase price adjustments. Amortization expense of other intangible assets was \$5,156,000, \$3,647,000 and \$3,057,000 for the fiscal years ended October 31, 2008, 2007 and 2006, respectively. Amortization expense for each of the next five fiscal years is expected to be \$3,649,000 in fiscal 2009, \$2,930,000 in fiscal 2010, \$2,229,000 in fiscal 2011, \$1,625,000 in fiscal 2012 and \$1,119,000 in fiscal 2013.

5. SHORT-TERM AND LONG-TERM DEBT

In September 2008, one of the Company's subsidiaries extended a short-term line of credit with a bank in the amount of \$2.5 million, which now expires in June 2009. The line of credit may be used for inventory purchases and other working capital needs and is secured by all the assets of the subsidiary. Advances under the line of credit bear interest at the subsidiary's choice of the "Prime Rate Advance" (a rate equal to the greater of 4% or prime rate less .75%) or "LIBOR Advance" (LIBOR rate plus .75%). As of October 31, 2008 and 2007, no borrowings were outstanding under the line of credit.

Long-term debt consists of:

	<u>As of October 31,</u>	
	<u>2008</u>	<u>2007</u>
Borrowings under revolving credit facility	\$37,000,000	\$53,000,000
Industrial Development Revenue Refunding		
Bonds - Series 1988	—	1,980,000
Notes payable, capital leases and equipment loans	601,000	972,000
	<u>37,601,000</u>	<u>55,952,000</u>
Less: Current maturities of long-term debt	(220,000)	(2,187,000)
	<u>\$37,381,000</u>	<u>\$53,765,000</u>

The aggregate amount of long-term debt maturing in each of the next five fiscal years is \$220,000 in fiscal 2009, \$214,000 in fiscal 2010, \$115,000 in fiscal 2011, \$35,000 in fiscal 2012 and \$37,017,000 in fiscal 2013.

Revolving Credit Facility

In May 2008, the Company amended its revolving credit facility by entering into a \$300 million Second Amended and Restated Revolving Credit Agreement (“Credit Facility”) with a bank syndicate, which matures in May 2013. Under certain circumstances, the maturity may be extended for two one-year periods. The Credit Facility also includes a feature that will allow the Company to increase the Credit Facility, at its option, up to \$500 million through increased commitments from existing lenders or the addition of new lenders. The Credit Facility may be used for working capital and general corporate needs of the Company, including letters of credit, capital expenditures and to finance acquisitions. Advances under the Credit Facility accrue interest at the Company’s choice of the “Base Rate” or the London Interbank Offered Rate (“LIBOR”) plus applicable margins (based on the Company’s ratio of total funded debt to earnings before interest, taxes, depreciation and amortization, minority interest and non-cash charges, or “leverage ratio”). The Base Rate is the higher of (i) the Prime Rate or (ii) the Federal Funds rate plus .50%. The applicable margins for LIBOR-based borrowings range from .625% to 2.25%. A fee is charged on the amount of the unused commitment ranging from .125% to .35% (depending on the Company’s leverage ratio). The Credit Facility also includes a \$50 million sublimit for borrowings made in euros, a \$30 million sublimit for letters of credit and a \$20 million swingline sublimit. The Credit Facility is unsecured and contains covenants that require, among other things, the maintenance of the leverage ratio, a senior leverage ratio and a fixed charge coverage ratio. In the event the Company’s leverage ratio exceeds a specified level, the Credit Facility would become secured by the capital stock owned in substantially all of the Company’s subsidiaries.

As of October 31, 2008 and 2007, the Company had a total of \$37 million and \$53 million, respectively, borrowed under its revolving credit facility at weighted average interest rates of 3.6% and 5.8%, respectively. The amounts were primarily borrowed to fund acquisitions (see Note 2, Acquisitions, of the Notes to Consolidated Financial Statements) as well as for working capital and general corporate needs. The revolving credit facility contains both financial and non-financial covenants. As of October 31, 2008, the Company was in compliance with all such covenants.

Industrial Development Revenue Bonds

In April 2008, the Company paid the matured Series 1988 industrial development revenue bonds aggregating \$1,980,000.

6. INCOME TAXES

The provision for income taxes on income before income taxes and minority interests is as follows:

	For the year ended October 31,		
	2008	2007	2006
Current:			
Federal	\$27,118,000	\$20,688,000	\$15,301,000
State	4,225,000	3,746,000	2,780,000
Foreign	490,000	277,000	262,000
	<u>31,833,000</u>	<u>24,711,000</u>	<u>18,343,000</u>
Deferred	3,617,000	2,819,000	2,557,000
Total income tax expense	<u>\$35,450,000</u>	<u>\$27,530,000</u>	<u>\$20,900,000</u>

The reconciliation of the federal statutory tax rate to the Company's effective tax rate is as follows:

	For the year ended October 31,		
	2008	2007	2006
Federal statutory tax rate	35.0%	35.0%	35.0%
State taxes, less applicable federal income tax reduction	2.9	3.3	3.5
Net tax benefit on minority interests' share of income	(3.0)	(3.4)	(2.7)
Net tax benefit on qualified domestic production activities	(.7)	(.4)	(.5)
Net tax benefit on qualified research and development activities	(.3)	(1.8)	(2.4)
Net tax benefit on export sales	—	(.2)	(1.3)
Other, net	0.6	0.7	1.1
Effective tax rate	<u>34.5%</u>	<u>33.2%</u>	<u>32.7%</u>

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. The Company believes that it is more likely than not that it will generate sufficient future taxable income to utilize all of its deferred tax assets and has therefore not recorded a valuation allowance on any such asset. Significant components of the Company's deferred tax assets and liabilities are as follows:

	As of October 31,	
	2008	2007
Deferred tax assets:		
Inventories	\$7,483,000	\$6,791,000
Deferred compensation liability	4,240,000	4,603,000
FIN 48 liability - related	2,684,000	—
Customer rebates accrual	1,097,000	875,000
Vacation accrual	884,000	786,000
Allowance for doubtful accounts receivable	821,000	526,000
Other	3,320,000	2,668,000
Total deferred tax assets	<u>20,529,000</u>	<u>16,249,000</u>
Deferred tax liabilities:		
Intangible asset amortization	40,695,000	37,252,000
Accelerated depreciation	3,778,000	3,194,000
Software development costs	1,019,000	836,000
Other	272,000	128,000
Total deferred tax liabilities	<u>45,764,000</u>	<u>41,410,000</u>
Net deferred tax liability	<u>(\$25,235,000)</u>	<u>(\$25,161,000)</u>

The net deferred tax liability is classified in the accompanying Consolidated Balance Sheets as follows:

	As of October 31,	
	2008	2007
Current asset	\$13,957,000	\$10,135,000
Long-term liability	39,192,000	35,296,000
Net deferred tax liability	<u>(\$25,235,000)</u>	<u>(\$25,161,000)</u>

As discussed in Note 1, Summary of Significant Accounting Policies – Income Taxes, of the Notes to Consolidated Financial Statements, the Company adopted the provisions of FIN 48 effective November 1, 2007. As a result, the Company increased its liabilities related to uncertain tax positions by \$4,622,000 and accounted for this change as a \$3,889,000 increase to deferred tax assets, a \$639,000 decrease to retained earnings (the cumulative effect of adopting FIN 48), and a \$94,000 decrease to deferred tax liabilities. Upon adoption, the Company also reclassified \$2,680,000 in unrecognized tax benefits and \$2,621,000 of income tax refunds (related to research and development activities as further described below) from income taxes payable to long-term income tax liabilities and long-term income tax assets, respectively, since the Company does not anticipate payment or receipt of cash within one year. Long-term income tax liabilities are classified within other non-current liabilities and long-term income tax assets are classified within other assets in the Company’s Consolidated Balance Sheets.

As of November 1, 2007 and October 31, 2008, the Company’s liability for gross unrecognized tax benefits related to uncertain tax positions was \$7,396,000 and \$5,742,000, respectively, of which \$2,948,000 and \$3,438,000, respectively, would decrease the Company’s income tax expense and effective income tax rate if the tax benefits were recognized. The remaining liability was for tax positions for which the uncertainty was only related to the timing of such tax benefits. A reconciliation of the activity related to the liability for gross unrecognized tax benefits during fiscal 2008 follows:

Balance as of November 1, 2007	\$7,396,000
Increases related to prior year tax positions	2,000
Decreases related to prior year tax positions	(4,380,000)
Increases related to current year tax positions	2,793,000
Lapse of statutes of limitations	(69,000)
Balance as of October 31, 2008	<u>\$5,742,000</u>

The Company’s liability for unrecognized tax benefits was \$5,513,000 as of October 31, 2008, including \$232,000 of interest and \$96,000 of penalties and net of \$557,000 in related deferred tax assets. Effective with the adoption of FIN 48, it is the Company’s policy to recognize interest and penalties related to income tax matters as a component of income tax expense. Interest and penalties, which were not significant in fiscal 2007, were previously recorded in interest expense and in selling, general and administrative expenses, respectively, in the Company’s Consolidated Statements of Operations. During the fiscal year ended October 31, 2008, the Company accrued penalties of \$23,000 related to the unrecognized tax benefits noted above. The liability for interest decreased by \$252,000 during fiscal 2008 due to the lapse of statutes of limitations.

The Company files income tax returns in the United States (“U.S.”) federal jurisdiction and in multiple state jurisdictions. The Company is also subject to income taxes in certain jurisdictions outside the U.S., none of which are individually material to the accompanying consolidated financial statements. Generally, the Company is no longer subject to U.S. federal or state examinations by tax authorities for fiscal years prior to 2001. The Company’s U.S. federal filings and state of California filings for fiscal

years 2001 through 2005 are currently under examination by the Internal Revenue Service and California Franchise Tax Board, respectively, who are reviewing the income tax credit claimed by the Company for qualified research and development activities incurred during those years.

The total amount of unrecognized tax benefits can change due to audit settlements, tax examination activities, lapse of applicable statutes of limitations and the recognition and measurement criteria under FIN 48. The Company is unable to estimate what this change could be within the next twelve months, but does not believe it would be material to its consolidated financial statements.

In December 2006, Section 41 of the Internal Revenue Code, "Credit for Increasing Research Activities," was retroactively extended for two years to cover the period from January 1, 2006 to December 31, 2007. As a result, the Company recognized an income tax credit for qualified research and development activities in fiscal 2007 for the full fiscal 2006 year. The tax credit, net of expenses, increased fiscal 2007 net income by approximately \$.5 million.

The Company claimed an income tax credit for qualified research and development activities in its income tax return for fiscal 2005 and amended returns for previous tax years that were filed in the third and fourth quarters of fiscal 2006 upon completion of a study conducted by outside tax consultants. The aggregate tax credit, net of expenses, increased fiscal 2006 net income by approximately \$1.0 million.

7. SHAREHOLDERS' EQUITY

Preferred Stock Purchase Rights Plan

The Company's Board of Directors adopted, as of November 2, 2003, a Shareholder Rights Agreement (the "2003 Plan"). Pursuant to the 2003 Plan, the Board declared a dividend of one preferred share purchase right for each outstanding share of Common Stock and Class A Common Stock (with the preferred share purchase rights collectively as the "Rights"). The Rights trade with the common stock and are not exercisable or transferable apart from the Common Stock and Class A 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 15% or more of the outstanding common stock. Absent either of the aforementioned events transpiring, the Rights will expire as of the close of business on November 2, 2013.

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 15% or more of the outstanding common stock. The 2003 Plan also contains a provision to help ensure a potential acquirer pays all shareholders a fair price for the Company.

Common Stock and Class A Common Stock

Each share of Common Stock is entitled to one vote per share. Each share of Class A Common Stock is entitled to a 1/10 vote per share. Holders of the Company's Common Stock and Class A Common Stock are entitled to receive when, as and if declared by the Board of Directors, dividends and other distributions payable in cash, property, stock or otherwise. In the event of liquidation, after

payment of debts and other liabilities of the Company, and after making provision for the holders of preferred stock, if any, the remaining assets of the Company will be distributable ratably among the holders of all classes of common stock.

Share Repurchases

The Company did not repurchase any shares of its common stock in fiscal 2008, 2007 or 2006.

8. STOCK OPTIONS

The Company currently has two stock option plans, the 2002 Stock Option Plan (“2002 Plan”) and the Non-Qualified Stock Option Plan, under which stock options may be granted. The Company’s 1993 Stock Option Plan (“1993 Plan”) terminated in March 2003 on the tenth anniversary of its effective date. No options may be granted under the 1993 Plan after such termination date; however, options outstanding as of the termination date may be exercised pursuant to their terms. In addition, the Company granted stock options to a former shareholder of an acquired business pursuant to an employment agreement entered into in connection with the acquisition in fiscal 1999. A total of 3,287,306 shares of the Company’s stock are reserved for issuance to employees, directors, officers and consultants as of October 31, 2008, including 1,623,742 shares currently under option and 1,663,564 shares available for future grants. Options issued under the 2002 Plan may be designated as incentive stock options or non-qualified stock options. Incentive stock options are granted with an exercise price of not less than 100% of the fair market value of the Company’s common stock as of date of grant (110% thereof in certain cases) and are exercisable in percentages specified as of the date of grant over a period up to ten years. Only employees are eligible to receive incentive stock options. Non-qualified stock options under the 2002 Plan may be immediately exercisable. In March 2008, the Company’s shareholders approved two amendments to the 2002 Plan, which principally increased the number of shares available for issuance under the plan and now requires options be granted with an exercise price of no less than fair market value of the Company’s common stock as of the date of the grant. The options granted pursuant to the 2002 Plan may be designated as Common Stock and/or Class A Common Stock in such proportions as shall be determined by the Board of Directors or the Stock Option Plan Committee at its sole discretion. Options granted under the Non-Qualified Stock Option Plan may be granted with an exercise price of no less than the fair market value of the Company’s common stock as of the date of grant and are generally exercisable in four equal annual installments commencing one year from the date of grant. The stock options granted to a former shareholder of an acquired business were fully vested and transferable as of the grant date and expire ten years from the date of grant. The exercise price of such options was the fair market value as of the date of grant. Options under all stock option plans expire no later than ten years after the date of grant, unless extended by the Stock Option Plan Committee or the Board of Directors.

Information concerning stock option activity for each of the three fiscal years ended October 31 is as follows:

	Shares Available For Grant	Shares Under Option	
		Shares	Weighted Average Exercise Price
Outstanding as of October 31, 2005	156,303	3,588,680	\$9.50
Granted	—	—	\$—
Cancelled	6,380	(10,371)	\$8.96
Exercised	—	(844,291)	\$7.34
Outstanding as of October 31, 2006	162,683	2,734,018	\$10.16
Granted	—	—	\$—
Cancelled	221	(16,787)	\$13.11
Exercised	—	(841,901)	\$10.94
Outstanding as of October 31, 2007	162,904	1,875,330	\$9.79
Shares approved by the Shareholders for the 2002 Stock Option Plan	1,500,000	—	\$—
Granted	—	—	\$—
Cancelled	660	(710)	\$6.66
Exercised	—	(250,878)	\$9.56
Outstanding as of October 31, 2008	1,663,564	1,623,742	\$9.83

Information concerning stock options outstanding and stock options exercisable by class of common stock as of October 31, 2008 is as follows:

Common Stock

Options Outstanding				
Range of Exercise Prices	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
\$1.16 - \$2.90	90,182	\$2.00	.9	\$3,288,000
\$2.91 - \$7.00	—	\$—	—	—
\$7.01 - \$12.00	430,000	\$9.20	4.1	12,586,000
\$12.01 - \$21.92	432,000	\$13.81	2.4	10,654,000
	<u>952,182</u>	<u>\$10.61</u>	<u>3.0</u>	<u>\$26,528,000</u>

Options Exercisable				
Range of Exercise Prices	Number Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
\$1.16 - \$2.90	90,182	\$2.00	.9	\$3,288,000
\$2.91 - \$7.00	—	\$—	—	—
\$7.01 - \$12.00	430,000	\$9.20	4.1	12,586,000
\$12.01 - \$21.92	432,000	\$13.81	2.4	10,654,000
	<u>952,182</u>	<u>\$10.61</u>	<u>3.0</u>	<u>\$26,528,000</u>

Class A Common Stock

Options Outstanding				
Range of Exercise Prices	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
\$1.16 - \$2.90	95,795	\$1.71	.9	\$2,525,000
\$2.91 - \$7.00	66,880	\$5.54	4.4	1,507,000
\$7.01 - \$12.00	309,756	\$8.30	3.6	6,125,000
\$12.01 - \$21.92	199,129	\$13.83	2.2	2,835,000
	<u>671,560</u>	<u>\$8.72</u>	<u>2.9</u>	<u>\$12,992,000</u>

Options Exercisable				
Range of Exercise Prices	Number Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
\$1.16 - \$2.90	95,795	\$1.71	.9	\$2,525,000
\$2.91 - \$7.00	66,880	\$5.54	4.4	1,507,000
\$7.01 - \$12.00	309,756	\$8.30	3.6	6,125,000
\$12.01 - \$21.92	196,729	\$13.83	2.2	2,802,000
	<u>669,160</u>	<u>\$8.70</u>	<u>2.9</u>	<u>\$12,959,000</u>

The aggregate intrinsic values in the tables above are calculated based on the difference between the closing price per share of the underlying common stock as reported on the New York Stock Exchange as of October 31, 2008 less the option exercise price (if a positive spread) multiplied by the number of stock options.

Information concerning stock options exercised is as follows:

	For the year ended October 31,		
	2008	2007	2006
Cash proceeds from stock option exercises	\$2,398,000	\$6,875,000	\$5,071,000
Tax benefit realized from stock option exercises	6,248,000	6,873,000	1,385,000
Intrinsic value of stock option exercises	7,854,000	20,900,000	16,105,000

The Company's net income for the fiscal years ended October 31, 2008, 2007 and 2006 includes compensation expense of \$142,000, \$658,000 and \$1,373,000, respectively, and an income tax benefit related to the Company's stock options of \$43,000, \$165,000 and \$391,000, respectively. Substantially all of the stock option compensation expense was recorded as a component of selling, general and administrative expenses in the Company's Consolidated Statements of Operations. As of October 31, 2008, there was \$14,000 of pre-tax unrecognized compensation expense related to nonvested stock options, which is expected to be recognized over a weighted average period of approximately 1.1 years.

For the fiscal years ended October 31, 2008, 2007 and 2006, the excess tax benefit resulting from tax deductions in excess of the cumulative compensation cost recognized for stock options exercised was \$4,324,000, \$5,262,000 and \$1,550,000, respectively, and is presented as a financing activity in the Consolidated Statements of Cash Flows.

The Company did not grant any stock options in fiscal 2008, 2007 or 2006. If there were a change in control of the Company, none of the unvested options outstanding would become immediately exercisable.

9. 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 make Elective Deferral Contributions up to the limitations set forth in Section 402(g) of the Internal Revenue Code. The Company generally makes a 25% or 50% Employer Matching Contribution, as determined by the Board of Directors, based on a participant's Elective Deferral Contribution up to 6% of the participant's Compensation for the Elective Deferral Contribution period. The Employer Matching Contribution may be contributed to the Plan in the form of the Company's common stock or cash, as determined by the Company. The Company's match of a portion of a participant's contribution is invested in Company common stock and is based on the fair market value of the shares as of the date of contribution. The Plan also provides that the Company may contribute to the Plan additional amounts in its common stock or cash at the discretion of the Board of Directors. Employee contributions can not be invested in Company common stock.

Participants receive 100% vesting of employee contributions and cash dividends received on Company common stock. Vesting in Company contributions is based on a participant's number of years of vesting service. Contributions to the Plan charged to income in fiscal 2008, 2007, and 2006 totaled \$230,000, \$164,000 and \$170,000, respectively. Company contributions are made with the use of forfeited shares within the Plan. As of October 31, 2008, the Plan held approximately 117,000 forfeited shares of Common Stock and 139,000 forfeited shares of Class A Common Stock, which are available to make future Company contributions.

In 1991, the Company established a Directors Retirement Plan covering its then current directors. The net assets of this plan as of October 31, 2008, 2007 and 2006 were not material to the financial position of the Company. During fiscal 2008, 2007 and 2006, \$23,000, \$20,000 and \$64,000, respectively, were expensed for this plan.

10. RESEARCH AND DEVELOPMENT EXPENSES

Cost of sales amounts in fiscal 2008, 2007 and 2006 include approximately \$18.4 million, \$16.5 million and \$15.3 million, respectively, of new product research and development expenses.

11. NET INCOME PER SHARE

The computation of basic and diluted net income per share is as follows:

	For the year ended October 31,		
	2008	2007	2006
Numerator:			
Net income	<u>\$48,511,000</u>	<u>\$39,005,000</u>	<u>\$31,888,000</u>
Denominator:			
Weighted average common shares outstanding - basic	26,309,139	25,715,899	25,084,532
Effect of dilutive stock options	934,217	1,215,149	1,513,071
Weighted average common shares outstanding - diluted	<u>27,243,356</u>	<u>26,931,048</u>	<u>26,597,603</u>
Net income per share - basic	\$1.84	\$1.52	\$1.27
Net income per share - diluted	\$1.78	\$1.45	\$1.20
Anti-dilutive stock options excluded	—	—	12,540

12. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales:				
2008	\$134,287,000	\$144,039,000	\$147,305,000	\$156,716,000
2007	113,684,000	121,215,000	133,155,000	139,870,000
Gross profit:				
2008	46,829,000	52,356,000	53,851,000	57,459,000
2007	37,488,000	43,667,000	47,705,000	48,598,000
Net income:				
2008	10,086,000	11,948,000	12,827,000	13,650,000
2007	7,921,000	9,407,000	10,914,000	10,763,000
Net income per share:				
Basic:				
2008	\$.39	\$.45	\$.49	\$.52
2007	.31	.37	.42	.41
Diluted:				
2008	.37	.44	.47	.50
2007	.30	.35	.40	.40

During the first and second quarters of fiscal 2007, the Company recorded the benefit of a tax credit (net of related expenses) for qualified research and development activities recognized for fiscal 2006 pursuant to the retroactive extension in December 2006 of Section 41, "Credit for Increasing Research Activities," of the Internal Revenue Code, which increased net income by \$332,000 and \$167,000, respectively, or \$.01 each per diluted share.

During the fourth quarter of fiscal 2008, the Company recorded impairment losses related to the write-down of certain intangible assets to their estimated fair values, which decreased net income by \$1,140,000, or \$.04 per diluted share, in aggregate.

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

13. OPERATING SEGMENTS

The Company has two operating segments: the Flight Support Group ("FSG") consisting of HEICO Aerospace and its subsidiaries and the Electronic Technologies Group ("ETG"), consisting of HEICO Electronic and its subsidiaries. The Flight Support Group designs, manufactures, repairs and distributes jet engine and aircraft component replacement parts. The parts and services are approved by the FAA. The FSG also manufactures and sells specialty parts as a subcontractor for aerospace and industrial original equipment manufacturers and the United States government. The Electronic Technologies Group designs and manufactures electronic, microwave, and electro-optical equipment and components, high-speed interface products, high voltage interconnection devices, and high voltage advanced power electronics products primarily for the aviation, defense, space, homeland security, electronics and medical industries.

The Company's reportable operating segments offer distinctive products and services that are marketed through different channels. They are managed separately because of their unique technology and service requirements.

Segment Profit or Loss

The accounting policies of the Company's operating segments are the same as those described in Note 1, Summary of Significant Accounting Policies, of the Notes to Consolidated Financial Statements. Management evaluates segment performance based on segment operating income.

Information on the Company's two operating segments, the FSG and the ETG, for each of the fiscal years ended October 31 is as follows:

	FSG	ETG	Other, Primarily Corporate and Intersegment	Consolidated Totals
<u>For the year ended October 31, 2008:</u>				
Net sales	\$436,810,000	\$146,044,000	(\$507,000)	\$582,347,000
Depreciation and amortization	9,339,000	5,238,000	475,000	15,052,000
Operating income	81,184,000	38,775,000	(14,171,000)	105,788,000
Capital expenditures	10,735,000	2,093,000	627,000	13,455,000
Total assets	418,079,000	220,888,000	37,575,000	676,542,000
<u>For the year ended October 31, 2007:</u>				
Net sales	\$383,911,000	\$124,035,000	(\$22,000)	\$507,924,000
Depreciation and amortization	8,047,000	3,786,000	334,000	12,167,000
Operating income	67,408,000	33,870,000	(15,264,000)	86,014,000
Capital expenditures	10,146,000	2,300,000	440,000	12,886,000
Total assets	379,433,000	230,448,000	21,421,000	631,302,000
<u>For the year ended October 31, 2006:</u>				
Net sales	\$277,255,000	\$115,021,000	(\$86,000)	\$392,190,000
Depreciation and amortization	6,822,000	3,437,000	306,000	10,565,000
Operating income	46,840,000	34,026,000	(13,999,000)	66,867,000
Capital expenditures	8,189,000	1,607,000	168,000	9,964,000
Total assets	337,020,000	180,359,000	17,436,000	534,815,000

Major Customer and Geographic Information

No one customer accounted for 10% or more of the Company's consolidated net sales during the last three fiscal years. The Company's net sales originating and long-lived assets held outside of the United States during each of the last three fiscal years were not material.

The Company markets its products and services in over 100 countries. Other than in the United States, the Company does not conduct business in any other country in which its sales in that country exceed 10% of consolidated sales. Sales are attributed to countries based on the location of customers. The composition of the Company's sales to customers between those in the United States and those in other locations for each of the three fiscal years ended October 31 as follows:

	For the year ended October 31,		
	2008	2007	2006
United States	\$400,447,000	\$365,588,000	\$284,048,000
Other	181,900,000	142,336,000	108,142,000
Total	<u>\$582,347,000</u>	<u>\$507,924,000</u>	<u>\$392,190,000</u>

14. COMMITMENTS AND CONTINGENCIES

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 the 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 non-cancelable terms in excess of one year are as follows:

For the year ending October 31,	
2009	\$5,749,000
2010	5,487,000
2011	4,592,000
2012	4,040,000
2013	3,260,000
Thereafter	9,065,000
Total minimum lease commitments	<u>\$32,193,000</u>

Total rent expense charged to operations for operating leases in fiscal 2008, 2007 and 2006 amounted to \$6,074,000, \$4,221,000 and \$3,409,000, respectively.

Guarantees

The Company has arranged for standby letters of credit aggregating \$1.4 million to meet the security requirement of its insurance company for potential workers' compensation claims, which are supported by the Company's revolving credit facility.

Product Warranty

Changes in the Company's product warranty liability for fiscal 2008 and 2007 are as follows:

Balance as of October 31, 2006	\$534,000
Acquired warranty liabilities	52,000
Accruals for warranties	1,451,000
Warranty claims settled	<u>(856,000)</u>
Balance as of October 31, 2007	1,181,000
Accruals for warranties	1,201,000
Warranty claims settled	<u>(1,711,000)</u>
Balance as of October 31, 2008	<u>\$671,000</u>

Acquisitions

Put/Call Rights

Pursuant to the purchase agreement related to the acquisition of an 80% interest in a subsidiary by the FSG in fiscal 2001, the Company acquired an additional 10% of the equity interests of the subsidiary in fiscal 2007. The Company has provided notice to the minority interest holder that it will purchase the

remaining 10% interest effective October 31, 2008. Accordingly, the Company accrued \$1.2 million as of October 31, 2008 related to the purchase of this equity interest, which was paid in December 2008.

As part of the agreement to acquire an 80% interest in a subsidiary by the ETG in fiscal 2004, the Company has the right to purchase the minority interests over a five-year period beginning at approximately the tenth anniversary of the acquisition, or sooner under certain conditions, and the minority interest holders have the right to cause the Company to purchase their interests over a five-year period commencing on approximately the fifth anniversary of the acquisition, or sooner under certain conditions.

Pursuant to the purchase agreement related to the acquisition of a 85% interest in a subsidiary by the ETG in fiscal 2005, certain minority interest holders exercised their option during fiscal 2007 to cause the Company to purchase their aggregate 3% interest over a four-year period ending in fiscal 2010. Accordingly, the Company increased its ownership interest in the subsidiary by 1.5% (or one-fourth of such minority interest holders' aggregate interest in fiscal 2007 and 2008, respectively) to 86.5% effective April 2008. Further, the remaining minority interest holders currently have the right to cause the Company to purchase their aggregate 12% interest over a four-year period.

Pursuant to the purchase agreement related to the acquisition of a 51% interest in a subsidiary by the FSG in fiscal 2006, the minority interest holders exercised their option during fiscal 2008 to cause the Company to purchase an aggregate 28% interest over a four-year period ending in fiscal 2011. Accordingly, the Company increased its ownership interest in the subsidiary by 7% (or one-fourth of such minority interest holders' aggregate interest) to 58% effective April 2008. In December 2008, the Company and the minority interest holders agreed to accelerate the purchase of 14% of these equity interests (7% from April 2009 and 7% from April 2010) to December 2008. The estimated purchase price of this 14% interest is \$9.3 million (see Note 16, Subsequent Event, of the Notes to Consolidated Financial Statements). Further, the Company has the right to purchase the remaining 21% of the equity interests of the subsidiary over a three-year period beginning approximately after the fourth anniversary of the acquisition, or sooner under certain conditions, and the minority interest holders have the right to cause the Company to purchase the same equity interest over the same period.

As part of the agreement to acquire an 80% interest in a subsidiary by the FSG in fiscal 2006, the Company has the right to purchase the minority interests over a four-year period beginning at approximately the eighth anniversary of the acquisition, or sooner under certain conditions, and the minority interest holders have the right to cause the Company to purchase the same equity interest over the same period.

As part of an agreement to acquire an 80% interest in a subsidiary by the FSG in fiscal 2008, the Company has the right to purchase the minority interests over a five-year period beginning at approximately the sixth anniversary of the acquisition, or sooner under certain conditions, and the minority interest holders have the right to cause the Company to purchase the same equity interest over the same period.

The above referenced rights of the minority interest holders ("Put Rights") may be exercised on varying dates causing the Company to purchase their equity interests beginning in fiscal 2009 through fiscal 2018. The Put Rights, all of which relate either to common shares or membership interests in limited liability companies, provide that the cash consideration to be paid for the minority interests ("Redemption Amount") be at a formula that management intended to reasonably approximate fair value, as defined in the applicable agreements based on a multiple of future earnings over a measurement period. Assuming the subsidiaries perform over their respective future measurement periods at the same earnings levels they performed in the comparable historical measurement periods and assuming all Put Rights are

exercised, the aggregate Redemption Amount that the Company would be required to pay is approximately \$49 million (which excludes the aforementioned \$1.2 million accrued as of October 31, 2008). The actual Redemption Amount will likely be different. Upon exercise of any Put Right, the Company's ownership interest in the subsidiary would increase and minority interest expense would decrease. The Put Rights are embedded in the shares owned by the minority interest holders and are not freestanding. Consistent with Accounting Research Bulletin No. 51, "Consolidated Financial Statements," minority interests have been recorded on the Company's consolidated balance sheets at historical cost plus an allocation of subsidiary earnings based on ownership interests, less dividends paid to the minority interest holders. As described in Note 1, Summary of Significant Accounting Policies, of the Notes to Consolidated Financial Statements, the FASB issued SFAS No. 160 in December 2007 that will change the current accounting and financial reporting for non-controlling (minority) interests. SFAS No. 160 will be effective for fiscal years beginning after December 15, 2008. The Company will adopt SFAS No. 160 on November 1, 2009. SFAS No. 160 will require that non-controlling (minority) interests be reported in the consolidated balance sheet within equity. The Company is not yet in a position to assess the full impact and related disclosure of adopting SFAS No. 160 on its minority interest liabilities and related Put Rights.

Additional Contingent Purchase Consideration

As part of the agreement to purchase a subsidiary by the ETG in fiscal 2005, the Company may be obligated to pay additional purchase consideration currently estimated to total up to \$2.7 million should the subsidiary meet certain product line-related earnings objectives during the fourth and fifth years following the acquisition.

As part of the agreement to acquire a subsidiary by the ETG in fiscal 2006, the Company may be obligated to pay additional purchase consideration up to \$19.2 million based on the subsidiary's fiscal 2009 earnings relative to target.

As part of the agreement to acquire a subsidiary by the ETG in fiscal 2007, the Company may be obligated to pay additional purchase consideration up to 73 million Canadian dollars in aggregate, which translates to \$59.7 million U.S. dollars based on the October 31, 2008 exchange rate, should the subsidiary meet certain earnings objectives during the first five years following the acquisition.

As part of the agreement to acquire a subsidiary by the FSG in fiscal 2008, the Company may be obligated to pay additional consideration of up to approximately \$.4 million in aggregate should the subsidiary meet certain earnings objectives during the third, fourth and fifth years following the acquisition.

The above referenced additional contingent purchase consideration will be accrued when the earnings objectives are met. Such additional contingent consideration is based on a multiple of earnings above a threshold (subject to a cap in certain cases) and is not contingent upon the former shareholders of the acquired entities remaining employed by the Company or providing future services to the Company. Accordingly, such consideration will be recorded as an additional cost of the respective acquired entity when paid. The maximum amount of such contingent consideration that the Company could be required to pay aggregates approximately \$82 million payable over the future periods beginning in fiscal 2010 through fiscal 2013. Assuming the subsidiaries perform over their respective future measurement periods at the same earnings levels they performed in the comparable historical measurement periods, the aggregate amount of such contingent consideration that the Company would be required to pay is approximately \$5 million. The actual contingent purchase consideration will likely be different.

Litigation

The Company is involved in various legal actions arising in the normal course of business. Based upon the Company's and its legal counsel's evaluations of any claims or assessments, management is of the opinion that the outcome of these matters will not have a material adverse effect on the Company's results of operations, financial position or cash flows.

15. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid for interest was \$2,443,000, \$3,287,000 and \$3,459,000 in fiscal 2008, 2007 and 2006, respectively. Cash paid for income taxes was \$26,669,000, \$16,572,000 and \$15,823,000 in fiscal 2008, 2007 and 2006, respectively. Cash received from income tax refunds in fiscal 2008, 2007 and 2006 was \$29,000, \$243,000 and \$51,000 respectively.

Cash investing activities related to acquisitions, including contingent purchase price payments to previous owners of acquired businesses, is as follows:

	For the year ended October 31,		
	2008	2007	2006
Fair value of assets acquired:			
Liabilities assumed	\$1,581,000	\$7,460,000	\$13,937,000
Minority interests in consolidated subsidiaries	(412,000)	(412,000)	6,301,000
Less:			
Goodwill	9,685,000	22,296,000	19,707,000
Identifiable intangible assets	3,991,000	15,902,000	19,640,000
Accrued additional purchase consideration	11,736,000	7,180,000	3,045,000
Inventories, net	1,252,000	3,539,000	21,342,000
Accounts receivable, net	2,045,000	2,569,000	12,213,000
Property, plant and equipment	1,394,000	2,142,000	690,000
Other assets	104,000	1,787,000	1,718,000
Acquisitions and related costs, net of cash acquired	<u>(\$29,038,000)</u>	<u>(\$48,367,000)</u>	<u>(\$58,117,000)</u>

In connection with certain acquisitions, the Company accrued additional purchase consideration aggregating \$3.4 million, \$11.7 million and \$7.2 million in fiscal 2008, 2007 and 2006, respectively, which was allocated to goodwill (see Note 2, Acquisitions, and Note 4, Goodwill and Other Intangible Assets, of the Notes to Consolidated Financial Statements).

There were no significant capital lease and/or other equipment financing activities during fiscal 2008, 2007 or 2006.

16. SUBSEQUENT EVENT

Pursuant to the agreement to acquire a 51% interest in a subsidiary by the Flight Support Group in fiscal 2006, the minority interest holders exercised their option during fiscal 2008 to cause the Company to purchase their aggregate 28% interest over a four-year period ending in fiscal 2011. In December 2008, the Company and the minority interest holders agreed to accelerate the purchase of 14% of these equity interests (7% from April 2009 and 7% from April 2010) to December 2008. The estimated purchase price of this 14% interest is \$9.3 million. The remaining 7% interest is anticipated to be purchased in April 2011.

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

Not applicable.

Item 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company's Chief Executive Officer and its Chief Financial Officer conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Annual Report on Form 10-K. Based upon that evaluation, the Company's Chief Executive Officer and its Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective.

Management's Report on Internal Control Over Financial Reporting

Management of HEICO Corporation is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

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

Management, under the supervision of and with the participation of the Company's Chief Executive Officer and the Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control-Integrated Framework*. Based on its assessment, management believes that the Company's internal control over financial reporting is effective as of October 31, 2008.

Deloitte & Touche LLP, an independent registered public accounting firm, has audited the Company's consolidated financial statements and the effectiveness of internal controls over financial reporting as of October 31, 2008 as stated in their report included in Item 8, *Financial Statements and Supplementary Data*, of this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

The Company is continuously seeking to improve the efficiency and effectiveness of its operations and of its internal controls. This results in refinements to processes throughout the Company. However, there have been no changes in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. *OTHER INFORMATION*

Not applicable.

PART III

Item 10. *DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE*

Information concerning the Directors of the Company, including the Finance/Audit Committee of the Board of Directors and its Finance/Audit Committee Financial Expert, as well as information concerning compliance with Section 16(a) of the Securities Exchange Act of 1934 is hereby 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 2008.

Information concerning the Executive Officers of the Company is set forth in Item 1 of Part I hereof under the caption "Executive Officers of the Registrant."

The Company has adopted a code of ethics that applies to its principal executive officer, principal financial officer, principal accounting officer or controller and persons performing similar functions. The code of ethics is located on the Company's Internet web site at <http://www.heico.com>. Any amendments to or waivers from a provision of this code of ethics will be posted on the Company's web site.

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 2008.

Item 12. *SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS*

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 2008.

Equity compensation plan information is set forth in Item 5 of Part II hereof under the caption "Equity Compensation Plan Information."

Item 13. *CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE*

Information concerning certain relationships and related transactions and director independence 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 2008.

Item 14. *PRINCIPAL ACCOUNTANT FEES AND SERVICES*

Information concerning the principal accountant's fees and services 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 2008.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements

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

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Report of Independent Registered Public Accounting Firm	41
Consolidated Balance Sheets as of October 31, 2008 and 2007	43
Consolidated Statements of Operations for the years ended October 31, 2008, 2007 and 2006	44
Consolidated Statements of Shareholders' Equity and Comprehensive Income for the years ended October 31, 2008, 2007 and 2006	45
Consolidated Statements of Cash Flows for the years ended October 31, 2008, 2007 and 2006	46
Notes to Consolidated Financial Statements.....	47

(a)(2) Financial Statement Schedules

The following financial statement schedule of the Company and subsidiaries is included herein:

- Schedule II – Valuation and Qualifying Accounts

All other schedules have been omitted because the required information is not applicable or the information is included in the consolidated financial statements or notes thereto presented in Part II, Item 8.

(a)(3) Exhibits

<u>Exhibit</u>	<u>Description</u>
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 Registrant's Registration Statement on Form S-4 (Registration No. 33-57624) Amendment No. 1 filed on March 19, 1993.*
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.*

<u>Exhibit</u>	<u>Description</u>
3.4	— Articles of Amendment of the Articles of Incorporation of the Registrant, dated March 19, 1998, are incorporated by reference to Exhibit 3.4 to the Company's Registration Statement on Form S-3 (Registration No. 333-48439) filed on March 23, 1998.*
3.5	— Articles of Amendment of the Articles of Incorporation of the Registrant, dated as of November 2, 2003, are incorporated by reference to Exhibit 3.5 to the Form 10-K for the year ended October 31, 2003.*
3.6	— Bylaws of the Registrant are incorporated by reference to Exhibit 3.1 to the Form 8-K filed on December 19, 2007.*
4.0	— The description and terms of the Preferred Stock Purchase Rights are set forth in a Rights Agreement between the Company and SunTrust Bank, N.A., as Rights Agent, dated as of November 2, 2003, incorporated by reference to Exhibit 4.0 to the Form 8-K dated November 2, 2003.*
10.1#	— HEICO Savings and Investment Plan, as amended and restated effective as of January 1, 2007 is incorporated by reference to Exhibit 10.1 to the Form 10-Q for the quarterly period ended January 31, 2008.*
10.2#	— First Amendment, effective as of January 1, 2007, to the HEICO Savings and Investment Plan.**
10.3#	— Second Amendment, effective as of January 1, 2009, to the HEICO Savings and Investment Plan.**
10.4#	— 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.*
10.5#	— HEICO Corporation 1993 Stock Option Plan, as amended, is incorporated by reference to Exhibit 4.7 to the Company's Registration Statement on Form S-8 (Registration No. 333-81789) filed on June 29, 1999.*
10.6#	— HEICO Corporation 2002 Stock Option Plan, effective March 19, 2002, is incorporated by reference to Exhibit 10.10 to the Form 10-K for the year ended October 31, 2002.*
10.7#	— HEICO Corporation Amended and Restated 2002 Stock Option Plan, effective March 28, 2008, is incorporated by reference to Appendix A to the Form DEF-14A filed on February 28, 2008.*
10.8#	— 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.*
10.9#	— 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.*
10.10#	— HEICO Corporation Leadership Compensation Plan, effective October 1, 2006, is incorporated by reference to Exhibit 10.1 to the Form 8-K filed on October 31, 2006.*

<u>Exhibit</u>	<u>Description</u>
10.11#	— HEICO Corporation Leadership Compensation Plan, effective October 1, 2006, as Amended and Restated effective January 1, 2009, is incorporated by reference to Exhibit 10.1 to the Form 8-K filed on December 16, 2008.*
10.12#	— HEICO Corporation 2007 Incentive Compensation Plan, effective as of November 1, 2006, is incorporated by reference to Exhibit 10.1 to the Form 8-K filed on March 19, 2007.*
10.13	— 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 is incorporated by reference to Exhibit 10.32 to Form 10-K/A for the year ended October 31, 1997.*
10.14	— Amended and Restated Revolving Credit Agreement, dated as of August 4, 2005, among HEICO Corporation, as Borrower, the lenders from time to time party hereto, and SunTrust Bank, as Administrative Agent; Wachovia Bank, National Association as Syndication Agent; and HSBC Bank USA, as Documentation Agent, is incorporated by reference to Exhibit 10.1 to the Form 8-K filed on August 8, 2005.*
10.15	— First Amendment, effective as of July 14, 2006, to the Amended and Restated Revolving Credit Agreement among HEICO Corporation, as a Borrower, the lenders from time to time party hereto, and SunTrust Bank, as Administrative Agent; Wachovia Bank, National Association as Syndication Agent; and HSBC Bank USA, as Documentation Agent, is incorporated by reference to Exhibit 10.1 to the Form 10-Q for the quarterly period ended July 31, 2006.*
10.16	— Second Amended and Restated Revolving Credit Agreement, dated as of May 27, 2008, among HEICO Corporation, as Borrower, the lenders from time to time party hereto, Regions Bank and Wells Fargo Bank, National Association, as Co-Documentation Agents, JPMorgan Chase Bank, N.A., as Syndication Agent, and SunTrust Bank, as Administrative Agent, is incorporated by reference to Exhibit 10.1 to the Form 8-K filed on May 30, 2008.*
21	— Subsidiaries of HEICO Corporation.**
23	— Consent of Independent Registered Public Accounting Firm.**
31.1	— Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.**
31.2	— Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.**
32.1	— Section 1350 Certification of Chief Executive Officer.***
32.2	— Section 1350 Certification of Chief Financial Officer.***

-
- # Management contract or compensatory plan or arrangement required to be filed as an exhibit.
* Previously filed.
** Filed herewith.
*** Furnished herewith.

HEICO CORPORATION AND SUBSIDIARIES
SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS

	For the year ended October 31,		
	2008	2007	2006
Allowance for doubtful accounts:			
Allowance as of beginning of year	\$1,712,000	\$2,893,000	\$2,148,000
Additions (deductions) charged (credited) to costs and expenses	872,000	(75,000)	653,000
Additions charged to other accounts ^(a)	29,000	4,000	287,000
Deductions ^(b)	(26,000)	(1,110,000)	(195,000)
Allowance as of end of year	\$2,587,000	\$1,712,000	\$2,893,000

(a) Principally additions from acquisitions.

(b) Principally write-offs of uncollectible accounts receivables, net of recoveries.

	For the year ended October 31,		
	2008	2007	2006
Inventory valuation reserves:			
Reserves as of beginning of year	\$27,141,000	\$24,554,000	\$16,488,000
Additions charged to costs and expenses	1,808,000	2,035,000	3,521,000
Additions charged to other accounts ^(a)	731,000	1,516,000	4,779,000
Deductions ^(b)	(2,494,000)	(964,000)	(234,000)
Reserves as of end of year	\$27,186,000	\$27,141,000	\$24,554,000

(a) Principally additions from acquisitions.

(b) Principally write-offs of slow moving, obsolete or damaged inventory.

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: December 24, 2008

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 Chairman, President,
Laurans A. Mendelson Director (Principal
Executive Officer)

/s/ SAMUEL L. HIGGINBOTTOM Director
Samuel L. Higginbottom

/s/ MARK H. HILDEBRANDT Director
Mark H. Hildebrandt

/s/ WOLFGANG MAYRHUBER Director
Wolfgang Mayrhuber

/s/ ERIC A. MENDELSON Director
Eric A. Mendelson

/s/ VICTOR H. MENDELSON Director
Victor H. Mendelson

/s/ ALBERT MORRISON, JR Director
Albert Morrison, Jr.

/s/ ALAN SCHRIESHEIM Director
Alan Schriesheim

/s/ FRANK J. SCHWITTER Director
Frank J. Schwitter

EXHIBIT INDEX

<u>Exhibit</u>	<u>Description</u>
10.2	— First Amendment, effective as of January 1, 2007, to the HEICO Savings and Investment Plan.
10.3	— Second Amendment, effective as of January 1, 2009, to the HEICO Savings and Investment Plan.
21	— Subsidiaries of HEICO Corporation.
23	— Consent of Independent Registered Public Accounting Firm.
31.1	— Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
31.2	— Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.
32.1	— Section 1350 Certification of Chief Executive Officer.
32.2	— Section 1350 Certification of Chief Financial Officer.

**FIRST AMENDMENT TO THE
HEICO SAVINGS AND INVESTMENT PLAN
(AS AMENDED EFFECTIVE JANUARY 1, 2007)**

THIS FIRST AMENDMENT (the “Amendment”) is made, effective as of the 1st day of January, 2007, to the HEICO Savings and Investment Plan, as amended and restated January 1, 2007 (the “Plan”), by HEICO Corporation, a Florida corporation (the “Company”).

W I T N E S S E T H:

WHEREAS, the Company maintains the Plan for the sole and exclusive benefit of its eligible participants and their respective beneficiaries under the terms and provisions of the Internal Revenue Code of 1986, as amended; and

WHEREAS, pursuant to Section 15.01 of the Plan, the Company has the power to amend the Plan;

NOW, THEREFORE, the Plan shall be amended as follows:

Effective as of January 1, 2007 (except as otherwise stated below):

1. Section 2.17 is hereby amended in its entirety to read as follows:

“**2.17 “Elective Deferral Contribution”** shall mean any Employer contributions made to the Plan at the election of the Participant, in lieu of cash compensation, and shall include contributions made pursuant to a salary reduction agreement or other deferral mechanism. Elective Deferral Contributions shall be made in either percentage or dollar increments. Elective Deferral Contributions shall not include any amount properly distributed as excess annual additions.”

2. Section 2.19(d) is hereby amended in its entirety to read as follows:

“(d) Employees who are, according to the Employer’s records, characterized as temporary, seasonal or occasional employees; provided, however, any temporary, seasonal or occasional employee of an Employer who completes one Year of Service shall be an Eligible Employee.”

3. The last sentence of Section 4.01(b) is hereby amended in its entirety to read as follows:

“In addition, effective as of January 1, 2008, in the event that the automatic contribution arrangement under this Plan is an eligible automatic contribution arrangement as defined in Code Section 414(w)(3), then each Eligible Employee who is automatically enrolled in this Plan pursuant to this Section 4.01(b) shall be provided with a ninety (90) day period (commencing from the first day on which his or her participation begins) to elect out of the Plan and withdraw the contributions made on his or her behalf and the earnings thereon.”

4. Section 4.04(b) is hereby amended in its entirety to read as follows:

“(b) **Equity Builder Contributions**. As may be determined by the Board of Directors from time to time within their sole discretion, each Employer may contribute Equity Builder Contributions on behalf of their employees who are Participants in this Plan, as provided for in this Section 4.04(b). A Participant’s share of the Equity Builder Contributions for a Plan Year is determined by multiplying (1) the total Equity Builder Contributions to be allocated among all of the Accounts of those Participants employed by that Participant’s Employer by (2) that Participant’s Compensation for the Plan Year and dividing the result by (3) the total Compensation paid for the Plan Year to all of those Participants employed by the Participant’s Employer that are eligible for an allocation. Only Compensation paid by the Employer on account of service while a Participant in this Plan is taken into account.”

5. Section 13.02(b) is hereby amended in its entirety to read as follows:

“(b) **Minimum Benefits**. Employer Matching Contributions shall be taken into account for purposes of satisfying the minimum contribution requirements of Code Section 416(c)(2) and the Plan. Employer Matching Contributions that are used to satisfy the minimum contribution requirements shall be treated as matching contributions for purposes of the Actual Contribution Percentage test and other requirements of Code Section 401(m).”

6. In all other respects, the Plan shall remain unchanged by the Amendment.

IN WITNESS WHEREOF, the Company has caused this instrument to be executed the day and year first above written.

HEICO Corporation, a Florida corporation

By: /s/ THOMAS S. IRWIN

Name: Thomas S. Irwin

Title: Treasurer

**SECOND AMENDMENT TO THE
HEICO SAVINGS AND INVESTMENT PLAN
(AS AMENDED EFFECTIVE JANUARY 1, 2007)**

THIS SECOND AMENDMENT (the “Amendment”) is made, effective as of the 1st day of January, 2009, to the HEICO Savings and Investment Plan, as amended and restated effective January 1, 2007 (the “Plan”), by HEICO Corporation, a Florida corporation (the “Company”).

W I T N E S S E T H:

WHEREAS, the Company maintains the Plan for the sole and exclusive benefit of its eligible participants and their respective beneficiaries under the terms and provisions of the Internal Revenue Code of 1986, as amended; and

WHEREAS, pursuant to Section 15.01 of the Plan, the Company has the power to amend the Plan;

NOW, THEREFORE, the Plan shall be amended as follows:

Effective as of January 1, 2009:

1. Section 4.04 is hereby amended in its entirety to read as follows:

“Section 4.04 Employer Contributions.

- (a) **Employer Matching Contributions.** Each Employer shall contribute Employer Matching Contributions, if any, as provided for in this Section 4.04(a). A Participant’s Employer Matching Contribution is a percentage of his or her Elective Deferral Contributions made to the Plan and may be limited to a percentage of the Participant’s Compensation, as determined by the Board of Directors from time to time at its sole discretion. The Employer Matching Contribution percentage may vary (1) among Participants employed by different Employers; or (2) with the Participant’s rate of deferral, but must be uniform for Participants with equal rates of Elective Deferral Contributions and may not increase as the rate of Elective Deferral Contribution increases. Employer Matching Contributions shall be calculated quarterly based on Elective

Deferral Contributions made during that calendar quarter and, subject to the requirement set forth in Section 4.04(c)(1) hereof, shall be contributed to the Plan at the end of each calendar quarter on behalf of any Participant who makes Elective Deferral Contributions during that calendar quarter.

- (b) **Equity Builder Contributions.** Each Employer may contribute Equity Builder Contributions as provided for in this Section 4.04(b). Subject to the requirement in Section 4.04(c)(2) hereof, a Participant's share of Equity Builder Contributions for a Plan Year is determined by multiplying (1) the total Equity Builder Contributions to be allocated among all Participants' Accounts by (2) the Participant's Compensation for the Plan Year and dividing the result by (3) the Compensation paid for the Plan Year to all Participants eligible for an allocation. Only Compensation paid by Employers on account of service while a Participant is taken into account. A Participant's share of Equity Builder Contributions shall be in an amount as fixed by the Board of Directors from time to time at its sole discretion.

- (c) **Eligibility to Receive Employer Matching Contributions and Equity Builder Contributions.** Employer Matching Contributions and Equity Builder Contributions, if any, shall be allocated to the Employer Accounts of Participants based on the following:
 - (1) With respect to each calendar quarter during a Plan Year, Employer Matching Contributions shall be allocated among and credited to the Employer Matching Contributions Account of Participants who are employed by an Employer on the last day of each such calendar quarter.

 - (2) Equity Builder Contributions, if any, shall be allocated to the Employer Accounts of Participants who are credited with 1,000 Hours of Service during the Plan Year with an Employer and are employed on the last day of such Plan Year."

2. Paragraph (c) of Section 10.02 is hereby amended in its entirety to read as follows:

- “(c) **Consent of Participant.** A Participant's consent to a distribution of his Account shall be subject to the following:
 - (1) If the total value of the Participant's vested Accounts to be distributed is less than or equal to \$1,000, determined on or after the Participant's Termination Date, the Participant's vested Account balance shall be distributed to the

Participant in a lump sum payment as soon as administratively feasible after his Termination Date.

- (2) If the total value of the Participant's vested Accounts to be distributed is greater than \$1,000, determined on or after the Participant's Termination Date, the Participant's consent to a distribution shall be required; provided that, notwithstanding the lack of consent, distribution shall be made no later than the date established under Section 10.07 for mandatory distributions.
- (3) Notwithstanding the above, the total value of a Participant's vested Accounts shall be determined without regard to that portion of the Accounts that is attributable to Rollover Contributions (and earnings allocable thereto) within the meaning of sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16) of the Code."

3. Paragraph (f) of Section 10.07 is hereby amended in its entirety to read as follows:

“(f) Notwithstanding the foregoing provisions of this Section 10.07, if the total value of a Participant's vested Accounts to be distributed is less than or equal to \$1,000, determined on or after the Participant's Termination Date, the Participant's vested Account balance shall be distributed in a lump sum payment as soon as administratively feasible after his Termination Date.”

4. In all other respects, the Plan shall remain unchanged by the Amendment.

IN WITNESS WHEREOF, the Company has caused this instrument to be executed the day and year first above written.

HEICO Corporation, a Florida corporation

By: /s/ THOMAS S. IRWIN
Name: Thomas S. Irwin
Title: Treasurer

SUBSIDIARIES OF HEICO CORPORATION

<u>Name</u>	<u>State or Other Jurisdiction of Incorporation</u>
HEICO Aerospace Holdings Corp.	Florida
HEICO Aerospace Corporation	Florida
Jet Avion Corporation	Florida
LPI Industries Corporation	Florida
Aircraft Technology, Inc.	Florida
Northwings Accessories Corp.	Florida
HNW Building Corp.	Florida
HNW2 Building Corp.	Florida
McClain International, Inc.	Georgia
McClain Property Corp.	Florida
Rogers-Dierks, Inc.	Florida
Turbine Kinetics, Inc.	Florida
Thermal Structures, Inc.	California
Future Aviation, Inc.	Florida
ATK Acquisition Corp.	Florida
Parts Advantage, LLC	Delaware
AD HEICO Acquisition Corp.	Florida
Aero Design, Inc.	Tennessee
Battery Shop, LLC	Tennessee
Inertial Airline Services, Inc.	Ohio
HEICO Aerospace Parts Corp.	Florida
HEICO Aerospace C&A Corp.	Florida
Aviation Facilities, Inc.	Florida
Jetseal, Inc.	Delaware
Niacc-Avitech Technologies Inc.	Florida
JA Engineering I Corp.	Florida
JA Engineering II Corp.	Florida
Jetavi Engineering Private Limited	India
Seal Dynamics LLC	Florida
Seal Dynamics LLC (Singapore Branch)	Singapore
Seal Dynamics Limited	United Kingdom
Arger Enterprises, Inc.	Nevada
Prime Air, LLC	Florida
Avisource Limited	United Kingdom
Prime Air Europe Limited	United Kingdom
DEC Technologies, Inc.	Florida
Meridian Industrial, Inc.	Florida
Dynatech Acquisition Corp.	Florida
Sunshine Avionics LLC	Florida
HEICO Parts Group, Inc.	Florida
HEICO Electronic Technologies Corp.	Florida
Radiant Power Corp.	Florida
Leader Tech, Inc.	Florida
FerriShield, Inc.	Pennsylvania

Name**State or Other
Jurisdiction of Incorporation**

Santa Barbara Infrared, Inc.	California
101 Lummis Road Corp (Inactive)	Florida
Analog Modules, Inc.	Florida
Sierra Microwave Technology, LLC	Delaware
Connectronics Corp.	Florida
Lumina Power, Inc.	Florida
HVT Group, Inc.	Delaware
Dielectric Sciences, Inc.	Massachusetts
Essex X-Ray & Medical Equipment LTD	United Kingdom
High Voltage Technology Limited	United Kingdom
Engineering Design Team, Inc.	Oregon
EMD Acquisition Corp.	Florida
3221921 Nova Scotia Company	Canada
EMD Technologies Company	Canada
HEICO East Corporation	Florida

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 33-4945, 33-62156, 333-08063, 333-26059, 333-81789, and 333-108471 on Forms S-8 of our report dated December 24, 2008, relating to the financial statements and financial statement schedule of HEICO Corporation and subsidiaries and the effectiveness of internal control over financial reporting, appearing in this Annual Report on Form 10-K of HEICO Corporation and subsidiaries for the year ended October 31, 2008.

DELOITTE & TOUCHE LLP
Certified Public Accountants

Miami, Florida
December 24, 2008

RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, Laurans A. Mendelson, Chief Executive Officer of HEICO Corporation, certify that:

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

Date: December 24, 2008

/s/ LAURANS A. MENDELSON

Laurans A. Mendelson
Chief Executive Officer

RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, Thomas S. Irwin, Chief Financial Officer of HEICO Corporation, certify that:

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

Date: December 24, 2008

/s/ THOMAS S. IRWIN
Thomas S. Irwin
Chief Financial Officer

SECTION 1350 CERTIFICATION

In connection with the Annual Report of HEICO Corporation (the “Company”) on Form 10-K for the period ended October 31, 2008 as filed with the Securities and Exchange Commission on the date hereof (the “Report”) I, Laurans A. Mendelson, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: December 24, 2008

/s/ LAURANS A. MENDELSON
Laurans A. Mendelson
Chief Executive Officer

SECTION 1350 CERTIFICATION

In connection with the Annual Report of HEICO Corporation (the “Company”) on Form 10-K for the period ended October 31, 2008 as filed with the Securities and Exchange Commission on the date hereof (the “Report”) I, Thomas S. Irwin, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: December 24, 2008

/s/ THOMAS S. IRWIN
Thomas S. Irwin
Chief Financial Officer