HEICO CORP
Form 10-K/A
August 13, 2001

As filed with the Securities and Exchange Commission on August 13, 2001

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-K/A
Amendment No. 1

(Mark One)

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

For the fiscal year ended October 31, 2000 or

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

For the transition period from ___________________to_______________

Commission file number 1-4604

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

FLORIDA (State or other jurisdiction of Incorporation or organization)	65-0341002 (I.R.S. Employer Identification No.)
3000 Taft Street, Hollywood, Florida (Address of principal executive offices)	33021 (Zip Code)

(954) 987-4000
(Registrant's telephone number, including area code)

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

Common Stock, par value $.01 per share Class A Common Stock, par value $.01 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:

Preferred Stock Purchase Rights
(Title of Class)

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

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

The aggregate market value of the voting and non-voting stock held by nonaffiliates of the registrant as of December 31, 2000 was $191,000,000 based on the closing price of Common Stock of $15.625 and Class A Common Stock of $11.625 on December 31, 2000 as reported by the New York Stock Exchange and after subtracting from the number of shares outstanding on that date the number of shares held by affiliates of the registrant.

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

(Class)	(Outstanding at December 31, 2000)
Common Stock, $.01 par value	8,514,386 shares
Class A Common Stock, $.01 par value	8,985,045 shares

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement for the 2000 Annual Meeting of Shareholders are incorporated by reference into Part III. See Item 14(a)(3) on page 53 for a listing of exhibits.

This is an amendment to Form 10-K previously filed with the Securities and Exchange Commission on January 25, 2001, which amendment is being filed solely to expand certain disclosure as requested by the Securities and Exchange Commission. Previously reported financial results have not changed. The changes are on pages 15, 34, 35, 38 and 49, although the entire document (excluding exhibits except Exhibit 23) is being refiled for ease of use.

Certain statements in this Report constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to risks, uncertainties, and assumptions about HEICO Corporation, including, among other things:

- Lower commercial air travel;
- Our intention to introduce new products;
- Our ability to make acquisitions and achieve operating synergies from acquired businesses;
- Product pricing levels;
- Product specification costs and requirements;
- Governmental and regulatory demands;
- Competition on military programs;
- Anticipated trends in our businesses, including trends in the markets for aircraft engine parts, aircraft engine overhaul and electronics equipment;
- Economic conditions within and outside of the aerospace, defense and electronics industries; and
- Our ability to continue to control costs and maintain quality.

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

PART I

Item 1. Business

The Company

HEICO Corporation (HEICO or the Company) believes it is the world's largest manufacturer of Federal Aviation Administration (FAA) approved jet engine replacement parts, other than the original equipment manufacturers (OEMs) and their subcontractors. It is also a leading manufacturer of certain electronic equipment to the aerospace, defense and electronics industries. The Company's operations are divided into two segments, the Flight Support Group (FSG) and the Electronic Technologies Group (ETG), formerly the Electronics and Ground Support Group. Through our FSG we use proprietary technology to design, manufacture and sell jet engine 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, our FSG repairs, refurbishes and overhauls engine and aircraft components for domestic and foreign commercial air carriers and aircraft repair companies, and manufactures thermal insulation products and related components primarily for aerospace, defense and commercial applications. In fiscal 2000, the FSG accounted for 59% of our revenues. Through our ETG, we manufacture various types of electrical equipment, including electrical power supplies, back-up power supplies, electromagnetic interference and radio frequency interference shielding and infrared simulation and test equipment. In fiscal 2000, the ETG accounted for 41% of our revenues. In September 2000, the Company sold Trilectron Industries, Inc. (Trilectron) and its associated product line, which included ground support equipment for commercial airlines and military agencies. See "Management's Discussion of Financial Condition and Results of Operations" for details of the Company's disposition. Adjusted to exclude the sales of Trilectron, the FSG accounted for 78% of our fiscal 2000 revenues and the ETG accounted for the remaining 22%.

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We have continuously operated in the aerospace industry for approximately 40 years. Since assuming control in 1990, current management has achieved significant sales and profit growth through expanded product offerings, an expanded customer base, increased research and development expenditures, and the completion of acquisitions. As a result of internal growth and acquisitions, our revenues have grown from $25.6 million in fiscal 1995 to $202.9 million in fiscal 2000, a compound annual growth rate of 51% over the five-year period.

In October 1997, we formed a strategic alliance with Lufthansa Technik AG (Lufthansa), the technical services subsidiary of Lufthansa German Airlines AG. Lufthansa is the world's largest independent provider of engineering and maintenance services for aircraft and aircraft engines and supports over 200 airlines, governments and other customers. As part of the transaction, Lufthansa acquired a 20% minority interest in our FSG, investing approximately $50 million to date. This includes direct equity investments and the funding of specific research and development projects. In connection with acquisitions by our FSG since 1997, Lufthansa invested additional amounts pursuant to its option to maintain a 20% equity interest. This strategic alliance should continue to enable us to expand domestically and internationally by enhancing our ability to (i) identify key jet engine and 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.

Beginning in fiscal 1998, the Company, through acquisitions, has added seven subsidiaries to its FSG and three subsidiaries to its ETG. See "Management's Discussion of Financial Condition and Results of Operations" for details of the Company's acquisitions.

Flight Support Group

Our FSG designs, engineers, manufactures, repairs and/or overhauls engine parts and components such as combustion chambers, gas flow transition ducts, airfoils and various other engine and airframe parts. We also manufacture specialty aviation and defense components as a subcontractor. We serve a broad spectrum of the aviation industry, including (i) commercial airlines and air cargo couriers, (ii) repair and overhaul facilities, (iii) OEMs, and (iv) the U.S. government. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a listing of operating subsidiaries included in the FSG.

Aircraft engine replacement parts can be categorized by their ongoing ability to be repaired and returned to service. The general categories (in all of which we participate) are as follows: (i) rotable; (ii) repairable; and (iii) expendable. A rotable 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 rotables is "life limited" parts. A life limited rotable 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 rotable 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.

Engine replacement parts are classified within the industry as (i) factory-new, (ii) new surplus, (iii) overhauled, (iv) serviceable, 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 has been completely repaired and inspected by a licensed repair facility (such as ours). An aircraft spare part is classified repairable if it can be repaired by a licensed repair facility under applicable regulations. A part may also be classified repairable if it can be can be removed by the operator from an aircraft or 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 serviceable 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 Replacement Parts. The principal business of the FSG 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 (UTC) and General Electric Company (General Electric), including its CFM International joint venture. The FSG's factory-new replacement parts include various jet engine and 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 component replacement parts to design and manufacture through a selection process which analyzes industry information to determine which replacement parts are expected to generate the greatest profitability. As part of Lufthansa's investment in the FSG, 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.

The following table sets forth (i) the lines of engines for which we provide jet engine replacement parts and (ii) the approximate number of such engines currently in service as estimated by us. Most of our current sales of PMA parts are for Pratt & Whitney engines, with a majority for the JT8D, however, we are focusing efforts to increase our line of non-JT8D parts. Currently over half of the PMA parts offered for sale are non-JT8D parts and our strategy is to increase our market penetration for our non-JT8D parts.

OEM	Lines	Number In Service	Principal Engine
Pratt & Whitney	JT8D	9,000	Boeing 727 and 7 series) McDonnell Dougla
	JT9D	1,900	Boeing 747 (100, series) and 7 Airbus A300 and McDonnell Dougla
	PW2000	800	Boeing 757
	PW4000	2,200	Boeing 747-400, Airbus A300, A31 McDonnell Dougla
CFM International (a joint venture of General Electric and SNECMA)	CFM56	8,500	Boeing 737 (300, 800 and 900 s Airbus A320 and
General Electric	CF6	3,400	Boeing 747 and 7 Airbus A300, A31 McDonnell Dougla
IAE (a joint venture of Pratt & Whitney and Rolls Royce)	V2500	1,300	Airbus A320, McDonnell Dougla

Repair and Overhaul Services. We provide repair and overhaul services on selected aircraft engine parts, as well as for avionics, instruments, components, composites and flight surfaces for commercial aircraft. 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, electro-mechanical

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equipment and auxiliary power unit accessories. In June 2000, the Company acquired the assets of Future Aviation, Inc., which expanded our repair and overhaul services into the fast-growing regional aircraft market.

Manufacture of Specialty Aircraft/Defense Related Parts and Subcontracting for OEMs. We also manufacture thermal insulation blankets primarily for aerospace, defense and commercial applications. We also derive revenue from the sale of specialty components as a subcontractor for OEMs and the U.S. government.

FAA Approvals and Product Design

Non-OEM manufacturers of jet engine replacement parts must receive a PMA from the FAA. The PMA process includes the submission of sample parts, drawings and testing data to one of the FAA's Aircraft Certification Offices where the submitted 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 FSG increased from approximately $300,000 in 1991 to approximately $7.5 million in fiscal 2000 including $5.2 million reimbursed in 2000 under our strategic alliance with Lufthansa. We believe that our FSG's research and development capabilities are a significant component of our historical success and an integral part of our growth strategy. As of October 31, 2000 an aggregate of $700,000 remained available under Lufthansa's commitment to reimburse research and development expenditures.

The Company's expanded research and development activities have included development of more complex jet engine replacement parts. In October 1999, the Company received its first PMA for a compressor blade from the FAA and is continuing research and development of other complex parts. The Company believes the development and sale of complex parts represents a significant long-term market opportunity; however, no assurance can be given that the FAA will continue to grant PMAs or that the Company 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 designs, engineering, 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 product.

While we have developed proprietary techniques, software and manufacturing expertise for the manufacture of jet replacement parts, we have no patents for these proprietary techniques and choose to rely on trade secret protection. We believe that although our proprietary techniques, software and expertise are subject to misappropriation or obsolescence, development of improved methods and processes and new techniques by us will continue on an ongoing basis as dictated by the technological needs of our business.

Electronic Technologies Group

Our ETG manufactures various types of electrically engineered products, such as power supplies, shielding for communications, computer and aerospace applications, infrared simulation and test equipment. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a listing of operating subsidiaries included in the ETG.

Until the September 2000 sale of Trilectron, we also served the commercial and military ground support equipment markets through the manufacture of electrical ground power units, air start units, and air conditioning and heating units that were sold to both domestic and foreign commercial and military customers. This entire product line was sold in the sale discussed in Note 3 to the Consolidated Financial Statements.

Products of the ETG include:

- On-board Aircraft Power Supplies. Our ETG manufactures power supply and current control products and replacement components used in aircraft. Our products include battery and charger units to support emergency lighting, emergency fuel shut-off devices, emergency exit door power assists, static inverters for emergency lighting and cockpit lighting dimmers. These products enhanced the ETG's existing power supply product line. While periodically entire units may require replacement, there is an ongoing replacement market for batteries which have an estimated service life of approximately 3 to 5 years. These products are mainly sold to OEM customers and customers in the retrofit and modification market.

- Infrared Simulation and Test Equipment. ETG is also a leading international designer and manufacturer of state-of-the-art aerospace and defense infrared simulation and test equipment. Our products include high precision blackbody sources, optical systems and fully integrated test calibration systems. In addition, the new MIRAGE IR Scene Simulator is used to project infrared scenes to assist with product development and training for complex infrared targeting and imaging systems and other items.

- Circuit Board Shielding. ETG also manufactures electromagnetic interference and radio frequency interference shielding for circuit boards and other items utilized in telecommunications, aerospace, and microwave applications. The circuit board shielding technology reduces electronic noise and protects sensitive components. We have a line of patented products and the ability to fabricate in a wide variety of shapes and applications, which we believe is a manufacturing advantage.

Financial information about operating segments, foreign and domestic operations and export sales

See Note 15 to the Consolidated Financial Statements for financial information by operating segment and information about foreign and domestic operations as well as export sales.

Sales, Marketing and Customers

Each of our operating segments and their subsidiaries 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 manufacturer's representatives. Generally, the in-house sales personnel receive a base salary plus commission and manufacturer's 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 (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.

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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, military units, electronic manufacturing services companies, manufacturers for the defense industry and telecommunications 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 22% of total net sales during the year ended October 31, 2000.

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 us. As a result, such competitors may be able to respond more quickly to customer requirements than us. Moreover, smaller competitors may be in a position to offer more attractive pricing of engine parts as a result of lower labor costs and other factors.

Our jet engine 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 FSG, 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 us. Competition is based mainly on price, product performance, service and technical capability.

Competition for the repair and overhaul of airframe and engine components comes from three principal sources: OEMs, major commercial airlines and other independent service companies. Some of these companies have greater financial and other resources than us. 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 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 airmotive market are quality, turnaround time, overall customer service and price.

Our ETG competes with several large and small domestic and foreign competitors, some of which have greater financial resources than us. 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 steel, pre-plated phospher bronze 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.

Backlogs

Our total backlog of unshipped orders was $30.5 million on October 31, 2000 versus $35.5 million, excluding Trilectron, on October 31, 1999. Our FSG operations had a backlog of unshipped orders as of October 31, 2000 of $13.9 million as compared to $17.3 million as of October 31, 1999. This backlog excludes forecasted shipments for certain contracts of the FSG pursuant to which customers provide only estimated annual usage and not firm purchase orders. Our ETG operations had a backlog of $16.6 million as of October 31, 2000 and $18.2 million, excluding Trilectron, as of October 31, 1999. Substantially all of the backlog of orders as of October 31, 2000 are expected to

be delivered during fiscal 2001. Our backlogs are typically short-lead in nature with many product orders being received by the Company within the month of shipment.

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.

Because our jet engine replacement parts sales largely consist of JT8D aircraft engines, we are substantially impacted by the FAA's noise regulations. The ability of aircraft operators to utilize such JT8D aircraft engines in domestic flight operations is significantly influenced by regulations promulgated by the FAA governing, among other things, noise emission standards. Pursuant to the Aircraft Noise and Capacity Act, the FAA has required all aircraft operating in the United States with a maximum weight of more than

75,000 pounds to have met Stage 3 noise restriction levels by December 31, 1999, unless waived by the FAA. Aircraft which require hush-kits or other modifications to be in compliance with Stage 3 include the Boeing 727-200s, Boeing 737-200s and McDonnell Douglas DC-9-30/40/50s. This ban on operation in the United States of non-Stage 3 compliant aircraft applies to both domestic and foreign aircraft operators. The European Union (EU) established regulation effective May 1, 2000 which would bar the operation in EU countries of both hushkitted and certain re-engined U.S. aircraft that have not been operated in those countries previously. The EU's ban results from efforts of environmental lobbyists in the EU and implementation of the ban has been delayed. U.S. and EU officials are in discussion to reach a compromise. Various communities surrounding the larger European cities also have adopted more stringent local regulations which restrict the operation of non-hush-kitted aircraft in such jurisdictions. Approximately 19% of our net sales in fiscal 2000 consisted of sales of factory-new FAA-approved replacement parts for the JT8D aircraft engine down from 31% in fiscal 1999.

There has been no material adverse effect to the Company's 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 (the EPA). Among other matters, these regulatory authorities impose requirements that regulate the operation, handling, transportation, and disposal of hazardous materials, 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 (OSHA) mandates general requirements for safe workplaces for all employees. 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 coverages are adequate to insure against the various liability risks of our business.

Employees

As of December 31, 2000, the Company had 960 full-time employees, of which 737 were in the FSG, 211 were in the ETG, and 12 were corporate. None of our employees are represented by a union. We believe that our employee relations are good.

Item 2. Properties

We own or lease the following facilities:

Flight Support Group

Location	Description	Square Footage	Owned/ Expir
Hollywood, Florida	Manufacturing and engineering facility and corporate headquarters	140,000	Owned
Hollywood, Florida	Overhaul and repair facility	45,000	Owned
Atlanta, Georgia	Manufacturing and engineering facility	40,000	Owned
Miami, Florida	Overhaul and repair facility	56,000	Owned
Miami, Florida	Overhaul and repair facility	12,000	July 2001
Miami, Florida	Warehouse facility	9,000	September
Anacortes, Washington	Engineering and manufacturing facility	10,000	June 2003
Glastonbury, Connecticut	Engineering facility	5,000	June 2002
Corona, California	Manufacturing and engineering facility	91,000	August 20
Roswell, New Mexico	Manufacturing and engineering facility	45,000	Month to
Naples, Florida	Overhaul and repair facility	15,000	May 2005

Electronic Technologies Group

Location	Description	Square Footage	Owned/Leas Expiratio
Palmetto, Florida	Manufacturing and engineering facility and offices	10,000	April 200
Tampa, Florida	Manufacturing and engineering facility and offices	41,000	August 20
Santa Barbara, California	Manufacturing and engineering facility and offices	10,000	August 20

Corporate

Location	Description	Square Footage	Owned/Le Expirati
Hollywood, Florida	Corporate headquarters	Included above	Owned
Miami, Florida	Administrative offices	3,000	Month to

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(1) This facility is expected to be purchased in fiscal 2001.

For additional information with respect to our leases, see Note 7 of Notes to our Consolidated Financial Statements.

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We believe that our current capacity, coupled with our plans for facilities expansion, is sufficient to handle our anticipated needs for the foreseeable future.

Item 3. Legal Proceedings

In November 1989, HEICO Aerospace Corporation and Jet Avion were named defendants in a complaint filed by United Technologies Corporation (UTC) in the United States District Court for the Southern District of Florida. The complaint, as amended in fiscal 1995, alleged infringement of a patent, misappropriation of trade secrets and unfair competition relating to certain jet engine parts and coatings sold by Jet Avion in competition with Pratt & Whitney, a division of UTC. The Company filed counterclaims against UTC. UTC filed an answer denying the counterclaims. All counts of UTC's complaint that were not previously withdrawn by UTC were dismissed by the court and UTC appealed the dismissal.

In March 2000, the Company settled the litigation with UTC. As part of the settlement, the Company received a permanent license to make and sell parts which were the subject of the litigation, and UTC was paid a prepaid sum for such license by the Company's insurer (see below). The settlement is not expected to materially affect the Company's earnings or financial condition.

In May 1998, the Company and its HEICO Aerospace Corporation and Jet Avion Corporation subsidiaries were served with a lawsuit by Travelers Casualty & Surety Co., f/k/a the Aetna Casualty and Surety Co. (Travelers). In June 1999, the Travelers lawsuit was dismissed by the federal court based on a lack of jurisdiction. Travelers is challenging the dismissal. The complaint sought reimbursement of legal fees and costs totaling in excess of $15 million paid by Travelers in defending the Company in the above referenced litigation with UTC. In addition, Travelers sought a declaratory judgment that the Company did not and does not have insurance coverage under certain insurance policies with Travelers and, accordingly, that Travelers did not have and does not have a duty to defend or indemnify the Company under such policies. Also named as defendants in Travelers' lawsuit are UTC and one of the law firms representing the Company in the UTC litigation.

The Company believes that it has significant counterclaims against Travelers for damages. After taking into consideration legal counsel's evaluation of Travelers' claim, management is of the opinion that the outcome of the Travelers litigation will not have a significant adverse effect on the Company's consolidated financial statements. No provision for gain or loss, if any, has been made in the consolidated financial statements.

The Company is involved in various other legal actions arising in the normal course of business. Based upon the amounts sought by the plaintiffs in these actions, management is of the opinion that the outcome of these other matters will not have a significant effect on the Company's consolidated financial statements.

Other contingencies

In January 1999, the Company received notice of a proposed adjustment pursuant to an examination by the Internal Revenue Service of the Company's fiscal 1995 and 1996 tax returns, disallowing the utilization of a $4.6 million capital loss carryforward to partially offset the gain recognized by the Company in connection with the sale of its health care operations in July 1996. In the fourth quarter of fiscal 2000, the Company settled the claim as described in Note 4 to the Consolidated Financial Statements.

Item 4. Submission of Matters to a Vote of Securities Holders

There were no matters submitted to a vote of securities holders during the fourth quarter of fiscal 2000.

Executive Officers of the Registrant

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

Name	Age	Position(s)
Laurans A. Mendelson	62	Chairman of the Board, President and Chief Executive Officer
Thomas S. Irwin	54	Executive Vice President and Chief Financial Officer
Eric A. Mendelson	35	Vice President and Director, President of HEICO Aerospace Holdings Corp.
Victor H. Mendelson	33	Vice President, General Counsel and Director, President of HEICO Electronics Technologies Corp.
James L. Reum	69	Executive Vice President of HEICO Aerospace Holdings Corp.

Laurans A. Mendelson has served as Chairman of the Board of the Company since December 1990. Mr. Mendelson has also served as Chief Executive Officer of the Company since February 1990, President of the Company since September 1991 and served as President of MediTek Health Corporation from May 1994 until its sale in July 1996. He has been Chairman of the Board of Ambassador Square, Inc. (a Miami, Florida real estate development and management company) since 1980 and President of that company since 1988. He has been Chairman of Columbia Ventures, Inc. (a private investment company) since 1985 and President of that company since 1988. Mr. Mendelson serves on the board of governors of the AIA and on the Board of Directors of Hawker Pacific Aerospace, which provides overhaul and repair services to the aviation industry. Mr. Mendelson is also a member of the Board of Trustees of Columbia University and the Board of Trustees of Mount

Sinai Medical Center in Miami Beach, Florida. Mr. Mendelson is a Certified Public Accountant.

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

Eric A. Mendelson has served as Vice President of the Company since 1992, and has been President of HEICO Aerospace Holdings Corp. (HEICO Aerospace), a subsidiary of HEICO, since is formation in 1997 and President of HEICO Aerospace Corporation since 1993. He also served as President of HEICO's Jet Avion Corporation, a wholly owned subsidiary of HEICO Aerospace, from 1993 to 1996 and served as 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 (MIC), a private investment company which is a shareholder of HEICO. Eric Mendelson is the son of Laurans Mendelson and the brother of Victor Mendelson.

Victor H. Mendelson has served as Vice President of the Company since 1996, as President of HEICO Electronic Technologies Corp., formerly HEICO Aviation Products Corp., a subsidiary of HEICO, since September 1996 and as General Counsel of the Company since 1993. He served as Executive Vice President of MediTek Health Corporation from 1994 and its 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 Trustee of St. Thomas University, Miami, Florida. Victor Mendelson is the son of Laurans Mendelson and the brother of Eric Mendelson.

James L. Reum has served as Executive Vice President of HEICO Aerospace since April 1993 and Chief Operating Officer of HEICO Aerospace from May 1995 until September 1999. He also served as President of LPI

Industries Corporation from 1991 to 1998 and President of Jet Avion Corporation from 1996 to 1998. From January 1990 to August 1991, he served as Director of Research and Development for Jet Avion Corporation. From 1986 to 1989, Mr. Reum was self-employed as a management and engineering consultant to companies primarily within the aerospace industry. From 1957 to 1986, he was employed in various management positions with Chromalloy Gas Turbine Corp., Cooper Airmotive (later named Aviall, Inc.), United Airlines, Inc. and General Electric Company.

Compliance with Section 16(a) of the Securities and Exchange Act of 1934

Section 16(a) of the Securities and Exchange Act of 1934 requires the Company's Directors, Executive Officers and 10% shareholders to file initial reports of ownership and changes in ownership of Common Stock with the Securities and Exchange Commission and the New York Stock Exchange. Directors, Executive Officers and 10% shareholders are required to furnish the Company with copies of all Section 16(a) forms they file. Based on the review of such reports furnished to the Company, the Company believes that during 2000, the Company's Directors, Executive Officers and 10% shareholders complied with all Section 16(a) filing requirements applicable to them.

PART II

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

On January 29, 1999, the Class A Common Stock and the Common Stock commenced trading on the New York Stock Exchange (NYSE) under the symbols "HEI.A" and "HEI," respectively, and both classes of stock ceased trading on the American Stock Exchange (AMEX). The following table sets forth, for the periods indicated, the high and low sales prices for the Class A Common Stock and the Common Stock as reported on AMEX and NYSE, as applicable, as well as the amount of cash dividends paid per share during such periods. Lufthansa Technik, as a 20% shareholder of our FSG, will be entitled to 20% of any dividends paid by our FSG.

In July 2000, the Company paid a 10% stock dividend on both classes of common stock in Class A Common Stock. The quarterly sales prices and cash dividend amounts have been retroactively adjusted for the 10% stock dividend.

Class A Common Stock

	High	Low	C
Fiscal 1999			
First Quarter	$ 21.94	$ 17.73	
Second Quarter	22.39	17.22	
Third Quarter	22.16	19.04	
Fourth Quarter	20.28	13.64	
Fiscal 2000:			
First Quarter	$ 19.32	$ 11.36	
Second Quarter	16.14	10.00	
Third Quarter	16.00	10.17	
Fourth Quarter	16.44	10.88	

On December 31, 2000 there were 1,141 holders of record of the Class A Common Stock.

Common Stock

	High	Low	C
Fiscal 1999:			
First Quarter	$ 29.32	$ 21.14	
Second Quarter	24.89	18.24	
Third Quarter	23.30	20.57	
Fourth Quarter	21.71	15.40	
Fiscal 2000:			
First Quarter	$ 20.34	$ 13.13	
Second Quarter	16.42	12.05	
Third Quarter	20.25	11.19	
Fourth Quarter	20.13	11.75	

On December 31, 2000, there were 1,146 holders of record of the Common Stock.

Item 6. Selected Financial Data

	Year Ended October		
	1996	1997	1998(5)
	(In thousands, except		
Operating Data:			
Net sales	$ 34,565	$ 63,674	$ 95,351
Gross profit	12,169	20,629	36,104
Selling, general and administrative expenses	7,657	11,515	17,140
Write-off of receivables(1)	--	--	--
Operating income	4,512	9,114	18,964
Interest expense	185	477	984
Gain on sale of product line(2)	--	--	--
Income (loss):			
From continuing operations	3,665	7,019	10,509
From discontinued operations	963	--	--
From gain on sale of discontinued operations	5,264	--	--
Net income	$ 9,892	$ 7,019	$ 10,509
Weighted average number of common shares outstanding:(4)			
Basic	12,848	13,244	13,749
Diluted	14,610	15,860	17,095
Per Share Data:(4)			
Income from continuing operations:			
Basic	$ .29	$ .53	$ .76
Diluted	.25	.44	.61
Net income:			
Basic	.77	.53	.76
Diluted	.68	.44	.61
Cash dividends(4)	.035	.041	.045
Balance Sheet Data (at year end):			
Working capital	$ 25,248	$ 45,131	$ 40,587
Total assets	61,836	88,639	133,061
Total debt (including current portion)	6,516	10,800	30,520
Minority interest in consolidated subsidiary	--	3,273	14,892
Shareholders' equity	41,488	59,446	67,607

(1) Represents write-off of receivables as a result of bankruptcy filings by certain customers.

(2) Represents the gain on sale of Trilectron Industries, Inc. (Trilectron) in September 2000.
(3) Represents adjustment to gain from the sale of the discontinued health care operations that were sold in fiscal 1996.
(4) Information has been adjusted to reflect three-for-two stock splits distributed in April 1996 and December 1997, 10% stock dividends paid in February 1996, July 1996 and January 1997, a 50% stock distribution paid in shares of Class A Common Stock in April 1998 and a 10% stock dividend paid in shares of Class A Common Stock in July 2000.
(5) Results include the results of acquisitions and disposition of a product line from each respective effective date as explained in "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(6) The gain on sale of Trilectron referenced above increased basic and diluted income per share from continuing operations by $0.61 and $0.53, respectively, which was partially offset by the write-off of receivables which reduced basic and diluted income per share from continuing operations by $0.04 and $0.03, respectively.

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

Overview

Our Flight Support Group (FSG) consists of HEICO Aerospace Holdings Corp. and the following operating subsidiaries:

Name	Description of Principal Oper
Jet Avion Corporation............................	Design and manufacture of FAA-approved replacement parts
McClain International, Inc. (McClain).............	Design, manufacture and overhaul of FAA- replacement parts
Rogers-Dierks, Inc. (Rogers-Dierks)...............	Design and manufacture of FAA-approved replacement parts
Turbine Kinetics, Inc. (Turbine)..................	Design and manufacture of FAA-approved replacement parts
LPI Industries Corporation........................	Original equipment manufacturer subcontr
Aircraft Technology, Inc..........................	Repair and overhaul of jet engine parts
Northwings Accessories Corporation (Northwings)....	Repair and overhaul of jet engine and ai components and accessories
Associated Composite, Inc. (ACI)..................	Repair and overhaul of aircraft composit flight surfaces
Air Radio & Instruments Corp. (Air Radio)..........	Repair and overhaul of avionics, instrum electronic equipment for aircraft

Future Aviation, Inc. (Future)....................	Repair and overhaul of regional and comm aircraft accessory components
Thermal Structures, Inc. (Thermal)	Manufacture of thermal insulation produc components

Our Electronic Technologies Group (ETG) consists of HEICO Electronic Technologies Corp. and the following operating subsidiaries:

Name	Description of Principal Operati
Radiant Power Corp. (Radiant)....................	Manufacture of electrical back-up power s battery packs for commercial aircraft ap
Leader Tech, Inc. (Leader Tech)..................	Manufacture of electromagnetic interferen frequency interference shielding for pri communications, computer and aerospace a
Santa Barbara Infrared, Inc. (SBIR)..............	Design and manufacture of aerospace and d electronically controlled infrared simul test equipment

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Trilectron Industries, Inc., formerly a part of the ETG which designed and manufactured electronically controlled ground support equipment for aircraft, was sold in September 2000. The sale of this product line is further discussed below and in Note 3 to our Consolidated Financial Statements.

Our results of operations during the current and prior fiscal years have been affected by a number of significant transactions. This discussion of our financial condition and results of operations should be read in conjunction with our Consolidated Financial Statements and Notes thereto included or incorporated by reference herein. For further information regarding the acquisitions and strategic alliance discussed below, see Note 2 to our Consolidated Financial Statements. These acquisitions have been accounted for using the purchase method of accounting and are included in the Company's results of operations from the effective date of acquisition.

In October 1997, the Company entered into a strategic alliance with Lufthansa, the technical services subsidiary of Lufthansa German Airlines, whereby Lufthansa agreed to invest approximately $26 million in HEICO Aerospace, including $10 million paid at closing pursuant to a stock purchase agreement and approximately $16 million to be paid to HEICO Aerospace pursuant to a research and development cooperation agreement, which has partially funded the accelerated development of additional Federal Aviation Administration (FAA)-approved replacement parts for jet engines. The funds received as a result of the research and development cooperation agreement reduce research and development expenses in the period such expenses are incurred. In addition, Lufthansa and HEICO Aerospace have agreed to cooperate regarding technical services and marketing support for replacement parts on a worldwide basis. In connection with subsequent acquisitions by HEICO Aerospace, Lufthansa invested additional amounts aggregating $21 million pursuant to its option to maintain a 20% equity interest.

In July 1998, the Company completed the acquisition of McClain for approximately $43.5 million in cash. In October 1998, the Company acquired ACI for cash consideration. The purchase price was not significant. Between December 1998 and September 1999, the Company acquired Rogers-Dierks, Radiant, Air Radio, Leader Tech, Turbine and SBIR for an aggregate purchase price of approximately $73 million. In June 1999, the Company acquired Thermal for approximately $28.9 million in cash, and assumed approximately $4 million in debt.

In February 2000, the Company, through a subsidiary, acquired selected assets of the former Air-A-Plane Corporation for cash. The purchase price was not significant to the Company's consolidated financial statements. The principal acquired assets of Air-A-Plane were subsequently sold as a part of the product line sold in September 2000.

Effective June 1, 2000, the Company, through a subsidiary, acquired substantially all of the assets and certain liabilities of Future for $14.7 million in cash.

On September 14, 2000, the Company consummated the sale of all of the outstanding capital stock of Trilectron, to Hobart Brothers Company, a wholly-owned subsidiary of Illinois Tool Works Inc. (Hobart). In consideration of the sale of Trilectron's capital stock, the Company received $52,500,000 in cash, an unsecured non-interest bearing promissory note for $12.0 million payable in three equal installments over the next 90 days, a purchase price adjustment of $4.5 million based on the net worth of Trilectron as of the closing date of the sale, and retained certain property having a book value of approximately $1.5 million. The full amount of the promissory note and the purchase price adjustment were collected subsequent to year end. The proceeds from the sale were used to pay down the outstanding balance on the Company's Credit Facility. The sale of Trilectron resulted in a pretax gain in fiscal 2000 of $17,296,000 ($10,542,000 or $.53 per diluted share, net of income tax).

All net income per share, dividends per share and common stock outstanding information has been adjusted for all years presented to give retroactive effect to stock distributions and stock dividends.

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Results of Operations

For the periods indicated, the following table sets forth net sales by operating segment and the percentage of net sales represented by the respective items in the Company's Consolidated Statements of Operations.

	Year Ended October 31,		
	1998	1999	2
	(Dollar amounts in thousa		
Net sales			
FSG	$ 65,412	$ 94,617	$119
ETG	29,939	46,652	83
	$ 95,351	$ 141,269	$202
Net sales	100.0%	100.0%	1

Gross profit	37.9%	40.7%
Selling, general and administrative expenses	18.0%	17.5%
Write-off of receivables	--	--
Operating income	19.9%	23.2%
Interest expense	1.0%	1.5%
Interest and other income	2.2%	0.6%
Gain on sale of product line	--	--
Income tax expense	7.3%	8.2%
Minority interest	2.7%	2.5%
Net income	11.0%	11.6%

Comparison of Fiscal 2000 to Fiscal 1999

Net Sales

Net sales in fiscal 2000 totaled $202.9 million, up 44% when compared to fiscal 1999 net sales of $141.3 million.

The increase in sales for fiscal 2000 reflects an increase of $24.7 million (a 26% increase) to $119.3 million from the Company's FSG and an increase of $37.0 million (a 79% increase) to $83.6 million in revenues from the Company's ETG. Sales from the FSG reflect the addition of newly-acquired businesses and increases in sales of new products and services, including newly developed and acquired FAA-approved jet engine replacement parts, partially offset by softness within the aviation aftermarket in the second half of fiscal 2000. The FSG sales increase includes revenues of $17.9 million from businesses acquired during fiscal 1999 (Air Radio and Thermal) and fiscal 2000 (Future). Sales from the ETG reflect revenues from new products and increased market penetration as well as $12.7 million from businesses acquired during fiscal 1999 (Radiant, Leader Tech, and SBIR), net of the decrease in sales resulting from the product line sold in September 2000 (Trilectron). Excluding sales of Trilectron, consolidated sales were $152.8 million for fiscal 2000 and $104.7 million for fiscal 1999.

Gross Profits and Operating Expenses

The Company's gross profit margins averaged 37.4% for fiscal 2000 as compared to 40.7% for fiscal 1999. Excluding the results of operations of Trilectron, gross margins in fiscal 2000 were 43.7% compared to 48.0% in fiscal 1999. The lower gross margins in fiscal 2000 were primarily due to a decrease in FSG gross profit margins. The decrease in the FSG gross margins was primarily due to lower margins contributed by certain acquired businesses and higher new product research and development expense due to lower reimbursements from Lufthansa, softness in demand for our higher margin replacement parts, less favorable product pricing and the benefit realized in fiscal 1999 from favorable pricing under certain contracts. Fiscal 2000 and 1999 cost of sales amounts include approximately $2.3 million and $1.2 million of new product research and development expenses of the FSG, respectively. These amounts

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are net of $5.2 million and $6.7 million received from Lufthansa in 2000 and 1999, respectively, and spent by the Company pursuant to the research and development agreement with Lufthansa. As of October 31, 2000, the Company has future reimbursements for research and development expenses aggregating $700,000 from Lufthansa which will be received through May 2001. New product research and development expense of the FSG for fiscal 2001 is expected to increase by $3 million as a result of the lower reimbursements under the agreement with Lufthansa. The decrease in the gross margin of the FSG was offset by an increase in the gross margin of the ETG. The gross margin improvement in the ETG primarily reflects higher gross profit margins contributed by businesses acquired in fiscal 1999 and the addition of new products with higher profit margins.

Selling, general and administrative (SG&A) expenses were $36.6 million for fiscal 2000 and $24.7 million for fiscal 1999. The increase results from the inclusion of SG&A expenses of the newly acquired companies, including additional amortization of goodwill which totaled $6.1 million in fiscal 2000 versus $3.7 million in fiscal 1999, and higher marketing costs. As a percentage of net sales, SG&A expenses remained stable at 18.0% in fiscal 2000 versus 17.5% in fiscal 1999 reflecting continuing efforts to control costs while increasing revenues.

In fiscal 2000, the Company wrote-off receivables of $1,312,000 as a result of bankruptcy filings by certain customers. These customers contributed sales of approximately $2 million in the first half of fiscal year 2000, substantially all occurring prior to the bankruptcy filings. The charge reduced fiscal net income by $651,000 or $.03 per diluted share, net of income tax. There were no significant receivable write-offs resulting from bankruptcies during 1999 and 1998.

Operating Income

Operating income increased $5.1 million to $37.9 million (a 16% increase) for fiscal 2000 from $32.8 million for fiscal 1999. The increase in operating income reflects an increase of $6.5 million (a 110% increase) from $5.9 million to $12.5 million in the Company's ETG offset by a decrease of $1.7 million (a 5% decrease) from $31.3 million to $29.6 million in the Company's FSG. The decrease in FSG operating income in fiscal 2000 was due primarily to the $1.3 million write-off of receivables referenced above and higher new product research and development expense discussed above. The increase in ETG operating income was due primarily to increases in sales and gross profits in the ETG discussed above. Operating income for fiscal 2000 was also affected by softness in certain segments of the aviation aftermarket and the sale of Trilectron in September 2000.

As a percentage of net sales, operating income decreased from 23.2% in fiscal 1999 to 18.7% in fiscal 2000 reflecting lower margins within the FSG discussed above. The FSG's operating income as a percentage of net sales declined from 33.1% in fiscal 1999 to 24.8% in fiscal 2000 due principally to the receivable write-off referenced above, lower margins contributed by certain acquired businesses and higher new product research and development expense. The operating margins in the FSG were partially offset by improvements in the operating margins of the ETG, as well as lower corporate costs. The ETG's operating income as a percentage of net sales improved from 12.7% in fiscal 1999 to 14.9% in fiscal 2000. This improvement reflects higher operating margins contributed by businesses acquired in fiscal 1999 and new products. Corporate costs as a percent of consolidated sales were down 1% in fiscal 2000 versus fiscal 1999.

Adjusted to exclude Trilectron's operations and the impact of the aforementioned accounts receivable write-off, operating margins were 23.4% in fiscal 2000.

Interest Expense

Interest expense increased $3.4 million to $5.6 million from fiscal 1999 to fiscal 2000. The increase was principally due to increased outstanding debt balances during the period related to borrowings on the Company's Credit Facility used principally to finance acquisitions.

Interest and Other Income

Interest and other income increased slightly by $35,000 to $929,000 from fiscal 1999 to fiscal 2000 due to an increase in invested funds.

Gain on sale of product line

The gain represents the pretax gain on the aforementioned sale of Trilectron.

Income Tax Expense

The Company's effective tax rate increased to 38.6% in fiscal 2000 from 36.8% in fiscal 1999, primarily due to lower tax benefit on export sales attributable to the inclusion of the gain on the sale of Trilectron and increased state taxes and non-deductible goodwill resulting from acquisitions. For a detailed analysis of the provisions for income taxes, see Note 8 to the Consolidated Financial Statements.

Minority Interest

Minority interest represents the 20% minority interest held by Lufthansa, which decreased $304,000 from fiscal 1999 to fiscal 2000 due primarily to lower net income of the FSG and higher corporate expenses allocable to the minority interest.

Income from Continuing Operations

The Company's income from continuing operations totaled $27.7 million, or $1.39 per diluted share, in fiscal 2000 improving 70% from income from continuing operations of $16.3 million, or $.84 per diluted share, in fiscal 1999.

The increase in income from continuing operations is primarily due to the gain on the sale of product line and increased operating income partially offset by higher interest expense discussed above.

Excluding the gain on sale of product line and the write-off of receivables referenced above, income from continuing operations increased by $1.5 million to $17.8 million, or $.90 per diluted share, from $16.3 million, or $.84 per diluted share, in fiscal 1999.

Cash earnings per share from continuing operations, or income from continuing operations per diluted share before goodwill amortization (adjusted for the after tax impact of goodwill), increased 66% to $1.59 in fiscal 2000 from $.96 in fiscal 1999.

Adjustment to Gain on Sale of Discontinued Operations

The adjustment to gain on sale of discontinued operations of $1.4 million ($0.07 per diluted share) represents the additional taxes and related interest incurred in connection with the Company's settlement of a tax adjustment whereby the IRS conceded one-third of the original tax adjustment proposed by the IRS. For further information, see Note 4 to Consolidated Financial Statements.

Net Income

The Company's net income totaled $26.3 million, or $1.32 per diluted share, in fiscal 2000, improving 61% from net income of $16.3 million, or $.84 per diluted share, in fiscal 1999.

The improvement in net income for fiscal 2000 over fiscal 1999 reflects the increase in income from continuing operations partially offset by the adjustment to the gain on sale of the discontinued health care operations.

Comparison of Fiscal 1999 to Fiscal 1998

Net Sales

Net sales in fiscal 1999 totaled $141.3 million, up 48% when compared to fiscal 1998 net sales of $95.4 million.

The increase in sales for fiscal 1999 reflects an increase of $29.2 million (a 45% increase) to $94.6 million from the Company's FSG and an increase of $16.7 million (a 56% increase) to $46.7 million in revenues from the Company's ETG. Sales from the FSG reflect increases in sales of new products and services, including newly developed and acquired FAA-approved jet engine replacement parts, and increased demand from engine component and accessory overhaul services. The FSG sales increase also includes revenues of $11.1 million from newly acquired businesses (ACI, Air Radio and Thermal). Sales from the ETG reflect revenues of $10.1 million from newly acquired businesses (Radiant, Leader Tech, and SBIR). The balance of the ETG sales increase reflects internal growth, primarily attributed to sales of new products and increased market penetration.

Gross Profits and Operating Expenses

The Company's gross profit margins averaged 40.7% for fiscal 1999 as compared to 37.9% for fiscal 1998 resulting from improved margins in both operating segments. The increase in the FSG operations was due to favorable sales price terms under certain contracts, continuing efforts to lower manufacturing costs, the reimbursement of research and development costs from Lufthansa and higher gross margins contributed by newly developed and acquired FAA-approved jet engine replacement parts as well as newly acquired businesses. Fiscal 1999 and 1998 cost of sales amounts include approximately $1.2 million and $900,000 of new product research and development expenses, respectively. These amounts are net of $6.7 million and $3.5 million received from Lufthansa in 1999 and 1998, respectively. The gross margin improvement in the ETG primarily reflects higher gross profit margins contributed by newly acquired businesses and the addition of new products with higher profit margins.

Selling, general and administrative (SG&A) expenses were $24.7 million for fiscal 1999 and $17.1 million for fiscal 1998. The increase results from the inclusion of SG&A expenses of the newly acquired companies, including additional amortization of goodwill which totaled $3.7 million in fiscal 1999 and $.8 million in fiscal 1998, increases in both segments related to internal sales growth, partially offset by a reduction in corporate expenses due to lower executive compensation expense. As a percentage of net sales, SG&A expenses remained stable at 17.5% for fiscal 1999 versus 18.0% for fiscal 1998 reflecting continuing efforts to control costs while increasing revenues.

Operating Income

Operating income increased $13.8 million to $32.8 million (a 73% increase) for fiscal 1999 from $19.0 million for fiscal 1998. The increase in operating income reflects an increase of $9.0 million (a 41% increase) from $22.3 million to $31.3 million in the Company's FSG and an increase of $4.0 million (a 215% increase) from $1.9 million to $5.9 million in the Company's ETG. The increases in operating income were due primarily to increases in sales and gross profits in the FSG and ETG discussed above.

As a percentage of net sales, operating income improved from 19.9% in fiscal 1998 to 23.2% in fiscal 1999 reflecting the increase in gross profit margins and the decline in SG&A expenses as a percentage of net sales discussed above. The FSG's operating income as a percentage of net sales declined slightly from 34.0% in fiscal 1998 to 33.1% in fiscal 1999 due principally to growth in the Company's repair and overhaul services, which generally have lower margins than sales of the Company's FAA-approved jet engine replacement parts. The ETG's operating income as a percentage of net sales improved significantly from 6.3% in fiscal 1998 to 12.7% in fiscal 1999. This improvement reflects higher operating margins contributed by newly acquired businesses and newly developed products as well as manufacturing cost improvements.

Interest Expense

Interest expense increased $1.2 million to $2.2 million from fiscal 1998 to fiscal 1999. The increase was principally due to increased outstanding debt balances during the period related to borrowings on the Company's Credit Facility used principally to finance acquisitions.

Interest and Other Income

Interest and other income decreased $1.2 million to $894,000 from fiscal 1998 to fiscal 1999 due principally to the decrease in invested funds used for acquisitions.

Income Tax Expense

The Company's effective tax rate increased to 36.8% in fiscal 1999 from 34.5% in fiscal 1998, principally due to an increase in non-deductible goodwill, a decrease in tax-free investments, and an increase in other miscellaneous non-deductible items. For a detailed analysis of the provision for income taxes, see Note 8 to the Consolidated Financial Statements.

Minority Interest

Minority interest represents the 20% minority interest held by Lufthansa which increased $974,000 from fiscal 1998 to fiscal 1999 due to higher net income of the FSG.

Net Income

The Company's net income totaled $16.3 million, or $.84 per diluted share, in fiscal 1999, improving 55% from net income of $10.5 million, or $.61 per diluted share, in fiscal 1998. The percentage increase in net income exceeded the earnings per share percentage increase due to an increase in common stock shares outstanding resulting from the offering of 3.0 million shares of Class A Common Stock during the second quarter of fiscal 1999.

The improvement in net income for fiscal 1999 over fiscal 1998 is primarily attributable to the increased sales and operating income discussed above. These increases were partially offset by the aforementioned higher interest costs and increase in minority interest as well as an increase in the Company's effective tax rate.

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 generates cash primarily from operating activities and financing activities, including borrowings under long-term credit agreements. In fiscal 2000, the Company also generated cash from the sale of a product line.

Principal uses of cash by the Company include acquisitions, payments of interest and principal on debt, capital expenditures and increases in working capital.

The Company believes that operating cash flow and available borrowings under the Company's Credit Facility will be sufficient to fund cash requirements for the foreseeable future.

Operating Activities

Cash flow from operations was $12.1 million for fiscal 2000, principally reflecting net income of $26.3 million, adjustments for gain on sale of product line, depreciation and amortization, minority interest, and tax benefits related to stock option exercises of $17.3 million, $9.8 million, $3.3 million and $1.7 million, respectively, offset by an increase in net operating assets of $11.5 million. The increase in net operating assets primarily resulted from an increase in accounts receivable resulting from extended payment terms, and an increase in inventories to meet increased sales orders under certain ETG contracts, as well as increases in income taxes payable and accrued expenses of $7.9 million and $1.2 million, respectively, mainly due to the sale of Trilectron. Excluding cash flow used in the operations of Trilectron prior to its sale, cash flow from operations totaled approximately $21 million in fiscal 2000.

Cash flow from operations was $9.6 million in fiscal 1999 principally reflecting net income of $16.3 million, adjustments for depreciation and amortization, minority interest, and tax benefits related to stock option exercises of $6.3 million, $3.6 million and $1.6 million, respectively, offset by an increase in net operating assets of $18.2 million. This increase in net operating assets primarily resulted from the net effect of an increase in inventories to meet increased sales orders and an increase in accounts receivable resulting from extended payment terms under

certain ETG contracts, offset by an increase in trade payables and other current liabilities associated with higher levels of operations and deferred reimbursement of research and development costs from Lufthansa.

Cash flow from operations was $10.0 million in fiscal 1998 principally reflecting net income of $10.5 million, an adjustment for depreciation and amortization and minority interest of $2.8 million and $2.6 million, respectively, offset by an increase in net operating assets of $5.0 million. The increase in net operating assets was primarily due to increases in inventories and accounts receivable associated with higher levels of operations and deferred reimbursement of research and development costs from Lufthansa.

Investing Activities

The principal cash provided by investing activities was $48.4 million generated in fiscal 2000 as a result of the sale of Trilectron. Cash used in investing activities the last three years was cash used in acquisitions totaling

$175.3 million, including $24.8 million in fiscal 2000. For further detail on acquisitions see Notes 2 and 16 to the Consolidated Financial Statements. Capital expenditures totaled $29.1 million primarily representing the purchase of new facilities and expansion of existing production facilities and capabilities.

Financing Activities

The Company's principal financing activities over the last three years included net proceeds from the offering of 3.0 million shares of Class A Common Stock totaling $56.3 million in fiscal 1999 and proceeds from long-term debt of $155.5 million, including $149.5 million from the Company's Credit Facility used primarily to fund acquisitions. In addition, the Company received $20.5 million from Lufthansa during fiscal 1999 and 1998 representing minority interest investments to purchase and maintain its 20% equity position in the FSG. The Company repaid $111.5 million of the outstanding balance on its Credit Facility and $5.6 million in other long-term debt. The Company also used an aggregate of $4.8 million to repurchase common stock primarily during fiscal 1999 and 1998.

In 1998, the Company entered into a $120 million revolving credit facility with a bank syndicate, which contains both revolving credit and term loan features. The credit facility may be used for working capital and general corporate needs of the Company and to finance acquisitions (generally not in excess of $25.0 million for any single acquisition nor in excess of an aggregate of $25.0 million for acquisitions during any four fiscal quarter period without the requisite approval of the bank syndicate) on a revolving basis through July 2003. Advances under the credit facility accrue interest, at the Company's option, at a premium (based on the Company's ratio of total funded debt to earnings before interest, taxes, depreciation and amortization) over the LIBOR rate or the higher of the prime lending rate and the Federal Funds Rate. The Company is required to maintain certain financial covenants, including minimum net worth, limitations on capital expenditures (excluding expenditures for the acquisition of businesses) and limitations on additional indebtedness. See Note 6 to the Consolidated Financial Statements for further information regarding credit facilities.

New Accounting Standards

In June 1999, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133" (SFAS 137). SFAS 137 amends FASB Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133) by deferring the effective date of SFAS 133 to fiscal years beginning after June 15, 2000. SFAS 133 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. SFAS 133 was amended in June 2000 by Statement of Financial Accounting Standards No. 138 (SFAS 138) for certain derivative instruments and hedging activities as indicated by SFAS 138. The Company adopted SFAS 133 beginning November 1, 2000. Adoption of SFAS 133 is not significant to the Company's consolidated financial statements as of October 31, 2000.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" (SAB 101), which among other guidance, clarifies certain conditions to be met in order to recognize revenue. In October 2000, the staff deferred the implementation date of SAB 101 until no later than the fourth quarter of fiscal years beginning after December 15, 1999. The Company will adopt SAB 101 in fiscal 2001, however, such adoption would not be significant to the Company's consolidated financial statements as of October 31, 2000.

In July 2000, the Emerging Issues Task Force (EITF) issued "Classification in the Statement of Cash Flows of the Income Tax Benefit Realized by a Company upon Employee Exercise of a Non-qualified Stock Option" (EITF 00-15). This Issue addresses the cash flow statement presentation of the windfall tax benefit associated with nonqualified stock options. Companies receive an income tax deduction for the difference between the exercise price and the market price of a nonqualified stock option upon exercise by the employee. EITF 00-15 concludes that the income tax benefit realized by the Company upon employee exercise should be classified in the operating section of the cash flow statement. The EITF is effective for all quarters ending after July 20, 2000. The Company adopted EITF 00-15 as of July 31, 2000 and as such has reclassified the income tax benefit realized on stock options into the cash provided by operating activities for both periods presented.

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 and industrial revenue bonds, which had an aggregate outstanding balance of $40 million and $72 million at October 31, 2000 and 1999, respectively. Interest rates on the revolving credit facility borrowings are based on LIBOR plus a variable margin, while interest rates on the industrial development revenue bonds are based on variable rates. Changes in interest rates can affect the Company's net income and cash flows. In order to manage its interest rate risk, in February 2000, the Company entered into an interest rate swap with a bank pursuant to which it exchanged floating rate interest based on three-month LIBOR on a notional principal amount of $30 million for a fixed rate payment obligation of 6.59% for a two-year period ending February 2, 2002. This allows the Company to reduce the effects (positive or negative) of interest rate changes on operations. Based on the outstanding debt balance at October 31, 2000 and 1999, a change of 1% in interest rates would cause a change in interest expense of approximately $100,000 and $720,000, respectively, on an annual basis.

As of October 31, 2000 and 1999, 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, an immediate increase of 1% in interest rates would not have a material effect on the Company's financial condition.

Item 8. Financial Statements and Supplementary Data HEICO Corporation and Subsidiaries

HEICO CORPORATION

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Consolidated Statements of Operations for the years ended October 31, 2000, 1999 and 1998....................
Consolidated Statements of Shareholders' Equity and Comprehensive Income for the years Ended October 31, 2000, 1999 and 1998....................
Consolidated Statements of Cash Flows for the years ended October 31, 2000, 1999 and 1998....................
Notes to Consolidated Financial Statements....................

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of HEICO Corporation:

We have audited the accompanying consolidated balance sheets of HEICO Corporation and subsidiaries (the Company) as of October 31, 2000 and 1999, and the related consolidated statements of operations, of shareholders' equity and comprehensive income, and of cash flows for each of the three years in the period ended October 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of October 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended October 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP
Certified Public Accountants

Fort Lauderdale, Florida
December 14, 2000

HEICO CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
October 31, 2000 and 1999

	2000
ASSETS	
Current assets:	

Cash and cash equivalents..	$ 4,807,000	$
Receivable from sale of product line	12,412,000	
Accounts receivable, net..	29,553,000	
Inventories...	34,362,000	
Prepaid expenses and other current assets.......................	2,975,000	
Deferred income taxes...	2,543,000	
Total current assets..................................	86,652,000	
Property, plant and equipment, net..................................	26,903,000	
Unexpended bond proceeds..	--	
Intangible assets, net..	152,770,000	
Long-term investments...	5,832,000	
Deferred income taxes...	--	
Other assets..	9,575,000	
Total assets..	$ 281,732,000	$

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

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HEICO CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
October 31, 2000 and 1999

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LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities:	
Current maturities of long-term debt................................	$ 2
Trade accounts payable..	5,02
Accrued expenses and other current liabilities......................	17,87
Income taxes payable..	8,25
Total current liabilities.......................................	31,18
Long-term debt, net of current maturities.............................	40,01
Deferred income taxes...	41
Other non-current liabilities...	6,92
Total liabilities...	78,53
Minority interest in consolidated subsidiary..........................	33,35
Commitments and contingencies (Notes 2, 3, 6, 7 and 17)	
Shareholders' equity:	
Preferred Stock, par value $.01 per share; Authorized -- 10,000,000 shares issuable in series, 200,000 designated as Series A Junior Participating Preferred Stock, none issued..........	
Common Stock, $.01 par value; Authorized-- 30,000,000 shares; Issued and Outstanding 8,514,056 shares in 2000 and 8,408,821 in 1999	8
Class A Common Stock, $.01 par value; Authorized -- 30,000,000 shares; Issued and Outstanding 8,984,740 shares in 2000 and 8,909,107 in 1999	

(as restated)	9
Capital in excess of par value	111,13
Accumulated other comprehensive loss	(63
Retained earnings	60,61
	171,29
Less: Note receivable from employee savings and investment plan	(1,45
Total shareholders' equity	169,84
Total liabilities and shareholders' equity	$ 281,73

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

HEICO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
For the years ended October 31, 2000, 1999 and 1998

	2000	1999
Net sales	$ 202,909,000	$ 141,269,000
Operating costs and expenses:		
Cost of sales	127,098,000	83,737,000
Selling, general and administrative expenses	36,576,000	24,717,000
Write-off of receivables (Note 16)	1,312,000	--
Total operating costs and expenses	164,986,000	108,454,000
Operating income	37,923,000	32,815,000
Interest expense	(5,611,000)	(2,173,000)
Interest and other income	929,000	894,000
Gain on sale of product line	17,296,000	--
Income from continuing operations before income taxes and minority interest	50,537,000	31,536,000
Income tax expense	19,509,000	11,606,000
Income from continuing operations before minority interest	31,028,000	19,930,000
Minority interest	3,289,000	3,593,000
Income from continuing operations	27,739,000	16,337,000
Adjustment to gain on sale of discontinued health care operations, net of applicable income tax benefit of $208,000	(1,422,000)	--
Net income	$ 26,317,000	$ 16,337,000
Basic per share data:		
Income from continuing operations	$ 1.59	$ 1.00

Adjustment to gain on sale of discontinued health care operations	(.08)	--
Net income	$ 1.51	$ 1.00
Diluted per share data:		
Income from continuing operations	$ 1.39	$ .84
Adjustment to gain on sale of discontinued health care operations	(.07)	--
Net income	$ 1.32	$ .84
Weighted average number of common shares outstanding:		
Basic	17,376,657	16,302,791
Diluted	19,916,794	19,407,399

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

HEICO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME
For the years ended OCTOBER 31, 2000, 1999 and 1998

	Common Stock	Class A Common Stock	Capital in Excess of Par Value	Accumulated Other Comprehensive Loss	Ret Ear
Balances, October 31, 1997	$83,000	$ --	$ 35,533,000	$ --	$ 26,
Distribution of one share of Class A Common Stock for each two shares of Common Stock made April 23, 1998	--	42,000	(42,000)	--	
Repurchase of stock	(1,000)	(1,000)	(2,036,000)	--	
Exercise of stock options	1,000	--	471,000	--	
Tax benefit for stock option exercises	--	--	485,000	--	
Payment on note receivable from employee savings and investment plan	--	--	--	--	
Cash dividends ($.045 per share)	--	--	--	--	(6
Net income for the year	--	--	--	--	10,5
Unrealized loss on investments, net of tax of $671,000	--	--	--	(1,142,000)	
Comprehensive income	--	--	--	--	

Other................................	--	--	63,000	--	
Balances, October 31, 1998............	83,000	41,000	34,474,000	(1,142,000)	36,6
Secondary offering of Class A Common shares..............................	--	30,000	56,235,000	--	
Repurchase of stock...................	(1,000)	--	(2,625,000)	--	
Exercise of stock options.............	2,000	2,000	1,335,000	--	
Tax benefit for stock option exercises...........................	--	--	1,610,000	--	
Payment on note receivable from employee savings and investment plan...............................	--	--	--	--	
Cash dividends ($.045 per share).......	--	--	--	--	(7
Net income for the year...............	--	--	--	--	16,3
Unrealized loss on investments, net of tax of $721,000....................	--	--	--	(1,093,000)	
Comprehensive income..................	--	--	--	--	
Other................................	--	--	65,000	--	
Balances, October 31, 1999............	84,000	73,000	91,094,000	(2,235,000)	52,2
10% Common and Class A stock dividend paid in Class A shares.............	--	15,000	17,125,000	--	(17,1
Repurchase of stock...................	--	--	(105,000)	--	
Exercise of stock options.............	1,000	2,000	978,000	--	
Tax benefit for stock option exercises...........................	--	--	1,736,000	--	
Payment on note receivable from employee savings and investment plan...............................	--	--	--	--	
Cash dividends ($.048 per share).......	--	--	--	--	(8
Net income for the year...............	--	--	--	--	26,3
Unrealized gain on investments, net of tax of $998,000....................	--	--	--	1,603,00	
Comprehensive income..................	--	--	--	--	
Other................................	--	--	310,000	--	
Balances, October 31, 2000............	$85,000	$90,000	$111,138,000	$ (632,000)	$ 60,6

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

HEICO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended October 31, 2000, 1999 and 1998

	2000
Cash flows from operating activities:	

Net income	$ 26,317,000	$
Adjustments to reconcile net income to cash provided by operating activities:		
Gain on sale of product line	(17,296,000)	
Depreciation and amortization	9,775,000	
Deferred income taxes	(175,000)	
Deferred financing costs	8,000	
Minority interest in consolidated subsidiary	3,289,000	
Tax benefit on stock option exercises	1,736,000	
Change in assets and liabilities, net of acquisitions and dispositions:		
Increase in accounts receivable	(11,569,000)	
Increase in inventories	(7,471,000)	
Increase in prepaid expenses and other current assets	(1,662,000)	
Increase in trade payables, accrued expenses and other current liabilities	1,159,000	
Increase (decrease) in income taxes payable	7,866,000	
Other	155,000	
Net cash provided by operating activities	12,132,000	
Cash flows from investing activities:		
Proceeds from sale of product line, net of expenses	44,377,000	
Proceeds from receivable from sale of product line	4,000,000	
Acquisitions, net of cash acquired	(24,799,000)	(
Capital expenditures	(8,665,000)	
Net change in available-for-sale investments	--	
Payment received from employee savings and investment plan note receivable	556,000	
Other	(724,000)	
Net cash provided by (used in) investing activities	14,745,000	(
Cash flows from financing activities:		
Proceeds from the issuance of long-term debt:		
Revolving credit facility	29,000,000	
Bond reimbursement	287,000	
Other	880,000	
Principal payments on long-term debt	(58,381,000)	
Proceeds from Class A Common Stock offering, net	--	
Minority interest investments	--	
Proceeds from the exercise of stock options	981,000	
Repurchases of common stock	(105,000)	
Cash dividends paid	(846,000)	
Other	83,000	
Net cash (used in) provided by financing activities	(28,101,000)	
Net decrease in cash and cash equivalents	(1,224,000)	
Cash and cash equivalents at beginning of year	6,031,000	
Cash and cash equivalents at end of year	$ 4,807,000	$

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

HEICO CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended October 31, 2000, 1999 and 1998

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), formerly HEICO Aviation Products Corp. 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. HEICO Aerospace's subsidiaries include HEICO Aerospace Corporation, Jet Avion Corporation (Jet Avion), LPI Industries Corporation (LPI), Aircraft Technology, Inc. (Aircraft Technology), Northwings Accessories Corporation (Northwings), McClain International, Inc. (McClain), Associated Composite, Inc. (ACI), Rogers-Dierks, Inc. (Rogers-Dierks), Air Radio & Instruments Corp. (Air Radio), Turbine Kinetics, Inc. (Turbine), Thermal Structures, Inc. (Thermal), and Future Aviation, Inc. (Future) acquired June 2000. HEICO Electronic's subsidiaries include Trilectron Industries, Inc. (Trilectron) sold September 2000, Radiant Power Corp. (Radiant Power), Leader Tech, Inc. (Leader Tech) and Santa Barbara Infrared, Inc. (SBIR). For further detail of acquired and sold subsidiaries discussed above, see Notes 2 and 3. The Company's customer base is primarily the commercial airline, defense and electronics industries. As of October 31, 2000, the Company's principal operations are located in Atlanta, Georgia; Anacortes, Washington; Glastonbury, Connecticut; Corona and Santa Barbara, California; and Hollywood, Miami, Tampa, Naples and Palmetto, Florida.

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, of which a 20% interest was sold to Lufthansa Technik AG (Lufthansa) in October 1997 (Note 2). All significant intercompany balances and transactions are eliminated.

Use of estimates

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

Reclassifications

Certain amounts in the prior years' financial statements have been reclassified to conform to the current year presentation.

Cash and cash equivalents

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

Inventories

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

Property, plant and equipment

Property, plant and equipment is stated at cost. Depreciation and amortization is provided mainly