

HEICO CORP
Form 10-K
December 18, 2014

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

FORM 10-K

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

For the fiscal year ended October 31, 2014 or

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

For the transition period from

_____ to _____

Commission file number 1-4604

HEICO CORPORATION

(Exact name of registrant as specified in its charter)

Florida 65-0341002
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

3000 Taft Street, Hollywood, Florida 33021
(Address of principal executive offices) (Zip Code)

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

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

Title of each class	Name of each exchange on which registered
Common Stock, \$.01 par value per share	New York Stock Exchange
Class A Common Stock, \$.01 par value per share	New York Stock Exchange

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

None

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive

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proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was \$2,843,094,000 based on the closing price of HEICO Common Stock and Class A Common Stock as of April 30, 2014 as reported by the New York Stock Exchange.

The number of shares outstanding of each of the registrant’s classes of common stock as of December 16, 2014:

Common Stock, \$.01 par value 26,847,008 shares

Class A Common Stock, \$.01 par value 39,702,323 shares

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for the 2015 Annual Meeting of Shareholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

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HEICO CORPORATION

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PART I

Item 1. BUSINESS

The Company

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

The Company was originally organized in 1957 as a holding company known as HEICO Corporation. As part of a reorganization completed in 1993, the original holding company (formerly known as HEICO Corporation) was renamed as HEICO Aerospace Corporation and a new holding corporation known as HEICO Corporation was created. The reorganization did not result in any change in the business of the Company, its consolidated assets or liabilities or the relative interests of its shareholders.

Our business is comprised of two operating segments:

The Flight Support Group. Our Flight Support Group (“FSG”), consisting of HEICO Aerospace Holdings Corp. (“HEICO Aerospace”) and HEICO Flight Support Corp. and their collective subsidiaries, accounted for 67%, 66% and 63% of our net sales in fiscal 2014, 2013 and 2012, respectively. The Flight Support Group uses proprietary technology to design and manufacture jet engine and aircraft component replacement parts for sale at lower prices than those manufactured by OEMs. These parts are approved by the FAA and are the functional equivalent of parts sold by OEMs. In addition, the Flight Support Group repairs, overhauls and distributes jet engine and aircraft components, avionics and instruments for domestic and foreign commercial air carriers and aircraft repair companies as well as military and business aircraft operators; and manufactures thermal insulation products, complex composite assemblies and other component parts primarily for aerospace, defense, industrial and commercial applications.

The Electronic Technologies Group. Our Electronic Technologies Group (“ETG”), consisting of HEICO Electronic Technologies Corp. and its subsidiaries, accounted for 33%, 34% and 37% of our net sales in fiscal 2014, 2013 and 2012, respectively. Through our Electronic Technologies Group, which derived approximately 55%, 52% and 51% of its sales in fiscal 2014, 2013 and 2012, respectively, from the sale of products and services to U.S. and foreign military agencies, prime defense contractors and both commercial and defense satellite and spacecraft manufacturers, we design, manufacture and sell various types of electronic, microwave and electro-optical products, including infrared simulation and test equipment, laser rangefinder receivers, electrical power supplies, back-up power supplies, power conversion products, underwater locator beacons, electromagnetic interference and radio frequency interference shielding, high power capacitor charging power supplies, amplifiers, traveling wave

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tube amplifiers, photodetectors, amplifier modules, microwave power modules, flash lamp drivers, laser diode drivers, arc lamp power supplies, custom power supply designs, cable assemblies, high voltage power supplies, high voltage interconnection devices and wire, high voltage energy generators, high frequency power delivery systems, three-dimensional microelectronic and stacked memory products, harsh environment electronic connectors and other interconnect products, RF and microwave amplifiers, transmitters and receivers, wireless cabin control systems, solid state power distribution and management systems, fuel level sensing systems and high-speed interface products that link devices such as telemetry receivers, digital cameras, high resolution scanners, simulation systems and test systems to almost any computer.

HEICO has continuously operated in the aerospace industry for more than 50 years. Since assuming control in 1990, our current management has achieved significant sales and profit growth through a broadened line of product offerings, an expanded customer base, increased research and development expenditures and the completion of a number of acquisitions. As a result of internal growth and acquisitions, our net sales from continuing operations have grown from \$26.2 million in fiscal 1990 to \$1,132.3 million in fiscal 2014, a compound annual growth rate of approximately 17%. During the same period, we improved our net income from \$2.0 million to \$121.3 million, representing a compound annual growth rate of approximately 19%.

Disciplined Acquisition Strategy

Acquisitions have been an important element of our growth strategy over the past twenty-four years, supplementing our organic growth. Since 1990, we have completed approximately 50 acquisitions complementing the niche segments within which we operate of the aviation, defense, space, medical, telecommunications and electronics industries. We typically target acquisition opportunities that allow us to broaden our product offerings, services and technologies while expanding our customer base and geographic presence. Even though we have historically pursued an active acquisition policy, our disciplined acquisition strategy involves limiting acquisition candidates to businesses that we believe will continue to grow, offer strong earnings and cash flow potential, and are available at fair prices. See Note 2, Acquisitions, of the Notes to Consolidated Financial Statements for further information regarding our recent acquisitions.

Flight Support Group

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

The Flight Support Group competes with the leading industry OEMs and, to a lesser extent, with a number of smaller, independent parts distributors. Historically, the three principal jet engine OEMs, General Electric (including CFM International), Pratt & Whitney and Rolls Royce, have been the sole source of substantially all jet engine replacement parts for their jet engines. Other OEMs have been the sole source of replacement parts for their aircraft

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component parts. While we believe that we currently supply less than 2% of the market for jet engine and aircraft component replacement parts, we have in recent years been adding new products to our line at a rate of approximately 300 to 500 Parts Manufacturer Approvals (“PMA” or “PMAs”) per year. We have developed for our customers over 9,000 parts for which PMAs have been received from the FAA.

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

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

Factory-New Jet Engine and Aircraft Component Replacement Parts. The Flight Support Group engages in 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 aircraft engine and aircraft component manufacturers. The Flight Support Group’s factory-new replacement parts include various jet engine and aircraft component replacement parts. A key element of our growth strategy is the continued design and development of an increasing number of PMA replacement parts in order to further penetrate our existing customer base and obtain new customers. We select the jet engine and aircraft component replacement parts to design and manufacture through a selection process which analyzes industry information to determine which replacement parts are suitable candidates.

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Repair and Overhaul Services. The Flight Support Group provides repair and overhaul services on selected jet engine and aircraft component parts, as well as on avionics, instruments, composites and flight surfaces of commercial aircraft operated by domestic and foreign commercial airlines. The Flight Support Group also provides repair and overhaul services including avionics and navigation systems as well as subcomponents and other instruments utilized on military aircraft operated by the United States government and foreign military agencies and for aircraft repair and overhaul companies. Our repair and overhaul operations require a high level of expertise, advanced technology and sophisticated equipment. Services include the repair, refurbishment and overhaul of numerous accessories and parts mounted on gas turbine engines and airframes. Components overhauled include fuel pumps, generators, fuel controls, pneumatic valves, starters and actuators, turbo compressors and constant speed drives, hydraulic pumps, valves and actuators, composite flight controls, electro-mechanical equipment and auxiliary power unit accessories. Some of the repair and overhaul services provided by the Flight Support Group are proprietary repairs approved by an FAA-qualified designated engineering representative (“DER”). Such FAA-approved repairs (DER-approved repairs) typically create cost savings or provide engineering flexibility. The Flight Support Group also provides commercial airlines, regional operators, asset management companies and Maintenance, Repair and Overhaul (“MRO”) providers with high quality and cost effective niche accessory component exchange services as an alternative to OEMs’ spares services.

Distribution. The Flight Support Group distributes FAA-approved parts including hydraulic, pneumatic, mechanical and electro-mechanical components for the commercial, regional and general aviation markets. The Flight Support Group also is a leading supplier, distributor, and integrator of military aircraft parts and support services primarily to foreign military organizations allied with the United States.

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

FAA Approvals and Product Design. Non-OEM manufacturers of jet engine and aircraft component replacement parts must receive a PMA from the FAA to sell the replacement part. The PMA approval process includes the submission of sample parts, drawings and testing data to one of the FAA’s Aircraft Certification Offices where the submitted data are analyzed. We believe that an applicant’s ability to successfully complete the PMA process is limited by several factors, including (i) the agency’s confidence level in the applicant; (ii) the complexity of the part; (iii) the volume of PMAs being filed; and (iv) the resources available to the FAA. We also believe that companies such as HEICO that have demonstrated their advanced design engineering and manufacturing capabilities, including an established favorable track record 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

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this market niche through both its technical demands and its limits on the rate at which competitors can bring products to market.

As part of our growth strategy, we have continued to increase our research and development activities. Research and development expenditures by the Flight Support Group, which were approximately \$.3 million in fiscal 1991, increased to approximately \$16.1 million in fiscal 2014, \$14.2 million in fiscal 2013 and \$12.7 million in fiscal 2012. We believe that our Flight Support Group's research and development capabilities are a significant component of our historical success and an integral part of our growth strategy. In recent years, the FAA granted us PMAs for approximately 300 to 500 new parts and approximately 300 to 400 DER-approved repairs per year; however, no assurance can be given that the FAA will continue to grant PMAs or DER-approved repairs or that we will achieve acceptable levels of net sales and gross profits on such parts or repairs in the future.

We benefit from our proprietary rights relating to certain design, engineering and manufacturing processes and repair and overhaul procedures. Customers often rely on us to provide initial and additional components, as well as to redesign, re-engineer, replace or repair and provide overhaul services on such aircraft components at every stage of their useful lives. In addition, for some products, our unique manufacturing capabilities are required by the customer's specifications or designs, thereby necessitating reliance on us for production of such designed products.

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

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

Electronic Technologies Group

Our Electronic Technologies Group's strategy is to design and produce mission-critical subcomponents for smaller, niche markets, but which are utilized in larger systems – systems like targeting, tracking, identification, simulation, testing, communications, lighting, surgical, medical imaging, baggage scanning, telecom and computer systems. These systems are, in turn, often located on another platform, such as aircraft, satellites, ships, spacecrafts, land vehicles, handheld devices and other platforms.

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

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

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

Electro-Optical, Microwave and Other Power Equipment. The Electronic Technologies Group produces power supplies, amplifiers and flash lamp drivers used in laser systems for military, medical and other applications that are sometimes utilized with our rangefinder receivers. We also produce emergency back-up power supplies and batteries used on commercial aircraft and business jets for services such as emergency exit lighting, emergency fuel shut-off, power door assists, cockpit voice recorders and flight computers. We also design and manufacture next generation wireless cabin control systems, solid state power distribution and management systems and fuel level sensing systems for business jets and for general aviation, as well as for the military/defense market. We offer custom or standard designs that solve challenging OEM requirements and meet stringent safety and emissions requirements. Our power electronics products include capacitor charger power supplies, laser diode drivers, arc lamp power supplies and custom power supply designs.

Our microwave products are used in both commercial and military satellites, spacecrafts and in electronic warfare systems. These products, which include isolators, bias tees, circulators, latching ferrite switches and waveguide adapters are used in satellites and spacecrafts to control or direct energy according to operator needs. As satellites are frequently used as sensors for stand-off warfare, we believe this product line further supports our goal of increasing our activity in the stand-off market. Additionally, our microwave products include converters, receivers, transmitters, amplifiers, frequency sources and related sub-systems that address all major satellite frequencies. We believe we are a leading supplier of the niche products which we

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design and manufacture for this market, a market that includes commercial satellites. Our customers for these products include satellite and spacecraft manufacturers.

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

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

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

High Voltage Advanced Power Electronics. The Electronic Technologies Group designs and manufactures a patented line of high voltage energy generators for medical, baggage inspection and industrial imaging systems, and offers a patented line of high frequency power delivery systems for the commercial sign industry. We also produce high voltage power supplies found in satellite communications, CT scanners and in medical and industrial x-ray systems.

Power Conversion Products. The Electronic Technologies Group designs and provides innovative power conversion products principally serving the high-reliability military, space and commercial avionics end-markets. These high density, low profile and lightweight DC-to-DC converters and electromagnetic interference filters, which include thick film hermetically sealed hybrids, military commercial-off-the-shelf and custom designed and assembled products, have become the primary specified components of their kind on a generation of complex military, space and avionics equipment.

Underwater Locator Beacons. The Electronic Technologies Group designs and manufactures Underwater Locator Beacons (“ULBs”) used to locate aircraft Cockpit Voice Recorders and Flight Data Recorders, marine ship Voyage Recorders and various other devices which have been submerged under water. ULBs are required equipment on all U.S. FAA and European Aviation Safety Agency (“EASA”) approved Flight Data and Cockpit Voice Recorders used in aircraft and on similar systems utilized on large marine shipping vessels.

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Traveling Wave Tube Amplifiers (“TWTAs”) and Microwave Power Modules (“MPMs”). The Electronic Technologies Group designs and manufactures TWTAs and MPMs predominately used in radar, electronic warfare, on-board jamming and countermeasure systems in aircraft, ships and detection platforms deployed by U.S. and allied non-U.S. military forces.

Three-Dimensional Microelectronic and Stacked Memory Products. The Electronic Technologies Group designs, manufactures and markets three-dimensional microelectronic and stacked memory products including memories, Point of Load (“POL”) voltage converters and peripherals, industrial memories, and complex System-In-Package (“SiP”) solutions. The products’ patented designs provide high reliability memory and circuitry in a unique and stacked form which saves space and weight. These products are principally integrated into larger subsystems equipping satellites and spacecraft and are also utilized in medical equipment.

Harsh environment connectivity products and custom molded cable assemblies. The Electronic Technologies Group designs and manufactures high performance, high reliability and harsh environment electronic connectors and other interconnect products. These products include connectors, jacks and plugs, cables, patch panels and switches utilized in aviation, broadcast/audio, defense, industrial, medical and other equipment.

RF and microwave amplifiers, transmitters and receivers. The Electronic Technologies Group designs and manufactures RF and microwave amplifiers, transmitters and receivers primarily used to support military communications on unmanned aerial systems, other aircraft, helicopters and ground-based data/communications systems.

As part of our growth strategy, we have continued to increase our research and development activities. Research and development expenditures by the Electronic Technologies Group were \$21.3 million in fiscal 2014, \$18.7 million in fiscal 2013 and \$17.7 million in fiscal 2012. We believe that our Electronic Technologies Group’s research and development capabilities are a significant component of our historical success and an integral part of our growth strategy.

Financial Information About Operating Segments and Geographic Areas

See Note 14, Operating Segments, of the Notes to Consolidated Financial Statements for financial information by operating segment and by geographic areas.

Distribution, Sales, Marketing and Customers

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

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We believe that direct relationships are crucial to establishing and maintaining a strong customer base and, accordingly, our senior management is actively involved in our marketing activities, particularly with established customers. We are also a member of various trade and business organizations related to the commercial aviation industry, such as the Aerospace Industries Association, which we refer to as AIA, the leading trade association representing the nation's manufacturers of commercial, military and business aircraft, aircraft engines and related components and equipment. Due in large part to our established industry presence, we enjoy strong customer relations, name recognition and repeat business.

We sell our products to a broad customer base consisting of domestic and foreign commercial and cargo airlines, repair and overhaul facilities, other aftermarket suppliers of aircraft engine and airframe materials, OEMs, domestic and foreign military units, electronic manufacturing services companies, manufacturers for the defense industry as well as medical, telecommunications, scientific, and industrial companies. No one customer accounted for sales of 10% or more of total consolidated sales from continuing operations during any of the last three fiscal years. Net sales to our five largest customers accounted for approximately 17%, 15% and 15% of total net sales in fiscal 2014, 2013 and 2012, respectively.

Competition

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

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

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

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competitive factors in the repair and overhaul market are quality, turnaround time, overall customer service and price.

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

Raw Materials

We purchase a variety of raw materials, primarily consisting of high temperature alloy sheet metal and castings, forgings, pre-plated metals and electrical components from various vendors. The materials used by our operations are generally available from a number of sources and in sufficient quantities to meet current requirements subject to normal lead times. We are subject to rules promulgated by the Securities Exchange Commission pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act regarding the use of certain materials (tantalum, tin, gold and tungsten), known as conflict minerals, which are mined from the Democratic Republic of the Congo and adjoining countries. These rules may impose additional costs and may introduce new risks related to our ability to verify the origin of any conflict minerals used in our products.

Backlog

Our total backlog of unshipped orders was \$291 million as of October 31, 2014 as compared to \$305 million as of October 31, 2013. Substantially the entire backlog of orders as of October 31, 2014 is expected to be delivered during fiscal 2015. The Flight Support Group's backlog of unshipped orders was \$135 million as of October 31, 2014 as compared to \$115 million as of October 31, 2013. This backlog excludes forecasted shipments for certain contracts of the Flight Support Group pursuant to which customers provide only estimated annual usage and not firm purchase orders. Our backlogs within the Flight Support Group are typically short-lead in nature with many product orders being received within the month of shipment. The increase in the Flight Support Group's backlog is principally attributed to increased orders associated with one of our businesses that manufactures advanced niche components and complex composite assemblies for commercial aviation, defense and space applications. Additionally, the Flight Support Group's increase also reflects increased orders associated with one of our businesses that is a supplier, distributor, and integrator of military aircraft parts and support services primarily to foreign military organizations allied with the United States. The Electronic Technologies Group's backlog of unshipped orders was \$156 million as of October 31, 2014 as compared to \$190 million as of October 31, 2013. The decrease in the Electronic Technologies Group's backlog is principally attributed to a reduction in contract scope for a long-term contract with one particular customer for the design and production of high-power devices used primarily in defense applications.

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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. Our businesses which sell defense products directly to the United States Government or for use in systems delivered to the United States Government can be subject to various laws and regulations governing pricing and other factors.

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

Environmental Regulation

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

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

Other Regulation

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

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

Insurance

We are a named insured under policies which include the following coverage: (i) product liability, including grounding; (ii) personal property, inventory and business interruption 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, each subject to certain limits and deductibles. We believe that our insurance coverage is adequate to insure against the various liability risks of our business.

Employees

As of October 31, 2014, we had approximately 3,500 full-time and part-time employees including approximately 1,900 in the Flight Support Group and approximately 1,600 in the Electronic Technologies Group. None of our employees are represented by a union. Our management believes that we have good relations with our employees.

Available Information

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

We have adopted a code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller and other persons performing similar functions. Our Code of Ethics for Senior Financial Officers and Other Officers is part of our Code of Business Conduct, which is located on our website at <http://www.heico.com>. Any amendments to or waivers from a provision of this code of ethics will be posted on the website. Also located on the website are our Corporate Governance Guidelines, Finance/Audit Committee Charter, Nominating & Corporate Governance Committee Charter, and Compensation Committee Charter.

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

Executive Officers of the Registrant

Our executive officers are elected by the Board of Directors and serve at the discretion of the Board. The following table sets forth the names, ages of, and positions and offices held by our executive officers as of December 16, 2014:

Name	Age	Position(s)	Director Since
Laurans A. Mendelson	76	Chairman of the Board; Chief Executive Officer; and Director	1989
Eric A. Mendelson	49	Co-President and Director; President and Chief Executive Officer of the HEICO Flight Support Group	1992
Victor H. Mendelson	47	Co-President and Director; President and Chief Executive Officer of the HEICO Electronic Technologies Group	1996
Thomas S. Irwin	68	Senior Executive Vice President	—
Carlos L. Macau, Jr.	47	Executive Vice President - Chief Financial Officer and Treasurer	—
William S. Harlow	66	Vice President - Acquisitions	—
Steven M. Walker	50	Chief Accounting Officer and Assistant Treasurer	—

Laurans A. Mendelson has served as our Chairman of the Board since December 1990. He has also served as our Chief Executive Officer since February 1990 and served as our President from September 1991 through September 2009. Mr. Mendelson has served on the Board of Governors of the Aerospace Industries Association ("AIA") in Washington D.C., of which HEICO is a member. He is also former Chairman of the Board of Trustees, former Chairman of the Executive Committee and a current member of the Society of Mount Sinai Founders of Mount Sinai Medical Center in Miami Beach, Florida. In addition, Mr. Mendelson is a Trustee Emeritus of Columbia University in The City of New York, where he previously served as Trustee and Chairman of the Trustees' Audit Committee. Mr. Mendelson is a Certified Public Accountant. Laurans Mendelson is the father of Eric Mendelson and Victor Mendelson.

Eric A. Mendelson has served as our Co-President since October 2009 and served as our Executive Vice President from 2001 through September 2009. He has also served as President and Chief Executive Officer of the HEICO Flight Support Group since its formation in 1993, as well as President of various Flight Support Group subsidiaries. Mr. Mendelson is a co-founder, and, since 1987, has been Managing Director of Mendelson International Corporation, a private investment company, which is a shareholder of HEICO. In addition, Mr. Mendelson is a member of the Advisory Board of Trustees of Mount Sinai Medical Center in Miami Beach, Florida and Chairman of the Board of Trustees of Ransom Everglades School in Coconut Grove, Florida, as well as a member of the Board of Visitors of the Columbia College in New York City. Eric Mendelson is the son of Laurans Mendelson and the brother of Victor Mendelson.

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Victor H. Mendelson has served as our Co-President since October 2009 and served as our Executive Vice President from 2001 through September 2009. He has also served as President and Chief Executive Officer of the HEICO Electronic Technologies Group since its formation in September 1996. He served as our General Counsel from 1993 to 2008 and our Vice President from 1996 to 2001. In addition, Mr. Mendelson was the Chief Operating Officer of our former MediTek Health Corporation subsidiary from 1995 until its profitable sale in 1996. 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 Vice Chair of the Board of Visitors of Columbia College in New York City, a Trustee of St. Thomas University in Miami Gardens, Florida, a Director of the Boys & Girls Clubs of Miami-Dade and is a Director and Immediate Past President of the Board of Directors of the Florida Grand Opera. Victor Mendelson is the son of Laurans Mendelson and the brother of Eric Mendelson.

Thomas S. Irwin has served as our Senior Executive Vice President since June 2012; our Executive Vice President, Chief Financial Officer and Treasurer from September 1991 through May 2012; Senior Vice President and Treasurer from 1986 to 1991; and our Vice President and Treasurer from 1982 to 1986. Mr. Irwin is a Certified Public Accountant. He is a Trustee of the Greater Hollywood Chamber of Commerce and a member of the Board of Directors of the Greater Fort Lauderdale Alliance/Broward County.

Carlos L. Macau, Jr. has served as our Executive Vice President - Chief Financial Officer and Treasurer since June 2012. Mr. Macau joined HEICO from the international public accounting firm of Deloitte & Touche LLP where he worked from 2000 to 2012 as an Audit Partner. Prior to joining HEICO, Mr. Macau accumulated 22 years of financial and accounting experience serving a number of public and private manufacturing and service clients in a broad range of industries. His client responsibilities included serving as HEICO's lead client services partner for five years (2006 to 2010). Mr. Macau is a current member of the Mount Sinai Founders of Mount Sinai Medical Center in Miami Beach, Florida. Mr. Macau is a Certified Public Accountant, a Chartered Global Management Accountant, and a member of the American and Florida Institutes of Certified Public Accountants.

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

Steven M. Walker has served as our Chief Accounting Officer since June 2012 and served as our Corporate Controller from 2002 through May 2012. He has also served as our Assistant Treasurer since 2002. Mr. Walker is a Certified Public Accountant.

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Item 1A. RISK FACTORS

Our business, financial condition, operating results and cash flows can be impacted by a number of factors, many of which are beyond our control, including those set forth below and elsewhere in this Annual Report on Form 10-K, any one of which may cause our actual results to differ materially from anticipated results:

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

General global industry and economic conditions that affect the aviation industry also affect our business. We are subject to macroeconomic cycles and when recessions occur, we may experience reduced orders, payment delays, supply chain disruptions or other factors as a result of the economic challenges faced by our customers, prospective customers and suppliers. Further, the aviation industry has historically been subject to downward cycles from time to time which reduce the overall demand for jet engine and aircraft component replacement parts and repair and overhaul services, and such downward cycles result in lower sales and greater credit risk. Demand for commercial air travel can be influenced by airline industry profitability, world trade policies, government-to-government relations, terrorism, disease outbreaks, environmental constraints imposed upon aircraft operations, technological changes, price and other competitive factors. These global industry and economic conditions may have a material adverse effect on our business, financial condition and results of operations.

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

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

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Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Securities and Exchange Commission promulgated disclosure requirements regarding the use of certain minerals (tantalum, tin, gold and tungsten), known as conflict minerals, which are mined from the Democratic Republic of the Congo or one of its adjoining countries. There will be costs associated with complying with the disclosure requirements, such as costs related to determining the source of certain minerals used in our products, as well as costs of possible changes to products, processes, or sources of supply as a consequence of such verification activities. Given the complexity of our supply chain, we may not be able to ascertain the origin of these minerals used in our products in a timely manner, which could cause some of our customers to disqualify us as a supplier to the extent we are unable to certify our products are conflict mineral free. Additionally, the rule could affect sourcing at competitive prices and availability in sufficient quantities of such minerals used in our manufacturing processes for certain products.

The retirement of commercial aircraft could reduce our revenues.

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

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

In fiscal 2014, approximately 55% of the sales of our Electronic Technologies Group were derived from the sale of defense, commercial and defense satellite and spacecraft components and homeland security products. A decline in defense, space or homeland security budgets or additional restrictions imposed by the U.S. government on sales of products or services to foreign military agencies could lower sales of our products and services.

We are subject to the risks associated with sales to foreign customers, which could harm our business.

We market our products and services in more than 100 countries, with approximately 33% of our consolidated net sales in fiscal 2014 derived from sales to foreign customers. We expect that sales to foreign customers will continue to account for a significant portion of our revenues in the foreseeable future. As a result, we are subject to risks of doing business internationally, including the following:

- Changes in regulatory requirements;
- Fluctuations in currency exchange rates;
- Volatility in foreign political and economic environments;
- Uncertainty of the ability of foreign customers to finance purchases;
- Uncertainties and restrictions concerning the availability of funding credit or guarantees;
- Imposition of taxes, export controls, tariffs, embargoes and other trade restrictions;
- and

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• Compliance with a variety of international laws, as well as U.S. laws affecting the activities of U.S. companies abroad such as the U.S. Foreign Corrupt Practices Act.

While the impact of these factors is difficult to predict, any one or more of these factors may have a material adverse effect on our business, financial condition and results of operations.

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

We face significant competition in each of our businesses.

Flight Support Group

- For jet engine and aircraft component replacement parts, we compete with the industry's leading jet engine and aircraft component OEMs, particularly Pratt & Whitney and General Electric.

• For the distribution, overhaul and repair of jet engine and aircraft components as well as avionics and navigation systems, we compete with:

- major commercial airlines, many of which operate their own maintenance and overhaul units;
- OEMs, which manufacture, distribute, repair and overhaul their own and other OEM parts; and
- other independent service companies.

Electronic Technologies Group

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

The aviation aftermarket supply industry is highly fragmented, has several highly visible leading companies, and is characterized by intense competition. Some of our OEM competitors have greater name recognition than HEICO, as well as complementary lines of business and financial, marketing and other resources that HEICO does not have. In addition, OEMs, aircraft maintenance providers, leasing companies and FAA-certificated repair facilities may attempt to bundle their services and product offerings in the supply industry, thereby significantly increasing industry competition. Moreover, our smaller competitors may be able to offer more attractive pricing of parts as a result of lower labor costs or other factors. A variety of potential actions by any of our competitors, including a reduction of product prices or the establishment by competitors of long-term relationships with new or existing customers, could have a material adverse effect on our business, financial condition and results of operations. Competition typically intensifies during cyclical downturns in the aviation industry, when supply may exceed demand. We may not be able to continue to compete effectively against present or future

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competitors, and competitive pressures may have a material and adverse effect on our business, financial condition and results of operations.

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

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

• We may not be able to successfully protect the proprietary interests we have in various aircraft parts, electronic and electro-optical equipment and our repair processes;

As OEMs continue to develop and improve jet engines and aircraft components, we may not be able to re-design and manufacture replacement parts that perform as well as those offered by OEMs or we may not be able to profitably sell our replacement parts at lower prices than the OEMs;

• We may need to expend significant capital to:

- purchase new equipment and machines,
- train employees in new methods of production and service, and
- fund the research and development of new products; and

Development by our competitors of patents or methodologies that preclude us from the design and manufacture of aircraft replacement parts or electrical and electro-optical equipment could adversely affect our business, financial condition and results of operations.

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

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

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

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

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

The inability to obtain certain components and raw materials from suppliers could harm our business.

Our business is affected by the availability and price of the raw materials and component parts that we use to manufacture our products. Our ability to manage inventory and meet delivery requirements may be constrained by our suppliers' ability to adjust delivery of long-lead time products during times of volatile demand. The supply chains for our business could also be disrupted by external events such as natural disasters, extreme weather events, labor disputes, governmental actions and legislative or regulatory changes. As a result, our suppliers may fail to perform according to specifications when required and we may be unable to identify alternate suppliers or to otherwise mitigate the consequences of their non-performance. Transitions to new suppliers may result in significant costs and delays, including those related to the required recertification of parts obtained from new suppliers with our customers and/or regulatory agencies. Our inability to fill our supply needs could jeopardize our ability to fulfill obligations under customer contracts, which could result in reduced revenues and profits, contract penalties or terminations, and damage to customer relationships. Further, increased costs of such raw materials or components could reduce our profits if we were unable to pass along such price increases to our customers.

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

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

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

Our jet engine and aircraft component replacement parts and repair and overhaul services expose our business to potential liabilities for personal injury or death as a result of the failure of an aircraft component that we have designed, manufactured or serviced. While we maintain liability insurance to protect us from future product liability claims, an uninsured or partially insured claim, or a claim for which third-party indemnification is not available, could have a material adverse effect on our business, financial condition and results of operations. Additionally, our customers typically require us to maintain substantial insurance coverage at commercially reasonable rates and our inability to obtain insurance coverage at commercially reasonable rates could have a material adverse effect on our business.

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

Our operations and facilities are subject to a number of federal, state and local environmental laws and regulations, which govern, among other things, the discharge of hazardous materials into the air and water as well as the handling, storage and disposal of hazardous materials. Pursuant to various environmental laws, a current or previous owner or operator of real property may be liable for the costs of removal or remediation of hazardous materials. Environmental laws typically impose liability whether or not the owner or operator knew of, or was responsible for, the presence of hazardous materials. Although management believes that our operations and facilities are in material compliance with environmental laws and regulations, future changes in them or interpretations thereof or the nature of our operations may require us to make significant additional capital expenditures to ensure compliance in the future.

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

We may incur damages or disruption to our business caused by natural disasters and other factors that may not be covered by insurance.

Several of our facilities, as a result of their locations, could be subject to a catastrophic loss caused by hurricanes, tornadoes, earthquakes, floods, fire, power loss, telecommunication and information systems failure or similar events. Our corporate headquarters and facilities located in Florida are particularly susceptible to hurricanes, storms, tornadoes or other natural disasters that could disrupt our operations, delay production and shipments, and result in large

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expenses to repair or replace the facility or facilities. Should insurance or other risk transfer mechanisms, such as our existing disaster recovery and business continuity plans, be insufficient to recover all costs, we could experience a material adverse effect on our business, financial condition and results of operations.

We rely on information technology systems, some of which are managed by third parties, to process, transmit and store electronic information, and to manage or support a variety of critical business processes and activities. We also collect and store sensitive data, including confidential business information and personal data. These systems may be susceptible to damage, disruptions or shutdowns due to attacks by computer hackers, computer viruses, employee error or malfeasance, power outages, hardware failures, telecommunication or utility failures, catastrophes or other unforeseen events. In addition, security breaches of our systems could result in the misappropriation or unauthorized disclosure of confidential information or personal data belonging to us or to our employees, partners, customers or suppliers. Any such events could disrupt our operations, delay production and shipments, result in defective products or services, damage customer relationships and our reputation and result in legal claims or proceedings that could have a material adverse effect on our business.

Tax changes could affect our effective tax rate and future profitability.

We file income tax returns in the U.S. federal jurisdiction, multiple state jurisdictions and certain jurisdictions outside the U.S. In fiscal 2014, our effective tax rate was 30.1%. Our future effective tax rate may be adversely affected by a number of factors, including the following:

- Changes in available tax credits or tax deductions;
 - Changes in tax laws or the interpretation of such tax laws and changes in generally accepted accounting principles;
 - The amount of income attributable to noncontrolling interests;
 - Changes in the mix of earnings in jurisdictions with differing statutory tax rates;
 - Adjustments to estimated taxes upon finalization of various tax returns;
 - Resolution of issues arising from tax audits with various tax authorities;
 - Changes in statutory tax rates in any of the various jurisdictions where we file tax returns; and
- The reversal of any previously experienced tax-exempt unrealized gains in the cash surrender values of life insurance policies related to the HEICO Corporation Leadership Compensation Plan, a nonqualified deferred compensation plan.

Any significant increase in our future effective tax rates could have a material adverse effect on net income for future periods.

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

We have experienced rapid growth in recent periods and intend to continue to pursue an aggressive growth strategy, both through acquisitions and internal expansion of products and

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services. Our growth to date has placed, and could continue to place, significant demands on our administrative, operational and financial resources. We may not be able to grow effectively or manage our growth successfully, and the failure to do so could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

As of December 16, 2014, collectively our executive officers and entities controlled by them, the HEICO Savings and Investment Plan (our 401(k) Plan) and members of the Board of Directors beneficially owned approximately 22% of our outstanding Common Stock and approximately 6% of our outstanding Class A Common Stock. Accordingly, they will be able to substantially influence the election of the Board of Directors and control our business, policies and affairs, including our position with respect to proposed business combinations and attempted takeovers.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

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Item 2. PROPERTIES

We own or lease a number of facilities, which are utilized by our Flight Support Group (“FSG”), Electronic Technologies Group (“ETG”) and corporate offices. As of October 31, 2014, all of the facilities listed below were in good operating condition, well maintained and in regular use. We believe that our existing facilities are sufficient to meet our operational needs for the foreseeable future. Summary information on the facilities utilized within the FSG, ETG and our corporate offices to support their principal operating activities is as follows:

Flight Support Group

Location	Square Footage		Description
	Leased	Owned	
United States facilities (11 states)	603,000	177,000	Manufacturing, engineering and distribution facilities, and corporate headquarters
United States facilities (7 states)	193,000	127,000	Repair and overhaul facilities
International facilities (4 countries) - China, India, United Kingdom, and Singapore	43,000	—	Manufacturing, engineering and distribution facilities

Electronic Technologies Group

Location	Square Footage		Description
	Leased	Owned	
United States facilities (10 states)	322,000	296,000	Manufacturing and engineering facilities
International facilities (4 countries) - Canada, France, United Kingdom and Korea	61,000	35,000	Manufacturing and engineering facilities

Corporate

Location	Square Footage		Description
	Leased	Owned ⁽¹⁾	
United States facilities (1 state)	—	7,000	Administrative offices

Represents the square footage of our corporate offices in Miami, Florida. The square footage of our corporate (1) headquarters in Hollywood, Florida is included within the square footage under the caption “United States facilities (11 states)” under Flight Support Group.

Item 3. LEGAL PROCEEDINGS

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

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Item 4. MINE SAFETY DISCLOSURES

None.

PART II

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

Market Information

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

In September 2013, the Company's Board of Directors declared a 5-for-4 stock split on both classes of the Company's common stock. The stock split was effected as of October 23, 2013 in the form of a 25% stock dividend distributed to shareholders of record as of October 11, 2013. All applicable share and per share information has been adjusted retrospectively to give effect to the 5-for-4 stock split.

	Class A Common Stock		Common Stock		Cash Dividends
	High	Low	High	Low	Per Share
Fiscal 2013:					
First Quarter	\$28.46	\$23.84	\$38.12	\$29.88	\$1.760
Second Quarter	29.17	25.77	37.84	32.61	—
Third Quarter	32.34	26.84	45.96	33.82	.056
Fourth Quarter	42.04	31.48	56.09	45.54	—
Fiscal 2014:					
First Quarter	\$44.33	\$36.77	\$62.30	\$51.44	\$.410
Second Quarter	48.90	37.11	65.04	50.29	—
Third Quarter	43.40	38.25	57.69	48.54	.060
Fourth Quarter	46.73	39.46	54.62	46.03	—

As of December 16, 2014, there were 399 holders of record of our Class A Common Stock and 396 holders of record of our Common Stock.

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Performance Graphs

The following graph and table compare the total return on \$100 invested in HEICO Common Stock and HEICO Class A Common Stock with the total return of \$100 invested in the NYSE Composite Index and the Dow Jones U.S. Aerospace Index for the five-year period from October 31, 2009 through October 31, 2014. The NYSE Composite Index measures the performance of all common stocks listed on the NYSE. The Dow Jones U.S. Aerospace Index is comprised of large companies which make aircraft, major weapons, radar and other defense equipment and systems as well as providers of satellites and spacecrafts used for defense purposes. The total returns include the reinvestment of cash dividends.

	Cumulative Total Return as of October 31,					
	2009	2010	2011	2012	2013	2014
HEICO Common Stock	\$100.00	\$164.12	\$235.50	\$199.97	\$364.20	\$371.71
HEICO Class A Common Stock	100.00	151.03	200.43	194.95	333.51	395.91
NYSE Composite Index	100.00	111.48	112.23	121.99	148.52	160.92
Dow Jones U.S. Aerospace Index	100.00	136.69	146.77	157.84	242.66	248.88

The following graph and table compare the total return on \$100 invested in HEICO Common Stock since October 31, 1990 using the same indices shown on the five-year performance graph above. October 31, 1990 was the end of the first fiscal year following the

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date the current executive management team assumed leadership of the Company. No Class A Common Stock was outstanding as of October 31, 1990. As with the five-year performance graph, the total returns include the reinvestment of cash dividends.

	Cumulative Total Return as of October 31,					
	1990	1991	1992	1993	1994	1995
HEICO Common Stock	\$100.00	\$141.49	\$158.35	\$173.88	\$123.41	\$263.25
NYSE Composite Index	100.00	130.31	138.76	156.09	155.68	186.32
Dow Jones U.S. Aerospace Index	100.00	130.67	122.00	158.36	176.11	252.00
	1996	1997	1998	1999	2000	2001
HEICO Common Stock	\$430.02	\$1,008.31	\$1,448.99	\$1,051.61	\$809.50	\$1,045.86
NYSE Composite Index	225.37	289.55	326.98	376.40	400.81	328.78
Dow Jones U.S. Aerospace Index	341.65	376.36	378.66	295.99	418.32	333.32
	2002	2003	2004	2005	2006	2007
HEICO Common Stock	\$670.39	\$1,067.42	\$1,366.57	\$1,674.40	\$2,846.48	\$4,208.54
NYSE Composite Index	284.59	339.15	380.91	423.05	499.42	586.87
Dow Jones U.S. Aerospace Index	343.88	393.19	478.49	579.77	757.97	1,000.84
	2008	2009	2010	2011	2012	2013
HEICO Common Stock	\$2,872.01	\$2,984.13	\$4,722.20	\$6,557.88	\$5,900.20	\$10,457.14
NYSE Composite Index	344.96	383.57	427.61	430.46	467.91	569.69
Dow Jones U.S. Aerospace Index	602.66	678.00	926.75	995.11	1,070.15	1,645.24
					2014	
HEICO Common Stock					\$11,416.51	
NYSE Composite Index					617.23	
Dow Jones U.S. Aerospace Index					1,687.41	

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Dividend Policy

We have historically paid semi-annual cash dividends on both our Class A Common Stock and Common Stock. In January 2014, we paid a special and extraordinary cash dividend of \$.35 per share on both classes of our common stock as well as our regular semi-annual \$.06 per share cash dividend. Additionally, in July 2014 we paid our 72nd consecutive semi-annual cash dividend since 1979 at a rate of \$.06 per share. Our Board of Directors will continue to review our dividend policy and will regularly evaluate whether dividends should be paid in cash or stock, as well as what amounts should be paid. Our ability to pay dividends could be affected by future business performance, liquidity, capital needs, alternative investment opportunities and loan covenants under our revolving credit facility.

Issuer Purchases of Equity Securities

There were no purchases of our equity securities during the fourth quarter of fiscal 2014.

Recent Sales of Unregistered Securities

There were no unregistered sales of our equity securities during fiscal 2014.

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Item 6. SELECTED FINANCIAL DATA

	Year ended October 31, ⁽¹⁾				
	2014	2013	2012	2011	2010
	(in thousands, except per share data)				
Operating Data:					
Net sales	\$1,132,311	\$1,008,757	\$897,347	\$764,891	\$617,020
Gross profit	398,312	371,181	327,436	274,441	222,347
Selling, general and administrative expenses	194,924	187,591	164,142	136,010	113,174
Operating income	203,388	⁽³⁾ 183,590	163,294	138,431	⁽⁵⁾ 109,173
Interest expense	5,441	3,717	2,432	142	508
Other income	625	888	313	64	390
Net income attributable to HEICO	121,293	⁽³⁾ 102,396	⁽⁴⁾ 85,147	72,820	⁽⁵⁾⁽⁶⁾ 54,938
Weighted average number of common shares outstanding ⁽²⁾					
Basic	66,463	66,298	65,861	65,050	64,126
Diluted	67,453	66,982	66,624	66,408	65,959
Per Share Data: ⁽²⁾					
Net income per share attributable to HEICO shareholders:					
Basic	\$1.82	⁽³⁾ \$1.54	⁽⁴⁾ \$1.29	\$1.12	⁽⁵⁾⁽⁶⁾ \$.86
Diluted	1.80	⁽³⁾ 1.53	⁽⁴⁾ 1.28	1.10	⁽⁵⁾⁽⁶⁾ .83
Cash dividends per share ⁽²⁾	.470	1.816	.086	.069	.055
Balance Sheet Data (as of October 31):					
Cash and cash equivalents	\$20,229	\$15,499	\$21,451	\$17,500	\$6,543
Total assets	1,489,214	1,533,015	1,192,846	941,069	781,643
Total debt (including current portion)	329,109	377,515	131,820	40,158	14,221
Redeemable noncontrolling interests	39,966	59,218	67,166	65,430	55,048
Total shareholders' equity	774,619	723,235	719,759	620,154	554,826

⁽¹⁾ Results include the results of acquisitions from each respective effective date. See Note 2, Acquisitions, of the Notes to Consolidated Financial Statements for more information.

⁽²⁾ All share and per share information has been adjusted retrospectively to reflect the 5-for-4 stock splits effected in October 2013 and April 2012, 2011 and 2010.

⁽³⁾ Operating income was increased by a \$28.1 million reduction in accrued contingent consideration related to a fiscal 2013 and a fiscal 2012 acquisition within the Electronic Technologies Group ("ETG"), partially offset by \$15.0 million in impairment losses related to the write-down of certain intangible assets at the fiscal 2013 and fiscal 2012

acquisitions to their estimated fair values as well as lower than expected operating income at the fiscal 2013 acquired business, which in aggregate increased net income attributable to HEICO by \$10.2 million, or \$.15 per basic and diluted share. The reduction in the value of contingent consideration and \$13.1 million of the impairment losses were recorded as a component of selling, general and administrative expenses, while the remaining impairment losses of \$1.9 million were recorded as a component of cost of sales.

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Includes the aggregate tax benefit from an income tax credit for qualified research and development activities for the last ten months of fiscal 2012 recognized in fiscal 2013 upon the retroactive extension in January 2013 of the (4) U.S. research and development tax credit and higher research and development tax credits recognized upon the filing of HEICO's fiscal 2012 U.S. federal and state tax returns, which, net of expenses, increased net income attributable to HEICO by \$1.8 million, or \$.03 per basic and diluted share.

Operating income was reduced by a net aggregate of \$3.8 million due to \$5.0 million in impairment losses related to the write-down of certain intangible assets within the ETG to their estimated fair values, partially offset by a \$1.2 million reduction in accrued contingent consideration related to a prior year acquisition. Approximately \$4.5 (5) million of the impairment losses and the reduction in accrued contingent consideration were recorded as a component of selling, general and administrative expenses, while the remaining impairment losses of \$.5 million were recorded as a component of cost of sales, which decreased net income attributable to HEICO by \$2.4 million, or \$.04 per basic and diluted share, in aggregate.

Includes the aggregate tax benefit principally from state income apportionment updates and higher research and development tax credits recognized upon the filing of HEICO's fiscal 2010 U.S. federal and state tax returns and (6) amendments of certain prior year state tax returns as well as the benefit from an income tax credit for qualified research and development activities for the last ten months of fiscal 2010 recognized in fiscal 2011 upon the retroactive extension in December 2010 of the U.S. research and development tax credit, which, net of expenses, increased net income attributable to HEICO by \$2.8 million, or \$.04 per basic and diluted share, in aggregate.

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

Overview

Our business is comprised of two operating segments, the Flight Support Group ("FSG") and the Electronic Technologies Group ("ETG").

The Flight Support Group consists of HEICO Aerospace Holdings Corp. ("HEICO Aerospace"), which is 80% owned, and HEICO Flight Support Corp., which is wholly owned, and their collective subsidiaries, which primarily:

Designs, Manufactures, Repairs, Overhauls and Distributes Jet Engine and Aircraft Component Replacement Parts. The Flight Support Group designs, manufactures, repairs, overhauls and distributes jet engine and aircraft component replacement parts. The parts and services are approved by the Federal Aviation Administration ("FAA"). The Flight Support Group also manufactures and sells specialty parts as a subcontractor for aerospace and industrial original equipment manufacturers and the United States government. Additionally, the Flight Support Group is a leading supplier, distributor, and integrator of military aircraft parts and support services primarily to foreign military organizations allied with the United States and a leading manufacturer of advanced niche components and complex composite assemblies for commercial aviation, defense and space applications.

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

Designs and Manufactures Electronic, Microwave and Electro-Optical Equipment, High-Speed Interface Products, High Voltage Interconnection Devices and High Voltage Advanced Power Electronics. The Electronic Technologies Group designs, manufactures and sells various types of electronic, microwave and electro-optical equipment and components, including power supplies, laser rangefinder receivers, infrared simulation, calibration and testing equipment; power conversion products serving the high-reliability military, space and commercial avionics end-markets; underwater locator beacons used to locate data and voice recorders utilized on aircraft and marine vessels; electromagnetic interference shielding for commercial and military aircraft operators, traveling wave tube amplifiers and microwave power modules used in radar, electronic warfare, on-board jamming and countermeasure systems, electronics companies and telecommunication equipment suppliers; advanced high-technology interface products that link devices such as telemetry receivers, digital cameras, high resolution scanners, simulation systems and test systems to computers; high voltage energy generators interconnection devices, cable assemblies and wire for the medical equipment, defense and other industrial markets; high frequency power delivery systems for the commercial sign industry; high voltage power supplies found in satellite communications, CT scanners and in medical and industrial x-ray systems; three-dimensional microelectronic and stacked memory products that are principally integrated into larger subsystems equipping satellites and spacecraft; harsh

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environment connectivity products and custom molded cable assemblies; RF and microwave amplifiers, transmitters and receivers used to support military communications on unmanned aerial systems, other aircraft, helicopters and ground-based data/communications systems, wireless cabin control systems, solid state power distribution and management systems and fuel level sensing systems for business jets and for general aviation, as well as for the military/defense market and microwave modules, units and integrated sub-systems for commercial and military satellites.

Our results of operations during each of the past three fiscal years have been affected by a number of transactions. This discussion of our financial condition and results of operations should be read in conjunction with the Consolidated Financial Statements and Notes thereto included herein. All applicable share and per share information has been adjusted retrospectively to reflect the 5-for-4 stock splits effected in October 2013 and April 2012. See Note 1, Summary of Significant Accounting Policies – Stock Splits, of the Notes to Consolidated Financial Statements for additional information regarding these stock splits. For further information regarding the acquisitions discussed below, see Note 2, Acquisitions, of the Notes to Consolidated Financial Statements. Acquisitions are included in our results of operations from the effective dates of acquisition.

In June 2014, we acquired, through a subsidiary of HEICO Flight Support Corp., certain assets and liabilities of Quest Aviation Supply, Inc. (“Quest Aviation”). Quest Aviation is a niche supplier of parts to repair thrust reversers on various aircraft engines.

In October 2013, we acquired, through HEICO Electronic, all of the outstanding stock of Lucix Corporation (“Lucix”) in a transaction carried out by means of a merger. Lucix is a leading designer and manufacturer of high performance, high reliability microwave modules, units, and integrated sub-systems for commercial and military satellites.

On May 31, 2013, we acquired, through HEICO Flight Support Corp., Reinhold Industries, Inc. (“Reinhold”) through the acquisition of all of the outstanding stock of Reinhold’s parent company in a transaction carried out by means of a merger. Reinhold is a leading manufacturer of advanced niche components and complex composite assemblies for commercial aviation, defense and space applications.

In October 2012, we acquired, through HEICO Flight Support Corp., 80.1% of the assets and assumed certain liabilities of Action Research Corporation (“Action Research”). Action Research is an FAA-Approved Repair Station that has developed unique proprietary repairs that extend the lives of certain engine and airframe components. The remaining 19.9% interest continues to be owned by an existing member of Action Research’s management team. The purchase price of this acquisition was paid using cash provided by operating activities.

In August 2012, we acquired, through HEICO Flight Support Corp., 84% of the assets and assumed certain liabilities of CSI Aerospace, Inc. (“CSI Aerospace”). CSI Aerospace is a leading repair and overhaul provider of specialized components for airlines, military and other

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aerospace related organizations. The remaining 16% interest continues to be owned by certain members of CSI Aerospace's management team.

In April 2012, we acquired, through HEICO Electronic, certain aerospace assets of Moritz Aerospace, Inc. ("Moritz Aerospace") in an aerospace product line acquisition. The Moritz Aerospace product line designs and manufactures next generation wireless cabin control systems, solid state power distribution and management systems and fuel level sensing systems for business jets and for general aviation, as well as for the military/defense market segments. The purchase price of this acquisition was paid using cash provided by operating activities.

In March 2012, we acquired, through HEICO Electronic, the business and substantially all of the assets of Ramona Research, Inc. ("Ramona Research"). Ramona Research designs and manufactures RF and microwave amplifiers, transmitters and receivers primarily used to support military communications on unmanned aerial systems, other aircraft, helicopters and ground-based data/communications systems.

On November 22, 2011, we acquired, through HEICO Electronic, Switchcraft, Inc. ("Switchcraft") through the purchase of all of the stock of Switchcraft's parent company, Switchcraft Holdco, Inc. Switchcraft is a leading designer and manufacturer of high performance, high reliability and harsh environment electronic connectors and other interconnect products.

Unless otherwise noted, the purchase price of each of the above referenced acquisitions was paid in cash principally using proceeds from our revolving credit facility. The aggregate cost paid in cash for acquisitions, including additional purchase consideration payments, was \$8.7 million, \$222.6 million and \$197.3 million in fiscal 2014, 2013 and 2012, respectively.

In February 2012, we acquired, through HEICO Aerospace, an additional 6.7% equity interest in one of our subsidiaries, which increased our ownership interest to 86.7%. In December 2012, we acquired the remaining 13.3% equity interest in the subsidiary.

In February 2014, we acquired the 20% noncontrolling interest held by Lufthansa Technik AG ("LHT") in four of our existing subsidiaries principally operating in the specialty products and distribution businesses within HEICO Aerospace. For further information regarding this acquisition, see Note 8, Shareholder's Equity, of the Notes to the Consolidated Financial Statements.

Critical Accounting Policies

We believe that the following are our most critical accounting policies, which require management to make judgments about matters that are inherently uncertain.

Assumptions utilized to determine fair value in connection with business combinations, contingent consideration arrangements and in goodwill and intangible assets impairment tests are highly judgmental. If there is a material change in such assumptions or if there is a material

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change in the conditions or circumstances influencing fair value, we could be required to recognize a material impairment charge. See Item 1A., Risk Factors, for a list of factors which may cause our actual results to differ materially from anticipated results.

Revenue Recognition

Revenue from the sale of products and the rendering of services is recognized when title and risk of loss passes to the customer, which is generally at the time of shipment. Revenue from certain fixed price contracts for which costs can be dependably estimated is recognized on the percentage-of-completion method, measured by the percentage of costs incurred to date to estimated total costs for each contract. This method is used because management considers costs incurred to be the best available measure of progress on these contracts. Revisions in cost estimates as contracts progress have the effect of increasing or decreasing profits in the period of revision. Revisions in cost estimates may be caused by factors such as the price or availability of raw materials and component parts or variations in the amount of labor required and/or the materials necessary to meet customer specifications and requirements. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. The percentage of our net sales recognized under the percentage-of-completion method was approximately 3%, 1% and 1% in fiscal 2014, 2013 and 2012, respectively. Changes in estimates pertaining to percentage-of-completion contracts did not have a material or significant effect on net income or net income per share in fiscal 2014, 2013 and 2012.

For fixed price contracts in which costs cannot be dependably estimated, revenue is recognized on the completed-contract method. A contract is considered complete when all significant costs have been incurred or the item has been accepted by the customer. Progress billings and customer advances received on fixed price contracts accounted for under the completed-contract method are classified as a reduction to contract costs that are included in inventories, if any, and any remaining amount is included in accrued expenses and other current liabilities.

Valuation of Accounts Receivable

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

Valuation of Inventory

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

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

In accordance with industry practice, all inventories are classified as a current asset including portions with long production cycles, some of which may not be realized within one year.

Business Combinations

We allocate the purchase price of acquired entities to the underlying tangible and identifiable intangible assets acquired and liabilities and any noncontrolling interests assumed based on their estimated fair values, with any excess recorded as goodwill. Determining the fair value of assets acquired and liabilities assumed requires management's judgment and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, asset lives and market multiples, among other items. We determine the fair values of intangible assets acquired generally in consultation with third-party valuation advisors.

As part of the agreement to acquire certain subsidiaries, we may be obligated to pay contingent consideration should the acquired entity meet certain earnings objectives subsequent to the date of acquisition. As of the acquisition date, contingent consideration is recorded at fair value as determined through the use of a probability-based scenario analysis approach. Under this method, a set of discrete potential future subsidiary earnings is determined using internal estimates based on various revenue growth rate assumptions for each scenario. A probability of likelihood is then assigned to each discrete potential future earnings estimate and the resultant contingent consideration is calculated and discounted using a weighted average discount rate reflecting the credit risk of a market participant. Subsequent to the acquisition date, the fair value of such contingent consideration is measured each reporting period and any changes are recorded within our Consolidated Statements of Operations. Changes in either the revenue growth rates, related earnings or the discount rate could result in a material change to the amount of contingent consideration accrued. As of October 31, 2014 and 2013, \$1.2 million and \$29.3 million of contingent consideration was accrued within our Consolidated Balance Sheets, respectively. During fiscal 2014, 2013 and 2012, such fair value measurement adjustments resulted in a net gain of \$28.1 million, a net gain of \$1.6 million and a loss of \$.1 million, respectively. For further information regarding the adjustment above, see Note 7, Fair Value Measurements, of the Notes to Consolidated Financial Statements.

Valuation of Goodwill and Other Intangible Assets

We test goodwill for impairment annually as of October 31, or more frequently if events or changes in circumstances indicate that the carrying amount of goodwill may not be fully

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recoverable. In evaluating the recoverability of goodwill, we compare the fair value of each of our reporting units to its carrying value to determine potential impairment. If the carrying value of a reporting unit exceeds its fair value, the implied fair value of that reporting unit's goodwill is to be calculated and an impairment loss is recognized in the amount by which the carrying value of the reporting unit's goodwill exceeds its implied fair value, if any. The fair values of our reporting units were determined using a weighted average of a market approach and an income approach. Under the market approach, fair values are estimated using published market multiples for comparable companies. We calculate fair values under the income approach by taking estimated future cash flows that are based on internal projections and other assumptions deemed reasonable by management and discounting them using an estimated weighted average cost of capital. Based on the annual goodwill impairment test as of October 31, 2014, 2013 and 2012, we determined there was no impairment of our goodwill. The fair value of each of our reporting units as of October 31, 2014 significantly exceeded its carrying value.

We test each non-amortizing intangible asset (principally trade names) for impairment annually as of October 31, or more frequently if events or changes in circumstances indicate that the asset might be impaired. To derive the fair value of our trade names, we utilize an income approach, which relies upon management's assumptions of royalty rates, projected revenues and discount rates. We also test each amortizing intangible asset for impairment if events or circumstances indicate that the asset might be impaired. The test consists of determining whether the carrying value of such assets will be recovered through undiscounted expected future cash flows. If the total of the undiscounted future cash flows is less than the carrying amount of those assets, we recognize an impairment loss based on the excess of the carrying amount over the fair value of the assets. The determination of fair value requires us to make a number of estimates, assumptions and judgments of such factors as projected revenues and earnings and discount rates. Based on the intangible impairment tests conducted, we recognized pre-tax impairment losses within the ETG during fiscal 2014 related to the write-down of certain customer relationships, non-amortizing trade names, and intellectual property of \$11.2 million, \$1.9 million and \$1.9 million, respectively, to their estimated fair values. The impairment losses pertaining to customer relationships and non-amortizing trade names were recorded as a component of selling, general and administrative expenses in the Company's Consolidated Statement of Operations and the impairment losses pertaining to intellectual property were recorded as a component of cost of sales. For additional information regarding the impairment losses discussed above, including the assumptions made when determining the asset's fair value, see Note 7, Fair Value Measurements, of the Notes to Consolidated Financial Statements.

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Results of Operations

The following table sets forth the results of our operations, net sales and operating income by segment and the percentage of net sales represented by the respective items in our Consolidated Statements of Operations (in thousands):

	Year ended October 31,			
	2014	2013	2012	
Net sales	\$1,132,311	\$1,008,757	\$897,347	
Cost of sales	733,999	637,576	569,911	
Selling, general and administrative expenses	194,924	187,591	164,142	
Total operating costs and expenses	928,923	825,167	734,053	
Operating income	\$203,388	\$183,590	\$163,294	
Net sales by segment:				
Flight Support Group	\$762,801	\$665,148	\$570,325	
Electronic Technologies Group	379,404	350,033	331,598	
Intersegment sales	(9,894)	(6,424)	(4,576))
	\$1,132,311	\$1,008,757	\$897,347	
Operating income by segment:				
Flight Support Group	\$136,480	\$122,058	\$103,943	
Electronic Technologies Group	88,914	83,063	77,438	
Other, primarily corporate	(22,006)	(21,531)	(18,087))
	\$203,388	\$183,590	\$163,294	
Net sales	100.0	% 100.0	% 100.0	%
Gross profit	35.2	% 36.8	% 36.5	%
Selling, general and administrative expenses	17.2	% 18.6	% 18.3	%
Operating income	18.0	% 18.2	% 18.2	%
Interest expense	.5	% .4	% .3	%
Other income	.1	% .1	% —	%
Income tax expense	5.3	% 5.6	% 6.1	%
Net income attributable to noncontrolling interests	1.5	% 2.2	% 2.4	%
Net income attributable to HEICO	10.7	% 10.2	% 9.5	%

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Comparison of Fiscal 2014 to Fiscal 2013

Net Sales

Our net sales in fiscal 2014 increased by 12% to a record \$1,132.3 million, as compared to net sales of \$1,008.8 million in fiscal 2013. The increase in net sales principally reflects an increase of \$97.7 million (a 15% increase) to a record \$762.8 million in net sales within the FSG as well as an increase of \$29.4 million (an 8% increase) to a record \$379.4 million in net sales within the ETG. The net sales increase in the FSG reflects organic growth of approximately 9% as well as additional net sales of \$37.7 million from a fiscal 2013 acquisition. The organic growth in the FSG principally reflects new product offerings and favorable market conditions resulting in net sales increases of \$58.6 million within our aftermarket replacement parts and repair and overhaul services product lines. The net sales increase in the ETG resulted from additional net sales of \$23.5 million from a fiscal 2013 acquisition as well as organic growth of approximately 2%. The organic growth in the ETG principally reflects an increase in demand for certain space and aerospace products resulting in a \$7.5 million and \$2.1 million increase in net sales, respectively, partially offset by a decrease in demand for certain defense products resulting in a decrease in net sales of \$3.4 million. Sales price changes were not a significant contributing factor to the FSG and ETG net sales growth in fiscal 2014.

Our net sales in fiscal 2014 and 2013 by market approximated 56% and 54%, respectively, from the commercial aviation industry, 26% and 26%, respectively, from the defense and space industries, and 18% and 20%, respectively, from other industrial markets including medical, electronics and telecommunications.

Gross Profit and Operating Expenses

Our consolidated gross profit margin decreased to 35.2% in fiscal 2014 as compared to 36.8% in fiscal 2013 principally reflects a decrease of 4.2% in the ETG's gross profit margin. The decrease in the ETG's gross profit margin is mainly attributed to a less favorable product mix for certain of our space and defense products inclusive of the impact of the fiscal 2013 acquisition as well as a .5% impact from an impairment loss related to the write-down of a certain intangible asset to its estimated fair value. Total new product research and development expenses included within our consolidated cost of sales increased to \$37.4 million in fiscal 2014 compared to \$32.9 million in fiscal 2013.

Selling, general and administrative ("SG&A") expenses were \$194.9 million and \$187.6 million in fiscal 2014 and 2013, respectively. The increase in SG&A expenses is principally attributable to additional costs to support the higher net sales volumes. During fiscal 2014, SG&A expenses were reduced by \$15.0 million from the net impact of a \$28.1 million decrease in the estimated fair value of accrued contingent consideration associated with the fiscal 2013 and a fiscal 2012 acquisition of the ETG that was partially offset by \$13.1 million of impairment losses related to the write-down of certain intangible assets of the acquired entities to their estimated fair values. The reductions in accrued contingent consideration and impairment losses were principally due to less favorable projected market conditions for certain of the acquired

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entities' space and defense products. See Note 7, Fair Value Measurements, for additional information regarding the contingent consideration arrangements and valuations thereof as well as further information pertaining to the measurement and recognition of the impairment losses associated with intangible assets.

SG&A expenses as a percentage of net sales decreased from 18.6% in fiscal 2013 to 17.2% in fiscal 2014 principally reflecting the previously mentioned net impact of fair value adjustments to accrued contingent consideration and intangible asset impairment losses.

Operating Income

Operating income in fiscal 2014 increased by 11% to a record \$203.4 million as compared to operating income of \$183.6 million in fiscal 2013. The increase in operating income reflects a \$14.4 million increase (a 12% increase) to a record \$136.5 million in operating income of the FSG in fiscal 2014, up from \$122.1 million in fiscal 2013 and a \$5.8 million increase (a 7% increase) in operating income of the ETG to a record \$88.9 million in fiscal 2014, up from \$83.1 million in fiscal 2013. The increase in operating income of the FSG is principally attributed to the previously mentioned net sales growth. The increase in operating income of the ETG is attributable to the previously mentioned organic net sales growth and reductions in accrued contingent consideration partially offset by the less favorable product mix, impairment losses and lower than expected operating income from the fiscal 2013 acquisition.

Our consolidated operating income as a percentage of net sales decreased to 18.0% in fiscal 2014 from 18.2% in fiscal 2013. The decrease in consolidated operating income as a percentage of net sales reflects a reduction in the FSG's operating income as a percentage of net sales from 18.4% in fiscal 2013 to 17.9% in fiscal 2014 and a reduction in the ETG's operating income as a percentage of net sales from 23.7% in fiscal 2013 to 23.4% in fiscal 2014. The decrease in the FSG's operating income as a percentage of net sales principally reflects a slightly lower gross profit margin as well as increases in certain SG&A expenses to support the higher net sales volumes. The decrease in the ETG's operating income as a percentage of net sales is primarily attributed to the previously mentioned lower gross profit margin and impairment losses partially offset by the reductions in accrued contingent consideration.

Interest Expense

Interest expense increased to \$5.4 million in fiscal 2014 from \$3.7 million in fiscal 2013. The increase was principally due to a higher weighted average balance outstanding under our revolving credit facility in fiscal 2014 associated with fiscal 2013 acquisitions and the acquisition of certain noncontrolling interests during fiscal 2014.

Other Income

Other income in fiscal 2014 and 2013 was not material.

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Income Tax Expense

Our effective tax rate in fiscal 2014 decreased to 30.1% from 31.1% in fiscal 2013. The decrease is principally attributed to the impact of a nontaxable reduction in accrued contingent consideration during fiscal 2014 associated with a fiscal 2013 acquisition acquired by means of a stock transaction. The aforementioned decrease in the effective tax rate was partially offset by lower U.S. federal research and development ("R&D") tax credits recognized in fiscal 2014 due to the expiration of the U.S. federal R&D tax credit in December 2013 compared to fiscal 2013 during which the retroactive extension of the U.S. federal R&D tax credit in the first quarter resulted in twenty-two months of U.S. federal R&D tax credits recognized that year. Additionally, the decrease in the effective rate was partially offset by higher tax-exempt unrealized gains in the cash surrender values of life insurance policies related to the HEICO Corporation Leadership Compensation Plan ("LCP") in fiscal 2013 compared to fiscal 2014. For a detailed analysis of the provision for income taxes, see Note 6, Income Taxes, of the Notes to Consolidated Financial Statements.

Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests relates to the 20% noncontrolling interest held by LHT in HEICO Aerospace and the noncontrolling interests held by others in certain subsidiaries of the FSG and ETG. Net income attributable to noncontrolling interests was \$17.5 million in fiscal 2014 compared to \$22.2 million in fiscal 2013. The decrease principally reflects lower allocations of net income to noncontrolling interests in fiscal 2014 due to the acquisition of certain noncontrolling interests during the current year.

Net Income Attributable to HEICO

Net income attributable to HEICO increased to a record \$121.3 million, or \$1.80 per diluted share, in fiscal 2014 from \$102.4 million, or \$1.53 per diluted share, in fiscal 2013, principally reflecting the previously mentioned increased operating income, lower allocation of net income to noncontrolling interests and the lower effective tax rate.

Outlook

As we look ahead to fiscal 2015, we anticipate continued growth within the FSG's aftermarket replacement parts and repair and overhaul services product lines partially offset by declines in demand for certain of our industrial products within our specialty products lines. Furthermore, we anticipate improved demand and moderate levels of growth within the ETG as compared to fiscal 2014. During fiscal 2015, we will continue our focus on developing new products and services, further market penetration, additional acquisition opportunities and maintaining our financial strength. Overall, we are targeting growth in fiscal 2015 full year net sales and net income over fiscal 2014 levels.

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Comparison of Fiscal 2013 to Fiscal 2012

Net Sales

Our net sales in fiscal 2013 increased by 12% to a record \$1,008.8 million, as compared to net sales of \$897.3 million in fiscal 2012. The increase in net sales reflects an increase of \$94.8 million (a 17% increase) to a record \$665.1 million within the FSG as well as an increase of \$18.4 million (a 6% increase) to a record \$350.0 million within the ETG. The net sales increase in the FSG reflects organic growth of approximately 9% as well as additional net sales of \$42.3 million from the fiscal 2013 and 2012 acquisitions. The organic growth in the FSG principally reflects an increase in net sales from new product offerings and improving market conditions resulting in a \$40.7 million increase in net sales within our aftermarket replacement parts and repair and overhaul services product lines and an \$11.8 million increase in net sales within our specialty products lines. The net sales increase in the ETG reflects organic growth of approximately 3% as well as additional net sales of \$8.0 million from fiscal 2013 and 2012 acquisitions. The organic growth in the ETG principally reflects increased demand for certain space and aerospace products resulting in a \$12.2 million and \$3.3 million increase in net sales from these product lines, respectively, partially offset by a decrease in demand for certain of our defense and medical products resulting in a \$3.1 million and \$1.9 million decrease in net sales from these product lines, respectively. Sales price changes were not a significant contributing factor to the FSG and ETG net sales growth for fiscal 2013.

Our net sales in fiscal 2013 and 2012 by market approximated 54% and 53%, respectively, from the commercial aviation industry, 26% and 26%, respectively, from the defense and space industries, and 20% and 21%, respectively, from other industrial markets including medical, electronics and telecommunications.

Gross Profit and Operating Expenses

Our consolidated gross profit margin increased to 36.8% in fiscal 2013 as compared to 36.5% in fiscal 2012, principally reflecting a 1.4% and .1% increase in the ETG's and FSG's gross profit margin, respectively. The increase in the ETG's gross profit margin is principally attributed to increased net sales and a more favorable product mix for certain of our space products partially offset by lower net sales and a less favorable product mix for certain of our defense products. Total new product research and development expenses included within our consolidated cost of sales increased to \$32.9 million in fiscal 2013 compared to \$30.4 million in fiscal 2012.

SG&A expenses were \$187.6 million and \$164.1 million for fiscal 2013 and fiscal 2012, respectively. The increase in SG&A expenses reflects an increase of \$18.5 million in general and administrative expenses principally attributed to an \$8.9 million increase from the fiscal 2013 and 2012 acquired businesses and the remainder to support the higher net sales volumes including an increase in accrued performance awards based on the improved consolidated operating results. Additionally, the increase in SG&A expenses reflects an increase of \$5.0 million in selling expenses of which \$1.3 million pertains to the acquired businesses and the

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remainder is attributed to higher sales-related commissions and other costs from the net sales growth. SG&A expenses as a percentage of net sales increased to 18.6% for fiscal 2013 as compared to 18.3% for fiscal 2012 principally reflecting the impact from the previously mentioned increase in accrued performance awards.

Operating Income

Operating income for fiscal 2013 increased by 12% to a record \$183.6 million as compared to operating income of \$163.3 million for fiscal 2012. The increase in operating income reflects an \$18.1 million increase (a 17% increase) to a record \$122.1 million in operating income of the FSG for fiscal 2013, up from \$103.9 million for fiscal 2012 and a \$5.6 million increase (a 7% increase) in operating income of the ETG to a record \$83.1 million for fiscal 2013, up from \$77.4 million for fiscal 2012, partially offset by a \$3.4 million increase in corporate expenses. The increase in the operating income of the FSG is principally attributed to the previously mentioned net sales growth. The increase in the operating income of the ETG reflects the previously mentioned improved gross profit margin and net sales growth.

As a percentage of net sales, our consolidated operating income was 18.2% for both fiscal 2013 and fiscal 2012 despite operating margin improvements of .3% and .2% within the ETG and FSG, respectively, as the FSG, and its lower operating income as a percentage of net sales relative to the ETG, accounted for a larger percentage of our consolidated net sales for fiscal 2013 as compared to fiscal 2012. The ETG's operating income as a percentage of net sales increased from 23.4% in fiscal 2012 to 23.7% in fiscal 2013 reflecting the previously mentioned improved gross profit margin partially offset by an increase in SG&A expenses as a percentage of net sales. The FSG's operating income as a percentage of net sales increased from 18.2% in fiscal 2012 to 18.4% in fiscal 2013 reflecting the previously mentioned improved gross profit margin.

Interest Expense

Interest expense increased to \$3.7 million in fiscal 2013, up from \$2.4 million in fiscal 2012. The increase was principally due to a higher weighted average balance outstanding under our revolving credit facility during fiscal 2013 associated with fiscal 2013 and 2012 acquisitions and borrowings made to fund an aggregate \$1.76 per share cash dividend paid in December 2012.

Other Income

Other income in fiscal 2013 and 2012 was not material.

Income Tax Expense

Our effective tax rate in fiscal 2013 decreased to 31.1% from 33.8% in fiscal 2012. The decrease is partially due to higher research and development tax credits recognized in fiscal 2013 resulting from the retroactive extension of the U.S. federal R&D tax credit in January 2013 to

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cover a two-year period from January 1, 2012 to December 31, 2013. The decrease in the effective tax rate was also attributed to the benefit from higher tax-exempt unrealized gains in the cash surrender values of life insurance policies related to the LCP and a larger income tax deduction recognized for the special and extraordinary cash dividend paid in December 2012 to participants of the HEICO Savings and Investment Plan holding HEICO common stock. For a detailed analysis of the provision for income taxes, see Note 6, Income Taxes, of the Notes to Consolidated Financial Statements.

Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests relates to the 20% noncontrolling interest held by LHT in HEICO Aerospace and the noncontrolling interests held by others in certain subsidiaries of the FSG and ETG. Net income attributable to noncontrolling interests was \$22.2 million in fiscal 2013 compared to \$21.5 million in fiscal 2012. The increase for fiscal 2013 reflects the aggregate impact of higher earnings of FSG and ETG subsidiaries in which noncontrolling interests are held, partially offset by our purchases of certain noncontrolling interests during fiscal 2013 and 2012 resulting in lower allocations of net income to noncontrolling interests.

Net Income Attributable to HEICO

Net income attributable to HEICO increased to a record \$102.4 million, or \$1.53 per diluted share, in fiscal 2013, up from \$85.1 million, or \$1.28 per diluted share, in fiscal 2012, principally reflecting the previously mentioned increased operating income and the favorable tax benefits recognized during fiscal 2013.

Inflation

We have generally experienced increases in our costs of labor, materials and services consistent with overall rates of inflation. The impact of such increases on net income attributable to HEICO has been generally minimized by efforts to lower costs through manufacturing efficiencies and cost reductions.

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Liquidity and Capital Resources

Our capitalization was as follows (in thousands):

	As of October 31,		
	2014	2013	
Total debt (including current portion)	\$329,109	\$377,515	
Less: Cash and cash equivalents	20,229	15,499	
Net debt (total debt less cash and cash equivalents)	308,880	362,016	
Shareholders' equity	774,619	723,235	
Total capitalization (debt plus equity)	1,103,728	1,100,750	
Net debt to shareholders' equity	40	% 50	%
Total debt to total capitalization	30	% 34	%

Our principal uses of cash include acquisitions, distributions to noncontrolling interests, cash dividends, capital expenditures and working capital needs. Capital expenditures in fiscal 2015 are anticipated to approximate \$25 million. We finance our activities primarily from our operating and financing activities, including borrowings under our revolving credit facility.

As of December 16, 2014, we had approximately \$480 million of unused committed availability under the terms of our revolving credit facility. Based on our current outlook, we believe that our net cash provided by operating activities and available borrowings under our revolving credit facility will be sufficient to fund cash requirements for at least the next twelve months.

Operating Activities

Net cash provided by operating activities was \$190.7 million in fiscal 2014 and consisted primarily of net income from consolidated operations of \$138.8 million, depreciation and amortization of \$47.8 million (a non-cash item), a decrease in working capital (current assets minus current liabilities) of \$16.0 million and impairment of intangible assets totaling \$15.0 million (a non-cash item), partially offset by a \$28.1 million decrease in accrued contingent consideration (a non-cash item) associated with prior year acquisitions. Net cash provided by operating activities increased by \$58.9 million in fiscal 2014 from \$131.8 million in fiscal 2013. The increase in net cash provided by operating activities in fiscal 2014 is principally due to a \$47.0 million decrease in working capital and increases of \$15.0 million, \$14.2 million and \$11.0 million in impairment of intangible assets, net income from consolidated operations and depreciation and amortization, respectively, partially offset by a \$26.5 million decrease in accrued contingent consideration associated with a fiscal 2013 and a fiscal 2012 acquisition. The \$47.0 million decrease in working capital principally reflects a \$23.6 million decrease in accounts receivable due to improved timeliness of cash collections and a \$15.0 million decrease in inventories resulting from more efficient inventory management at our subsidiaries.

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Net cash provided by operating activities was \$131.8 million in fiscal 2013 and consisted primarily of net income from consolidated operations of \$124.6 million and depreciation and amortization of \$36.8 million, partially offset by an increase in working capital of \$30.9 million. The increase in working capital was principally attributed to increases in accounts receivable and inventory as a result of net sales growth during the period. Net cash provided by operating activities decreased by \$6.7 million in fiscal 2013 from \$138.6 million in fiscal 2012. The decrease in cash provided by operating activities is principally attributed to a \$27.8 million increase in working capital reflecting increases in accounts receivable of \$10.8 million and inventories of \$7.4 million as a result of net sales growth, a \$9.0 million decrease in income taxes payable due to the timing of estimated payments and a \$3.0 million increase in our deferred tax benefit, partially offset by a \$17.9 million and \$6.1 million increase in net income from consolidated operations and depreciation and amortization, respectively.

Net cash provided by operating activities was \$138.6 million in fiscal 2012, principally reflecting net income from consolidated operations of \$106.7 million, depreciation and amortization of \$30.7 million and stock option compensation expense of \$3.9 million, partially offset by an increase in working capital of \$3.1 million. The increase in working capital of \$3.1 million primarily reflects a build in inventory levels to meet customer demand and increased accounts receivable related to higher net sales in fiscal 2012, partially offset by the timing of certain payments pertaining to fiscal 2012 accruals and payables.

Investing Activities

Net cash used in investing activities during the three-year fiscal period ended October 31, 2014 primarily relates to several acquisitions aggregating \$428.6 million, including \$8.7 million in fiscal 2014, \$222.6 million in fiscal 2013, and \$197.3 million in fiscal 2012. Further details on acquisitions may be found at the beginning of this Item 7 under the caption "Overview" and Note 2, Acquisitions, of the Notes to Consolidated Financial Statements. Capital expenditures aggregated \$50.0 million over the last three fiscal years, primarily reflecting the expansion, replacement and betterment of existing production facilities and capabilities, which were generally funded using cash provided by operating activities.

Financing Activities

Net cash used in financing activities was \$160.1 million in fiscal 2014 as compared to net cash provided by financing activities of \$103.2 million and \$78.4 million in fiscal 2013 and 2012, respectively. During the three-year fiscal period ended October 31, 2014, we borrowed an aggregate \$675.0 million under our revolving credit facility including borrowings of \$112.0 million in fiscal 2014, \$372.0 million in fiscal 2013, and \$191.0 million in fiscal 2012. The aforementioned borrowings were principally to fund acquisitions, special and extraordinary cash dividends paid in fiscal 2014 and 2013, and distributions to noncontrolling interests. Further details on acquisitions may be found at the beginning of this Item 7 under the caption "Overview" and Note 2, Acquisitions, of the Notes to Consolidated Financial Statements. Payments on the revolving credit facility aggregated \$385.0 million over the last three fiscal years, including \$159.0 million in fiscal 2014, \$126.0 million in fiscal 2013, and \$100.0 million

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in fiscal 2012. For the three-year fiscal period ended October 31, 2014, we paid an aggregate \$157.3 million in cash dividends, including \$31.2 million in fiscal 2014, \$120.4 million in fiscal 2013, and \$5.7 million in fiscal 2012 and we also made distributions to noncontrolling interests aggregating \$95.9 million. Net cash (used in) provided by financing activities also includes the presentation of an excess tax benefit from stock option exercises aggregating \$17.3 million for the three-year fiscal period ended October 31, 2014.

In December 2011, we entered into a \$670 million Revolving Credit Agreement (“Credit Facility”) with a bank syndicate. The Credit Facility may be used for our working capital and general corporate needs, including capital expenditures and to finance acquisitions. In November 2013, we entered into an amendment to extend the maturity date of the Credit Facility by one year to December 2018 and to increase the aggregate committed principal amount to \$800 million. Furthermore, the amendment includes a feature that will allow us to increase the aggregate committed principal amount by an additional \$200 million to become a \$1.0 billion facility through increased commitments from existing lenders or the addition of new lenders.

Advances under the Credit Facility accrue interest at our choice of the “Base Rate” or the London Interbank Offered Rate (“LIBOR”) plus applicable margins (based on the Company’s ratio of total funded debt to earnings before interest, taxes, depreciation and amortization, noncontrolling interests and non-cash charges, or “leverage ratio”). The Base Rate is the highest of (i) the Prime Rate; (ii) the Federal Funds rate plus .50% per annum; and (iii) the Adjusted LIBO Rate determined on a daily basis for an Interest Period of one month plus 1.00% per annum, as such capitalized terms are defined in the Credit Facility. The applicable margins for LIBOR-based borrowings range from .75% to 2.25%. The applicable margins for Base Rate borrowings range from 0% to 1.25%. A fee is charged on the amount of the unused commitment ranging from .125% to .35% (depending on our leverage ratio). The Credit Facility also includes a \$50 million sublimit for borrowings made in foreign currencies, letters of credit and swingline borrowings. Outstanding principal, accrued and unpaid interest and other amounts payable under the Credit Facility may be accelerated upon an event of default, as such events are described in the Credit Facility. The Credit Facility is unsecured and contains covenants that restrict the amount of certain payments, including dividends, and require, among other things, the maintenance of a total leverage ratio, a senior leverage ratio and a fixed charge coverage ratio. In the event our leverage ratio exceeds a specified level, the Credit Facility would become secured by the capital stock owned in substantially all of our subsidiaries. As of October 31, 2014, we were in compliance with all financial and nonfinancial covenants. See Note 5, Long-Term Debt, of the Notes to Consolidated Financial Statements for further information regarding the Credit Facility.

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Contractual Obligations

The following table summarizes our contractual obligations as of October 31, 2014 (in thousands):

	Total	Payments due by fiscal period			
		2015	2016 - 2017	2018 - 2019	Thereafter
Long-term debt obligations ⁽¹⁾	\$326,000	\$—	\$—	\$326,000	\$—
Capital lease obligations ⁽²⁾	3,643	547	948	872	1,276
Operating lease obligations ⁽³⁾	35,921	9,787	15,534	4,697	5,903
Purchase obligations ^{(4) (5)}	2,908	1,693	1,215	—	—
Other long-term liabilities ⁽⁶⁾	385	161	181	38	5
Total contractual obligations	\$368,857	\$12,188	\$17,878	\$331,607	\$7,184

(1) Excludes interest charges on borrowings and the fee on the amount of any unused commitment that we may be obligated to pay under our revolving credit facility as such amounts vary. See Note 5, Long-Term Debt, of the Notes to Consolidated Financial Statements and “Liquidity and Capital Resources,” above for additional information regarding our long-term debt obligations.

(2) Inclusive of \$.5 million in interest charges. See Note 5, Long-Term Debt, of the Notes to Consolidated Financial Statements for additional information regarding our capital lease obligations.

(3) See Note 15, Commitments and Contingencies – Lease Commitments, of the Notes to Consolidated Financial Statements for additional information regarding our operating lease obligations.

(4) Includes contingent consideration aggregating \$1.2 million related to a fiscal 2013 acquisition. See Note 7, Fair Value Measurements, of the Notes to Consolidated Financial Statements for additional information.

(5) Also includes an aggregate \$1.6 million of commitments principally for capital expenditures and inventory. All purchase obligations of inventory and supplies in the ordinary course of business (i.e., with deliveries scheduled within the next year) are excluded from the table.

(6) The amounts in the table do not include liabilities related to the HEICO Corporation Leadership Compensation Plan or our other deferred compensation arrangement as they are each fully supported by assets held within irrecoverable trusts. See Note 3, Selected Financial Statement Information - Other Long-Term Assets and Liabilities, of the Notes to Consolidated Financial Statements for further information about these two deferred compensation plans.

Off-Balance Sheet Arrangements

Guarantees

As of October 31, 2014, we have arranged for standby letters of credit aggregating \$2.3 million, which are supported by our revolving credit facility. One letter of credit in the amount of \$1.5 million is to satisfy the security requirement of our insurance company for potential workers' compensation claims and the remainder pertain to performance guarantees related to customer contracts entered into by certain of our subsidiaries.

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New Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income," which requires disclosure about changes in and amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement of operations or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income, but only if the amount reclassified is required to be reclassified to net income in its entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional detail about those amounts. We adopted ASU 2013-02 in the first quarter of fiscal 2014, resulting in only expanded disclosure regarding the changes in accumulated other comprehensive income and no impact on our consolidated results of operations, financial position or cash flows.

In March 2013, the FASB issued ASU 2013-05, "Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity," which clarifies the applicable guidance for the release of any cumulative translation adjustments into net earnings. ASU 2013-05 specifies that the entire amount of cumulative translation adjustments should be released into earnings when an entity ceases to have a controlling financial interest in a subsidiary or group of assets within a consolidated foreign entity and the sale or transfer results in the complete or substantially complete liquidation of the investment in the foreign entity. ASU 2013-05 is effective prospectively for fiscal years and interim reporting periods within those years beginning after December 15, 2013, or in fiscal 2015 for HEICO. Early adoption is permitted. We are currently evaluating the effect, if any, the adoption of this guidance will have on our consolidated results of operations, financial position or cash flows.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers," which provides a comprehensive new revenue recognition model that will supersede nearly all existing revenue recognition guidance. Under ASU 2014-09, an entity will recognize revenue when it transfers promised goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. ASU 2014-09 is effective for fiscal years and interim reporting periods within those years beginning after December 15, 2016, or in fiscal 2018 for HEICO. Early adoption is not permitted. ASU 2014-09 shall be applied either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application. We are currently evaluating which transition method we will elect and the effect the adoption of this guidance will have on our consolidated results of operations, financial position or cash flows.

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Forward-Looking Statements

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

• Lower demand for commercial air travel or airline fleet changes or airline purchasing decisions, which could cause lower demand for our goods and services;

• Product development or product specification costs and requirements, which could cause an increase to our costs to complete contracts;

• Governmental and regulatory demands, export policies and restrictions, reductions in defense, space or homeland security spending by U.S. and/or foreign customers or competition from existing and new competitors, which could reduce our sales;

• Our ability to introduce new products and product pricing levels, which could reduce our sales or sales growth;

• Product development difficulties, which could increase our product development costs and delay sales; and

• Our ability to make acquisitions and achieve operating synergies from acquired businesses, customer credit risk, interest and income tax rates and economic conditions within and outside of the aviation, defense, space, medical, telecommunications and electronics industries, which could negatively impact our costs and revenues; and defense budget cuts, which could reduce our defense-related revenue.

For further information on these and other factors that potentially could materially affect our financial results, see Item 1A, Risk Factors. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except to the extent required by applicable law.

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Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The primary market risk to which we have exposure is interest rate risk, mainly related to our revolving credit facility, which has variable interest rates. Interest rate risk associated with our variable rate debt is the potential increase in interest expense from an increase in interest rates. Based on our aggregate outstanding variable rate debt balance of \$326 million as of October 31, 2014, a hypothetical 10% increase in interest rates would not have a material effect on our results of operations, financial position or cash flows.

We maintain a portion of our cash and cash equivalents in financial instruments with original maturities of three months or less. These financial instruments are subject to interest rate risk and will decline in value if interest rates increase. Due to the short duration of these financial instruments, a hypothetical 10% increase in interest rates as of October 31, 2014 would not have a material effect on our results of operations, financial position or cash flows.

We are also exposed to foreign currency exchange rate fluctuations on the United States dollar value of our foreign currency denominated transactions, which are principally in Euros, Canadian dollars and British pounds sterling. A hypothetical 10% weakening in the exchange rate of the Euro, Canadian dollar or British pound sterling to the United States dollar as of October 31, 2014 would not have a material effect on our results of operations, financial position or cash flows.

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Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

HEICO CORPORATION AND SUBSIDIARIES
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of HEICO Corporation and subsidiaries (the "Company") as of October 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended October 31, 2014. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 HEICO Corporation and subsidiaries as of October 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended October 31, 2014, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of October 31, 2014, based on the criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated December 18, 2014 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP
Certified Public Accountants

Miami, Florida
December 18, 2014

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HEICO CORPORATION AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS
 (in thousands, except per share data)

	As of October 31,	
	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$20,229	\$15,499
Accounts receivable, net	149,669	157,022
Inventories, net	218,042	218,893
Prepaid expenses and other current assets	8,868	17,022
Deferred income taxes	34,485	33,036
Total current assets	431,293	441,472
Property, plant and equipment, net	93,865	97,737
Goodwill	686,271	688,489
Intangible assets, net	200,810	241,558
Deferred income taxes	1,063	1,791
Other assets	75,912	61,968
Total assets	\$1,489,214	\$1,533,015
LIABILITIES AND EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$418	\$697
Trade accounts payable	57,157	54,855
Accrued expenses and other current liabilities	92,578	105,734
Income taxes payable	2,067	—
Total current liabilities	152,220	161,286
Long-term debt, net of current maturities	328,691	376,818
Deferred income taxes	111,429	128,482
Other long-term liabilities	82,289	83,976
Total liabilities	674,629	750,562
Commitments and contingencies (Notes 2 and 15)		
Redeemable noncontrolling interests (Note 11)	39,966	59,218
Shareholders' equity:		
Preferred Stock, \$.01 par value per share; 10,000 shares authorized; 300 shares designated as Series B Junior Participating Preferred Stock and 300 shares designated as Series C Junior Participating Preferred Stock; none issued	—	—
Common Stock, \$.01 par value per share; 75,000 shares authorized; 26,847 and 26,790 shares issued and outstanding	268	268
Class A Common Stock, \$.01 par value per share; 75,000 shares authorized; 39,699 and 39,586 shares issued and outstanding	397	396
Capital in excess of par value	269,351	255,889
Deferred compensation obligation	1,138	1,138
HEICO stock held by irrevocable trust	(1,138)	(1,138)

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Accumulated other comprehensive (loss) income	(8,289)	144
Retained earnings	437,757		349,649
Total HEICO shareholders' equity	699,484		606,346
Noncontrolling interests	75,135		116,889
Total shareholders' equity	774,619		723,235
Total liabilities and equity	\$1,489,214		\$1,533,015

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

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HEICO CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Year ended October 31,		
	2014	2013	2012
Net sales	\$1,132,311	\$1,008,757	\$897,347
Operating costs and expenses:			
Cost of sales	733,999	637,576	569,911
Selling, general and administrative expenses	194,924	187,591	164,142
Total operating costs and expenses	928,923	825,167	734,053
Operating income	203,388	183,590	163,294
Interest expense	(5,441	) (3,717	) (2,432
Other income	625	888	313
Income before income taxes and noncontrolling interests	198,572	180,761	161,175
Income tax expense	59,800	56,200	54,500
Net income from consolidated operations	138,772	124,561	106,675
Less: Net income attributable to noncontrolling interests	17,479	22,165	21,528
Net income attributable to HEICO	\$121,293	\$102,396	\$85,147
Net income per share attributable to HEICO shareholders (Note 13):			
Basic	\$1.82	\$1.54	\$1.29
Diluted	\$1.80	\$1.53	\$1.28
Weighted average number of common shares outstanding:			
Basic	66,463	66,298	65,861
Diluted	67,453	66,982	66,624

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

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HEICO CORPORATION AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (in thousands)

	Year ended October 31,		
	2014	2013	2012
Net income from consolidated operations	\$138,772	\$124,561	\$106,675
Other comprehensive (loss) income:			
Foreign currency translation adjustments	(7,882	) 3,128	(6,457)
Unrealized (loss) gain on pension benefit obligation, net of tax	(551	) 590	—
Total other comprehensive (loss) income	(8,433	) 3,718	(6,457)
Comprehensive income from consolidated operations	130,339	128,279	100,218
Less: Comprehensive income attributable to noncontrolling interests	17,479	22,165	21,528
Comprehensive income attributable to HEICO	\$112,860	\$106,114	\$78,690

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

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HEICO CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands, except per share data)

	HEICO Shareholders' Equity									
	Redeemable Noncontrolling Interests	Common Stock	Class An Common Stock	Capital in Excess of Par Value	Deferred Compensation Obligation	HEICO Stock held by Irrevocable Trust	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interests	Total Shareholders' Equity
Balances as of October 31, 2013	\$59,218	\$268	\$396	\$255,889	\$1,138	(\$1,138)	\$144	\$349,649	\$116,889	\$723,235
Comprehensive income (loss)	5,313	—	—	—	—	—	(8,433)	121,293	12,166	125,026
Cash dividends (\$.47 per share)	—	—	—	—	—	—	—	(31,215)	—	(31,215)
Issuance of common stock to HEICO	—	—	—	5,504	—	—	—	—	—	5,504
Savings and Investment Plan Share-based compensation expense	—	—	1	7,425	—	—	—	—	—	7,426
Proceeds from stock option exercises	—	—	—	708	—	—	—	—	—	708
Tax benefit from stock option exercises	—	—	—	93	—	—	—	—	—	93
Redemptions of common stock related to share-based compensation	—	—	—	(273)	—	—	—	—	—	(273)
Distributions to noncontrolling interests	(5,908)	—	—	—	—	—	—	—	(73,304)	(73,304)
Acquisitions of noncontrolling interests	(1,243)	—	—	—	—	—	—	—	—	—
Reclassification of redeemable noncontrolling interests to noncontrolling interests	(19,383)	—	—	—	—	—	—	—	19,383	19,383
	1,969	—	—	—	—	—	—	(1,969)	—	(1,969)

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Adjustments to redemption amount of redeemable noncontrolling interests

Other	—	—	—	5	—	—	—	(1)	1	5
Balances as of October 31, 2014	\$39,966	\$268	\$397	\$269,351	\$1,138	(\$1,138)	(\$8,289)	\$437,757	\$75,135	\$774,619	

HEICO Shareholders' Equity

	Redeemable Noncontrolling Interests	Common Stock	Class A Common Stock	Capital in Excess of Par Value	Deferred Compensation Obligation	HEICO Stock Held by Irrevocable Trust	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interests	Total Shareholders' Equity
Balances as of October 31, 2012	\$67,166	\$213	\$315	\$244,632	\$823	(\$823)	(\$3,572)	\$375,085	\$103,086	\$719,759
Comprehensive income	8,386	—	—	—	—	—	3,718	102,396	13,779	119,893
Cash dividends (\$1.816 per share)	—	—	—	—	—	—	—	(120,361)	—	(120,361)
Five-for-four common stock split	—	54	79	(133)	—	—	—	(17)	—	(17)
Issuance of common stock to HEICO	—	—	—	2,985	—	—	—	—	—	2,985
Savings and Investment Plan Share-based compensation expense	—	—	—	5,117	—	—	—	—	—	5,117
Proceeds from stock option exercises	—	1	2	460	—	—	—	—	—	463
Tax benefit from stock option exercises	—	—	—	5,191	—	—	—	—	—	5,191
Redemptions of common stock related to share-based compensation	—	—	—	(2,364)	—	—	—	—	—	(2,364)
Distributions to noncontrolling interests	(7,579)	—	—	—	—	—	—	—	—	—

Acquisitions of noncontrolling interests	(16,610)	—	—	—	—	—	—	—	—	—
Adjustments to redemption amount of redeemable noncontrolling interests	7,454	—	—	—	—	—	—	(7,454)	—	(7,454)
Deferred compensation obligation	—	—	—	—	315	(315)	—	—	—	—
Other	401	—	—	1	—	—	(2)	—	24	23
Balances as of October 31, 2013	\$59,218	\$268	\$396	\$255,889	\$1,138	(\$1,138)	\$144	\$349,649	\$116,889	\$723,235

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

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HEICO CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands, except per share data)

	HEICO Shareholders' Equity									
	Redeemable Noncontrolling Interests	Common Stock	Class An Common Stock	Capital in Excess of Par Value	Deferred Compensation Obligations	HEICO Stock Held by Irrevocable Trust	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interests	Total Shareholders' Equity
Balances as of October 31, 2011	\$65,430	\$171	\$250	\$226,120	\$522	(\$522)	\$3,033	\$299,497	\$91,083	\$620,154
Comprehensive income (loss)	9,526	—	—	—	—	—	(6,457)	85,147	12,002	90,692
Cash dividends (\$0.086 per share)	—	—	—	—	—	—	—	(5,689)	—	(5,689)
Five-for-four common stock split	—	42	63	(105)	—	—	—	(16)	—	(16)
Issuance of common stock to HEICO Savings and Investment Plan	—	—	—	982	—	—	—	—	—	982
Share-based compensation expense	—	—	—	3,948	—	—	—	—	—	3,948
Proceeds from stock option exercises	—	—	2	831	—	—	—	—	—	833
Tax benefit from stock option exercises	—	—	—	13,164	—	—	—	—	—	13,164
Redemptions of common stock related to share-based compensation	—	—	—	(307)	—	—	—	—	—	(307)
Distributions to noncontrolling interests	(9,090)	—	—	—	—	—	—	—	—	—
Acquisitions of noncontrolling interests	(7,616)	—	—	—	—	—	—	—	—	—
Adjustments to redemption amount of	3,775	—	—	—	—	—	—	(3,775)	—	(3,775)

redeemable noncontrolling interests											
Noncontrolling interests assumed related to acquisitions	3,918	—	—	—	—	—	—	—	—	—	—
Deferred compensation obligation	—	—	—	—	301	(301)	—	—	—	—	—
Other	1,223	—	—	(1)	—	—	(148)	(79)	1	(227)	
Balances as of October 31, 2012	\$67,166	\$213	\$315	\$244,632	\$823	(\$823)	(\$3,572)	\$375,085	\$103,086	\$719,759	

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

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HEICO CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year ended October 31,		
	2014	2013	2012
Operating Activities:			
Net income from consolidated operations	\$138,772	\$124,561	\$106,675
Adjustments to reconcile net income from consolidated operations to net cash provided by operating activities:			
Depreciation and amortization	47,757	36,790	30,656
Impairment of intangible assets	15,000	—	—
Share-based compensation expense	6,426	5,117	3,948
Employer contributions to HEICO Savings and Investment Plan	6,302	2,985	982
Tax benefit from stock option exercises	93	5,191	13,164
Excess tax benefit from stock option exercises	(93)	(5,126)	(12,110)
Deferred income tax benefit	(16,745)	(5,785)	(2,834)
(Decrease) increase in accrued contingent consideration	(28,126)	(1,640)	119
Changes in operating assets and liabilities, net of acquisitions:			
Decrease (increase) in accounts receivable	6,999	(16,585)	(5,782)
Decrease (increase) in inventories	126	(14,877)	(7,484)
Decrease (increase) in prepaid expenses and other current assets	8,033	(4,918)	(1,072)
Increase (decrease) in trade accounts payable	2,511	(23)	4,269
(Decrease) increase in accrued expenses and other current liabilities	(3,090)	12,766	5,182
Increase (decrease) in income taxes payable	1,462	(7,273)	1,759
Other long-term assets and liabilities, net	5,262	653	1,113
Net cash provided by operating activities	190,689	131,836	138,585
Investing Activities:			
Acquisitions, net of cash acquired	(8,737)	(222,638)	(197,285)
Capital expenditures	(16,410)	(18,328)	(15,262)
Other	(40)	(342)	(161)
Net cash used in investing activities	(25,187)	(241,308)	(212,708)
Financing Activities:			
Borrowings on revolving credit facility	112,000	372,000	191,000
Payments on revolving credit facility	(159,000)	(126,000)	(100,000)
Distributions to noncontrolling interests	(79,212)	(7,579)	(9,090)
Cash dividends paid	(31,215)	(120,361)	(5,689)
Acquisitions of noncontrolling interests	(1,243)	(16,610)	(7,616)
Revolving credit facility issuance costs	(767)	(570)	(3,028)
Redemptions of common stock related to share-based compensation	(273)	(2,364)	(307)
Payment of contingent consideration	—	(601)	—
Excess tax benefit from stock option exercises	93	5,126	12,110
Proceeds from stock option exercises	708	463	833
Other	(1,206)	(296)	214
Net cash (used in) provided by financing activities	(160,115)	103,208	78,427
Effect of exchange rate changes on cash	(657)	312	(353)

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Net increase (decrease) in cash and cash equivalents	4,730	(5,952) 3,951
Cash and cash equivalents at beginning of year	15,499	21,451	17,500
Cash and cash equivalents at end of year	\$20,229	\$15,499	\$21,451

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

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HEICO CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

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

Basis of Presentation

The Company has two operating segments: the Flight Support Group (“FSG”), consisting of HEICO Aerospace and HEICO Flight Support Corp. and their collective subsidiaries; and the Electronic Technologies Group (“ETG”), consisting of HEICO Electronic and its subsidiaries.

The consolidated financial statements include the accounts of HEICO Corporation and its subsidiaries, all of which are wholly owned except for HEICO Aerospace, which is 20% owned by Lufthansa Technik AG (“LHT”), the technical services subsidiary of Lufthansa German Airlines. In addition, HEICO Aerospace consolidates two subsidiaries which are 80.1% and 82.3% owned, respectively, and a joint venture, which is 84% owned. Also, HEICO Flight Support Corp. consolidates three subsidiaries which are 80.1%, 80.1%, and 84% owned, respectively. Furthermore, HEICO Electronic consolidates three subsidiaries, which are 80.1%, 82.5%, and 95.9% owned, respectively, and a wholly owned subsidiary of HEICO Electronic consolidates a subsidiary which is 78% owned. See Note 11, Redeemable Noncontrolling Interests. All intercompany balances and transactions are eliminated.

Stock Splits

In September 2013 and March 2012, the Company’s Board of Directors declared a 5-for-4 stock split on both classes of the Company’s common stock. The stock splits were effected as of October 23, 2013 and April 25, 2012, respectively, in the form of a 25% stock dividend distributed to shareholders of record as of October 11, 2013 and April 13, 2012, respectively. All applicable share and per share information has been adjusted retrospectively to give effect to the 5-for-4 stock splits.

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Use of Estimates and Assumptions

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

Cash and Cash Equivalents

For purposes of the consolidated financial statements, the Company considers all highly liquid investments such as U.S. Treasury bills and money market funds with an original maturity of three months or less at the time of purchase to be cash equivalents.

Accounts Receivable

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

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments and trade accounts receivable. The Company places its temporary cash investments with high credit quality financial institutions and limits the amount of credit exposure to any one financial institution. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers comprising the Company's customer base and their dispersion across many different geographical regions. The Company performs ongoing credit evaluations of its customers, but does not generally require collateral to support customer receivables.

Inventory

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

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The Company periodically evaluates the carrying value of inventory, giving consideration to factors such as its physical condition, sales patterns and expected future demand in order to estimate the amount necessary to write down any slow moving, obsolete or damaged inventory. These estimates could vary significantly from actual amounts based upon future economic conditions, customer inventory levels or competitive factors that were not foreseen or did not exist when the estimated write-downs were made. In accordance with industry practice, all inventories are classified as a current asset including portions with long production cycles, some of which may not be realized within one year.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost. Depreciation and amortization is generally provided on the straight-line method over the estimated useful lives of the various assets. The Company's property, plant and equipment is depreciated over the following estimated useful lives:

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

The costs of major additions and improvements are capitalized. Leasehold improvements are amortized over the shorter of the leasehold improvement's useful life or the lease term. Repairs and maintenance costs are expensed as incurred. Upon disposition, the asset's cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected within earnings.

Capital Leases

Assets acquired under capital leases are recorded at the lower of the fair value of the asset or the present value of the future minimum lease payments, excluding that portion of the payments representing executory costs. The discount rate used in determining the present value of the minimum lease payments is the lower of the rate implicit in the lease or the Company's incremental borrowing rate. Assets under capital leases are included in property, plant and equipment and are depreciated over the shorter of the lease term or the useful life of the leased asset. Lease payments under capital leases are recognized as a reduction of the capital lease obligation and as interest expense.

Business Combinations

The Company allocates the purchase price of acquired entities to the underlying tangible and identifiable intangible assets acquired and liabilities and any noncontrolling interests assumed based on their estimated fair values, with any excess recorded as goodwill. The operating results of acquired businesses are included in the Company's results of operations

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beginning as of their effective acquisition dates. Acquisition costs are generally expensed as incurred and were not material in fiscal 2014, 2013 or 2012.

For contingent consideration arrangements, a liability is recognized at fair value as of the acquisition date with subsequent fair value adjustments recorded in operations. Information regarding additional contingent purchase consideration may be found in Note 2, Acquisitions and Note 7, Fair Value Measurements.

Goodwill and Other Intangible Assets

The Company tests goodwill for impairment annually as of October 31, or more frequently if events or changes in circumstances indicate that the carrying amount of goodwill may not be fully recoverable. In evaluating the recoverability of goodwill, the Company compares the fair value of each of its reporting units to its carrying value to determine potential impairment. If the carrying value of a reporting unit exceeds its fair value, the implied fair value of that reporting unit's goodwill is to be calculated and an impairment loss is recognized in the amount by which the carrying value of the reporting unit's goodwill exceeds its implied fair value, if any. The fair values of the Company's reporting units are determined by using a weighted average of a market approach and an income approach. Under the market approach, fair values are estimated using published market multiples for comparable companies. The Company calculates fair values under the income approach by taking estimated future cash flows that are based on internal projections and other assumptions deemed reasonable by management and discounting them using an estimated weighted average cost of capital.

The Company's intangible assets not subject to amortization consist principally of its trade names. The Company's intangible assets subject to amortization are amortized on the straight-line method (except for certain customer relationships amortized on an accelerated method) over the following estimated useful lives:

Customer relationships	6 to 10 years
Intellectual property	6 to 15 years
Licenses	10 to 17 years
Non-compete agreements	2 to 7 years
Patents	5 to 20 years
Trade names	5 to 10 years

Amortization expense of intellectual property, licenses and patents is recorded as a component of cost of sales, and amortization expense of customer relationships, non-compete agreements and trade names is recorded as a component of selling, general and administrative expenses in the Company's Consolidated Statements of Operations. The Company tests each non-amortizing intangible asset for impairment annually as of October 31, or more frequently if events or changes in circumstances indicate that the asset might be impaired. To derive the fair value of its trade names, the Company utilizes an income approach, which relies upon management's assumptions of royalty rates, projected revenues and discount rates. The

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Company also tests each amortizing intangible asset for impairment if events or circumstances indicate that the asset might be impaired. The test consists of determining whether the carrying value of such assets will be recovered through undiscounted expected future cash flows. If the total of the undiscounted future cash flows is less than the carrying amount of those assets, the Company recognizes an impairment loss based on the excess of the carrying amount over the fair value of the assets. The determination of fair value requires us to make a number of estimates, assumptions and judgments of such factors as projected revenues and earnings and discount rates.

Investments

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

Customer Rebates and Credits

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

Product Warranties

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

Defined Benefit Pension Plan

In connection with a fiscal 2013 acquisition, the Company assumed a frozen qualified defined benefit pension plan (the "Plan"). The Plan's benefits are based on employee compensation and years of service. However, since the Plan was closed to new participants effective December 31, 2004, the accrued benefit for Plan participants was fixed as of the date of acquisition. The Company uses an actuarial valuation to determine the projected benefit obligation of the Plan and records the difference between the fair value of the Plan's assets and the projected benefit obligation as of October 31 in its Consolidated Balance Sheets.

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Additionally, any actuarial gain or loss that arises during a fiscal year that is not recognized as a component of net periodic pension income or expense is recorded as a component of other comprehensive income or (loss), net of tax. See Note 10, Employee Retirement Plans, for additional information and disclosures about the Plan.

Revenue Recognition

Revenue from the sale of products and the rendering of services is recognized when title and risk of loss passes to the customer, which is generally at the time of shipment. Revenue from the rendering of services represented less than 10% of consolidated net sales for all periods presented. Revenue from certain fixed price contracts for which costs can be dependably estimated is recognized on the percentage-of-completion method, measured by the percentage of costs incurred to date to estimated total costs for each contract. The percentage of the Company's net sales recognized under the percentage-of-completion method was approximately 3%, 1% and 1% in fiscal 2014, 2013 and 2012, respectively. Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation costs. Selling, general and administrative costs are charged to expense as incurred.

Revisions in cost estimates as contracts progress have the effect of increasing or decreasing profits in the period of revision. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Variations in actual labor performance, changes to estimated profitability, and final contract settlements may result in revisions to cost estimates and are recognized in income in the period in which the revisions are determined. Changes in estimates pertaining to percentage-of-completion contracts did not have a material effect on net income from consolidated operations in fiscal 2014, 2013 or 2012.

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

For fixed price contracts in which costs cannot be dependably estimated, revenue is recognized on the completed-contract method. A contract is considered complete when all significant costs have been incurred or the item has been accepted by the customer. Progress billings and customer advances ("billings to date") received on fixed price contracts accounted for under the completed-contract method are classified as a reduction to contracts in process (a component of inventories), if any, and any remaining amount is included in accrued expenses and other current liabilities.

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Stock-Based Compensation

The Company records compensation expense associated with stock options in its Consolidated Statements of Operations based on the grant date fair value of those awards. The fair value of each stock option on the date of grant is estimated using the Black-Scholes pricing model based on certain valuation assumptions. Expected volatilities are based on the Company's historical stock prices over the contractual terms of the options and other factors. The risk-free interest rates used are based on the published U.S. Treasury yield curve in effect at the time of the grant for instruments with a similar life. The dividend yield reflects the Company's expected dividend yield at the date of grant. The expected life represents the period that the stock options are expected to be outstanding, taking into consideration the contractual terms of the options and employee historical exercise behavior. The Company generally recognizes stock option compensation expense ratably over the award's vesting period.

Income Taxes

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

The Company accounts for uncertainty in income taxes and evaluates tax positions utilizing a two-step process. The first step is to determine whether it is more-likely-than-not that a tax position will be sustained upon examination based on the technical merits of the position. The second step is to measure the benefit to be recorded from tax positions that meet the more-likely-than-not recognition threshold by determining the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement and recognizing that amount in the financial statements. The Company's policy is to recognize interest and penalties related to income tax matters as a component of income tax expense. Further information regarding income taxes can be found in Note 6, Income Taxes.

Redeemable Noncontrolling Interests

As further detailed in Note 11, Redeemable Noncontrolling Interests, the holders of equity interests in certain of the Company's subsidiaries have rights ("Put Rights") that require the Company to provide cash consideration for their equity interests (the "Redemption Amount") at fair value or at a formula that management intended to reasonably approximate fair value based solely on a multiple of future earnings over a measurement period. The Put Rights are embedded in the shares owned by the noncontrolling interest holders and are not freestanding. The Company tracks the carrying cost of such redeemable noncontrolling interests at historical cost plus an allocation of subsidiary earnings based on ownership interest, less dividends paid to the noncontrolling interest holders. Redeemable noncontrolling interests are recorded outside of permanent equity at the higher of their carrying cost or management's estimate of the Redemption Amount. The initial adjustment to record redeemable noncontrolling

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interests at the Redemption Amount results in a corresponding decrease to retained earnings. Subsequent adjustments to the Redemption Amount of redeemable noncontrolling interests may result in corresponding decreases or increases to retained earnings, provided any increases to retained earnings may only be recorded to the extent of decreases previously recorded. Adjustments to Redemption Amounts based on fair value will have no effect on net income per share attributable to HEICO shareholders whereas the portion of periodic adjustments to the carrying amount of redeemable noncontrolling interests based solely on a multiple of future earnings that reflect a redemption amount in excess of fair value will affect net income per share attributable to HEICO shareholders. Acquisitions of redeemable noncontrolling interests are treated as equity transactions.

Net Income per Share Attributable to HEICO Shareholders

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

As further detailed in “Redeemable Noncontrolling Interests” above, the portion of periodic adjustments to the carrying amount of redeemable noncontrolling interests based solely on a multiple of future earnings that reflect a redemption amount in excess of fair value affect net income attributable to HEICO for purposes of determining net income per share attributable to HEICO shareholders (see Note 12, Net Income per Share Attributable to HEICO Shareholders).

Foreign Currency Translation

All assets and liabilities of foreign subsidiaries that do not utilize the United States dollar as its functional currency are translated at period-end exchange rates, while revenue and expenses are translated using average exchange rates for the period. Unrealized translation gains or losses are reported as foreign currency translation adjustments through other comprehensive income in shareholders’ equity.

Contingencies

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

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New Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income," which requires disclosure about changes in and amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement of operations or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income, but only if the amount reclassified is required to be reclassified to net income in its entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional detail about those amounts. The Company adopted ASU 2013-02 in the first quarter of fiscal 2014, resulting in only expanded disclosure regarding the changes in accumulated other comprehensive income and no impact on the Company's consolidated results of operations, financial position or cash flows.

In March 2013, the FASB issued ASU 2013-05, "Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity," which clarifies the applicable guidance for the release of any cumulative translation adjustments into net earnings. ASU 2013-05 specifies that the entire amount of cumulative translation adjustments should be released into earnings when an entity ceases to have a controlling financial interest in a subsidiary or group of assets within a consolidated foreign entity and the sale or transfer results in the complete or substantially complete liquidation of the investment in the foreign entity. ASU 2013-05 is effective prospectively for fiscal years and interim reporting periods within those years beginning after December 15, 2013, or in fiscal 2015 for HEICO. Early adoption is permitted. The Company is currently evaluating the effect, if any, the adoption of this guidance will have on its consolidated results of operations, financial position or cash flows.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers," which provides a comprehensive new revenue recognition model that will supersede nearly all existing revenue recognition guidance. Under ASU 2014-09, an entity will recognize revenue when it transfers promised goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. ASU 2014-09 is effective for fiscal years and interim reporting periods within those years beginning after December 15, 2016, or in fiscal 2018 for HEICO. Early adoption is not permitted. ASU 2014-09 shall be applied either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application. The Company is currently evaluating which transition method it will elect and the effect the adoption of this guidance will have on its consolidated results of operations, financial position or cash flows.

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2. ACQUISITIONS

Reinhold Acquisition

On May 31, 2013, the Company, through its HEICO Flight Support Corp. subsidiary, acquired Reinhold Industries, Inc. ("Reinhold") through the acquisition of all of the outstanding stock of Reinhold's parent company for approximately \$133.0 million, net of \$8.0 million of cash acquired, in a transaction carried out by means of a merger. The purchase price of this acquisition was paid in cash, principally using proceeds from the Company's revolving credit facility. Reinhold is a leading manufacturer of advanced niche components and complex composite assemblies for commercial aviation, defense and space applications. This acquisition is consistent with HEICO's practice of acquiring outstanding, niche designers and manufacturers of critical components in the aerospace and defense industries and will further enable the Company to broaden its product offerings, technologies and customer base.

The following table summarizes the allocation of the purchase price of Reinhold to the estimated fair values of the tangible and identifiable intangible assets acquired and liabilities assumed (in thousands):

Assets acquired:

Goodwill	\$76,424
Identifiable intangible assets	66,500
Inventories	10,753
Accounts receivable	8,830
Property, plant and equipment	7,994
Other assets	2,756
Total assets acquired, excluding cash	\$173,257

Liabilities assumed:

Deferred income taxes	\$25,613
Accrued expenses	6,994
Accounts payable	2,923
Defined benefit pension plan obligation, net	2,865
Accrued additional purchase consideration	1,499
Other liabilities	390
Total liabilities assumed	\$40,284
Net assets acquired, excluding cash	\$132,973

During fiscal 2014, the company recorded certain immaterial measurement period adjustments to the purchase price allocation of Reinhold, which are reflected in the table above. The primary items that generated the goodwill recognized were the premiums paid by the Company for the future earnings potential of Reinhold and the value of its assembled workforce that do not qualify for separate recognition. The operating results of Reinhold were included in the Company's results of operations from the effective acquisition date. The Company's consolidated net sales and net income attributable to HEICO for fiscal 2013 includes approximately \$30.8 million and \$2.8 million, respectively, from the acquisition of Reinhold.

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The following table presents unaudited pro forma financial information for fiscal 2012 as if the acquisition of Reinhold had occurred as of November 1, 2011 (in thousands):

	Year ended October 31, 2012
Net sales	\$952,184
Net income from consolidated operations	\$109,923
Net income attributable to HEICO	\$88,382
Net income per share attributable to HEICO shareholders:	
Basic	\$1.34
Diluted	\$1.33

The pro forma financial information is presented for comparative purposes only and is not necessarily indicative of the results of operations that actually would have been achieved if the acquisition had taken place as of November 1, 2011. The unaudited pro forma financial information includes adjustments to historical amounts such as additional amortization expense related to intangible assets acquired, increased interest expense associated with borrowings to finance the acquisition and inventory purchase accounting adjustments charged to cost of sales as the inventory is sold. Had the acquisition been consummated as of November 1, 2011, net sales, net income from consolidated operations, net income attributable to HEICO, and basic and diluted net income per share attributable to HEICO shareholders on a pro forma basis for fiscal 2013 would not have been materially different than the reported amounts.

Switchcraft Acquisition

On November 22, 2011, the Company, through HEICO Electronic, acquired Switchcraft, Inc. (“Switchcraft”) through the purchase of all of the stock of Switchcraft’s parent company, Switchcraft Holdco, Inc., for approximately \$142.7 million, net of \$3.7 million of cash acquired. The purchase price of this acquisition was paid in cash, principally using proceeds from the Company’s revolving credit facility. Switchcraft is a leading designer and manufacturer of high performance, high reliability and harsh environment electronic connectors and other interconnect products. This acquisition is consistent with HEICO’s practice of acquiring outstanding, niche designers and manufacturers of critical components in the aerospace and electronic industries and will further enable the Company to broaden its product offerings, technologies and customer base.

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The following table summarizes the allocation of the purchase price of Switchcraft to the estimated fair values of the tangible and identifiable intangible assets acquired and liabilities assumed (in thousands):

Assets acquired:	
Goodwill	\$73,405
Identifiable intangible assets	72,500
Inventories	13,086
Property, plant and equipment	10,884
Accounts receivable	6,123
Other assets	1,358
Total assets acquired, excluding cash	\$177,356
Liabilities assumed:	
Deferred income taxes	\$30,244
Accrued expenses	2,252
Accounts payable	1,889
Other liabilities	258
Total liabilities assumed	\$34,643
Net assets acquired, excluding cash	\$142,713

The primary items that generated the goodwill recognized were the premiums paid by the Company for the future earnings potential of Switchcraft and the value of its assembled workforce that do not qualify for separate recognition. The operating results of Switchcraft were included in the Company's results of operations from the effective acquisition date. The Company's consolidated net sales and net income attributable to HEICO for fiscal 2012 includes approximately \$54.6 million and \$3.6 million, respectively, from the acquisition of Switchcraft.

Other Acquisitions

In June 2014, the Company, through a subsidiary of its HEICO Flight Support Corp. subsidiary, acquired certain assets and liabilities of Quest Aviation Supply, Inc. ("Quest Aviation"). Quest Aviation is a niche supplier of parts to repair thrust reversers on various aircraft engines.

In October 2013, the Company acquired, through HEICO Electronic, all of the outstanding stock of Lucix Corporation ("Lucix") in a transaction carried out by means of a merger. Lucix is a leading designer and manufacturer of high performance, high reliability microwave modules, units, and integrated sub-systems for commercial and military satellites. The total consideration included an accrual of \$7.0 million as of the acquisition date representing the fair value of contingent consideration the Company may have been obligated to pay had Lucix met certain earnings objectives during the last three months of the calendar year of acquisition. Additionally, the total consideration included an accrual of \$13.7 million as of the

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acquisition date representing the fair value of contingent consideration the Company may be obligated to pay should Lucix meet certain earnings objectives during the subsequent two calendar years (2014 and 2015). As of the acquisition date, the maximum amount of contingent consideration that the Company could have been required to pay was \$50.0 million in aggregate. See Note 7, Fair Value Measurements, for additional information regarding the Company's contingent consideration obligation.

During fiscal 2013, the Company, through subsidiaries of HEICO Electronic, acquired certain product lines that will supplement their existing operations. The purchase price of these acquisitions was paid using cash provided by operating activities.

In October 2012, the Company, through HEICO Flight Support Corp., acquired 80.1% of the assets and assumed certain liabilities of Action Research Corporation ("Action Research"). Action Research is an FAA-Approved Repair Station that has developed unique proprietary repairs that extend the lives of certain engine and airframe components. The remaining 19.9% interest continues to be owned by an existing member of Action Research's management team. The purchase price of this acquisition was paid using cash provided by operating activities.

In August 2012, the Company, through HEICO Flight Support Corp., acquired 84% of the assets and assumed certain liabilities of CSI Aerospace, Inc. ("CSI Aerospace"). CSI Aerospace is a leading repair and overhaul provider of specialized components for airlines, military and other aerospace related organizations. The remaining 16% interest continues to be owned by certain members of CSI Aerospace's management team.

In April 2012, the Company, through a subsidiary of HEICO Electronic, acquired certain aerospace assets of Moritz Aerospace, Inc. ("Moritz Aerospace") in an aerospace product line acquisition. The Moritz Aerospace product line designs and manufactures next generation wireless cabin control systems, solid state power distribution and management systems and fuel level sensing systems for business jets and for general aviation, as well as for the military/defense market segments. The purchase price of this acquisition was paid using cash provided by operating activities.

In March 2012, the Company, through HEICO Electronic, acquired the business and substantially all of the assets of Ramona Research, Inc. ("Ramona Research"). Ramona Research designs and manufactures RF and microwave amplifiers, transmitters and receivers primarily used to support military communications on unmanned aerial systems, other aircraft, helicopters and ground-based data/communications systems. The total consideration included an accrual of approximately \$10.8 million as of the acquisition date representing the fair value of contingent consideration in aggregate that the Company may be obligated to pay if Ramona Research meets certain earnings objectives during each of the first five years following the acquisition. As of the acquisition date, the maximum amount of contingent consideration that the Company could be required to pay is \$14.6 million. See Note 7, Fair Value Measurements, for additional information regarding the Company's contingent consideration obligation.

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Unless otherwise noted, the purchase price of each of the above referenced other acquisitions was paid in cash principally using proceeds from the Company's revolving credit facility and is not material or significant to the Company's consolidated financial statements.

The following table summarizes the allocation of the aggregate purchase price of the other acquisitions to the estimated fair values of the tangible and identifiable intangible assets acquired and liabilities and noncontrolling interests assumed (in thousands):

	Year ended October 31,		
	2014	2013	2012
Assets Acquired:			
Goodwill	\$2,552	\$68,095	\$18,499
Identifiable intangible assets	3,400	39,843	21,831
Accounts receivable	251	9,233	4,390
Property, plant and equipment	248	6,286	1,361
Inventories	250	3,112	4,688
Other assets	70	2,565	171
Total assets acquired, excluding cash	\$6,771	\$129,134	\$50,940
Liabilities assumed:			
Accrued additional purchase consideration	\$—	\$21,223	\$11,982
Deferred income taxes	—	13,857	—
Accrued expenses	12	3,846	645
Accounts payable	—	1,746	445
Other liabilities	—	—	—
Total liabilities assumed	\$12	\$40,672	\$13,072
Noncontrolling interests in consolidated subsidiaries	\$—	\$—	\$3,918
Acquisitions, net of cash acquired	\$6,759	\$88,462	\$33,950

The purchase price allocation of the Company's fiscal 2014 acquisition to the tangible and identifiable intangible assets acquired and liabilities assumed is preliminary until the Company obtains final information regarding their fair values. During fiscal 2014, the Company recorded certain immaterial measurement period adjustments to the purchase price allocation of its other fiscal 2013 acquisitions, which are reflected in the table above. The primary items that generated the goodwill recognized were the premiums paid by the Company for the future earnings potential of the businesses acquired and the value of their assembled workforces that do not qualify for separate recognition, which, in the case of CSI Aerospace and Action Research, benefit both the Company and the noncontrolling interest holders. Based on the factors comprising the goodwill recognized and consideration of an insignificant control premium, the fair value of the noncontrolling interest in Action Research was determined based on the consideration of the purchase price paid by the Company for its controlling ownership interest.

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The fair value of the noncontrolling interest in CSI Aerospace was determined based on the consideration of the purchase price paid by the Company for its controlling ownership interest adjusted for a lack of control that a market participant would consider when estimating the fair value of the noncontrolling interest.

The operating results of the Company's fiscal 2014 acquisition were included in the Company's results of operations from the effective acquisition date. The amount of net sales and earnings of the fiscal 2014 acquisition included in the Consolidated Statements of Operations is not material. Had the fiscal 2014 acquisition been consummated as of the beginning of fiscal 2013, net sales, net income from consolidated operations, net income attributable to HEICO, and basic and diluted net income per share attributable to HEICO shareholders on a pro forma basis for fiscal 2014 and 2013 would not have been materially different than the reported amounts.

Additional Purchase Consideration

During fiscal 2014, 2013 and 2012, the Company made additional purchase consideration payments of \$2.0 million, \$1.2 million and \$5.5 million, respectively, pursuant to the terms of the purchase agreements related to certain recent acquisitions.

As part of the purchase agreements associated with certain acquisitions consummated prior to fiscal 2010, the Company was obligated to pay additional purchase consideration based on the acquired subsidiary meeting certain earnings objectives following the acquisition. For such acquisitions, the Company accrued an estimate of additional purchase consideration when the earnings objectives were met. During fiscal 2012, the Company, through HEICO Electronic, paid \$15.1 million of such additional purchase consideration, of which \$4.8 million was accrued as of October 31, 2011. The amounts paid in fiscal 2012 were based on a multiple of each applicable subsidiary's earnings relative to target and were not contingent upon the former shareholders of the respective acquired entity remaining employed by the Company or providing future services to the Company. Accordingly, the amounts paid were recorded as additional goodwill as they represented an additional cost of the respective entity. As of October 31, 2014 and 2013, the Company had no remaining obligation to pay additional purchase consideration for acquisitions consummated prior to fiscal 2010.

3. SELECTED FINANCIAL STATEMENT INFORMATION

Accounts Receivable

(in thousands)	As of October 31,	
	2014	2013
Accounts receivable	\$151,812	\$160,118
Less: Allowance for doubtful accounts	(2,143) (3,096
Accounts receivable, net	\$149,669	\$157,022

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

(in thousands)	As of October 31,		
	2014	2013	
Costs incurred on uncompleted contracts	\$24,437	\$22,548	
Estimated earnings	11,747	25,391	
	36,184	47,939	
Less: Billings to date	(29,829) (40,676)
	\$6,355	\$7,263	
Included in the accompanying Consolidated Balance Sheets under the following captions:			
Accounts receivable, net (costs and estimated earnings in excess of billings)	\$8,161	\$9,540	
Accrued expenses and other current liabilities (billings in excess of costs and estimated earnings)	(1,806) (2,277)
	\$6,355	\$7,263	

Changes in estimates pertaining to percentage-of-completion contracts did not have a material effect on net income from consolidated operations in fiscal 2014, 2013 or 2012.

Inventories

(in thousands)	As of October 31,		
	2014	2013	
Finished products	\$106,229	\$103,234	
Work in process	30,056	26,810	
Materials, parts, assemblies and supplies	79,163	79,863	
Contracts in process	2,594	9,941	
Less: Billings to date	—	(955)
Inventories, net of valuation reserves	\$218,042	\$218,893	

Contracts in process represents accumulated capitalized costs associated with fixed price contracts for which revenue is recognized on the completed-contract method. Related progress billings and customer advances (“billings to date”) are classified as a reduction to contracts in process, if any, and any excess is included in accrued expenses and other liabilities.

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Property, Plant and Equipment

(in thousands)	As of October 31,	
	2014	2013
Land	\$4,501	\$4,515
Buildings and improvements	60,332	60,105
Machinery, equipment and tooling	139,963	131,855
Construction in progress	6,905	4,932
	211,701	201,407
Less: Accumulated depreciation and amortization	(117,836	) (103,670
Property, plant and equipment, net	\$93,865	\$97,737

The amounts set forth above include tooling costs having a net book value of \$6.0 million and \$5.7 million as of October 31, 2014 and 2013, respectively. Amortization expense on capitalized tooling was \$2.4 million, \$2.2 million and \$2.1 million in fiscal 2014, 2013 and 2012, respectively.

The amounts set forth above also include \$4.6 million and \$5.5 million of assets under capital leases as of October 31, 2014 and October 31, 2013, respectively. Accumulated depreciation associated with the assets under capital leases was \$1.0 million and \$1.1 million as of October 31, 2014 and October 31, 2013, respectively. See Note 5, Long-Term Debt, for additional information pertaining to these capital lease obligations.

Depreciation and amortization expense, exclusive of tooling, on property, plant and equipment was \$17.1 million, \$13.4 million and \$11.6 million in fiscal 2014, 2013 and 2012, respectively.

Accrued Expenses and Other Current Liabilities

(in thousands)	As of October 31,	
	2014	2013
Accrued employee compensation and related payroll taxes	\$52,480	\$52,435
Deferred revenue	12,481	11,529
Accrued customer rebates and credits	10,924	14,787
Accrued additional purchase consideration	90	9,142
Other	16,603	17,841
Accrued expenses and other current liabilities	\$92,578	\$105,734

The total customer rebates and credits deducted within net sales in fiscal 2014, 2013 and 2012 was \$8.3 million, \$8.3 million and \$2.8 million, respectively. The principal reason why the amount of customer rebates and credits deducted within net sales in fiscal 2012 is less than it was in fiscal 2014 and 2013 is fiscal 2012 reflected a reduction in the net sales volume of certain customers eligible for rebates as well as a reduction in the associated rebate percentages. The decrease in the amount of accrued customer rebates and credits principally reflects payments

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made during fiscal 2014 of certain amounts accrued over a two to three year period. The decrease in accrued additional purchase consideration pertains to a fiscal 2013 and a fiscal 2012 acquisition for which the underlying earnings objectives were not met. See Note 7, Fair Value Measurements, for additional information regarding the Company's contingent consideration obligations.

Other Long-Term Assets and Liabilities

The Company provides eligible employees, officers and directors of the Company the opportunity to voluntarily defer base salary, bonus payments, commissions, long-term incentive awards and directors fees, as applicable, on a pre-tax basis through the HEICO Corporation Leadership Compensation Plan ("LCP"), a nonqualified deferred compensation plan that conforms to Section 409A of the Internal Revenue Code. The Company matches 50% of the first 6% of base salary deferred by each participant. Director fees that would otherwise be payable in Company common stock may be deferred into the LCP, and, when distributable, are distributed in actual shares of Company common stock. The LCP does not provide for diversification of a director's assets allocated to Company common stock. The deferred compensation obligation associated with Company common stock is recorded as a component of shareholders' equity at cost and subsequent changes in fair value are not reflected in operations or shareholders' equity of the Company. Further, while the Company has no obligation to do so, the LCP also provides the Company the opportunity to make discretionary contributions. The Company's matching contributions and any discretionary contributions are subject to vesting and forfeiture provisions set forth in the LCP. Company contributions to the LCP charged to income in fiscal 2014, 2013 and 2012 totaled \$5.3 million, \$4.3 million and \$3.8 million, respectively. The aggregate liabilities of the LCP were \$65.0 million and \$51.9 million as of October 31, 2014 and 2013, respectively, and are classified within other long-term liabilities in the Company's Consolidated Balance Sheets. The assets of the LCP, totaling \$65.9 million and \$52.7 million as of October 31, 2014 and 2013, respectively, are classified within other assets and principally represent cash surrender values of life insurance policies that are held within an irrevocable trust that may be used to satisfy the obligations under the LCP.

Other long-term liabilities also includes deferred compensation of \$5.5 million and \$5.0 million as of October 31, 2014 and 2013, respectively, principally related to elective deferrals of salary and bonuses under a Company sponsored non-qualified deferred compensation plan available to selected employees. The Company makes no contributions to this plan. The assets of this plan, which equaled the deferred compensation liability as of October 31, 2014 and 2013, respectively, are held within an irrevocable trust and classified within other assets in the Company's Consolidated Balance Sheets. Additional information regarding the assets of this deferred compensation plan and the LCP may be found in Note 7, Fair Value Measurements.

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Research and Development Expenses

The amount of new product research and development expenses (R&D expenses) included in cost of sales is as follows (in thousands):

	Year ended October 31,		
	2014	2013	2012
R&D expenses	\$37,377	\$32,897	\$30,395

Accumulated Other Comprehensive Income (Loss)

Changes in the components of accumulated other comprehensive income (loss) for the fiscal year ended October 31, 2014 are as follows (in thousands):

	Foreign Currency Translation	Pension Benefit Obligation	Accumulated Other Comprehensive Income (Loss)	
Balances at October 31, 2013	(\$466	) \$610	\$144	
Unrealized loss	(7,882	) (551	(8,433)
Balances at October 31, 2014	(\$8,348	) \$59	(\$8,289)

4. GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in the carrying amount of goodwill during fiscal 2014 and 2013 by operating segment are as follows (in thousands):

	Segment		Consolidated	
	FSG	ETG	Totals	
Balances as of October 31, 2012	\$203,539	\$338,575	\$542,114	
Goodwill acquired	76,424	68,068	144,492	
Foreign currency translation adjustments	—	1,991	1,991	
Adjustments to goodwill	(108	) —	(108)
Balances as of October 31, 2013	279,855	408,634	688,489	
Goodwill acquired	2,552	—	2,552	
Foreign currency translation adjustments	—	(4,797	) (4,797)
Adjustments to goodwill	—	27	27	
Balances as of October 31, 2014	\$282,407	\$403,864	\$686,271	

The goodwill acquired during fiscal 2014 and 2013 relates to the acquisitions consummated in those respective years as described in Note 2, Acquisitions. Goodwill acquired represents the residual value after the allocation of the total consideration to the tangible and identifiable intangible assets acquired and liabilities assumed. The foreign currency translation adjustments reflect unrealized translation gains or losses on the goodwill recognized in connection with foreign subsidiaries. Foreign currency translation adjustments are included in other comprehensive income in the Company's Consolidated Statements of Comprehensive

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Income. The adjustments to goodwill during fiscal 2014 and 2013 represent immaterial measurement period adjustments to the purchase price allocations of certain fiscal 2013 and 2012 acquisitions, respectively. The Company estimates that all \$3 million and approximately \$5 million of the goodwill acquired in fiscal 2014 and 2013, respectively, is deductible for income tax purposes. Based on the annual test for goodwill impairment as of October 31, 2014, the Company determined there is no impairment of its goodwill and the fair value of each of the Company's reporting units significantly exceeded their carrying value.

Identifiable intangible assets consist of (in thousands):

	As of October 31, 2014			As of October 31, 2013		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizing Assets:						
Customer relationships	\$144,478	(\$55,393)	) \$89,085	\$156,801	(\$38,461)	) \$118,340
Intellectual property	73,005	(17,620)	) 55,385	75,095	(10,795)	) 64,300
Licenses	2,900	(1,645)	) 1,255	2,900	(1,381)	) 1,519
Non-compete agreements	1,020	(1,020)	) —	1,132	(1,132)) —
Patents	712	(405)	) 307	642	(351)	) 291
Trade names	166	(17)	) 149	566	(448)	) 118
	222,281	(76,100)	) 146,181	237,136	(52,568)	) 184,568
Non-Amortizing Assets:						
Trade names	54,629	—	) 54,629	56,990	—	) 56,990
	\$276,910	(\$76,100)	) \$200,810	\$294,126	(\$52,568)	) \$241,558

The decrease in the gross carrying amount of customer relationships, non-amortizing trade names and intellectual property primarily reflects impairment losses of \$11.2 million, \$1.9 million and \$1.9 million, respectively, recognized during fiscal 2014. The impairment losses were due to reductions in the estimated future cash flows associated with such intangible assets within the ETG (see Note 7, Fair Value Measurements). The impairment losses pertaining to customer relationships and trade names were recorded as a component of selling, general and administrative expenses in the Company's Consolidated Statement of Operations and the impairment loss pertaining to intellectual property was recorded as a component of cost of sales. The Company recognized certain intangible assets during fiscal 2014 in connection with an acquisition (see Note 2, Acquisitions). The amortization period of the customer relationships, intellectual property and amortizing trade names acquired is 8 years, 15 years, and 8 years, respectively.

Amortization expense related to intangible assets was \$27.7 million, \$20.6 million and \$16.2 million in fiscal 2014, 2013 and 2012, respectively. Amortization expense for each of the next five fiscal years and thereafter is estimated to be \$23.4 million in fiscal 2015, \$21.8 million in fiscal 2016, \$20.9 million in fiscal 2017, \$19.1 million in fiscal 2018, \$17.2 million in fiscal 2019 and \$43.8 million thereafter.

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5. LONG-TERM DEBT

Long-term debt consists of the following (in thousands):

	As of October 31,	
	2014	2013
Borrowings under revolving credit facility	\$326,000	\$373,000
Capital leases and notes payable	3,109	4,515
	329,109	377,515
Less: Current maturities of long-term debt	(418	) (697
	\$328,691	\$376,818

As of October 31, 2014, the Company's long-term debt, excluding capital leases, consisted solely of \$326.0 million of borrowings under its revolving credit facility, all of which will mature in fiscal 2019.

Capital Lease Obligations

A subsidiary of HEICO Electronic is a party to a capital lease for a manufacturing facility and related property in France. The lease contains a bargain purchase option and has a twelve-year term, which began in fiscal 2011. Additionally, the subsidiary is a party to various capital leases, principally for manufacturing equipment, with lease terms ranging from approximately three to five years. The estimated future minimum lease payments of all capital leases for the next five fiscal years and thereafter are as follows (in thousands):

Year ending October 31,	
2015	\$547
2016	506
2017	442
2018	436
2019	436
Thereafter	1,276
Total minimum lease payments	3,643
Less: amount representing interest	534
Present value of minimum lease payments	\$3,109

Revolving Credit Facility

In December 2011, the Company entered into a \$670 million Revolving Credit Agreement (“Credit Facility”) with a bank syndicate. The Credit Facility may be used for working capital and general corporate needs of the Company, including capital expenditures and to finance acquisitions. In December 2012, the Company entered into an amendment to extend the maturity date of the Credit Facility by one year to December 2017. The Company also amended certain covenants contained within the Credit Facility agreement to accommodate

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payment of a special and extraordinary cash dividend paid in December 2012. See Note 8, Shareholders' Equity, for additional information.

In November 2013, the Company entered into an amendment to extend the maturity date of the Credit Facility by one year to December 2018 and to increase the aggregate principal amount to \$800 million. Furthermore, the amendment includes a feature that will allow the Company to increase the aggregate principal amount by an additional \$200 million to become a \$1.0 billion facility through increased commitments from existing lenders or the addition of new lenders.

Advances under the Credit Facility accrue interest at the Company's choice of the "Base Rate" or the London Interbank Offered Rate ("LIBOR") plus applicable margins (based on the Company's ratio of total funded debt to earnings before interest, taxes, depreciation and amortization, noncontrolling interests and non-cash charges, or "leverage ratio"). The Base Rate is the highest of (i) the Prime Rate; (ii) the Federal Funds rate plus .50% per annum; and (iii) the Adjusted LIBO Rate determined on a daily basis for an Interest Period of one month plus 1.00% per annum, as such capitalized terms are defined in the Credit Facility. The applicable margins for LIBOR-based borrowings range from .75% to 2.25%. The applicable margins for Base Rate borrowings range from 0% to 1.25%. A fee is charged on the amount of the unused commitment ranging from .125% to .35% (depending on the Company's leverage ratio). The Credit Facility also includes a \$50 million sublimit for borrowings made in foreign currencies, letters of credit and swingline borrowings. Outstanding principal, accrued and unpaid interest and other amounts payable under the Credit Facility may be accelerated upon an event of default, as such events are described in the Credit Facility. The Credit Facility is unsecured and contains covenants that restrict the amount of certain payments, including dividends, and require, among other things, the maintenance of a total leverage ratio, a senior leverage ratio and a fixed charge coverage ratio. In the event the Company's leverage ratio exceeds a specified level, the Credit Facility would become secured by the capital stock owned in substantially all of the Company's subsidiaries.

As of October 31, 2014 and 2013, the weighted average interest rate on borrowings under the Credit Facility was 1.3%. The Credit Facility contains both financial and non-financial covenants. As of October 31, 2014, the Company was in compliance with all such covenants.

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6. INCOME TAXES

The components of income before income taxes and noncontrolling interests are as follows (in thousands):

	Year ended October 31,		
	2014	2013	2012
Domestic	\$185,842	\$168,643	\$157,189
Foreign	12,730	12,118	3,986
Income before taxes and noncontrolling interests	\$198,572	\$180,761	\$161,175

The components of the provision for income taxes on income before income taxes and noncontrolling interests are as follows (in thousands):

	Year ended October 31,		
	2014	2013	2012
Current:			
Federal	\$63,264	\$49,275	\$48,461
State	10,145	9,060	7,516
Foreign	3,136	3,650	1,357
	76,545	61,985	57,334
Deferred	(16,745	) (5,785	) (2,834
Total income tax expense	\$59,800	\$56,200	\$54,500

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

	Year ended October 31,					
	2014		2013		2012	
Federal statutory income tax rate	35.0	%	35.0	%	35.0	%
State taxes, net of federal income tax benefit	2.9		3.1		3.1	
Nontaxable reduction in accrued contingent consideration	(3.4)	—		—	
Domestic production activities tax deduction	(1.6	)	(1.2	)	(1.3)
Research and development tax credits	(1.2	)	(2.6	)	(1.7)
Noncontrolling interests' share of income	(1.0	)	(1.3	)	(1.7)
Tax-exempt gains on corporate owned life insurance policies	(.6)	(1.4)	(.5)
Other, net	—		(.5)	.9	
Effective tax rate	30.1	%	31.1	%	33.8	%

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The Company's effective tax rate in fiscal 2014 decreased to 30.1% from 31.1% in fiscal 2013. The decrease is principally attributed to the impact of a nontaxable reduction in accrued contingent consideration during fiscal 2014 associated with a fiscal 2013 acquisition acquired by means of a stock transaction. The aforementioned decrease in the effective tax rate was partially offset by lower U.S. federal research and development ("R&D") tax credits recognized in fiscal 2014 due to the expiration of the U.S. federal R&D tax credit in December 2013 compared to fiscal 2013 during which the retroactive extension of the U.S. federal R&D tax credit in the first quarter resulted in twenty-two months of U.S. federal R&D tax credits recognized that year. Additionally, the decrease in the effective rate was partially offset by higher tax-exempt unrealized gains in the cash surrender values of life insurance policies related to the HEICO Corporation Leadership Compensation Plan ("LCP") in fiscal 2013 compared to fiscal 2014.

The Company's effective tax rate in fiscal 2013 decreased to 31.1% from 33.8% in fiscal 2012. The decrease is partially due to higher research and development tax credits recognized in fiscal 2013 resulting from the retroactive extension of the U.S. federal R&D tax credit in January 2013 to cover a two-year period from January 1, 2012 to December 31, 2013. The decrease in the effective tax rate was also attributed to the benefit from higher tax-exempt unrealized gains in the cash surrender values of life insurance policies related to the LCP and a larger income tax deduction recognized for the special and extraordinary cash dividend paid in December 2012 to participants of the HEICO Savings and Investment Plan holding HEICO common stock.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company believes that it is more likely than not that it will generate sufficient future taxable income to utilize all of its deferred tax assets and has therefore not recorded a valuation allowance on any such asset.

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Significant components of the Company's deferred tax assets and liabilities are as follows (in thousands):

	As of October 31,		
	2014	2013	
Deferred tax assets:			
Deferred compensation liability	\$27,568	\$22,242	
Inventories	23,099	21,673	
Share-based compensation	7,427	5,002	
Bonus accrual	4,031	3,394	
Deferred revenue	2,660	—	
R&D related carryforward	2,068	4,045	
Vacation accrual	1,724	1,676	
Customer rebates accrual	1,635	2,706	
Other	8,258	7,958	
Total deferred tax assets	78,470	68,696	
Deferred tax liabilities:			
Goodwill and other intangible assets	(144,381) (148,711)
Property, plant and equipment	(9,090) (12,486)
Other	(880) (1,154)
Total deferred tax liabilities	(154,351) (162,351)
Net deferred tax liability	(\$75,881) (\$93,655)

The net deferred tax liability is classified in the Company's Consolidated Balance Sheets as follows (in thousands):

	As of October 31,		
	2014	2013	
Current asset	\$34,485	\$33,036	
Long-term asset	1,063	1,791	
Long-term liability	(111,429) (128,482)
Net deferred tax liability	(\$75,881) (\$93,655)

The decrease in the Company's net deferred tax liability from \$93.7 million as of October 31, 2013 to \$75.9 million as of October 31, 2014 and the increase in the deferred income tax benefit from \$5.8 million in fiscal 2013 to \$16.7 million in fiscal 2014 is related to several items including the impact of impairment losses and amortization expense associated with intangible assets recognized in connection with fiscal 2013 acquisitions, the expiration of the bonus depreciation allowance on new property, plant and equipment acquired on or after January 1, 2014, and an increase in long-term deferred revenue. Additionally, the increase in the deferred tax asset related to the LCP resulting from additional compensation deferrals and higher earnings on deferred balances contributed to the decrease in the Company's net deferred tax liability.

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As of October 31, 2014 and 2013, the Company's liability for gross unrecognized tax benefits related to uncertain tax positions was \$.9 million and \$1.1 million, respectively, of which \$.6 million and \$.8 million, respectively, would decrease the Company's income tax expense and effective income tax rate if the tax benefits were recognized. A reconciliation of the activity related to the liability for gross unrecognized tax benefits during the fiscal years ended October 31, 2014 and 2013 is as follows (in thousands):

	Year ended October 31,	
	2014	2013
Balances as of beginning of year	\$1,072	\$2,527
Increases related to prior year tax positions	10	58
Decreases related to prior year tax positions	—	(967
Increases related to current year tax positions	138	108
Settlements	(22	) (570
Lapse of statutes of limitations	(319	) (84
Balances as of end of year	\$879	\$1,072

The decreases related to settlements and prior year tax positions recognized in fiscal 2013 pertain to state income tax positions regarding nexus and state apportionment, respectively, which were originally recognized in fiscal 2012 and resolved through the filing of state income tax returns in fiscal 2013 and the finalization of a state tax audit, respectively. The Company does not expect the total amount of unrecognized tax benefits to materially change in the next twelve months.

The Company's net liability for unrecognized tax benefits was \$.8 million as of October 31, 2014, including \$.3 million of interest and penalties and net of \$.4 million in deferred tax assets. The Company's net liability for unrecognized tax benefits was \$1.0 million as of October 31, 2013, including \$.3 million of interest and penalties and net of \$.4 million in deferred tax assets. The Company recognized interest and penalties of (\$.1) million, (\$.2) million and \$.4 million in fiscal 2014, 2013 and 2012, respectively, related to unrecognized tax benefits.

The Company files income tax returns in the United States ("U.S.") federal jurisdiction and in multiple state jurisdictions. The Company is also subject to income taxes in certain jurisdictions outside the U.S., none of which are individually material to the accompanying consolidated financial statements. Generally, the Company is no longer subject to U.S. federal, state or foreign examinations by tax authorities for years prior to fiscal 2010.

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7. FAIR VALUE MEASUREMENTS

The Company's assets and liabilities that were measured at fair value on a recurring basis are set forth by level within the fair value hierarchy in the following tables (in thousands):

	As of October 31, 2014			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Deferred compensation plans:				
Corporate owned life insurance	\$—	\$61,958	\$—	\$61,958
Money market funds	3,974	—	—	3,974
Equity securities	2,225	—	—	2,225
Mutual funds	1,903	—	—	1,903
Other	1,339	50	—	1,389
Total assets	\$9,441	\$62,008	\$—	\$71,449
Liabilities:				
Contingent consideration	\$—	\$—	\$1,184	\$1,184
	As of October 31, 2013			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Deferred compensation plans:				
Corporate owned life insurance	\$—	\$52,655	\$—	\$52,655
Money market deposit accounts	1,470	—	—	1,470
Equity securities	1,940	—	—	1,940
Mutual funds	1,529	—	—	1,529
Other	—	46	—	46
Total assets	\$4,939	\$52,701	\$—	\$57,640
Liabilities:				
Contingent consideration	\$—	\$—	\$29,310	\$29,310

The Company maintains two non-qualified deferred compensation plans. The assets of the LCP principally represent cash surrender values of life insurance policies, which derive their fair values from investments in mutual funds that are managed by an insurance company and are classified within Level 2 and valued using a market approach. Certain other assets of the LCP represent investments in money market funds that are classified within Level 1. The assets of the Company's other deferred compensation plan are principally invested in equity securities, mutual funds and money market deposit accounts that are classified within Level 1. The assets of both

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plans are held within irrevocable trusts and classified within other assets in the Company's Consolidated Balance Sheets.

As part of the agreement to acquire a subsidiary by the ETG in fiscal 2013, the Company may have been obligated to pay contingent consideration of up to \$20.0 million had the acquired entity met certain earnings objectives during the last three months of the calendar year of acquisition and may be obligated to pay contingent consideration of up to \$30.0 million should the acquired entity meet certain earnings objectives during each of the next two calendar years (2014 and 2015). In December 2013, the acquired entity incurred unanticipated costs associated with certain contracts for which revenue is recognized on the percentage-of-completion method and as a result, did not meet its calendar 2013 related earnings objectives. Accordingly, the \$7.0 million contingent consideration accrued as of October 31, 2013 was recorded as a reduction to selling, general and administrative expenses ("SG&A") in the Company's Consolidated Statement of Operations in the first quarter of fiscal 2014. The estimated fair value of the contingent consideration for the calendar 2014 and 2015 earnings period was \$1.2 million as of October 31, 2014 compared to \$13.7 million as of October 31, 2013. The \$12.5 million decrease in the fair value of the contingent consideration is principally attributed to revised earnings estimates that reflect less favorable projected market conditions for certain of the space products it produces and was recorded as a reduction to SG&A expenses. Additionally, the aforementioned conditions resulted in the Company concluding it had a triggering event requiring assessment of impairment of the subsidiary's intangible assets during fiscal 2014. Please see below for further information pertaining to the measurement and recognition of impairment losses associated with the intangible assets of this subsidiary.

As part of the agreement to acquire a subsidiary by the ETG in fiscal 2012, the Company may be obligated to pay contingent consideration of up to \$10.6 million in aggregate should the acquired entity meet certain earnings objectives during each of the next three years following the second anniversary date of the acquisition. The \$8.6 million estimated fair value of the contingent consideration as of October 31, 2013 was recorded as a reduction to SG&A expenses in the Company's Consolidated Statement of Operations during fiscal 2014. The decrease in the fair value of the contingent consideration is principally attributed to revised earnings estimates that reflect less favorable market conditions for certain of the defense products it produces. Additionally, the aforementioned conditions resulted in the Company concluding it had a triggering event requiring assessment of impairment of the subsidiary's intangible assets during fiscal 2014. Please see below for further information pertaining to the measurement and recognition of impairment losses associated with the intangible assets of this subsidiary.

The estimated fair values of the contingent consideration arrangements described above are classified within Level 3 and were determined using a probability-based scenario analysis approach. Under this method, a set of discrete potential future subsidiary earnings was determined using internal estimates based on various revenue growth rate assumptions for each scenario. A probability of likelihood was assigned to each discrete potential future earnings estimate and the resultant contingent consideration was calculated. The resulting probability-weighted contingent consideration amounts were discounted using a weighted average discount rate reflecting the credit risk of a market participant. Changes in either the revenue growth rates,

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related earnings or the discount rate could result in a material change to the amount of contingent consideration accrued and such changes will be recorded in the Company's consolidated statements of operations.

The Level 3 inputs used to derive the estimated fair values of the contingent consideration as of October 31, 2014 are as follows:

	Fiscal 2013 Acquisition	Fiscal 2012 Acquisition
Compound annual revenue growth rate range	(7%) - 20%	(8%) - 26%
Weighted average discount rate	2.6%	3.0%

Changes in the Company's assets and liabilities measured at fair value on a recurring basis using unobservable inputs (Level 3) for the fiscal years ended October 31, 2014 and 2013 are as follows (in thousands):

	Assets	Liabilities
Balances as of October 31, 2012	\$538	\$10,897
Contingent consideration related to acquisition	—	20,654
Payment of contingent consideration	—	(601)
Decrease in accrued contingent consideration	—	(1,640)
Total realized gains	48	—
Sales	(586)	—
Balances as of October 31, 2013	—	29,310
Decrease in accrued contingent consideration	—	(28,126)
Balances as of October 31, 2014	\$—	\$1,184

The Company did not have any transfers between Level 1 and Level 2 fair value measurements during fiscal 2014 and 2013.

The carrying amounts of the Company's cash and cash equivalents, accounts receivable, trade accounts payable and accrued expenses and other current liabilities approximate fair value as of October 31, 2014 due to the relatively short maturity of the respective instruments. The carrying value of long-term debt approximates fair value due to its variable interest rates.

During fiscal 2014, certain customer relationships, non-amortizing trade names and intellectual property within the ETG were measured at fair value on a nonrecurring basis, resulting in the recognition of impairment losses aggregating \$15.0 million.

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The fair values of the Company's nonfinancial assets and liabilities that were measured at fair value on a nonrecurring basis, which are classified within Level 3, and the related impairment losses recognized in fiscal 2014 are as follows (in thousands):

	Carrying Amount	Impairment Loss	Fair Value (Level 3)
Assets:			
Customer relationships	\$19,366	(\$11,200)	\$8,166
Non-amortizing trade names	10,000	(1,900)	8,100
Intellectual property	2,302	(1,900)	402
Impairment of intangible assets		(\$15,000)	

The fair values of such customer relationships, non-amortizing trade names and intellectual property were determined using variations of the income approach which apply an asset-specific discount rate to a forecast of asset-specific cash flows. These methods utilize certain significant unobservable inputs categorized as Level 3. The Level 3 inputs used to derive the estimated fair values of the customer relationships, non-amortizing trade names and intellectual property during fiscal 2014 are as follows:

	Customer Relationships	Non-Amortizing Trade Names	Intellectual Property
Valuation method	Excess Earnings	Relief from Royalty	Relief from Royalty
Discount rate	15.0% - 19.0%	14.0% - 18.0%	19.0%
Annual attrition rate	25.0% - 30.0%	N/A	20.0%
Royalty rate	N/A	1.0% - 2.5%	6.0%

8. SHAREHOLDERS' EQUITY

Preferred Stock Purchase Rights Plan

The Company's Board of Directors adopted, as of November 2, 2003, a Shareholder Rights Agreement (the "2003 Plan"). Pursuant to the 2003 Plan, the Board declared a dividend of one preferred share purchase right for each outstanding share of Common Stock and Class A Common Stock (with the preferred share purchase rights collectively as the "Rights"). The Rights trade with the common stock and are not exercisable or transferable apart from the Common Stock and Class A Common Stock until after a person or group either acquires 15% or more of the outstanding common stock or commences or announces an intention to commence a tender offer for 15% or more of the outstanding common stock.

The Rights expired on November 2, 2013. The Rights had certain anti-takeover effects and, therefore, would have caused substantial dilution to a person or group who attempted to acquire the Company on terms not approved by the Company's Board of Directors or who acquired 15% or more of the outstanding common stock without approval of the Company's Board of Directors. The Rights would not have interfered with any merger or other business

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combination that was approved by the Board since they may have been redeemed by the Company at \$.01 per Right at any time until the close of business on the tenth day after a person or group had obtained beneficial ownership of 15% or more of the outstanding common stock or until a person commenced or announced an intention to commence a tender offer for 15% or more of the outstanding common stock. The 2003 Plan also contained a provision to help ensure a potential acquirer pays all shareholders a fair price for the Company.

Common Stock and Class A Common Stock

Each share of Common Stock is entitled to one vote per share. Each share of Class A Common Stock is entitled to a 1/10 vote per share. Holders of the Company's Common Stock and Class A Common Stock are entitled to receive when, as and if declared by the Board of Directors, dividends and other distributions payable in cash, property, stock or otherwise. In the event of liquidation, after payment of debts and other liabilities of the Company, the remaining assets of the Company will be distributable ratably among the holders of all classes of common stock.

Stock Splits

In September 2013 and March 2012, the Company's Board of Directors declared a 5-for-4 stock split on both classes of the Company's common stock. The stock splits were effected as of October 23, 2013 and April 25, 2012, respectively, in the form of a 25% stock dividend distributed to shareholders of record as of October 11, 2013 and April 13, 2012, respectively. All applicable share and per share information has been adjusted retrospectively to give effect to the 5-for-4 stock splits.

Share Repurchases

In 1990, the Company's Board of Directors authorized a share repurchase program, which allows the Company to repurchase Company shares in the open market or in privately negotiated transactions at the Company's discretion, subject to certain restrictions included in the Company's revolving credit agreement. As of October 31, 2014, the maximum number of shares that may yet be purchased under this program was 2,501,813 of either or both of the Company's Class A Common Stock and the Company's Common Stock. The repurchase program does not have a fixed termination date. During fiscal 2014, 2013 and 2012, the Company did not repurchase any shares of Company common stock under this program.

During fiscal 2014, the Company repurchased an aggregate 6,833 shares of Class A Common Stock at a total cost of approximately \$.3 million. The shares purchased represent shares tendered as payment of employee withholding taxes due upon the issuance of a share-based award. During fiscal 2013, the Company repurchased an aggregate 36,354 shares of Common Stock at a total cost of \$1.3 million and an aggregate 39,965 shares of Class A Common Stock at a total cost of \$1.1 million. During fiscal 2012, the Company repurchased an aggregate 3,808 shares of Common Stock at a total cost of approximately \$.1 million and an aggregate 7,510 shares of Class A Common Stock at a total cost of \$.2 million. The transactions

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in fiscal 2013 and 2012 occurred as settlement for employee taxes due pertaining to exercises of non-qualified stock options. The shares purchased in fiscal 2014, 2013 and 2012 did not impact the number of shares authorized for future purchase under the Company's share repurchase program and are reflected as redemptions of common stock related to share-based compensation in the Company's Consolidated Statements of Shareholders' Equity and the Company's Consolidated Statements of Cash Flows.

Special and Extraordinary Cash Dividends

In January 2014, the Company paid a special and extraordinary \$.35 per share cash dividend on both classes of HEICO's common stock as well as its regular semi-annual \$.06 per share cash dividend. In December 2012, the Company paid a special and extraordinary \$1.712 per share cash dividend on both classes of HEICO's common stock as well as a regular semi-annual \$.048 per share cash dividend that was accelerated from January 2013. The dividends, which aggregated \$27.2 million in fiscal 2014 and \$116.6 million in fiscal 2013, were principally funded from borrowings under the Company's revolving credit facility.

Noncontrolling Interests

Consistent with the Company's past practice of increasing its ownership in certain non-wholly-owned subsidiaries, on February 14, 2014, HEICO Corporation acquired the 20% noncontrolling interest held by LHT in four of the Company's existing subsidiaries principally operating in the specialty products and distribution businesses within HEICO Aerospace (the "Transaction"). Pursuant to the Transaction, HEICO Aerospace paid dividends proportional to the ownership (80%/20%) to HEICO and LHT, and HEICO transferred the businesses to HEICO Flight Support Corp. HEICO did not record any gain or loss in connection with the Transaction. LHT's dividend of \$67.4 million was paid in cash, principally using proceeds from the Company's revolving credit facility. LHT remains a 20% owner in HEICO Aerospace, a leading producer of PMA parts and component repair and overhaul services.

During fiscal 2014, the Put Right held by the noncontrolling interest holders in one of the Company's subsidiaries expired, resulting in a reclassification of the Redemption Amount from redeemable noncontrolling interests (temporary equity) to noncontrolling interests (permanent equity). See Note 11, Redeemable Noncontrolling Interests, for additional information.

9. SHARE-BASED COMPENSATION

The Company currently maintains one share-based compensation plan, the HEICO Corporation 2012 Incentive Compensation Plan ("2012 Plan"), under which it may grant various forms of share-based compensation awards including, but not limited to, stock options, restricted stock, restricted stock awards and stock appreciation rights. The 2012 Plan became effective in March 2012, the same time the Company's 2002 Stock Option Plan ("2002 Plan") and its remaining 2.0 million unissued shares expired. Also, in March 2012, the Company made a decision to no longer issue options under its Non-Qualified Stock Option Plan ("NQSOP") under

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which less than .1 million remaining unissued shares were cancelled. Options outstanding under the 2002 Plan and NQSOP may be exercised pursuant to their terms. The total number of shares approved by the shareholders of the Company for the 2012 Plan is 2.7 million plus any options outstanding under the 2002 Plan and NQSOP as of the 2012 Plan's effective date and that are subsequently forfeited or expire. A total of 4.9 million shares of the Company's common stock are reserved for issuance to employees, directors, officers and consultants as of October 31, 2014, including 3.3 million shares currently under option and 1.6 million shares available for future grants.

Stock options granted pursuant to the 2012 Plan may be designated as Common Stock and/or Class A Common Stock in such proportions as shall be determined by the Board of Directors or the Stock Option Plan Committee at its sole discretion. The exercise price per share of a stock option granted under the 2012 Plan may not be less than the fair market value of the designated class of Company common stock as of the date of grant and stock option grants vest ratably over a period specified as of the date of grant (generally five years) and expire ten years after the date of grant. Options issued under the 2012 Plan may be designated as incentive stock options or non-qualified stock options, but only employees are eligible to receive incentive stock options. The 2012 Plan will terminate no later than the tenth anniversary of its effective date.

Information concerning share-based activity for each of the last three fiscal years ended October 31 is as follows (in thousands, except per share data):

	Shares Available For Grant	Shares Under Option	
		Shares	Weighted Average Exercise Price
Outstanding as of October 31, 2011	2,083	2,893	\$14.50
Shares approved by the Shareholders for the 2012 Incentive Compensation Plan	2,656	—	\$—
Granted	(323	) 323	\$24.97
Cancelled unissued shares under the NQSOP	(23) —	\$—
Expired unissued shares under the 2002 Plan	(2,004) —	\$—
Exercised	—	(317	) \$3.22
Outstanding as of October 31, 2012	2,389	2,899	\$16.90
Granted	(549	) 549	\$35.74
Exercised	—	(306	) \$3.78
Outstanding as of October 31, 2013	1,840	3,142	\$21.48
Granted	(161	) 161	\$43.37
Stock award issuance	(62) —	\$—
Exercised	—	(39) \$18.36
Outstanding as of October 31, 2014	1,617	3,264	\$22.59

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Information concerning stock options outstanding (all of which are vested or expected to vest) and stock options exercisable by class of common stock as of October 31, 2014 is as follows (in thousands, except per share and contractual life data):

	Options Outstanding			Aggregate Intrinsic Value
	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	
Common Stock	1,484	\$21.14	5.4	\$49,119
Class A Common Stock	1,780	\$23.80	6.6	39,113
	3,264	\$22.59	6.1	\$88,232
	Options Exercisable			Aggregate Intrinsic Value
	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	
Common Stock	1,181	\$18.32	5.0	\$42,425
Class A Common Stock	854	\$16.48	5.2	24,997
	2,035	\$17.55	5.1	\$67,422

Information concerning stock options exercised is as follows (in thousands):

	Year ended October 31,		
	2014	2013	2012
Cash proceeds from stock option exercises	\$708	\$463	\$833
Tax benefit realized from stock option exercises	93	5,191	13,164
Intrinsic value of stock option exercises	929	8,033	7,008

Net income attributable to HEICO for the fiscal years ended October 31, 2014, 2013 and 2012 includes compensation expense of \$6.2 million, \$5.1 million and \$3.9 million, respectively, and an income tax benefit of \$2.4 million, \$2.0 million and \$1.5 million, respectively, related to the Company's stock options. Substantially all of the stock option compensation expense was recorded as a component of selling, general and administrative expenses in the Company's Consolidated Statements of Operations. As of October 31, 2014, there was \$14.5 million of pre-tax unrecognized compensation expense related to nonvested stock options, which is expected to be recognized over a weighted average period of approximately 3.2 years. The total fair value of stock options that vested in fiscal 2014, 2013 and 2012 was \$5.9 million, \$4.5 million and \$3.6 million, respectively. If there were a change in control of the Company, all of the unvested options outstanding as of October 31, 2014 would become immediately exercisable.

For the fiscal years ended October 31, 2014, 2013 and 2012, the excess tax benefit resulting from tax deductions in excess of the cumulative compensation cost recognized for stock options exercised was \$.1 million, \$5.1 million and \$12.1 million, respectively, and is presented as a financing activity in the Company's Consolidated Statements of Cash Flows.

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The fair value of each stock option grant was estimated on the date of grant using the Black-Scholes option-pricing model based on the following weighted average assumptions for the fiscal years ended October 31, 2014, 2013 and 2012:

	2014		2013		2012	
	Class A		Common		Class A	
	Common		Stock		Common	
	Stock		Stock		Stock	
Expected stock price volatility	38.04	%	39.94	%	38.40	%
Risk-free interest rate	2.06	%	2.02	%	1.85	%
Dividend yield	.38	%	.24	%	.33	%
Forfeiture rate	.00	%	.00	%	.00	%
Expected option life (years)	7		9		7	
Weighted average fair value	\$17.23		\$20.24		\$14.29	
					\$10.20	

In fiscal 2013, the Company granted restricted shares in the common stock of one of its subsidiaries representing approximately 1% of the equity of the subsidiary. The shares cliff vest in fiscal 2018. Net income attributable to HEICO includes compensation expense of \$.2 million in fiscal 2014 and less than \$.1 million in fiscal 2013 related to unvested restricted shares. As of October 31, 2014, there was \$.7 million of pre-tax unrecognized compensation expense related to the unvested restricted shares, which is expected to be recognized over the next 3.2 years.

In fiscal 2014, the Company issued 24,982 shares of Class A Common Stock in lieu of cash to satisfy an employee bonus award, which was accrued in fiscal 2013. Pursuant to the terms of the 2012 Plan, this stock award reduced the share reserve for issuance under the 2012 Plan by 62,455 shares.

10. EMPLOYEE RETIREMENT PLANS

The HEICO Savings and Investment Plan (the "401(k) Plan") is a qualified defined contribution retirement plan under which eligible employees of the Company and its participating subsidiaries may make Elective Deferral Contributions up to the limitations set forth in Section 402(g) of the Internal Revenue Code. The Company generally makes a 25% or 50% Employer Matching Contribution, as determined by the Board of Directors, based on a participant's Elective Deferral Contribution up to 6% of the participant's Compensation for the Elective Deferral Contribution period. The 401(k) Plan also provides that the Company may make additional Employer Contributions. Employer Contributions may be contributed in the form of the Company's common stock or cash, as determined by the Company. Employer Contributions awarded in the form of Company common stock are valued based on the fair value of the underlying shares as of the effective date of contribution. Employer Contributions may be diversified by a participant into any of the participant-directed investment options of the 401(k) Plan; however, Employee Contributions may not be invested in Company common stock.

Participants receive 100% vesting of Employee Contributions and cash dividends received on Company common stock. Vesting in Employer Contributions is based on a

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participant's number of years of vesting service. Employer Contributions to the 401(k) Plan charged to income in fiscal 2014, 2013 and 2012 totaled \$6.3 million, \$3.2 million and \$3.0 million, respectively, and were made through the issuance of new shares of Company common stock and the use of forfeited shares within the 401(k) Plan.

In fiscal 2012, the Company's Board of Directors authorized 187,500 shares of the Company's Common Stock and 187,500 shares of the Company's Class A Common Stock be reversed and made available for issuance under the 401(k) Plan. Information concerning share-based activity pertaining to the 401(k) Plan for each of the last three fiscal years ended October 31 is as follows (in thousands):

	Common Stock	Class A Common Stock
Shares available for issuance as of October 31, 2011	—	—
Shares registered for issuance to the 401(k) Plan	187	187
Issuance of common stock to 401(k) Plan	(17	) (17
Shares available for issuance as of October 31, 2012	170	170
Issuance of common stock to 401(k) Plan	(45	) (45
Shares available for issuance as of October 31, 2013	125	125
Issuance of common stock to 401(k) Plan	(57	) (57
Shares available for issuance as of October 31, 2014	68	68

In connection with a fiscal 2013 acquisition, the Company assumed a frozen qualified defined benefit pension plan (the "Plan"). The Plan's benefits are based on employee compensation and years of service. However, since the Plan was closed to new participants effective December 31, 2004, the accrued benefit for Plan participants was fixed as of the date of acquisition and therefore the Plan's accumulated benefit obligation is equal to the projected benefit obligation. The acquired projected benefit obligation and plan assets were recorded at fair value as of the acquisition date.

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Changes in the Plan's projected benefit obligation and plan assets during fiscal 2013 subsequent to the acquisition and for the fiscal year ended October 31, 2014 are as follows (in thousands):

Change in projected benefit obligation:

Acquired projected benefit obligation	\$14,539	
Actuarial gain	(1,165)
Interest cost	236	
Benefits paid	(397)
Projected benefit obligation as of October 31, 2013	13,213	
Actuarial loss	930	
Interest cost	610	
Benefits paid	(938)
Projected benefit obligation as of October 31, 2014	\$13,815	

Change in plan assets:

Acquired plan assets	\$11,674	
Actual return on plan assets	120	
Benefits paid	(397)
Fair value of plan assets as of October 31, 2013	11,397	
Actual return on plan assets	764	
Employer contributions	136	
Benefits paid	(938)
Fair value of plan assets as of October 31, 2014	\$11,359	

Funded status as of October 31, 2013	(\$1,816)
Funded status as of October 31, 2014	(\$2,456)

The \$2.5 million and \$1.8 million difference between the projected benefit obligation and fair value of plan assets as of October 31, 2014 and October 31, 2013, respectively, are included in other long-term liabilities within the Company's Consolidated Balance Sheets. Additionally, the Plan experienced a \$.9 million net actuarial loss and \$1.0 million net actuarial gain during fiscal 2014 and 2013, respectively, that were recognized in other comprehensive income (where they are reported net of (\$.3) million and \$.4 million of tax, respectively). As of October 31, 2014, \$.1 million represents the total actuarial gain in accumulated other comprehensive income that have yet to be recognized as a component of net periodic pension income. The Company does not expect to recognize any of the amount within accumulated other comprehensive income as of October 31, 2014 as a component of net periodic pension income during fiscal 2015.

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Weighted average assumptions used to determine the projected benefit obligation as of October 31, 2014 and October 31, 2013 and net pension income for the fiscal year ended October 31, 2014 and October 31, 2013 are as follows:

	Projected Benefit Obligation		Net Pension Income		
	2014	2013	2014	2013	
Discount rate	4.20	% 4.79	% 4.79	% 3.99	%
Expected return on plan assets	N/A	N/A	6.75	% 6.75	%

The discount rate was determined using the results of a bond yield curve model based on a portfolio of high-quality bonds matching expected Plan benefit payments. The expected return on Plan assets was based upon the current and expected target asset allocation and investment return estimates for the Plan's equity and fixed income securities. In establishing this assumption, the Company considers many factors including both the historical rate of return and projected inflation-adjusted real rate of return on the Plan's various asset classes and the expected working lifetime for Plan participants.

Components of net pension income for the fiscal years ended October 31, 2014 and October 31, 2013 that were recorded within the Company's Consolidated Statements of Operations are as follows (in thousands):

	Year ended October 31,	
	2014	2013
Expected return on plan assets	\$739	\$320
Interest cost	610	236
Net pension income	\$129	\$84

The Company anticipates making contributions of \$.1 million to the Plan during fiscal 2015. Estimated future benefit payments to be made during each of the next five fiscal years and in aggregate during the succeeding five fiscal years are as follows (in thousands):

Year ending October 31,	
2015	\$921
2016	904
2017	897
2018	868
2019	895
2020-2024	4,244

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The fair value of the Plan's assets are set forth by level within the fair value hierarchy in the following tables (in thousands):

	As of October 31, 2014			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Equity securities	\$5,678	\$—	\$—	\$5,678
Fixed income securities	5,563	—	—	5,563
Money market funds and cash	118	—	—	118
	\$11,359	\$—	\$—	\$11,359

	As of October 31, 2013			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Equity securities	\$2,212	\$—	\$—	\$2,212
Fixed income securities	9,060	—	—	9,060
Money market funds and cash	125	—	—	125
	\$11,397	\$—	\$—	\$11,397

Equity securities consist of investments in common stocks, mutual funds and exchange traded funds. Fixed income securities consist of investments in mutual funds.

The Plan's actual and targeted asset allocations by investment category are as follows:

	As of October 31, 2014		2013		
	Actual	Target	Actual	Target	
Equity securities	50	% 50	% 19	% 20	%
Fixed income securities	49	% 50	% 80	% 80	%
Money market funds and cash	1	% —	% 1	% —	%
	100	% 100	% 100	% 100	%

During fiscal 2014, the Company modified the Plan's asset allocation policy from that which was established prior to the acquisition. The Company's objective is to maximize long-term investment return while maintaining an acceptable level of risk that is accomplished through broad diversification of the Plan's assets.

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11. REDEEMABLE NONCONTROLLING INTERESTS

The holders of equity interests in certain of the Company's subsidiaries have rights ("Put Rights") that may be exercised on varying dates causing the Company to purchase their equity interests through fiscal 2022. The Put Rights, all of which relate either to common shares or membership interests in limited liability companies, provide that the cash consideration to be paid for their equity interests (the "Redemption Amount") be at fair value or at a formula that management intended to reasonably approximate fair value based solely on a multiple of future earnings over a measurement period. As of October 31, 2014, management's estimate of the aggregate Redemption Amount of all Put Rights that the Company would be required to pay is approximately \$40.0 million. The actual Redemption Amount will likely be different. The aggregate Redemption Amount of all Put Rights was determined using probability adjusted internal estimates of future earnings of the Company's subsidiaries with Put Rights while considering the actual or earliest exercise date, the measurement period and any applicable fair value adjustments. The portion of the estimated Redemption Amount as of October 31, 2014 redeemable at fair value is approximately \$27.7 million and the portion redeemable based solely on a multiple of future earnings is approximately \$12.3 million.

A summary of the put and call rights associated with the redeemable noncontrolling interests in certain of the Company's subsidiaries and a description of any transactions involving redeemable noncontrolling interests during fiscal 2014, 2013 and 2012 is as follows:

The Company acquired an 80.1% interest in a subsidiary through the ETG in fiscal 2004. As part of the purchase agreement, the noncontrolling interest holders had the right to cause the Company to purchase their interests over a five-year period. During fiscal 2014, the noncontrolling interest holders' Put Right expired, resulting in a reclassification of the Redemption Amount from redeemable noncontrolling interests (temporary equity) to noncontrolling interests (permanent equity). Furthermore, the Company has the right to purchase the noncontrolling interests over a five-year period beginning in fiscal 2015, or sooner under certain conditions.

Pursuant to the purchase agreement related to the acquisition of an 85% interest in a subsidiary by the ETG in fiscal 2005, the noncontrolling interest holders have the right to cause the Company to purchase their interests over a four-year period beginning in fiscal 2007 or thereafter. Certain noncontrolling interest holders exercised their option during prior years, which resulted in the Company increasing its ownership interest in the subsidiary to 95.9% effective fiscal 2011.

Pursuant to the purchase agreement related to the acquisition of a 51% interest in a subsidiary by the FSG in fiscal 2006, certain noncontrolling interest holders exercised their option to cause the Company to purchase an aggregate 29% interest, which was completed in fiscal 2011. During fiscal 2012, the remaining noncontrolling interest holder exercised their option to cause the Company to purchase the remaining 20% interest, of which 6.7% was acquired effective February 2012 and 13.3% was acquired effective December 2012. During fiscal 2014, the Company paid a purchase price adjustment for the portion of the redeemable

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noncontrolling interests acquired in December 2012 that was based on the acquired entity's actual fiscal 2013 earnings.

The Company acquired an 80.1% interest in a subsidiary through the FSG in fiscal 2006. As part of the purchase agreement, the Company has the right to purchase the noncontrolling interests over a four-year period and the noncontrolling interest holders have the right to cause the Company to purchase the same equity interests over the same period.

The Company acquired an 80.1% interest in a subsidiary through the FSG in fiscal 2008 and acquired an additional 2.2% interest in fiscal 2010, which increased the Company's ownership interest to 82.3%. Pursuant to the original purchase agreement as amended in fiscal 2012, the Company has the right to purchase the remaining noncontrolling interests over a five-year period beginning in fiscal 2016, or sooner under certain conditions, and the noncontrolling interest holders have the right to cause the Company to purchase the same equity interests over the same period.

The Company acquired an 82.5% interest in a subsidiary through the ETG in fiscal 2009. As part of the purchase agreement, the Company has the right to purchase the noncontrolling interests in a lump sum transaction and the noncontrolling interest holder has the right to cause the Company to purchase the same equity interests over the same period.

The Company acquired an 80.1% interest in a subsidiary through the FSG in fiscal 2011. As part of the purchase agreement, the Company has the right to purchase the noncontrolling interests over a two-year period beginning in fiscal 2015, or sooner under certain conditions, and the noncontrolling interest holders have the right to cause the Company to purchase the same equity interests over the same period.

During fiscal 2012, one of the subsidiaries of the ETG formed a new subsidiary which acquired certain assets and liabilities of two businesses in exchange for shares aggregating 22% of its equity interest, valued at \$.4 million. The noncontrolling interest holders have the right to cause the Company to purchase their equity interests over a two-year period beginning in fiscal 2017.

The Company acquired an 84% interest in a subsidiary through the FSG in fiscal 2012. As part of the purchase agreement, the Company has the right to purchase the noncontrolling interests over a four-year period beginning in fiscal 2018, or sooner under certain conditions, and the noncontrolling interest holders have the right to cause the Company to purchase the same equity interests over the same period.

The Company acquired an 80.1% interest in a subsidiary through the FSG in fiscal 2012. As part of the purchase agreement, the Company has the right to purchase the noncontrolling interests over a four-year period beginning in fiscal 2019, or sooner under certain conditions, and the noncontrolling interest holder has the right to cause the Company to purchase the same equity interests over the same period.

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The purchase prices of the redeemable noncontrolling interests acquired in fiscal 2014 and 2012 were paid using cash provided by operating activities. The purchase price of the redeemable noncontrolling interests acquired in fiscal 2013 was paid using proceeds from the Company's revolving credit facility. The aggregate cost of the redeemable noncontrolling interests acquired was \$1.2 million, \$16.6 million and \$7.6 million in fiscal 2014, 2013 and 2012, respectively.

12. NET INCOME PER SHARE ATTRIBUTABLE TO HEICO SHAREHOLDERS

The computation of basic and diluted net income per share attributable to HEICO shareholders is as follows (in thousands, except per share data):

	Year ended October 31,		
	2014	2013	2012
Numerator:			
Net income attributable to HEICO	\$121,293	\$102,396	\$85,147
Adjustments to redemption amount of redeemable noncontrolling interests (see Note 1)	—	—	13
Net income attributable to HEICO, as adjusted	\$121,293	\$102,396	\$85,160
Denominator:			
Weighted average common shares outstanding - basic	66,463	66,298	65,861
Effect of dilutive stock options	990	684	763
Weighted average common shares outstanding - diluted	67,453	66,982	66,624
Net income per share attributable to HEICO shareholders:			
Basic	\$1.82	\$1.54	\$1.29
Diluted	\$1.80	\$1.53	\$1.28
Anti-dilutive stock options excluded	430	754	888

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13. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

(in thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales:				
2014	\$266,826	\$282,232	\$291,030	\$292,223
2013	\$216,490	\$237,708	\$267,133	\$287,426
Gross profit:				
2014	\$92,117	\$99,922	\$103,327	\$102,946
2013	\$77,589	\$89,448	\$97,540	\$106,604
Net income from consolidated operations:				
2014	\$32,562	\$32,780	\$37,352	\$36,078
2013	\$24,984	\$29,046	\$34,768	\$35,763
Net income attributable to HEICO:				
2014	\$27,455	\$28,367	\$33,366	\$32,105
2013	\$19,958	\$23,700	\$28,947	\$29,791
Net income per share attributable to HEICO:				
Basic:				
2014	\$.41	\$.43	\$.50	\$.48
2013	\$.30	\$.36	\$.44	\$.45
Diluted:				
2014	\$.41	\$.42	\$.49	\$.48
2013	\$.30	\$.35	\$.43	\$.44

During the fourth quarter of fiscal 2014, the Company recorded a reduction in accrued contingent consideration related to a fiscal 2012 acquisition that was partially offset by impairment losses related to the write-down of certain intangible assets at the acquired business resulting in an increase in net income attributable to HEICO of approximately \$1.7 million, or \$.03 per basic and diluted share.

During the third quarter of fiscal 2014, the Company recorded a reduction in accrued contingent consideration related to a fiscal 2013 acquisition that was partially offset by impairment losses related to the write-down of certain intangible assets and lower than expected operating income at the acquired business resulting in an increase in net income attributable to HEICO of approximately \$3.4 million, or \$.05 per basic and diluted share.

During the first quarter of fiscal 2014, the Company recorded a reduction in accrued contingent consideration related to a fiscal 2013 acquisition that was partially offset by lower than expected operating income at the acquired business resulting in an increase in net income attributable to HEICO of approximately \$2.6 million, or \$.04 per basic and diluted share.

During the third quarter of fiscal 2013, the Company filed its fiscal 2012 U.S. federal and state tax returns. As a result, the Company recognized a benefit, which increased net income attributable to HEICO by approximately \$.8 million, or \$.01 per basic and diluted share, net of expenses, from higher research and development tax credits.

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During the first quarter of fiscal 2013, the Company recognized an income tax credit for qualified research and development activities for the last ten months of fiscal 2012 upon the retroactive extension of the U.S. federal research and development tax credit in January 2013 to cover a two-year period from January 1, 2012 to December 31, 2013. The tax credit, net of expenses, increased net income attributable to HEICO by \$1.0 million, or \$.01 per basic and diluted share.

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

14. OPERATING SEGMENTS

The Company has two operating segments: the Flight Support Group (“FSG”), consisting of HEICO Aerospace and HEICO Flight Support Corp. and their collective subsidiaries; and the Electronic Technologies Group (“ETG”), consisting of HEICO Electronic and its subsidiaries. The FSG designs, manufactures, repairs, overhauls and distributes jet engine and aircraft component replacement parts. The parts and services are approved by the FAA. The FSG also manufactures and sells specialty parts as a subcontractor for aerospace and industrial original equipment manufacturers and the United States government and is a leading manufacturer of advanced niche components and complex composite assemblies for commercial aviation, defense and space applications. The ETG designs and manufactures electronic, microwave, and electro-optical equipment and components, three-dimensional microelectronic and stacked memory products, high-speed interface products, high voltage interconnection devices, high voltage advanced power electronics products, power conversion products, underwater locator beacons, traveling wave tube amplifiers, harsh environment electronic connectors and other interconnect products, and RF and microwave amplifiers, transmitters, receivers and satellite microwave modules, units and integrated subsystems primarily for the aviation, defense, space, medical, telecommunications and electronics industries.

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

Segment Profit or Loss

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

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

	Segment		Other, Primarily	Consolidated
	FSG	ETG	Corporate and Intersegment	Totals
Year ended October 31, 2014:				
Net sales	\$762,801	\$379,404	(\$9,894	) \$1,132,311
Depreciation and amortization	19,843	27,106	808	47,757
Operating income	136,480	88,914	(22,006	) 203,388
Capital expenditures	9,437	6,327	646	16,410
Total assets	676,824	703,144	109,246	1,489,214
Year ended October 31, 2013:				
Net sales	\$665,148	\$350,033	(\$6,424	) \$1,008,757
Depreciation and amortization	14,614	21,392	784	36,790
Operating income	122,058	83,063	(21,531	) 183,590
Capital expenditures	10,190	7,748	390	18,328
Total assets	679,839	759,807	93,369	1,533,015
Year ended October 31, 2012:				
Net sales	\$570,325	\$331,598	(\$4,576	) \$897,347
Depreciation and amortization	10,451	19,365	840	30,656
Operating income	103,943	77,438	(18,087	) 163,294
Capital expenditures	7,045	7,248	969	15,262
Total assets	487,188	636,660	68,998	1,192,846

Major Customer and Geographic Information

The Company markets its products and services in approximately 100 countries. The following table summarizes the Company's net sales to customers located in the United States and to those in other countries for each of the last three fiscal years ended October 31 (in thousands). Net sales are attributed to countries based on the location of the customer. Net sales to any one customer or originating from any one country did not account for 10% or more of the Company's consolidated net sales during any of the last three fiscal years. The following table also summarizes the Company's long-lived assets held within and outside of the United States as of October 31 of the last three fiscal years (in thousands). Long-lived assets consist of net property, plant and equipment.

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	2014	2013	2012
Net Sales:			
United States of America	\$754,616	\$654,096	\$596,922
Other countries	377,695	354,661	300,425
Total net sales	\$1,132,311	\$1,008,757	\$897,347
Long-lived assets:			
United States of America	\$84,116	\$87,247	\$70,380
Other countries	9,749	10,490	10,138
Total long-lived assets	\$93,865	\$97,737	\$80,518

15. COMMITMENTS AND CONTINGENCIES

Lease Commitments

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

Future minimum payments under non-cancelable operating leases for the next five fiscal years and thereafter are estimated to be as follows (in thousands):

Year ending October 31,	
2015	\$9,787
2016	8,830
2017	6,704
2018	3,239
2019	1,458
Thereafter	5,903
Total minimum lease commitments	\$35,921

Total rent expense charged to operations for operating leases in fiscal 2014, 2013 and 2012 amounted to \$11.2 million, \$9.8 million and \$7.9 million, respectively.

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Guarantees

As of October 31, 2014, the Company has arranged for standby letters of credit aggregating \$2.3 million, which are supported by its revolving credit facility. One letter of credit in the amount of \$1.5 million is to satisfy the security requirement of the Company's insurance company for potential workers' compensation claims and the remainder pertain to performance guarantees related to customer contracts entered into by certain of the Company's subsidiaries.

Product Warranty

Changes in the Company's product warranty liability in fiscal 2014 and 2013 are as follows (in thousands):

	Year ended October 31,	
	2014	2013
Balances as of beginning of year	\$3,233	\$2,571
Accruals for warranties	3,005	1,308
Acquired warranty liabilities	—	556
Warranty claims settled	(2,159	) (1,202
Balances as of end of year	\$4,079	\$3,233

Litigation

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

16. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

The following table presents supplemental cash flow information for fiscal 2014, 2013 and 2012 (in thousands):

	Year ended October 31,		
	2014	2013	2012
Cash paid for interest	\$5,550	\$3,514	\$2,420
Cash paid for income taxes	72,723	62,631	43,470
Cash received from income tax refunds	(395	) (33	) (1,555
Property, plant and equipment acquired through capital lease obligations	131	—	295

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

None.

Item 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and its Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this annual report. Based upon that evaluation, the Company's Chief Executive Officer and its Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective as of the end of the period covered by this annual report.

Management's Annual Report on Internal Control Over Financial Reporting

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

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

Management, under the supervision of and with the participation of the Company's Chief Executive Officer and the Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework (1992). Based on its assessment, management concluded that the Company's internal control over financial reporting is effective as of October 31, 2014.

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Deloitte & Touche LLP, an independent registered public accounting firm, audited the Company's consolidated financial statements and financial statement schedule included in this Annual Report on Form 10-K for the year ended October 31, 2014. A copy of their report is included in Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10-K. Deloitte & Touche LLP has issued their attestation report on management's internal control over financial reporting, which is set forth below.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the fourth quarter ended October 31, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Attestation Report of the Company's Independent Registered Public Accounting Firm

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the internal control over financial reporting of HEICO Corporation and subsidiaries (the "Company") as of October 31, 2014, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in

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reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of October 31, 2014, based on the criteria established in Internal Control-Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended October 31, 2014 of the Company and our report dated December 18, 2014 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ DELOITTE & TOUCHE LLP
Certified Public Accountants

Miami, Florida
December 18, 2014

Item 9B. OTHER INFORMATION

None.

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PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information concerning the Directors of the Company, including the Finance/Audit Committee of the Board of Directors and its Finance/Audit Committee Financial Expert, as well as information concerning other corporate governance matters and compliance with Section 16(a) of the Securities Exchange Act of 1934 is hereby incorporated by reference to the Company's definitive proxy statement, which will be filed with the Securities and Exchange Commission ("Commission") within 120 days after the close of fiscal 2014.

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

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

Item 11. EXECUTIVE COMPENSATION

Information concerning executive compensation is hereby incorporated by reference to the Company's definitive proxy statement, which will be filed with the Commission within 120 days after the close of fiscal 2014.

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

Information concerning security ownership of certain beneficial owners and management is hereby incorporated by reference to the Company's definitive proxy statement, which will be filed with the Commission within 120 days after the close of fiscal 2014.

Equity Compensation Plan Information

The following table summarizes information about our equity compensation plans as of October 31, 2014 (in thousands, except per share data):

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders ⁽¹⁾	3,264	\$22.59	1,617
Equity compensation plans not approved by security holders	—	—	—
Total	3,264	\$22.59	1,617

Represents aggregated information pertaining to our three equity compensation plans: the Non-Qualified Stock (1)Option Plan, the 2002 Stock Option Plan and the 2012 Incentive Compensation Plan. See Note 9, Share-Based Compensation, of the Notes to Consolidated Financial Statements for further information regarding these plans.

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

Information concerning certain relationships and related transactions and director independence is hereby incorporated by reference to the Company's definitive proxy statement, which will be filed with the Commission within 120 days after the close of fiscal 2014.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information concerning fees and services by the principal accountant is hereby incorporated by reference to the Company's definitive proxy statement, which will be filed with the Commission within 120 days after the close of fiscal 2014.

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PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements

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

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<u>Report of Independent Registered Public Accounting Firm</u>	51
<u>Consolidated Balance Sheets as of October 31, 2014 and 2013</u>	52
<u>Consolidated Statements of Operations for the years ended October 31, 2014, 2013 and 2012</u>	53
<u>Consolidated Statements of Comprehensive Income for the years ended October 31, 2014, 2013 and 2012</u>	54
<u>Consolidated Statements of Shareholders' Equity for the years ended October 31, 2014, 2013 and 2012</u>	55
<u>Consolidated Statements of Cash Flows for the years ended October 31, 2014, 2013 and 2012</u>	57
<u>Notes to Consolidated Financial Statements</u>	58

(a)(2) Financial Statement Schedules

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

Schedule II – Valuation and Qualifying Accounts

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

(a)(3) Exhibits

Exhibit	Description
2.1	— Amended and Restated Agreement of Merger and Plan of Reorganization, dated as of March 22, 1993, by and among HEICO Corporation, HEICO Industries, Corp. and New HEICO, Inc. is incorporated by reference to Exhibit 2.1 to the Registrant's Registration Statement on Form S-4 (Registration No. 33-57624) Amendment No. 1 filed on March 19, 1993.*
3.1	— Articles of Incorporation of the Registrant are incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-4 (Registration No. 33-57624) Amendment No. 1 filed on March 19, 1993.*
3.2	— Articles of Amendment of the Articles of Incorporation of the Registrant, dated April 27, 1993, are incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form 8-B dated April 29, 1993.*

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Exhibit	Description
3.3	— Articles of Amendment of the Articles of Incorporation of the Registrant, dated November 3, 1993, are incorporated by reference to Exhibit 3.3 to the Form 10-K for the year ended October 31, 1993.*
3.4	— Articles of Amendment of the Articles of Incorporation of the Registrant, dated March 19, 1998, are incorporated by reference to Exhibit 3.4 to the Company's Registration Statement on Form S-3 (Registration No. 333-48439) filed on March 23, 1998.*
3.5	— Articles of Amendment of the Articles of Incorporation of the Registrant, dated as of November 2, 2003, are incorporated by reference to Exhibit 3.5 to the Form 10-K for the year ended October 31, 2003.*
3.6	— Articles of Amendment of the Articles of Incorporation of the Registrant, dated March 26, 2012, are incorporated by reference to Exhibit 3.1 to the Form 8-K filed on March 29, 2012.*
3.7	— Amended and Restated Bylaws of the Registrant, effective as of September 22, 2014, are incorporated by reference to Exhibit 3.1 to the Form 8-K filed on September 25, 2014.*
4.0	— The description and terms of the Preferred Stock Purchase Rights are set forth in a Rights Agreement between the Company and SunTrust Bank, N.A., as Rights Agent, dated as of November 2, 2003, incorporated by reference to Exhibit 4.0 to the Form 8-K dated November 2, 2003.*
10.1#	— HEICO Savings and Investment Plan, as amended and restated effective as of January 1, 2012 is incorporated by reference to Exhibit 10.3 to the Form 10-Q for the quarterly period ended January 31, 2013.*
10.2#	— Non-Qualified Stock Option Agreement for Directors, Officers and Employees is incorporated by reference to Exhibit 10.8 to the Form 10-K for the year ended October 31, 1985.*
10.3#	— HEICO Corporation 1993 Stock Option Plan, as amended, is incorporated by reference to Exhibit 4.7 to the Company's Registration Statement on Form S-8 (Registration No. 333-81789) filed on June 29, 1999.*
10.4#	— HEICO Corporation Amended and Restated 2002 Stock Option Plan, effective March 28, 2008, is incorporated by reference to Appendix A to the Form DEF-14A filed on February 28, 2008.*
10.5#	— HEICO Corporation 2012 Incentive Compensation Plan is incorporated by reference to Exhibit 10.1 to the Form 8-K filed on March 29, 2012.*
10.6#	— HEICO Corporation Directors' Retirement Plan, as amended, dated as of May 31, 1991, is incorporated by reference to Exhibit 10.19 to the Form 10-K for the year ended October 31, 1992.*
10.7#	— HEICO Corporation Leadership Compensation Plan, effective October 1, 2006, as Re-Amended and Restated effective January 1, 2009, is incorporated by reference to Exhibit 10.1 to the Form 8-K filed on September 17, 2009.*

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Exhibit	Description
10.8#	— HEICO Corporation 2007 Incentive Compensation Plan, effective as of November 1, 2006, is incorporated by reference to Exhibit 10.1 to the Form 8-K filed on March 19, 2007.*
10.9#	— Key Employee Termination Agreement, dated as of April 5, 1988, between HEICO Corporation and Thomas S. Irwin is incorporated by reference to Exhibit 10.20 to the Form 10-K for the year ended October 31, 1992.*
10.10#	— Amendment to Key Employee Termination Agreement, dated May 29, 2012 and effective as of June 1, 2012, between HEICO Corporation and Thomas S. Irwin is incorporated by reference to Exhibit 10.2 to the Form 8-K filed on June 1, 2012.*
10.11#	— Employment Agreement and Non-Competition and Non-Solicitation Agreement, effective June 1, 2012, by and between HEICO Corporation and Carlos Macau is incorporated by reference to Exhibit 10.1 to the Form 8-K filed on June 1, 2012.*
10.12	— Shareholders Agreement, dated October 30, 1997, by and between HEICO Aerospace Holdings Corp., HEICO Aerospace Corporation and all of the shareholders of HEICO Aerospace Holdings Corp. and Lufthansa Technik AG is incorporated by reference to Exhibit 10.32 to Form 10-K/A for the year ended October 31, 1997.*
10.13	— Revolving Credit Agreement, dated as of December 14, 2011, among HEICO Corporation, as Borrower, the Lenders from time to time party hereto, Wells Fargo Bank, National Association, and Bank of America, N.A., as Co-Syndication Agents, PNC Bank, National Association, as Documentation Agent and SunTrust Bank, as Administrative Agent, is incorporated by reference to Exhibit 10.1 to the Form 8-K filed on December 16, 2011.*
10.14	— First Amendment to Revolving Credit Agreement, effective as of December 11, 2012, among HEICO Corporation, as Borrower, the Lenders from time to time party hereto and SunTrust Bank, as Administrative Agent, is incorporated by reference to Exhibit 10.1 to the Form 8-K filed on December 14, 2012.*
10.15	— Second Amendment to Revolving Credit Agreement, effective as of December 11, 2012, among HEICO Corporation, as Borrower, the Lenders from time to time party hereto and SunTrust Bank, as Administrative Agent, is incorporated by reference to Exhibit 10.2 to the Form 8-K filed on December 14, 2012.*
10.16	— Third Amendment to Revolving Credit Agreement, effective as of February 22, 2013, among HEICO Corporation, as Borrower, the Lenders from time to time party hereto and SunTrust Bank, as Administrative Agent, is incorporated by reference to Exhibit 10.1 to the Form 10-Q for the quarterly period ended April 30, 2013.*
10.17	— Fourth Amendment to Revolving Credit Agreement, effective as of November 22, 2013, among HEICO Corporation, as Borrower, the Lenders from time to time party hereto and SunTrust Bank, as Administrative Agent, is incorporated by reference to Exhibit 10.1 to the Form 8-K filed on November 27, 2013.*
21	— Subsidiaries of HEICO Corporation.**

23 — Consent of Independent Registered Public Accounting Firm.**

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Exhibit	Description
31.1	— Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.**
31.2	— Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.**
32.1	— Section 1350 Certification of Chief Executive Officer.***
32.2	— Section 1350 Certification of Chief Financial Officer.***
101.INS	— XBRL Instance Document.**
101.SCH	— XBRL Taxonomy Extension Schema Document.**
101.CAL	— XBRL Taxonomy Extension Calculation Linkbase Document.**
101.DEF	— XBRL Taxonomy Extension Definition Linkbase Document.**
101.LAB	— XBRL Taxonomy Extension Labels Linkbase Document.**
101.PRE	— XBRL Taxonomy Extension Presentation Linkbase Document.**

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

IndexHEICO CORPORATION AND SUBSIDIARIES
SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS

	Year ended October 31,		
	2014	2013	2012
Allowance for doubtful accounts (in thousands):			
Allowance as of beginning of year	\$3,096	\$2,334	\$2,667
Additions (deductions) charged (credited) to costs and expenses ^(a)	(232	) 586	2,356
Additions (deductions) charged to other accounts ^(b)	(31	) 303	44
Deductions ^(c)	(690	) (127	) (2,733
Allowance as of end of year	\$2,143	\$3,096	\$2,334

Additions charged to costs and expenses in fiscal 2012 were higher than in fiscal 2014 and 2013 principally as a (a) result of potential collection difficulties resulting from certain customers filing for bankruptcy or ceasing operations.

(b) Principally additions from acquisitions and foreign currency translation adjustments.

(c) Principally write-offs of uncollectible accounts receivable, net of recoveries.

	Year ended October 31,		
	2014	2013	2012
Inventory valuation reserves (in thousands):			
Reserves as of beginning of year	\$54,577	\$46,861	\$41,208
Additions charged to costs and expenses	9,398	8,032	4,605
Additions (deductions) charged to other accounts ^(a)	(322	) 3,148	3,581
Deductions ^(b)	(3,045	) (3,464	) (2,533
Reserves as of end of year	\$60,608	\$54,577	\$46,861

(a) Principally additions from acquisitions and foreign currency translation adjustments.

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

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SIGNATURES

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

HEICO CORPORATION

Date: December 18, 2014

By: /s/ CARLOS L. MACAU, JR.
 Carlos L. Macau, Jr.
 Executive Vice President - Chief
 Financial Officer
 and Treasurer
 (Principal Financial Officer)

By: /s/ STEVEN M. WALKER
 Steven M. Walker
 Chief Accounting Officer
 and Assistant Treasurer
 (Principal Accounting Officer)

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

Name	Position(s)	Date
/s/ LAURANS A. MENDELSON Laurans A. Mendelson	Chairman of the Board; Chief Executive Officer; and Director (Principal Executive Officer)	December 18, 2014
/s/ THOMAS M. CULLIGAN Thomas M. Culligan	Director	December 18, 2014
/s/ ADOLFO HENRIQUES Adolfo Henriques	Director	December 18, 2014
/s/ SAMUEL L. HIGGINBOTTOM Samuel L. Higginbottom	Director	December 18, 2014
/s/ MARK H. HILDEBRANDT Mark H. Hildebrandt	Director	December 18, 2014
/s/ WOLFGANG MAYRHUBER Wolfgang Mayrhuber	Director	December 18, 2014
/s/ ERIC A. MENDELSON Eric A. Mendelson	Co-President and Director	December 18, 2014
/s/ VICTOR H. MENDELSON Victor H. Mendelson	Co-President and Director	December 18, 2014

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Name	Position(s)	Date
/s/ JULIE NEITZEL Julie Neitzel	Director	December 18, 2014
/s/ ALAN SCHRIESHEIM Alan Schriesheim	Director	December 18, 2014
/s/ FRANK J. SCHWITTER Frank J. Schwitter	Director	December 18, 2014

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