AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON NOVEMBER 7, 1997
REGISTRATION STATEMENT NO. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-3

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

HEICO CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

FLORIDA	65-0341002
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

3000 TAFT STREET
HOLLYWOOD, FLORIDA 33021
(954) 987-6101
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

LAURANS A. MENDELSON
CHIEF EXECUTIVE OFFICER
3000 TAFT STREET
HOLLYWOOD, FLORIDA 33021
(954) 987-6101
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

COPIES OF COMMUNICATIONS TO:

BRUCE MACDONOUGH, ESQ.
GREENBERG, TRAURIG, HOFFMAN, LIPOFF, ROSEN & QUENTEL, P.A.
1221 BRICKELL AVENUE
MIAMI, FLORIDA 33131
(305) 579-0500

NEIL A. TORPEY, ESQ.
PAUL, HASTINGS, JANOFSKY & WALKER LLP
399 PARK AVENUE
NEW YORK, NEW YORK 10022-4697
(212) 318-6000

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:

As soon as practicable after this Registration Statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. [ ]

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 (the "Securities Act"), other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. [ ]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)(2)	AMOUNT OF REGISTRATION FEE
% Convertible Subordinated Notes due 2004	$86,250,000	$26,136.36
Common Stock, $.01 par value, issuable upon conversion of % Convertible Subordinated Notes due 2004	(3)	--

(1) Includes $11,250,000 principal of Notes subject to the Underwriters' over-allotment option.
(2) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457 under the Securities Act of 1933.
(3) Not currently determinable.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION

STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION, DATED NOVEMBER 7, 1997

PROSPECTUS

$75,000,000

[HEICO CORPORATION LOGO]

% CONVERTIBLE SUBORDINATED NOTES DUE 2004

HEICO CORPORATION ("HEICO" OR THE "COMPANY") IS OFFERING $75,000,000 AGGREGATE PRINCIPAL AMOUNT OF ITS ___% CONVERTIBLE SUBORDINATED NOTES DUE , 2004 (THE "NOTES"). THE NOTES ARE CONVERTIBLE AT ANY TIME PRIOR TO MATURITY, UNLESS PREVIOUSLY REDEEMED OR REPURCHASED, INTO SHARES OF COMMON STOCK, PAR VALUE $.01 PER SHARE ("COMMON STOCK"), OF THE COMPANY AT A CONVERSION RATE OF SHARES PER EACH $1,000 PRINCIPAL AMOUNT OF NOTES (EQUIVALENT TO A CONVERSION PRICE OF APPROXIMATELY $ PER SHARE), SUBJECT TO ADJUSTMENT IN CERTAIN CIRCUMSTANCES. SEE "DESCRIPTION OF NOTES--CONVERSION OF THE NOTES." THE COMMON STOCK IS TRADED ON THE AMERICAN STOCK EXCHANGE UNDER THE SYMBOL "HEI." ON , 1997, THE LAST REPORTED SALE PRICE FOR THE COMMON STOCK WAS $ PER SHARE.

INTEREST ON THE NOTES IS PAYABLE ON AND OF EACH YEAR, COMMENCING , 1998. THE NOTES ARE REDEEMABLE IN WHOLE OR IN PART AT THE COMPANY'S OPTION AT ANY TIME ON OR AFTER , 2000, AT THE REDEMPTION PRICES SET FORTH HEREIN, PLUS ACCRUED INTEREST TO THE DATE OF REDEMPTION. SEE "DESCRIPTION OF NOTES--OPTIONAL REDEMPTION." THE NOTES ARE NOT ENTITLED TO ANY SINKING FUND. THE NOTES WILL MATURE ON , 2004.

IN THE EVENT OF A CHANGE OF CONTROL (AS DEFINED HEREIN), EACH HOLDER OF NOTES MAY REQUIRE THE COMPANY TO REPURCHASE ITS NOTES, IN WHOLE OR IN PART, FOR CASH AT A REPURCHASE PRICE OF 100% OF THE PRINCIPAL AMOUNT OF NOTES TO BE REPURCHASED, PLUS ACCRUED INTEREST TO THE REPURCHASE DATE. SEE "DESCRIPTION OF NOTES --REPURCHASE AT THE OPTION OF HOLDERS UPON A CHANGE OF CONTROL."

THE NOTES ARE UNSECURED OBLIGATIONS SUBORDINATED IN RIGHT OF PAYMENT TO ALL EXISTING AND FUTURE SENIOR INDEBTEDNESS (AS DEFINED HEREIN) OF THE COMPANY AND EFFECTIVELY SUBORDINATED IN RIGHT OF PAYMENT TO ALL INDEBTEDNESS AND OTHER LIABILITIES OF THE COMPANY'S SUBSIDIARIES. AS OF OCTOBER 31, 1997, AFTER GIVING EFFECT TO THIS OFFERING AND THE APPLICATION OF NET PROCEEDS THEREFROM, THE COMPANY'S SUBSIDIARIES WOULD HAVE HAD APPROXIMATELY $11 MILLION OF OUTSTANDING INDEBTEDNESS, OF WHICH APPROXIMATELY $6 MILLION IS GUARANTEED BY THE COMPANY AND CONSTITUTES SENIOR INDEBTEDNESS. THE INDENTURE (AS DEFINED HEREIN) WILL NOT RESTRICT THE COMPANY OR ITS SUBSIDIARIES FROM INCURRING ADDITIONAL SENIOR INDEBTEDNESS OR OTHER INDEBTEDNESS. SEE "DESCRIPTION OF NOTES--SUBORDINATION."

THE NOTES WILL NOT BE LISTED ON ANY SECURITIES EXCHANGE AND WILL ONLY BE TRADED IN THE OVER-THE-COUNTER MARKET.

SEE "RISK FACTORS" BEGINNING ON PAGE 7 FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY POTENTIAL PURCHASERS OF THE NOTES.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PRICE TO PUBLIC(1)	DISCOUNT TO UNDERWRITERS(2)	PROCEEDS TO COMPANY(3)
Per Note	%	%	%
Total(4)	$	$	$

(1) Plus accrued interest, if any, from date of issuance.
(2) The Company has agreed to indemnify the Underwriters (as defined herein) against certain liabilities, including liabilities under the Securities Act (as defined herein). See "Underwriting."
(3) Before deducting expenses payable by the Company, estimated to be $.
(4) The Company has granted the Underwriters an option for 30 days to purchase up to an additional $11,250,000 principal amount of Notes, solely for the purpose of covering over-allotments, if any. If the Underwriters exercise such option in full, the Price to Public, at the offering price shown above, less the Underwriters' discount, Discount to Underwriters and Proceeds to Company will be $, $ and $, respectively. See "Underwriting."

THE NOTES ARE OFFERED BY THE UNDERWRITERS, SUBJECT TO PRIOR SALE, WHEN, AS

AND IF DELIVERED TO AND ACCEPTED BY THE UNDERWRITERS AND SUBJECT TO THE UNDERWRITERS' RIGHT TO REJECT ORDERS IN WHOLE OR PART. IT IS EXPECTED THAT DELIVERY OF THE NOTES WILL BE MADE ON OR ABOUT , 1997, AGAINST PAYMENT IN IMMEDIATELY AVAILABLE FUNDS.

FORUM CAPITAL MARKETS L.P.

RAYMOND JAMES & ASSOCIATES, INC.

SOUTHEAST RESEARCH PARTNERS, INC.

The date of this Prospectus is , 1997.

[RESERVED FOR ART WORK]

CERTAIN PERSONS PARTICIPATING IN THE OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE NOTES OR THE COMMON STOCK, INCLUDING OVER-ALLOTMENTS, STABILIZING TRANSACTIONS, SYNDICATE SHORT COVERING TRANSACTIONS AND PENALTY BIDS. SUCH TRANSACTIONS MAY BE EFFECTED ON THE AMERICAN STOCK EXCHANGE, IN THE OVER-THE-COUNTER MARKET OR OTHERWISE. SUCH TRANSACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITING."

PROSPECTUS SUMMARY

THE FOLLOWING SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE MORE DETAILED INFORMATION AND THE FINANCIAL STATEMENTS AND NOTES THERETO INCLUDED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS. EXCEPT AS OTHERWISE INDICATED, THE INFORMATION IN THIS PROSPECTUS ASSUMES THAT THE UNDERWRITERS' OVER-ALLOTMENT OPTION WILL NOT BE EXERCISED. AS USED HEREIN, THE TERM "COMPANY" REFERS TO HEICO CORPORATION AND ITS CONSOLIDATED SUBSIDIARIES.

THE COMPANY

The Company is one of the world's largest non-OEM manufacturers of FAA-approved jet engine replacement parts and a market leader in the sale of certain ground support equipment ("GSE") to the airline and defense industries. The Company's Flight Support Group, which currently accounts for approximately 70% of the Company's revenues, operates in the jet engine service market through (i) the research and development, design, manufacture and sale of FAA-approved jet engine replacement parts in direct competition with original equipment manufacturers ("OEMs"), (ii) the repair, maintenance and overhaul of jet engine and airframe components, and (iii) the manufacture of specialty aviation and defense component parts as a subcontractor for OEMs and the U.S. government. The Company's Ground Support Group, which currently accounts for approximately 30% of the Company's revenues, manufactures various types of GSE, including ground power, air start and air conditioning units, as well as certain electronic equipment for commercial airlines and military agencies.

Through a combination of internal growth and acquisitions, the Company increased revenues 35% from $25.6 million in the year ended October 31, 1995 to $34.6 million in the year ended October 31, 1996 and earnings per share from continuing operations 130% from $0.27 per share in the year ended October 31, 1995 to $0.62 in the year ended October 31, 1996. In addition, the Company increased revenues and earnings per share from continuing operations from $23.0 million and $0.39 per share for the nine months ended July 31, 1996 to $44.5 million and $0.78 per share for the nine months ended July 31, 1997.

The Company's core strategy is to provide domestic and foreign commercial air carriers (passenger and cargo) and aircraft repair (airmotive) companies with an FAA-approved alternative source for certain jet engine parts at substantial savings to the prices charged for functionally identical parts by the respective jet engine OEMs which have historically been the sole source for such replacement parts. The Company estimates the annual market for jet engine repair, refurbishment and overhaul to be approximately $6.5 billion, of which approximately $3.5 billion reflects annual sales of jet engine replacement parts. According to GSE TODAY, a leading industry publication, the annual worldwide commercial GSE market is approximately $1.5 billion. The Company believes that the GSE market is highly fragmented, with a significant number of participants supplying only one or two types of equipment.

GROWTH STRATEGIES

The Company intends to capitalize on its reputation for quality, its research and development and manufacturing capabilities, existing customer relationships and industry trends to continue to achieve profitable growth in a number of niche aerospace markets. Specific components of the Company's growth strategy include the following:

EXPANSION OF JET ENGINE REPLACEMENT PARTS PRODUCT LINES. The Company intends to substantially broaden its current jet engine replacement parts product lines through the development and receipt of additional Parts Manufacturer Approvals ("PMAs") from the Federal Aviation Administration ("FAA"). The PMA approval process requires sophisticated computer aided design technologies, advanced engineering and manufacturing capabilities, and depends to a significant extent on the Company's established credibility with the FAA. The Company believes that the PMA approval process creates a significant barrier to entry as a result of both its technical demands and its limits on the rate at which competitors can bring products to market.

EXPANSION OF GSE PRODUCT LINES. The Company expects that the planned expansion of its Ground Support Group's manufacturing facility will permit the Company to expand its GSE product lines. The Company believes that continued expansion of its GSE product lines, in combination with its expanding jet engine parts product lines and component overhaul capabilities, will provide increased cross selling and marketing opportunities that will enable the Company to capitalize on its reputation for quality products and the aviation industry's trends toward outsourcing and vendor consolidation.

FORM STRATEGIC ALLIANCES. The Company seeks to form strategic alliances that will allow it to accelerate the development of additional PMAs and provide airlines with an alternative to the increased costs and occasional availability and delivery problems many airlines have experienced related to OEM sole source replacement parts. Pursuant to this objective, in October 1997 the Company formed a strategic alliance between its Flight Support Group and Lufthansa Technik AG, the technical services subsidiary of Lufthansa German Airlines ("Lufthansa"). Lufthansa is the world's largest independent provider of engineering and maintenance services for aircraft and aircraft engines supporting over 200 airlines, governments and other customers on a worldwide basis. The objective of this Lufthansa strategic alliance is to (i) offer a broadened line of FAA-approved jet engine replacement parts to the entire jet engine maintenance market; (ii) offer airlines and airmotives a more responsive and cost effective alternative to OEMs, and (iii) capitalize on Lufthansa's established industry and customer relationships.

PURSUE ACQUISITIONS OF COMPLEMENTARY BUSINESSES. A key element of the Company's strategy involves growth through acquisitions of other companies, assets or product lines that complement or expand the Company's existing Flight Support Group and Ground Support Group businesses. The Company believes that acquisitions will enable it to capitalize on its fixed costs of operations and further expand the aerospace products and services which it can offer to its worldwide customer base. Accordingly, the Company intends to pursue an aggressive acquisition strategy to gain market share in certain segments of the fragmented aviation service and supply industry. The Company's acquisition of Trilectron Industries, Inc. ("Trilectron") in September 1996 and Northwings Accessories Corp. ("Northwings") in September 1997 exemplify the consolidation opportunities that the Company believes are available. The Company is continually evaluating acquisition opportunities that meet the Company's criteria of a similar customer base, proprietary technologies and the opportunity for consolidation. However, the Company has no current agreements with respect to any acquisition and no assurance can be given that any of the acquisitions currently being considered will be consummated.

The Company's principal executive offices are located at 3000 Taft Street, Hollywood, Florida 33021, and its telephone number is (954) 987-4000.

RECENT DEVELOPMENTS

In September 1997, the Company purchased Northwings, an FAA-authorized repair and overhaul facility that services aircraft engine parts and airframe accessories, including fuel, hydraulic and pneumatic components. The purchase price for Northwings was $10.5 million, consisting of approximately $7.0 million in cash and 155,000 shares of the Company's Common Stock. In the nine months ended June 30, 1997, Northwings had revenues of approximately $6.4 million and operating income of approximately $1.9 million.

On October 30, 1997, the Company entered into a strategic alliance with Lufthansa, whereby Lufthansa invested approximately $26 million in the Company's Flight Support Group, including approximately $16 million to be paid to the Flight Support Group over three years pursuant to a research and development cooperation agreement which will partially fund accelerated development of additional FAA-approved replacement parts for jet engines. In addition, Lufthansa and the Flight Support Group have agreed to cooperate regarding technical services and marketing support for jet engine parts on a worldwide basis.

THE OFFERING

Notes Offered	$75,000,000 aggregate principal amount of % Convertible Subordinated Notes due 2004. The Company has granted the Underwriters a 30-day option to purchase up to an additional $11,250,000 principal amount of Notes, solely for the purpose of covering over-allotments.
Maturity Date	, 2004.
Interest Payment Dates .	and , commencing , 1998.
Interest Rate	% per annum.
Conversion Rights	The Notes are convertible at the option of the holder into Common Stock at any time prior to maturity, unless previously redeemed or repurchased, at a conversion rate of shares per $1,000 principal amount of Notes (equivalent to a conversion price of approximately $ per share), subject to adjustment in certain circumstances. See "Description of Notes--Conversion of the Notes."
Subordination	The Notes are unsecured and subordinated to all existing and future Senior Indebtedness. The Notes are also effectively subordinated in right of payment to all indebtedness and liabilities of the Company's subsidiaries. At October 31, 1997, after giving effect to this offering and the application of the net proceeds therefrom, the Company's subsidiaries would have had approximately $11 million of outstanding indebtedness, of which approximately $6 million is guaranteed by the Company and constitutes Senior Indebtedness. The Indenture does not restrict the incurrence of additional indebtedness by the Company or any of its subsidiaries. See "Description of Notes--Subordination."
Redemption at the Option of the Company.....	The Notes are not redeemable prior to , 2000. Thereafter the Notes are redeemable at any time and from time to time at the option of the Company, in whole or in part, at the redemption prices set forth herein, plus accrued and unpaid interest to the date fixed for redemption. See "Description of Notes--Optional Redemption by the Company."
Repurchase at Option of Holders Upon a Change of Control.....	Upon a Change of Control (as defined herein), the Company will offer to repurchase the Notes at a repurchase price equal to 100% of the principal amount, plus accrued interest to the date of repurchase. See "Description of Notes--Repurchase at Option of Holders Upon a Change of Control."
Use of Proceeds.....	The Company intends to use the net proceeds of this offering for working capital and general corporate purposes, including possible acquisitions. See "Use of Proceeds."
Listing and Trading of Notes.....	The Notes will not be listed on any securities exchange or on the American Stock Exchange and will only be traded in the over-the-counter market.
Common Stock.....	The Common Stock issuable upon conversion of the Notes will be listed on the American Stock Exchange under the symbol "HEI."

SUMMARY CONSOLIDATED FINANCIAL AND OPERATING DATA
(IN THOUSANDS, EXCEPT PER SHARE AND RATIO DATA)

	YEARS ENDED OCTOBER 31,			
	1994	1995	1996	PRO FORMA(1) 1996
OPERATING DATA:(3)				
Net sales	$19,212	$25,613	$34,565	$ 52,905
Gross profit	5,835	8,116	12,169	17,483
Net income from continuing operations before cumulative effect of change in accounting principle and minority interest expense	640	1,437	3,665	4,534
Minority interest in net income of subsidiary(4)	--	--	--	(1,041)
Net income from continuing operations before cumulative effect of change in accounting principle	640	1,437	3,665	3,493
Net income from discontinued operations, including gain from sale of discontinued operations	830	1,258	6,227	6,227
Cumulative effect on prior years of change in accounting principle	381	--	--	--
Net income	1,851	2,695	9,892	9,720
Weighted average number of common and common equivalent shares(5)	5,045	5,302	5,903	6,058
Net income per share from continuing operations before cumulative effect of change in accounting principle(5)	0.13	0.27	0.62	0.57
Cumulative effect per share of change in accounting principle(5)	0.08	--	--	--
Net income per share(5)	0.37	0.51	1.68	1.60
Cash dividends per share(5)	0.07	0.07	0.09	0.09
OTHER FINANCIAL DATA:(3)				
EBITDA(6)	1,657	3,074	6,007	8,539
Depreciation and amortization	1,317	1,363	1,449	2,019
Capital expenditures	645	584	2,296	2,296
Ratio of earnings to fixed charges	10.00	11.35	23.41	15.15

	NINE MONTHS ENDED JULY 31,		
	1996	1997	PRO FORMA(2) 1997
OPERATING DATA:(3)			
Net sales	$22,979	$44,535	$ 50,945
Gross profit	7,935	14,146	17,235
Net income from continuing operations before cumulative effect of change in accounting principle and minority interest expense	2,278	4,946	6,041
Minority interest in net income of subsidiary(4)	--	--	(1,266)
Net income from continuing operations before cumulative effect of change in accounting principle	2,278	4,946	4,775
Net income from discontinued operations, including gain from sale of discontinued operations	6,227	--	--
Cumulative effect on prior years of change in accounting principle	--	--	--
Net income	8,505	4,946	4,775
Weighted average number of common and common equivalent shares(5)	5,847	6,343	6,498
Net income per share from continuing operations before cumulative effect of change in accounting principle(5)	0.39	0.78	0.73
Cumulative effect per share of change in accounting principle(5)	--	--	--
Net income per share(5)	1.45	0.78	0.73
Cash dividends per share(5)	0.09	0.10	0.10
OTHER FINANCIAL DATA:(3)			
EBITDA(6)	4,064	7,595	9,829
Depreciation and amortization	1,150	1,170	1,504
Capital expenditures	1,177	2,807	2,807
Ratio of earnings to fixed charges	21.63	19.80	20.01

	JULY 31, 1997		
	ACTUAL	PRO FORMA(7)	PRO FORMA AS ADJUSTED(8)
BALANCE SHEET DATA:			
Working capital	$29,754	$44,093	$115,718
Net property, plant and equipment	7,734	8,133	8,133
Total assets	70,820	85,446	157,071
Long-term debt	10,546	10,715	85,715
Minority interest in consolidated subsidiary(9)	--	3,000	3,000
Shareholders' equity	47,312	57,738	57,738

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(1) Gives effect to the Company's September 1996 acquisition of Trilectron, its September 1997 acquisition of Northwings and its October 1997 sale to Lufthansa of a 20% minority interest in the Company's Flight Support Group as if each of such transactions had been consummated as of November 1, 1995.

(2) Gives effect to the Company's September 1997 acquisition of Northwings and its October 1997 sale to Lufthansa of a 20% minority interest in the Company's Flight Support Group as if each of such transactions had been consummated as of November 1, 1995.

(3) Adjusted to reflect MediTek (as defined herein) as a discontinued operation. The Company's 1996 results reflect a gain of $5.3 million from the sale of MediTek.

(4) Represents Lufthansa's 20% minority interest in the net income of the Company's Flight Support Group.

(5) Adjusted to reflect all stock dividends and stock splits.

(6) EBITDA is defined as earnings before the effects of interest, taxes, depreciation and amortization. EBITDA is presented because it is a widely accepted financial indicator used by many investors and analysts to analyze and compare companies on the basis of operating performance. EBITDA is not intended to represent cash flows for the period, nor has it been presented as an alternative to operating income or as an indicator of operating performance, should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles and may not be comparable to similarly titled items of other companies.

(7) Gives effect to the Company's September 1997 acquisition of Northwings and its October 1997 sale to Lufthansa of a 20% minority interest in the Company's Flight Support Group as if each of such transactions had occurred as of July 31, 1997.

(8) Adjusted to give effect to the issuance and sale of the Notes and the receipt of the estimated proceeds therefrom. See "Use of Proceeds."

(9) Represents the 20% minority interest in the Company's Flight Support Group acquired by Lufthansa.

RISK FACTORS

AN INVESTMENT IN THE NOTES OFFERED HEREBY INVOLVES A HIGH DEGREE OF RISK. PROSPECTIVE INVESTORS SHOULD CONSIDER CAREFULLY THE FOLLOWING RISK FACTORS, IN ADDITION TO THE OTHER INFORMATION INCLUDED AND INCORPORATED BY REFERENCE IN THIS PROSPECTUS, IN CONNECTION WITH AN INVESTMENT IN THE NOTES OFFERED HEREBY.

THIS PROSPECTUS CONTAINS STATEMENTS THAT CONSTITUTE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED (THE "EXCHANGE ACT"). THE WORDS "EXPECT," "ESTIMATE," "ANTICIPATE," "PREDICT," "BELIEVE" AND SIMILAR EXPRESSIONS AND VARIATIONS THEREOF ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. SUCH STATEMENTS APPEAR IN A NUMBER OF PLACES IN THIS PROSPECTUS AND INCLUDE STATEMENTS REGARDING THE INTENT, BELIEF OR CURRENT EXPECTATIONS OF THE COMPANY, ITS DIRECTORS, OR ITS OFFICERS WITH RESPECT TO, AMONG OTHER THINGS: (I) TRENDS AFFECTING THE AVIATION INDUSTRY GENERALLY AND THE SEGMENTS IN WHICH THE COMPANY OPERATES; AND (II) THE COMPANY'S BUSINESS AND GROWTH STRATEGIES, INCLUDING ITS RESEARCH AND DEVELOPMENT PLANS, ITS MANUFACTURE OF ADDITIONAL REPLACEMENT PARTS AND POTENTIAL ACQUISITIONS. PROSPECTIVE INVESTORS ARE CAUTIONED THAT ANY SUCH FORWARD-LOOKING STATEMENTS ARE NOT GUARANTEES OF FUTURE PERFORMANCE AND INVOLVE RISKS AND UNCERTAINTIES, AND THAT ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE PREDICTED IN THE FORWARD-LOOKING STATEMENTS, AS A RESULT OF VARIOUS FACTORS. THE ACCOMPANYING INFORMATION CONTAINED IN THIS PROSPECTUS, INCLUDING THE RISK FACTORS SET FORTH BELOW AS WELL AS INFORMATION CONTAINED IN "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS," "BUSINESS," AND THE COMPANY'S OTHER FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION, IDENTIFY IMPORTANT FACTORS THAT COULD CAUSE SUCH DIFFERENCES.

DEPENDENCE ON AVIATION INDUSTRY

The Company's operations are focused on the design, manufacture and sale of jet engine replacement parts, repair and overhaul services on certain jet engine and aircraft parts and the design and manufacture of GSE. Because the Company's customers consist of aircraft operators, repair and overhaul facilities that service aircraft operators, OEMs and the United States government, the Company's business is impacted by the economic factors which generally affect the aviation industry. When such factors adversely affect the aviation industry, they tend to reduce the overall demand for jet engine replacement parts, causing downward pressure on pricing and increasing the credit risk associated with conducting business with industry participants. There can be no assurance that economic and other factors which affect the aviation industry will not have a material adverse effect on the Company's business, financial condition and results of operations. See "Industry Overview."

A number of the Company's existing and prospective customers are domestic and foreign passenger airlines, freight carriers and aircraft leasing companies, or service providers to such companies, all of which may suffer from the factors which adversely affect the aviation industry. As a result, certain of these customers may pose credit risks to the Company. The Company's inability to collect receivables from a substantial sale could adversely affect the Company's financial position and results of operations for a particular period. Although the Company's bad debt loss was less than 1.0% of sales for the year ended October 31, 1996 and for the nine months ended July 31, 1997, there can be no assurance that the Company will not incur significant bad debt losses in the future.

GOVERNMENT REGULATION

The repair and overhaul of aircraft engines is highly regulated by governmental agencies throughout the world, including the FAA, and is supplemented by guidelines established by OEMs which generally require that engines be overhauled and certain engine parts be replaced after a certain number of flight hours or cycles (take-offs and landings).

The jet engine replacement parts that the Company sells to its customers must be accompanied by documentation which enables the customer to comply with applicable regulatory requirements, as well as meet certain standards of airworthiness established by the FAA or the equivalent regulatory agencies

in other countries. Specific regulations vary from country to country, although regulatory requirements in other countries are generally satisfied by compliance with FAA requirements. If material authorizations or approvals were revoked or suspended, the operations of the Company would be adversely affected. There can be no assurance that new and more stringent government regulations will not be adopted in the future or that any such new regulations, if enacted, would not have an adverse impact on the Company. See "Business--Government Regulation."

DEPENDENCE ON THE JT8D AIRCRAFT ENGINE AFTERMARKET

The Company's business, financial condition and results of operations are substantially influenced by the JT8D aircraft engine and engine parts. Approximately 74% and 53% of the Company's net sales during the year ended October 31, 1996 and the nine months ended July 31, 1997, respectively, consisted of sales of replacement parts or repair and overhaul services for the JT8D aircraft engine.

The aftermarket for JT8D aircraft engine parts is substantially influenced by supply and demand. A significant increase in supply, as a result of an unanticipated wind-down or liquidation of an air carrier operating a large number of JT8D aircraft engines, or a reduction of demand, as a result of a change in preferences or the imposition of regulations affecting the use of JT8D aircraft engines, could have a material adverse effect on the Company's business, financial condition and results of operations. For example, the FAA and the European Union have implemented noise reduction regulations which reduce the number of older model JT8D aircraft engines which may be operated in the United States and the member nations of the European Union, respectively, unless noise reduction equipment, known as "hush-kits," are added to the aircraft engines. Additional noise restriction quotas imposed by communities surrounding certain major European cities further restrict the operation of hush-kitted aircraft engines in those markets. Failure to hush-kit JT8D aircraft engines could significantly reduce the demand for JT8D aircraft engines, resulting in a potential oversupply of JT8D aircraft engines and engine parts which could decrease the value of the Company's inventory and have a material adverse effect on the Company's business, financial condition and results of operations. There can be no assurance that aircraft operators will hush-kit their remaining older model JT8D aircraft engines rather than replace them with newer, quieter aircraft engines. Furthermore, other regulations in both the United States and the European Union impose more stringent inspection, upgrading, maintenance and retrofit requirements on aging aircraft and aircraft engines which increase the cost of operating older model aircraft and aircraft engines. In addition, the United States Environmental Protection Agency (the "EPA") and various agencies of the European Union have sought the adoption of stricter standards limiting the emissions of nitrous oxide from aircraft engines. If such measures are adopted, the utilization of JT8D aircraft engines could become substantially more costly in the event modifications must be made to bring aircraft engines into compliance. See "Business--Government Regulation."

As a result of its focus on the JT8D aircraft engine, the Company has limited experience with engine parts for other aircraft engine types. It will be necessary for the Company to expand its business to other aircraft engine types in preparation for the eventual decline in the JT8D aircraft engine aftermarket. There can be no assurance that the Company will be able to profitably expand into new markets with other aircraft engines or that structural differences in those emerging after markets will allow the Company to achieve acceptable levels of net sales and gross profit.

COMPETITION

The Company faces significant competition in each of its businesses. The Company's PMA replacement parts divisions compete primarily with the industry's leading jet engine OEMs. The overhaul and repair divisions of the Company's Flight Support Group compete with (i) major commercial airlines, many of which operate their own maintenance and overhaul units, (ii) OEMs, which manufacture, repair and overhaul their own parts and (iii) other independent service companies. The Company's Ground Support Group competes in a highly fragmented marketplace with a small number of well capitalized companies.

The aviation aftermarket supply industry is highly fragmented, has several highly visible leading companies and is characterized by intense competition. Certain of the Company's competitors have substantially greater name recognition, complementary lines of business and financial, marketing and other resources than the Company. In addition, OEMs, aircraft maintenance providers, leasing companies and FAA-certificated repair facilities may vertically integrate into the supply industry, thereby significantly increasing industry competition. Moreover, smaller competitors of the Company may be in a position 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 the Company's 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 the Company's business, financial condition and results of operations. There can be no assurance that the Company will continue to compete effectively against present or future competitors or that competitive pressures will not have a material and adverse effect on the Company's business, financial condition and results of operations. See "Business--Competition."

LITIGATION

In November 1989, the Flight Support Group was named a defendant in a complaint filed by United Technologies Corporation ("UTC") in the United States District court for the Southern District of Florida. The complaint, as amended in 1995, alleged infringement of a patent, misappropriation of trade secrets and unfair competition relating to certain jet engine parts and coatings sold by the Flight Support Group in competition with Pratt & Whitney, a division of UTC and sought damages of approximately $30.0 million. Although the Company believes that it will prevail and intends to vigorously pursue its counterclaims against UTC, the ultimate outcome of this litigation is not certain and the legal costs, management efforts and other resources that are expected to continue to be incurred by the Company in defending itself against this action could be substantial. There can be no assurance that the lawsuit will not have a material adverse effect on the Company's business, results of operations or financial condition. See "Business--Legal Proceedings."

PRODUCT LIABILITY AND CLAIMS EXPOSURE

The Company's jet engine replacement parts and repair and overhaul services expose it to potential liabilities for personal injury or death as a result of the failure of an aircraft component that has been designed, manufactured or serviced by the Company. The commercial aviation industry is prone to catastrophic losses which often exceed policy limits. While the Company believes that its liability insurance is adequate to protect it from such liabilities and no material claims have been made against the Company, no assurance can be given that claims will not arise in the future or that such insurance coverage will be adequate. An uninsured or partially insured claim, or a claim for which third-party indemnification is not available, could have a material adverse effect upon the Company. Additionally, there can be no assurance that insurance coverage can be maintained in the future at an acceptable cost. Any such liability not covered by insurance or for which third party indemnification is not available could have a material adverse effect on the business, financial condition or results of operations of the Company.

SUBORDINATION OF THE NOTES

The Notes will be unsecured and subordinated in right of payment in full to all existing and future Senior Indebtedness of the Company. As a result of such subordination, in the event of the Company's liquidation or insolvency, payment default with respect to Senior Indebtedness, a covenant default with respect to Senior Indebtedness, or upon acceleration of the Notes due to an Event of Default (as defined herein), the assets of the Company will be available to pay obligations on the Notes only after all Senior Indebtedness has been paid in full, and there may not be sufficient assets remaining to pay amounts due on any or all of the Notes then outstanding. The Company may from time to time incur additional indebtedness constituting Senior Indebtedness. The Notes are also effectively subordinated in right of payment to all indebtedness and other liabilities, including trade payables, of the Company's

subsidiaries. The Indenture does not prohibit or limit the incurrence of Senior Indebtedness or other indebtedness and other liabilities by the Company or its subsidiaries. The incurrence of additional indebtedness and other liabilities by the Company or its subsidiaries could adversely affect the Company's ability to pay its obligations on the Notes. In addition, the cash flow and ability of the Company to service debt, including the Notes, may in the future become dependent in part upon the earnings from the business conducted by the Company through subsidiaries and distribution of those earnings, or upon loans or other payments of funds by those subsidiaries to the Company. As of October 31, 1997, after giving effect to this offering and the application of the net proceeds therefrom, the Company's subsidiaries would have had approximately $11 million of outstanding indebtedness, of which approximately $6 million is guaranteed by the Company and constitutes Senior Indebtedness. See "Description of Notes--Subordination."

MANAGEMENT OF GROWTH

The Company has experienced rapid growth in recent years and intends to continue to pursue an aggressive growth strategy, both through acquisitions and internal expansion of its products and services. The growth experienced by the Company to date has placed, and could continue to place, significant demands on the Company's administrative and operational resources. There can be no assurance that the Company will be able to achieve growth effectively or manage any such growth successfully, and the failure to do so could have a material adverse effect on the Company's business, financial condition and results of operations.

A key element of the Company's strategy has been, and continues to be, growth through the acquisition of additional companies engaged in the aviation industry. The Company's ability to grow by acquisition is dependent upon, and may be limited by, the availability of suitable acquisition candidates and capital. In addition, growth by acquisitions involves risks that could adversely affect the Company's operating results, including diversion of management's attention, difficulties in integrating the operations and personnel of acquired companies, the potential amortization of acquired intangible assets and the potential loss of key employees of acquired companies. There can be no assurance that the Company will be able to obtain the capital necessary to pursue its acquisition strategy, consummate acquisitions on satisfactory terms or, if any such acquisitions are consummated, satisfactorily integrate such acquired businesses into the Company. In addition, future acquisitions could result in the use of a significant portion of the Company's available cash, or if such acquisition is made utilizing the Company's securities, could result in significant dilution to the Company's shareholders. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources" and "Business--Growth Strategies."

ENVIRONMENTAL LIABILITIES

The Company's business operations and facilities are subject to a number of federal, state and local environmental laws and regulations. Although the Company believes that its operations and facilities are in material compliance with such laws and regulations, there can be no assurance that future changes in such laws, regulations or interpretations thereof or the nature of the Company's operations will not require the Company to make significant additional capital or operating expenditures, or changes in operational procedures to ensure compliance in the future. The Company does not maintain environmental liability insurance, and if the Company were required to pay the expenses related to these environmental liabilities, such expenses could have a material adverse effect on the business, financial condition or results of operations of the Company. See "Business--Government Regulation."

CUSTOMER CONCENTRATION

Although no individual customer directly accounted for more than 10% of the Company's combined net sales during the fiscal year ended October 31, 1996, the Company's net sales to its five largest customers accounted for approximately 35% of total net sales. The continuing consolidation of various segments of the aviation industry, including vertical integration of OEMs and repair and

overhaul businesses, could significantly increase the concentration of the Company's customer base. The loss of, or significant curtailments of purchases by, the Company's significant customers could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business--Sales, Marketing and Customers."

TECHNOLOGICAL DEVELOPMENTS

The aviation industry is constantly undergoing development and change and, accordingly, it is likely that new products, equipment and methods of repair and overhaul service will be introduced in the future. In order to keep pace with any new developments, the Company may need to expend significant capital to purchase new equipment and machines, to train its employees in the new methods of production and service or to conduct research and development activities. There can be no assurance that the Company will be successful in developing new products or that such capital expenditures will not have a material adverse effect on the Company. In addition, the Company's competitors may develop methodologies that could potentially preclude the Company from the design and manufacture of certain jet engine replacement parts and, as a result, could have a material adverse effect on the Company.

DEPENDENCE ON KEY PERSONNEL

The Company's success is substantially dependent on the performance, contributions and expertise of its senior management team, as well as engineering and other technical employees. The loss of the services of any of its executive officers or other key employees or the Company's inability to continue to attract, retain or motivate the necessary personnel could have a material adverse effect on the business, financial condition and results of operations of the Company. See "Management."

CONTROL BY PRINCIPAL SHAREHOLDERS

As of the date of this Prospectus, the Company's executive officers and entities controlled by the Company's executive officers, the Company's 401(k) Plan, and members of the Board of Directors collectively beneficially own approximately 42% of the Company's outstanding Common Stock. Accordingly, such persons will be able to substantially influence the election of members of the Company's Board of Directors and the control of the business, policies and affairs of the Company. See "Principal Shareholders."

DISCRETION IN USE OF PROCEEDS

The Company intends to use all of the net proceeds from this offering for working capital and general corporate purposes, including possible acquisitions. As of the date of this Prospectus, the Company cannot specify with certainty the particular uses for the net proceeds to be added to its working capital. Accordingly, the Company will have broad discretion in the application of such net proceeds. See "Use of Proceeds" and "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

FACTORS INHIBITING TAKEOVER

Certain provisions of the Company's Amended Articles of Incorporation (the "Articles") and Bylaws (the "Bylaws") may be deemed to have anti-takeover effects and may discourage, delay, defer or prevent a takeover attempt that a shareholder might consider in its best interest. These provisions (i) establish certain advance notice procedures for nomination of candidates for election as directors and for shareholder proposals to be considered at annual shareholders' meetings, (ii) provide that special meetings of the shareholders may be called by the Chairman of the Board of Directors (the "Board"), the President of the Company or by a majority of the Board, and (iii) authorize the issuance of 10,000,000 shares of preferred stock with such designations, rights, preferences and limitations as may be determined from time to time by the Board. Accordingly, the Board is empowered, without

shareholder approval, to issue preferred stock with dividend, liquidation, conversion, voting or other rights that could adversely affect the voting powers or other rights of holders of the Company's Common Stock. In addition, in November 1993, the Company declared a distribution of a preferred stock purchase right (the "Rights") for each outstanding share of Common Stock. Such Rights trade with the Common Stock and are not exercisable or transferable apart from the Common Stock until a person or group acquires 15% or more of the outstanding Common Stock or commence or announce an intention to commence a tender offer for 30% or more of the outstanding Common Stock. The Rights, which expire on November 2, 2003, will cause substantial dilution to a person or a group who attempts to acquire the Company on terms not approved by the Board or who acquires 15% or more of the outstanding Common Stock without approval of the Board. Furthermore, certain provisions of the Florida Business Corporation Act may be deemed to have the effect of delaying, deferring or preventing a change in control of the Company. See "Description of Capital Stock--Anti-Takeover Effects of Certain Provisions of Florida Law and the Company's Articles of Incorporation and Bylaw."

LIMITATIONS ON REPURCHASE OF NOTES UPON CHANGE OF CONTROL

In the event of a Change of Control (as defined in "Description of Notes--Repurchase at the Option of Holders upon Change of Control"), the Company will offer to repurchase the Notes at a repurchase price equal to 100% of the principal amount, plus accrued interest to the date of repurchase. The Company's ability to repurchase the Notes upon a change of control may be limited by the terms of the Company's Senior Indebtedness and the subordination provisions of the Indenture and may be prohibited or limited by, or create an Event of Default (as defined in the Indenture) under, the terms of agreements related to borrowings which the Company may enter into from time to time, including agreements relating to Senior Indebtedness. Further, the ability of the Company to repurchase the Notes upon a change of control will be dependent on the availability of sufficient funds and compliance with applicable securities laws. Accordingly, there can be no assurance that the Company will be able to repurchase the Notes upon a change of control. Failure of the Company to repurchase Notes at the option of the holder upon a change of control would result in an Event of Default (as defined in the Indenture) under the Notes, which could in turn result in acceleration of the payment of other indebtedness of the Company at the time outstanding pursuant to cross-default provisions.

The term "change of control" is limited to certain specified transactions and may not include other events that might adversely affect the financial condition of the Company or result in a downgrade of the credit rating of the Notes, nor would the requirement that the Company offer to repurchase the Notes upon a change of control necessarily afford holders of the Notes protection in the event of a highly leveraged transaction, reorganization, merger or similar transaction involving the Company.

ABSENCE OF PUBLIC MARKET FOR THE NOTES

The Notes will be a new issue of securities with no established trading market. The Underwriters have advised the Company that they intend to make a market in the Notes. The Underwriters are not obligated, however, to make a market in the Notes, and any such market making may be discontinued at any time at the sole discretion of the Underwriters without notice. There can be no assurance that an active market for the Notes will develop and continue upon completion of this offering or that the market price of the Notes will not decline. Various factors such as changes in prevailing interest rates or changes in perceptions of the Company's creditworthiness could cause the market price of the Notes to fluctuate significantly. The trading price of the Notes could also be significantly affected by the market price of the Common Stock, which could be subject to wide fluctuations in response to a variety of factors, including quarterly variations in operating results, announcements of technological innovations or new products by the Company or its competitors, general conditions in the aviation industry and general economic and market conditions. The Notes will not be listed on any securities exchange and will only be traded in the over-the-counter market.

USE OF PROCEEDS

The net proceeds to the Company from the sale of the Notes offered hereby, after deducting the estimated underwriting discount and expenses of this offering, will be approximately $ million ($ million if the Underwriters' over-allotment option is exercised in full). The Company intends to use all of the net proceeds for working capital and general corporate purposes, including potential acquisitions. Although the Company continually reviews and evaluates acquisitions, the Company currently has no agreements with respect to any acquisition. See "Risk Factors--Management of Growth", "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources" and "Business--Growth Strategies."

Pending use of the net proceeds from this offering as discussed above, the Company intends to make temporary investments in United States dollar denominated short-term high quality investments.

CAPITALIZATION

The following table sets forth the capitalization of the Company as of July 31, 1997 (i) on an actual basis, (ii) on a pro forma basis to give effect to the Company's September 1997 acquisition of Northwings and to Lufthansa's October 1997 acquisition of a 20% interest of the Company's Flight Support Group; and (iii) pro forma as adjusted to give effect to the issuance and sale of the Notes and the application of the net proceeds therefrom. This table should be read in conjunction with the Consolidated Financial Statements and Notes and Pro Forma Consolidated Condensed Financial Statements included elsewhere in this Prospectus.

	JULY 31, 1997		
	ACTUAL	PRO FORMA(1)	PRO FORMA AS ADJUSTED(2)
		(IN THOUSANDS)	
Current maturities of long-term debt and capital leases	$ 342	$ 397	$ 397
Long-term debt	10,546	10,715	10,715
% Convertible Subordinated Notes due 2004	--	--	75,000
Total long-term debt	10,546	10,715	85,715
Minority interest in consolidated subsidiary(3)	--	3,000	3,000
Shareholders' equity:			
Preferred Stock, $.01 par value per share; 10,000,000 shares authorized, 50,000 designated as Series A Junior Participating Preferred Stock, none issued	--	--	--
Common Stock, $.01 par value per share; 20,000,000 shares authorized, 5,353,932 shares issued and outstanding, 5,508,839 shares issued and outstanding pro forma and 5,508,839 shares issued and outstanding pro forma as adjusted(4)	54	55	55
Capital in excess of par value	31,929	35,471	35,471
Retained earnings	18,271	25,154	25,154
Less--Note receivable from Employee Savings and Investment Plan	(2,942)	(2,942)	(2,942)
Total shareholders' equity	47,312	57,738	57,738
Total capitalization	$ 57,858	$ 68,453	$143,453

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(1) Adjusted to give effect to the Company's September 1997 acquisition of Northwings and its October 1997 sale of a 20% minority interest in the Company's Flight Support Group. See "Pro Forma Consolidated Condensed Financial Statements."

(2) Adjusted to give effect to the Company's September 1997 acquisition of Northwings and its October 1997 sale of a 20% minority interest in the Company's Flight Support Group to Lufthansa, as well as issuance and sale of the Notes and the application of the estimated net proceeds therefrom. See "Use of Proceeds."

(3) Represents the 20% minority interest in the Company's Flight Support Group acquired by Lufthansa.

(4) Excludes (i) 1,656,283 shares of Common Stock issuable upon the exercise of outstanding options which have a weighted average exercise price of $8.85 per share, and (ii) 110,306 shares of Common Stock reserved for future issuance under the Company's 1993 Plan and Non-Qualified Plan.

PRICE RANGE OF COMMON STOCK AND DIVIDENDS

The Common Stock is traded on the American Stock Exchange under the symbol "HEI." The following table sets forth, for the periods indicated, the high and low closing sales prices for the Common Stock as reported on the American Stock Exchange, as well as the amount of cash dividends paid per share during such periods. In February 1996 and July 1996 the Company paid 10% stock dividends in addition to its semi-annual cash dividends. The Company also distributed a three-for-two stock split in April 1996. In December 1996, the Company declared another 10% stock dividend in addition to a semi-annual cash dividend, both payable in January 1997. The quarterly closing sales prices and cash dividend amounts set forth below have been retroactively adjusted for all stock splits and stock dividends.

	HIGH	LOW	CASH DIVIDENDS PER SHARE
FISCAL 1997:			
Fourth Quarter	$ 39.50	$ 23.75	--
Third Quarter	25,25	21.00	$.05
Second Quarter	27.00	22.25	--
First Quarter	26.33	15.45	.05
FISCAL 1996:			
Fourth Quarter	17.50	14.55	--
Third Quarter	23.97	11.98	.05
Second Quarter	13.22	8.89	--
First Quarter	9.52	9.08	.04

On November 6, 1997, the last reported sale price of the Common Stock was $35-1/2 and there were approximately 1,265 holders of record.

SELECTED FINANCIAL DATA
(IN THOUSANDS, EXCEPT PER SHARE AND RATIO DATA)

The selected data as of and for the years ended October 31, 1992 through 1996 have been derived from the audited financial statements of the Company. The selected data as of and for the nine months ended July 31, 1996 and 1997 have been derived from the unaudited financial statements of the Company which, in the opinion of the Company, include all adjustments (consisting of only normal recurring adjustments) necessary for a fair presentation of the information set forth therein. The results of operations for the nine month period ended July 31, 1997 are not necessarily indicative of the results for the full year. The following data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations", the Company's Financial Statements and Notes thereto and the Company's Pro Forma Consolidated Condensed Financial Statements included or incorporated elsewhere in this Prospectus.

	YEAR ENDED OCTOBER 31,					
	1992	1993	1994	1995	1996	PRO FORMA(1) 1996
OPERATING DATA:(3)						
Net sales	$19,852	$19,856	$19,212	$25,613	$34,565	$ 52,905
Gross profit	5,993	5,119	5,835	8,116	12,169	17,483
Selling, general and administrative expenses	4,750	4,850	5,495	6,405	7,657	11,009
Insurance recovery of litigation costs	(350)	(190)	--	--	--	--
Non-recurring charges	1,900	--	--	--	--	--
Interest expense	183	205	59	169	185	319
Net income from continuing operations before cumulative effect of change in accounting principle and minority interest expense	332	728	640	1,437	3,665	4,534
Minority interest in net income of subsidiary(4)	--	--	--	--	--	(1,041)
Net income (loss) from discontinued operations	(912)	256	830	1,258	963	963
Gain on sale of health care operations	--	--	--	--	5,264	5,264
Cumulative effect on prior years of change in accounting principle	--	--	381	--	--	--
Net income (loss)	(580)	984	1,851	2,695	9,892	9,720
Weighted average number of common and common equivalent shares(5)	4,971	5,190	5,045	5,302	5,903	6,058
Net income per share from continuing operations before cumulative effect of change in accounting principle(5)	0.07	0.14	0.13	0.27	0.62	0.57
Net income (loss) per share from discontinued operations(5)	(0.19)	0.05	0.16	0.24	0.17	0.16
Net income per share from sale of health care operations(5)	--	--	--	--	0.89	0.87
Cumulative effect per share of change in accounting principle(5)	--	--	0.08	--	--	--
Net income (loss) per share(5)	(0.12)	0.19	0.37	0.51	1.68	1.60
Cash dividends per share(5)	0.07	0.07	0.07	0.07	0.09	0.09
OTHER FINANCIAL DATA:						
EBITDA(6)	1,560	2,041	1,657	3,074	6,007	8,539
Depreciation and amortization	1,867	1,582	1,317	1,363	1,449	2,019
Capital expenditures	698	1,024	645	584	2,296	2,296
Ratio of earnings to fixed charges	1.37	4.45	10.00	11.35	23.41	15.15

	NINE MONTHS ENDED JULY 31,		
	1996	1997	PRO FORMA(2) 1997
OPERATING DATA:(3)			
Net sales	$22,979	$44,535	$ 50,945
Gross profit	7,935	14,146	17,235
Selling, general and administrative expenses	5,067	7,777	8,966
Insurance recovery of litigation costs	--	--	--
Non-recurring charges	--	--	--
Interest expense	129	319	339
Net income from continuing operations before cumulative effect of change in accounting principle and minority interest expense	2,278	4,946	6,041
Minority interest in net income of subsidiary(4)	--	--	(1,266)
Net income (loss) from discontinued operations	963	--	--
Gain on sale of health care operations	5,264	--	--
Cumulative effect on prior years of change in accounting principle	--	--	--
Net income (loss)	8,505	4,946	4,775
Weighted average number of common and common equivalent shares(5)	5,847	6,343	6,498
Net income per share from continuing operations before cumulative effect of change in accounting principle(5)	0.39	0.78	0.73
Net income (loss) per share from discontinued operations(5)	0.16	--	--
Net income per share from sale of health care operations(5)	0.90	--	--

Cumulative effect per share of change in accounting principle(5)	--	--	--
Net income (loss) per share(5)	1.45	0.78	0.73
Cash dividends per share(5)	0.09	0.10	0.10
OTHER FINANCIAL DATA:			
EBITDA(6)	4,064	7,595	9,829
Depreciation and amortization	1,150	1,170	1,504
Capital expenditures	1,177	2,807	2,807
Ratio of earnings to fixed charges	21.63	19.80	20.01

	OCTOBER 31,					JULY 31,		
	1992	1993	1994	1995	1996	1996	1997	PRO FORMA 1997(7)
BALANCE SHEET DATA:								
Working capital	14,633	12,517	12,691	14,755	25,248	27,120	29,754	44,093
Net property, plant and equipment	8,478	7,734	8,608	9,296	5,845	4,745	7,734	8,133
Total assets	46,425	33,738	39,020	47,401	61,836	53,812	70,820	85,446
Long-term debt	3,092	2,864	4,402	7,076	6,022	2,645	10,546	10,715
Minority interest in consolidated subsidiary(7)	--	--	--	--	--	--	--	3,000
Shareholders' equity	25,556	25,513	27,061	30,146	41,488	39,871	47,312	57,738

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(1) Gives effect to the Company's September 1996 acquisition of Trilectron, its September 1997 acquisition of Northwings and its October 1997 sale to Lufthansa of a 20% minority interest in the Company's Flight Support Group as if each of such transactions had been consummated as of November 1, 1995.

(2) Gives effect to the Company's September 1997 acquisition of Northwings and its October 1997 sale to Lufthansa of a 20% minority interest in the Company's Flight Support Group as if each of such transactions had been consummated as of November 1, 1995.

(3) Adjusted to reflect MediTek (as defined herein) as a discontinued operation. The Company's 1996 results reflect a gain of $5.3 million from the sale of MediTek.

(4) Represents Lufthansa's 20% minority interest in the net income of the Company's Flight Support Group.

(5) Adjusted to reflect all stock dividends and stock splits.

(6) EBITDA is defined as earnings before the effects of interest, taxes, depreciation and amortization. EBITDA is presented because it is a widely accepted financial indicator used by many investors and analysts to analyze and compare companies on the basis of operating performance. EBITDA is not intended to represent cash flows for the period, nor has it been presented as an alternative to operating income or as an indicator of operating performance, should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles and may not be comparable to similarly titled items of other companies.

(7) Gives effect to the Company's September 1997 acquisition of Northwings and its October 1997 sale to Lufthansa of a 20% minority interest in the Company's Flight Support Group as if each of such transactions had occurred as of July 31, 1997.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The Company's Flight Support Group, which currently accounts for approximately 70% of the Company's revenues, consists of four operating subsidiaries -- Jet Avion Corporation (PMA replacement parts), LPI Industries Corporation (OEM subcontractor), Aircraft Technology, Inc. (jet engine combustion chamber and related parts repair and overhaul) and Northwings Accessories Corp. (jet engine component and airframe repair and overhaul). The Company's Ground Support Group, which currently accounts for approximately 30% of the Company's revenues, consists of one operating subsidiary -- Trilectron Industries, Inc. (ground support equipment).

The Company's results of operations during the current and prior fiscal years have been affected by a number of significant transactions. As a result of the significant impact of these transactions, the Company does not believe that its results of operations are necessarily comparable on a period-to-period basis. This discussion of the Company's financial condition and results of operations should be read in conjunction with the Company's Consolidated Condensed Financial Statements--Unaudited, Pro Forma Consolidated Condensed Financial Statements--Unaudited and Notes thereto included or incorporated by reference herein.

SALE OF DISCONTINUED HEALTHCARE OPERATIONS. In July 1996, the Company sold its wholly owned healthcare subsidiary, MediTek Health Corporation ("MediTek") to U.S. Diagnostic Inc. ("USDL"). The Company received $13.8 million in cash and a $10.0 million, 6-1/2% convertible promissory note (the "Convertible Note"). The sale of MediTek resulted in a fiscal 1996 gain of $5.3 million. In September 1997, the Company sold the Convertible Note to one of the Underwriters for its stated par value of $10.0 million plus accrued interest.

ACQUISITION OF TRILECTRON GROUND SUPPORT BUSINESS. In September 1996, the Company acquired Trilectron, a Florida-based manufacturer of GSE, for $7.0 million in cash and the assumption of approximately $2.3 million of debt. During the ten months ended August 31, 1996 Trilectron had net sales of approximately $13.6 million and income before income taxes of approximately $1.2 million. Approximately $2.8 million of goodwill associated with the Trilectron acquisition is being amortized over a 20-year period using the straight line method.

ACQUISITION OF NORTHWINGS REPAIR/OVERHAUL BUSINESS. In September 1997, the Company acquired Northwings, a Florida-based repair and overhaul facility servicing aircraft engine airframe accessories, for approximately $7.0 million in cash and 155,000 shares of the Company's Common Stock. Approximately $8.9 million of goodwill associated with the Northwings acquisition is being amortized over a 20-year period using the straight line method.

LUFTHANSA INVESTMENT IN FLIGHT SUPPORT GROUP. In October 1997, the Company entered into a strategic alliance with Lufthansa pursuant to which Lufthansa invested approximately $26 million in the Company's Flight Support Group, including approximately $16 million to be paid to the Flight Support Group over three years pursuant to a research and development cooperation agreement which will partially fund accelerated development of additional FAA-approved replacement parts for jet engines. In addition, Lufthansa and the Flight Support Group have agreed to cooperate regarding technical services and marketing support for jet engine parts on a worldwide basis.

For additional information with respect to the financial impact of the Company's Trilectron, Northwings and Lufthansa transactions, see the Pro Forma Consolidated Condensed Financial Statements appearing elsewhere in this Prospectus.

RESULTS OF CONTINUING OPERATIONS - NINE MONTHS ENDED JULY 31, 1997 COMPARED TO NINE MONTHS ENDED JULY 31, 1996

For the first nine months of fiscal 1997, net sales and net income totaled $44.5 million and $4.9 million ($.78 per share), respectively, representing a 94% increase over net sales from continuing

operations of $23.0 million in the first nine months of fiscal 1996 and a 113% increase over net income from continuing operations of $2.3 million ($.39 per share) in the first nine months of fiscal 1996.

The Company's improved fiscal 1997 operating results are primarily attributable to increased sales and gross margins as discussed below.

Net sales of the newly-acquired Company's Ground Support Group totaled $16.1 million in the first nine months of fiscal 1997, all of which represented sales of Trilectron.

The balance of the increases in net sales in the fiscal 1997 nine-month period over the comparable fiscal 1996 period are attributable to the increased sales of the Company's Flight Support Group, which are principally due to increased sales volumes of jet engine replacement parts to the Company's commercial airline customers.

The Company's gross profit margins were 31.8% in the first nine months of fiscal 1997, and 34.5% in the first nine months of fiscal 1996. This reflects the inclusion of the newly-acquired Ground Support Group, which sells products that generally carry lower gross profit margins than those of the Flight Support Group. The decrease in gross profit margins attributable to the Ground Support Group was partially offset by an improvement in gross profit margins in the Flight Support Group. The improvement in gross profit margins in the Flight Support Group reflects volume increases in sales of higher gross profit margin products and manufacturing cost efficiencies.

Selling, general and administrative ("SG&A") expenses in the first nine months of fiscal 1997 increased $2.7 million to $7.8 million from $5.1 million in the first nine months of fiscal 1996. The increase from fiscal 1996 is due principally to the SG&A expenses of Trilectron and increased selling expenses of the Flight Support Group. As a percentage of sales, however, SG&A expenses decreased to 17.5% of consolidated net sales in the first nine months of fiscal 1997 from 22.1% in the comparable nine-month period of fiscal 1996.

Income from operations for the first nine months of fiscal 1997 increased $3.5 million to $6.4 million from $2.9 million in the first nine months of last year. This increase reflects the increase in sales and gross profit margins of the Flight Support Group and the acquisition of the Ground Support Group as discussed above.

Interest expense in the first nine months of fiscal 1997 increased $190,000 to $319,000 from $129,000 in the comparable fiscal 1996 period. This increase is principally due to the interest incurred on the industrial development revenue bonds discussed below.

Interest and other income in the first nine months of fiscal 1997 increased $683,000 to $1.3 million from $617,000 in the comparable period in fiscal 1996. This increase is principally due to interest income on the Convertible Note received from the sale of MediTek in July 1996 and higher cash balances available for investment.

The Company's effective tax rate of 32.7% for the first nine months of fiscal 1997 was comparable with the 32.1% rate in the first nine months of fiscal 1996.

BACKLOG

The Company's Flight Support Group had a backlog which totaled approximately $28.0 million as of July 31, 1997. The backlog includes approximately $16.0 million representing forecasted shipments over the next 12 months for certain contracts pursuant to which customers provide estimated annual usage. The current backlog increased over the October 31, 1996 backlog of approximately $14.0 million principally due to certain customers entering into longer term contracts which replaced shorter term purchase orders. Substantially all of this backlog of orders is expected to be delivered within the next twelve months.

The Company's Ground Support Group had a backlog totaling $12.0 million as of July 31, 1997. This is a 9% increase over the October 31, 1996 backlog balance of $11.0 million and is principally due to receipt of a contract approximating $4.0 million in the first quarter of fiscal 1997 covering deliveries expected to begin in fiscal 1997 and continue into fiscal 1998.

LIQUIDITY AND CAPITAL RESOURCES

During the first nine months of fiscal 1997, net cash used in operating activities was $285,000, reflecting net income of $4.9 million offset primarily by increases in inventories of $2.6 million required to meet increased sales and faster customer delivery requirements and scheduled payments of trade accounts payable, income taxes, and other current liabilities.

The Company's principal investing activities during the first nine months of fiscal 1997 were purchases of property, plant and equipment of $2.8 million, including $1.2 million related to the Series 1996 industrial development revenue bond project.

The Company's principal financing activities during the first nine months of fiscal 1997 were $2.3 million in proceeds of long-term debt including $1.3 million in reimbursements for qualified expenditures from the Series 1996 industrial development revenue bonds and $1.0 million representing the receipt of funds from the exercise of stock options.

As discussed in Note 3 of the Company's Notes to Consolidated Condensed Financial Statements (unaudited) contained herein, industrial development revenue bonds in the amount of $4.0 million were issued by Manatee County, Florida, to be used to construct and equip the Company's new Trilectron manufacturing facility in Palmetto, Florida. As of July 31, 1997, unexpended bond proceeds of $4.0 million were available for qualified expenditures of the Trilectron facility. In addition, the Company has unexpended bond proceeds of $1.4 million available for qualified expenditures pursuant to its Broward County Series 1996 industrial development revenue bond project.

The revolving portion of the Company's $7.0 million credit facility, which was to expire in April 1997, was renewed by mutual agreement until November 30, 1997. The Company expects to seek a further renewal of this facility after this offering. In addition, amounts available under the Company's equipment loan facility were increased to $2.0 million and extended to December 1997.

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

INDUSTRY OVERVIEW

GENERAL

The Company operates in two distinct but interrelated aerospace markets - the jet engine service market and the ground service equipment market.

THE JET ENGINE SERVICE MARKET. Jet engine maintenance is a highly regulated, ongoing process that typically accounts for approximately 6% of an aircraft's operating costs. FAA regulations require "cradle to grave" documentation of an engine's service life, as well as of the individual parts that comprise it. Maintenance schedules call for the periodic inspection, testing and repair of critical parts, as well as periodic overhauls (a complete disassembly, refurbishment, reassembly and testing process) of the entire engine. The maintenance schedule for any given engine depends on the number of flight hours registered and the number of an engine's take-off and landing cycles.

The Company believes that the annual market for jet engine repair, refurbishment and overhaul is approximately $6.5 billion, of which approximately $3.5 billion reflects annual sales of jet engine replacement parts. Maintenance activity is accomplished through three primary channels - (i) internal airline maintenance capabilities, (ii) OEMs, and (iii) independent repair/overhaul facilities service providers ("airmotives"). Based on industry sources, the Company believes that airlines continue to dominate this industry with an estimated two-thirds market share, but also that OEMs and independent airmotives are gaining market share as airlines continue to rationalize costs and reduce non-core practices by outsourcing non-revenue producing activities such as maintenance.

The Company designs, manufactures and sells jet engine replacement parts in direct competition with Pratt & Whitney and other leading industry OEMs and, to a lesser extent, with a number of smaller, independent parts manufacturers. The Flight Support Group's repair and overhaul services compete with participants in all three of the industry's maintenance channels.

THE GROUND SERVICE EQUIPMENT MARKET. Aircraft require a wide array of mobile and fixed GSE to support their operation. According to GSE TODAY, the annual worldwide commercial GSE market is approximately $1.5 billion and will grow approximately 7.5% annually worldwide over the next five years. GSE industry growth depends on the health of the commercial aviation industry. The Company believes that the GSE market is highly fragmented, with a significant number of participants supplying only one or two types of GSE.

INDUSTRY TRENDS

The Company expects to capitalize on a number of trends within the aviation industry, including the following:

GROWTH IN AIRCRAFT TRAFFIC AND FLEET. Continued growth in air transit and aircraft production is expected to increase the demand for engine component purchases and repairs, as well as sales of GSE. According to Boeing's 1996 Market Outlook, it is estimated that (i) world air travel will grow by 70% by 2005, (ii) the number of passenger and freight and package delivery aircraft in service will increase by 47% by 2005, (iii) the worldwide fleet of commercial airplanes is expected to more than double from 11,066 airplanes at the end of 1995 to 23,081 airplanes by 2015 and (iv) the worldwide fleet of cargo jet aircraft will increase from 1,219 airplanes in 1995 to 2,260 airplanes by 2015. Further, the Company believes that the number of planes in service for more than 10 years is continuing to increase, and these older planes are the primary market for jet engine replacement parts and repair and overhaul services. Moreover, because certain parts must be replaced after a specified number of flight hours or cycles, demand in the aftermarket segments served by the Company is more predictable and less cyclical than the market for new part deliveries.

Deregulation of the aviation industry in the United States and the European Community, relatively low barriers to entry, the availability of older aircraft and increased consumer demand for air travel has

led to the emergence of several low cost, start-up airlines. Start-up airlines tend to use older aircraft with engines that require a greater number of replacement parts and more frequent servicing. Moreover, because start-up airlines generally do not invest in the infrastructure necessary to service their aircraft, many outsource all or a substantial portion of their jet engine service and replacement parts requirements. Consequently, the Company believes that the growth of start-up airlines is increasing demand for the services of its Flight Support Group.

INCREASED OUTSOURCING OF COMMERCIAL ENGINE SERVICES. Airlines have come under increasing pressure during the last decade to reduce the costs associated with providing air transportation services. While several of the expenditures required to operate an airline are beyond the direct control of airline operators (e.g., the price of fuel and labor costs), the Company believes that the continuing pressure to reduce both the operating and capital costs associated with jet engine service should continue to increase the market share of OEMs and independent service providers such as the Company. The Company believes that as a result of this outsourcing trend, the volume of business handled by OEMs and independent service providers such as the Company in the jet engine maintenance, repair and overhaul industry should grow faster than the growth in air traffic.

CONSOLIDATION OF THE SERVICE AND SUPPLY CHAIN. In order to reduce purchasing costs and streamline purchasing decisions, airline purchasing departments have been reducing the number of their "approved" suppliers. The Company believes that the reductions in the supplier base utilized by airline purchasing departments will continue to cause a consolidation in both the jet engine repair and GSE markets for the foreseeable future. The Company further believes that only those participants with a reputation for quality and adequate capital resources will continue to be selected as approved suppliers and survive such consolidation. The Company believes that it is well positioned to take advantage of this consolidation trend.

INCREASED MAINTENANCE AND SAFETY REQUIREMENTS. Under regulations promulgated by the FAA and similar agencies in other countries, as well as guidelines established by OEMs and aircraft operators, when an aircraft component fails to perform within certain prescribed limits or after logging a prescribed number of flight hours, the aircraft component must be brought to a repair facility certified by the FAA or similar agency of a foreign nation for various types of designated service or replacement. In addition, aircraft components require regular maintenance and inspection and replacement of "life-limited" components. The Company believes that the trend toward more stringent maintenance requirements and more frequent maintenance and overhaul has increased the size of the market for the replacement or repair of jet engine components. The Company believes that, because of its established ability to satisfy the FAA's PMA approval process and its long-standing emphasis on quality control, it will benefit from the evolving maintenance and safety standards.

GENERAL

The Company is one of the world's largest non-OEM manufacturers of FAA-approved jet engine replacement parts and a market leader in the sale of GSE to the airline and defense industries. The Company's Flight Support Group, which currently accounts for approximately 70% of the Company's revenues, operates in the jet engine service market through (i) the research and development, design, manufacture and sale of FAA-approved jet engine replacement parts in direct competition with OEMs, (ii) the repair, maintenance and overhaul of jet engine and airframe components, and (iii) the manufacture of specialty aviation and defense component parts as a subcontractor for OEMs and the U.S. government. The Company's Ground Support Group, which currently accounts for approximately 30% of the Company's revenues, manufactures various types of GSE, including ground power, air start and air conditioning units, as well as certain electronic equipment for commercial airlines and military agencies..

Through a combination of internal growth and acquisitions, the Company increased revenues 35% from $25.6 million in the year ended October 31, 1995 to $34.6 million in the year ended October 31, 1996 and earnings per share from continuing operations 130% from $0.27 per share in the year ended October 31, 1995 to $0.62 in the year ended October 31, 1996. In addition, the Company increased revenues and earnings per share from continuing operations from $23.0 million and $0.39 per share for the nine months ended July 31, 1996 to $44.5 million and $0.78 per share for the nine months ended July 31, 1997.

GROWTH STRATEGIES

The Company intends to capitalize on its reputation for quality, its research and development and manufacturing capabilities, existing customer relationships and industry trends to continue to achieve profitable growth in a number of niche aerospace markets. Specific components of the Company's growth strategy include the following:

EXPANSION OF JET ENGINE REPLACEMENT PARTS PRODUCT LINES. The Company intends to substantially broaden its current jet engine replacement parts product lines through the development and receipt of additional PMAs from the FAA. The PMA approval process requires sophisticated computer aided design technologies, advanced engineering and manufacturing capabilities, and depends to a significant extent on the Company's established credibility with the FAA. The Company believes that the PMA approval process creates a significant barrier to entry as a result of both its technical demands and its limits on the rate at which competitors can bring products to market.

EXPANSION OF GSE PRODUCT LINES. The Company expects that the planned expansion of its Ground Support Group's manufacturing facility will permit the Company to expand its GSE product lines. The Company believes that continued expansion of its GSE product lines, in combination with its expanding jet engine product lines and component overhaul capabilities, will provide increased cross selling and marketing opportunities that will enable the Company to capitalize on its reputation for quality products and the aviation industry's trends toward outsourcing and vendor consolidation.

FORM STRATEGIC ALLIANCES. The Company seeks to form strategic alliances that will allow it to accelerate the development of additional PMAs and provide airlines with an alternative to the increased costs and occasional availability and delivery problems many airlines have experienced related to OEM sale source replacement parts. Pursuant to this objective, in October 1997 the Company formed a strategic alliance between its Flight Support Group and Lufthansa. Lufthansa is the world's largest independent provider of engineering and maintenance services for aircraft and aircraft engines supporting over 200 airlines, governments andother customers on a worldwide basis. The objective of this Lufthansa strategic alliance is to (i) offer a broadened line of FAA-approved jet engine replacement parts to the entire jet engine maintenance market; (ii) offer airlines and airmotives a more responsive and cost effective alternative to OEMs, and (iii) capitalize on Lufthansa's established industry and customer relationships.

PURSUE ACQUISITIONS OF COMPLEMENTARY BUSINESSES. A key element of the Company's strategy involves growth through acquisitions of other companies, assets or product lines that complement or expand the Company's existing Flight Support Group and Ground Support Group businesses. The Company believes that acquisitions will enable it to capitalize on its fixed costs of operations and further expand the aerospace products and services which it can offer to its worldwide customer base. Accordingly, the Company intends to pursue an aggressive acquisition strategy to gain market share in certain segments of the fragmented aviation service and supply industry. The Company's acquisition of Trilectron in September 1996 and Northwings in September 1997 exemplify the consolidation opportunities that the Company believes are available. The Company is continually evaluating acquisition opportunities that meet the Company's criteria of a similar customer base, proprietary technologies and the opportunity for consolidation. However, the Company has no current agreements with respect to any acquisition and no assurance can be given that any of the acquisitions currently being considered will be consummated.

FLIGHT SUPPORT GROUP

The Company's Flight Support Group designs, engineers, manufactures, repairs and/or overhauls jet engine and airframe parts and components such as combustion chambers, gas flow transition ducts and various other engine and airframe parts. The Company also manufactures specialty aviation and defense components as a subcontractor. The Company serves a broad spectrum of the aviation industry, including (i) commercial airlines, (ii) air cargo carriers, (iii) OEMs, (iv) repair and overhaul facilities, and (v) the U.S. government.

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

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

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

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

REPAIR AND OVERHAUL SERVICES. The Company provides jet engine replacement parts repair and overhaul services for the Pratt & Whitney JT8D, JT3D, JT9D, PW2000 and PW4000 and the CFM International CFM56 engines. The Company's repair and overhaul operations require a high level of expertise, advanced technology and sophisticated equipment. The repair and overhaul services offered by the Company include the repair, refurbishment and overhaul of numerous accessories and parts mounted on gas turbine engines, aircraft wings and frames or fuselages. Engine accessories include fuel pumps, generators and fuel controls. Parts include pneumatic valves, starters and actuators, turbo compressors and constant speed drives, hydraulic pumps, valves and actuators, electro-mechanical equipment and auxiliary power unit accessories.

The Company continually evaluates new engine lines, models and derivatives to determine whether the potential demand for overhaul services justifies the expenditures required for inventory and modifications to tooling and equipment. The Company believes that its September 1997 acquisition of Northwings will provide the Company with a well-established platform for additional growth in the repair and overhaul sector of the aviation industry.

MANUFACTURE OF SPECIALTY AIRCRAFT/DEFENSE RELATED PARTS. The Company also derives revenue from the sale of specialty components as a subcontractor for OEMs and the U.S. government.

GROUND SUPPORT GROUP

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

MANUFACTURING AND QUALITY CONTROL

The Company's manufacturing operations involve a relatively high level of technical expertise and vertical integration, including computer numerical control ("CNC") machining, complex sheet metal

fabrication, vacuum heat treating, plasma spraying and laser cutting. The Company also performs all of the design and engineering for its products. Specific components of the Company's manufacturing process include:

RESEARCH AND DEVELOPMENT. The Company's research and development department uses state-of-the-art equipment such as a scanning electron microscope, CAD/CAM/CAE workstations and finite element analysis and thermal testing software to design and engineer components, as well as to ensure accurate data transfer between the Company's new product development and manufacturing departments. The Company's engineers, recruited from OEMs and other aerospace industry participants, specialize in a variety of disciplines, including aerodynamics, heat transfer, manufacturing, materials and structures. See "--FAA Approvals and Product Design."

MACHINING AND FABRICATION. The Company's CNC machining capabilities provide cost advantages and dimensional repeatability with a variety of aerospace materials. The Company's lathes are frequently equipped with touch probes to perform critical in-process evaluations and automatically adjust machining parameters. Fabrication capabilities include custom-designed machines used to automatically position and spot weld combustion chamber liners, mechanical and hydraulic presses, and wire electron discharge machining.

SPECIAL PROCESSES. The Company believes that its heat treatment, brazing, plasma spraying and other in-house special process capabilities reduce lead times and allow the Company to better control the quality of its products. For example, the Company's robotic systems can apply thermal barrier and wear resistant coatings to parts ranging from 0.25" to 60".

QUALITY CONTROL. The Company incurs significant expenses to maintain stringent quality control of its products and services. In addition to domestic and foreign governmental regulations, OEMs, commercial airlines and other customers require that the Company satisfy certain requirements relating to the quality of its products and services. The Company performs testing and certification procedures on all of the products that it designs, engineers, manufactures, repairs and overhauls, and maintains detailed records to ensure traceability of the production of and service on each aircraft component. Management believes that the expense required to institute and maintain the Company's quality control procedures represents a barrier to entry by competitors.

FAA APPROVALS AND PRODUCT DESIGN

Non-OEM manufacturers of jet engine replacement parts must receive a PMA from the FAA. The PMA process includes the submission of sample parts, drawings and testing data to one of the FAA's Aircraft Certification Offices ("ACOs"), where the submitted materials are analyzed. The Company believes 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. The Company also believes that companies such as the Company that have demonstrated their manufacturing capabilities and established a track record with the FAA generally receive a faster turnaround time in the processing of PMA applications. Finally, the Company believes that the PMA process creates a significant barrier to entry in this market niche as a result of both its technical demands and its limits on the rate at which competitors can bring products to market.

As part of its growth strategy, the Company has continued to increase its research and development activities. Research and development expenditures increased from approximately $300,000 in fiscal 1991 to $3.1 million in fiscal 1997 and are expected to total over $6 million in fiscal 1998. Moreover, the Company's new strategic alliance with Lufthansa will provide the Flight Support Group with $16 million for research and development projects relating to jet engine replacement parts. The Company believes that the Flight Support Group's research and development capabilities are a significant component of its historical success and an integral part of its growth strategy.

The Company benefits from its proprietary rights relating to certain designs, engineering, manufacturing processes and repair and overhaul procedures. Customers often rely on the Company to

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

While the Company has developed proprietary techniques, software and manufacturing expertise for the manufacture of jet replacement parts, the Company has no patents for these proprietary techniques and chooses to rely on trade secret protection. The Company believes that although its proprietary techniques, software and manufacturing expertise are subject to misappropriation or obsolescence, development of improved methods and processes and new techniques by the Company will continue on an ongoing basis as dictated by the technological needs of the Company's business. See "Risk Factors--Technological Developments."

SALES, MARKETING AND CUSTOMERS

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

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

The Company sells its 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 and military units. 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. However, the Company's net sales to its five largest customers accounted for approximately 20% of total net sales during the year ended October 31, 1996. See "Risk Factors--Customer Concentration."

COMPETITION

The aerospace product and service industry is characterized by intense competition and certain competitors of the Company have substantially greater name recognition, inventories, complementary product and service offerings, financial, marketing and other resources than the Company. As a result, such competitors may be able to respond more quickly to customer requirements than the Company. Moreover, smaller competitors may be in a position to offer more attractive pricing of engine parts as a result of lower labor costs and other factors. Any expansion of the Company's existing products or services could expose the Company to new competition. See "Risk Factors--Competition."

The Company's jet engine replacement parts business competes primarily with Pratt & Whitney, a division of United Technologies Corporation. The competition is principally based on price and service inasmuch as the Company's parts are interchangeable with the parts produced by Pratt & Whitney. The Company believes that it supplies over 50% of the market for certain JT8D engine parts for which it holds a PMA from the FAA, with Pratt & Whitney controlling the balance. With respect to other

aerospace products and services sold by the Flight Support Group, the Company competes with both the leading jet engine OEMs and a large number of machining, fabrication and repair companies, some of which have greater financial and other resources than the Company. Competition is based mainly on price, product performance, service and technical capability.

Competition for the repair and overhaul of jet engine components comes from three primary sources, some with greater financial and other resources than the Company: OEMs, major commercial airlines and other independent service companies. Certain major commercial airlines own and operate their own service centers. Some major airlines have begun to sell their repair and overhaul services to other aircraft operators. The repair and overhaul services provided by domestic airlines are primarily for their own components, although these airlines may outsource a limited amount of repair and overhaul services to third parties. Foreign airlines that provide repair and overhaul services typically provide these services for their own components and for third parties. OEMs also maintain service centers that provide repair and overhaul services for the components they manufacture. Other independent service organizations also compete for the repair and overhaul business of other users of aircraft components. The Company believes that the principal competitive factors in the airmotive market are quality, turnaround time, overall customer service and price.

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

RAW MATERIALS

The Company purchases a variety of raw materials, primarily consisting of high temperature alloy sheet metal and castings and forgings from various vendors. The Company also purchases parts, including diesel and gas powered engines, compressors and generators. The materials used by the Company's operations are generally available from a number of sources and in sufficient quantities to meet current requirements subject to normal lead times.

GOVERNMENT REGULATION

FAA. The FAA regulates the manufacture, repair and operation of all aircraft and aircraft parts operated in the United States. Its regulations are designed to ensure that all aircraft and aviation equipment are continuously maintained in proper condition to ensure safe operation of the aircraft. Similar rules apply in other countries. All aircraft must be maintained under a continuous condition monitoring program and must periodically undergo thorough inspection and maintenance. The inspection, maintenance and repair procedures for the various types of aircraft and equipment are prescribed by regulatory authorities and can be performed only by certified repair facilities utilizing certified technicians. Certification and conformance is required prior to installation of a part on an aircraft. Aircraft operators must maintain logs concerning the utilization and condition of aircraft engines, life-limited engine parts and airframes. In addition, the FAA requires that various maintenance routines be performed on aircraft engines, certain engine parts and airframes at regular intervals based on cycles or flight time. Engine maintenance must also be performed upon the occurrence of certain events, such as foreign object damage in an aircraft engine or the replacement of life-limited engine parts. Such maintenance usually requires that an aircraft engine be taken out of service. The operations of the Company may in the future be subject to new and more stringent regulatory requirements. In that regard, the Company closely monitors the FAA and industry trade groups in an attempt to understand how possible future regulations might impact the Company. See "Risk Factors--Government Regulation."

Because the Company's jet engine replacement parts largely consist of older model JT8D aircraft engines and engine parts, the FAA's noise regulations also have a substantial impact upon the Company. The ability of aircraft operators to utilize such JT8D aircraft engines in domestic flight operations is

significantly influenced by regulations promulgated by the FAA governing, among other things, noise emission standards. Pursuant to the Aircraft Noise and Capacity Act, the FAA has required all aircraft operating in the United States with a maximum weight of more than 75,000 pounds to meet Stage 2 noise restriction levels. The FAA has mandated that all such Stage 2 aircraft (such as the non-hush-kitted Boeing 727-200s, Boeing 737-200s and McDonnell Douglas DC-9-30/40/50s) must be phased out of operation in the contiguous United States by December 31, 1999. This ban on operation in the United States of non-hush-kitted Stage 2 aircraft applies to both domestic and foreign aircraft operators. The European Union has adopted similar restrictions for the operation of Stage 2 aircraft within member nations of the European Union subject to a variety of exemptions. Various communities surrounding the larger European cities also have adopted more stringent local regulations which restrict the operation of hush-kitted aircraft in such jurisdictions. See "Risk Factors--Dependence on the JT8D Aircraft Engine Aftermarket."

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

The principal environmental laws to which the Company is subject include the Clean Air Act of 1970 (the "CAA"), as amended in 1990; the Clean Water Act of 1977; the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"); the Resource Conservation Recovery Act of 1976 (the "RCRA"); and the Hazardous and Solid Waste Amendments of 1984 ("HSWA"). The following is a summary of the material regulations that are applicable to the Company:

The CAA imposes significant requirements upon owners and operators of facilities that discharge air pollutants into the environment. The CAA mandates that facilities which emit air pollutants comply with certain operational criteria and secure appropriate permits. Additionally, authorized states such as Florida may implement various aspects of the CAA and develop their own regulations for air pollution control. The Company's facilities presently hold or have applied for air emission permits and the Company intends to conduct an air emissions inventory and health and safety audit of its facilities and, depending upon the results of such assessments, may find it necessary to secure additional permits and/or to install additional control technology, which could result in the initiation of an enforcement action, the imposition of penalties and the possibility of substantial capital expenditures.

CERCLA, as amended by the Superfund Amendments and Reauthorization Act of 1986 ("SARA"), is designed to respond to the release of hazardous substances. CERCLA's most notable objectives are to provide criteria and funding for the cleanup of sites contaminated by hazardous substances and impose strict liability on parties responsible for such contamination namely, owners and operators of facilities or vessels from which such releases or threatened releases occur, and persons who generated, transported, or arranged for the transportation of hazardous substances to a facility from which such release or threatened release occurs.

RCRA and EPA's implementing regulations establish the basic framework for federal regulation of hazardous waste. RCRA governs the generation, transportation, treatment, storage and disposal of hazardous waste through a comprehensive system of hazardous waste management techniques and requirements. RCRA requires facilities such as the Company's that treat, store, or dispose of hazardous waste to comply with enumerated operating standards. Many states, including Florida, have created programs similar to RCRA for the purpose of issuing annual operating permits and conducting routine inspections of such facilities to ensure regulatory compliance. The Company believes that its facilities are in material compliance with all currently applicable RCRA and similar state requirements, hold or

have applied for all applicable permits required under RCRA and similar state laws, and are operating in material compliance with the terms of all such permits.

In addition, Congress has enacted federal regulations governing the underground storage of petroleum products and hazardous substances. The federal underground storage tank ("UST") regulatory scheme mandates that EPA establish requirements for leak detection, construction standards for new USTs, reporting of releases, corrective actions, on-site practices and record-keeping, closure standards, and financial responsibility. Some states, including Florida, have promulgated their own performance criteria for new USTs, including requirements for spill and overfill protection, UST location, as well as primary and secondary containment. The Company believes that its facilities are in material compliance with the federal and state UST regulatory requirements and performance criteria.

OTHER. The Company is also subject to a variety of other regulations, including worker-related and community safety laws. The Occupational Safety and Health Act of 1970 ("OSHA") mandates general requirements for safe workplaces for all employees. In particular, OSHA provides special procedures and measures for the handling of certain 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. Although the Company believes that its operations are in material compliance with OSHA's health and safety requirements, the Company anticipates upgrading its facilities at a cost that may exceed $100,000.

PROPERTIES

The Company owns or leases the following facilities:

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

(1) The Company has acquired 18.5 acres of land in Palmetto, Florida on which it plans to develop a new 75,000 square foot Ground Support Group manufacturing facility and office. The Company expects to commence construction in first quarter of fiscal 1998 and complete the facility by July 1998.
(2) The Company is currently in the process of negotiating a lease or purchase agreement for a new overhaul and repair facility.

The Company's current monthly rental expense is approximately $29,000. For additional information with respect to the Company's leases, see Note 6 of Notes to the Company's Audited Consolidated Financial Statements. Including the presently planned additional facilities described above, the Company believes that it has adequate capacity to handle its anticipated needs for the foreseeable future.

INSURANCE

The Company is a named insured under policies which include the following coverage: (i) products liability, including grounding, up to $200 million (combined annual aggregate bodily injury and property damage); (ii) blanket real and personal property and business interruption up to approximately $70 million; (iii) general liability coverage up to $2 million ($1,000,000 limit for each claim); (iv) employment practices liability up to $1 million for each claim and in the aggregate; (v) international liability and automobile liability up to $1 million and employer's liability up to $500,000; (vi) umbrella liability coverage up to $20 million for each occurrence and in the aggregate; and (vii) various other activities or items subject to certain limits and deductibles. The Company believes that these coverages are adequate to insure against the various liability risks of its business. See "Risk Factors--Product Liability; Claims Exposure."

EMPLOYEES

As of October 31, 1997, the Company and its subsidiaries had approximately 480 full-time employees, of which approximately 330 were in the Flight Support Group, 140 were in the Ground Support Group, and approximately 10 were in corporate. None of the Company's employees are represented by a union. The Company believes that it has excellent relations with its employees.

LEGAL PROCEEDINGS

In November 1989, United Technologies Corporation ("UTC") filed a suit against two of the Company's subsidiaries in its Flight Support Group in the United States District Court for the Southern District of Florida. The complaint, as amended in fiscal 1995, alleged infringement of a patent, misappropriation of trade secrets and unfair competition relating to certain jet engine parts and coatings sold by a subsidiary in the Flight Support Group in competition with Pratt & Whitney, a division of UTC. UTC sought approximately $10 million in damages for the patent infringement and approximately $30 million in damages for the misappropriation of trade secrets and the unfair competition claims. The aggregate damages referred to in the preceding sentence do not exceed approximately $30 million because a portion of the misappropriation and unfair competition damages duplicate the $10 million patent infringement damages. The complaint also sought, among other things, pre-judgment interest and treble damages.

In July and November 1995, the Company filed its answers to UTC's complaint denying the allegations. In addition, the Company filed counterclaims against UTC for, among other things, malicious prosecution, trade disparagement, tortious interference, unfair competition and antitrust violations. The Company is seeking treble, compensatory and punitive damages in amounts to be determined at trial.

In August 1997, a Motion for Summary Judgment filed by the Company on a portion of the lawsuit was granted by the United States District Court Judge. The Summary Judgment dismissed UTC's claims for misappropriation of trade secrets and unfair competition, finding that Florida's statute of limitations bars such claims. The ruling left pending UTC's claim alleging infringement of a patent that expired in 1992 and the Company's counterclaims against UTC alleging, among other things, malicious prosecution, trade disparagement, tortious interference, unfair competition and antitrust violations. In September 1997, UTC served its Motion for Reconsideration of the Court's Motion for Summary Judgment, which is currently pending, and accordingly, the Company filed its response opposing such motion.

Based on currently known facts, the Company's legal counsel has advised that it believes that the Company should be able to successfully defend the patent infringement claims alleged in UTC's complaint. With respect to the misappropriation and unfair competition claims, legal counsel to the Company has advised that it believes the likelihood of success of UTC's Motion for Reconsideration is remote. Further, the Company intends to vigorously pursue its counterclaims against UTC. The ultimate outcome of this litigation is not certain at this time and no provision for gain or loss, if any, has been made in the consolidated financial statements included elsewhere in this Prospectus. Although the Company and its legal counsel believe that the Company will be successful in the above matters, there can be no certainty that the UTC litigation will not have a material adverse effect on the Company. See "Risk Factors--Litigation."

The Company is from time to time involved in other routine litigation related to its business, none of which is expected to have a material adverse effect on the Company.

EXECUTIVE OFFICERS AND DIRECTORS

The Company's executive officers and directors are as follows:

NAME	AGE	POSITION	DIRECTOR SINCE
Laurans A. Mendelson	59	Chairman of the Board, President and Chief Executive Officer	1989
Thomas S. Irwin	51	Executive Vice President and Chief Financial Officer	
Eric A. Mendelson	32	Vice President and Director of the Company; President of the Company's Flight Support Group	1992
Victor H. Mendelson	29	Vice President, General Counsel and Director of the Company; President of the Company's Ground Support Group	1996
James L. Reum	66	Chief Operating Officer of the Company's Flight Support Group	
Jacob T. Carwile	75	Director	1975
Samuel L. Higginbottom .	76	Director	1989
Paul F. Manieri	80	Director	1985
Albert Morrison, Jr.	60	Director	1989
Dr. Alan Schriesheim	67	Director	1984
Guy C. Shafer	78	Director	1989

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

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

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

MR. VICTOR H. MENDELSON has served as President of the Ground Support Group since September 1996 and as General Counsel of the Company since 1993. Mr. Mendelson served as Executive Vice President of MediTek Health Corporation beginning in 1994 and its Chief Operating Officer from 1995

until its sale in July 1996. Mr. Mendelson served as the Company's Associate General Counsel from 1992 until 1993. From 1990 until 1992, he served on a consulting basis with the Company developing and analyzing various strategic opportunities. Mr. Mendelson is a member of the American Bar Association and The Florida Bar. Mr. Mendelson is a trustee of St. Thomas University, Miami, FL. Mr. Mendelson holds an AB degree from Columbia College of Columbia University and a JD from the University of Miami School of Law. Mr. Mendelson is a member of the Legal and Legislative Committee of the AIA. Victor Mendelson is the son of Laurans Mendelson and the brother of Eric Mendelson.

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

MR. JACOB T. CARWILE retired as a Lt. Col. from the United States Air Force ("USAF"), and presently serves as an aerospace consultant. During Mr. Carwile's USAF career, Mr. Carwile served as a command pilot and procurement officer, working extensively in the development, testing, and production of many aircraft, helicopters, and engines. Mr. Carwile also served in special management positions with numerous overhaul and modification facilities in the United States and Spain. From 1972 to 1987 Mr. Carwile served as president of Decar Associates, which provided aviation material to the U.S. government and the aerospace industry.

MR. SAMUEL L. HIGGINBOTTOM is a retired executive officer of Rolls Royce, Inc. (an aircraft engine manufacturer), where he served as Chairman, President and Chief Executive Officer from 1974 to 1986. He was the Chairman of the Columbia University Board of Trustees from 1982 until September 1989. Mr. Higginbottom was President, Chief Operating Officer and a director of Eastern Airlines, Inc., from 1970 to 1973 and served in various other executive capacities with that company from 1964 to 1969. Mr. Higginbottom is a director of British Aerospace Holdings, Inc., an aircraft manufacturer, and was a director of AmeriFirst Bank from 1986 to 1991. He is also Vice Chairman of St. Thomas University, Miami, Florida.

MR. PAUL F. MANIERI is a management consultant and retired executive of IBM Corporation, for which he served in various positions for 44 years, including Director of Manufacturing and Engineering for IBM World Trade Corporation and Director of Personnel and Director of Communications for IBM Corporation.

MR. ALBERT MORRISON, JR. has served as President of Morrison, Brown, Argiz & Company, a certified public accounting firm located in Miami, Florida, since 1971. Mr. Morrison has served as the Vice Chairman of the Dade County Industrial Development Authority since 1983. Mr. Morrison is the Treasurer of the Florida International University Board of Trustees and has served as a Trustee since 1980. Mr. Morrison also served as a director of Logic Devices, Inc., a computer electronics company and Walnut Financial Services, Inc., a financial services company.

DR. ALAN SCHRIESHEIM is retired from the Argonne National Laboratory, where he served as Director from 1984 to 1996. From 1983 to 1984, he served as Senior Deputy Director and Chief Operating Officer of Argonne. From 1956 to 1983, Dr. Schriesheim served in a number of capacities with Exxon Corporation in research and administration, including positions as General Manager of the Engineering Technology Department for Exxon Research and Engineering Co. and Director of Exxon's Corporate Research Laboratories. Dr. Schriesheim is also a director of Rohm and Haas Company, a chemical company, and a member of the Board of the Children's Memorial Hospital of Chicago, Illinois.

MR. GUY C. SHAFER is retired from Coltec Industries, Inc., formerly Colt Industries, Inc., (a manufacturer of aviation and automotive equipment), where he served as Advisor to the Chief Executive Officer from 1987 to 1988, Executive Vice President from 1985 to 1986 and Group Vice President from 1969 to 1985. Mr. Shafer has been in the aviation and automotive manufacturing industry since 1946.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information regarding the beneficial ownership of the Common Stock as of July 31, 1997 by (i) each person who is known to the Company to be the beneficial owner of more than 5% of the outstanding Common Stock, (ii) the Chief Executive Officer and the other four most highly compensated executive officers, (iii) each of the directors of the Company, and (iv) all directors and executive officers of the Company as a group. Except as set forth below, the shareholders named below have sole voting and investment power with respect to all shares of Common Stock shown as being beneficially owned by them.

	SHARES BENEFICIALLY OWNED(2)	
NAME AND ADDRESS OF BENEFICIAL OWNER(1)	NUMBER	PERCENT
Mendelson Reporting Group(3)	1,339,160	21.67%
HEICO Savings and Investment Plan(4)	878,047	16.40
Dr. Herbert A. Wertheim(5)	757,451	14.15
Dimensional Fund Advisors Inc.(6)	383,775	7.17
Rene Plessner Reporting Group(7)	279,979	5.23
Jacob T. Carwile(8)	89,875	1.65
Samuel L. Higginbottom	2,366	*
Paul F. Manieri(9)	90,203	1.66
Eric A. Mendelson(10)	265,010	4.81
Laurans A. Mendelson(11)	1,009,874	17.22
Victor H. Mendelson(12)	261,996	4.75
Albert Morrison, Jr.(13)	11,249	*
Dr. Alan Schriesheim(14)	81,966	1.51
Guy C. Shafer	7,517	*
Thomas S. Irwin(15)	216,046	3.94
James L. Reum(16)	74,274	1.37
All directors and officers as a group (11 persons)(17)	1,911,728(16)	28.90
All directors, officers, the HEICO Savings and Investment Plan and the Mendelson Reporting Group as a group(18)	2,789,775	42.18

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* Represents ownership of less than 1%.

(1) Unless otherwise indicated, the address of each Beneficial Owner identified is c/o HEICO Corporation, 3000 Taft Street, Hollywood, Florida 33021. Except as otherwise indicated, such Beneficial Owners have sole voting and investment power with respect to all shares of Common Stock owned by them, except to the extent such power may be shared with a spouse.

(2) The number of shares of Common Stock deemed outstanding prior to this offering includes (i) 5,353,932 shares of Common Stock outstanding as of July 31, 1997 and (ii) shares issued pursuant to options held by the respective person or group which may be exercised within 60 days after July 31, 1997 ("Presently Exercisable Stock Options") as set forth below. Pursuant to the rules of the Securities and Exchange Commission, presently exercisable stock options are deemed to be outstanding and to be beneficially owned by the person or group for the purpose of computing the percentage ownership of such person or group, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person or group.

(3) The Mendelson Reporting Group consists of Laurans A. Mendelson; Eric A. Mendelson; Victor H. Mendelson; Mendelson International Corporation ("MIC"), a corporation whose stock is owned solely by Eric and Victor Mendelson and whose Chairman of the Board is Laurans A. Mendelson; LAM Limited Partners, a partnership whose sole general partner is a corporation controlled by Laurans A. Mendelson; and the Victor H. Mendelson Revocable Investment Trust, whose Grantor, Trustee and sole presently vested beneficiary is Victor H. Mendelson. Includes 826,458 shares covered by currently exercisable stock options. See Notes (10), (11) and (12) below. The address of the Mendelson Reporting Group is 825 Brickell Bay Drive, 16th Floor, Miami, Florida 33131.

(4) Reflects 288,872 shares allocated to participant's individual accounts and 589,175 unallocated shares as of June 30, 1997. Under the terms of the Plan, all shares allocated to the accounts of participating employees will be voted or not as directed by written instructions from the participating employees, and allocated shares for which no instructions are received and all unallocated shares will be voted in the same proportion as the shares for which instructions are received. The address of HEICO Savings and Investment Plan is c/o NationsBank Trust, P. O. Box 1469, Tampa, Florida 33601.

(5) The address of Dr. Wertheim is 191 Leucadendra Drive, Coral Gables, Florida 33156.

(6) Reflects 383,775 shares of HEICO Common Stock as of December 31, 1996, based on information in a Schedule 13G dated February 7, 1997, all of which shares are held in portfolios of advisory clients of Dimensional, DFA Investment Dimensions Group Inc., or DFA Investment Trust Company, registered open-end investment companies. The address of Dimensional Fund Advisors, Inc. is 1299 Ocean Avenue, Suite 650, Santa Monica, California 90401.

(7) Based on information in a Schedule 13D dated January 10, 1997 filed by Mr. Plessner individually and as sole Trustee for the Rene Plessner Associates, Inc. Profit Sharing Plan. Reflects 168,088 shares held by Mr. Plessner and 111,891 shares held by the Rene Plessner Associates, Inc. Profit Sharing Plan, an employee profit sharing plan of Rene Plessner Associates, Inc., an executive search company. The address of Rene Plessner Reporting Group is 375 Park Avenue, New York, New York 10152.

(8) Reflects 82,358 shares subject to presently exercisable stock options.

(9) Reflects 82,358 shares subject to presently exercisable stock options.

(10) Reflects 98,860 shares held by MIC, 158,194 shares covered by currently exercisable stock options and 7,028 shares held by the HEICO Savings and Investment Plan and allocated to Eric A. Mendelson's account. See Note (2) above.

(11) Laurans A. Mendelson disclaims beneficial ownership with respect to 98,860 of these shares, which are held in the name of MIC, 12,500 shares which were donated to Laurans A. and Arlene H. Mendelson Charitable Foundation, Inc., of which Mr. Mendelson is president. The remaining 898,514 shares are held solely by Mr. Mendelson or LAM Limited Partners and include 510,069 shares covered by currently exercisable stock options and 10,864 shares held by the HEICO Savings and Investment Plan and allocated to Mr. Mendelson's account. See Notes (3), (9) and (11).

(12) Reflects 98,860 shares held by MIC, 158,195 shares covered by currently exercisable stock options, of which 104,322 shares are held by the Victor H. Mendelson Revocable Investment Trust and 4,611 shares held by the HEICO Savings and Investment Plan and allocated to Victor H. Mendelson's account. See Note (2) above.

(13) Albert Morrison Jr.'s voting and dispositive power with respect to 10,321 of these shares is held indirectly through Sheridan Ventures, Inc., a corporation of which Mr. Morrison is the President, but not a shareholder.

(14) Reflects 74,121 shares subject to presently exercisable stock options.

(15) Reflects 133,280 shares covered by currently exercisable stock options and 15,779 shares held by the HEICO Savings and Investment Plan and allocated to Thomas S. Irwin's account.

(16) Reflects 62,149 shares covered by currently exercisable stock options, 3,293 shares held for the benefit of Mr. Reum by a non-qualified deferred compensation plan offered by the Company to selected executive officers and 3,007 shares held by the HEICO Savings and Investment Plan and allocated to James L. Reum's account.

(17) Reflects 1,260,724 shares covered by currently exercisable stock options. The total for all directors and officers as a group (11 persons) also includes 41,289 shares held by the HEICO Savings and Investment Plan and allocated to accounts of officers pursuant to the Plan. See Note (3) above.

(18) Reflects all shares and options held by all directors and officers (11 persons), the HEICO Savings and Investment Plan and all members of the Mendelson Reporting Group.

DESCRIPTION OF NOTES

The Notes will be issued under an indenture (the "Indenture") between the Company and , as trustee (the "Trustee"), the form of which has been filed as an exhibit to the Registration Statement. The following are summaries of certain terms applicable to the Notes and do not purport to be complete. The summaries are subject to, and qualified in their entirety by reference to, the provisions of the Indenture, including the definitions therein of certain terms. Whenever reference is made to defined terms of the Indenture, such defined terms are incorporated herein by reference.

GENERAL

The Notes will be unsecured general obligations of the Company, subordinate in right of payment to certain other obligations of the Company as described under "-Subordination," and convertible into Common Stock as described under "--Conversion of the Notes." The Notes will be limited to $75.0 million aggregate principal amount ($86.25 million if the Underwriters' over-allotment option is exercised in full) and will mature on , 2004 (the "Maturity Date"). The Notes will bear interest at the rate per annum shown on the cover page hereof from the date of original issue or from the most recent Interest Payment Date (as defined below) to which interest has been paid or duly provided for, and accrued but unpaid interest will be payable semi-annually in arrears on and of each year, commencing , 1998 (each, an "Interest Payment Date"), or, if any such day is not a business day, on the next succeeding business day. Interest will be paid to Noteholders of record ("Holders") at the close of business on and , respectively, immediately preceding the relevant Interest Payment Date (each, a "Regular Record Date"). Interest will be computed on the basis of a 360-day year of twelve 30-day months.

Principal and premium, if any, and interest will be payable, and the Notes may be presented for conversion, registration of transfer and exchange, at the office or agency of the Company maintained for those purposes in New York, New York (which will be a corporate trust office designated by the Trustee), except that, at the option of the Company, payment of interest may be made by check mailed to the address of the Holder entitled thereto as it appears on the Register for the Notes (the "Note Register") on the related record date.

The Notes will be issued in fully registered form, without coupons, in denominations of $1,000 and any integral multiple thereof. No service charge will be made for any transfer or exchange of Notes, but, subject to certain exceptions set forth in the Indenture, the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Indenture does not contain any restrictions on the payment of dividends or on the repurchase of securities by the Company or any financial covenants, nor does the Indenture require the Company to maintain any sinking fund or other reserve for the payment of the Notes.

CONVERSION OF THE NOTES

The Notes are convertible at any time prior to the Maturity Date (subject to earlier redemption or repurchase, as described below) into shares of Common Stock at the Conversion Price (as defined above), subject to adjustment under certain circumstances as described below. The right to convert Notes called for redemption will terminate at the close of business on the first business day prior to the date fixed for redemption, unless the Company shall default on payment of the redemption price.

The Conversion Price is subject to adjustment as set forth in the Indenture upon the occurrence of certain events, including: (i) the issuance of Common Stock as a dividend or other distribution on any class of capital stock of the Company; (ii) a subdivision or combination of outstanding shares of Common Stock; (iii) the issuance or distribution of capital stock of the Company or the issuance or distribution of options, rights, warrants or convertible or exchangeable securities entitling the holder

thereof to subscribe for, purchase, convert into or exchange for capital stock of the Company at less than the current market price of such capital stock on the date of issuance or distribution, but in each case only if such issuance or distribution is made generally to holders of Common Stock or of a class or series of outstanding capital stock convertible into or exchangeable or exercisable for Common Stock (provided that the issuance of capital stock upon the exercise of such options, rights, or warrants or the conversion or exchange of convertible or exchangeable securities will not cause an adjustment in the Conversion Price if no such adjustment would have been required at the time such options, rights or warrants or convertible or exchangeable securities were issued); (iv) the dividend or other distribution to holders of Common Stock, or of a class or series of capital stock convertible into or exchangeable or exercisable for Common Stock, generally of evidences of indebtedness of the Company or assets (including securities, but excluding issuances, dividends and distributions referred to above, dividends and distributions in connection with the liquidation, dissolution or winding up of the Company and distributions of cash referred to below); and (v) distributions of cash (other than in connection with the liquidation or dissolution of the Company) to holders of Common Stock, or of a class or series of capital stock convertible into or exchangeable or exercisable for Common Stock, generally to the extent the amount of such cash, combined with all such cash distributions made within the preceding 12 months with respect to which no adjustment has been made exceeds 10% of the Company's market capitalization (being the product of the current market price of the Common Stock multiplied by the number of shares of Common Stock then outstanding) on the record date for such distribution.

Notwithstanding the foregoing, (a) if the options, rights or warrants or convertible or exchangeable securities described in clause (iii) of the preceding paragraph are exercisable only upon the occurrence of certain triggering events, then the Conversion Price will not be adjusted until such triggering events occur and (b) if such options, rights or warrants or convertible or exchangeable securities expire unexercised, the Conversion Price will be readjusted to take into account only the actual number of such options, rights or warrants or convertible or exchangeable securities which were exercised. In addition, the provisions of the preceding paragraph will not apply to the issuance of Common Stock or the issuance or exercise of options to purchase Common Stock under any stock-based employee compensation plan now existing or hereafter adopted.

No adjustment will be made to the Conversion Price until cumulative adjustments to the Conversion Price amount to at least 1% of the Conversion Price, as last adjusted. Except as stated above, the Conversion Price will not be adjusted for the issuance of Common Stock or any securities convertible into or exchangeable for Common Stock or carrying the right to purchase any of the foregoing, or the payment of dividends on the Common Stock. The Company from time to time may reduce the Conversion Price if the Board of Directors of the Company has made a determination that such reduction would be in the best interests of the Company, which determination shall be conclusive.

In the event of (i) any reclassification or change of the Common Stock or (ii) a consolidation, merger or combination to which the Company is a party or a sale or conveyance to another entity of the property and assets of the Company as an entirety or substantially as an entirety, in each case as a result of which holders of Common Stock will be entitled to receive stock, other securities, other property or assets (including cash) with respect to or in exchange for such Common Stock, each Holder will have the right thereafter to convert such Holder's Notes into the kind and amount of shares of stock, other securities or other property or assets which the Holder would have owned or have been entitled to receive immediately upon such consolidation, merger, combination, sale or conveyance had such Note been converted into Common Stock immediately prior to the effective date of such reclassification, change, consolidation, merger, combination, sale or conveyance. Certain of the foregoing events may also constitute or result in a Change of Control requiring the Company to offer to repurchase the Notes. See "--Repurchase at the Option of Holders Upon Change of Control."

In the event of a taxable distribution to holders of Common Stock or in certain other circumstances requiring Conversion Price adjustments, a Holder of Notes may, in certain circumstances, be deemed to have received a distribution subject to United States federal income tax as a dividend; in certain other circumstances, the absence of such an adjustment may result in a taxable dividend to the holders of Common Stock. See "Certain Federal Income Tax Considerations--Constructive Distributions."

Fractional shares of Common Stock will not be issued upon conversion. A person otherwise entitled to a fractional share of Common Stock upon conversion will receive cash equal to the equivalent fraction of the current market price of a share of Common Stock on the business day prior to conversion.

Except as provided below, a Holder who surrenders a Note (or portion thereof) between the close of business on a Regular Record Date and the next Interest Payment Date will receive interest on such Interest Payment Date with respect to the Note (or portion thereof) so converted through such Interest Payment Date. If, however, such Regular Record Date is on or after , 2000, any Note surrendered for conversion between the Regular Record Date and the related Interest Payment Date must be accompanied by a payment equal to the interest on such Note (or portion thereof converted) payable by the Company on such Interest Payment Date, which payment will be returned to such Holder if the Company defaults in the payment of such interest. Except as otherwise provided, no payment of interest on converted Notes will be payable by the Company on any Interest Payment Date subsequent to the date of conversion, and no adjustment will be made upon conversion of any Note for interest accrued thereon or dividends paid on Common Stock issued.

OPTIONAL REDEMPTION BY THE COMPANY

The Notes are not redeemable at the option of the Company prior to , 2000. Thereafter, the Notes will be redeemable, in whole or from time to time in part, upon not less than 30 days' nor more than 60 days' prior notice of redemption to each Holder at such Holder's last address as it appears in the Note Register, at the redemption prices established for the Notes, together with accrued but unpaid interest, if any, to the date fixed for redemption. The redemption prices for the Notes (expressed as percentages of principal amount) are as follows:

FOR THE 12 MONTHS AFTER	PERCENTAGE
2000	%
2001	%
2002	%
2003 and thereafter	%

If less than all the Notes are to be redeemed, the Trustee will select the Notes to be redeemed in compliance with the requirements of the principal national securities exchange, if any, on which the Notes are listed, or, if the Notes are not so listed, by lot or by such method that complies with applicable legal requirements and that the Trustee considers fair and appropriate. The Trustee may select for redemption portions of the principal amount of Notes that have a denomination larger than $1,000. Notes and portions thereof will be redeemed in the amount of $1,000 or integral multiples of $1,000. The Trustee will make the selection from Notes outstanding and not previously called for redemption.

REPURCHASE AT THE OPTION OF HOLDERS UPON CHANGE OF CONTROL

If a Change of Control occurs, the Company will offer to repurchase each Holder's Notes pursuant to an offer (the "Change of Control Offer") at a purchase price equal to 100% of the principal amount of such Holder's Notes, plus accrued but unpaid interest, if any, to the date of purchase.

A "Change of Control" means the occurrence of any of the following events after the date of the Indenture: (i) any person or group (within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) becomes the direct or indirect beneficial owner of shares of capital stock of the Company representing greater than 50% of the combined voting power of all outstanding shares of capital stock of the Company entitled to vote in the election of directors under ordinary circumstances; (ii) subject to certain exceptions, the Company consolidates with or merges into any other entity and the outstanding Common Stock is changed or exchanged as a result; (iii) the Company conveys, transfers or leases all or substantially all of its assets to any other entity; (iv) at any time Continuing Directors do not constitute a majority of the Board of Directors of

the Company; or (v) on any day (a "Calculation Date") the Company makes any distribution or distributions of cash, property or securities (other than regular quarterly dividends, Common Stock, preferred stock which is substantially equivalent to Common Stock or rights to acquire Common Stock or preferred stock which is substantially equivalent to Common Stock) to holders of Common Stock, or the Company or any of its subsidiaries purchases or otherwise acquires Common Stock, and the sum of the fair market value of such distribution or purchase on the Calculation Date, plus the fair market value, when made of all other such distributions and purchases which have occurred during the 12 month period ending on the Calculation Date, in each case expressed as a percentage of the aggregate market price of all of the shares of Common Stock outstanding at the close of business on the last day prior to the date of each such distribution or purchase, exceeds 50%. "Continuing Director" means at any date a member of the Company's Board of Directors (i) who is a member of such Board on the date of the Indenture or (ii) who was nominated or elected by at least two-thirds of the directors who were Continuing Directors at the time of such nomination or election or whose election to the Company's Board of Directors was recommended or endorsed by at least two-thirds of the directors who were Continuing Directors at the time of such election. Under this definition, if the present Board of Directors of the Company were to approve a new director or directors and then resign, no Change of Control would occur even though the present Board of Directors would thereafter cease to be in office.

Within 30 days after any Change of Control, unless the Company has previously given a notice of optional redemption by the Company of all of the Notes, the Company will give a notice of the Change of Control Offer to each Holder at such Holder's last address as it appears on the Note Register which will include: (i) a statement that a Change of Control has occurred and that the Company is offering to repurchase all of such Holder's Notes; (ii) a brief description of such Change of Control; (iii) the repurchase price (the "Change of Control Payment"); (iv) the expiration date of the Change of Control Offer, which must be no earlier than 30 days nor later than 60 days from the date such notice is given; (v) the date such purchase will be effected, which must be no later than 30 days after the expiration date of the Change of Control Offer; (vi) a statement that unless the Company defaults in the payment of the Change of Control Payment, all Notes accepted for payment pursuant to the Change of Control Offer will cease to accrue interest after the Change of Control Payment Date; (vii) the Conversion Price; (viii) the name and address of the paying agent and conversion agent; (ix) a statement that Notes must be surrendered to the paying agent to collect the Change of Control Payment; and (x) any other information required by applicable law and any other procedures that a Holder must follow in order to have such Notes repurchased.

In the event the Company is required to make a Change of Control Offer, the Company will comply with any applicable securities laws and regulations, including, to the extent applicable, Section 14(e) of, and Rule 14e-1 and any other tender offer rules under, the Exchange Act which may then be applicable in connection with any offer by the Company to purchase Notes at the option of Holders.

The Company, could, in the future, enter into certain transactions, including certain recapitalizations of the Company, that would not constitute a Change of Control, but that would increase the amount of Senior Indebtedness (or any other indebtedness) outstanding at such time. The incurrence of significant amounts of additional indebtedness could have an adverse effect on the Company's ability to service its indebtedness, including the Notes. If a Change of Control were to occur, there can be no assurance that the Company would have sufficient funds at the time of such event to pay the Change of Control Payment for all Notes tendered by Holders.

Certain of the Company's existing and future agreements relating to its indebtedness could prohibit the purchase by the Company of the Notes pursuant to the tender by Holders pursuant to a Change of Control Offer. Depending on the financial circumstances of the Company, such purchase by the Company could cause a breach of certain covenants contained in such agreements. A default by the Company on its obligation to pay the Change of Control Payment could, pursuant to cross-default provisions, result in acceleration of the payment of other indebtedness of the Company outstanding at that time. See "--Subordination."

SUBORDINATION

The payment of principal of and premium, if any, and interest on the Notes will be, to the extent set forth in the Indenture, subordinated in right of payment to the prior payment in full of all Senior Indebtedness (as defined). Upon any payment or distribution of assets to creditors upon any liquidation, dissolution, winding up, reorganization, assignment for the benefit of creditors or marshalling of assets, whether voluntary, involuntary or in receivership, bankruptcy, insolvency or similar proceedings, the holders of all Senior Indebtedness will first be entitled to receive payment in full of all amounts due or to become due thereon before Holders will be entitled to receive any payment on account of principal of and premium, if any, and interest on the Notes or on account of any other monetary claims under or with respect to the Notes, and before the Company may acquire any Notes for cash, property, assets or securities. No payments on account of principal of and premium, if any, and interest on the Notes may be made if at the time thereof: (i) there exists a default in the payment of all or any portion of the obligations under any Senior Indebtedness or (ii) there exists a default in any covenant with respect to the Senior Indebtedness that would permit acceleration of the maturity thereof (other than as specified in clause (i) of this sentence) which has not been cured or waived and is continuing, and the Trustee and the Company receive written notice from any holder of such Senior Indebtedness stating that no payment may be made with respect to the Notes, provided that no such default will prevent any payment on, or with respect to, the Notes for more than 120 days unless the maturity of such Senior Indebtedness is accelerated.

The Holders will be subrogated to the rights of the holders of the Senior Indebtedness to the extent of payments made on Senior Indebtedness upon any distribution of assets in any such proceedings out of the distributive share of the Notes.

"Senior Indebtedness" means the principal of (and premium, if any) and accrued interest on (a) existing indebtedness of the Company (including indebtedness of others guaranteed by the Company) other than the Notes, which is (i) for money borrowed or (ii) evidenced by a note or similar instrument given in connection with the acquisition of any businesses, properties or assets of any kind, (b) obligations of the Company as lessee under leases required to be capitalized on the balance sheet of the lessee under generally accepted accounting principles and leases of property or assets made as part of any sale and leaseback transaction to which the Company is a party, (c) amendments, renewals, extensions, modifications and refundings of any such indebtedness or obligation and (d) future indebtedness of the Company described in (a) above, and amendments, renewals, extensions, modifications and refundings thereof, if the instrument creating or evidencing such future indebtedness provides that such indebtedness or obligation is senior in right of payment to the Notes. Senior Indebtedness does not include indebtedness or amounts owed (except to banks or other financial institutions) for compensation to employees, or for goods or materials purchased, or services utilized, in the ordinary course of business of the Company or of any other person from whom such indebtedness or amount was assumed.

The Notes are unsecured obligations of the Company, and, accordingly, will rank pari passu with all obligations of the Company that arise by operation of law or are imposed by any judicial or governmental authority. The Notes are obligations exclusively of the Company, and accordingly, will be effectively subordinated to all indebtedness and other liabilities and commitments (including trade payables and lease obligations) of its Subsidiaries. The right of the Company, and, therefore, the right of creditors of the Company (including Holders) to receive assets of any such Subsidiary upon the liquidation or reorganization of such Subsidiary or otherwise, as a practical matter, will be effectively subordinated to the claims of such Subsidiary's creditors, except to the extent the Company is itself recognized as a creditor of such Subsidiary or such other creditors have agreed to subordinate their claims to the payment of the Notes, in which case the claims of the Company would still be subordinate to any secured claim on the assets of such Subsidiary and any indebtedness of such Subsidiary senior to that held by the Company.

At October 31, 1997, after giving effect to this offering and the application of the net proceeds therefrom, the Company's subsidiaries would have had approximately $11 million of outstanding

indebtedness, of which approximately $6 million is guaranteed by the Company and constitutes Senior Indebtedness. The Company expects from time to time to incur additional indebtedness constituting Senior Indebtedness.

LIMITATION ON DIVIDEND RESTRICTIONS AFFECTING SUBSIDIARIES

The Company may not, and may not permit any of its Subsidiaries to, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction of any kind on the ability of any subsidiary to (a) pay to the Company dividends or make to the Company any other distribution of its capital stock, (b) pay any debt owed to the Company or any other subsidiary, (c) make loans or advances to the Company or any other subsidiary, or (d) transfer any of its property or assets to the Company or any other subsidiary, other than such encumbrances or restrictions existing or created under or by reason of (i) applicable laws, (ii) the Indenture, (iii) covenants or restrictions contained in any instrument governing debt of the Company or any of the subsidiaries existing on the date of the Indenture or thereafter, (iv) customary provisions restricting subletting, assignment and transfer of any lease governing a leasehold interest of the Company or any of the subsidiaries or in any license or other agreement entered into in the ordinary course of business, (v) any agreement governing debt of a person acquired by the Company or any of the subsidiaries in existence at the time of such acquisition (but not created in contemplation thereof), which encumbrances or restrictions are not applicable to any person, or the property or assets of any person, other than the person, or the property or assets of the person, so acquired, or (vi) any restrictions with respect to a subsidiary imposed pursuant to an agreement entered into in accordance with the terms of the Indenture for the sale or disposition of capital stock or property or assets of such subsidiary, pending the closing of such sale of disposition.

CONSOLIDATION, MERGER AND SALE OF ASSETS

The Company may not, without the consent of the Holders of a majority in aggregate principal amount of Notes then outstanding, consolidate with or merge into any other entity or convey, transfer, sell or lease its assets substantially as an entirety to any entity unless: (i) either (a) the Company is the continuing corporation or (b) the entity formed by such consolidation or into which the Company is merged or the entity to which such assets are sold, leased, transferred, conveyed or disposed is organized under the laws of the United States or any state thereof or the District of Columbia and expressly assumes by supplemental indenture all obligations of the Company under the Notes and the Indenture, (ii) immediately before and immediately after giving effect to such merger, consolidation, conveyance, transfer, sale, lease or disposition no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, under the Indenture has occurred and is continuing, (iii) immediately after giving effect to such merger, consolidation, conveyance, transfer, sale, lease or disposition, the Notes and the Indenture, as supplemented, will be valid and enforceable obligations of the Company or such successor and (iv) the Company has delivered to the Trustee an Officer's Certificate and an opinion of counsel, each stating that such merger, consolidation, conveyance, transfer, sale, lease or disposition and such supplemental indenture comply with the applicable provisions of the Indenture.

EVENTS OF DEFAULT

The following will be Events of Default under the Indenture: (a) failure to pay principal or premium or repurchase price, if any, of any Note when due and payable, whether at maturity, upon redemption, upon a Change of Control Offer or otherwise, whether or not such payment is prohibited by the subordination provisions of the Indenture; (b) failure to pay any interest on any Note when due, which failure continues for 30 days, whether or not such payment is prohibited by the subordination provisions of the Indenture; (c) failure to perform the other covenants of the Company in the Indenture, which failure continues for 90 days after written notice as provided in the Indenture; (d) failure to pay when due principal of, or acceleration of, any indebtedness for money borrowed by the Company or any of its Subsidiaries in excess of $5.0 million, individually or in the aggregate, if such indebtedness is not discharged, or such acceleration is not annulled, within 10 days after written notice

as provided in the Indenture; and (e) certain events of bankruptcy, insolvency or reorganization of the Company or any Significant Subsidiary (as defined in the Indenture). Subject to the provisions of the Indenture relating to the duties of the Trustee in case of the occurrence of an Event of Default, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any Holders, unless such Holders have offered to the Trustee reasonable indemnity. Subject to such provisions for the indemnification of the Trustee, Holders of a majority in aggregate principal amount of the outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee.

If an Event of Default occurs and is continuing, either the Trustee or the Holders of at least 25% in aggregate principal amount of the then outstanding Notes by notice to the Company and Trustee may declare the unpaid principal and premium, if any, of and interest on all outstanding Notes due and payable; provided, however, that if an Event of Default under clause (e) above occurs, all unpaid principal and premium, if any, of and interest on all outstanding Notes will automatically become due and payable without any declaration or other act on the part of the Trustee or any Holders. After such acceleration, but before a judgment or decree based on acceleration, Holders of a majority in aggregate principal amount of the then outstanding Notes may, under certain circumstances, rescind and annul such acceleration if all Events of Default, other than the nonpayment of accelerated principal, have been cured or waived as provided in the Indenture. For information as to waiver of defaults, see "--Modifications, Amendments and Waivers."

No Holder of any Note will have any right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder unless (i) such Holder has previously given to the Trustee written notice of a continuing Event of Default, (ii) Holders of at least 25% in aggregate principal amount of the then outstanding Notes have made written request and offered satisfactory indemnity to the Trustee to institute such proceeding as Trustee, (iii) the Trustee failed to institute such proceeding within 60 days after the receipt of such request and offer of indemnity and (iv) during such 60-day period, no direction inconsistent with such request is given to the Trustee by the Holders of a majority in aggregate principal amount of the then outstanding Notes.

MODIFICATIONS, AMENDMENTS AND WAIVERS

Modifications and amendments of the Indenture may be made by the Company and the Trustee with the consent of the Holders of a majority in aggregate principal amount of the then outstanding Notes held by persons other than affiliates of the Company; provided however that no such modification or amendment may, without the consent of the Holder of each outstanding Note affected thereby, (i) change the stated maturity of, or any installment of interest on, or waive a default in the payment of principal, premium, if any, or interest on, any Note, (ii) reduce the principal amount of any Note or reduce the rate or extend the time of payment of interest on any Note, (iii) increase the Conversion Price (other than in connection with a reverse stock split as provided in the Indenture), (iv) change the currency of payment of principal or premium or repurchase price, if any, of or interest on, any Note, (v) impair the right to institute suit for the enforcement of any payment on or with respect to any Note, (vi) adversely affect the right to exchange or convert Notes, (vii) reduce the vote of Holders necessary to waive certain defaults or compliance with certain provisions of the Indenture, consent to any merger, consolidation or conveyance, sale, transfer or lease of assets, or modify or amend the Indenture, (viii) modify the provisions of the Indenture with respect to the subordination of the Notes in a manner adverse to the Holders, (ix) except as permitted by the Indenture, consent to the assignment or transfer by the Company of any of its rights and obligations thereunder or (x) modify the provisions of the Indenture with respect to the obligations of the Company to repurchase Notes in a manner adverse to the Holders.

Holders of a majority in aggregate principal amount of the then outstanding Notes held by persons other than affiliates of the Company may, on behalf of all Holders, waive any past default under the Indenture or Event of Default, except a default in the payment of principal or premium or repurchase

price, if any, of or interest on any of the Notes or a provision which under the Indenture cannot be amended without the consent of the Holder of each outstanding Note.

Amendments and supplements of the Indenture may be made by the Company and the Trustee without the consent of any Holder, in part, to: (i) cure any ambiguity, defect or inconsistency (which does not adversely affect the rights of any Holder); (ii) comply with the restriction on mergers, consolidations, and asset sales or with the provisions relating to conversion upon such events; (iii) add to the covenants of the Company further covenants, restrictions, conditions or provisions for the protection of the Holders; (iv) make any change that does not adversely affect the rights of any Holder under the Indenture; (v) comply with requirements of the Securities and Exchange Commission in order to effect or maintain qualification of the Indenture under the Trust Indenture Act; or (vi) to change the place of payment of principal or premium or repurchase price, if any, of or interest on the Notes other than within the 48 contiguous states of the United States.

GOVERNING LAW

The Indenture and the Notes will be governed by, and construed in accordance with, the laws of the State of New York, without giving effect to such State's conflict of law principles.

CERTAIN FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of certain U.S. federal income tax considerations relating to the purchase, ownership and disposition of a Note and of Common Stock into which the Note may be converted. This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), existing, temporary and proposed Treasury Regulations, administrative pronouncements and judicial decisions now in effect, all of which are subject to change, possibly retroactively. This summary deals only with a Holder that will hold the Note and the Common Stock into which the Note may be converted as a "capital asset" (within the meaning of section 1221 of the Code) and that is (i) a citizen or resident of the United States, (ii) a domestic corporation or (iii) otherwise subject to U.S. federal income taxation on a net income basis in respect of the Note or Common Stock. This summary does not purport to be a complete analysis of all the potential tax considerations relevant to a particular investor and does not address tax considerations applicable to an investor that may be subject to special tax rules, like a bank, tax-exempt organization, insurance company, dealer in securities or currencies, or a person that will hold a Note or Common Stock as a position in a hedging transaction, "straddle" or "conversion transaction" for tax purposes. This summary discusses the tax considerations applicable to the initial purchaser of a Note who purchases the Note at an original "issue price" (as defined in section 1273 of the Code) equal to the stated principal amount of the Note. The Company has not sought any ruling from the Internal Revenue Service (the "IRS") with respect to the statements made in this summary, and there can be no assurance that the IRS will agree with these statements.

A PROSPECTIVE INVESTOR CONSIDERING THE PURCHASE OF A NOTE SHOULD CONSULT HIS OWN TAX ADVISER WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL TAX LAWS TO HIS PARTICULAR SITUATION AS WELL AS ANY TAX CONSEQUENCES ARISING UNDER THE LAWS OF ANY STATE, LOCAL OR FOREIGN TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.

PAYMENT OF INTEREST

Interest on a Note generally will be includable in the income of a Holder as ordinary income at the time the interest is received or accrued in accordance with the Holder's method of accounting for U. S. federal income tax purposes.

SALE, EXCHANGE OR REDEMPTION OF THE NOTES

Upon a sale, exchange or redemption of a Note, a Holder generally will recognize capital gain or loss equal to the difference between (i) the amount of cash and the fair market value of any property received (except to the extent attributable to accrued interest income not previously included in income, which will be taxable as ordinary income) and (ii) the Holder's adjusted tax basis in the Note. A Holder's adjusted tax basis in a Note generally will equal the Holder's cost for the Note. Capital gain or loss will be long-term capital gain or loss depending upon the Holder's holding period in the Note at the time of sale, exchange or redemption. Capital gain recognized by certain noncorporate Holders may be taxed at preferential rates that will vary depending on whether the Note has been held for more than one year or 18 months on the date of disposition.

CONSTRUCTIVE DISTRIBUTIONS

If at any time (i) the Company distributes cash or property to its shareholders or purchases Common Stock, and the distribution or purchase is taxable as a dividend to those shareholders for U.S. federal income tax purposes (e.g., a distribution of cash, evidences of indebtedness or other assets of the Company, but generally not a distribution of stock or rights to subscribe for stock paid on Common Stock) and pursuant to either the anti-dilution provision of the Indenture or at the discretion of the Company the Conversion Price of the Notes is decreased or (ii) under any other circumstances, pursuant to the anti-dilution provision of the Indenture or at the discretion of the Company the Conversion Price of the Notes is decreased, the decrease in Conversion Price may be treated as a

constructive distribution to Holders of Notes (pursuant to section 305 of the Code). A constructive distribution will be taxable as a dividend, return of capital or capital gain in accordance with the earnings and profits rules discussed under "--Dividends." A Holder of a Note therefore could have taxable income as a result of an event pursuant to which he receives no cash or property. Moreover, if there is not a full adjustment to the Conversion Price of the Notes to reflect a stock dividend or other event increasing the proportionate interest of the holders of the Common Stock in the assets or earnings and profits of the Company, then that increase in the proportionate interest of the holders of Common Stock generally will be treated as a constructive distribution to them similarly taxable in accordance with the earnings and profits rules discussed under "--Dividends."

CONVERSION OF THE NOTES

A Holder of a Note generally will not recognize any income, gain or loss upon conversion of a Note into shares of Common Stock except with respect to the receipt of either cash in lieu of a fractional share of Common Stock or cash or Common Stock attributable to accrued interest on the converted Note. A Holder's tax basis in the Common Stock received on conversion of a Note will be the same as the Holder's adjusted tax basis in the Note at the time of conversion (reduced by any basis allocable to a fractional share interest). The holding period for the shares of Common Stock received on conversion generally will include the holding period of the Note converted.

Cash received in lieu of a fractional share of Common Stock upon conversion of a Note will be treated as a payment in exchange for the fractional share and generally will result in capital gain or loss (measured by the difference between the cash received for the fractional share and the Holder's adjusted tax basis in the fractional share).

DIVIDENDS

A cash distribution paid on Common Stock will be treated as a dividend, taxable as ordinary income to the Holders, to the extent of the Company's current and accumulated earnings and profits. To the extent a distribution on Common Stock exceeds the Company's current and accumulated earnings and profits, a Holder will treat the distribution on each share of Common Stock as a nontaxable reduction in the Holder's basis in that share to the extent thereof and thereafter as capital gain. A dividend paid to a Holder that is a U.S. corporation may qualify for a dividends received deduction.

SALE OF COMMON STOCK

Upon a sale or exchange of Common Stock, a Holder generally will recognize capital gain or loss equal to the difference between (i) the amount of cash and the fair market value of any property received and (ii) the Holder's adjusted tax basis in the Common Stock. That capital gain or loss will be long-term capital gain or loss depending upon the Holder's holding period in the Common Stock at the time of sale, exchange or redemption. Capital gain recognized by certain noncorporate Holders may be taxed at preferential rates that will vary depending on whether the Common Stock has been held for more than one year or 18 months on the date of disposition. A Holder's basis and holding period in Common Stock received upon conversion of a Note are determined as discussed above under "Conversion of the Notes."

INFORMATION REPORTING AND BACKUP WITHHOLDING TAX

In general, information reporting requirements will apply to payments to certain noncorporate Holders of principal of, premium, if any, and interest on a Note, payments of dividends on Common Stock and payments of the proceeds of a sale of a Note or Common Stock. A 31% backup withholding tax may apply to any of those payments if the Holder (i) fails to furnish or certify his correct taxpayer identification number to the payor in the manner required, (ii) is notified by the IRS that he has failed to report payments of interest or dividends properly or (iii) under certain circumstances fails to certify that he has not been notified by the IRS that he is subject to backup withholding for failure to report

interest or dividend payments. A Holder of a Note or Common Stock who does not provide the Company with his or her correct taxpayer identification number may also be subject to penalties imposed by the IRS. Any amounts withheld under the backup withholding rules from a payment to a Holder will be allowed as a credit against the Holder's U.S. federal income tax and may entitle the Holder to a refund provided the required information is furnished to the IRS.

DESCRIPTION OF CAPITAL STOCK

GENERAL

The Company is authorized to issue 20,000,000 shares of Common Stock, par value $.01 per share, 10,000,000 shares of preferred stock, par value $.01 per share (the "Preferred Stock") and 50,000 shares of Series A Junior Participating Preferred Stock (the "Series A Preferred Stock"). As of October 31, 1997, 5,522,329 shares of Common Stock were outstanding and such shares were held by approximately 1,265 holders of record. None of the Preferred Stock nor the Series A Preferred Stock are outstanding.

The following descriptions of the Common Stock, the Preferred Stock and the Series A Preferred are based on the Company's Articles and Bylaws and applicable Florida law.

COMMON STOCK

Each holder of Common Stock is entitled to one vote for each share owned of record on all matters presented to the shareholders. In the event of a liquidation, dissolution or winding up of the Company, the holders of Common Stock are entitled to share equally and ratably in the assets of the Company, if any, remaining after the payment of all debts and liabilities of the Company and the liquidation preference of any outstanding Preferred Stock. The Common Stock has no preemptive rights, no cumulative voting rights and no redemption, sinking fund or conversion provisions. Currently, 1,742,919 shares of Common Stock are reserved for issuance under the Company's option plans.

Holders of Common Stock are entitled to receive dividends if, as and when declared by the Board out of funds legally available therefor, subject to the dividend and liquidation rights of any Preferred Stock that may be issued and outstanding and subject to any dividend restrictions in the Company's credit facilities. No dividends or other distributions (including redemptions or repurchases of shares of capital stock) may be made if after giving effect to any such dividends or distributions, the Company would not be able to pay its debts as they become due in the usual course of business or the Company's total assets would be less than the sum of its total liabilities plus the amount that would be needed at the time of a liquidation to satisfy the preferential rights of any holders of Preferred Stock.

The transfer agent and registrar for the Common Stock is Chase Mellon Securities Services, Seattle, Washington.

PREFERRED STOCK AND SERIES A PREFERRED STOCK

The Board of Directors of the Company is authorized, without further shareholder action, to designate and issue from time to time one or more series of Preferred Stock, including the Series A Preferred Stock. The Board of Directors may fix and determine the designations, preferences and relative rights and qualifications, limitations or restrictions of any series of Preferred Stock so established, including voting powers, dividend rights, liquidation preferences, redemption rights and conversion privileges. Because the Board of Directors has the power to establish the preferences and rights of each series of Preferred Stock, it may afford the holders of any series of Preferred Stock preferences and rights, voting or otherwise, senior to the rights of holders of Common Stock. Holders of the Series A Preferred Stock shall be entitled to receive (i) distributions or cash dividends in an amount per share equal to 100 times the aggregate per share amount of all cash dividends declared or paid on

the Common Stock, (ii) a preferential stock dividend, and (iii) in certain circumstances to 100 votes per share. As of the date of this Prospectus, the Board of Directors has not issued any Preferred Stock or Series A Preferred Stock, and has no plans to issue any shares of Preferred Stock or Series A Preferred Stock.

ANTI-TAKEOVER EFFECTS OF CERTAIN PROVISIONS OF FLORIDA LAW AND THE COMPANY'S ARTICLES OF INCORPORATION AND BYLAWS

Certain provisions of the Articles and Bylaws of the Company and Florida law summarized in the following paragraphs may be deemed to have an anti-takeover effect and may discourage, delay, defer or prevent a tender offer or takeover attempt that a shareholder might consider in its best interest, including those attempts that might result in a premium over the market price for the shares held by shareholders.

SPECIAL MEETING OF SHAREHOLDERS. The Bylaws provide that special meetings of shareholders of the Company may be called only by the Company's Chairman of the Board, the President of the Company or by a majority of the Board. This provision could make it more difficult for shareholders to take actions opposed by the Board.

PREFERRED STOCK PURCHASE RIGHTS PLAN. In November 1993, the Company declared a distribution of the Rights for each outstanding share of Common Stock. Such Rights trade with the Common Stock and are not exercisable or transferable apart from the Common Stock until a person or group acquires 15% or more of the outstanding Common Stock or commence or announce an intention to commence a tender offer for 30% or more of the outstanding Common Stock. The Rights shall expire on November 2, 2003 and have certain anti-takeover effects that will cause substantial dilution to a person or a group who attempts to acquire the Company on terms not approved by the Board or who acquires 15% or more of the outstanding Common Stock without approval of the Board.

AUTHORIZED BUT UNISSUED SHARES. Subject to the applicable requirements of the American Stock Exchange, the authorized but unissued shares of Common Stock, Preferred Stock and Series A Preferred Stock are available for future issuance without shareholder approval. These additional shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions or employee benefit plans. The existence of authorized but unissued and unreserved Common Stock. Preferred S and Series A Preferred Stock may enable the Board to issue shares to persons friendly to current management which could render more difficult or discourage an attempt to obtain control of the Company by means of a proxy contest, tender offer, merger or otherwise, and thereby protect the continuity of the Company's management.

CERTAIN FLORIDA LEGISLATION. The State of Florida has enacted legislation that may deter or frustrate takeovers of Florida corporations. The Florida Control Share Act generally provides that shares acquired in excess of certain specified thresholds will not possess any voting rights unless such voting rights are approved by a majority of a corporation's disinterested shareholders. The Florida Affiliated Transactions Act generally requires supermajority approval by disinterested shareholders of certain specified transactions between a public corporation and holders of more than 10% of the outstanding voting shares of the corporation (or their affiliates). Florida law and the Company's Articles also authorize the Company to indemnify the Company's directors, officers, employees and agents under certain circumstances and presently limit the personal liability of corporate directors for monetary damages, except where the directors (i) breach their fiduciary duties and (ii) such breach constitutes or includes certain violations of criminal law, a transaction from which the directors derived an improper personal benefit, certain unlawful distributions or certain other reckless, wanton or willful acts or misconduct. The Company may also indemnify any person who was or is a party to any proceeding by reason of the fact that he is or was a director, officer, employee or agent of such corporation (or is or was serving at the request of such corporation in such a position for another entity) against liability to be in the best interests of such corporation and, with respect to criminal proceedings, had no reasonable cause to believe his conduct was unlawful.

UNDERWRITING

Subject to the terms and conditions of an underwriting agreement (the "Underwriting Agreement") among the Company and the Underwriters named below (the "Underwriters"), the Company has agreed to sell to each of the Underwriters named below, and each of such Underwriters have severally agreed to purchase from the Company, the principal amount of Notes set forth opposite its name below.

UNDERWRITER	AMOUNT OF NOTES
Forum Capital Markets L.P.	$
Raymond James & Associates, Inc.	
Southeast Research Partners, Inc.	
Total	$75,000,000

The Underwriting Agreement provides that the obligations of the Underwriters to purchase the Notes are subject to certain conditions. The Underwriters are committed to purchase all of such Notes if any of such Notes are purchased.

The Company has been advised by the Underwriters that the Underwriters propose to offer the Notes to the public initially at the public offering price set forth on the cover page of this Prospectus, and to certain dealers at such price less a concession not in excess of % of the principal amount of the Notes. The Underwriters may allow, and such dealers may reallow, a concession not in excess of % of the principal amount of Notes to other dealers. After this offering, the public offering price, the concession to selected dealers and the reallowance to other dealers may be changed by the Underwriters.

The Company has granted to the Underwriters an option, expiring 30 days from the date of this Prospectus, to purchase from the Company up to an aggregate of $11,250,000 additional principal amount of Notes at the public offering price less the underwriting discount set forth on the cover page of this Prospectus solely to cover over-allotments, if any. To the extent that the Underwriters exercise such option, each of the Underwriters will have a firm commitment, subject to certain conditions, to purchase approximately the same percentage thereof that the principal amount of the Notes to be purchased by each of them shown in the above table bears to the aggregate principal amount of the Notes offered hereby.

The Notes will not be listed on any securities exchange or the Nasdaq National Market. The Underwriters have advised the Company that they intend to make a market in the Notes. The Underwriters are not obligated, however, to make a market in the Notes, and any such market making may be discontinued at any time at the sole discretion of the Underwriters without notice.

The Company has agreed to indemnify the Underwriters against certain liabilities under the Securities Act, and to contribute to certain payments that the Underwriters may be required to make in respect thereof.

In connection with this Offering, certain Underwriters and their respective affiliates may engage in transactions that stabilize, maintain, or otherwise affect the market price of the Notes or the Common Stock. Such transactions may include stabilization transactions effected in accordance with Rule 104 of Regulation M under the Securities Exchange Act of 1934, as amended, pursuant to which such persons

may bid for or purchase Notes or the Common Stock for the purpose of stabilizing their market price. The Underwriters also may create a short position for their respective accounts by selling more Notes in connection with this Offering than they are committed to purchase from the Issuer, and in such case may purchase Notes in the open market following completion of this Offering to cover all or a portion of such short position. In addition, Forum Capital Markets L.P., on behalf of the Underwriters, may impose "penalty bids" under contractual arrangements between the Underwriters whereby it may reclaim from an Underwriter (or dealer participating in this Offering) for the account of the Underwriters, the selling concession with respect to Notes that are distributed in this Offering but subsequently purchased for the account of the Underwriters in the open market. Any of the transactions described in this paragraph may result in the maintenance of the price of the Notes or the Common Stock at a level above that which might otherwise prevail in the open market. None of the transactions described in this paragraph are required, and, if they are undertaken, they may be discontinued at any time.

The Underwriters have in the past performed, and may in the future perform, investment banking or financial advisory services for the Company. In September 1997, Forum Capital Markets L.P. purchased the Convertible Note for its stated par value from the Company.

LEGAL MATTERS

Certain legal matters in connection with the offering and sale of the Notes will be passed upon for the Company by Greenberg Traurig Hoffman Lipoff Rosen & Quentel, P.A., Miami, Florida. The validity of the Notes will be passed upon for the Underwriters by Paul, Hastings, Janofsky & Walker LLP, New York, New York.

EXPERTS

The financial statements included and incorporated in this Prospectus by reference from the Company's Annual Report on Form 10-K for the year ended October 31, 1996 have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report, which is included and incorporated herein by reference, and have been so included and incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The financial statements of Northwings as of and for the year ended December 31, 1996 incorporated herein by reference have been audited by De La Osa & Associates, P.A., independent auditors, as set forth in their report with respect thereto, and are incorporated herein in reliance upon the authority of such firm as experts in accounting and auditing.

The financial statements of Trilectron as of and for the years ended December 31, 1995 and 1994 incorporated herein by reference, have been audited by Kerkering, Barberio & Co., independent auditors, as set forth in their report with respect thereto, and are incorporated herein in reliance upon the authority of such firm as experts in accounting and auditing.

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Exchange Act and in accordance therewith files periodic reports and other information with the Securities and Exchange Commission (the "Commission"). Reports, proxy and information statements and other information filed by the Company may be inspected and copies may be obtained (at prescribed rates) at the Commission's Public Reference Section, 450 5th Street, N.W., Washington, D.C. 20549, as well as the following Regional Offices of the Commission: Seven World Trade Center, 13th Floor, New York, New York

10048 and at Northwest Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Copies of such material can also be obtained by mail from the Public Reference Section, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington D.C. 20549, upon payment of prescribed rates. In addition, electronically filed documents, including reports, proxy and information statements and other information regarding the Company, can be obtained from the Commission's Web site at: http://www.sec.gov. The Company's Common Stock is traded on the American Stock Exchange, and reports, proxy statements and other information concerning the Company can also be inspected at the offices of the National Association of Securities Dealers, Inc. at 1735 K Street, Washington, D.C. 20006.

The Company has filed a Registration Statement on Form S-3 under the Securities Act with respect to the Notes offered hereby (the "Registration Statement"). This Prospectus does not contain all the information set forth in the Registration Statement and the exhibits and schedules thereto. For further information with respect to the Company and such Common Stock offered hereby, reference is made to the Registration Statement and the exhibits, schedules and reports filed as part thereof. Statements contained in the Prospectus with respect to the contents of any contract or other document filed as an exhibit to the Registration Statement are not necessarily complete, and in each such instance reference is made to the copy of such contract or other document filed as an exhibit to the Registration Statement. Each such statement is qualified in all respects by such reference to such exhibit. Copies of all or any part of the Registration Statement, including the documents incorporated by reference therein or exhibits thereto, may be obtained upon payment of the prescribed rates at the offices of the Commission set forth above.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents filed by the Company with the Commission pursuant to the Exchange Act are hereby incorporated by reference in this Prospectus:

(1) The Company's Annual Report on Form 10-K for the year ended October 31, 1996;

(2) The Company's Quarterly Report on Form 10-Q for the three months ended January 31, for the six months ended April 30, and for the nine months ended July 31, 1997;

(3) The description of the Common Stock contained in the Company's Registration Statement on Form 8-A; and

(4) The Company's Current Reports on Form 8-K, dated September 16, 1996 and on Form 8-K, dated September 16, 1997.

All documents filed by the Company pursuant to sections 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Prospectus and prior to the termination of the offering of the Notes shall be deemed to be incorporated by reference in this Prospectus. Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained in any subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

The Company will provide without charge to each person to whom a Prospectus is delivered, upon written or oral request of such person, a copy of any and all of the information that has been incorporated by reference in this Prospectus (excluding exhibits unless such exhibits are specifically incorporated by reference into such documents). Please direct such requests to the Chief Financial Officer, HEICO Corporation, 3000 Taft Street, Hollywood, Florida, 33021, telephone number (954) 987-4000.

INDEX TO FINANCIAL STATEMENTS

HEICO CORPORATION AND SUBSIDIARIES

INTRODUCTORY NOTE TO UNAUDITED
PRO FORMA CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

The following unaudited pro forma consolidated condensed balance sheet and statements of operations utilize the historical financial condition and results of operations of HEICO Corporation and subsidiaries (the "Company") as of July 31, 1997, and for the nine months then ended and for the year ended October 31, 1996. The unaudited pro forma consolidated condensed financial statements have been prepared on the basis summarized below:

/bullet/ The unaudited pro forma consolidated condensed balance sheet as of July 31, 1997, assumes that the Company's acquisition of Northwings Accessories Corporation and the sale of a 20% minority interest in the Company's Flight Support Group to Lufthansa Technik AG, the technical services subsidiary of Lufthansa German Airlines ("Lufthansa"), had been consummated as of that date.

/bullet/ The unaudited pro forma consolidated condensed statement of operations for the nine months ended July 31, 1997, assumes that the Company's acquisition of Northwings Accessories Corporation and the sale of a 20% minority interest in the Company's Flight Support Group to Lufthansa had been consummated as of November 1, 1995.

/bullet/ The unaudited pro forma consolidated condensed statement of operations for the year ended October 31, 1996, assumes that the Company's acquisition of Trilectron Industries, Inc., its acquisition of Northwings Accessories Corporation and the sale of a 20% minority interest in the Company's Flight Support Group to Lufthansa had been consummated as of November 1, 1995.

The unaudited pro forma consolidated condensed financial statements referenced above do not include any future income to be received from its October 1997 strategic alliance with Lufthansa. Lufthansa invested approximately $26 million in the Flight Support Group, including $16 million to be paid to the Flight Support Group over three years pursuant to a research and development cooperation agreement which will partially fund accelerated development of additional FAA Approved Replacement Parts for jet engines. In addition, Lufthansa and the Flight Support Group have agreed to cooperate with technical services and marketing support for jet engine parts on a worldwide basis.

The unaudited pro forma consolidated condensed statements of operations are not necessarily indicative of actual operating results had the acquisitions been made at the beginning of the period presented or of future results of operations.

HEICO CORPORATION AND SUBSIDIARIES

PRO FORMA CONSOLIDATED CONDENSED BALANCE SHEET
AS OF JULY 31, 1997
(UNAUDITED)

	HEICO CORPORATION(1)	NORTHWINGS ACCESSORIES CORPORATION(2)	PRO FORMA ADJUSTMENTS		PRO FORMA COMBINED
ASSETS					
Current assets:					
Cash and cash equivalents	$ 10,330,000	$ 598,000	$ 12,580,000	(3)	$ 23,508,000
Accounts receivable, net	8,374,000	1,702,000	(100,000)	(4)	9,976,000
Inventories	17,282,000	441,000	100,000	(4)	17,823,000
Prepaid expenses and other current assets	1,582,000	14,000	(54,000)	(5)	1,542,000
Deferred income taxes	2,062,000	--	39,000	(4)	2,101,000
Total current assets	39,630,000	2,755,000	12,565,000		54,950,000
Note receivable	10,000,000	--	(10,000,000)	(5)	--
Property, plant and equipment, net	7,734,000	399,000	--		8,133,000
Intangible assets, net	5,156,000	--	8,904,000	(4)	14,060,000
Unexpended bond proceeds	5,361,000	--	--		5,361,000
Other assets	2,939,000	3,000	--		2,942,000
Total assets	$ 70,820,000	$3,157,000	$ 11,469,000		$ 85,446,000
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current maturities of long-term debt	$ 342,000	$ 55,000	--		$ 397,000
Trade accounts payable	3,780,000	168,000			
Accrued expenses and other current liabilities	5,622,000	165,000			
Income taxes payable	132,000	445,000			
Deferred income taxes payable		98,000			
Total current liabilities	9,876,000	931,000			
Long-term debt	10,546,000	169,000			
Deferred income taxes	796,000	--			
Other non-current liabilities	2,290,000	--			
Total liabilities	23,508,000	1,100,000			
Minority interest in consolidated subsidiary	--	--			
Commitments and contingencies:					
Shareholders' equity					
Preferred stock, none issued	--	--			
Common stock	54,000	125,000			
Capital in excess of par value	31,929,000	--			
Retained earnings	18,271,000	1,932,000			
	50,254,000	2,057,000			
Less: Note receivable from employee savings and investment plan	(2,942,000)	--			
Total shareholders' equity	47,312,000	2,057,000			
Total liabilities and shareholders' equity	$ 70,820,000	$3,157,000			

Trade accounts payable	--		3,948,000
Accrued expenses and other current liabilities	$ 50,000	(4)	5,837,000
Income taxes payable	--		577,000
Deferred income taxes payable	--		98,000
Total current liabilities	50,000		10,857,000
Long-term debt	--		10,715,000
Deferred income taxes	--		796,000
Other non-current liabilities	50,000	(4)	2,340,000
Total liabilities	100,000		24,708,000
Minority interest in consolidated subsidiary	3,000,000	(6)	3,000,000
Commitments and contingencies:			
Shareholders' equity			
Preferred stock, none issued	--		--
Common stock	(124,000)	(7)	55,000
Capital in excess of par value	3,542,000	(7)	35,471,000
Retained earnings	4,951,000	(7)	25,154,000
	8,369,000		60,680,000
Less: Note receivable from employee savings and investment plan	--		(2,942,000)
Total shareholders' equity	8,369,000		57,738,000
Total liabilities and shareholders' equity	$ 11,469,000		$ 85,446,000

See accompanying notes to unaudited pro forma consolidated financial statements

HEICO CORPORATION AND SUBSIDIARIES

PRO FORMA CONSOLIDATED CONDENSED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED JULY 31, 1997
(UNAUDITED)

	HEICO CORPORATION(1)	NORTHWINGS ACCESSORIES CORPORATION(8)	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
Net sales	$ 44,535,000	$ 6,410,000		$ 50,945,000
Operating costs and expenses:				
Cost of sales	30,389,000	3,321,000*		33,710,000
Selling, general and administrative expenses	7,777,000	1,141,000*	$ 48,000 (9)	8,966,000
Total operating costs and expenses	38,166,000	4,462,000	48,000	42,676,000
Income from operations	6,369,000	1,948,000	(48,000)	8,269,000
Interest expense	(319,000)	(20,000)		(339,000)
Interest and other income	1,300,000	28,000	85,000 (10)	1,413,000
Income before income taxes and minority interest	7,350,000	1,956,000	37,000	9,343,000
Income tax expense	(2,404,000)	(749,000)	(149,000)(11)	(3,302,000)
Net income before minority interest	4,946,000	1,207,000	(112,000)	6,041,000
Minority interest in net income of subsidiary	--	--	(1,266,000)(12)	(1,266,000)
Net income	$ 4,946,000	$ 1,207,000	$ (1,378,000)	$ 4,775,000
Net income per share	$ 0.78			$ 0.73
Weighted average number of common and common equivalent shares outstanding	6,343,216		154,907 (13)	6,498,123

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* Amounts have been reclassified to conform to classifications within HEICO Corporation's Consolidated Condensed Statement of Operations.

See accompanying notes to unaudited pro forma consolidated financial statements

HEICO CORPORATION AND SUBSIDIARIES

PRO FORMA CONSOLIDATED CONDENSED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED OCTOBER 31, 1996
(UNAUDITED)

	HEICO CORPORATION(14)	TRILECTRON INDUSTRIES, INC.(15)	NORTHWINGS ACCESSORIES CORPORATION(16)	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
Net sales	$ 34,565,000	$13,633,000	$ 4,707,000		$ 52,905,000
Operating costs and expenses:					
Cost of sales	22,396,000	10,210,000	2,798,000*	$ 18,000 (9)	35,422,000
Selling, general and administrative expenses	7,657,000	2,071,000	1,137,000*	144,000 (9)	11,009,000
Total operating costs and expenses	30,053,000	12,281,000	3,935,000	162,000	46,431,000
Income from operations	4,512,000	1,352,000	772,000	(162,00)	6,474,000
Interest expense	(185,000)	(108,000)	(26,000)		(319,000)
Interest and other income	1,058,000	--	26,000	(198,000)(17)	886,000
Income from continuing operations before taxes and minority interest	5,385,000	1,244,000	772,000	(360,000)	7,041,000
Income tax expense	(1,720,000)	--	(288,000)	(499,000)(11)	(2,507,000)
Net income from continuing operations before minority interest	3,665,000	1,244,000	484,000	(859,000)	4,534,000
Minority interest in net income of subsidiary	--	--	--	(1,041,000)(12)	(1,041,000)
Net income from continuing operations	3,665,000	1,244,000	484,000	(1,900,000)	3,493,000
Net income from discontinued operations	963,000	--	--	--	963,000
Gain on sale of health care operations	5,264,000	--	--	--	5,264,000
Net income	$ 9,892,000	$1,244,000	$ 484,000	$ (1,900,000)	$ 9,720,000
Net income per share:					
From continuing operations	$ 0.62				$ 0.57
From discontinued operations	0.17				0.16
From gain on sale of health care operations	0.89				0.87
Net income per share	$ 1.68				$ 1.60
Weighted average number of common and common equivalent shares outstanding	5,903,151			154,907 (13)	6,058,058

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* Amounts have been reclassified to conform to classifications within HEICO Corporation's Consolidated Condensed Statement of Operations.

See accompanying notes to unaudited pro forma consolidated financial statements

(1) As reported as of and for the nine-month period ended July 31, 1997.

(2) Represents Northwings' balance sheet as of June 30, 1997

(3) Represents the $12.6 million increase in cash resulting from the following:

Proceeds from sale of note receivable (see note 5)	$ 10,137,000
Proceeds from sale of 20% interest in the Company's Flight Support Group (see note 6)	9,800,000
Cash portion of Northwings purchase price, excluding estimated acquisition costs	(6,957,000)
Estimated Northwings acquisition costs	(400,000)
	$ 12,580,000

(4) Represents the decrease in accounts receivable and increases in inventory, deferred income taxes, current liabilities and non-current liabilities, which are to record allowances and reserves utilizing the Company's methodology, as well as their fair market values and the excess of cost over the fair value of net assets acquired from the acquisition of Northwings. The origins of the purchase cost and its allocation to assets and liabilities is as follows:

Northwings purchase costs:	
Cash paid	$ 6,957,000
HEICO Corporation common stock issued (154,907 shares)	3,543,000
Estimated acquisition costs	400,000
Total purchase costs	$ 10,900,000
Allocation of purchase costs:	
Cash and cash equivalents	$ 598,000
Accounts receivable	1,602,000
Inventories	541,000
Other current assets	14,000
Deferred income taxes	39,000
Property, plant & equipment	399,000
Other assets	3,000
Liabilities assumed	(1,200,000)
Subtotal	1,996,000
Excess of costs over the fair value of net assets acquired	8,904,000
Total allocation of purchase costs	$ 10,900,000

(5) Represents the sale of the $10 million note receivable from US Diagnostic Inc. ("USDL"), to one of the Underwriters for $10,137,000, including interest income of $137,000, of which $54,000 was accrued as of July 31, 1997. The proceeds of the sale were partially used to fund the acquisition of Northwings.

(6) Represents 20% minority interest in the net assets of the Company's Flight Support Group, as of July 31, 1997, acquired by Lufthansa.

(7) Represents the estimated net gain on sale of minority interest in the Company's Flight Support Group, the additional interest income from the sale of the USDL note receivable and the issuance of 154,907 additional common shares of the Company as a portion of the Northwings purchase price, net of the elimination of Northwings' common stock and retained earnings as follows:

	COMMON STOCK	CAPITAL IN EXCESS OF PAR	RETAINED EARNINGS	TOTAL
Gain on sale of minority interest, net of estimated transaction costs			$ 6,800,000	$ 6,800,000
Additional interest income from sale of note receivable (see note 5)			83,000	83,000
HEICO Corporation common stock issued in Northwings acquisition	$ 1,000	$3,542,000	--	3,543,000
Elimination of Northwings common stock and retained earnings	(125,000)	--	(1,932,000)	(2,057,000)
	$ (124,000)	$3,542,000	$ 4,951,000	$ 8,369,000

The gain on sale of minority interest as calculated above is based on the excess of the purchase price of the 20% interest over the basis of net assets of the Company's Flight Support Group.

(8) Represents Northwings' statement of operations for the nine months ended June 30, 1997. Northwings' operating results are included in the consolidated operating results of the Company effective as of September 1, 1997, the date of the acquisition.

(9) Represents the amortization of the excess of costs over the fair value of net assets acquired in the Trilectron and Northwings purchases over 20 years and the increased depreciation of property, plant and equipment over 7 years, net of the elimination of non-recurring shareholder expenses of Northwings as follows:

	NINE MONTHS ENDED JULY 31, 1997	YEAR ENDED OCTOBER 31, 1996
Amortization of excess of costs over the fair value of net assets acquired--Trilectron		$ 107,000
Depreciation of property, plant and equipment--Trilectron		18,000
Amortization of excess of costs over the fair value of net assets acquired--Northwings	$ 334,000	445,000
Elimination of non-recurring shareholder expenses--Northwings	(286,000)	(408,000)
	$ 48,000	$ 162,000

(10) Represents the investment income on the estimated $9.8 million net proceeds from the sale of the minority interest in the Company's Flight Support Group, net of the $7.4 million cash used for the acquisition of Northwings as follows:

	NINE MONTHS ENDED JULY 31, 1997
Investment income on proceeds from sale of minority interest at an assumed annual investment yield of 5.9%	$ 446,000
Reduced investment income on cash used for the acquisition of Northwings at 6.5%	(361,000)
	$ 85,000

(11) Represents an increase in Federal and state income taxes associated with adjustments to pre-tax income, as well as the non-deductibility, for tax purposes, of amortization of the excess of costs over the fair value of net assets acquired in the Northwings purchase included in the pro forma adjustments.

(12) Represents the minority interest in income of the Company's Flight Support Group for the periods ended July 31, 1997 and October 31, 1996.

(13) Represents increase in the Company's common shares outstanding as a result of shares issued as part of the acquisition cost of Northwings.

(14) As reported for the fiscal year ended October 31, 1996.

(15) Represents Trilectron's unaudited statement of operations for the ten months ended August 31, 1996. Trilectron's operating results are included in the consolidated operating results of the Company effective as of September 1, 1996, the date of acquisition.

(16) Represents Northwings' statement of operations for the year ended December 31, 1996.

(17) Represents the investment income on the estimated $9.8 million net proceeds from the sale of the minority interest in the Company's Flight Support Group net of the $7.4 million cash used for the Trilectron acquisition and the $7.4 million cash used for the Northwings acquisition as follows:

	YEAR ENDED OCTOBER 31, 1996
Investment income on proceeds from sale of minority interest at an assumed annual investment yield of 5.2%	$ 522,000
Reduced investment income on cash used for the acquisition of Northwings at 5.4%	(414,000)
Reduced investment income on cash used for the acquisition of Trilectron at 5.0%	(306,000)
	$ (198,000)

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HEICO CORPORATION AND SUBSIDIARIES

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and
Shareholders of HEICO Corporation

We have audited the accompanying consolidated balance sheets of HEICO Corporation and subsidiaries (the "Company") as of October 31, 1995 and 1996, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended October 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of October 31, 1995 and 1996, and the results of its operations and its cash flows for each of the three years in the period ended October 31, 1996 in conformity with generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for income taxes effective November 1, 1993 to conform with Statement of Financial Accounting Standards No. 109.

DELOITTE & TOUCHE LLP
Miami, Florida
December 27, 1996
(September 9, 1997 as to Note 15)

HEICO CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
OCTOBER 31, 1995 AND 1996

ASSETS

	1995	1996
Current assets:		
Cash and cash equivalents	$ 4,664,000	$11,025,000
Short-term investments.	2,939,000	--
Accounts receivable, net	6,709,000	7,879,000
Inventories	5,359,000	15,277,000
Prepaid expenses and other current assets	1,373,000	874,000
Deferred income taxes	1,593,000	2,058,000
Total current assets	22,637,000	37,113,000
Note receivable	--	10,000,000
Property, plant and equipment, net	9,296,000	5,845,000
Intangible assets, net	12,445,000	4,756,000
Investments in and advances to unconsolidated partnerships	2,094,000	--
Unexpended bond proceeds	--	2,649,000
Other assets	929,000	1,473,000
Total assets	$47,401,000	$61,836,000

See notes to consolidated financial statements.

HEICO CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
OCTOBER 31, 1995 AND 1996

LIABILITIES AND SHAREHOLDERS' EQUITY

	1995	1996
Current liabilities:		
Current maturities of long-term debt and capital leases	$ 794,000	$ 494,000
Trade accounts payable	1,499,000	4,803,000
Accrued expenses and other current liabilities	5,046,000	5,903,000
Income taxes payable	543,000	665,000
Total current liabilities	7,882,000	11,865,000
Long-term debt and capital leases, net of current maturities	7,076,000	6,022,000
Deferred income taxes	1,720,000	1,137,000
Other non-current liabilities	470,000	1,324,000
Total liabilities	17,148,000	20,348,000
Minority interests	107,000	--
Commitments and contingencies:		
Shareholders' equity:		
Preferred stock, par value $.01 per share; Authorized--10,000,000 shares issuable in series, 50,000 designated as Series A Junior Participating Preferred Stock, none issued	--	--
Common stock, $.01 par value; Authorized--20,000,000 shares; Issued--5,275,551 shares in 1996 and 5,075,283 in 1995 (as restated--Note 4)	28,000	53,000
Capital in excess of par value	8,371,000	30,881,000
Retained earnings	25,439,000	13,893,000
	33,838,000	44,827,000
Less: Note receivable from employee savings and investment plan	(3,692,000)	(3,339,000)
Total shareholders' equity	30,146,000	41,488,000
Total liabilities and shareholders' equity	$ 47,401,000	$ 61,836,000

See notes to consolidated financial statements.

HEICO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED OCTOBER 31, 1994, 1995 AND 1996

	1994	1995	1996
Net sales	$19,212,000	$25,613,000	$34,565,000
Operating costs and expenses:			
Cost of sales (Note 13)	13,377,000	17,497,000	22,396,000
Selling, general and administrative expenses	5,495,000	6,405,000	7,657,000
Total operating costs and expenses	18,872,000	23,902,000	30,053,000
Income from operations	340,000	1,711,000	4,512,000
Interest expense	(59,000)	(169,000)	(185,000)
Interest and other income	454,000	666,000	1,058,000
Income from continuing operations before income taxes and cumulative effect of change in accounting principle	735,000	2,208,000	5,385,000
Income tax expense	95,000	771,000	1,720,000
Net income from continuing operations before cumulative effect of change in accounting principle	640,000	1,437,000	3,665,000
Discontinued operations (Note 3):			
Net income from discontinued health care operations, net of applicable income taxes of $717,000, $894,000 and $618,000 in fiscal 1996, 1995 and 1994, respectively	830,000	1,258,000	963,000
Gain on sale of health care operations, net of applicable income taxes of $1,719,000	--	--	5,264,000
Cumulative effect on prior years of change in accounting principle	381,000	--	--
Net income	$ 1,851,000	$ 2,695,000	$ 9,892,000
Net income per share:			
From continuing operations before cumulative effect of change in accounting principle	$ 0.13	$ 0.27	$ 0.62
From discontinued health care operations	0.16	0.24	0.17
From gain on sale of health care operations	--	--	0.89
From cumulative effect of change in accounting principle	0.08	--	--
Net income per share	$ 0.37	$ 0.51	$ 1.68
Weighted average number of common and common equivalent shares outstanding	5,044,963	5,302,370	5,903,151

See notes to consolidated financial statements.

HEICO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED OCTOBER 31, 1994, 1995 AND 1996

	COMMON STOCK	CAPITAL IN EXCESS OF PAR VALUE	RETAINED EARNINGS	NOTE RECEIVABLE	TOTAL
Balances, October 31, 1993	$23,000	$ -0-	$ 29,721,000	$ (4,231,000)	$25,513,000
Exercise of stock options (2,200 shares)	--	22,000	--	--	22,000
Payment on note receivable from employee savings and investment plan	--	--	--	253,000	253,000
Repurchases and retirements of 16,300 shares of common stock	--	--	(238,000)	--	(238,000)
Cash dividends ($.068 per share)	--	--	(340,000)	--	(340,000)
Net income for the year	--	--	1,851,000	--	1,851,000
Balances, October 31, 1994	23,000	22,000	30,994,000	(3,978,000)	27,061,000
Exercise of stock options (59,095 shares)	1,000	589,000	--	--	590,000
Payment on note receivable from employee savings and investment plan	--	--	--	286,000	286,000
Repurchases and retirements of 13,000 shares of common stock	--	(117,000)	--	--	(117,000)
Cash dividends ($.072 per share)	--	--	(369,000)	--	(369,000)
10% common stock dividend paid July 28, 1995 (229,349 shares)	2,000	3,240,000	(3,242,000)	--	--
10% common stock dividend paid February 8, 1996 (254,209 shares)	2,000	4,637,000	(4,639,000)	--	--
Net income for the year	--	--	2,695,000	--	2,695,000
Balances, October 31, 1995	28,000	8,371,000	25,439,000	(3,692,000)	30,146,000
Exercise of stock options (124,972 shares)	2,000	1,562,000	--	--	1,564,000
Payment on note receivable from employee savings and investment plan	--	--	--	353,000	353,000
Cash dividends ($.086 per share)	--	--	(475,000)	--	(475,000)
Three for two common stock split distributed April 24, 1996 (1,442,546 shares)	14,000	(14,000)	--	--	--
10% common stock dividend paid July 26, 1996 (432,644 shares)	4,000	10,827,000	(10,831,000)	--	--
10% common stock dividend payable January 17, 1997 (479,595 shares)	5,000	10,127,000	(10,132,000)	--	--
Other	--	8,000	--	--	8,000
Net income for the year	--	--	9,892,000	--	9,892,000
Balances, October 31, 1996	$53,000	$30,881,000	$ 13,893,000	$ (3,339,000)	$41,488,000

See notes to consolidated financial statements.

HEICO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED OCTOBER 31, 1994, 1995 AND 1996

	1994	1995	1996
Cash flows from operating activities:			
Net income	$ 1,851,000	$ 2,695,000	$ 9,892,000
Adjustments to reconcile net income to cash provided by operating activities:			
Gain from sale of health care operations	--	--	(5,264,000)
Depreciation and amortization	2,000,000	2,638,000	2,107,000
Deferred income taxes	171,000	(245,000)	(1,048,000)
Deferred financing costs	(255,000)	(56,000)	(159,000)
(Income) loss from unconsolidated partnerships	724,000	590,000	(393,000)
Minority interest in consolidated partnerships	34,000	144,000	313,000
Cumulative effect of change in accounting principle	(381,000)	--	--
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	(717,000)	(967,000)	166,000
(Increase) in inventories	(588,000)	(98,000)	(3,283,000)
Decrease (increase) in prepaid expenses and other current assets	(190,000)	(147,000)	111,000
(Decrease) increase in trade payables, accrued expenses and other current liabilities	1,014,000	2,111,000	(14,000)
(Decrease) increase in income taxes payable and deferred income taxes	10,000	488,000	(983,000)
Increase in other non-current liabilities	--	67,000	251,000
Other	--	(97,000)	(4,000)
Net cash provided by operating activities	3,673,000	7,123,000	1,692,000
Cash flows from investing activities:			
Proceeds from sale of health care operations, net of cash sold of $304,000	--	--	13,524,000
Sale (purchase) of short-term investments	--	(2,939,000)	2,939,000
Acquisitions:			
Purchases of businesses, net of cash acquired	(1,518,000)	(154,000)	(6,555,000)
Contingent note payments	(1,560,000)	(1,945,000)	(1,106,000)
Purchases of property, plant and equipment	(1,165,000)	(800,000)	(3,227,000)
Payments for deferred organization costs	(120,000)	(358,000)	(387,000)
Payment received from employee savings and investment plan note receivable	253,000	286,000	353,000
Proceeds from the sale of property, plant and equipment	21,000	324,000	17,000
Distributions from (advances to) unconsolidated partnerships	(114,000)	(480,000)	60,000
Distributions to minority interests	--	(71,000)	(216,000)
Other	(189,000)	87,000	155,000
Net cash (used in) provided by investing activities	(4,392,000)	(6,050,000)	5,557,000
Cash flows from financing activities:			
Proceeds from the issuance of long-term debt	1,418,000	201,000	1,343,000
Proceeds from the exercise of stock options	22,000	570,000	1,525,000
Repurchases of common stock	(238,000)	(117,000)	--
Principle payments on short-term debt, long-term debt and capital leases	(594,000)	(1,715,000)	(3,289,000)
Cash dividends paid	(340,000)	(369,000)	(475,000)
Other	--	(9,000)	8,000
Net cash provided by (used in) financing activities	268,000	(1,439,000)	(888,000)
Net (decrease) increase in cash and cash equivalents	(451,000)	(366,000)	6,361,000
Cash and cash equivalents at beginning of year	5,481,000	5,030,000	4,664,000
Cash and cash equivalents at end of year	$ 5,030,000	$ 4,664,000	$ 11,025,000

See notes to consolidated financial statements.

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS

HEICO Corporation (the Company), through its subsidiaries, HEICO Aerospace Corporation (HEICO Aerospace), including its subsidiaries, Jet Avion Corporation (Jet Avion), LPI Industries Corporation (LPI), and Aircraft Technology, Inc. (Aircraft Technology), and HEICO Aviation Products Corp. (HEICO Aviation) and its subsidiary, Trilectron Industries, Inc. (Trilectron), is engaged in the design, manufacture and sale of aerospace products and services throughout the United States and abroad. Its customer base is primarily the commercial airline industry. As of October 31, 1996, the Company's principal operations are located in Hollywood and Palmetto, Florida.

BASIS OF PRESENTATION

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. All significant intercompany balances and transactions are eliminated.

USE OF ESTIMATES

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

CASH AND CASH EQUIVALENTS

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

SHORT-TERM INVESTMENTS

Investments with a maturity of less than one year that are not readily convertible to cash before their maturity are classified as short-term investments and are stated at their fair value (see Note 8).

INVENTORIES

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

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost. Depreciation and amortization is provided mainly on the straight-line method over the estimated useful lives of the various assets, including assets recorded under capital leases which are amortized over the shorter of their useful lives or the term of the related leases. Property, plant and equipment useful lives are as follows:

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--(CONTINUED)

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

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

INTANGIBLE ASSETS

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

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

The Company continually evaluates the periods of intangible asset amortization to determine whether events and circumstances subsequent to the origination dates of such assets warrant revised estimates of useful lives. In addition, the Company periodically reviews the excess of cost over the fair value of net assets acquired (goodwill) to assess recoverability based upon expectations of undiscounted cash flows and operating income of each consolidated entity having a material goodwill balance. An impairment would be recognized in operating results, based upon the difference between each consolidated entity's respective present value of future cash flows and the carrying value of the goodwill, if a permanent diminution in value were to occur. There have not been any significant revised estimates nor recognition of goodwill impairment during the three years ended October 31, 1996.

FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses and other current liabilities approximate fair value due to the relatively short maturity of the respective instruments. The Company's financial instruments also include a note receivable (see Note 3) and long-term debt (see Note 5).

The carrying amount of the note receivable is $10,000,000 as of October 31, 1996, which approximates its fair market value. Long-term debt at October 31, 1996 includes industrial development revenue bonds with a carrying value of $5,480,000 and other long-term debt with a carrying value of $1,036,000. The carrying value of long-term debt approximates fair market value due to its floating interest rates.

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments and trade receivables. The Company places its temporary cash investments with high credit quality financial institutions and limits the amount of credit exposure to any one financial institution. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers comprising the Company's customer base, and their dispersion across many different geographical regions. At October 31, 1996, the Company had no significant concentrations of credit risk.

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--(CONTINUED)

REVENUE RECOGNITION

Revenues are recognized on an accrual basis, primarily upon shipment of products and the rendering of services. Certain contracts of Trilectron are long-term contracts and the related net costs and estimated earnings in excess of billings, if any, are included in accounts receivable on a percentage of completion basis. Revenue amounts set forth in the accompanying consolidated statements of operations do not include any material amounts in excess of billings related to long-term contracts.

INCOME TAXES

In fiscal 1994, the Company adopted, effective November 1, 1993, Statement of Financial Accounting Standard (SFAS) No. 109 "Accounting for Income Taxes," which requires the use of the liability method of accounting for deferred income taxes. The cumulative effect of this change in accounting for income taxes is a $381,000 benefit ($.08 per share) and is reported separately in the Consolidated Statements of Operations for the year ended October 31, 1994. The provision for income taxes includes Federal, state and local income taxes currently payable and those deferred because of temporary differences between the financial statement and tax basis of assets and liabilities.

INCOME PER SHARE

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

NEW ACCOUNTING STANDARD

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 123). SFAS 123 established a fair value based method of accounting for stock options. Entities may elect to either adopt the measurement criteria of the statement for accounting purposes, thereby recognizing an amount in results of operations on a prospective basis, or disclose the pro forma effects of the new measurement criteria in Notes to Consolidated Financial Statements. The Company intends to adopt the pro forma disclosure features of SFAS 123, which are effective for fiscal year 1997.

NOTE 2--ACQUISITION

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

The acquisition of Trilectron has been accounted for using the purchase method of accounting and the purchase price has been assigned to the net assets acquired based on the fair value of such assets and liabilities at the date of acquisition. The excess of the purchase price over the fair value of the identifiable net assets acquired amounted to $2,838,000, which will be amortized over 20 years using the

NOTE 2--ACQUISITION--(CONTINUED)

straight line method. The results of operations of Trilectron are included in the consolidated statements of operations from September 1, 1996.

The following table presents unaudited pro forma consolidated operating results as if the acquisition of Trilectron had occurred at the beginning of fiscal 1995. The pro forma consolidated operating results do not purport to present actual operating results had the acquisition been made at the beginning of fiscal 1995, or the results which may occur in the future.

	1995	1996
Net sales	$39,544,000	$48,198,000
Net income from continuing operations	$ 1,685,000	$ 4,186,000
Net income	$ 2,943,000	$10,413,000
Net income per share from continuing operations	$ 0.32	$ 0.71
Net income per share	$ 0.56	$ 1.76

NOTE 3--SALE OF HEALTH CARE OPERATIONS

In July 1996, the Company consummated the sale of all of the outstanding capital stock of its wholly-owned subsidiary MediTek Health Corporation ("MediTek"), representing the Company's health care services segment, to U.S. Diagnostic Inc. ("USDL"). In consideration for the sale of MediTek, the Company received $13,828,000 in cash and a five-year, 61/2% promissory note (the "Convertible Note") in the principal amount of $10,000,000, which is convertible, at the option of the Company, into 1,081,081 shares of USDL common stock.

In order to assure the Company's liquidity with respect to the Convertible Note and the USDL common stock into which it is convertible, USDL (i) granted the Company demand and piggy-back registration rights with respect to such shares of USDL common stock, and (ii) agreed to prepay the Convertible Note at the Company's request at any time until such registration is completed. The terms of such demand registration rights, as amended in December 1996, require USDL to use its best efforts to cause a registration statement covering all of the USDL common stock into which the Convertible Note is convertible to be declared effective by the Securities and Exchange Commission by July 1, 1997. The terms of such piggy-back registration rights give the Company rights to include such USDL common stock in certain registration statements filed by USDL from January 1, 1997 until January 1, 2000. Upon 15 days' prior written notice, USDL may require the Company to convert the Convertible Note into USDL common stock at any time beginning on the later of December 31, 1997 or the date that such shares of USDL common stock have been registered, if the closing price of the USDL common stock has averaged at least $9.25 per share for the immediately preceding ten trading days. Also, beginning on December 31, 1997, USDL may prepay the Convertible Note at any time upon 60 days' prior written notice. The Company retains the right to convert the promissory note into the applicable shares of USDL common stock at any time prior to prepayment.

The sale of MediTek resulted in a gain in fiscal 1996 of $5,264,000, net of expenses and applicable income taxes. The income taxes on the gain are less than the normal Federal statutory rate principally due to the utilization of a $4.6 million capital loss carryforward partially offset by state income taxes. MediTek's results of operations, net of taxes, for fiscal 1994, 1995 and 1996 have been reported separately as discontinued operations in the Consolidated Statement of Operations. No amounts related to the discontinued operations remain in the October 31, 1996 Consolidated Balance Sheet.

NOTE 3--SALE OF HEALTH CARE OPERATIONS--(CONTINUED)

The condensed statement of operations related to the discontinued health care services segment during fiscal years 1994, 1995 and 1996 are presented below:

	YEARS ENDED OCTOBER 31,		EIGHT MONTHS ENDED JUNE 30,
	1994	1995	1996
Net revenues	$13,181,000	$14,766,000	$11,382,000
Income before income taxes	$ 1,448,000	$ 2,152,000	$ 1,680,000
Income tax expense	618,000	894,000	717,000
Net income	$ 830,000	$ 1,258,000	$ 963,000

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

With the sale of the health care services segment, the Company's operations are within a single business segment, the aerospace products and services industry.

NOTE 4--STOCK DIVIDENDS AND SPLIT

In May 1995, December 1995 and June 1996, the Company's Board of Directors declared 10% stock dividends that were paid in July 1995, February 1996 and July 1996, respectively. In March 1996, the Company's Board of Directors declared a three-for-two stock split that was distributed in April 1996. On December 13, 1996, the Company's Board of Directors declared a 10% stock dividend payable January 17, 1997 to shareholders of record on January 8, 1997. These transactions were valued based on the closing market prices of the Company's stock as of their respective declaration dates. During fiscal 1996, retained earnings was charged $20,963,000 as a result of the issuance of a combined total of 2,354,785 shares of the Company's common stock.

During fiscal 1995, retained earnings was charged $7,881,000 as a result of the issuance of a combined total of 483,558 shares of the Company's common stock. All income per share, dividend per share and common shares outstanding information has been retroactively restated to reflect these stock dividends and split.

NOTE 5--CREDIT FACILITIES, LONG-TERM DEBT AND CAPITAL LEASES

Long-term debt and capital leases consist of:

	OCTOBER 31,	
	1995	1996
Industrial development revenue bonds	$1,980,000	$5,480,000
Term loan borrowing under revolving credit facility	633,000	317,000
Equipment loans	430,000	719,000
Mortgage note payable in monthly installments including interest at 8.625% due January, 1999	497,000	--
Capital leases with various expiration dates from 1995 to 2003, at various interest rates from 10.625% to 12.03%	3,812,000	--
Other long-term debt	518,000	--
	7,870,000	6,516,000
Less current maturities	(794,000)	(494,000)
	$7,076,000	$6,022,000

The amount of long-term debt maturing in each of the next five years is $494,000 in fiscal 1997, $170,000 in fiscal 1998, $170,000 in fiscal 1999, $138,000 in fiscal 2000 and $71,000 in fiscal 2001.

INDUSTRIAL DEVELOPMENT REVENUE BONDS

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

The 1996 bonds were issued in the amount of $3,500,000 for the purpose of renovating and expanding the Hollywood facility. As of October 31, 1996, the Company has been reimbursed $851,000 for such qualified expenditures and the balance of the unexpended bond proceeds of $2,649,000 are held by the trustee and is available for future qualified expenditures. The 1996 bonds are due October 2011 and bear interest at a variable rate calculated weekly (3.75% at October 31, 1996). The 1996 bonds are secured by a letter of credit expiring in October 2001 and a mortgage on the related properties pledged as collateral. The letter of credit requires annual sinking fund payments beginning October 2000 in the amount of $187,500.

The 1988 bonds are due April 2008 and bear interest at a variable rate calculated weekly (3.70% at October 31, 1996). The 1988 bonds are secured by a letter of credit expiring in February 1999, a bond sinking fund ($8,250 payable monthly) and a mortgage on the related properties pledged as collateral.

The pledged properties for the 1996 and 1988 bonds have a carrying value aggregating approximately $5,555,000 at October 31, 1996.

Trilectron has been approved by Manatee County, Florida for $3,000,000 of industrial development revenue bonds to finance the construction of a larger facility in Palmetto, Florida and the purchase of additional equipment. These bonds are expected to be issued in fiscal 1997.

REVOLVING CREDIT FACILITY

The Company has a $7 million credit facility available for funding acquisitions, working capital and general corporate requirements. Borrowings under this credit facility bear interest at 0.25% over the

NOTE 5--CREDIT FACILITIES, LONG-TERM DEBT AND CAPITAL LEASES--(CONTINUED)

bank's prime rate, adjusted daily, and are convertible to term loans that bear interest, at the Company's option, at 0.25% over the bank's prime rate, adjusted daily, or a fixed interest rate of 200 basis points over the bank's prime rate in effect on the day of the conversion. Term loan borrowings under the credit facility are payable in 36 to 48 monthly installments. The credit facility is secured by substantially all the assets of HEICO Aerospace and its subsidiaries. The revolving portion of the facility expires in April 1997 and may be renewed annually by mutual agreement. This credit facility and the letters of credit securing the 1996 bonds and 1988 bonds contain covenants which, among other things, restrict borrowings, capital expenditures and cash dividends, require the maintenance of certain net worth, working capital and debt service amounts and ratios, require the continued employment of the current Chairman, President and Chief Executive Officer and require that he and his affiliates maintain a specified ownership position in the Company.

In October 1994, the Company borrowed $950,000 from the $7 million credit facility, of which $317,000 is outstanding as of October 31, 1996 with interest accruing at 8.5% per annum.

EQUIPMENT LOAN FACILITY

In March 1994, a bank committed to advance up to $1,900,000, as amended in fiscal 1995, for the purpose of purchasing equipment to be used in the Company's operations. Each term loan is limited to 80% of the purchase price of the related equipment and is repayable up to a maximum of 60 months with interest at a rate equal to the bank's prime rate. The term loans are secured by collateral representing the related purchased equipment, which has a carrying value of approximately $905,000 at October 31, 1996. In December 1996, the Company received a commitment to extend the facility until December 1997.

OTHER LONG-TERM DEBT

The mortgage note payable, capital leases and other long-term debt were assumed by USDL as part of the sale of MediTek in July 1996. (See Note 3)

NOTE 6--LEASE COMMITMENTS

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

NOTE 6--LEASE COMMITMENTS--(CONTINUED)

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

Year ending October 31,	
1997	$332,000
1998	259,000
1999	133,000
2000	27,000
Total minimum lease commitments	$751,000

Total rent expense charged to continuing operations for all operating leases in fiscal 1994, fiscal 1995 and fiscal 1996 amounted to $68,000, $133,000 and $166,000, respectively.

NOTE 7--INCOME TAXES

The provision for income taxes on income from continuing operations before cumulative effect of change in accounting principle for each of the three years ended October 31, 1996 is as follows:

	1994	1995	1996
Current:			
Federal	$ 407,000	$1,592,000	$ 4,084,000
State	135,000	318,000	459,000
	542,000	1,910,000	4,543,000
Deferred	171,000	(245,000)	(387,000)
Total income tax expense	713,000	1,665,000	4,156,000
Less income taxes for discontinued operations	(618,000)	(894,000)	(2,436,000)
Income taxes on income from continuing operations	$ 95,000	$ 771,000	$ 1,720,000

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

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

	1994	1995	1996
Federal statutory tax rate	34.0%	34.0%	34.0%
State taxes, less applicable federal income tax reduction	1.1	2.6	2.3
Tax benefits on export sales	(13.6)	(6.4)	(5.1)
Tax benefits from tax free investments	(1.2)	(.2)	(1.1)
Tax benefits from dividend income	(.2)	(.1)	(.2)
Nondeductible amortization of intangible assets	2.4	.8	.3
Reversal of excess income tax provisions upon completion of tax audit	(8.0)	--	--
Other, net	(1.6)	4.2	1.7
Effective tax rate	12.9%	34.9%	31.9%

NOTE 7--INCOME TAXES--(CONTINUED)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities as of October 31, 1994, 1995 and 1996 are as follows:

	OCTOBER 31,		
	1994	1995	1996
Deferred tax assets:			
Inventory	$ 306,000	$ 412,000	$ 600,000
Bad debt allowances	261,000	436,000	62,000
Retirement and deferred compensation liabilities	76,000	102,000	148,000
Vacation accruals	115,000	112,000	147,000
Customer rebates and credits	279,000	371,000	860,000
Warranty accruals	--	--	94,000
Alternative minimum tax credit	147,000	13,000	--
Capital loss carryforward	1,560000,	--	--
Other	67,000	147,000	147,000
	2,811,000	1,593,000	2,058,000
Valuation allowance	(1,560,000)	--	--
Total deferred tax assets	1,251,000	1,593,000	2,058,000
Deferred tax liabilities:			
Accelerated depreciation	948,000	1,208,000	927,000
Intangible asset amortization	280,000	545,000	345,000
Retirement plan liability	--	--	(127,000)
Equity in losses of partnerships	387,000	(35,000)	--
Other	8,000	2,000	(8,000)
Total deferred tax liabilities	1,623,000	1,720,000	1,137,000
Net deferred tax asset (liability)	$ (372,000)	$ (127,000)	$ 921,000

The $1,560,000 deferred tax asset related to the Company's $4.6 million capital loss carryforward had a 100% valuation allowance as of October 31, 1994.

NOTE 8--INVESTMENT IN FINANCIAL INSTRUMENTS

In fiscal 1995, the Company entered into transactions in which it simultaneously purchased and sold call options on an industry sector index of equity securities (the Index Options) expiring in November 1995. The Index Options were purchased with temporary surplus funds of approximately $2.9 million for investment purposes. Prior to the end of fiscal 1995, the Company traded substantially all of the purchase option position and entered into a similar purchase option position having the same November 1995 expiration date. The gain realized in fiscal 1995 fully utilized the Company's $4.6 million capital loss carryover. The deferred tax asset related to the Company's $4.6 million capital loss carryforward had a 100% valuation allowance as of October 31, 1994. As of October 31, 1995, the investments in the purchased and sold call option contracts are netted because the terms of the Index Option contracts provide for a right of offset. The net investment as of October 31, 1995 in the amount of $2.9 million is recorded at fair market value as represented by the net cash proceeds realized upon

NOTE 8--INVESTMENT IN FINANCIAL INSTRUMENTS--(CONTINUED)

termination of the option contracts in November 1995 and is included in short-term investments. Upon termination of the option contracts in November 1995, the Company recognized a $4.6 million capital loss for income tax purposes. For financial statement purposes, the transactions did not result in any material gain or loss.

NOTE 9--PREFERRED STOCK PURCHASE RIGHTS PLAN

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

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

NOTE 10--STOCK OPTIONS

The Company currently has two stock option plans, the 1993 Stock Option Plan (1993 Plan) and the Non-Qualified Stock Option Plan (NQSOP). In March 1996, shareholders of the Company approved an increase in the number of shares issuable pursuant to the 1993 Plan by 251,178 shares. A third plan, the Combined Stock Option Plan expired in February 1993 and was replaced by the 1993 Plan. In September 1996, the Board of Directors reserved 70,180 shares for the issuance of non-qualified stock options in conjunction with the purchase of Trilectron. Under the terms of the plans, a total of 1,634,558 shares of the Company's stock are reserved for issuance to directors, officers and key employees as of October 31, 1996. Options issued under the 1993 Plan may be designated incentive stock options (ISO) or non-qualified stock options (NQSO). ISOs are granted at not less than 100% of the fair market value at the date of grant (110% thereof in certain cases) and are exercisable in percentages specified at date of grant over a period up to ten years. Only employees are eligible to receive ISOs. NQSOs may be granted at less than fair market value and may be immediately exercisable. Options granted under the NQSOP may be granted to directors, officers and employees at no less than the fair market value at the date of grant and are generally exercisable in four equal annual installments commencing one year from date of grant.

NOTE 10--STOCK OPTIONS--(CONTINUED)

Information concerning all of the stock option transactions for the three years ended October 31, 1996 follows:

		SHARES UNDER OPTION	
	SHARES AVAILABLE FOR OPTION	SHARES	PRICE PER SHARE
Outstanding, October 31, 1993	418,940	1,301,854	$3.28 - $8.95
Granted	(173,496)	173,496	$4.73 - $5.46
Cancelled	4,392	(63,178)	$4.61 - $8.16
Exercised	--	(4,831)	$4.61
Outstanding, October 31, 1994	249,836	1,407,341	$3.28 - $8.95
Granted	(194,032)	194,032	$4.33 - $8.64
Cancelled	57,922	(62,316)	$4.38 - $8.16
Exercised	--	(126,924)	$3.47 - $8.16
Outstanding, October 31, 1995	113,726	1,412,133	$3.28 - $8.95
Additional shares approved for 1993 Stock Option Plan	251,178	--	--
Shares approved for grant in the Trilectron acquisition	70,180	--	--
Granted	(328,803)	328,803	$9.08 - $16.64
Cancelled	18,950	(29,412)	$4.61 - $11.44
Exercised	--	(202,197)	$4.38 - $8.95
Outstanding, October 31, 1996	125,231	1,509,327	$3.28 - $16.64

All of the above options were granted at the fair market value of the stock on the date of grant. As of October 31, 1996, options for 1,280,429 shares were exercisable at a weighted average option price of $6.05. If there were a change in control of the Company, options for an additional 228,898 shares would become immediately exercisable. The weighted average option price for all options outstanding as of October 31, 1996 is $6.86. All stock option share and price per share information has been retroactively restated for stock dividends and splits.

NOTE 11--RETIREMENT PLANS

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

In September 1992, the Company sold 658,845 shares of the Company's stock to the Plan for an aggregate price of $4,122,000 entirely financed through a promissory note with the Company. The promissory note is payable in nine equal annual installments, inclusive of principal and interest at the rate of 8% per annum, of $655,000 each and a final installment of $640,000 and is prepayable in full or in

NOTE 11--RETIREMENT PLANS--(CONTINUED)

part without penalty at any time. Prior to September 1992, the Company sold an aggregate of 452,429 shares of its stock to the Plan in exchange for two notes receivable, which have been fully satisfied.

Participants receive 100% vesting in employee contributions. Vesting in Company contributions is based on number of years of service. Contributions to the Plan charged to income from continuing operations for fiscal 1994, 1995 and 1996 totaled $206,000, $240,000 and $364,000, respectively, net of interest income earned on the note received from the Plan of $331,000 in fiscal 1994, $299,000 in fiscal 1995 and $272,000 in fiscal 1996.

In 1991, the Company established a Directors Retirement Plan covering its then current directors. The net assets of this plan as of October 31, 1996 are not material to the financial position of the Company. During fiscal 1994, 1995 and 1996, $73,000, $75,000 and $82,000 respectively, was expensed for this plan.

NOTE 12--QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Net sales:				
1995	$5,392,000	$6,394,000	$6,904,000	$ 6,923,000
1996	$6,978,000	$7,942,000	$8,059,000	$11,586,000
Gross profit:				
1995	$1,740,000	$1,960,000	$2,205,000	$ 2,211,000
1996	$2,322,000	$2,716,000	$2,897,000	$ 4,234,000
Net income from continuing operations:				
1995	$ 191,000	$ 268,000	$ 514,000	$ 464,000
1996	$ 578,000	$ 647,000	$1,053,000	$ 1,387,000
Net income:				
1995	$ 569,000	$ 652,000	$ 721,000	$ 753,000
1996	$ 870,000	$1,082,000	$6,553,000	$ 1,387,000
Net income per share from continuing operations:				
1995	$ .04	$ .05	$ .09	$ .08
1996	$ .10	$ .11	$ .17	$ .23
Net income per share:				
1995	$ .11	$ .13	$ .14	$ .14
1996	$ .15	$ .18	$ 1.07	$ .23

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

The amounts above differ from those previously reported on Forms 10-Q because these amounts have been restated to reflect the results of the Company's health care operations as discontinued operations for all periods presented.

NOTE 13--OTHER CONSOLIDATED BALANCE SHEETS, STATEMENTS OF OPERATIONS AND STATEMENTS OF CASH FLOWS INFORMATION

Accounts receivable are composed of the following:

	BALANCE AT OCTOBER 31,	
	1995	1996
Accounts receivable	$ 9,531,000	$7,882,000
Net costs and estimated earnings in excess of billings on uncompleted contracts	--	265,000
Less allowance for doubtful accounts	(1,174,000)	(268,000)
Less contractual allowances	(1,648,000)	--
Accounts receivable, net	$ 6,709,000	$7,879,000

Inventories are composed of the following:

	BALANCE AT OCTOBER 31,	
	1995	1996
Finished products	$ 2,534,000	$ 4,428,000
Work in process	1,721,000	5,845,000
Materials, parts, assemblies and supplies	1,104,000	5,004,000
Total inventories	$ 5,359,000	$15,277,000

Inventories related to long-term contracts aggregated $628,000 as of October 31, 1996. There were no such inventories as of October 31, 1995.

Property, plant and equipment, including capital leases are composed of the following:

	BALANCE AT OCTOBER 31,	
	1995	1996
Land	$ 131,000	$ 523,000
Buildings and improvements	6,026,000	5,418,000
Machinery and equipment	18,040,000	13,658,000
	24,197,000	19,599,000
Less accumulated depreciation	(14,901,000)	(13,754,000)
Property, plant and equipment, net	$ 9,296,000	$ 5,845,000

Intangible assets are composed of the following:

	BALANCE AT OCTOBER 31,	
	1995	1996
Excess of cost over the fair value of net assets acquired	$12,324,000	$4,882,000
Deferred charges	1,473,000	679,000
Other	25,000	--
	13,822,000	5,561,000
Less accumulated amortization	(1,377,000)	(805,000)
Intangible assets, net	$12,445,000	$4,756,000

NOTE 13--OTHER CONSOLIDATED BALANCE SHEETS, STATEMENTS OF OPERATIONS AND STATEMENTS OF CASH FLOWS INFORMATION--(CONTINUED)

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

	BALANCE AT OCTOBER 31,	
	1995	1996
Accrued employee compensation	$1,711,000	$2,071,000
Accrued customer rebates and credits	1,378,000	1,848,000
Accrued property taxes	505,000	435,000
Other	1,452,000	1,549,000
Total accrued expenses and other current liabilities	$5,046,000	$5,903,000

SALES

Export sales were $3,678,000 in fiscal 1994, $5,762,000 in fiscal 1995 and $9,806,000 in fiscal 1996.

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

RESEARCH AND DEVELOPMENT EXPENSES

Fiscal 1994, 1995 and 1996 cost of sales amounts include approximately $1,200,000, $1,800,000 and $2,400,000, respectively, of new product research and development expenses.

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION ARE AS FOLLOWS:

Cash paid for interest was $193,000, $386,000 and $264,000 in 1994, 1995 and 1996, respectively. Cash paid for income taxes was $881,000, $1,400,000 and $4,421,000 in 1994, 1995 and 1996, respectively.

Non-cash investing and financing activities related to the acquisitions and contingent note payments during fiscal 1994, 1995 and 1996 were as follows:

	1994	1995	1996
Fair value of assets acquired:			
Intangible assets	$ 2,632,000	$ 1,945,000	$ 3,944,000
Inventories	--	--	6,635,000
Accounts receivable	300,000	--	3,051,000
Property, plant and equipment	249,000	--	401,000
Other assets	146,000	154,000	41,000
Cash paid, including contingent note payments	(3,078,000)	(2,099,000)	(7,661,000)
Liabilities assumed	$ 249,000	$ --	$ 6,411,0000

Non-cash investing and financing activities related to purchases of property, plant and equipment financed by capital leases during fiscal 1994, 1995 and 1996 amounted to $1,044,000, $2,257,000 and $1,343,000, respectively. Non-cash investing and financing activities during fiscal 1995 also included purchases of property, plant and equipment of $2,269,000, investments in and advances to unconsolidated partnerships of $862,000, deferred charges of $461,000 and other assets of $139,000

NOTE 13--OTHER CONSOLIDATED BALANCE SHEETS, STATEMENTS OF OPERATIONS AND STATEMENTS OF CASH FLOWS INFORMATION--(CONTINUED)

which were financed by capital leases assumed, issuance of a note payable and distributions from an unconsolidated partnership during fiscal 1995. Additionally, retained earnings was charged $7,881,000 in fiscal 1995 and $20,963,000 in fiscal 1996 as a result of the 10% stock dividends described in Note 4 above.

NOTE 14--PENDING LITIGATION

In November 1989, HEICO Aerospace and Jet Avion were named defendants in a complaint filed by United Technologies Corporation ("UTC") in the United States District court for the Southern District of Florida. The complaint, as amended in fiscal 1995, alleges infringement of a patent, misappropriation of trade secrets and unfair competition relating to certain jet engine parts and coatings sold by Jet Avion in competition with Pratt & Whitney, a division of UTC. UTC seeks approximately $10 million in damages for the patent infringement and approximately $30 million in damages for the misappropriation of trade secrets and the unfair competition claims. The aggregate damages referred to in the preceding sentence do not exceed approximately $30 million because a portion of the misappropriation and unfair competition damages duplicate the $10 million patent infringement damages. The complaint also seeks, among other things, pre-judgment interest and treble damages.

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

Based on currently known facts, the Company's legal counsel has advised that it believes that the Company should be able to successfully defend the patent infringement claims alleged in UTC's complaint. With respect to the misappropriation and unfair competition claims, legal counsel to the Company has advised that it believes the likelihood that UTC will be able to prove a case regarding such claims within the statute of limitations is remote. Further, the Company intends to vigorously pursue its counterclaims against UTC. The ultimate outcome of this litigation is not certain at this time and no provision for gain or loss, if any, has been made in the accompanying consolidated financial statements.

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

NOTE 15--SUBSEQUENT EVENT--PENDING LITIGATION

On August 25, 1997, a Motion for Summary Judgment filed by the Company on a portion of the lawsuit described in Note 14 was granted by the United States District Court Judge. The Summary Judgment dismissed UTC's claims for misappropriation of trade secrets and unfair competition, finding that Florida's statute of limitations bars such claims. The ruling left pending UTC's claim alleging

NOTE 15--SUBSEQUENT EVENT--PENDING LITIGATION--(CONTINUED)

infringement of a patent that expired in 1992 and the Company's counterclaims against UTC alleging, among other things, malicious prosecution, trade disparagement, tortious interference, unfair competition and antitrust violations. On September 9, 1997, UTC served its Motion for Reconsideration of the Court's Motion for Summary Judgment, which is currently pending, and accordingly, the Company filed its response opposing such motion.

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

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HEICO CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEET--UNAUDITED
AS OF JULY 31, 1997

ASSETS

	JULY 31, 1997
Current assets:	
Cash and cash equivalents	$ 10,330,000
Accounts receivable, net	8,374,000
Inventories	17,282,000
Prepaid expenses and other current assets	1,582,000
Deferred income taxes	2,062,000
Total current assets	39,630,000
Note receivable	10,000,000
Property, plant and equipment	21,901,000
Less accumulated depreciation	(14,167,000)
Property, plant and equipment, net	7,734,000
Intangible assets less accumulated amortization of $1,084,000 in 1997	5,156,000
Unexpended bond proceeds	5,361,000
Other assets	2,939,000
Total assets	$ 70,820,000

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:	
Current maturities of long-term debt	$ 342,000
Trade accounts payable	3,780,000
Accrued expenses and other current liabilities	5,622,000
Income taxes payable	132,000
Total current liabilities	9,876,000
Long-term debt	10,546,000
Deferred income taxes	796,000
Other non-current liabilities	2,290,000
Commitments and contingencies:	
Shareholders' equity:	
Preferred stock, par value $.01 per share; Authorized--10,000,000 shares issuable in series; 50,000 designated as Series A Junior Participating Preferred Stock, none issued	--
Common stock, $.01 par value; Authorized--20,000,000 shares; Issued--5,353,932 shares in 1997	54,000
Capital in excess of par value	31,929,000
Retained earnings	18,271,000
	50,254,000
Less: Note receivable from employee savings and investment plan	(2,942,000)
Total shareholders' equity	47,312,000
Total liabilities and shareholders' equity	$ 70,820,000

See notes to consolidated condensed financial statements

HEICO CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS--UNAUDITED
FOR THE NINE MONTHS ENDED JULY 31, 1996 AND 1997

	NINE MONTHS ENDED JULY 31,	
	1996	1997
Net sales	$22,979,000	$44,535,000
Operating costs and expenses:		
Cost of sales	15,044,000	30,389,000
Selling, general and administrative expenses	5,067,000	7,777,000
Total operating costs and expenses	20,111,000	38,166,000
Income from operations	2,868,000	6,369,000
Interest expense	(129,000)	(319,000)
Interest and other income	617,000	1,300,000
Income from continuing operations before income taxes	3,356,000	7,350,000
Income tax expense	1,078,000	2,404,000
Net income from continuing operations	2,278,000	4,946,000
Net income from discontinued health care operations	963,000	--
Gain on sale of health care operations	5,264,000	--
Net income	$8,505,000	$ 4,946,000
Net income per share:		
From continuing operations	$ .39	$ .78
From discontinued health care operations	.16	--
From gain on sale of health care operations	.90	--
Net income per share	$ 1.45	$ .78
Weighted average number of common and common equivalent shares outstanding	5,847,445	6,343,216
Cash dividends per share	$ .09	$ .10

See notes to consolidated condensed financial statements.

HEICO CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS--UNAUDITED
FOR THE NINE MONTHS ENDED JULY 31, 1996 AND 1997

	NINE MONTHS ENDED JULY 31,	
	1996	1997
Cash flows from operating activities:		
Net income	$ 8,505,000	$ 4,946,000
Adjustments to reconcile net income to cash provided by operating activities:		--
Gain from sale of health care operations	(5,264,000)	
Depreciation and amortization	1,808,000	1,170,000
(Income) from unconsolidated partnerships	(393,000)	--
Minority interest in consolidated partnerships	313,000	--
Deferred income taxes	(345,000)	(345,000)
Deferred financing costs	--	(144,000)
Change in assets and liabilities:		
(Increase) in accounts receivable	(131,000)	(587,000)
(Increase) in inventories	(1,224,000)	(2,557,000)
(Increase) in prepaid expenses and other current assets	(9,000)	(708,000)
(Decrease) in trade payables, accrued expenses and other current liabilities	(52,000)	(1,556,000)
(Decrease) increase in income taxes payable	205,000	(533,000)
Increase in other non-current liabilities	186,000	203,000
Other	--	(174,000)
Net cash (used in) provided by operating activities	3,599,000	(285,000)
Cash flows from investing activities:		
Proceeds from sale of health care operations, net of cash sold of $304,000	13,524,000	--
Maturity of short-term investments	2,939,000	--
Purchases of property, plant and equipment	(2,108,000)	(2,807,000)
Acquisitions--Contingent note payments	(1,106,000)	--
Distributions from unconsolidated partnerships	60,000	--
Distributions to minority interests	(216,000)	--
Payments for deferred organization costs	(486,000)	--
Payment received from employee savings and investment plan note receivable	353,000	396,000
Other	114,000	(180,000)
Net cash (used in) provided by investing activities	13,074,000	(2,591,000)
Cash flows from financing activities:		
Proceeds from the issuance of long-term debt:		
Reimbursements from unexpended bond proceeds	--	1,427,000
Other long-term debt	492,000	845,000
Proceeds from the exercise of stock options	1,303,000	1,028,000
Payments on long-term debt and capital leases	(869,000)	(573,000)
Cash dividends paid	(475,000)	(549,000)
Other	--	3,000
Net cash provided by financing activities	451,000	2,181,000
Net (decrease) increase in cash and cash equivalents	17,124,000	(695,000)
Cash and cash equivalents at beginning of year	4,664,000	11,025,000
Cash and cash equivalents at end of period	$ 21,788,000	$ 10,330,000

See notes to consolidated condensed financial statements.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS--UNAUDITED
FOR THE NINE MONTHS ENDED JULY 31, 1996 AND 1997

1. The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with the instructions to Form 10-Q and therefore do not include all information and footnotes normally included in annual consolidated financial statements and should be read in conjunction with the financial statements and notes thereto included in the Company's latest Annual Report on Form 10-K for the year ended October 31, 1996. In the opinion of management, the unaudited consolidated condensed financial statements contain all adjustments (consisting of only normal recurring accruals) necessary for a fair presentation of the consolidated condensed balance sheets and consolidated condensed statements of operations and cash flows for such interim periods presented. The results of operations for the nine months ended July 31, 1997 are not necessarily indicative of the results which may be expected for the entire fiscal year.

2. Accounts receivable are composed of the following:

	JULY 31, 1997
Accounts receivable	$8,363,000
Net costs and estimated earnings in excess of billings on uncompleted contracts	265,000
Less allowance for doubtful accounts	(254,000)
Accounts receivable, net	$8,374,000

Inventories are comprised of the following:

	JULY 31, 1997
Finished products	$ 3,955,000
Work in process	7,980,000
Materials, parts, assemblies and supplies	5,347,000
Total inventories	$17,282,000

Inventories related to long-term contracts were not significant as of July 31, 1997.

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

3. Long-term debt consists of:

	JULY 31, 1997
Industrial Development Revenue Bonds-- Series 1997A	$ 3,000,000
Industrial Development Revenue Bonds-- Series 1997B	1,000,000
Industrial Development Revenue Bonds-- Series 1996	3,500,000
Industrial Development Revenue Refunding Bonds-- Series 1988	1,980,000
Term loan borrowing under revolving credit facility	--
Equipment loans	1,408,000
	10,888,000
Less current maturities	(342,000)
	$10,546,000

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

The Series 1997A and 1997B bonds were issued in the amounts of $3,000,000 and $1,000,000, respectively, for the purpose of constructing and purchasing equipment for a new facility in Palmetto, Florida. As of July 31, 1997, the Company has been reimbursed $80,000 for such expenditures, and the balance of the unexpended bond proceeds of $3,985,000, including investment earnings, is held by the trustee and is available for future qualified expenditures. The Series 1997A and 1997B bonds are due March 2017 and bear interest at variable rates calculated weekly (3.75% and 5.60%, respectively, at July 31, 1997). The 1997A and 1997B bonds are secured by a letter of credit expiring in March 2004 and a mortgage on the related properties pledged as collateral. The letter of credit requires annual sinking fund payments of $200,000 beginning in March 1998.

The Series 1996 and Series 1988 bonds bear interest as of July 31, 1997, at 3.80% and 3.70%, respectively.

As of July 31, 1997, unexpended proceeds of the Series 1996 bonds of $1,376,000 are held by the trustee and are available for future qualified expenditures.

In February 1997, the Company's equipment loan facility was extended through December 1997. In addition, the amendment, among other things, increased the amount of available funds to $2,000,000. Equipment loans bear interest at rates ranging from 8.50% to 9.00% as of July 31, 1997.

4. The fiscal 1996 net income from discontinued operations represents the Company's former subsidiary, MediTek Health Corporation, which was sold in the third quarter of fiscal 1996 at a gain of $5,264,000.

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

6. Supplemental disclosures of cash flow information for the nine months ended July 31, 1997 and 1996 are as follows: Cash paid for interest was $319,000 and $129,000 in fiscal 1997 and 1996, respectively.

Cash paid for income taxes was $3,013,000 and $1,228,000 in fiscal 1997 and 1996, respectively.

7. With respect to the litigation referenced in Note 14 to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended October 31, 1996, a Motion for Summary Judgment filed by the Company on a portion of the lawsuit was granted by the United States District Court Judge in August 1997. The Summary Judgment dismissed UTC's claims for misappropriation of trade secrets and unfair competition, finding that Florida's statute of limitations bars such claims. The ruling left pending UTC's claim alleging infringement of a patent that expired in 1992 and the Company's counterclaims against UTC alleging, among other things, malicious prosecution, trade disparagement, tortious interference, unfair competition and antitrust violations. On

September 9, 1997, UTC served its Motion for Reconsideration of the Court's Motion for Summary Judgment, which is currently pending, and accordingly, the Company filed its response opposing such motion.

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

There have been no other material developments in previously reported litigation involving the Company and its subsidiaries.

8. In October 1995, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123). SFAS No. 123 established a fair value based method of accounting for stock options. Entities may elect to either adopt the measurement criteria of the statement for accounting purposes, thereby recognizing an amount in results of operations on a prospective basis, or disclose the pro forma effects of the new measurement criteria in Notes to Consolidated Financial Statements. The Company intends to adopt the pro forma disclosure features of SFAS No. 123, which are effective for fiscal year 1997.

In February 1997, the FASB issued SFAS No. 128, "Earnings Per Share." SFAS No. 128, which supersedes Accounting Principles Board ("APB") Opinion No. 15, requires a dual presentation of basic and diluted earnings per share on the face of the income statement. Basic earnings per share excludes dilution and is computed by dividing income or loss attributable to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. Diluted earnings per share is computed similarly to fully diluted earnings per share under APB Opinion No. 15. SFAS No. 128 is effective for financial statements issued for periods ending after December 15, 1997, including interim periods; earlier application is not permitted. Had SFAS No. 128 been adopted for the nine months ended July 31, 1996 and 1997, basic and diluted earnings per share would have been:

	1996	1997
BASIC EARNINGS PER SHARE:		
From continuing operations	$ .44	$.93
From discontinued health care operations	.19	--
From gain on sale of health care operations	1.02	--
Net income per share	$1.65	$.93
DILUTED EARNINGS PER SHARE:		
From continuing operations	$ .39	.78
From discontinued health care operations	.16	--
From gain on sale of health care operations	.90	--
Net income per share	$1.45	$.78

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

In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." SFAS No. 131 establishes standards for the way that public companies report selected information about operating segments in annual financial statements and requires that those companies report selected information about segments in interim financial reports issued to shareholders. It also establishes standards for related disclosures about products and services, geographic areas, and major customers. SFAS No. 131 is effective for financial statements for the periods beginning after December 15, 1997. The Company has not determined the effects, if any, SFAS No. 131 will have on the disclosures in its consolidated financial statements.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THIS OFFERING OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION AND REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR THE UNDERWRITERS. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF OR THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THE REGISTERED SECURITIES TO WHICH IT RELATES. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY SUCH SECURITIES IN ANY CIRCUMSTANCES IN WHICH SUCH OFFER OR SOLICITATION IS UNLAWFUL.

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$75,000,000

[HEICO CORPORATION LOGO]

% CONVERTIBLE
SUBORDINATED NOTES DUE 2004

PROSPECTUS

FORUM CAPITAL MARKETS L.P.

RAYMOND JAMES & ASSOCIATES, INC.

SOUTHEAST RESEARCH PARTNERS, INC.

, 1997

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The estimated expenses in connection with the offering are as follows:

Securities and Exchange Commission Registration Fee	$ 26,137
Legal Fees and Expenses	$100,000
Accounting Fees and Expenses	$ 50,000
AMEX Filing Fee	$ *
Blue Sky Qualification Fees and Expenses	$ 5,000
Printing and Engraving Expenses	$ 40,000
Fees and Expenses (including Legal Fees) for qualifications under State Securities Laws	$ 5,000
Registrar and Transfer Agents Fees and Expenses	$ 25,000
Miscellaneous	$ *
Total	$ *

All amounts except the Securities and Exchange Commission registration fee are estimated.

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* To be filed by amendment.

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The Registrant has authority under Section 607.0850 of the Florida Business Corporation Act to indemnify its directors and officers to the extent provided in such statute. The Registrant's Articles of Incorporation provide that the Registrant may indemnify its executive officers and directors to the fullest extent permitted by law wither now or hereafter. The Registrant has entered or will enter into an agreement with each of its directors and certain of its officers wherein it has agreed to indemnify each of them to the fullest extent permitted by law.

The provisions of the Florida Business Corporation Act that authorize indemnification do not eliminate the duty of care of a director, and in appropriate circumstances equitable remedies such as injunctive or other forms of nonmonetary relief will remain available under Florida law. In addition, each director will continue to be subject to liability for (a) violations of the criminal law, unless the director had reasonable cause to believe his conduct was lawful or had no reasonable cause to believe his conduct was unlawful; (b) deriving an improper personal benefit from a transaction; (c) voting for or assenting to an unlawful distribution; and (d) willful misconduct or a conscious disregard for the best interests of the Registrant in a proceeding by or in the right of the Registrant to procure a judgment in its favor or in a proceeding by or in the right of a shareholder. The statute does not affect a director's responsibilities under any other law, such as the federal securities laws or state or federal environmental laws.

ITEM 16. EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
1	Form of Underwriting Agreement between HEICO and the Underwriters.**
2.1	Amended and Restated Agreement of Merger and Plan of Reorganization, dated as of March 22, 1993, by and among HEICO Corporation, HEICO Industries, Corp. and New HEICO, Inc. is incorporated by reference to Exhibit 2.1 to the Company's Registration Statement on Form S-4 (Registration No. 33-57624) Amendment No. 1 filed on March 19, 1993.*

EXHIBIT NUMBER	DESCRIPTION
2.2	Stock Purchase Agreement, dated June 20, 1996, by and among HEICO Corporation, MediTek Health Corporation and U.S. Diagnostic Inc. is incorporated by reference to Exhibit 2 to the Form 8-K dated July 11, 1996.*
2.3	Stock Purchase Agreement, dated as of September 16, 1996, by and between HEICO Corporation and Sigmund Borax is incorporated by reference to Exhibit 2 to the Form 8-K dated September 16, 1996.*
3.1	Articles of Incorporation of the Registrant are incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-4 (Registration No. 33-57624) Amendment No. 1 filed on March 19, 1993.*
3.2	Articles of Amendment of the Articles of Incorporation of the Registrant, dated April 27, 1993, are incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form 8-B dated April 29, 1993.*
3.3	Articles of Amendment of the Articles of Incorporation of the Registrant, dated November 3, 1993, are incorporated by reference to Exhibit 3.3 to the Form 10-K for the year ended October 31, 1993.*
3.4	Bylaws of the Registrant.*
4.0	The description and terms of Preferred Stock Purchase Rights are set forth in a Rights Agreement between the Company and SunBank, N.A., as Rights Agent, dated as of November 2, 1993, incorporated by reference to Exhibit 1 to the Form 8-K dated November 2, 1993.*
4.2	Form of Indenture, dated as of , 1997, with respect to HEICO's % Convertible Subordinated Notes due 2004.**
5.1	Opinion of Greenberg Traurig Hoffman Rosen Lipoff & Quentel, P.A. as to the validity of the Notes and the Common Stock issuable upon conversion of the Notes being registered.***
10.1	Loan Agreement, dated March 1, 1988, between HEICO Corporation and Broward County, Florida is incorporated by reference to Exhibit 10.1 to the Form 10-K for the year ended October 31, 1994.*
10.2	SunBank Reimbursement Agreement, dated February 28, 1994, between HEICO Aerospace Corporation and SunBank/South Florida, N.A. is incorporated by reference to Exhibit 10.2 to the Form 10-K for the year ended October 31, 1994.*
10.3	Amendment, dated March 1, 1995, to the SunBank Reimbursement Agreement dated February 28, 1994 between HEICO Aerospace Corporation and SunBank/South Florida, N.A. is incorporated by reference to Exhibit 10.3 to the Form 10-K from the year ended October 31, 1995.*
10.4	Loan Agreement, dated February 28, 1994, between HEICO Corporation and SunBank/ South Florida, N.A. is incorporated by reference to Exhibit 10.3 to the Form 10-K for the year ended October 31, 1994.*
10.5	The First Amendment, dated October 13, 1994, to Loan Agreement dated February 28, 1994 between HEICO Corporation and SunBank/South Florida, N.A. is incorporated by reference to Exhibit 10.4 to the Form 10-K for the year ended October 31, 1994.*
10.6	Second Amendment, dated March 1, 1995, to the Loan Agreement dated February 28, 1994 between HEICO Corporation and SunBank/South Florida, N.A. is incorporated by reference to Exhibit 10.6 to the Form 10-K for the year ended October 31, 1995.*
10.7	Third Amendment, dated September 16, 1997, to Loan Agreement dated February 28, 1994 between Heico Corporation and SunTrust Bank, South Florida, National Association.***
10.8	Loan Agreement, dated March 31, 1994, between HEICO Corporation and Eagle National Bank of Miami is incorporated by reference to Exhibit 10.5 to the Form 10-K for the year ended October 31, 1994.*
10.9	The First Amendment, dated May 31, 1994, to Loan Agreement dated March 31, 1994 between HEICO Corporation and Eagle National Bank of Miami is incorporated by reference to Exhibit 10.6 to the Form 10-K for the year ended October 31, 1994.*

EXHIBIT NUMBER	DESCRIPTION
10.10	The Second Amendment, dated August 9, 1995, to the Loan Agreement dated March 31, 1994 between HEICO Corporation and Eagle National Bank of Miami is incorporated by reference to Exhibit 10.9 to the Form 10-K for the year ended October 31, 1995.*
10.11	Second Loan Modification Agreement, dated February 27, 1997, between HEICO Corporation and Eagle National Bank of Miami is incorporated by reference to Exhibit 10.3 to the Form 10-Q for the three months ended April 30, 1997.*
10.12	Loan Agreement, dated October 1, 1996, between HEICO Aerospace Corporation and Broward County, Florida.*
10.13	SunTrust Bank Reimbursement Agreement, dated October 1, 1996, between HEICO Aerospace Corporation and SunTrust Bank, South Florida, N.A.*
10.14	HEICO Savings and Investment Plan and Trust, as amended and restated effective January 2, 1987 is incorporated by reference to Exhibit 10.2 to the Form 10-K for the year ended October 31, 1987.*
10.15	HEICO Savings and Investment Plan, as amended and restated December 19, 1994, is incorporated by reference to Exhibit 10.11 to the Form 10-K for the year ended October 31, 1994.*
10.16	HEICO Corporation 1993 Stock Option Plan.*
10.17	HEICO Corporation Combined Stock Option Plan, dated March 15, 1988, is incorporated by reference to Exhibit 10.3 to the Form 10-K for the year ended October 31, 1989.*
10.18	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.*
10.19	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.*
10.20	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.*
10.21	Employment and Non-compete Agreement, dated as of September 16, 1996, by and between HEICO Corporation and Sigmund Borax is incorporated by reference to Exhibit 10.1 to the Form 8-K dated September 16, 1996.*
10.22	Employment and Non-compete Agreement, dated as of September 16, 1996, by and between HEICO Corporation and Charles Kott is incorporated by reference to Exhibit 10.2 to the Form 8-K dated September 16, 1996.*
10.23	Loan Agreement, dated as of March 1, 1997, between Trilectron Industries, Inc. and Manatee County, Florida is incorporated by reference to Exhibit 10.1 to the Form 10-Q for the three months ended April 30, 1997.*
10.24	Letter of Credit and Reimbursement Agreement, dated as of March 1, 1997, between Trilectron Industries, Inc., and First Union National Bank of Florida (excluding referenced exhibits) is incorporated by reference to Exhibit 10.2 to the Form 10-Q for the three months ended April 30, 1997.*
10.25	Stock Purchase Agreement dated July 25, 1997, among HEICO Corporation, N.A.C. Acquisition Corporation, Northwings Accessories Corporation, Ramon Portela and Otto Neuman (without schedules) is incorporated by reference to Exhibit 2 to Form 8-K dated September 16, 1996.*
10.26	Registration Rights Agreement, dated September 15, 1997, by and between HEICO Corporation and Ramon Portela is incorporated by reference to Exhibit 10.1 to Form 8-K dated September 16, 1996.*
10.27	Employment and Non-compete Agreement dated September 16, 1997, by and between Northwings Accessories Corporation and Ramon Portela is incorporated by reference to Exhibit 10.2 to Form 8-K dated September 16, 1996.*

EXHIBIT NUMBER	DESCRIPTION
10.28	Amendment to Registration and Sale Rights Agreement, dated as of December 4, 1996, by and among U.S. Diagnostic Inc. and Heico Corporation is incorporated by reference to Exhibit 10.22 to Form 10-K for the year ended October 31, 1996.*
10.29	Assignment of Promissory Note by and between HEICO Corporation and Forum Capital Markets L.P. is incorporated by reference to Exhibit 10.3 to Form 8-K dated September 16, 1997.*
10.30	Amendment to 6 1/2% Convertible Note, dated as of December 24, 1996, by and among U.S. Diagnostic Inc. and HEICO Corporation.*
10.31	Second Amendment to the 6 1/2% Convertible Note, dated September 10, 1997, by and among U.S. Diagnostic Inc., and HEICO Corporation is incorporated by reference to Exhibit 10.4 to Form 8-K dated September 16, 1997.*
10.32	Stock Purchase Agreement, dated October 30, 1997, by and among HEICO Corporation, HEICO Aerospace Holdings Corp. and Lufthansa Technik AG.**
10.33	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.**
12	Ratio of Earnings to Fixed Charges**
21	Subsidiaries of the Company.**
23.1	Consent of Greenberg Traurig Hoffman Rosen Lipoff & Quentel, P.A. (to be included in its opinion to be filed as Exhibit 5.1).***
23.2	Consent of Deloitte & Touche LLP.**
23.3	Consent of De La Osa & Associates, P.A.**
23.4	Consent of Kerkering, Barberio & Co.**
27	Financial Data Schedule**

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  * Previously filed.
 ** Filed herewith.
*** To be filed by amendment.

ITEM 17. UNDERTAKINGS.

(a) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(b) The undersigned Registrant hereby undertakes: (a) to file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement: (i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933; (ii) to reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement; and (iii) to include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement; (b) that, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at the time shall be deemed to be the initial bona fide offering

thereof, and (c) to remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(c) The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Act, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in the Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Miami, State of Florida, on November 5, 1997.

HEICO CORPORATION.

By: /s/ Laurans A. Mendelson

LAURANS A. MENDELSON,
Chairman of the Board,
President and Chief Executive
Officer

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Laurans A. Mendelson his true and lawful attorney-in-fact, with full powers of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments, including any post-effective amendments, to this Registration Statement, and to file the same, with exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorney-in-fact or his substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ Laurans A. Mendelson LAURANS A. MENDELSON	Chairman of the Board, President and Chief Executive Officer (principal executive officer)	November 5, 1997
/s/ Eric A. Mendelson ERIC A. MENDELSON	Vice President, President of HEICO Aerospace Corporation and Director	November 5, 1997
/s/ Victor H. Mendelson VICTOR H. MENDELSON	Vice President, General Counsel and Director, President of HEICO Aviation Products Corp.	November 5, 1997
/s/ Thomas S. Irwin THOMAS S. IRWIN	Executive Vice President and Chief Financial Officer (principal financial officer)	November 5, 1997
/s/ Jacob T. Carwile JACOB T. CARWILE	Director	November 5, 1997
/s/ Samuel L. Higginbottom SAMUEL L. HIGGINBOTTOM	Director	November 5, 1997

SIGNATURE	TITLE	DATE
/s/ Paul F. Manieri PAUL F. MANIERI	Director	November 5, 1997
/s/ Albert Morrison, Jr. ALBERT MORRISON, JR.	Director	November 5, 1997
/s/ Dr. Alan Schriesheim DR. ALAN SCHRIESHEIM	Director	November 5, 1997
/s/ Guy C. Shafer GUY C. SHAFER	Director	November 5, 1997

INDEX TO EXHIBITS

EXHIBIT	DESCRIPTION	SEQUENTIALLY NUMBERED PAGE
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4.2	Form of Indenture, dated as of , 1997, with respect to HEICO's % Convertible Subordinated Notes due 2004.	
10.32	Stock Purchase Agreement, dated October 30, 1997, by and among HEICO Corporation, HEICO Aerospace Holdings Corp. and Lufthansa Technik AG.	
10.33	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.	
12	Ratio of Earnings to Fixed Charges	
21	Subsidiaries of the Company.	
23.2	Consent of Deloitte & Touche LLP.	
23.3	Consent of De La Osa & Associates, P.A.	
23.4	Consent of Kerkering, Barberio & Co.	
27	Financial Data Schedule	

EXHIBIT 1

$_____

% CONVERTIBLE SUBORDINATED NOTES DUE 2004

HEICO CORPORATION

UNDERWRITING AGREEMENT

New York, New York
, 1997

FORUM CAPITAL MARKETS L.P.
53 Forest Avenue
Old Greenwich. Connecticut 06870

Ladies and Gentlemen:

Heico Corporation, a Florida corporation (the "Company"), confirms its agreement with Forum Capital Markets L.P. and _____ (the "Underwriters," which term shall also include any underwriter substituted as hereinafter provided in Section 11 hereof), with respect to the sale by the Company and the purchase by the Underwriters, acting severally and not jointly, of $_____ aggregate principal amount of the Company's _% Convertible Subordinated Notes due 2004 (the "Notes") to be issued pursuant to the provisions of an indenture (the "Indenture") between the Company and _____, as trustee (the "Trustee") in substantially the form filed as an exhibit to the Registration Statement (as defined below). Such $_____ aggregate principal amount of Notes are hereafter referred to as the "Firm Notes." Upon the request of the Underwriters, as provided in Section 2(b) hereof, the Company shall also issue and sell to the Underwriters, acting severally and not jointly, up to an additional $_____ aggregate principal amount of Notes for the purpose of covering over-allotments, if any. Such $_____ aggregate principal amount of Notes are hereinafter referred to as the "Option Notes," and together with the Firm Notes are hereinafter referred to as the "Notes." The shares of the Company's common stock, par value $.01 per share (the "Common Stock"), issuable upon conversion of the Notes are hereinafter referred to as the "Underlying Stock." The Notes and the Underlying Stock are referred to herein as the "Securities." The Company hereby confirms its agreement with the Underwriters with respect to the sale by the Company and the purchase by the Underwriters of the Notes, as set forth herein.

1. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company represents and warrants to, and agrees with, the Underwriters as of the date hereof, and as of the Closing Date (as defined in Section 2(c) hereof) and each Option Closing Date (as defined in Section 2(b)

hereof), if any, as follows:

(a) The Company has prepared and filed with the Securities and Exchange Commission (the "Commission") a registration statement, and an amendment or amendments thereto, on Form S-3, No. _____, including the related preliminary prospectus dated _____, 1997 and any subsequent preliminary prospectus ("Preliminary Prospectus"), for the registration of the Securities under the Securities Act of 1933, as amended (the "Securities Act"), which registration statement and amendment or amendments have been prepared by the Company in conformity with the requirements of the Securities Act, the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), and the rules and regulations of the Commission under the Securities Act (the "Regulations") and the rules and regulations under the Trust Indenture Act. The Company has complied with the conditions for the use of Form S-3. Except as the context may otherwise require, said registration statement, as amended, on file with the Commission at the time said registration statement becomes effective (including the prospectus, financial statements, schedules, exhibits and all other documents filed as a part thereof or incorporated therein (including, but not limited to those documents or information incorporated by reference therein) and all information deemed to be a part thereof as of such time pursuant to paragraph (b) of Rule 430(A) of the Regulations is hereinafter called the "Registration Statement," and the form of prospectus in the form first filed with the Commission pursuant to Rule 424(b) of the Regulations or, if no filing pursuant to Rule 424(b) is made, such form of prospectus included in the Registration Statement, together with any documents thereafter incorporated by reference therein, is hereinafter called the "Prospectus." If the Company files an abbreviated registration statement to register additional Securities and relies upon Rule 462(b) under the Securities Act for such registration statement to become effective upon filing with the Commission (the "Rule 462 Registration Statement"), then any reference herein to the term "Registration Statement" shall be deemed to refer to both the registration statement referred to above and the Rule 462 Registration Statement. For purposes hereof, "Rules and Regulations" means the rules and regulations adopted by the Commission under the Securities Act, the Securities Exchange Act of 1934, as amended (the "Exchange Act") or the Trust Indenture Act, as applicable.

(b) Neither the Commission nor any state regulatory authority has issued any order preventing or suspending the use of any Preliminary Prospectus, the Registration Statement or the Prospectus or any part of any thereof or the qualification of the Trustee, and no proceedings for a stop order suspending the effectiveness of the Registration Statement, any of the Company's securities or the

qualification of the Trustee have been instituted or are pending or, to the knowledge of the Company, threatened. Each of any Preliminary Prospectus, the Registration Statement and the Prospectus at the time of filing thereof with the Commission, conformed with the requirements of the Securities Act, the Trust Indenture Act and the Rules and Regulations in all material respects, none of any Preliminary Prospectus, the Registration Statement or the

Prospectus at the time of filing thereof contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, except that this representation and warranty does not apply to statements made in reliance upon and in conformity with written information furnished to the Company by or on behalf of the Underwriters expressly for use in any such Preliminary Prospectus, Registration Statement or Prospectus. When the Registration Statement or any amendment thereto was or is declared effective, the Closing Date and each Option Closing Date, if any, the Registration Statement and the Prospectus will conform to the requirements of the Securities Act, the Trust Indenture Act and the Rules and Regulations. At all times subsequent to the effective date of the Registration Statement through the last to occur of the Closing Date, the last Option Closing Date, if any, or the last date the Prospectus may be required to be delivered in connection with sales by the Underwriters or a dealer, the Registration Statement and the Prospectus will conform to the requirements of the Securities Act, the Trust Indenture Act and the Rules and Regulations. Neither the Registration Statement nor the Prospectus, nor any amendment or supplement thereto, as of such respective dates, with respect to the Registration Statement, or during such respective periods, with respect to the Prospectus, will contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that this representation and warranty does not apply to statements made in reliance upon and in conformity with written information furnished to the Company with respect to the Underwriters by or on behalf of the Underwriters expressly for use in such Registration Statement or Prospectus. The Company acknowledges that the only such written information is that contained under the caption "Underwriting" in the Preliminary Prospectus, the Prospectus and the Registration Statement and the stabilization legend set forth in the forepart of the Preliminary Prospectus, the Prospectus and the Registration Statement.

(c) The Company is subject to Section 13 or 15(d) of the Exchange Act. The documents incorporated by reference into the Registration Statement (the "Incorporated Documents"), when they were filed with the Commission (or, if any amendment with respect to any such document was filed, when such amendment was filed), complied, or at the time they hereafter are filed with the Commission will comply, in all material respects with the requirements of the Exchange Act and the regulations thereunder and, when read together with the other information in the Prospectus, at the time the Registration Statement and any amendments thereto become or became effective, at the Closing or any Option Closing did not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading. Any Incorporated Documents filed subsequent to the date of the Prospectus shall, when filed with the Commission, conform in all respect to the requirements of the Exchange Act and the Rules and Regulations, as applicable.

(d) All the Company's subsidiaries (collectively, the "Subsidiaries") are listed in an exhibit to the Company's Annual Report on Form 10-K which is incorporated by reference into the Registration Statement. The Company and each of the Subsidiaries has been duly organized and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation. The Company and each of the Subsidiaries is duly qualified and licensed and in good standing as a foreign corporation in each jurisdiction in which its ownership or leasing of any properties or the character of its operations require such qualification or licensing, except where the failure to be so qualified or licensed would not have a material adverse effect on the condition, financial or otherwise, results of operations, business or prospects of the Company and the Subsidiaries, taken as a whole (a "Material Adverse Effect"). The Company does not own or control, directly or indirectly, any corporation, partnership, limited liability company, association or other entity other than the Subsidiaries. None of the Subsidiaries owns more than 10 % of or controls, directly or indirectly, any corporation, partnership, limited liability company, association or other entity other than _____. The Company owns, either directly or through other Subsidiaries, all of the outstanding capital stock of each Subsidiary free and clear of all liens, charges, claims, encumbrances, pledges, security interests defects or other restrictions or equities of any kind whatsoever; and all outstanding capital stock of the Subsidiaries has been duly authorized and validly issued and is fully paid and non-assessable and not issued in violation of any preemptive rights or applicable securities laws. Each of the Company and the Subsidiaries has all requisite power and authority (corporate and other), and has obtained any and all necessary authorizations, approvals, orders, licenses, certificates, franchises and permits (collectively "Approvals") of and from all governmental or regulatory officials and bodies, to own or lease its properties and conduct its business as described in the Prospectus except for Approvals which if not so obtained would not have a Material Adverse Effect; each of the Company and the Subsidiaries is and has been doing business in compliance with all such Approvals and all federal, foreign, state and local laws, rules and regulations, except for such failures to comply as would not have a Material Adverse Effect; and neither the Company nor any of the Subsidiaries has received any notice of proceedings relating to the revocation or modification of any such Approval. The jurisdictions of incorporation and qualification or licensing of the Company and the Subsidiaries are identified on Annex A hereto.

(e) The Company has an authorized, issued and outstanding capitalization as set forth in the Prospectus under the caption "Capitalization," and will have the adjusted capitalization set forth therein on the Closing Date and each Option Closing Date, if any, based upon the assumptions set forth therein (except as a result of the issuance of shares of Common Stock identified as reserved in the footnotes to such table pursuant to the plans described therein or the options described therein). Neither the Company nor any of the Subsidiaries is a party to or bound by any instrument, agreement or other arrangement, including, but not limited to, any voting trust agreement, stockholders' agreement or other agreement or instrument, affecting the securities or

rights or obligations of securityholders of the Company or providing for it to issue, sell, transfer or acquire any capital stock, rights, warrants, options or other securities of the Company, except for this Agreement and the Indenture and as set forth in the Registration Statement. The Securities and all other securities issued or issuable by the Company and the Subsidiaries conform, or, when issued and paid for, will conform in all material respects to all statements with respect thereto contained in the Prospectus. All issued and outstanding securities of the Company and the Subsidiaries have been duly authorized and validly issued and are fully paid and non-assessable; the holders thereof have no rights of rescission with respect thereto and are not subject to personal liability by reason of being such holders; and none of such securities were issued in violation of the preemptive rights of any securityholder of the Company or any of the Subsidiaries or similar contractual rights granted by the Company or any of the Subsidiaries. The Notes will be issued pursuant to the terms and conditions of the Indenture, and the Indenture will conform in all material respects to the description thereof contained in the Registration Statement. At the Closing Date, the Indenture will conform to the requirements of the Trust Indenture Act and the Rules and Regulations applicable to an indenture which is qualified thereunder. The Notes have been duly authorized and, when validly authenticated, issued, delivered and paid for in the manner contemplated by the Indenture, will be duly authorized, validly issued and outstanding obligations of the Company entitled to the benefits of the Indenture. The Underlying Stock issuable upon conversion of the Notes will, upon such issuance, be duly authorized, validly issued, fully paid and nonassessable, and the Company has duly authorized and reserved for issuance upon conversion of the Notes, the Underlying Stock issuable upon such conversion. The Securities are not and will not be subject to any preemptive or other similar rights of any securityholder of the Company or any of the Subsidiaries; all corporate action required to be taken for the authorization, issue and sale of the Securities has been duly and validly taken; and the certificates representing the Securities will be in due and proper form. No holder of any securities of the Company has any right to require registration of shares of Common Stock or other securities of the Company because of the filing of the Registration Statement or the consummation of the transactions contemplated hereby. Upon the issuance and delivery pursuant to the terms of this Agreement and the Indenture of the Notes to be sold by the Company hereunder and thereunder, the Underwriters will acquire good and marketable title thereto free and clear of any lien, charge, claim, encumbrance, pledge, security interest, defect or other restriction or equity of any kind whatsoever

(f) The consolidated financial statements of the Company and the Subsidiaries together with the related notes thereto set forth in or incorporated by reference in the Registration Statement, each Preliminary Prospectus and the Prospectus fairly present the financial position, changes in stockholders' equity, cash flow and results of operations of the Company and the Subsidiaries at the respective dates and for the respective periods to which they apply, and such historical financial statements have been prepared in conformity with generally accepted accounting principles and the Rules and Regulations, consistently applied throughout the periods involved; there has been no

material adverse change or development involving a material prospective change in the condition, financial or otherwise, or in the earnings, business, prospects or results of operations of the Company and the Subsidiaries taken as a whole, whether or not arising in the ordinary course of business, since the date of the financial statements included in the Registration Statement and the Prospectus, and the outstanding debt, the property, both tangible and intangible, and the businesses of each of the Company and the Subsidiaries conform in all material respects to the descriptions thereof contained in the Registration Statement and the Prospectus. Financial information set forth in the Prospectus under the headings "Summary Financial and Operating Data," "Selected Financial Data," "Capitalization" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" fairly presents, in all respects, on the basis stated in the Prospectus, the information set forth therein and has been derived from or compiled on a basis consistent with that of the audited financial statements included in the Prospectus.

(g) Each of the Company and the Subsidiaries has filed all material tax returns required to be filed by it in any jurisdiction, other than those filings being contested in good faith, and has paid all federal, state, local and foreign taxes shown to be due on such returns or claimed to be due from such entities, other than those (i) currently payable without penalty or interest or (ii) being contested in good faith; and the Company has established adequate reserves in its financial statements (in accordance with generally accepted accounting principles) for such taxes which are not due and payable and for any material tax deficiency or claims outstanding, proposed or assessed against it.

(h) No transfer tax, stamp duty or other similar tax is payable by or on behalf of the Underwriters in connection with (i) the issuance by the Company of the Securities, (ii) the purchase by the Underwriters of the Notes from the Company or (iii) the consummation by the Company of any of its obligations under this Agreement or the Indenture.

(i) Each of the Company and the Subsidiaries maintains liability, casualty and other insurance (subject to customary deductions and retentions) with responsible insurance companies against such risks generally insured against by companies engaged in similar businesses as the Company and the Subsidiaries. To the Company's knowledge, neither the Company nor any of the Subsidiaries (A) has failed to give notice or present any material insurance claim with respect to any matter, including, but not limited to, the Company's or any of the Subsidiaries' businesses, property or professional staff, under any insurance policy or surety bond in a due and timely manner, (B) has any material disputes or claims against any underwriter of such insurance policies or surety bonds or has failed to pay any premiums due and payable thereunder or (C) has failed to comply with all conditions contained in such insurance policy and surety bonds wherein such failure would have a Material Adverse Effect. There are no facts or circumstances known to the Company which would have the effect under any such insurance policy or surety bond of relieving any insurer of its obligation to satisfy in all material respects any

valid claim of the Company or any of the Subsidiaries.

(j) There is no action, suit, proceeding, arbitration, litigation or governmental proceeding pending or, to the knowledge of the Company, threatened against (or circumstances that are reasonably likely to give rise to the same), or involving the properties or businesses of, the Company or any of the Subsidiaries which (i) questions the validity of the capital stock of the Company or any of the Subsidiaries or this Agreement or the Indenture or of any action taken or to be taken by the Company or any of the Subsidiaries pursuant to or in connection with this Agreement or the Indenture, or (ii) could have a Material Adverse Effect which is not disclosed in the Registration Statement or the Prospectus.

(k) The Company has full corporate right, power and authority to authorize, issue, deliver and sell the Securities, to enter into this Agreement and the Indenture and to consummate the transactions provided for in such agreements. This Agreement has been duly and properly authorized, executed and delivered by the Company. This Agreement constitutes, and when the Company has duly executed and delivered the Indenture, the Indenture (assuming the due execution and delivery thereof by the Trustee) will constitute, a legal, valid and binding agreement of the Company enforceable against the Company in accordance with its terms, except to the extent that enforcement thereof may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereafter in effect relating to creditors' rights generally and (ii) general principles of equity (regardless of whether enforceability is considered in a proceeding at law or in equity) and except to the extent that rights to indemnification and contribution may be limited by federal or state securities laws on public policy relating thereto. None of the Company's issue and sale of the Securities, the execution or delivery of this Agreement or the Indenture, its performance hereunder and thereunder, its consummation of the transactions contemplated herein and therein or the conduct by it and the Subsidiaries of their businesses as described in the Registration Statement or any amendments or supplements thereto conflicts or will conflict with or results or will result in any breach or violation of any of the terms or provisions of, or constitutes or will constitute a default under, or results or will result in the creation or imposition of any lien, charge, claim, encumbrance, pledge, security interest, defect or other restriction or equity of any kind whatsoever upon any property or assets of the Company or any of the Subsidiaries pursuant to the terms of, (i) the certificate of incorporation or by-laws of the Company or any of the Subsidiaries, (ii) any license, contract, indenture, mortgage, deed of trust, voting trust agreement, stockholders' agreement, note, loan or credit agreement or other agreement or instrument to which the Company or any of the Subsidiaries is a party or by which it is or may be bound or to which its properties or assets is or may be subject, or any indebtedness, or (iii) any statute, judgment, decree, order, rule or regulation applicable to the Company or any of the Subsidiaries of any arbitrator, court, regulatory body or administrative agency or other governmental agency or body, having jurisdiction over the Company or any of the Subsidiaries or any of their respective

activities or properties except, in the case of clauses (ii) and (iii), such conflict, breaches, defaults, creations, impositions and violations that would not have a Material Adverse Effect.

(l) No consent, approval, authorization or order of, and no filing with, any court, arbitrator, regulatory body, government agency or other body, domestic or foreign, is required for the execution, delivery or performance by the Company of this Agreement or the Indenture or the transactions contemplated hereby or thereby, except such as have been or may be obtained under the Securities Act or the Exchange Act or may be required under state securities or Blue Sky laws or the rules of the National Association of Securities Dealers, Inc. (the "NASD") or with respect to the listing of the Notes on the New York Stock Exchange in connection with the Underwriters' purchase and distribution of the Notes.

(m) Subsequent to the respective dates as of which information is set forth in the Prospectus and except as may otherwise be indicated or contemplated herein or therein, unless the Company has notified the Underwriters in writing otherwise, neither the Company nor any of the Subsidiaries has (i) issued any securities or incurred any material liability or obligation, direct or contingent, for borrowed money not in the ordinary course of business, (ii) entered into any material transaction other than in the ordinary course of business or (iii) declared or paid any dividend, other than regular cash dividends, or made any other distribution on or in respect of its capital stock of any class, and there has not been any change in the capital stock from the description thereof in the Registration Statement or any material adverse change in or affecting the general affairs, management, financial operations, stockholders' equity or results of operation of the Company or any of the Subsidiaries.

(n) Neither the Company nor any of its Subsidiaries (i) is in violation of its certificate of incorporation or by-laws, as applicable, (ii) is in default in the performance of any obligation, agreement or condition contained in any license, contract, indenture, mortgage, installment sale agreement, lease, deed of trust, voting trust agreement, stockholders' agreement, note, loan or credit agreement, purchase order, agreement or instrument evidencing an obligation for borrowed money or other material agreement or instrument to which the Company or any of the Subsidiaries is a party or by which the Company or any of the Subsidiaries may be bound or to which the property or assets of the Company or any of the Subsidiaries is subject or affected or (iii) is in violation in any respect of any law, ordinance, governmental rule, regulation or court decree to which it or its property or assets may be subject, except any violation or default under the foregoing clause (ii) or (iii) as would not have a Material Adverse Effect.

(o) The Company believes that each of the Company and the Subsidiaries currently has a good employer/employee relationship with its employees and each of the Company and the Subsidiaries is in compliance with all federal, state, local and

foreign laws and regulations respecting employment and employment practices, terms and conditions of employment and wages and hours, except for such failures to comply as would not have a Material Adverse Effect. There are no pending investigations involving the Company or any of the Subsidiaries by the U.S. Department of Labor or, to the Company's knowledge, any such investigations by any other governmental agency responsible for the enforcement of such federal, state, local or foreign laws and regulations that would be material to the Company or such Subsidiary. There is no unfair labor practice charge or complaint against the Company or any of the Subsidiaries pending before the National Labor Relations Board or any strike, picketing, boycott, dispute, slowdown or stoppage pending or threatened against or involving the Company or any of the Subsidiaries. No representation question exists respecting the employees of the Company or any of the Subsidiaries, and no collective bargaining agreement or modification thereof is currently being negotiated by the Company or any of the Subsidiaries. No grievance or arbitration proceeding is pending or threatened under any expired or existing collective bargaining agreements of the Company or any of the Subsidiaries. No material labor dispute with the employees of the Company or any of the Subsidiaries exists or, to the best of the Company's knowledge, is imminent.

(p) No "employee pension benefit plan," "employee welfare benefit plan" or "multi-employer plan" (ERISA Plans) as such terms are defined in Sections 3(2), 3(1) and 3(37), respectively, of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), maintained or sponsored by the Company or any of the Subsidiaries (or any trust created thereunder) has engaged in a "prohibited transaction" within the meaning of Section 406 of ERISA or Section 4975 of the Internal Revenue Code of 1986, as amended (the "Code"), which could subject the Company or any of the Subsidiaries to any tax penalty or civil penalty on prohibited transactions which has not been adequately corrected and which might reasonably be expected to have a Material Adverse Effect. No "accumulated funding deficiency" (as defined in Section 302 of ERISA) or any of the events set forth in Section 4043(b) of ERISA (other than events with respect to which the 30-day notice under Section 4043 of ERISA has been waived) has occurred with respect to any employee benefit plan which might reasonably be expected to have a Material Adverse Effect. Each ERISA Plan is in compliance with all reporting, disclosure and other requirements of the Code and ERISA as they relate to such ERISA Plan, except for noncompliance which could be reasonably expected to have a Material Adverse Effect. Determination letters have been received from the Internal Revenue Service with respect to each ERISA Plan which is intended to comply with Code Section 401(a) stating that such ERISA Plan and the attendant trust are qualified thereunder. Neither the Company nor any of the Subsidiaries has ever completely or partially withdrawn from a "multi-employer plan" as so defined.

(q) Neither the Company or any of the Subsidiaries, nor any of its affiliates has taken or will take, directly or indirectly, any action designed to or which has constituted or which might reasonably be expected to cause or result in, under the

Exchange Act or otherwise, stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities or otherwise.

(r) Each of the Company and the Subsidiaries owns or has the right to use, free and clear of all liens, claims, charges, encumbrances, pledges, security interests and other adverse interests of any kind whatsoever, all patents, trademarks, service marks, trade names, copyrights, technology, and all licenses and rights with respect to the foregoing, used in the conduct of its business as now conducted or proposed to be conducted without, to the knowledge of the Company, infringing upon or otherwise acting adversely to the right or claimed right of any person, corporation or other entity. The Company is not aware of any infringement of or conflict with asserted rights of others with respect to any of the foregoing which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would have a Material Adverse Effect.

(s) Each of the Company and the Subsidiaries has good and marketable title to, or valid and enforceable leasehold estates in, all items of real and personal property which are material to its business, in each case, except as disclosed in the Prospectus, free and clear of all liens, charges, claims, encumbrances, pledges, security interests, defects and other restrictions that would have a Material Adverse Effect.

(t) To the Company's knowledge, Deloitte & Touche LLP is an independent certified public accountant of the Company as required by the Securities Act and the Rules and Regulations.

(u) The Common Stock is listed on the American Stock Exchange.

(v) Neither the Company or any of the Subsidiaries nor any of their respective officers, directors, stockholders, employees or agents nor any other person acting on behalf of the Company or any of the Subsidiaries has, directly or indirectly, since _____ given or agreed to give any money, gift or similar benefit (other than legal price concessions to customers in the ordinary course of business) to any customer, supplier, employee or agent of a customer or supplier, or any official or employee of any governmental agency (domestic or foreign), or any instrumentality of any government (domestic or foreign), or any political party or candidate for office (domestic or foreign), or any other person who was, is or may be in a position to help or hinder the businesses of the Company or any of the Subsidiaries (or assist the Company or any of the Subsidiaries in connection with any actual or proposed transaction) which would be reasonably likely to subject the Company or any of the Subsidiaries, or any of such others to any material damage or penalty in any civil, criminal or governmental litigation or proceeding (domestic or foreign). The Company believes that each of the Company's and the Subsidiaries' internal accounting controls are sufficient to cause the Company and the Subsidiaries to comply in all material respects with the Foreign Corrupt Practices Securities Act of 1977, as amended.

(w) The minute books of the Company and each of the Subsidiaries have been made available to the Underwriters, contain a complete summary of all meetings and actions of the directors and stockholders of each of the Company and the Subsidiaries since the time of their respective incorporation and reflect all transactions referred to in such minutes accurately in all respects.

(x) Neither the Company nor any of the Subsidiaries has been notified or is otherwise aware that it is potentially liable, or is considered potentially liable, under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, or any similar law ("Environmental Laws"), except as would not have a Material Adverse Effect. To the Company's knowledge, the Company and the Subsidiaries are in compliance with all applicable existing Environmental Laws, except for such instances of non-compliance which would not have a Material Adverse Effect. The term "Hazardous Material" means (i) any "hazardous substance" as defined by the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, (ii) any "hazardous waste" as defined by the Resource Conservation and Recovery Act, as amended, (iii) any petroleum or petroleum product, (iv) any polychlorinated biphenyl and (v) any pollutant or contaminant or hazardous, dangerous or toxic chemical, material, waste or substance regulation under or within the meaning of any other Environmental Law. To the Company's knowledge, no disposal, release or discharge of "Hazardous Material" has occurred on, in, at or about any of the facilities or properties of the Company or any of the Subsidiaries, except for those instances which are in compliance with Environmental Laws or in the aggregate would not have a Material Adverse Effect. Except as described in the Prospectus, to the Company's knowledge: (i) there has been no storage, disposal, generation, transportation, handling or treatment of Hazardous Material by the Company or any of the Subsidiaries (or to the knowledge of the Company, any of its predecessors in interest) at, upon or from any of the property now or previously owned or leased by the Company or any of the Subsidiaries in violation of any applicable law, ordinance, rule, regulation, order, judgment, decree or permit or which would require remedial action which has not been taken, under any applicable law, ordinance, rule, regulation, order, judgment, decree or permit, except for such violations and failures to take remedial action which would not result in, singularly or in the aggregate, a Material Adverse Effect; (ii) there has been no material spill, discharge, leak, emission, injection, escape, dumping or release of any kind onto such property or into the environment surrounding such property by the Company or any of the Subsidiaries of any Hazardous Materials, except for such spills, discharges, leaks, emissions, injections, escapes, dumping or releases which are in compliance with Environmental Laws or would not result in, singularly or in the aggregate, a Material Adverse Effect.

(y) The Company is not an "investment company," a company controlled by an "investment company" or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company" as such terms are defined in the Investment Company Act of 1940, as amended and the rules or regulations thereunder.

(z) None of the proceeds of the sale of the Notes will be used, directly or indirectly, for the purpose of purchasing or carrying any margin security, for the purpose of reducing or retiring any indebtedness which was originally incurred to purchase or carry any margin security or for any other purpose which might cause any of the Notes to be considered a "purpose credit" within the meanings of Regulation G, T, U or X of the Board of Governors of the Federal Reserve Board.

(aa) The Company and the Subsidiaries have complied and will comply with all the provisions of Florida H.B. 1771, codified as Section 517.075 of the Florida Statutes, and all regulations promulgated thereunder relating to issuers doing business with Cuba.

(bb) Except as set forth in this Agreement, there are no claims, payouts, issuances, arrangements or understandings, whether oral or written, for services in the nature of a finder's or origination fee with respect to the sale of the Notes hereunder or any other arrangement, agreement, understanding, payment or issuance with respect to the Company, any of the Subsidiaries or any of their respective officers, directors or affiliates that would constitute underwriters' compensation as determined by the NASD. For these purposes, underwriters' compensation means total expenses payable by the Company to or on behalf of the Underwriters which normally would be paid by the Underwriters, fees and expenses of Underwriters' Counsel (as defined herein), finders fees, financial consulting and advisory fees or other items of value accruing to the Underwriters and related persons, which items of value include, but are not necessarily limited to, stock, options, warrants and convertible and other debt securities if the same are deemed to have been received in connection with or in relation to the offering contemplated by this Agreement and when given by or acquired from the Company or related parties of the Company or persons in control of or under common control with the Company or related parties of the Company.

(cc) The Indenture has been duly qualified under the Trust Indenture Act, and all fees required to be paid with respect to the execution of the Indenture and the issuance of the Notes have been paid or will be paid when due.

2. PURCHASE BY THE UNDERWRITERS: DELIVERY AND PAYMENT.

(a) On the basis of the representations, warranties and agreements contained herein, and subject to the terms and conditions set forth herein, the Company agrees to issue and sell to the Underwriters, and the Underwriters agree, severally and not jointly, to purchase from the Company, the aggregate principal amount of Firm Notes set forth opposite the name of such Underwriter in Schedule I attached hereto at a purchase price equal to _% of the principal amount thereof, plus any additional amount of Firm Notes which each underwriter may become obligated to purchase pursuant to Section 11 hereof.

(b) In addition, on the basis of the representations, warranties and agreements contained herein, and subject to the terms and conditions set forth herein, the Company hereby grants an option to the Underwriters to purchase, severally and not jointly, any or all of the Option Notes at a price equal to _% of the principal amount thereof plus accrued interest from the Closing Date to the applicable Option Closing Date. Such option will expire at 5:00 p.m. New York time 30 days after the date hereof, and may be exercised in whole or in part from time to time only for the purpose of covering over-allotments which may be made in connection with the offering and distribution of the Firm Notes upon notice by the Underwriters to the Company setting forth the aggregate principal amount of Option Notes as to which the Underwriters are then exercising the option and the time and date of delivery and payment therefor. Any such time and date of delivery and payment (an "Option Closing Date") shall be determined by the Underwriters, but shall not be later than five full business days after the exercise of such option unless otherwise agreed by the Company and the Underwriters.

(c) Delivery of, and payment for, the Firm Notes shall be made at 10:00 a.m., New York City time, on _____, 1997, or at such other date or time as shall be agreed by the Underwriters and the Company (such date and time being referred to herein as the "Closing Date"). Delivery of, and payment for, the Firm Notes and the Option Notes shall be made at the offices of Paul, Hastings, Janofsky & Walker LLP ("Underwriters' Counsel"), New York, New York, or any such other place as shall be agreed by the Underwriters and the Company. On the Closing Date, the Company shall deliver or cause to be delivered to the Underwriters certificates for the Firm Notes against payment to or upon the order of the Company of the purchase price by certified or official bank check, or if the Underwriters so elect, by wire or book-entry transfer, in each case in immediately available funds. On each Option Closing Date, the Company shall deliver or cause to be delivered to the Underwriters certificates for the Option Notes purchased thereat against payment to or upon the order of the Company of the purchase price by certified or official bank check, or if the Underwriters so elect, by wire or book-entry transfer, in each case of New York Clearing House (next day) funds. Upon delivery, the Notes shall be in such denominations and registered in such names as the Underwriters shall have requested in writing not less than one full business day prior to the Closing Date. The Company shall make the certificates for the Notes available for inspection by the Underwriters in New York, New York, not later than one full business day prior to the Closing Date.

3. PUBLIC OFFERING OF THE NOTES. As soon after the Registration Statement becomes effective as the Underwriters deem advisable, the Underwriters shall make a public offering of the Notes (other than to residents of any jurisdiction in which the qualification of the Notes is required and has not become effective) at the price and upon the other terms set forth in the Prospectus. The Underwriters may from time to time increase or decrease the public offering price after the distribution of the Notes has been completed to such extent as the Underwriters in their sole discretion deem advisable. The Underwriters may enter into one or more agreements as

the Underwriters, in each of their sole discretion, deem advisable with one or more broker-dealers who shall act as dealers in connection with such public offering.

4. COVENANTS AND AGREEMENTS OF THE COMPANY. The Company covenants and agrees with the Underwriters as follows:

(a) The Company shall use its best efforts to cause the Registration Statement and any amendments thereto to become effective as promptly as practicable and will not at any time, whether before or after the effective date of the Registration Statement, file any amendment to the Registration Statement or supplement to the Prospectus or file any document under the Securities Act or Exchange Act during any time that a prospectus relating to the Securities is required to be delivered under the Securities Act of which the Underwriters and Underwriters' Counsel shall not previously have been advised and furnished with a copy, or to which the Underwriters or Underwriters' Counsel shall have reasonably objected, or which is not in compliance with the Securities Act, the Exchange Act, the Trust Indenture Act or the Rules and Regulations.

(b) As soon as the Company is advised or obtains knowledge thereof, the Company will advise the Underwriters and if requested confirm in writing, (i) when the Registration Statement, as amended, becomes effective and, if the provisions of Rule 430A promulgated under the Securities Act will be relied upon, when the Prospectus has been filed in accordance with said Rule 430A and when any post-effective amendment to the Registration Statement becomes effective, (ii) of the issuance by the Commission of any stop order or of the initiation, or the threatening, of any proceeding suspending the effectiveness of the Registration Statement or the qualification of the Trustee or any order preventing or suspending the use of the Preliminary Prospectus or the Prospectus, or any amendment or supplement thereto, or the institution of proceedings for that purpose, (iii) of the issuance by the Commission or by any state securities commission of any proceedings for the suspension of the qualification of any of the Securities for offering or sale in any jurisdiction or of the initiation, or the threatening, of any proceeding for that purpose, (iv) of the receipt of any comments from the Commission; and (v) of any request by the Commission for any amendment to the Registration Statement or any amendment or supplement to the Prospectus or for additional information. If the Commission or any state securities commission shall enter a stop order or suspend such qualification at any time, the Company will make every reasonable effort to obtain promptly the lifting of such order or suspension at the earliest possible time.

(c) The Company shall file the Prospectus or transmit the Prospectus by a means reasonably calculated to result in filing with the Commission pursuant to Rule 424(b)(1) (or, if applicable and if consented to by the Underwriters, pursuant to Rule 424(b)(4)) on or before the date it is required to be filed under the Securities Act and the Rules and Regulations.

(d) The Company will give the Underwriters notice of its intention to file or prepare any amendment to the Registration Statement (including any post-effective amendment) or any amendment or supplement to the Prospectus (including any revised prospectus which the Company proposes for use by the Underwriters in connection with the offering of the Securities which differs from the corresponding prospectus on file at the Commission at the time the Registration Statement becomes effective, whether or not such revised prospectus is required to be filed pursuant to Rule 424(b) of the Rules and Regulations), and will furnish the Underwriters with copies of any such amendment or supplement a reasonable amount of time prior to such proposed filing or use, as the case may be, and will not file any such prospectus to which the Underwriters or Underwriters' Counsel shall reasonably object.

(e) The Company will furnish to the Underwriters and Underwriters' Counsel, without charge, three photocopies of the manually executed Registration Statement (including exhibits thereto) and, so long as delivery of a prospectus by an Underwriter or dealer may be required by the Securities Act, as many copies of each Preliminary Prospectus and Prospectus and any supplement thereto as the Underwriters may reasonably request.

(f) The Company shall endeavor in good faith, in cooperation with the Underwriters at or prior to the time the Registration Statement becomes effective, to qualify the Securities for offering and sale under the securities laws of such jurisdictions as the Underwriters may designate to permit the continuance of sales and dealings therein for as long as may be necessary to complete the distribution contemplated hereby, and shall make such applications, file such documents and furnish such information as may be required for such purpose; provided, however, the Company shall not be required to qualify as a foreign corporation, subject itself to taxation or file a general consent to service of process in any such jurisdiction. In each jurisdiction where such qualification shall be effected, the Company will, unless the Underwriters agree that such action is not at the time necessary or advisable, use all reasonable efforts to file and make such statements or reports at such times as are or may reasonably be required by the laws of such jurisdiction to continue such qualification for so long as may be necessary to complete the distribution contemplated hereby.

(g) During the time when a prospectus is required to be delivered under the Securities Act, the Company shall comply with all requirements imposed upon it by the Securities Act and the Exchange Act, as now and hereafter amended and by the Rules and Regulations, as from time to time in force, so far as necessary to permit the continuance of sales of or dealings in the Notes in accordance with the provisions hereof and the Prospectus, or any amendments or supplements thereto. If at any time when a prospectus relating to the Securities is required to be delivered under the Securities Act, any event shall have occurred as a result of which, in the opinion of counsel for the Company or Underwriters' Counsel, the Prospectus, as then amended or supplemented, includes an

untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading, or if it is necessary at any time to amend the Prospectus to comply with the Securities Act, the Company will notify the Underwriters promptly and prepare and file with the Commission an appropriate amendment or supplement in accordance with Section 10 of the Securities Act, each such amendment or supplement to be reasonably satisfactory to Underwriters' Counsel, and the Company will furnish to the Underwriters copies of such amendment or supplement as soon as available and in such quantities as the Underwriters may reasonably request.

(h) As soon as practicable, but in any event not later than 45 days after the end of the 12-month period beginning on the day after the end of the fiscal quarter of the Company during which the effective date of the Registration Statement occurs (90 days in the event that the end of such fiscal quarter is the end of the Company's fiscal year), the Company shall make generally available to its securityholders, in the manner specified in Rule 158(b) of the Rules and Regulations, and to the Underwriters an earnings statement which will be in the detail required by, and will otherwise comply with, the provisions of Section 11(a) of the Securities Act and Rule 158(a) of the Rules and Regulations, which statement need not be audited unless required by the Securities Act, covering a period of at least 12 consecutive months after the effective date of the Registration Statement.

(i) If the Company engages in business with the Government of Cuba or with any person or affiliate located in Cuba, and the Company further agrees that if it commences engaging in business with the government of Cuba or with any person or affiliate located in Cuba after the date the Registration Statement becomes or has become effective with the Commission or with the Florida Department of Banking and Finance (the "Department"), whichever date is later, or if the information reported in the Prospectus, if any, concerning the Company's business with Cuba or with any person or affiliate located in Cuba changes in any material way, the Company will provide the Department notice of such business or change, as appropriate, in a form acceptable to the Department.

(j) For so long as the Company is a reporting company under either Section 13 or 15(d) of the Exchange Act, the Company will furnish to its securityholders, as soon as practicable, annual reports (including financial statements audited by independent public accountants) and will deliver to the Underwriters during the period ending at the earlier of the fifth anniversary of the date hereof or the date no Notes remain outstanding:

i) concurrently with furnishing such annual reports to its securityholders, a balance sheet of the Company as at the end of the preceding fiscal year, together with statements of operations, stockholders' equity and cash flows of the Company for such fiscal year, accompanied by a copy of the report

thereon of independent certified public accountants;

ii) copies of the Quarterly Report on Form 10-Q or Form 10-QSB;

iii) as soon as they are available, copies of all reports (financial or other) mailed to stockholders;

iv) as soon as they are available, copies of all reports and financial statements filed with the Commission, any state securities commission, the NASD, the NASDAQ Stock Market (NASDAQ), the American Stock Exchange or any other securities exchange;

v) every press release which was released by or on behalf of the Company or any of the Subsidiaries; and

vi) any additional information of a public nature concerning the Company or any of the Subsidiaries (and any future subsidiaries) or their respective businesses which the Underwriters may reasonably request.

The foregoing financial statements will be on a consolidated basis to the extent that the accounts of the Company and its Subsidiaries are consolidated, and will be accompanied by similar financial statements for any Subsidiary which is not so consolidated.

(k) For a period of four years after the Closing Date, the Company shall timely file all such reports, forms or other documents as may be required (including, but not limited to, a Form SR as may be required pursuant to Rule 463 under the Securities Act) from time to time under the Securities Act, the Exchange Act and the Rules and Regulations, and all such reports, forms and documents filed will comply as to form and substance with the applicable requirements under the Securities Act, the Exchange Act and the Rules and Regulations.

(l) The Company shall furnish to the Underwriters as early as practicable prior to each of the date hereof, the Closing Date and each Option Closing Date, if any, but no later than two full business days prior thereto, a copy of the latest available unaudited interim consolidated financial statements of the Company and the Subsidiaries (which in no event shall be as of a date more than 30 days prior to the date of the Registration Statement) which have been read by the Company's independent public accountants as stated in their letters to be furnished pursuant to Section 7(j) hereof.

(m) The Company shall use its best efforts to maintain the American Stock Exchange listing of the Common Stock.

(n) Until the completion of the distribution of the Notes, neither the

Company nor any of the Subsidiaries shall, without the prior written consent of the Underwriters and Underwriters' Counsel (which consent shall not be unreasonably withheld), issue, directly or indirectly, any press release or other communication or hold any press conference with respect to the Company, any of the Subsidiaries, their respective activities or the offering contemplated hereby, other than trade releases issued in the ordinary course of the Company's business consistent with past practices with respect to the Company's operations.

(o) The Company will comply with all provisions of all undertakings contained in the Registration Statement.

(p) For a period ending on the earlier of (i) four years from the date hereof and (ii) the issuance of all of the Underlying Stock, the Company will not take any action or actions which may cause the exemption from registration provided by Section 3(a)(9) of the Securities Act (or any successor provision) to be unavailable for the conversion into Common Stock.

(q) For a period of four years after the effective date of the Registration Statement, the Company shall use reasonable efforts to provide to the Underwriters, at the Underwriters' request and at the Company's sole expense, with a Blue Sky "Trading Survey" for secondary sales of the Company's securities prepared by counsel to the Company; provided, however that the Underwriters shall not make any such request unless the Common Stock or the Notes are not listed on NASDAQ, the NASDAQ Stock Market or a national securities exchange at the time of such request.

(r) to use the proceeds from the sale of the Notes in the manner described in the Prospectus under the caption "Use of Proceeds."

(s) to use its reasonable efforts to do and perform all things required to be done and performed under this Agreement by it that are within its control prior to or after the Closing Date and to use reasonable efforts to satisfy all conditions precedent on its part to the delivery of the Notes.

(t) to not, so long as the Notes are outstanding, be or become, or be or become owned by, an open-end investment company, unit investment trust or face-amount certificate company that is or is required to be registered under Section 8 of the Investment Company Act, and will not be or become, or be or become owned by, a closed-end investment company required to be registered, but not registered thereunder.

(u) in connection with the offering, until the Underwriters shall have notified the Company of the completion of the resale of the Notes, to not, and to use its reasonable best efforts to not permit any affiliated purchasers (as defined in Rule 10b-6 under the Exchange Act), either alone or with one or more other persons to, bid for or purchase, for any account in which it or any of its affiliated purchasers has a beneficial

interest, any Notes, or attempt to induce any person to purchase any Notes; and to not, and to use its reasonable best efforts to not permit any of its affiliated purchasers to, make bids or purchases for the purpose of creating actual, or apparent, active trading in or of raising the price of the Notes.

(v) to not take any action prior to the execution and delivery of the Indenture which, if taken after such execution and delivery, would have violated any of the covenants contained in the Indenture.

5. PAYMENT OF EXPENSES.

(a) The Company will pay all expenses incident to the performance of the obligations of the Company under this Agreement and the Indenture, including, without limitation: (i) the fees and expenses of accountants and counsel for the Company, (ii) all costs and expenses incurred in connection with the preparation, duplication, printing (including mailing and handling charges), filing, delivery and mailing (including the payment of postage with respect thereto) of each Preliminary Prospectus and the Prospectus and any amendments and supplements thereto, in quantities as hereinabove stated, (iii) the printing and filing of the Registration Statement and each amendment thereto and any registration under the Securities Act; (iv) the printing, engraving, issuance and delivery of the Notes, (v) the qualification of the Notes and the Underlying Stock under state or foreign securities or "Blue Sky" laws and determination of the status of such securities under legal investment laws, including the costs of printing and mailing the "Preliminary Blue Sky Memorandum" and, the "Supplemental Blue Sky Memorandum", and reasonable disbursements and fees of counsel for the Underwriters in connection therewith, (vi) costs and expenses of travel, food and lodging of Company personnel in connection with the "road show," information meetings and presentations, (vii) fees and expenses of the transfer agent and registrar, (viii) fees and expenses of the Trustee, including the Trustee's counsel, in connection with the Indenture and the Notes, (ix) fees incurred in connection with the rating, if any, of the Notes, (x) any transfer tax, stamp duty or similar tax payable by the Underwriters in connection with the purchase by the Underwriters of the Notes, (xi) the fees payable to the NASD incurred in connection with its review of the Underwriting terms of the offering of the Securities, (xii) the fees payable to the American Stock Exchange incurred in connection with the listing of the Underlying Stock for trading on the American Stock Exchange, (xiii) all costs of placing tombstone advertisements in The New York Times, The Wall Street Journal and the Investment Dealers Digest not to exceed an aggregate of $_____ and (xiv) all other costs and expenses incident to the performance of its obligations hereunder which are not specifically otherwise provided for in this Section.

(b) If this Agreement is terminated for any reason other than as a result of a breach of this Agreement by the Underwriters, the Company shall reimburse and indemnify the Underwriters for then reasonable actual accountable out-of-pocket

expenses, including the reasonable fees and expenses of Underwriters' Counsel. In addition, the Company shall remain liable for all Blue Sky counsel fees and expenses and Blue Sky filing fees as described above.

6. CONDITIONS OF THE UNDERWRITERS' OBLIGATIONS. The obligations of the Underwriters hereunder shall be subject to the continuing accuracy of the representations and warranties of the Company herein as of the date hereof and as of the Closing Date and each Option Closing Date, if any, as if they had been made on and as of the Closing Date or each Option Closing Date, as the case may be; and the performance by the Company on and as of the Closing Date and each Option Closing Date, if any, of its covenants and obligations hereunder and to the following further conditions:

(a) The Registration Statement (including the Statement of Eligibility and Qualification of the Trustee on Form T-l (the "Form T-1), shall have become effective not later than 5:30 p.m. New York time on the date hereof or at such later time and date as may have been approved by the Underwriters and no stop order suspending the effectiveness of the Registration Statement (including the Form T-l) shall have been issued and no proceedings for that purpose shall have been instituted or shall be pending or, to the knowledge of the Company or the Underwriters, threatened by the Commission, and any request on the part of the Commission for additional information shall have been complied with to the reasonable satisfaction of Underwriters' Counsel. If the Company has elected to rely upon Rule 430A of the Rules and Regulations, the price of the Securities and any price-related information previously omitted from the effective Registration Statement pursuant to such Rule 430A shall have been transmitted to the Commission for filing pursuant to Rule 424(b) of the Rules and Regulations within the prescribed time period, and prior to the Closing Date the Company shall have provided evidence satisfactory to the Underwriters of such timely filing, or a post-effective amendment providing such information shall have been promptly filed and declared effective in accordance with the requirements of Rule 430A of the Rules and Regulations.

(b) The Underwriters shall not have advised the Company that the Registration Statement, or any supplement or amendment thereto, contains an untrue statement of fact which, in the Underwriters' reasonable opinion, is material or omits to state a fact which, in the Underwriters' reasonable opinion, is material and is required to be stated therein or is necessary to make the statements therein not misleading, or that the Prospectus or any supplement thereto, contains an untrue statement of fact which, in the Underwriters' reasonable opinion, is material or omits to state a fact which, in the Underwriters' reasonable opinion is material and is required to be stated therein or is necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. No order suspending the sale of the Securities in any jurisdiction shall have been issued on either the Closing Date or the relevant Option Closing Date, if any, and no proceedings for that purpose shall have been instituted or shall, to the knowledge of the Underwriters, be threatened.

(c) On or prior to the Closing Date and each Option Closing Date, if any, the Underwriters shall have received from Underwriters' Counsel such options or opinions with respect to the organization of the Company, the validity of the Notes, the Underlying Stock, the Registration Statement and other related matters as the Underwriters may request and Underwriters' Counsel shall have received such papers and information as they request to enable it to pass upon such matters.

(d) On the Closing Date, the Underwriters shall have received the opinion of Greenberg, Traurig, Hoffman, Lipoff, Rosen & Quentel, P.A., counsel to the Company, dated the Closing Date, addressed to the Underwriters and in form and substance satisfactory to the Underwriters and Underwriters' Counsel to the effect that:

i) the Company and each of the Subsidiaries (A) has been duly organized and is validly existing as a corporation in good standing under the laws of its jurisdiction of incorporation, (B) is duly qualified and licensed and in good standing as a foreign corporation in each jurisdiction identified in Annex A attached hereto wherein it owns or leases material properties or conducts material business and (C) has all requisite corporate power and authority to own or lease its properties and conduct its business as, to the knowledge of such counsel, it is now conducted;

ii) the Company has a duly authorized, issued and outstanding capitalization as set forth in the Prospectus under the caption "Capitalization," subject to such adjustments therein as are expressly contemplated by the Prospectus; the Company owns, directly or through one or more of the Subsidiaries, the percentage of the outstanding capital stock of each Subsidiary as described in Annex A attached hereto, in each case free and clear of any liens, charges, claims, encumbrances, pledges, security interests, defects or other encumbrances;

iii) except as disclosed in the Registration Statement, to such counsel's knowledge neither the Company nor any of the Subsidiaries is a party to or bound by any instrument, agreement or other arrangement providing for it to issue any capital stock, rights, warrants, options or other securities of the Company or any of the Subsidiaries, except for this Agreement and the Indenture and as described in the Registration Statement; the Securities and all other securities issued or issuable by each of the Company or any of the Subsidiaries conform, or when issued and paid for, will conform in all material respects to all statements with respect thereto contained in the Registration Statement and the Prospectus; all issued and outstanding equity securities (including capital stock and options and rights with respect thereto) of the Company or any of the Subsidiaries have been duly authorized and validly issued and are fully paid and non-assessable; the holders thereof are not subject to personal liability by reason of being such

holders; to such counsel's knowledge, none of such securities were issued in violation of the preemptive rights of any securityholder of the Company or any of the Subsidiaries or similar contractual rights granted by the Company or any of the Subsidiaries or applicable securities laws; the Notes have been duly authorized and, when validly authenticated, issued, delivered and paid for in the manner contemplated by the Indenture and this Agreement, will be duly authorized, validly issued and outstanding obligations of the Company entitled to the benefits of the Indenture (except as such benefits may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application relating to or effecting creditors' rights and the application of equitable principles in any action, legal or equitable); the Notes and the Indenture conform in all material respects to the description thereof set forth in the Registration Statement and the Prospectus; the shares of Common Stock issuable upon conversion of the Notes will, upon such issuance in accordance with the Indenture, be duly authorized, validly issued, fully paid and non-assessable; the Company has duly authorized and reserved for issuance upon conversion of the Notes the shares of Common Stock issuable upon such conversion; the Securities to be sold by the Company hereunder and under the Indenture are not and will not be subject to any preemptive or other similar rights of any securityholder of the Company or any of the Subsidiaries; the holders thereof will not be subject to any liability solely as such holders; all corporate action required to be taken for the authorization, issue and sale of the Securities has been duly and validly taken; the certificates representing the Securities are in due and proper form; and upon the issuance and delivery pursuant to this Agreement and the Indenture of the Notes to be sold by the Company hereunder, and when the Underwriters take delivery of the certificates representing the Notes, and assuming the Underwriters are acquiring the Notes in good faith without notice of any adverse claim (within the meaning of the Uniform Commercial Code) the Underwriters will acquire good and marketable title thereto free and clear of any pledge, lien, charge, claim, encumbrance, security interest or other encumbrance;

iv) the Registration Statement (including the Form T-1) is effective under the Securities Act; a Prospectus containing the information permitted to be omitted under Rule 430A has been filed in accordance with Rule 424(b); and to such counsel's knowledge after due inquiry, no stop order suspending the effectiveness of the Registration Statement or the qualification of the Trustee is in effect and no proceedings for that purpose have been instituted or are threatened by the Commission (in rendering the opinion required by this paragraph (iv), such counsel may rely solely on the oral advice of the staff of the Commission to the extent written confirmation from the Commission has not been received);

v) the Registration Statement and the Prospectus, and any

amendments or supplements thereto (other than the financial statements and notes thereto and other financial, statistical and accounting data included therein or omitted therefrom and the Form T-1, as to which no opinion need be rendered) comply as to form in all material respects with the requirements of the Securities Act, the Trust Indenture Act and the Rules and Regulations; and each of the Incorporated Documents (except for the financial statements and the notes thereto and the schedules and other financial and statistical data included therein, as to which such counsel need not express any opinion) complies as to form in all material respects with the Exchange Act and the rules and regulations of the Commission thereunder;

vi) the Indenture has been qualified under the Trust Indenture Act;

vii) the descriptions in the Registration Statement and the Prospectus of agreements and documents to which the Company or any of the Subsidiaries is a party or by which any of them or their respective properties are bound, including any agreement or document incorporated by reference into the Registration Statement and the Prospectus or of any statutes, are accurate in all material respects and fairly present the subject matter thereof; to such counsel's knowledge there is no action, arbitration, suit or other proceeding against the Company or any of the Subsidiaries, or involving the properties or business of the Company or any of the Subsidiaries, which (x) questions the validity of the capital stock of the Company or any of the Subsidiaries or of this Agreement, the Indenture or of any action taken or to be taken by the Company or any of the Subsidiaries pursuant to or in connection with any of the foregoing or (y) except as disclosed in the Prospectus, could have a Material Adverse Effect;

viii) the Company has full legal right, corporate power and authority to execute, deliver and perform each of this Agreement and the Indenture and to consummate the transactions provided for herein and therein; and the execution, delivery and performance of each of this Agreement and the Indenture has been duly authorized, each of this Agreement and the Indenture has been duly executed and delivered by the Company, and, assuming due authorization, execution and delivery by each other party thereto, constitutes a legal, valid and binding agreement of the Company enforceable against the Company in accordance with its terms (except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application relating to or affecting enforcement of creditors' rights and the application of equitable principles in any action, legal or equitable, and except as rights to indemnity or contribution may be limited by applicable law);

ix) the execution or delivery by the Company of this Agreement

and the Indenture, its performance hereunder or thereunder, its consummation of the transactions contemplated herein or therein, each in accordance with its terms, do not and will not conflict with or result in any breach or violation of, constitutes a default under or result in the creation or imposition of any lien, charge, claim, encumbrance, pledge, security interest or other encumbrance upon any property or assets of the Company or any of the Subsidiaries pursuant to the terms of (A) the articles of incorporation or by-laws of the Company or any of the Subsidiaries, (B) any license, contract, indenture, mortgage, deed of trust, voting trust agreement, stockholders' agreement, note, loan or credit agreement or other agreement or instrument known to such counsel to which the Company or any of the Subsidiaries is a party or by which any of them is or may be bound or to which any of their respective properties or assets is or may be subject, except for such conflicts, breaches, violations, defaults and creations or impositions which in the aggregate would not have a Material Adverse Effect, or (C) any statute, rule or regulation (other than federal or state securities laws) or, to the best of such counsel's knowledge, any judgment, decree or order applicable to the Company or any of the Subsidiaries of any arbitrator, court, regulatory body or administrative agency or other governmental agency or body having jurisdiction over the Company or any of the Subsidiaries or any of their respective activities or properties, except with respect to this clause (C) for such conflicts, breaches, violations, defaults and creations or impositions which in the aggregate would not have a Material Adverse Effect;

x) to the knowledge of such counsel, the Company and the Subsidiaries are not in violation of their respective charters or by-laws; neither the Company nor any of the Subsidiaries is in breach or, or in default with respect to, any provisions of any license, contract, indenture, mortgage, deed of trust, voting trust agreement, stockholders' agreement, note, loan or credit agreement or other agreement or instrument known to such counsel to which the Company or any of the Subsidiaries is a party or by which any of them is or may be bound or to which any of their respective properties or assets is or may be subject, except for such breaches or defaults as would not have a Material Adverse Effect, and to the knowledge of such counsel, the Company and the Subsidiaries are in material compliance with all laws, rules and regulations and all judgments, decrees and orders of any judicial or governmental authority to which the Company or any of the Subsidiaries or by which any of them is or may be bound or to which any of their respective properties or assets is or may be subject, except for such noncompliance as would not have a Material Adverse Effect;

xi) no consent, approval, authorization or order of, and no filing with, any court, regulatory body, government agency or other body (other than such as may have been made or obtained and such as may be required under state securities or Blue Sky laws or the rules of the NASD, as to which no opinion

need be rendered) is required in connection with the issuance of the Securities as contemplated by the Prospectus, the performance by the Company of this Agreement and the Indenture and the transactions contemplated hereby and thereby;

xii) the information contained in the Prospectus under the caption "Description of the Notes," "Business - Legal Proceedings" and "Certain United States Federal Income Tax Considerations," to the extent that it constitutes matters of law, summaries of legal matters, documents or proceedings, or legal conclusions, has been received by such counsel and is correct in all material respects;

xiii) neither the consummation of the transactions contemplated by this Agreement nor the sale, issuance, execution or delivery of the Notes will violate Regulation G, T, U or X of the Federal Reserve Board; and

xiv) the Company is not an "investment company," a company controlled by, or under common control with, an "investment company," or a "promoter" or "principal underwriter" for, an "investment company" as such terms are defined in the Investment Company Act of 1940, as amended.

In rendering such opinion, such counsel may rely: (A) as to matters involving the application of laws other than the laws of the United States and jurisdictions in which they are admitted, to the extent such counsel deems proper and to the extent specified in such opinion, if at all, upon an opinion or opinions (in form and substance reasonably satisfactory to Underwriters' Counsel) of other counsel acceptable to Underwriters' Counsel, familiar with the applicable laws; and (B) as to matters of fact, to the extent they deem proper, on certificates and written statements of responsible officers of the Company and certificates or other written statements of officers of departments of various jurisdictions having custody of documents respecting the corporate existence or good standing of the Company and the Subsidiaries, provided, that copies of any such statements or certificates shall be delivered to Underwriters' Counsel if requested. The opinion of such counsel for the Company shall state that the opinion of any such other counsel is in form satisfactory to such counsel and that the Underwriters and they are justified in relying thereon. At each Option Closing Date, if any, the Underwriters shall have received the favorable opinion of Greenberg, Traurig, Hoffman, Lipoff, Rosen & Quentel, P.A., dated such Option Closing Date, addressed to the Underwriters and in form and substance satisfactory to the Underwriters and Underwriters' Counsel confirming as of such Option Closing Date the statements made by such counsel in their opinion delivered on the Closing Date.

(e) Greenberg, Traurig, Hoffman, Lipoff, Rosen & Quentel, P.A. shall state in the opinion letters contemplated by Section 6(d) that such counsel has participated in conferences with officers and other representatives of the Company and representatives of the independent public accountants for the Company and the Subsidiaries and the

Underwriters, at which conferences the contents of the Registration Statement and related matters were discussed, and, although such counsel is not passing upon, and does not assume any responsibility for, the accuracy, completeness or fairness of the statements contained in the Registration Statement, on the basis of the foregoing, no facts have come to the attention of such counsel which has lead them to believe that the Registration Statement as of its effective date contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, except that such counsel need express no opinion or belief with respect to the financial statements and related notes and other financial, statistical or accounting data included in the Registration Statement or excluded therefrom.

(f) On the Closing Date and each Option Closing Date, if any, Underwriters' Counsel shall have been furnished such documents, certificates and opinions as they may reasonably require and have requested reasonably in advance for the purpose of enabling them to review or pass upon the matters referred to in Section 6(c) hereof or in order to evidence the accuracy, completeness or satisfaction of any of the representations, warranties or conditions of the Company herein contained.

(g) On and as of the Closing Date and each Option Closing Date, if any: (i) there shall have been no material adverse change and no development involving a prospective material adverse change in the condition, financial or otherwise, prospects, stockholders' equity or the business activities of the Company and the Subsidiaries taken as a whole, whether or not in the ordinary course of business, from the latest dates as of which such condition is set forth in the Registration Statement and Prospectus; (ii) there shall have been no transaction, not in the ordinary course of business, entered into by the Company or any of the Subsidiaries, from the latest date as of which the financial condition of the Company and the Subsidiaries is set forth in the Registration Statement and Prospectus which is materially adverse to the Company and the Subsidiaries taken as a whole; (iii) neither the Company nor any of the Subsidiaries shall be in default under any provision of any instrument relating to any material outstanding indebtedness; (iv) no material amount of the assets of the Company or any of the Subsidiaries shall have been pledged or mortgaged, except as set forth in the Prospectus; (v) no action, suit or proceeding, at law or in equity, shall have been pending or, threatened (or circumstances which could reasonably be expected to give rise to same shall have arisen) against the Company or any of the Subsidiaries, or affecting any of their respective properties or businesses, before or by any court or federal, state or foreign commission, board or other administrative agency wherein an unfavorable decision, ruling or finding may have a Material Adverse Effect, except as set forth in the Prospectus; and (vi) no stop order shall have been issued under the Securities Act and no proceedings therefor shall have been initiated or threatened by the Commission or any state regulatory authority.

(h) On the Closing Date and each Option Closing Date, if any,

the Underwriters shall have received a certificate of the Company signed by the chairman and by the chief financial or chief accounting officer of the Company, in their capacities as such, dated the Closing Date or such Option Closing Date, as the case may be, to the effect that each of such persons has carefully examined the Registration Statement, the Prospectus, this Agreement and the Indenture and that:

i) the representations and warranties of the Company in this Agreement are true and correct in all material respects, as if made on and as of the Closing Date or such Option Closing Date, as the case may be, and the Company has complied in all material respects with all agreements and covenants and satisfied all conditions contained in this Agreement and the Indenture on its part to be performed or satisfied at or prior to the Closing Date or such Option Closing Date, as the case may be;

ii) no stop order suspending the effectiveness of the Registration Statement or any part thereof or the qualification of the Trustee is in effect and no proceedings for that purpose are pending or, to such officer's knowledge, threatened;

iii) since the date of the most recent financial statements included in the Prospectus, there has been no material adverse change in the condition, financial or otherwise business, prospects or results of operation of the Company and the Subsidiaries, taken as a whole, whether or not arising from transactions in the ordinary course of business, except as set forth in the Prospectus;

iv) the Registration Statement and the Prospectus and, if any, each amendment and each supplement thereto, contain all statements and information required to be included therein, and none of the Registration Statement or any amendment or supplement thereto includes any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading and none of the Prospectus or any amendment or supplement thereto includes any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and

v) subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus: (a) neither the Company nor any of the Subsidiaries has incurred up to and including the Closing Date or the Option Closing Date, as the case may be, other than in the ordinary course of its business, any material liabilities or obligations, direct or continent, except as disclosed in the Prospectus; (b) neither the Company nor any of the Subsidiaries

has paid or declared any dividends or other distributions, other than regular cash dividends, on its capital stock except as disclosed in the Prospectus; (c) neither the Company nor any of the Subsidiaries has entered into any material transactions not in the ordinary course of business, except as disclosed in the Prospectus; (d) there has not been any material change in the capital stock of the Company from the description thereof in the Registration Statement; (e) neither the Company nor any of the Subsidiaries has sustained any material loss or damage to its property or assets, whether or not insured; and (f) there is no litigation which is pending or to the best of the Company's knowledge threatened against the Company, any of the Subsidiaries or any affiliated party of any of the foregoing which would have a Material Adverse Effect and which is required to be set forth in an amended or supplemented Prospectus which has not been set forth.

(i) On or prior to the Closing Date and each Option Closing Date, if any, the Underwriters shall have received a certificate signed by the secretary of the Company, in his capacity as such, dated the Closing Date or such Option Closing Date, as the case may be, as to:

i) the absence of any contemplated proceeding for the merger, consolidation, liquidation or dissolution of the Company or any Subsidiary, as the case may be, or the sale of all or substantially all of its assets;

ii) the due adoption and full force and effect of the By-laws of the Company (with a copy of the By-laws attached);

iii) resolutions adopted by the Board of Directors of the Company and/or a committee thereof authorizing the offering of the Notes and the consummation of the transactions contemplated by this Agreement and the Indenture (with copies of such resolutions attached); and

iv) the incumbency, authorization and signatures of certain officers and directors of the Company, including all those signing this Agreement, the Indenture and/or any certificate delivered at such closing.

(j) By no later than 5:00 p.m. New York City time on the date hereof the Underwriters shall have received a letter, dated such date, addressed to the Underwriters in form and substance satisfactory in all respects (including the non-material nature of the changes or decreases, if any, referred to in clause (iii) below) to the Underwriters and Underwriters' Counsel, from Deloitte & Touche LLP:

i) confirming that they are independent certified public accountants with respect to the Company within the meaning of the Securities Act and the Exchange Act and the applicable Rules and Regulations;

ii) stating that it is their opinion that the consolidated financial statements and supporting schedules of the Company included in the Registration Statement comply as to form in all material respects with the applicable accounting requirements of the Securities Act and the Exchange Act and the applicable Rules and Regulations;

iii) stating that, on the basis of procedures which included a reading of the latest available interim consolidated financial statements of the Company (with an indication of the date of the latest available unaudited consolidated financial statements of the Company), a reading of the latest available minutes of the stockholders and board of directors and the various committees of the board of directors of each of the Company and the Subsidiaries, consultations with officers and other employees of each of the Company and the Subsidiaries responsible for financial and accounting matters and other procedures specified by the American Institute of Certified Public Accountants for a review of interim financial information, nothing has come to their attention which would lead them to believe that:

(A) the unaudited consolidated financial statements of the Company included in the Registration Statement are not in conformity with generally accepted accounting principles applied on a basis substantially consistent with that of the audited consolidated financial statements contained in the Registration Statement;

(B) the unaudited consolidated financial statements of the Company included in the Registration Statement are not in conformity in form in all material respects with applicable requirements of the Securities Act and the applicable published rules and regulations with respect to financial statements included or incorporated in quarterly reports on Form 10- Q under the Exchange Act;

(C) at the date of the latest available balance sheet read by Deloitte & Touche LLP, and at a subsequent date not more than five business days prior to the date of delivery of such letter, there has been any increase in consolidated short-term indebtedness or long-term indebtedness of the Company and the Subsidiaries, or any decrease in the stockholders' equity or net current assets or net assets of the Company, as compared with amounts shown in the latest balance sheet included in the Registration Statement, other than as set forth in or contemplated by the Registration Statement, or, if there was any change or decrease, setting forth the amount of such change or decrease; or

(D) the period from the date of the latest income

statement included in the Registration Statement to the date of the latest available income statement read by Deloitte & Touche LLP, and at a subsequent date not more than five business days prior to the date of delivery of such letter, there was any decrease in consolidated net revenues or net income, or net income per common share of the Company, in each case as compared with the corresponding period of the previous year, other than as set forth in or contemplated by the Registration Statement, or, if there was any such decrease, setting forth the amount of such decrease.

iv) stating that they have compared specific dollar amounts, numbers of shares, percentages of revenues and earnings, statements and/or other financial information pertaining to the Company and the Subsidiaries contained in the Registration Statement (in each case to the extent that such amounts, numbers, percentages, statements and information may be derived from the general accounting records, including work sheets, of the Company and the Subsidiaries and excluding any questions requiring an interpretation by legal counsel), with the results obtained from the application of specified readings, inquiries and other appropriate procedures set forth in the letter and found them to be in agreement with such results; and

v) statements as to such other matters incident to the transaction contemplated hereby as the Underwriters may request.

(k) At the Closing Date and each Option Closing Date, if any, the Underwriters shall have received from Deloitte & Touche LLP a letter, dated as of the Closing Date or such Option Closing Date, as the case may be, to the effect that they reaffirm that statements made in the letter furnished pursuant to Section 6(j) hereof, except that the specified date referred to shall be a date not more than five days prior to the Closing Date or such Option Closing Date, as the case may be, and, if the Company has elected to rely on Rule 430A of the Rules and Regulations, to the further effect that they have carried out procedures as specified in clause (iv) of Section 6(j) hereof with respect to certain amounts, percentages and financial information as specified by the Underwriters and deemed to be a part of the Registration Statement pursuant to Rule 430A(b) and have found such amounts, percentages and financial information to be in agreement with the records specified in such clause (iv).

(l) The Company shall have delivered to the Underwriters a letter from Deloitte & Touche LLP addressed to the Company stating that they have not with respect to or subsequent to the Company's fiscal year ended _____, 1997 brought to the attention of any of the Company's or the Subsidiaries management any 'weakness' as defined in Statement of Auditing Standard No. 60 "Communication of Internal Control Structure Related Matters Noted in an Audit" in any of Company's or the Subsidiaries' internal controls.

(m) On each of the Closing Date and each Option Closing Date, if any, there shall have been duly tendered to the Underwriters the appropriate principal amount of Notes.

(n) Trading in the Common Stock shall not have been suspended by the American Stock Exchange at any time after _____, 1997.

(o) Subsequent to the execution and delivery of this Agreement there shall not have occurred any of the following: (i) trading in securities generally on the New York Stock Exchange, the American Stock Exchange or the over-the-counter market shall have been suspended or limited, or minimum prices shall have been established on either of such exchanges or such market by the Commission, by such exchange or by any other regulatory body or governmental authority having jurisdiction, or trading in securities of the Company on any exchange or in the over-the-counter market shall have been suspended or (ii) any moratorium on commercial banking activities shall have been declared by Federal or New York State authorities or (iii) an outbreak or escalation of hostilities or a declaration by the United States of a national emergency or war or such a material adverse change in general economic, political or financial conditions (or the effect of international conditions on the financial markets in the United States shall be such) as to make it, in the judgment of the Underwriters, impracticable or inadvisable to proceed with the offering or the delivery of the Notes on the terms and in the manner contemplated in the Registration Statement.

(p) The Indenture shall have been duly executed and delivered by the Company and the Trustee and the Notes shall have been duly executed and delivered by the Company and duly authenticated by the Trustee.

(q) On the Closing Date the Underwriters shall have received the favorable opinion of [Victor H. Mendelson], Esq., General Counsel of the Company, dated the Closing Date, and addressed to the Underwriters and in form and substance satisfactory to the Underwriters and Underwriters' Counsel to the effect that:

i) the Company and each of the Subsidiaries has full corporate power and authority, and all necessary governmental authorizations, approvals, orders, licenses, certificates, franchises and permits of and from all governmental regulatory officials and bodies (except where the failure to so have any such authorizations, approvals, orders, licenses, certificates, franchises or permits, individually or in the aggregate, would not have a Material Adverse Effect), to own their respective properties and to conduct their respective businesses as now being conducted as described in the Prospectus;

ii) the Company owns of record, directly or indirectly, all the outstanding shares of capital stock of each of the Subsidiaries free and clear of any adverse claims or restrictions whatsoever, except as disclosed in the Prospectus;

iii) except as described in the Prospectus or in the Incorporated Documents, such counsel does not know of any outstanding option, warrant or other right calling for the issuance of, and such counsel does not know of any commitment, plan or arrangement to issue, any share of capital stock of the Company or any security convertible into or exchangeable or exercisable for capital stock of the Company; except as described in the Prospectus, such counsel does not know of any holder of any securities of the Company or any other person who has the right, contractual or otherwise, to cause the Company to sell or otherwise issue to them, or to permit them to underwrite the sale of, any of the Notes or the right to have any Common Stock or other securities of the Company included in the registration statement or the right, as a result of the filing of the registration statement, to require registration under the Act of any shares of Common Stock or other securities of the Company;

iv) the Company has full legal right, corporate power and authority to execute, deliver and perform each of this Agreement and the Indenture and to consummate the transactions provided for herein and therein; and the execution, delivery and performance of each of this Agreement and the Indenture has been duly authorized, each of this Agreement and the Indenture has been duly executed and delivered by the Company, and, assuming due authorization, execution and delivery by each other party thereto, constitutes a legal, valid and binding agreement of the Company enforceable against the Company in accordance with its terms (except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application relating to or affecting enforcement of creditors' rights and the application of equitable principles in any action, legal or equitable, and except as rights to indemnity or contribution may be limited by applicable law);

v) to the knowledge of such counsel, neither the Company nor any Subsidiary is in default in any material respect in the performance of any obligation, agreement or condition contained in any bond, debenture, note or other evidence of indebtedness or any material agreement, indenture, lease or other instrument to which the Company or any Subsidiary is a party or by which any of their respective properties may be bound, which default or violation has or would (with the passage of time, the giving of notice or both) have a Material Adverse Effect, except as may be disclosed in the Prospectus;

vi) the issuance, offer, sale and delivery of the Notes by the Company, the execution, delivery and performance of this Agreement and the Indenture by the Company, the compliance by the Company with the provisions hereof and thereof; and the consummation by the Company of the transactions contemplated hereby and thereby do not and will not result in any violation of any judgment, injunction, order or decree known to such counsel after reasonable

inquiry, applicable to the Company or any of the Subsidiaries or any of their respective properties; and

vii) no consent, approval, authorization or order of, and no filing with, any court, regulatory body, government agency or other body (other than such as may have been made or obtained and such as may be required under state securities or Blue Sky laws or the rules of the NASD, as to which no opinion need be rendered) is required in connection with the issuance of the Securities as contemplated by the Prospectus, the performance by the Company of this Agreement and the Indenture and the transactions contemplated hereby and thereby.

In rendering such opinion, such counsel may rely: (A) as to matters involving the application of laws other than the laws of the United States and jurisdictions in which they are admitted, to the extent such counsel deems proper and to the extent specified in such opinion, if at all, upon an opinion or opinions (in form and substance satisfactory to Underwriters' Counsel) of other counsel acceptable to Underwriters' Counsel, familiar with the applicable laws; and (B) as to matters of fact, to the extent they deem proper, on certificates and written statements of responsible officers of the Company and certificates or other written statements of officers of departments of various jurisdictions having custody of documents respecting the corporate existence or good standing of the Company and the Subsidiaries, provided, that copies of any such statements or certificates shall be delivered to Underwriters' Counsel if requested. The opinion of such counsel shall state that the opinion of any such other counsel is in form satisfactory to such counsel and that the Underwriters and they are justified in relying thereon. At each Option Closing Date, if any, the Underwriters shall have received the favorable opinion of such counsel, dated such Option Closing Date, addressed to the Underwriters and in form and substance satisfactory to the Underwriters and Underwriters' Counsel confirming as of such Option Closing Date the statements made by such counsel in their opinion delivered on the Closing Date.

(r) Such counsel shall state in the opinion letters contemplated by Section 6(q) that such counsel has participated in conferences with officers and other representatives of the Company and representatives of the independent public accountants for the Company and the Subsidiaries and the Underwriters, at which conferences the contents of the Registration Statement and related matters were discussed, and, although such counsel is not passing upon, and does not assume any responsibility for, the accuracy, completeness or fairness of the statements contained in the Registration Statement on the basis of the foregoing, no facts have come to the attention of such counsel which has lead them to believe that the Registration Statement as of its date contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, except that such counsel need express no opinion or belief with respect to the financial statements and related notes and other financial, statistical or accounting data included in the Registration Statement or

excluded therefrom.

(s) On or prior to the date hereof, the Underwriters shall have received clearance from the NASD as to the amount of compensation allowable or payable to the Underwriters, as described in the Registration Statement.

All opinions, letters, evidence and certificates mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof only if they are in form and substance reasonably satisfactory to the Underwriters.

If any condition to the Underwriters' obligations hereunder to be fulfilled prior to or at the Closing Date or the relevant Option Closing Date, as the case may be, is not so fulfilled, the Underwriters may terminate this Agreement or, if the Underwriters so elect, they may waive any such conditions which have not been fulfilled or extend the time for their fulfillment.

7. INDEMNIFICATION.

(a) The Company agrees to indemnify and hold harmless each of the Underwriters (for purposes of this Section 7, "Underwriters" shall include the officers, directors, partners, employees and agents of each of the Underwriters, including specifically each person who may be substituted for an Underwriter as provided in Section 11 hereof), and each person, if any, who controls an Underwriter ("controlling person") within the meaning of Section 15 of the Securities Act or Section 20(a) of the Exchange Act, from and against any and all losses, claims, damages, expenses or liabilities, joint or several (and actions, proceedings, suits and litigation in respect thereof), whatsoever (including but not limited to any and all reasonable expenses whatsoever incurred in investigating, preparing or defending against any action, suit, proceeding or litigation, commenced or threatened, or claim whatsoever), as the same are incurred, to which any of the Underwriters or any such controlling person may become subject (1) as a result of the failure of any representation or warranty made by the Company under Section 1 to be true and correct when made, or (2) under the Securities Act, the Exchange Act or any other statute or at common law or otherwise insofar as such losses, claims, damages, expenses or liabilities arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in (i) any Preliminary Prospectus, the Registration Statement or the Prospectus (as from time to time amended and supplemented) (ii) any post-effective amendment or amendments or any new registration statement and prospectus in which are included securities of the Company for use in the same offering or (iii) any blue sky application or other document executed by the Company specifically for that purpose or based upon written information furnished by the Company filed in any state or other jurisdiction in order to qualify any or all of the Securities under the securities laws thereof (any such application, document or information being hereinafter called a "Blue Sky Application"), or arise out of or are based upon the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make

the statements therein not misleading (in the case of the Prospectus, in the light of the circumstances under which they were made), provided, however, that the Company shall not be liable in any such case to the extent, but only to the extent, that any such loss, claim, damage, expense or liability arises out of or is based upon any untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in conformity with written information furnished to the Company by or on behalf of the Underwriters ("Underwriters Information") specifically for inclusion therein and provided, further, that with respect to any untrue statement or omission or alleged untrue statement or omission made in any Preliminary Prospectus or the Prospectus, the indemnification provided for herein shall not apply to any loss, liability, claim, damage or expense to the extent the same results from the sale of Notes to a person to whom there was not sent or given, at or prior to the written confirmation of such sale, a copy of the Prospectus, or in the case of an untrue statement or omission or alleged untrue statement or omission in the Prospectus, a copy of the amended Prospectus or supplement thereto, if the Company has previously furnished sufficient copies thereof, based upon the number of copies indicated by the Underwriters, to the Underwriters a reasonable time in advance and the claim, damage or expense of such person results from an untrue statement or alleged untrue statement or omission or alleged omission of a material fact contained in a Preliminary Prospectus or Prospectus that was corrected in the Prospectus or amendment or supplement thereto. The indemnity agreement in this Section 7(a) shall be in addition to any liability which the Company may have at common law or otherwise.

(b) The Underwriters agree severally and not jointly to indemnify and hold harmless the Company, each of its directors, each of its officers who have signed the Registration Statement and each other person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Section 20(a) of the Exchange Act, to the same extent as the foregoing indemnity from the Company to the Underwriters, but only with respect to statements or omissions made in conformity with the Underwriters' Information in any Preliminary Prospectus, the Registration Statement or the Prospectus or any amendment thereof or supplement thereto.

(c) Promptly after receipt by an indemnified party under this Section 7 of notice of the commencement of any action, suit or proceeding, such indemnified party shall, if a claim in respect thereof is to be made against one or more indemnifying parties under this Section 7, notify each party against whom indemnification is to be sought in writing of the commencement thereof (but the failure to notify an indemnifying party shall not relieve it from any liability which it may have under Section 7 (a) or (b) unless and to the extent that it has been prejudiced in a material respect by such failure or from the forfeiture of substantial rights and defenses). In case any such action, suit or proceeding is brought against any indemnified party, and it notifies an indemnifying party or parties of the commencement thereof, the indemnifying party or parties will be entitled to participate therein, and to the extent it may elect by written notice delivered to the indemnified party promptly after receiving the aforesaid notice from such indemnified party, to assume the

defense thereof with counsel reasonably satisfactory to such indemnified party, which may be the same counsel as counsel to the indemnifying party. Notwithstanding the foregoing, the indemnified party or parties shall have the right to employ its or their own counsel in any such case but the fees and expenses of such counsel shall be at the expense of such indemnified party or parties unless (i) the employment of such counsel shall have been authorized in writing by the indemnifying parties in connection with the defense of such action at the expense of the indemnifying party, (ii) the indemnifying parties shall not have employed counsel reasonably satisfactory to such indemnified party to take charge of the defense of such action within a reasonable time after notice of commencement of the action or (iii) such indemnified party or parties shall have reasonably concluded that there may be defenses available to it or them which are different from or additional to those available to one or all of the indemnifying parties (in which case the indemnifying parties shall not have the right to direct the defense of such action on behalf of such indemnified party or parties), in any of which events such fees and expenses of one additional counsel reasonably satisfactory o the indemnifying parties shall be borne by the indemnifying parties. In no event shall the indemnifying parties be liable for fees and expenses of more than one counsel (in addition to any local counsel) separate from their own counsel for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances. Anything in this Section 7 to the contrary notwithstanding, an indemnifying party shall not be liable for any settlement of any claim or action effected without its written consent.

(d) In order to provide for just and equitable contribution in any case in which (i) an indemnified party makes claim for indemnification pursuant to this Section 7, but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case notwithstanding the fact that the express provisions of this Section 7 provide for indemnification in such case, or (ii) contribution under the Securities Act may be required, then each indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid as a result of such losses, claims, damages, expenses or liabilities (or actions, suits, proceedings or litigation in respect thereof) (A) in such proportion as is appropriate to reflect the relative benefits received by each of the contributing parties, on the one hand, and the party to be indemnified on the other hand, from the offering of the Securities or (B) if the allocation provided by clause (A) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of each of the contributing parties, on the one hand, and the party to be indemnified, on the other hand, in connection with the statements or omissions that resulted in such losses, claims, damages, expenses or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company, on the one hand, and the Underwriters, on the other, shall be deemed to be in the same proportion as the total net proceeds from the offering of the

Notes (before deducting expenses) bear to the total discounts received by the Underwriters hereunder, in each case as set forth in the table on the cover page of the Prospectus. Relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by the Underwriters, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The amount paid or payable by an indemnified party as a result of the losses, claims, damages, expenses or liabilities (or actions, suits, proceedings or litigation in respect thereof) referred to above in this Section 7(d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating, preparing or defending any such action, claim, suit, proceeding or litigation. Notwithstanding the provisions of this Section 7(d), no Underwriter shall be required to contribute any amount in excess of the underwriting discount applicable to the Notes purchased by the Underwriters hereunder. No person guilty of fraudulent misrepresentation (within the meaning of Section 1 l(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 7, each person, if any, who controls the Company within the meaning of the Securities Act, each officer of the Company who signed the Registration Statement and each director of the Company shall have the same rights to contribution as the Company, subject in each case to this Section 7(d). Any party entitled to contribution will, promptly after receipt of notice of commencement of any action, suit, proceeding or litigation against such party in respect to which a claim for contribution may be made against another party or parties under this Section 7(d), notify such party or parties from whom contribution may be sought, but the omission so to notify such party or parties shall not relieve the party or parties from whom contribution may be sought from any obligation it or they may have hereunder or otherwise than under this Section 7(d), or to the extent that such party or parties were not adversely affected by such omission. The contribution agreement set forth above shall be in addition to any liabilities which any indemnifying party may have at common law or otherwise.

8. REPRESENTATIONS AND AGREEMENTS TO SURVIVE DELIVERY. All representations, warranties and agreements contained in this Agreement or contained in certificates of officers of the Company submitted pursuant hereto shall be deemed to be representations, warranties and agreements at the Closing Date and each Option Closing Date, as the case may be, and the agreements of the Company and the provisions with respect to the payment of expenses contained in Sections 5 and 10 and the respective indemnity agreements contained in Section 7 hereof shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any Underwriter, the Company, any of the Subsidiaries or any controlling person, and shall survive termination of this Agreement or the issuance and delivery of the Securities to the Underwriters.

9. EFFECTIVE DATE. This Agreement shall become effective at 10:00 a.m., New

York City time, on the next full business day following the date hereof, or at such earlier time after the Registration Statement becomes effective as the Underwriters, in their discretion, shall release the Notes for the sale to the public; provided, however, that the provisions of Sections 1, 5, 7 and 10 of this Agreement shall at all times be effective. For purposes of this Section 9, the Notes to be purchased hereunder shall be deemed to have been so released upon the earlier of dispatch by the Underwriters of telegrams to securities dealers releasing the Notes for offering or the release by the Underwriters for publication of the first newspaper advertisement which is subsequently published relating to the Notes.

10. TERMINATION.

(a) Subject to Section 10(b), the Underwriters shall have the right to terminate this Agreement and the obligations hereunder at any time prior to the Closing Date (and with respect to the Option Notes, the Option Closing Date), without liability on the part of any Underwriter if, on or prior to such date, (i) trading on the New York Stock Exchange, the American Stock Exchange, the NASDAQ Stock Market or in the over-the-counter market shall have been suspended, or minimum or maximum prices for trading shall have been fixed, or maximum ranges for prices for securities shall have been required in the over-the-counter market by the NASD or by order of the Commission or any other government authority having jurisdiction; (ii) the United States shall have become involved in a war or major hostilities, or there shall have been an escalation in an existing war or major hostilities, or a national emergency shall have been declared in the United States; (iii) a moratorium in foreign exchange trading has been declared; (iv) the Company or any of the Subsidiaries shall have sustained a loss material or substantial to the Company or any of the Subsidiaries by fire, flood, accident, hurricane, earthquake, theft, sabotage or other calamity or malicious act which, whether or not such loss shall have been insured, will, in the Underwriters' opinion, make it inadvisable to proceed with the delivery of the Securities; (v) there shall have been such a material adverse change in the conditions or prospects of the Company or any of the Subsidiaries as in the Underwriters' judgment would make it inadvisable to proceed with the offering, sale and/or delivery of the Securities; or (vi) there shall have been such a material adverse change in the general market, political or economic conditions in the United States or elsewhere, as in the Underwriters' judgment would make it inadvisable to proceed with the offering, sale and/or delivery of the Securities. The right of the Underwriters to terminate this Agreement will not be waived or otherwise relinquished by their failure to give notice of termination prior to the time that the event giving rise to the right to terminate shall have ceased to exist, provided that notice is given prior to the Closing Date (and, with respect to the Option Notes, the Option Closing Date).

(b) If this Agreement is terminated by the Underwriters in accordance with the provisions of Section 10(a) or Section 12 or if this Agreement shall not be carried out within the time specified herein, or any extension thereof granted to the Underwriters, by reason of any failure on the part of the Company to perform any undertaking or satisfy

any condition of this Agreement by it to be performed or satisfied (including, without limitation, pursuant to Section 6, Section 10(a) or Section 12), then the Company shall promptly reimburse and indemnify the Underwriters for all of their reasonable out-of-pocket expenses, including the fees and disbursements of Underwriters' Counsel. In addition, the Company shall remain liable for all Blue Sky counsel fees and expenses and Blue Sky filing fees. Notwithstanding any contrary provision contained in this Agreement, any election hereunder or any termination of this Agreement (including, without limitation, pursuant to Sections 6, 10, 11 and 12 hereof), and whether or not this Agreement is otherwise carried out, the provisions of Section 5 and Section 7 shall not be in any way affected by such election or termination or failure to carry out the terms of this Agreement or any part hereof.

11. SUBSTITUTION OF THE UNDERWRITERS. If one or more of the Underwriters shall fail (otherwise than for a reason sufficient to justify the termination of this Agreement under the provisions of Section 6, Section 10 or Section 12 hereof) to purchase the Securities which it or they are obligated to purchase on such date under this Agreement (the "Defaulted Securities"), the Underwriters shall have the right, within 48 hours thereafter, to make arrangement for one or more of the non-defaulting Underwriters, or any other underwriters, to purchase all, but not less than all, of the Defaulted Securities in such amounts as may be agreed upon and upon the terms herein set forth; if, however, the Underwriters shall not have completed such arrangements within such 48 hour period, then:

i) if the principal amount of Defaulted Securities does not exceed 10% of the aggregate principal amount of Firm Notes to be purchased on such date, the non-defaulting Underwriters shall be obligated to purchase the full amount thereof in the proportions that their respective underwriting obligations hereunder bear to the underwriting obligations of all non-defaulting Underwriters; or

ii) if the principal amount of Defaulted Securities exceeds 10% of the aggregate principal amount of Firm Notes, this Agreement shall terminate without liability on the part of any nondefaulting Underwriters.

No action taken pursuant to this Section 11 shall relieve any defaulting Underwriter from liability in respect of any default by such Underwriter under this Agreement.

In the event of any such default which does not result in a termination of this Agreement, the Underwriters shall have the right to postpone the Closing Date for a period not exceeding seven days in order to effect any required changes in the Registration Statement or Prospectus or in any other documents or arrangements.

12. DEFAULT BY THE COMPANY. If the Company shall fail at the Closing Date or any Option Closing Date, as applicable, to sell and deliver the number of Securities which it is obligated to sell hereunder on such date, then this Agreement shall terminate (or, if such default

shall occur with respect to any Option Securities to be purchased on an Option Closing Date, the Underwriters may, at their option, by notice from the Underwriters to the Company, terminate the Underwriters' obligation to purchase Option Notes from the Company on such date) without any liability on the part of any non-defaulting party other than pursuant to Sections 5, 7 and 10 hereof. No action taken pursuant to this Section 12 shall relieve the Company from liability, if any, in respect of such default.

13. NOTICES. All notices and communications hereunder, except as herein otherwise specifically provided, shall be given in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the Underwriters shall be directed to them at Forum Capital Markets L.P., 53 Forest Avenue, Old Greenwich, Connecticut 06870, Attention: Mr. C. Keith Hartley, with a copy to Paul, Hastings, Janofsky & Walker LLP, 399 Park Avenue, New York, New York 10019, Attention: Neil Torpey, Esq. Notices to the Company shall be directed to the Company at Heico Corporation, 3000 Taft Street, Hollywood, Florida 3021, Attention: General Counsel, with a copy to Greenberg, Traurig, Hoffman, Lipoff, Rosen & Quentel, P.A., 1221 Brickell Avenue, Miami, Florida 33131, Attention: Bruce MacDonough , Esq.

14. PARTIES. This Agreement shall inure solely to the benefit of and shall be binding upon the Underwriters, the Company and the controlling persons, directors and officers referred to in Section 7 hereof, and their respective successors, legal representatives and assigns, and no other person shall have or be construed to have any legal or equitable right, remedy or claim under or in respect of or by virtue of this Agreement or any provisions herein contained. No purchaser of Notes from the Underwriters shall be deemed to be a successor by reason merely of such purchase.

15. CONSTRUCTION. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York without giving effect to choice of law or conflict of laws principles.

16. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which taken together shall be deemed to be one and the same instrument.

17. ENTIRE AGREEMENT; AMENDMENTS. This Agreement constitutes the entire agreement of the parties hereto and supersedes all prior written or oral agreements, understandings and negotiations with respect to the subject matter hereof. This Agreement may not be amended except in a writing signed by the Underwriters and the Company.

If the foregoing correctly sets forth the understanding between the Underwriters and the Company, please so indicate in the space provided below for that purpose, whereupon this letter shall constitute a binding agreement among us.

Very truly yours,

HEICO CORPORATION

By: _____
Name:
Title:

Confirmed and accepted as of
the date first above written.

FORUM CAPITAL MARKETS L.P.

_____

By: FORUM CAPITAL MARKETS L.P.

By: _____
Name:
Title:

SCHEDULE I

NAME OF UNDERWRITER	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED
Forum Capital Markets L.P.	$_____
_____-	$_____
Total	$_____

ANNEX A

Name	State of Incorporation	Jurisdictions in which Qualified to Conduct Business
Heico Corporation	Florida	
[Subsidiaries]		

HEICO CORPORATION

COMPANY

and

TRUSTEE

INDENTURE

DATED AS OF , 1997

$----------

__ % Convertible Subordinated Notes Due 2004

PAGE

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TABLE OF AUTHORITIES

FEDERAL CASES

UNRECOGNIZED

The entries below, although they look like citations, could not be fully processed, since they did not contain any reporters built into the Full Authority dictionary.

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(a)(2)	7.10
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INDENTURE dated as of _____, 1997, between Heico Corporation, a Florida corporation, and _____, as trustee.

Each party agrees as follows for the benefit of the other party and for the equal and ratable benefit of the registered holders of the Company's ____% Convertible Subordinated Notes due _____, 2004 (the "NOTES"):

ARTICLE 1.

DEFINITIONS AND INCORPORATION BY REFERENCE

SECTION 1.1 DEFINITIONS.

"AFFILIATE" of a Person means (i) any other Person which, directly or indirectly, is in control of, is controlled by or is under common control with such specified Person. For the purpose of this definition, "CONTROL" of a Person means the power, directly or indirectly, to direct or cause the direction of the management and policies of such Person, whether by ownership of voting securities, by contract or otherwise, and "CONTROLLING" or "CONTROLLED" have corresponding meanings.

"AGENT" means any Registrar, Paying Agent or Conversion Agent.

"BOARD OF DIRECTORS" means the Board of Directors of the Company or any duly authorized committee thereof, except that, for purposes of the definitions of "CHANGE OF CONTROL," "CONTINUING DIRECTORS," and "BOARD OF DIRECTORS" means the Board of Directors of the Company.

"BUSINESS DAY" means any day other than a Saturday, Sunday or other day on which banking institutions in the city of New York, New York, are required or authorized by law or other governmental action to be closed.

"CAPITAL STOCK" of any Person means the Common Stock or Preferred Stock of such Person. Unless otherwise stated herein or the context otherwise requires, "Capital Stock" means Capital Stock of the Company.

"CHANGE OF CONTROL" means the occurrence of any of the following events after the date of this Indenture: (i) any Person (including, without limitation, any "person" within

the meaning of Section 13(d) or 14(d) of the Exchange Act, but excluding the Company, any Subsidiary and any employee benefit plan of the Company or any Subsidiary) becomes the direct or indirect beneficial owner of shares of Capital Stock representing greater than 50% of the combined voting power of all outstanding shares of Capital Stock entitled to vote in the election of directors under ordinary circumstances, (ii) the Company consolidates with or merges into any other Person and the outstanding Common Stock is changed or exchanged as a result, (iii) the sale, transfer or other disposition of a majority of the assets of the Company or of the collective assets of the Company and the Subsidiaries, (iv) at any time Continuing Directors cease for any reason to constitute a majority of the Board of Directors then in office, or (v) the Company makes any distribution of cash, Property or securities (other than regular quarterly dividends, Common Stock, Preferred Stock which is substantially equivalent to the Common Stock or rights to acquire Common Stock or Preferred Stock which is substantially equivalent to the Common Stock) to holders of Common Stock, or the Company or any Subsidiary purchases or otherwise acquires Common Stock, and the sum of the Fair Market Value of such cash, Property or securities distributed or Common Stock purchased on the date the same is made, plus the Fair Market Value, when made, of all other cash, Property or securities so distributed and Common Stock so purchased which have occurred during the 12-month period ending on such date, in each case expressed as a percentage of the aggregate Current Market Price of all Common Stock outstanding at the close of business on the last Trading Day prior to the date of such distribution or purchase, exceeds 50%.

"COMMON STOCK" of any Person other than the Company means the common equity (however designated), including, without limitation, common stock or partnership or membership interests of, or participations or interests in such Person (or equivalents thereof). "Common Stock" of the Company means the Common Stock, par value $.01 per share, of the Company, any successor class or classes of common equity (however designated) of the Company into or for which such Common Stock may hereafter be converted, exchanged or reclassified and any class or classes of common equity (however designated) of the Company which may be distributed or issued with respect to such Common Stock or successor class or classes to holders thereof generally. Unless otherwise stated herein or the context requires otherwise, "Common Stock" means Common Stock of the Company.

"COMPANY" means Heico Corporation, a Florida corporation, until a successor replaces it in accordance with the applicable provisions of this Indenture and, thereafter, "Company" shall mean such successor.

"CONTINUING DIRECTORS" means any member of the Board of Directors who (i) is a member of the Board of Directors on the date hereof or (ii) who was nominated or elected by at least two-thirds of the directors who were Continuing Directors at the time of such nomination or election or whose election to the Company's Board of Directors was recommended or endorsed by at least two-thirds of the directors who were Continuing Directors at the time of such election.

"CURRENT MARKET PRICE" means, when used with respect to any security as of any date, the last sale price, regular way, or, in case no such sale takes place on such date, the average of the closing bid and asked prices, regular way, of such security in either case as reported for consolidated transactions on the New York Stock Exchange or, if such security is not listed or admitted to trading on the New York Stock Exchange, as reported for consolidated transactions with respect to securities listed on the principal national securities exchange on which such security is listed or admitted to trading or, if such security is not listed or admitted to trading on any national securities exchange, as reported on the Nasdaq National Market, or, if such security is not listed or admitted to trading on the Nasdaq National Market, as reported on the Nasdaq SmallCap Market, or if such security is not listed or admitted to trading on any national securities exchange or the Nasdaq National Market or the Nasdaq SmallCap Market, the average of the high bid and low asked prices of such security in the over-the-counter market as reported by the National Association of Securities Dealers, Inc. Automated Quotations System or such other system then in use or, if such security is not quoted by any such organization, the average of the closing bid and asked prices of such security furnished by a New York Stock Exchange member firm selected by the Company. If such security is not quoted by any such organization and no such New York Stock Exchange member firm is able to provide such prices, the Current Market Price of such security shall be the Fair Market Value thereof.

"DEFAULT" means any event which is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"FAIR MARKET VALUE" means, at any date as to any asset, Property or right (including, without limitation, Capital Stock of any Person, evidences of indebtedness or other securities, but excluding cash), the fair market value of such item as determined in good faith by the Board of Directors, whose determination shall be conclusive; PROVIDED, HOWEVER, that such determination is described in an Officers' Certificate filed with the Trustee and that, if there is a Current Market Price for such item on such date, "Fair

Market Value" means such Current Market Price (without giving effect to the last sentence of the definition thereof).

"GAAP" means, as of any date, generally accepted accounting principles in the United States and does not include any interpretations or regulations that have been proposed but that have not become effective.

"HOLDER" means a Person in whose name a Note is registered on the Register.

"INDENTURE" means this Indenture, as amended or supplemented from time to time.

"INTEREST PAYMENT DATE" means _____ and _____ of each year, commencing _____, 1998.

"INVESTMENT" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of direct or indirect loans (including guarantees of indebtedness or other obligations), advances or capital contributions, purchases or other acquisitions for consideration of indebtedness, equity interests or other securities, together with all other items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP.

"JUNIOR SECURITIES" means (a) shares of any and all classes of Capital Stock and (b) securities of the Company which are subordinated in right of payment to Senior Indebtedness at the time of issuance or delivery of such securities to substantially the same extent as, or to a greater extent than, the Notes are so subordinated as provided in Article 11.

"OFFICER" means, with respect to any Person, the Chairman of the Board, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, the Treasurer, any Assistant Treasurer, the Controller, the Secretary, any Assistant Secretary or any Vice President of such Person.

"OFFICERS' CERTIFICATE" means a certificate signed by two Officers, one of whom must be the Chairman of the Board, the President, the Treasurer or a Vice-President of the Company, that meets the requirements of Sections 13.3 and 13.4; PROVIDED, HOWEVER, that for purposes of Section 4.7, "Officers' Certificate" means a certificate signed by the principal executive officer, principal financial officer or principal accounting officer of the Company.

"OPINION OF COUNSEL" means a written opinion from legal counsel who is reasonably acceptable to the Trustee and that meets the requirements of Sections 13.3 and 13.4. The counsel may be an employee of or counsel to the Company or to the Trustee.

"PERSON" means any individual, corporation, partnership, association, trust or any other entity or organization, including a government or political subdivision or any agency or instrumentality thereof.

"PREFERRED STOCK" of any Person means the class or classes of equity, ownership or participation interests (however designated) in such Person, including, without limitation, stock, share, partnership and membership interests, which are preferred as to the payment of dividends or distributions by, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of, such Person (or equivalents thereof) over interests of any other class of interests of such Person. Unless otherwise stated herein or the context otherwise requires, "Preferred Stock" means Preferred Stock of the Company.

"PRINCIPAL" of a debt security means the principal of the security plus the premium, if any, on the security. "Principal" shall include, with respect to the Notes, the redemption price, if any, payable thereon.

"PROPERTY" of any Person means any and all types of real, personal, tangible, intangible or mixed property owned by such Person whether or not included on the most recent consolidated balance sheet of such Person in accordance with GAAP.

"REPRESENTATIVE" means the indenture trustee or other trustee, agent or representative for an issue of Senior Indebtedness.

"SEC" means the Securities and Exchange Commission.

"SECURITIES ACT" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"SENIOR INDEBTEDNESS" means the principal of (and premium, if any) and accrued interest on (a) indebtedness of the Company (including indebtedness of other Persons guaranteed by the Company), other than the Notes which is (i) for money borrowed or (ii) evidenced by a note or similar instrument given in connection with the acquisition of any business, Property or assets, (b) obligations of the Company, as lessee under leases required to be capitalized on the balance sheet of the lessee under GAAP and leases of Property or assets made as part of any sale and leaseback transaction to which the Company is a party, (c) amendments, renewals, extensions, modifications and refundings

of any such indebtedness or obligation, and (d) future indebtedness of the Company described in (a) above, and amendments, renewals, extensions, modifications and refundings thereof, if the instrument creating or evidencing such future indebtedness provides that such indebtedness or obligation is senior in right of payment to the Notes. "Senior Indebtedness" shall not include indebtedness or amounts owed (except to banks or other financial institutions) for compensation to employees, or for goods or materials purchased or services utilized, in the ordinary course of business of the Company or of any other Person from whom such indebtedness or amount was assumed.

"SUBSIDIARY" of a Person on any date means any other Person, a majority of whose Capital Stock with voting power, under ordinary circumstances, entitling holders of such Capital Stock to elect the board of directors or other governing body of such other Person, is at such date, directly or indirectly, owned by such Person and/or a Subsidiary or Subsidiaries of such Person. Unless otherwise stated herein or the context otherwise requires, "Subsidiary" means Subsidiary of the Company.

"TIA" or "TRUST INDENTURE ACT OF 1939" means the Trust Indenture Act of 1939 (U.S. Code ss.ss. 77aaa-77bbbb) as amended and as in effect on the date of this Indenture; PROVIDED, HOWEVER, that if the TIA is amended after such date, "TIA" or "Trust Indenture Act of 1939" means, to the extent required by any such amendments, the TIA as so amended.

"TRADING DAY" means (i) if the applicable security is listed or admitted for trading on a national security exchange, a day on which such exchange is open for business, (ii) if the applicable security is quoted on the Nasdaq National Market, a day on which trades may be made thereon, or (iii) if the applicable security is not so listed, admitted for trading or quoted, any Business Day.

"TRUST OFFICER" means any officer or corporate trust officer or assistant corporate trust officer of the Trustee assigned by the Trustee to administer its corporate trust matters.

"TRUSTEE" means the party identified in the title of this Indenture as trustee until a successor replaces it in accordance with the applicable provisions of this Indenture and, thereafter, "Trustee" means such successor.

"UNRESTRICTED SUBSIDIARIES" means any Subsidiaries of the Company which (i) are not wholly-owned by the Company, (ii) are designated as Unrestricted Subsidiaries by the Board of Directors (as evidenced by minutes of a meeting or written consent of directors) and (iii) at the time of any Investment by the Company in such Subsidiary, whose net operating income represents less than 10% of the Company's net operating income as shown on the

Company's consolidated income statement as at the time of such Investment. Notwithstanding the foregoing, in no event shall Jet Avion Corporation be designated an Unrestricted Subsidiary.

"U.S. GOVERNMENT OBLIGATIONS" means non-callable (i) direct obligations (or certificates representing an ownership interest in such obligations) of the United States for which its full faith and credit are pledged and (ii) obligations of a Person controlled or supervised by, and acting as an agency or instrumentality of, the United States, the payment of which is unconditionally guaranteed as a full faith and credit obligation of the United States.

SECTION 1.2 OTHER DEFINITIONS.

TERM	DEFINED IN SECTION
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"Change of Control Notice"	4.6
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"Conversion Agent"	2.3
"Conversion Price"	10.1
"Custodian"	6.1
"DTC"	10.4
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"Event of Default"	6.1
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"Paying Agent"	2.3
"Purchased Shares"	10.4
"Register"	2.3
"Registrar"	2.3
"Significant Subsidiary"	6.1
"Trigger Event"	10.4

SECTION 1.3 INCORPORATION BY REFERENCE OF TRUST INDENTURE ACT.

This Indenture is subject to the mandatory provisions of the TIA, which are incorporated by reference in and made a part of this Indenture. Such provisions shall apply to this Indenture at all times, notwithstanding that at any time or from time to time this Indenture is not required to be qualified under the TIA.

The following TIA terms used in this Indenture have the following meanings:

"Commission" means the SEC;

"indenture securities" means the Notes;

"indenture security holder" means a Holder;

"indenture to be qualified" means this Indenture;

"indenture trustee" or "institutional trustee" means the Trustee; and

"obligor" on the Notes means the Company and any successor obligor on the Notes.

All other terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule under the TIA and not otherwise defined herein have the meanings so assigned to them.

SECTION 1.4 RULES OF CONSTRUCTION.

Unless the context otherwise requires or unless otherwise stated herein:

(1) a term has the meaning assigned to it;

(2) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(3) "or" is not exclusive;

(4) words in the singular include the plural, and in the plural include the singular;

(5) references to sections of or rules under the Securities Act, the Exchange Act or the TIA shall be deemed to include substitute, replacement or successor sections or rules;

(6) references to Sections or Articles mean Sections or Articles of this Indenture; and

(7) solely for purposes of this Indenture and the Notes, a determination, approval or other action by the Board of Directors shall not be deemed to have been made, given or taken unless it is set forth in a written resolution or resolutions (or comparable written instrument) duly adopted thereby.

ARTICLE 2.

THE NOTES

SECTION 2.1 FORM AND DATING.

The Notes and the Trustee's certificate of authentication shall be substantially in the form of Exhibit A which is hereby incorporated in and expressly made a part of this Indenture. The Notes may have notations, legends or endorsements required by law, stock exchange rule, agreements to which the Company is subject, if any, or usage (provided that any such notation, legend or endorsement is in a form acceptable to the Company). Each Note shall be dated the date of its authentication. The terms of the Notes set forth in Exhibit A are part of the terms of this Indenture.

SECTION 2.2 EXECUTION AND AUTHENTICATION.

Two Officers shall sign the Notes for the Company by manual or facsimile signature. The Company's seal shall be reproduced on the Notes and may be in facsimile form.

Any Note bearing the manual or facsimile signature of an individual shall be valid notwithstanding that such individual ceased to be an Officer prior to authentication of the Note or ceased to hold the office of Company ascribed to such individual on the Note.

A Note shall not be valid until authenticated by the manual signature of the Trustee. The signature shall be conclusive evidence that the Note has been authenticated under this Indenture.

The Trustee shall authenticate Notes for original issue up to the aggregate principal amount stated in Paragraph 4 of the Notes, upon delivery of (i) a written order of the Company signed by an Officer directing the Trustee to authenticate the Notes and (ii) an Officers' Certificate certifying that all conditions precedent to the issuance of the Notes contained herein have been complied with. The aggregate principal amount of Notes outstanding at any time may not exceed such amount, except as provided in Section 2.8.

The Trustee may appoint an authenticating agent upon the approval and at the expense of the Company to authenticate Notes. Unless limited by the terms of such appointment, an authenticating agent shall be authorized to authenticate Notes at such times and upon such conditions as the Trustee is so authorized. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent.

SECTION 2.3 REGISTRAR, PAYING AGENT AND CONVERSION AGENT.

The Company shall maintain in the City of New York, New York, an office or agency where Notes may be presented for registration of transfer or for exchange (the "REGISTRAR"), an office or agency where Notes may be presented for payment (the "PAYING AGENT") and an office or agency where the Notes may be presented for conversion (the "CONVERSION AGENT"). The Registrar shall keep a register of the Notes (the "REGISTER") and of their transfer and exchange. The Company may appoint one or more co-registrars and one or more additional paying agents upon the reasonable approval of the other Registrar or Registrars or Paying Agent or Paying Agents, as the case may be, and at the expense of the Company. The term "Registrar" includes any co-registrar or co-registrars and the term "Paying Agent" includes any additional paying agent or paying agents. The Company may change any Paying Agent, Conversion Agent or Registrar without notice to any Holder. The Company shall promptly notify the Trustee in writing of the name and address of any Agent not a party to this Indenture. The Company or any Subsidiary may act as Paying Agent (except for purposes specified in Sections 2.8 and 4.1), Conversion Agent or Registrar. If the Company fails to appoint or maintain itself or another Person as Registrar, Conversion Agent or Paying Agent, the Trustee shall act as such and shall be entitled to appropriate compensation therefor pursuant to Section 7.7.

The Company shall enter into an appropriate agency agreement with any Agent not a party to this Indenture, which shall incorporate the terms of the TIA. The agreement shall implement the provisions of this Indenture that relate to such Agent. The Company shall notify the Trustee of the name and address of any such Agent.

The Company initially appoints the office of the Trustee at _____, and through it the offices of its agent,

_____ at _____, as the offices or agencies for each of the purposes designated in this Section 2.3 to act as Registrar, Paying Agent and Conversion Agent with respect to the Notes.

SECTION 2.4 PAYING AGENT TO HOLD MONEY IN TRUST.

The Company shall require each Paying Agent (other than the Trustee) to agree in writing that the Paying Agent will hold in trust for the benefit of Holders or the Trustee all money held by the Paying Agent for the payment of Principal or repurchase price, if any, of or interest on the Notes, and will notify the Trustee of any default by the Company in making any such payment. While any such default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee and account for any money disbursed by it. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee and account for any money disbursed by it. Upon payment over to the Trustee, the Paying Agent (if other than the Company or a Subsidiary of the Company) shall have no further liability for the money delivered to the Trustee. If the Company or an Affiliate of the Company acts as Paying Agent, it shall segregate and hold in a separate trust fund for the benefit of the Holders all money held by it as Paying Agent. Upon any bankruptcy or reorganization proceedings relating to the Company, the Trustee shall serve as Paying Agent for the Notes.

SECTION 2.5 HOLDER LISTS.

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders. If the Trustee is not the Registrar, the Company shall furnish to the Trustee at least ten Business Days before each Interest Payment Date, and at such other times as the Trustee may request in writing within five Business Days after such request, a list in such form and as of such date as the Trustee may reasonably require, and upon which the Trustee may conclusively rely, of the names and addresses of, and principal amount of Notes held by, the Holders.

SECTION 2.6 TRANSFER AND EXCHANGE.

Upon surrender for registration or transfer of any Note, together with a written instrument of transfer satisfactory to the Registrar duly executed by the Holder or such Holder's attorney duly authorized in writing, at the office or agency of the Registrar, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Notes of any authorized denomination or denominations, of a like aggregate principal amount. The Company shall not charge a service charge for any registration of transfer or exchange of Notes;

PROVIDED, that the Company may require from a Holder requesting such transfer or exchange (other than any exchange of a temporary Note for a definitive Note not involving any change in ownership) payment of an amount sufficient to pay all taxes, assessments or other governmental charges that may be imposed in connection with the transfer or exchange.

Transfers of Notes may be effected only by surrender of the Notes to the Company for registration and the issuance by the Company of one or more new Notes. Until such surrender and registration, the Company may treat the Holders of Notes appearing on the Register as the absolute owners of such Notes.

At the option of the Holder, Notes may be exchanged for other Notes of any authorized denomination or denominations, of a like aggregate principal amount, upon surrender of the Notes to be exchanged, together with a written instrument of transfer satisfactory to the Registrar duly executed by the Holder or such Holder's attorney duly authorized in writing, at the office or agency of the Registrar. Whenever any Notes are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, Notes which the Holder making the exchange is entitled to receive.

All Notes issued upon any registration of transfer or exchange of Notes shall be valid obligations of the Company, evidencing the same debt and entitled to the same benefits under this Indenture, as the Notes surrendered upon such registration of transfer or exchange.

The Company shall not be required to make, and the Registrar need not register, transfers or exchanges of (a) Notes selected for redemption during the 15-day (or shorter) period set forth in the first paragraph of Section 3.1 (except, in the case of Notes to be redeemed in part, the portion thereof not to be redeemed) or (b) any Notes with respect to which a repurchase election has been tendered and not withdrawn by the Holder thereof in accordance with Section 4.6 (except, in the case of Notes tendered for purchase in part, the portion thereof not to be purchased).

SECTION 2.7 REPLACEMENT NOTES.

Upon surrender of a mutilated Note at the office or agency of the Registrar, the Company shall execute, and the Trustee shall authenticate and deliver, a replacement Note in the name of the Holder of such mutilated Note, of like principal amount and dated the date of such mutilated Note.

Upon surrender of written notice by a Holder or a Holder's attorney duly authorized in writing at the office or agency of the Registrar that a Note has been lost, destroyed or wrongfully taken, the Company shall execute, and the Trustee shall authenticate and deliver, a replacement Note in the name of such Holder, of like principal amount and dated the date of such lost, destroyed or wrongfully taken Note; PROVIDED, HOWEVER, that, unless such requirement is waived by the Company, such notice shall be accompanied by an indemnity bond that is sufficient in the judgment of the Trustee and the Company to protect the Company, the Trustee, any Agent and any authenticating agent from any loss which any of them may suffer by reason of such Note's replacement.

The Company may charge the Holder for its expenses in replacing a Note.

Every replacement Note shall be an additional obligation of the Company and shall be entitled to all benefits of this Indenture equally and proportionately with all other Notes duly issued hereunder.

SECTION 2.8 OUTSTANDING NOTES.

The Notes outstanding at any time are all the Notes authenticated by the Trustee except for those canceled by it, those delivered to it for cancellation and those described in this Section 2.8 as not outstanding. Except as set forth in Section 2.9, a Note does not cease to be outstanding because the Company or an Affiliate of the Company holds the Note.

If a Note is replaced pursuant to Section 2.7, it ceases to be outstanding unless the Trustee receives proof satisfactory to it that the replaced Note is held by a BONA FIDE purchaser.

If the principal amount of any Note is considered paid under Section 4.1, it ceases to be outstanding and interest on it ceases to accrue.

If the Paying Agent (other than the Company, any Subsidiary or an Affiliate of any thereof) segregates and holds in trust, in accordance with this Indenture, on a redemption date or maturity date money sufficient to redeem or pay Notes payable on that date, and is not prohibited from paying such money to the Holders thereof pursuant to the terms of this Indenture, then on and after such redemption date or maturity date such Notes shall be deemed to be no longer outstanding and shall cease to accrue interest.

SECTION 2.9 TREASURY NOTES.

In determining whether the Holders of the required aggregate principal amount of Notes have concurred in any direction, waiver or consent, Notes owned by the Company or by any Affiliate of the Company shall be considered as though not outstanding, except that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Notes as to which a Trust Officer of the Trustee knows are so owned shall be so disregarded.

SECTION 2.10 TEMPORARY NOTES.

Until definitive Notes are ready for delivery, the Company may prepare and execute and the Trustee shall authenticate and deliver temporary Notes upon a written order of the Company signed by an Officer and delivered to a Trust Officer. Temporary Notes shall be substantially in the form of definitive Notes but may have variations that the Company considers appropriate for temporary Notes. If temporary Notes are issued, the Company shall, without unreasonable delay, prepare definitive Notes which may be exchanged for temporary Notes.

After the preparation of definitive Notes, the temporary Notes shall be exchangeable for definitive Notes upon surrender of the temporary Notes at the office or agency of the Registrar, without charge to Holders. Upon surrender for cancellation of one or more temporary Notes, the Company shall execute and the Trustee upon a written order of the Company signed by an Officer shall authenticate and deliver in exchange therefor a like principal amount of definitive Notes of authorized denominations. Until so exchanged, the temporary Notes shall in all respects be entitled to the same benefits under this Indenture as definitive Notes.

SECTION 2.11 CANCELLATION.

The Company at any time may deliver Notes to the Trustee for cancellation. The Registrar, Conversion Agent and Paying Agent shall forward to the Trustee any Notes surrendered to them for registration of transfer, exchange, conversion or payment. The Trustee shall promptly cancel and destroy (in accordance with the standard document destruction policies of the Trustee) all Notes so delivered and certify to the Company their destruction unless by a written order signed by an Officer, the Company shall direct that canceled Notes be returned to it. The Company may not issue new Notes to replace Notes that have matured or been converted or redeemed.

SECTION 2.12 DEFAULTED INTEREST.

If the Company defaults in a payment of interest on the Notes, the Company shall pay defaulted interest (plus interest on such defaulted interest to the extent lawful) in any lawful manner. The Company shall pay the defaulted interest to the Persons who are Holders on a subsequent special record date. The Company shall fix or cause to be fixed (or upon the Company's failure to do so the Trustee shall fix) any such special record date and payment date to the reasonable satisfaction of the Trustee, which specified record date shall not be less than 10 days prior to the payment date for such defaulted interest, and shall promptly mail or cause to be mailed to each Holder a notice that states the special record date, the payment date and the amount of defaulted interest to be paid. The Company shall notify the Trustee in writing of the amount of defaulted interest proposed to be paid and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid with respect to such defaulted interest or shall make arrangements reasonably satisfactory to the Trustee for such deposit prior to the date of the proposed payment, which money when so deposited shall be held in trust for the benefit of the Person entitled to such defaulted interest as provided in this Section 2.12.

SECTION 2.13 DEPOSIT OF MONEYS.

Prior to 10:00 a.m., New York City time, on each Interest Payment Date and the maturity date, the Company shall deposit with the Paying Agent in immediately available funds money sufficient to make cash payments, if any, due on such Interest Payment Date or maturity date, as the case may be, in a timely manner which permits the Paying Agent to remit payment to the Holders on such Interest Payment Date or maturity date, as the case may be.

ARTICLE 3.

REDEMPTION

SECTION 3.1 NOTICES TO TRUSTEE.

If the Company elects to redeem Notes pursuant to the optional redemption provisions of Paragraph 5 of the Notes, it shall notify the Trustee in writing of the redemption date, the Section of the Indenture and/or Paragraph of the Note pursuant to which such redemption shall be effected, the principal amount of Notes to be redeemed and the redemption price at least 15 days prior to mailing any notice of redemption to the

Holders (unless the Trustee consents to a shorter period). Such notice shall be in the form of an Officers' Certificate from the Company and will state that such redemption will comply with the conditions herein.

If less than all the Notes are to be redeemed, the record date relating to such redemption shall be selected by the Company and given to the Trustee, which record date shall be not less than 15 days after the date of notice to the Trustee.

SECTION 3.2 SELECTION OF NOTES TO BE REDEEMED.

If less than all the Notes are to be redeemed, the Trustee shall select the Notes to be redeemed in compliance with the requirements of the principal national securities exchange, if any, on which the Notes are listed or admitted to trading or, if the Notes are not so listed or admitted to trading, by lot or by such other method that the Trustee considers fair and appropriate. The Trustee shall make the selection not more than 60 days and not less than 30 days before the redemption date from Notes outstanding and not previously called for redemption. The Trustee may select for redemption portions of the principal amount of Notes that have denominations larger than $1,000. Notes and portions thereof selected by the Trustee shall be in amounts of $1,000 or integral multiples of $1,000. If less than all of the Notes are to be redeemed and a Note is converted in accordance with Article 10 after the date on which notice of redemption is given pursuant to Section 3.3 and prior to the time and date specified in Section 3.5, such Note shall, for purposes of determining the amount of such Notes which have been redeemed, be deemed to have been redeemed. Provisions of this Indenture that apply to Notes called for redemption also apply to portions of Notes called for redemption. The Trustee shall notify the Company promptly of the Notes or portions of Notes to be called for redemption.

SECTION 3.3 NOTICE OF REDEMPTION.

At least 30 days but not more than 60 days before a redemption date, the Company or, upon written notice to the Trustee by the Company, the Trustee shall give a notice of redemption to the Holders.

The notice shall identify the Notes to be redeemed and shall state:

(a) the redemption date;

(b) the redemption price;

(c) the Conversion Price;

(d) the name and address of the Paying Agent and Conversion Agent;

(e) that Notes called for redemption may be converted at any time before the close of business on the Business Day immediately preceding the redemption date in accordance with Article 10;

(f) that Holders who want to convert Notes must satisfy the requirements in Paragraph 8 of the Notes;

(g) that Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price;

(h) the CUSIP number of the Notes;

(i) if fewer than all of the outstanding Notes are to be redeemed, the certificate numbers and principal amounts of the particular Notes to be redeemed;

(j) if any Note is being redeemed in part, that, after the redemption date, upon surrender of such Note, a new Note or Notes in principal amount equal to the unredeemed portion will be issued; and

(k) that unless the Company defaults in making such redemption payment or the Paying Agent is prohibited from making such redemption payment pursuant to the terms of this Indenture, interest on Notes called for redemption ceases to accrue on and after the redemption date.

If the Trustee gives such notice of redemption, it shall do so in the Company's name and at the Company's expense and the Company shall provide the Trustee with the information required to give such notice of redemption.

SECTION 3.4 EFFECT OF NOTICE OF REDEMPTION; DEFINITION OF REDEMPTION PRICE.

Notice of redemption given in accordance with Sections 3.3 and 13.2 to each Holder shall be deemed to have been duly given, whether or not any particular Holder receives such notice. Once notice of redemption is so mailed, Notes called for redemption become

due and payable on the redemption date at the redemption price set forth in the Notes. A notice of redemption may not be conditional. Upon surrender to the Trustee or the Paying Agent, such Notes called for redemption shall be paid at the redemption price. References in this Indenture to the "redemption price" mean the redemption price set forth in the Notes plus the interest payable as provided in the Notes on Notes called for redemption.

SECTION 3.5 DEPOSIT OF REDEMPTION PRICE.

On or before 10:00 a.m., New York City time, on any redemption date, the Company shall deposit with the Trustee or with the Paying Agent immediately available funds sufficient to pay the redemption price of all Notes to be redeemed on that date other than Notes or portions of Notes called for redemption which prior thereto have been delivered by the Company to the Trustee for cancellation or have been converted; PROVIDED, HOWEVER, that any such deposit shall be a payment with respect to the Notes and shall be subject to the provisions of Article 11 and shall be permitted only if payment would be permitted under Article 11. The Trustee or the Paying Agent shall return to the Company any money not required for the purpose of paying such redemption price.

SECTION 3.6 NOTES REDEEMED IN PART.

Upon surrender of a Note that is redeemed in part, the Company shall issue and the Trustee shall authenticate for the Holder at the expense of the Company a new Note equal in principal amount to the unredeemed portion of the Note surrendered.

ARTICLE 4.

COVENANTS

SECTION 4.1 PAYMENT OF NOTES.

The Company shall pay the Principal and repurchase price, if any, of and interest on the Notes on the dates and in the manner provided in the Notes and this Indenture. Principal and interest shall be considered paid on the date due if the Paying Agent (other than the Company or a Subsidiary) on that date holds money in accordance with this Indenture designated for and sufficient to pay in cash all Principal and interest then due and the Paying Agent is not prohibited from paying such money to Holders on that date pursuant to the terms of this Indenture.

To the extent lawful, the Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on (i) overdue Principal and repurchase price, if any, of the Notes at the rate borne by the Notes and (ii) overdue installments of interest at the same rate.

SECTION 4.2 STAY, EXTENSION AND USURY LAWS.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law has been enacted.

SECTION 4.3 CONTINUED EXISTENCE.

Subject to Article 5, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its existence as a corporation and the corporate existence of the Subsidiaries and will refrain or cause the Subsidiaries to refrain from taking any action that would cause its corporate existence or the corporate existence of any of the Subsidiaries to cease, including, without limitation, any action that would result in the liquidation, winding up or dissolution of it or any of the Subsidiaries; PROVIDED, HOWEVER, that the Company shall not be required to preserve the existence of any Subsidiary if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and the Subsidiaries and that the loss thereof to the Company taken as a whole is not disadvantageous in any material respect to the Holders.

SECTION 4.4 REPORTS.

(a) The Company shall file with the Trustee copies of all reports and other information and documents that the Company is required to file with the SEC pursuant to the Exchange Act. Each such report or other information or document shall be filed with the Trustee within 15 days after filing of such report or other information or document with the SEC. The Company will mail or cause to be mailed to all Holders copies of all of (a) its annual reports to stockholders and (b) quarterly reports to stockholders which are mailed to its institutional stockholders.

(b) If the Company is at any time no longer subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, the Company will prepare (i) for the first three quarters of each fiscal year of the Company, quarterly financial statements substantially equivalent to the financial statements required to be included in a report on Form 10-Q under the Exchange Act, and (ii) annually, complete audited consolidated financial statements, including, but not limited to, a balance sheet, a statement of operations, a statement of stockholders' equity and all appropriate notes. All such financial statements will be prepared in accordance with GAAP, except for changes with which the Company's independent accountants concur and except that quarterly financial statements may be subject to year-end adjustments. The Company will file or cause to be filed with the Trustee and will mail or cause to be mailed to the Holders a copy of such financial statements within 50 days after the end of each of the first three quarters of each fiscal year of the Company and within 95 days after the close of each fiscal year of the Company, respectively. Notwithstanding the foregoing, if the Company is no longer subject to such reporting requirements by reason of the acquisition of Capital Stock by, or merger or consolidation of the Company with, a Person which is subject to such reporting requirements or a Subsidiary of such a Person and such Person has unconditionally and irrevocably guaranteed payment in full when due of all amounts payable with respect to the Notes, then the Company need not prepare, file or mail the financial statements described in this Section 4.4(b); PROVIDED, HOWEVER, that such Person complies with Section 4.4(a) as if references therein to the Company were references to such Person.

SECTION 4.5 TAXES.

The Company shall, and shall cause each of the Subsidiaries to, pay or discharge prior to delinquency all taxes, assessments and governmental levies, except as contested in good faith and by appropriate proceedings.

SECTION 4.6 CHANGE OF CONTROL.

(a) In the event of a Change of Control, the Company shall give or cause to be given written notice in the form of an Officers' Certificate (the "CHANGE OF CONTROL NOTICE") to all Holders, the Trustee and the Paying Agent of such event and shall make an offer to purchase (as the same may be extended in accordance with applicable law, the "CHANGE OF CONTROL OFFER") all then outstanding Notes at a purchase price equal to 100% of the principal amount thereof plus accrued and unpaid interest thereon to the Change of Control Payment Date. The Change of Control Notice shall be given in accordance with Section 13.2 and the Change of Control Offer shall be made not more than 30 days following the date of the Change of Control (the "CHANGE OF CONTROL DATE"), unless the

Company has previously given a notice of optional redemption by the Company of all of the Notes in accordance with this Indenture. The Change of Control Notice shall set forth:

(i) that a Change of Control has occurred and, unless the Notes are subject to a notice of optional redemption described above, that the Company is offering to repurchase all of the outstanding Notes;

(ii) a brief description of such Change of Control and, to the extent readily available to the Company, information with respect to pro forma consolidated income, cash flow and capitalization of the Company after giving effect to such Change of Control and such other financial information relating to the Company with respect to such Change of Control as the Company may, in its sole discretion, deem relevant to a decision whether to convert or hold Notes or tender Notes in connection with such Change of Control Offer;

(iii) the repurchase price (the "CHANGE OF CONTROL PAYMENT");

(iv) the expiration date of the Change of Control Offer, which shall be no earlier than 30 days nor later than 60 days from the date the Change of Control Notice is mailed;

(v) the date such purchase shall be effected, which shall be no later than 30 days after the expiration date of the Change of Control Offer (the "CHANGE OF CONTROL PAYMENT DATE");

(vi) that, unless the Company defaults in the payment of the Change of Control Payment, all Notes or portions thereof accepted for payment pursuant to the Change of Control Offer shall cease to accrue interest on and after the Change of Control Payment Date;

(vii) the Conversion Price;

(viii) the name and address of the Paying Agent and the Conversion Agent;

(ix) that Notes (duly endorsed for transfer to the Company), together with the form of "Option of Holder to Elect Repurchase" thereon completed and signed, must be surrendered to the Paying Agent prior to

the expiration of the Change of Control Offer to collect the Change of Control Payment; and

(x) any other information required by applicable law to be included therein and any other procedures that a Holder must follow in order to have Notes repurchased.

(b) The Change of Control Offer shall remain open until the close of business on the expiration date of the Change of Control Offer. Each Holder shall have the right to withdraw his tender in accordance with applicable rules promulgated by the SEC under the Exchange Act.

(c) In the event that the Company is required to make a Change of Control Offer, the Company will comply with any applicable securities laws and regulations, including, to the extent applicable, Section 14(e) of, and Rule 14e-1 and any other tender offer rules under, the Exchange Act.

(d) On the Change of Control Payment Date, the Company shall, to the extent lawful:

(i) accept for payment Notes or portions thereof tendered pursuant to the Change of Control Offer;

(ii) deposit with the Paying Agent in immediately available funds an amount equal to the Change of Control Payment with respect to all Notes or portions thereof so accepted; and

(iii) deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officers' Certificate stating the Notes or portions thereof tendered to the Company.

(e) The Paying Agent shall promptly (but in any case not later than five Business Days after the Change of Control Payment Date) mail to each Holder of Notes so accepted payment in an amount equal to the Change of Control Payment for such Notes, and the Trustee shall promptly authenticate and mail to each Holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered by such Holder, if any; PROVIDED, that each such new Note shall be in principal amount of $1,000 or an integral multiple thereof. The Company shall publicly announce the results of all repurchases pursuant to this Section 4.6 on or as soon as practicable after the Change of Control Payment Date.

SECTION 4.7 LIMITATION ON DIVIDEND RESTRICTIONS AFFECTING SUBSIDIARIES.

The Company shall not, and shall not permit any of its Subsidiaries other than Unrestricted Subsidiaries to, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction of any kind on the ability of any Subsidiary other than Unrestricted Subsidiaries to (a) pay to the Company dividends or make to the Company any other distribution of its Capital Stock, (b) pay any debt owed to the Company or any other Subsidiary, (c) make loans or advances to the Company or any other Subsidiary, or (d) transfer any of its property or assets to the Company or any other Subsidiary, other than such encumbrances or restrictions existing or created under or by reason of (i) applicable laws, (ii) this Indenture, (iii) covenants or restrictions contained in any instrument governing debt of the Company or any of the Subsidiaries existing on this date of the Indenture or hereafter, (iv) customary provisions restricting subletting, assignment and transfer of any lease governing a leasehold interest of the Company or any of the Subsidiaries or in any license or other agreement entered into in the ordinary course of business, (v) any agreement governing debt of a person acquired by the Company or any of the Subsidiaries in existence at the time of such acquisition (but not created in contemplation thereof), which encumbrances or restrictions are not applicable to any Person, or the property or assets of any Person, other than the Person, or the property or assets of the Person, so acquired, or (vi) any restrictions with respect to a Subsidiary imposed pursuant to an agreement entered into in accordance with the terms of this Indenture for the sale or disposition of Capital Stock or property or assets of such Subsidiary, pending the closing of such sale or disposition.

SECTION 4.8 COMPLIANCE CERTIFICATE.

The Company shall deliver to the Trustee, within 120 days after the end of each fiscal year of the Company, an Officers' Certificate stating that a review of the activities of the Company and the Subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officer with a view to determining whether the Company has kept, observed, performed and fulfilled its obligations under this Indenture and further stating, as to such Officer, that to the best of his or her knowledge the Company has kept, observed, performed and fulfilled each and every covenant and condition contained in this Indenture and is not in default in the performance or observance of any of the terms, provisions and conditions hereof (or, if a Default or Event of Default shall have occurred, describing all such Defaults or Events of Default of which he or she may have knowledge and what action the Company is taking or proposes to take with respect thereto), and that, to the best of his or her knowledge, no event has occurred and remains in existence by reason of which payments on account of the Principal of or interest on the Notes are prohibited.

SECTION 4.9 FURTHER ASSURANCE TO THE TRUSTEE.

The Company shall, upon reasonable request of the Trustee, execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the provisions of this Indenture.

ARTICLE 5.

SUCCESSORS

SECTION 5.1 WHEN COMPANY MAY MERGE OR SELL ASSETS.

The Company shall not consolidate with or merge into, or sell, lease, convey, transfer or otherwise dispose of all or substantially all of its assets to, any Person, without the consent of Holders of the majority in aggregate principal amount of Notes then outstanding, unless:

(a) the Company is the continuing corporation or the Person formed by or surviving any such consolidation or merger (if other than the Company), or to which such sale, lease, conveyance, transfer or other disposition of assets shall have been made, is organized and existing under the laws of the United States, any state thereof or the District of Columbia and such Person (if other than the Company) expressly assumes by supplemental indenture executed and delivered to the Trustee and in a form reasonably satisfactory to the Trustee, all the obligations of the Company under the Notes and this Indenture, including, without limitation, conversion rights in accordance with Article 10;

(b) immediately before and immediately after giving effect to such transaction no Event of Default, and no event which, after notice or lapse of time, or both, would become an Event of Default, shall have occurred and be continuing;

(c) immediately after giving effect to such transaction, the Notes and this Indenture (as supplemented by such supplemental indenture) will be valid and enforceable obligations of the Company or such successor; and

(d) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such proposed transaction and such supplemental indenture comply with the applicable provisions of this Indenture and that all conditions precedent therein provided for relating to such transaction have been satisfied.

SECTION 5.2 SUCCESSOR SUBSTITUTED.

Upon any consolidation or merger, or any sale, lease, conveyance or other disposition of all or substantially all of the assets of the Company in accordance with Section 5.1, the Person formed by such consolidation or into or with which the Company is merged or to which such sale, lease, conveyance, transfer or other disposition is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor Person has been named as the Company herein; PROVIDED, HOWEVER, that in the case of a sale, lease, conveyance or other disposition the Company shall not be released from the obligation to pay the Principal of and interest on the Notes.

ARTICLE 6.

DEFAULTS AND REMEDIES

SECTION 6.1 EVENTS OF DEFAULT.

The following shall constitute an "EVENT OF DEFAULT":

(a) failure to pay any Principal or repurchase price, if any, of any Note when due and payable, whether at maturity, upon redemption, upon a Change of Control Offer or otherwise, whether or not such payment is prohibited by the subordination provisions of this Indenture;

(b) failure to pay any interest on any Note when due and payable, which failure continues for 30 days, whether or not such payment is prohibited by the subordination provisions of this Indenture;

(c) failure to perform the other covenants of the Company in this Indenture, which failure continues for 90 days after written notice as provided in the last paragraph of this Section 6.1;

(d) a default occurs (after giving effect to any applicable grace periods or any extension of any maturity date) in the payment when due of Principal of, or an acceleration of, any indebtedness for money borrowed by the Company or any Subsidiary in excess of $5.0 million, individually or in the aggregate, if such indebtedness is not discharged, or such acceleration is not annulled, within 10 days after written notice as provided in the last paragraph of this Section 6.1;

(e) the Company or any Significant Subsidiary, pursuant to or within the meaning of any Bankruptcy Law:

(i) commences a voluntary case,

(ii) consents to the entry of an order for relief against it in an involuntary case,

(iii) consents to the appointment of a Custodian of it or for all or substantially all of its property, and such Custodian is not discharged within 30 days,

(iv) makes a general assignment for the benefit of its creditors, or

(v) admits in writing that it is generally unable to pay its debts as the same become due;

(f) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(i) is for relief in an involuntary case against the Company or any Significant Subsidiary,

(ii) appoints a Custodian of the Company or any Significant Subsidiary or for all or substantially all of the property of the Company or any Significant Subsidiary, or

(iii) orders the liquidation of the Company or any Significant Subsidiary,

and, in each case, the order or decree remains unstayed and in effect for 60 consecutive days.

The term "BANKRUPTCY LAW" means Title 11 of the U.S. Code or any similar federal, foreign or state law for the relief of debtors. The term "CUSTODIAN" means any receiver, trustee, assignee, liquidator, examiner or similar official under any Bankruptcy Law. The term "SIGNIFICANT SUBSIDIARY" has the same meaning as significant subsidiary has under Regulation S-X under the Securities Act as in effect on the date hereof.

A Default under clause (c) of this Section 6.1 (other than a Default under Section 5.1, which Default shall be an Event of Default with the notice but without the passage of time specified in clause (c) of this Section 6.1) or clause (d) of this Section 6.1 shall not be an Event of Default until (i) the Trustee shall have notified the Company, or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding shall have notified the Company and the Trustee, of the Default and (ii) the Company shall have failed to cure the Default under such clause (c) within 90 days after receipt of the notice or under such clause (d) within 10 days after receipt of the notice, respectively. Any such notice must specify the Default, demand that it be remedied and state that the notice is a "NOTICE OF DEFAULT."

SECTION 6.2 ACCELERATION.

If an Event of Default (other than an Event of Default specified in clauses (e) and (f) of Section 6.1) occurs and is continuing, the Trustee (by notice to the Company), or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding (by notice to the Company and the Trustee), may declare the unpaid Principal of and accrued interest on all the Notes then outstanding to be due and payable. Upon any such declaration, such Principal and accrued interest shall be due and payable immediately. If an Event of Default specified in clause (e) or (f) of Section 6.1 occurs, such an amount shall IPSO FACTO become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder. After such acceleration, but before a judgment or decree based on acceleration, the Holders of a majority in aggregate principal amount of the Notes then outstanding by written notice to the Trustee may rescind an acceleration and its consequences if (a) the Company has paid or deposited with the Trustee a sum sufficient to pay (i) all overdue interest on all Notes then outstanding and (ii) the Principal or repurchase price, if any, of the Notes then outstanding which have become due otherwise than by such declaration of acceleration and accrued interest thereon at a rate borne by the Notes and (b) the rescission would not conflict with any judgment or decree and if all existing Events of Default have been cured or waived except nonpayment of Principal or interest that has become due solely because of the acceleration. No such decision shall affect any subsequent Default or impair any right consequent thereto.

SECTION 6.3 OTHER REMEDIES.

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of Principal or repurchase price, if any, of or interest on the Notes or to enforce the performance of any provision of the Notes or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative to the extent permitted by law.

SECTION 6.4 WAIVER OF EXISTING AND PAST DEFAULTS.

The Holders of a majority in aggregate principal amount of the Notes then outstanding held by Persons who are not Affiliates of the Company by written notice to the Trustee may waive an existing Default or Event of Default and its consequences, except (i) a continuing Default or Event of Default in the payment of the Principal of or the interest on any Note or (ii) a Default or Event of Default with respect to a provision that under Section 9.2 cannot be amended without the consent of each Holder affected. Upon any such waiver, such Default shall cease to exist and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

SECTION 6.5 CONTROL BY MAJORITY.

Notwithstanding anything contained in Section 6.3 to the contrary, the Holders of a majority in aggregate principal amount of the Notes then outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it; PROVIDED, HOWEVER, that the Trustee may refuse to follow any direction that conflicts with applicable law or this Indenture or that the Trustee determines is unduly prejudicial to the rights of other Holders or would involve the Trustee in personal liability; PROVIDED FURTHER, HOWEVER, that the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

Prior to taking any action or following any direction pursuant to this Article 6, the Trustee shall be entitled to request indemnification satisfactory to it in its sole discretion against any loss or expense caused by taking such action or following such direction. If the Trustee makes such request, it shall be entitled to delay taking such action or following such direction until it has received such indemnification.

SECTION 6.6 LIMITATION ON SUITS.

A Holder may pursue a remedy with respect to this Indenture or the Notes only if:

(a) the Holder gives to the Trustee notice of a continuing Event of Default;

(b) the Holders of at least 25% in aggregate principal amount of the Notes then outstanding make a written request to the Trustee to pursue the remedy;

(c) such Holder or Holders offer to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense;

(d) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and

(e) during such 60-day period the Holders of a majority in aggregate principal amount of the Notes then outstanding do not give the Trustee a direction inconsistent with the request.

A Holder may not use this Indenture to prejudice the rights of another Holder or to obtain a preference or priority over another Holder.

SECTION 6.7 RIGHTS OF HOLDERS TO RECEIVE PAYMENT.

Notwithstanding any other provision of this Indenture, the right of any Holder of a Note to receive payment of Principal or repurchase price, if any, of and interest on such Note, on or after the respective due dates expressed in the Note, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

Notwithstanding any other provision of this Indenture, the right of any Holder of a Note to bring suit for the enforcement of the right to convert such Note shall not be impaired or affected without the consent of such Holder.

SECTION 6.8 COLLECTION SUIT BY TRUSTEE.

If an Event of Default specified in Section 6.1(a) or 6.1(b) occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company for the whole amount of Principal or repurchase price, if any, of and interest accrued on the Notes and interest on overdue Principal or repurchase price, if any, of and accrued interest on the Notes and for such further amount as shall be sufficient to cover the costs and, to the extent lawful, expenses of collection, including the reasonable

compensation, expenses, disbursements and advances of the Trustee, its agents and its counsel.

SECTION 6.9 TRUSTEE MAY FILE PROOFS OF CLAIM.

The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Holders allowed in any judicial proceedings relative to the Company, its creditors or its property. Except as provided in this Indenture, nothing contained herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder or to authorize the Trustee to vote with respect to the claim of any Holder in any such proceeding.

SECTION 6.10 PRIORITIES.

If the Trustee collects any money pursuant to this Article 6, it shall pay out the money in the following order:

First: to the Trustee for amounts due under Section 6.8 or 7.7;

Second: to holders of Senior Indebtedness to the extent required by Article 11;

Third: to Holders for amounts due and unpaid on the Notes for Principal and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for Principal and interest, respectively; and

Fourth: to the Company or to such party as a court of competent jurisdiction shall direct.

The Trustee may fix a record date and payment date for any payment to Holders and, if it does so, will give prompt prior written notice thereof to the Registrar.

At least 15 days before any such record date, the Trustee shall give or cause to be given to each Holder a notice that states such record date, such payment date and the amount to be paid.

SECTION 6.11 UNDERTAKING FOR COSTS.

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as a Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.11 does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 6.7, or a suit by Holders of more than 10% in aggregate principal amount of the then outstanding Notes or any suit for the enforcement of the right to convert any Note in accordance with Article 10.

ARTICLE 7.

TRUSTEE

SECTION 7.1 DUTIES OF TRUSTEE.

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of an Event of Default:

(i) the Trustee need perform only those duties that are specifically set forth in this Indenture or the TIA and no others; and

(ii) in the absence of gross negligence, willful misconduct or bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture, but the Trustee need not verify the contents thereof.

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) this Section 7. l(c) does not limit the effect of Section 7. l(b);

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Trust Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(iii) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.5.

(d) Every provision of this Indenture that in any way relates to the Trustee is subject to the provisions of the TIA and Sections 7.1(a), 7.1(b), 7.1(c) and 7.1(e).

(e) The Trustee may refuse to perform any duty or exercise any right or power hereunder unless it receives indemnity satisfactory to it against any loss, liability or expense.

(f) The Trustee shall not be liable for interest on any money received by it hereunder, except as the Trustee may agree in writing with the Company. Money held by the Trustee in trust hereunder need not be segregated from other funds, except to the extent required by law.

SECTION 7.2 RIGHTS OF TRUSTEE.

(a) The Trustee may conclusively rely on any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters to the extent reasonably deemed necessary by it.

(b) Before the Trustee acts or refrains from acting pursuant to the terms of this Indenture or otherwise, it may require an Officers' Certificate or an Opinion of Counsel, or both. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel.

(c) The Trustee may act through agents and attorneys and shall not be responsible for the willful misconduct or gross negligence of any agents and attorneys appointed with due care.

(d) Subject to the provisions of Section 7.1(c), the Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers conferred by this Indenture.

SECTION 7.3 INDIVIDUAL RIGHTS OF TRUSTEE.

The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Company or any Affiliate of the Company with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights. However, the Trustee is subject to and must comply with Sections 7.10 and 7.11.

SECTION 7.4 TRUSTEE'S DISCLAIMER.

The Trustee makes no representation as to the validity or adequacy of this Indenture or the Notes, it shall not be accountable for the Company's use of the proceeds from the Notes, and it shall not be responsible for any statement of the Company in this Indenture or any statement in the Notes other than its authentication.

SECTION 7.5 NOTICE OF DEFAULTS.

If a Default or Event of Default occurs and is continuing and if it is actually known to the Trustee, the Trustee shall mail to each Holder a notice of the Default or Event of Default within 90 days after it occurs, unless such Default or Event of Default shall have been cured or waived. Except in the case of a Default or Event of Default in payment on any Note under Section 6. l(a) or 6. l(b), the Trustee may withhold the notice if and so long as a committee of its Trust Officers in good faith determines that withholding the notice is in the best interests of Holders.

SECTION 7.6 REPORTS BY TRUSTEE TO HOLDERS.

Within 60 days after each _____, commencing _____, the Trustee shall mail to each Holder, at the Company's expense, a brief report dated as of such reporting date that complies with TIA ss. 313(a) (but if no event described in TIA ss. 313(a) has occurred within the 12 months preceding the reporting date, no report need be transmitted). The Trustee also shall comply with TIA ss. 313(b)(2) to the extent applicable. The Trustee shall also transmit by mail all reports as required by TIA ss. 313(c).

A copy of each report at the time of its mailing to Holders shall be filed with the SEC and each stock exchange or market on which the Notes are listed or admitted to trading. The Company shall promptly notify the Trustee when the Notes are listed on any stock exchange or admitted to trading on any market and of any delisting thereof.

SECTION 7.7 COMPENSATION AND INDEMNITY.

The Company shall pay to the Trustee (in its capacities as Trustee, Conversion Agent, Paying Agent and Registrar) from time to time such compensation as may be agreed in writing between the Company and the Trustee for its services hereunder. The Trustee's compensation shall not be (to the extent permitted by law) limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee upon request for all reasonable out-of-pocket expenses incurred by it in accordance with any provision of this Indenture. Such expenses may include the reasonable compensation and out-of-pocket expenses of the Trustee's agents and counsel, except such disbursements, advances and expenses as may be attributable to its negligence, willful misconduct or bad faith. Any "float" earned on any money disbursed hereunder shall be considered additional compensation to the Trustee.

The Company shall indemnify the Trustee (in its capacity as Trustee, Conversion Agent, Paying Agent and Registrar) and each of its officers, directors, attorneys-in-fact and agents for, and hold each of such Persons harmless against, any claim, demand, expense (including, but not limited to, reasonable disbursements and expenses of the Trustee's agents and counsel), loss or liability incurred by any of them without negligence, willful misconduct or bad faith on such Person's part, arising out of or in connection with the administration of this trust and the rights or duties of the Trustee hereunder, including the costs and expenses of such Person's defense against any claim or liability in connection with the exercise or performance of any of the Trustee's powers or duties hereunder. The Trustee shall notify the Company promptly of any claim asserted against the Trustee for which it may seek indemnity. The Company shall defend the claim and the Trustee shall provide reasonable cooperation at the Company's expense in the defense. The Trustee may engage separate counsel at its own expense and participate in the defense, provided that the Company shall bear the reasonable expenses of such separate counsel which is reasonably acceptable to the Company if the defendants regarding such claim include both the Trustee and the Company and the Trustee shall have been advised by such separate counsel that representation of the Trustee and the Company would be inappropriate under applicable standards of professional responsibility due to actual or potential differing interests between them. The Company need not reimburse any expense or indemnify against any loss or liability to the extent incurred by the Trustee through its negligence, bad faith or willful misconduct. The

Company need not pay for any settlement made without its consent, which consent shall not be unreasonably withheld.

The Company's payment obligations pursuant to this Section 7.7 shall survive the discharge of this Indenture. When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.1(e) or 6.1(f) occurs, the expenses and the compensation for the services are intended to constitute expenses of administration under any Bankruptcy Law.

SECTION 7.8 REPLACEMENT OF TRUSTEE.

A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section 7.8.

The Trustee may resign by so notifying the Company in writing at least 30 days prior to the date of the proposed resignation; PROVIDED, HOWEVER, that no such resignation shall be effective until a successor Trustee has accepted its appointment pursuant to this Section 7.8. The Holders of a majority in aggregate principal amount of the then outstanding Notes may remove the Trustee by so notifying the Trustee and the Company.

The Company shall remove the Trustee if:

(a) the Trustee fails to comply with Section 7.10;

(b) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;

(c) a Custodian or public officer takes charge of the Trustee or its property; or

(d) the Trustee otherwise becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee.

If a successor Trustee is not appointed or does not take office within 30 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company or the Holders of at least 10% in aggregate principal amount of the then outstanding Notes may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee fails to comply with Section 7.10, any Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Holders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee. Notwithstanding the replacement of the Trustee pursuant to this Section 7.8, the Company's obligations under Section 7.7 shall continue for the benefit of the retiring Trustee with respect to expenses and liabilities incurred by it prior to such replacement.

SECTION 7.9 SUCCESSOR TRUSTEE BY MERGER.

Except as otherwise provided in Section 7.8(a) or 7.8(d), if the Trustee consolidates, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation, the successor corporation without any further act shall be the successor Trustee.

SECTION 7.10 ELIGIBILITY; DISQUALIFICATION.

This Indenture shall always have a Trustee who satisfies the requirements of TIA ss. 310(a). The Trustee shall always have a combined capital and surplus as stated in its most recent published annual report of condition of at least $100 million. The Trustee shall comply with TIA ss. 310(b). In the event the Trustee shall cease to be eligible in accordance with this Section 7.10, the Trustee shall resign immediately in the manner and with the effect specified in Section 7.8.

SECTION 7.11 PREFERENTIAL COLLECTION OF CLAIMS AGAINST COMPANY.

The Trustee shall comply with TIA ss. 311(a), excluding any creditor relationship listed in TIA ss. 311(b). A Trustee who has resigned or been removed shall be subject to TIA ss. 311(a) to the extent indicated therein.

ARTICLE 8.

DISCHARGE OF INDENTURE

SECTION 8.1 TERMINATION OF COMPANY'S OBLIGATIONS.

This Indenture shall cease to be of further effect (except that the Company's obligations under Sections 7.7 and 8.2 shall survive) when all outstanding Notes theretofore authenticated and issued (other than destroyed, lost or stolen Notes which have been replaced or paid) have been delivered to the Trustee for cancellation and the Company has paid all sums payable hereunder.

SECTION 8.2 REPAYMENT TO COMPANY.

The Trustee and the Paying Agent shall promptly pay to the Company upon request any excess money or securities held by them at any time.

The Trustee and the Paying Agent shall pay to the Company upon written request by the Company any money held by them for the payment of Principal, repurchase price or interest that remains unclaimed for one year after the date upon which such payment shall have become due; PROVIDED, HOWEVER, that the Company shall have first caused notice of such payment to the Company to be mailed to each Holder entitled thereto no less than 30 days prior to such payment. After payment to the Company, Holders entitled to the money must look to the Company for payment as general creditors unless an applicable abandoned property law designates another Person.

ARTICLE 9.

AMENDMENTS

SECTION 9.1 WITHOUT CONSENT OF HOLDERS.

The Company and the Trustee may amend this Indenture or the Notes without the consent of any Holder:

(a) to cure any ambiguity, defect or inconsistency; provided, that such amendment does not in the opinion of the Trustee adversely affect the rights of any Holder;

(b) to comply with Section 5.1 or 10.5;

(c) to provide for uncertificated Notes in addition to or in lieu of certificated Notes;

(d) to add to the covenants of the Company such further covenants, restrictions, conditions or provisions for the protection of the Holders, and to make the occurrence, or the occurrence and continuance, of a default in any such additional covenants, restrictions, conditions or provisions an Event of Default permitting the enforcement of all or any of the several remedies provided in this Indenture or in the Notes as herein set forth;

(e) to change the place of payment of Principal or repurchase price, if any, of or interest on the Notes, PROVIDED, that such new place of payment is located within the 48 contiguous continental States of the United States;

(f) to make any change that does not adversely affect the rights hereunder of any Holder; or

(g) to comply with requirements of the SEC in order to effect or maintain the qualification of this Indenture under the TIA;

PROVIDED, HOWEVER, that, in each case, the Company has delivered to the Trustee an Opinion of Counsel and an Officers' Certificate, each stating that such amendment complies with the provisions of this Section 9.1.

SECTION 9.2 WITH CONSENT OF HOLDERS.

Subject to the provisions of Sections 6.4 and 6.7, the Company and the Trustee may amend or modify this Indenture or the Notes with the written consent of the Holders of at least a majority in aggregate principal amount of the then outstanding Notes held by Persons other than Affiliates of the Company, and the Holders of a majority in aggregate principal amount of the Notes then outstanding may waive compliance in a particular instance by the Company with any provision of this Indenture or the Notes; PROVIDED, HOWEVER, that, without the consent of each Holder affected, an amendment, modification or waiver under this Section 9.2 may not (with respect to any Notes held by a nonconsenting Holder):

(a) change the stated maturity of, or any installment of interest on, or waive a default in the payment of Principal or repurchase price, if any, of or interest on any Note;

(b) reduce the principal amount of any Note or reduce the rate or extend the time of payment of interest on any Note;

(c) increase the Conversion Price (other than in connection with a combination described in Section 10.4(a)(iii));

(d) except as otherwise provided in Section 9.1(e), change the place or currency of payment of Principal or repurchase price, if any, of or interest on any Note;

(e) impair the right to institute suit for the enforcement of any payment on or with respect to any Note;

(f) adversely affect the right to exchange or convert Notes;

(g) reduce the percentage of the aggregate principal amount of outstanding Notes, the consent of the Holders of which is necessary to amend this Section 9.2, consent to a merger, consolidation or conveyance, sale, transfer or lease of assets as described in Section 5.1 or modify or amend any other provision of this Indenture;

(h) reduce the percentage of the aggregate principal amount of outstanding Notes, the consent of the Holders of which is necessary for waiver of compliance with certain provisions of this Indenture or for waiver of certain defaults;

(i) modify the provisions of this Indenture with respect to the subordination of the Notes in a manner adverse to the Holders;

(j) except as otherwise permitted under Article 5, consent to the assignment or transfer by the Company of any of its rights and obligations under this Indenture;

(k) modify the provisions of this Indenture with respect to the obligations of the Company to repurchase Notes in a manner adverse to the Holders.

To secure a consent of the Holders under this Section 9.2, it shall not be necessary for the Holders to approve the particular form of any proposed amendment or waiver, but it shall be sufficient if such consent approves the substance thereof.

After an amendment or waiver under this Section 9.2 becomes effective, the Company shall mail to Holders a notice briefly describing the amendment or waiver. Any failure of the Company to mail such notices, or any defect therein, shall not, however, in any way, impair or affect the validity of any such amendment or waiver.

SECTION 9.3 COMPLIANCE WITH TRUST INDENTURE ACT.

Every amendment to this Indenture or the Notes shall be set forth in a supplemental indenture that complies with the TIA as then in effect.

SECTION 9.4 REVOCATION AND EFFECT OF CONSENT.

Until an amendment, supplemental indenture or waiver becomes effective, a consent to it by a Holder of a Note is a continuing consent by such Holder and every subsequent Holder of a Note or portion of a Note that evidences the same debt as such consenting Holder's Note, even if notation of the consent is not made on any Note. However, prior to becoming effective, any such Holder or subsequent Holder may revoke the consent as to its Notes or a portion thereof if the Trustee receives written notice of revocation before the consent of Holders of the requisite aggregate principal amount of Notes then outstanding has been obtained and not revoked.

The Company may, but shall not be obligated to, fix a record date pursuant to Section 12.1 for the purpose of determining the Holders entitled to consent to any amendment or waiver. If a record date is fixed, then notwithstanding the provisions of the immediately preceding paragraph, those Persons who were Holders at such record date (or their duly designated proxies), and only those Persons, shall be entitled to consent to such amendment or waiver or to revoke any consent previously given, whether or not such Persons continue to be Holders after such record date. No consent shall be valid or effective for more than 90 days after such record date unless consents from Holders of the principal amount of Notes required hereunder for such amendment or waiver to be effective shall have also been given and not revoked within such 90-day period.

After an amendment or waiver becomes effective it shall bind every Holder, unless it is of the type described in any of clauses (a) through (k) of Section 9.2. In such case, the amendment or waiver shall bind each Holder of a Note who has consented to it and every subsequent Holder of a Note that evidences the same debt as the consenting Holder's Note.

SECTION 9.5 NOTATION ON OR EXCHANGE OF NOTES.

The Trustee (in accordance with the written direction of the Company) may (at the Company's expense) place an appropriate notation about an amendment, supplement or waiver on any Note thereafter authenticated. The Company in exchange for all Notes may issue and the Trustee shall authenticate new Notes that reflect the amendment or waiver.

Failure to make the appropriate notation or issue a new Note shall not affect the validity and effect of such amendment, supplement or waiver.

SECTION 9.6 TRUSTEE PROTECTED.

The Trustee shall sign all supplemental indentures authorized by this Indenture, except that the Trustee need not sign any supplemental indenture that adversely affects its rights. In signing or refusing to sign such supplemental indenture, the Trustee shall be entitled to receive an Officers' Certificate and Opinion of Counsel to the effect that such supplemental indenture is authorized or permitted by this Indenture and will be valid and binding on the Company in accordance with its terms.

ARTICLE 10.

CONVERSION

SECTION 10.1 CONVERSION PRIVILEGE.

Each Holder may, at such Holder's option, at any time prior to the close of business on _____, 2004, unless earlier redeemed or repurchased, convert such Holder's Notes, in whole or in part (in denominations of $1,000 or multiples thereof), at 100% of the principal amount so converted, into shares of Common Stock at a conversion price per share equal to $_____ as such conversion price may be adjusted from time to time in accordance with this Article 10 (the "CONVERSION PRICE").

SECTION 10.2 CONVERSION PROCEDURE.

To convert a Note, the Holder thereof must (1) complete and sign the "Form of Election to Convert" thereon (unless such Holder is The Depository Trust Company ("DTC") or its nominee, in which case the customary procedures of DTC will apply), (2) surrender such Note to the Conversion Agent, (3) furnish appropriate endorsements and transfer documents if required by the Registrar or the Conversion Agent, (4) pay any transfer or similar tax if required by Section 10.6, and (5) make any payment required by the first proviso to the third sentence of this paragraph. The Company's delivery to the Holder of a fixed number of shares of Common Stock (and any cash in lieu of fractional shares of Common Stock into which such Note is converted) shall be deemed to satisfy the Company's obligation to pay the principal amount of such Note and, except as

provided in the next sentence, all accrued interest on such Note. If such Note (including a Note which has been called for redemption and even if a Change of Control Offer has been made) is converted after a regular interest payment record date and prior to the related Interest Payment Date, the full interest installment on such Note scheduled to be paid on such Interest Payment Date shall be payable on such Interest Payment Date to the Holder of record at the close of business on such record date; PROVIDED, HOWEVER, that if such record date is on or after _____, 2000, such Note must be accompanied by a payment equal to the interest on such Note (or portion thereof converted) payable by the Company on such Interest Payment Date, which payment will be returned to such Holder if the Company defaults in the payment of such interest.

As promptly as practicable after the surrender of a Note in compliance with this Section 10.2, the Company shall issue and deliver at the office or agency of the Registrar or the Conversion Agent to such Holder, or on such Holder's written order, a certificate or certificates for the full number of whole shares of Common Stock issuable upon the conversion of such Note in accordance with the provisions of this Article 10 and a check or cash with respect to any fractional share of Common Stock arising upon such conversion as provided in Section 10.3. In case any Note of a denomination greater than $1,000 shall be surrendered for partial conversion, then, subject to Article 2, the Company shall execute and the Trustee shall authenticate and deliver to the Holder of the Note so surrendered, without charge to such Holder, a new Note or Notes in authorized denominations in an aggregate principal amount equal to the unconverted portion of the surrendered Note.

Each conversion shall be deemed to have been effected on the date on which such Note shall have been surrendered in compliance with this Section 10.2, and the Person in whose name any certificate or certificates for shares of Common Stock shall be issuable upon such conversion shall be deemed to have become on said date the holder of record of the shares of Common Stock represented thereby for all purposes; PROVIDED, HOWEVER, that no surrender of a Note on any date when the stock transfer books of the Company shall be closed shall be effective to constitute the Person or Persons entitled to receive such shares upon such conversion as the record holder or holders of such shares on such date, but such surrender shall be effective to constitute the Person or Persons entitled to receive such shares as the record holder or holders thereof for all purposes at the close of business on the next succeeding day on which such stock transfer books are open and, in any such case, such conversion shall be at the Conversion Price in effect on the date on which such Note shall have been surrendered.

If the last day on which a Note may be converted is not a Business Day, the Note may be surrendered to that Conversion Agent on the next succeeding Business Day.

Provisions of this Indenture that apply to conversion of all of a Note also apply to conversion of a portion of such Note.

SECTION 10.3 CASH PAYMENTS IN LIEU OF FRACTIONAL SHARES.

No fractional shares of Common Stock or scrip representing fractional shares of Common Stock shall be issued upon conversion of Notes. If more than one Note shall be surrendered for conversion at one time by the same Holder, the full number of whole shares of Common Stock which shall be issuable upon conversion shall be computed on the basis of the aggregate principal amount of Notes (or specified portions thereof to the extent permitted hereby) so surrendered. If any fractional share of Common Stock would be issuable upon the conversion of any Note or Notes, the Company shall make an adjustment therefor in cash at the Current Market Price of the Common Stock as of the close of business on the Business Day prior to such conversion.

SECTION 10.4 ADJUSTMENT OF CONVERSION PRICE.

(a) If the Company shall (i) pay a dividend or other distribution, in Common Stock, on any class of Capital Stock of the Company or any Subsidiary which is not wholly owned by the Company, (ii) subdivide the outstanding Common Stock into a greater number of shares by any means, or (iii) combine the outstanding Common Stock into a smaller number of shares by any means (including, without limitation, a reverse stock split), then in each such case the Conversion Price in effect immediately prior thereto shall be adjusted so that the Holder of any Note thereafter surrendered for conversion shall be entitled to receive the number of shares of Common Stock that such Holder would have owned or have been entitled to receive upon the happening of such event had such Note been converted immediately prior to the relevant record date or, if there is no such record date, the effective date of such event. An adjustment made pursuant to this Section 10.4(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date of such subdivision or combination, as the case may be.

(b) If the Company shall (i) issue or distribute (at a price per share less than the Current Market Price per share of such Capital Stock on the date of such issuance or distribution) Capital Stock generally to holders of Common Stock or to holders of any class or series of Capital Stock which is convertible into or exchangeable or exercisable for Common Stock (excluding an issuance or distribution of Common Stock described in Section 10.4(a)) or (ii) issue or distribute generally to such holders rights, warrants, options or convertible or exchangeable securities entitling the holder thereof to subscribe

for, purchase, convert into or exchange for Capital Stock at a price per share less than the Current Market Price per share of such Capital Stock on the date of issuance or distribution, then, in each such case, at the earliest of (A) the date the Company enters into a firm contract for such issuance or distribution, (B) the record date for the determination of stockholders entitled to receive any such Capital Stock or any such rights, warrants, options or convertible or exchangeable securities, or (C) the date of actual issuance or distribution of any such Capital Stock or any such rights, warrants, options or convertible or exchangeable securities, the Conversion Price shall be reduced by multiplying the Conversion Price in effect immediately prior to such earliest date by:

(x) if such Capital Stock is Common Stock, a fraction the numerator of which is the number of shares of Common Stock outstanding on such earliest date plus the number of shares of Common Stock which could be purchased at the Current Market Price per share of Common Stock on the date of such issuance or distribution with the aggregate consideration (based on the Fair Market Value thereof) received or receivable by the Company either (A) in connection with such issuance or distribution or (B) upon the conversion, exchange, purchase or subscription of all such rights, warrants, options or convertible or exchangeable securities (the "AGGREGATE CONSIDERATION"), and the denominator of which is the number of shares of Common Stock outstanding on such earliest date plus the number of shares of Common Stock to be so issued or distributed or to be issued upon the conversion, exchange, purchase, or subscription of all such rights, warrants, options or convertible or exchangeable securities; or

(y) if such Capital Stock is other than Common Stock, a fraction the numerator of which is the Current Market Price per share of Common Stock on such earliest date minus an amount equal to (A) the sum of (1) the Current Market Price per share of such Capital Stock multiplied by the number of shares of such Capital Stock to be so issued minus (2) the Aggregate Consideration, divided by (B) the number of shares of Common Stock outstanding on such date, and the denominator of which is the Current Market Price per share of Common Stock on such earliest date.

Such adjustment shall be made successively whenever any such Capital Stock, rights, warrants, options or convertible or exchangeable securities are so issued or distributed. In determining whether any rights, warrants, options or convertible or exchangeable securities entitle the holders thereof to subscribe for, purchase, convert into or exchange for shares of such Capital Stock at less than such Current Market Price, there shall be taken into account the Fair Market Value of any consideration received or receivable by the Company for such rights, warrants, options or convertible or exchangeable securities. If any right, warrant, option or convertible or exchangeable securities, the issuance of

which resulted in an adjustment in the Conversion Price pursuant to this Section 10.4(b), shall expire and shall not have been exercised, the Conversion Price shall immediately upon such expiration be recomputed to the Conversion Price which would have been in effect if such right, warrant, option or convertible or exchangeable securities had never been distributed or issued. Notwithstanding anything contained in this paragraph to the contrary, the issuance of Capital Stock upon the exercise of such rights, warrants or options or the conversion or exchange of such convertible or exchangeable securities will not cause an adjustment in the Conversion Price if no such adjustment would have been required at the time such right, warrant, option or convertible or exchangeable security was issued or distributed; PROVIDED, HOWEVER, that, if the consideration payable upon such exercise, conversion or exchange and/or the Capital Stock receivable thereupon are changed after the time of the issuance or distribution of such right, warrant, option or convertible or exchangeable security, then such change shall be deemed to be the expiration thereof without having been exercised and the issuance or distribution of new options, rights, warrants or convertible or exchangeable securities.

Notwithstanding anything contained in this Indenture to the contrary, options, rights or warrants issued or distributed by the Company, including options, rights or warrants distributed prior to the date of this Indenture to holders of Common Stock generally which, until the occurrence of a specified event or events (a "TRIGGER EVENT"), (i) are deemed to be transferred with Common Stock, (ii) are not exercisable, and (iii) are also issued on a pro rata basis with respect to future issuances of Common Stock, shall be deemed not to have been issued or distributed for purposes of this Section 10.4 (and no adjustment to the Conversion Price under this Section 10.4 will be required) until the occurrence of the earliest Trigger Event, whereupon such options, rights and warrants shall be deemed to have been distributed and an adjustment (if any is required) to the Conversion Price shall be made in accordance with this Section 10.4(b). If any such option, right or warrant, including any such options, rights or warrants distributed prior to the date of this Indenture, are subject to events, upon the occurrence of which such options, rights or warrants become exercisable to purchase different securities, evidences of indebtedness, cash, Properties or other assets or different amounts thereof, then the date of the occurrence of any and each such event shall be deemed to be the date of distribution and record date with respect to new options, rights or warrants with such new purchase rights (and a termination or expiration of the existing options, rights or warrants without exercise thereof). In addition, in the event of any distribution (or deemed distribution) of options, rights or warrants, or any Trigger Event or other event of the type described in the preceding sentence, that required (or would have required but for the provisions of Section 10.4(e)) an adjustment to the Conversion Price under this Section 10.4 which was in fact made and such options, rights or warrants shall thereafter have been redeemed or repurchased without having been exercised, then the Conversion Price

shall be readjusted upon such redemption or repurchase to give effect to such distribution, Trigger Event or other event, as the case may be, as though it had instead been a cash distribution, equal on a per share basis to the result of the aggregate redemption or repurchase price received by holders of such options, rights or warrants divided by the number of shares of Common Stock outstanding as of the date of such repurchase or redemption, made to holders of Common Stock generally as of the date of such redemption or repurchase.

Notwithstanding anything contained in this Section 10.4(b) to the contrary, no adjustment shall be made in the Conversion Price pursuant to this Section 10.4(b) with respect to the issuance of Common Stock or options or other rights to purchase Common Stock pursuant to any employee stock purchase, bonus, award, grant, option or ownership plan (including, without limitation, an employee stock ownership plan which is part of an employee benefit plan qualified under Section 401 of the Internal Revenue Code of 1986, as amended (the "CODE"), an employee stock option or incentive stock option plan qualified under Section 422 of the Code and a restricted stock plan), including the issuance of Common Stock upon the exercise of such options; PROVIDED, that, for purposes of this paragraph, the term "employee" includes directors, consultants and advisors and the term "plan" means a plan, program or arrangement in which 5 or more Persons are eligible to participate (or, if only directors of the Company are eligible to participate and there are fewer than 5 such directors, in which all of such directors are eligible to participate).

(c) If the Company shall pay or distribute, as a dividend or otherwise, generally to holders of Common Stock or any class or series of Capital Stock which is convertible into or exercisable or exchangeable for Common Stock any assets, Properties or rights (including, without limitation, evidences of indebtedness of the Company, any Subsidiary or any other Person, cash or Capital Stock or other securities of the Company, any Subsidiary or any other Person, but excluding payments and distributions as described in Section 10.4(a) or 10.4(b), dividends and distributions in connection with the liquidation, dissolution or winding up of the Company in its entirety and distributions consisting solely of cash described in Section 10.4(d)), then in each such case the Conversion Price shall be reduced by multiplying the Conversion Price in effect immediately prior to the date of such payment or distribution by a fraction, the numerator of which is the Current Market Price per share of Common Stock on the record date for the determination of stockholders entitled to receive such payment or distribution less the Fair Market Value per share on such record date of the assets, Properties or rights so paid or distributed, and the denominator of which is the Current Market Price per share of Common Stock on such record date. Such adjustment shall become effective immediately after such record date. For purposes of this Section 10.4(c), such Fair

Market Value per share shall equal the aggregate Fair Market Value on such record date of the assets, Properties or rights so paid or distributed divided by the number of shares of Common Stock outstanding on such record date.

(d) If the Company shall, by dividend or otherwise, make a distribution (other than in connection with the liquidation, dissolution or winding up of the Company in its entirety), generally to holders of Common Stock or any class or series of Capital Stock which is convertible into or exercisable or exchangeable for Common Stock, consisting solely of cash where (x) the sum of (i) the aggregate amount of such cash plus (ii) the aggregate amount of all cash so distributed (by dividend or otherwise) to such holders within the 12-month period ending on the record date for determining stockholders entitled to receive such distribution with respect to which no adjustment has been made to the Conversion Price pursuant to this Section 10.4(d) exceeds (y) 10% of the result of the multiplication of (1) the Current Market Price per share of Common Stock on such record date times (2) the number of shares of Common Stock outstanding on such record date, then the Conversion Price shall be reduced, effective immediately prior to the opening of business on the day following such record date, by multiplying the Conversion Price in effect immediately prior to the close of business on the day prior to such record date by a fraction, the numerator of which is the Current Market Price per share of Common Stock on such record date less the aggregate amount of cash per share so distributed and the denominator of which is such Current Market Price; PROVIDED, HOWEVER, that, if the aggregate amount of cash per share is equal to or greater than such Current Market Price, then, in lieu of the foregoing adjustment, adequate provision shall be made so that each Holder shall have the right to receive upon conversion (with respect to each share of Common Stock issued upon such conversion and in addition to the Common Stock issuable upon conversion) the aggregate amount of cash per share such Holder would have received had such Holder's Note been converted immediately prior to such record date. In no event shall the Conversion Price be increased pursuant to this Section 10.4(d); PROVIDED, HOWEVER, that if such distribution is not so made, the Conversion Price shall be adjusted to be the Conversion Price which would have been in effect if such distribution had not been declared. For purposes of this paragraph of this Section 10.4(d), such aggregate amount of cash per share shall equal such sum divided by the number of shares of Common Stock outstanding on such record date.

(e) The provisions of this Section 10.4 shall similarly apply to all successive events of the type described in this Section 10.4. Notwithstanding anything contained herein to the contrary, no adjustment in the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Conversion Price then in effect; PROVIDED, HOWEVER, that any adjustments which by reason of this Section 10.4(e) are not required to be made shall be carried forward and taken into

account in any subsequent adjustment. All calculations under this Article 10 shall be made by the Company and shall be made to the nearest cent or to the nearest one hundredth of a share, as the case may be, and the Trustee shall be entitled to rely conclusively thereon. Notwithstanding anything contained in this Section 10.4 to the contrary, the Company shall be entitled to make such reductions in the Conversion Price, in addition to those required by this Section 10.4, as it in its discretion shall determine to be advisable in order that any stock dividends, subdivision of shares, distribution of rights to purchase stock or securities, or distribution of securities convertible into or exchangeable for stock hereafter made by the Company to its stockholders shall not be taxable. Except as provided in this Article 10, no adjustment in the Conversion Price will be made for the issuance of Common Stock or any securities convertible into or exchangeable for Common Stock or carrying the right to purchase Common Stock or any securities so convertible or exchangeable.

(f) Whenever the Conversion Price is adjusted as provided herein, the Company shall promptly file with the Trustee and any Conversion Agent other than the Trustee an Officers' Certificate setting forth the Conversion Price in effect after such adjustment and setting forth a brief statement of the facts requiring such adjustment. Promptly after delivery of such Officers' Certificate, the Company shall give or cause to be given to each Holder a notice of such adjustment of the Conversion Price setting forth the adjusted Conversion Price and the date on which such adjustment becomes effective.

(g) Notwithstanding anything contained herein to the contrary, in any case in which this Section 10.4 provides that an adjustment in the Conversion Price shall become effective immediately after a record date for an event, the Company may defer until the occurrence of such event (i) issuing to the Holder of any Note converted after such record date and before the occurrence of such event the additional shares of Common Stock issuable upon such conversion by reason of the adjustment required by such event over and above the number of shares of Common Stock issuable upon such conversion before giving effect to such adjustment and (ii) paying to such Holder any amount in cash in lieu of any fractional share of Common Stock pursuant to Section 10.3.

SECTION 10.5 EFFECT OF RECLASSIFICATION, CONSOLIDATION, MERGER OR SALE.

In the event of (i) any reclassification (including, without limitation, a reclassification effected by means of an exchange or tender offer by the Company or any Subsidiary) or change of outstanding Common Stock (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination), (ii) any consolidation, merger or combination of the Company with another corporation as a result of which holders of Common Stock shall be entitled to receive

securities or other Property (including cash) with respect to or in exchange for Common Stock, or (iii) any sale or conveyance of the Property of the Company as, or substantially as, an entirety to any other corporation as a result of which holders of Common Stock shall be entitled to receive securities or other Property (including cash) with respect to or in exchange for Common Stock, then the Company or the successor or purchasing corporation, as the case may be, shall enter into a supplemental indenture providing that each Note shall be convertible into the kind and amount of securities or other Property (including cash) receivable upon such reclassification, change, consolidation, merger, combination, sale or conveyance which the Holder of such Note would have received if such Note had been converted immediately prior to the effective date of such reclassification, change, consolidation, merger, combination, sale or conveyance. Such supplemental indenture shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article 10.

Whenever a supplemental indenture is entered into as provided herein, the Company shall promptly file with the Trustee and any Conversion Agent other than the Trustee an Officers' Certificate setting forth a brief statement of the facts requiring such supplemental indenture. Promptly after delivery of such Officers' Certificate, the Company shall give or cause to be given to each Holder a notice of the execution of such supplemental indenture.

The provisions of this Section 10.5 shall similarly apply to all successive events of the type described in this Section 10.5.

SECTION 10.6 TAXES ON SHARES ISSUED.

The issuance of a certificate or certificates on conversions of Notes shall be made without charge to the Holders of such Notes for any tax or charge with respect to the issuance thereof. The Company shall not, however, be required to pay any tax or charge which may be payable with respect to any transfer involved in the issuance and delivery of a certificate or certificates in any name other than that of the Holders of such Notes, and the Company shall not be required to issue or deliver any such certificate or certificates unless and until the Person or Persons requesting the issuance thereof shall have paid to the Company the amount of such tax or charge or shall have established to the satisfaction of the Company that such tax or charge has been paid.

SECTION 10.7 RESERVATION OF SHARES; SHARES TO BE FULLY PAID; COMPLIANCE WITH GOVERNMENT REQUIREMENTS; LISTING OF COMMON STOCK.

The Company shall reserve, out of its authorized but unissued Common Stock or its Common Stock held in treasury, sufficient shares of Common Stock to provide for the conversion of all of the Notes that are outstanding from time to time.

Before taking any action which would cause an adjustment reducing the Conversion Price below the then par value, if any, of the Common Stock issuable upon conversion of Notes, the Company will take all corporate action which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue Common Stock at such adjusted Conversion Price.

The Company covenants that all Common Stock which may be issued upon conversion of Notes will, upon issuance, be duly authorized, validly issued, fully paid and non-assessable and free from all taxes, liens and charges with respect to the issuance and delivery thereof.

The Company covenants that if any Common Stock issued or delivered upon conversion of Notes hereunder require registration with or approval of any governmental authority under any applicable federal or state law (excluding federal or state securities laws) before such Common Stock may be lawfully issued, the Company will in good faith and as expeditiously as possible endeavor to secure such registration or approval, as the case may be.

The Company covenants that it will not take any action which would cause the exemption from the registration of Section 5 of the Securities Act afforded by Section 3(a)(9) of the Securities Act to be unavailable with respect to the issuance and delivery of Common Stock upon the conversion of Notes in accordance with this Indenture.

SECTION 10.8 RESPONSIBILITY OF TRUSTEE REQUIREMENTS.

The Trustee and any other Conversion Agent shall not at any time be under any duty or responsibility to any Holder to determine whether any fact exists which may require any adjustment of the Conversion Price or other adjustments, or with respect to the nature extent or calculation of any such adjustment when made, or with respect to the method employed, or herein or in any supplemental indenture provided to be employed, in making any such adjustment, or with respect to the correctness thereof. The Trustee and any other Conversion Agent shall not be accountable with respect to the validity, value, kind or amount of any item at any time issued or delivered upon the conversion of any

Note, and neither the Trustee nor any other Conversion Agent makes any representations with respect thereto. Subject to Section 7.1, neither the Trustee nor any Conversion Agent shall be responsible for any failure of the Company to issue, transfer or deliver any item upon the surrender of any Note for conversion or to comply with any of the duties, responsibilities or covenants of the Company contained in this Article 10. Without limiting the generality of the foregoing, neither the Trustee nor any Conversion Agent shall be under any responsibility to determine the correctness of any provisions contained in any supplemental indenture entered into pursuant to Section 10.5, but, subject to the provisions of Section 7.1, may accept as conclusive evidence of the correctness of any such provisions, and shall be protected in relying upon, the Officers' Certificate with respect thereto.

SECTION 10.9 NOTICE TO HOLDERS PRIOR TO CERTAIN ACTIONS.

In the event that:

(a) the Company shall declare or authorize any event which could result in an adjustment in the Conversion Price under Section 10.4 or require the execution of a supplemental indenture under Section 10.5; or

(b) the Company shall authorize the granting to the holders of Common Stock generally, of rights, options or warrants to subscribe for or purchase any share of any class or series of Capital Stock of the Company or any Subsidiary or any other rights, options or warrants, the reclassification of Common Stock (other than a subdivision or combination of outstanding Common Stock, or a change in par value, or from par value to no par value, or from no par value to par value), the combination, consolidation or merger of the Company for which approval of any stockholders of the Company is required, the sale or transfer of all or substantially all of the assets of the Company or the voluntary or involuntary dissolution, liquidation or winding-up of the Company in whole or in part;

then, in each such case, the Company shall file or cause to be filed with the Trustee and shall give or cause to be given to each Holder, as promptly as possible but in any event at least 15 days prior to the applicable date hereinafter specified, a notice stating the date on which a record is to be taken for the purpose of determining the holders of outstanding Common Stock entitled to participate in such event, the date on which such event is expected to become effective or occur and the date on which it is expected that holders of outstanding Common Stock of record shall be entitled to surrender their shares, or receive any items, in connection with such event. Failure to give such notice, or any defect therein, shall not affect the legality or validity of such event.

ARTICLE 11.

SUBORDINATION

SECTION 11.1 AGREEMENT TO SUBORDINATE.

The Company covenants and agrees, and each Holder, by such Holder's acceptance of a Note, likewise covenants and agrees, that, to the extent and in the manner hereinafter set forth in this Article 11, the indebtedness represented by the Notes and the payment of the Principal and repurchase price, if any, of and interest on each and all of the Notes are hereby expressly made subordinate and subject in right of payment to the prior payment in full of all Senior Indebtedness.

No provision of this Article 11 shall prevent the occurrence of any Default or Event of Default hereunder.

SECTION 11.2 PAYMENT OVER OF PROCEEDS UPON DISSOLUTION, ETC.

In the event of (a) any insolvency or bankruptcy case or proceeding, or any receivership, liquidation, reorganization or other similar case or proceeding in connection therewith, relative to the Company or to its creditors, as such, or to its assets, or (b) any liquidation, dissolution or other winding-up of the Company, whether voluntary or involuntary and whether or not involving insolvency or bankruptcy, or (c) any assignment for the benefit of creditors or any other marshaling of assets and liabilities of the Company, then and in any such event the holders of Senior Indebtedness shall first be entitled to receive payment in full of all amounts due or to become due on or with respect to all Senior Indebtedness, or provision shall be made for such payment in money or money's worth, before the Holders are entitled to receive any payment on account of Principal or repurchase price, if any, of or interest on the Notes, and to that end the holders of Senior Indebtedness shall be entitled to receive, for application to the payment thereof, any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable with respect to the Notes in any such case, proceeding, liquidation, dissolution or other winding up or event.

In the event that, notwithstanding the foregoing provisions of this Section 11.2, the Trustee or any Holder shall have received any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, before all Senior Indebtedness is paid in full or payment thereof provided for, and if such fact shall, at or prior to the time of such payment or distribution, have been made known to the Trustee or, as the

case may be, such Holder, then and in such event such payment or distribution shall be paid over or delivered forthwith to the trustee in bankruptcy, receiver, liquidating trustee, custodian, assignee, agent or other Person making payment or distribution of assets of the Company for application to the payment of all Senior Indebtedness remaining unpaid, to the extent necessary to pay all Senior Indebtedness in full, after giving effect to any concurrent payment or distribution to or for the holders of Senior Indebtedness.

The consolidation of the Company with, or the merger of the Company into, another Person or the liquidation or dissolution of the Company following the conveyance or transfer of its properties and assets substantially as an entirety to another Person upon the terms and conditions set forth in Article 5 shall not be deemed a dissolution, winding-up, liquidation, reorganization, assignment for the benefit of creditors or marshaling of assets and liabilities of the Company for the purposes of this Section 11.2 if the Person formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer such properties and assets substantially as an entirety, as the case may be, shall, as a part of such consolidation, merger, conveyance or transfer, comply with the conditions set forth in Article 5.

SECTION 11.3 PRIOR PAYMENT TO SENIOR INDEBTEDNESS UPON ACCELERATION OF NOTES.

In the event that any Notes are declared due and payable before their stated maturity, then and in such event the holders of Senior Indebtedness outstanding at the time such Notes so become due and payable shall be entitled to receive payment in full of all amounts due or to become due on or with respect to such Senior Indebtedness, or provision shall be made for such payment in money or money's worth, before the Holders are entitled to receive any payment by the Company on account of the Principal or repurchase price, if any, of or interest on the Notes or on account of the purchase or other acquisition of Notes.

In the event that, notwithstanding the foregoing, the Company shall make any payment to the Trustee or to any Holder prohibited by the foregoing provision of this Section 11.3, and if such fact shall, at or prior to the time of such payment, have been made known to the Trustee by written notice or, as the case may be such Holder, then and in such event such payment shall be paid over and delivered forthwith to the Company.

The provisions of this Section 11.3 shall not apply to any payment with respect to which Section 11.2 would be applicable.

SECTION 11.4 PAYMENT WHEN SENIOR INDEBTEDNESS IN DEFAULT.

(a) In the event and during the continuation of any default in the payment of principal of or interest on any Senior Indebtedness beyond any applicable grace period with respect thereto, or in the event that any event of default with respect to any Senior Indebtedness shall have occurred and be continuing permitting the holders of such Senior Indebtedness (or a trustee on behalf of the holders thereof) to declare such Senior indebtedness due and payable prior to the date on which it would otherwise have become due and payable, unless and until such event of default shall have been cured or waived or shall have ceased to exist or the Company and the Trustee shall have received written notice from the Representative of the Senior Indebtedness with respect to which such event of default relates approving payment on the Notes, then no payment shall be made by the Company with respect to the Principal or repurchase price, if any, or interest on the Notes or to acquire any of the Notes; provided that no such default will prevent any payment on, or with respect to, the Notes for more than 120 days unless the maturity of such Senior Indebtedness has been accelerated. Not more than one such 120 day delay may be made in any consecutive 360-day period, irrespective of the number of defaults with respect to Senior Indebtedness during such period.

In the event that, notwithstanding the foregoing, the Company shall make any payment to the Trustee or to any Holder prohibited by the foregoing provision of this Section 11.4, and if such fact shall, at or prior to the time of such payment, have been made known to the Trustee by written notice or, as the case may be such Holder, then and in such event such payment shall be paid over and delivered forthwith to the Company.

The provisions of this Section 11.4 shall not apply to any payment with respect to which Section 11.2 would be applicable.

SECTION 11.5 PAYMENT PERMITTED IF NO DEFAULT.

Nothing contained in this Article 11 or elsewhere in this Indenture or in any of the Notes shall prevent (a) the Company, at any time except during the pendency of any case, proceeding, dissolution, liquidation or other winding-up, assignment for the benefit of creditors or other marshaling of assets and liabilities of the Company referred to in Section 11.2 or under the conditions described in Section 11.3 or 11.4, from making payments at any time of Principal or repurchase price, if any, of or interest on the Notes or (b) the application by the Trustee of any money deposited with it hereunder to the payment of or on account of the Principal or repurchase price, if any, of or interest on the Notes or the retention of any such payment by the Holders, if, at the time of the application by the Trustee, it did not have

knowledge that such payment would have been prohibited by the provisions of this Article 11.

SECTION 11.6 SUBROGATION TO RIGHTS OF HOLDERS OF SENIOR INDEBTEDNESS.

Subject to the payment in full of all Senior Indebtedness, the Holders shall be subrogated to the extent of the payments or distributions made to the holders of such Senior Indebtedness pursuant to the provisions of this Article 11 (equally and ratably with the holders of all indebtedness of the Company which is not Senior Indebtedness and which is entitled to like rights of subrogation) to the rights of the holders of such Senior Indebtedness to receive payments and distributions of cash, property and securities applicable to the Senior Indebtedness until the Principal or repurchase price, if any, of and interest on the Notes shall be paid in full. For purposes of such subrogation, no payments or distributions to the holders of Senior Indebtedness of any cash, property or securities to which the Holders or the Trustee would be entitled except for the provisions of this Article, and no payments over pursuant to the provisions of this Article to the holders of Senior Indebtedness by Holders or the Trustee, shall, as among the Company, its creditors other than holders of Senior Indebtedness and the Holders be deemed to be a payment or distribution by the Company to or on account of Senior Indebtedness.

SECTION 11.7 PROVISIONS SOLELY TO DEFINE RELATIVE RIGHTS.

The provisions of this Article 11 are and are intended solely for the purpose of defining the relative rights of the Holders on the one hand and the holders of Senior Indebtedness on the other hand. Nothing contained in this Article 11 or elsewhere in this Indenture or in the Notes is intended to or shall: (a) impair, as among the Company, its creditors other than holders of Senior Indebtedness and the Holders, the obligation of the Company, which is absolute and unconditional (and which, subject to the rights under this Article 11 of the holders of Senior Indebtedness, is intended to rank equally with all other general obligations of the Company), to pay to the Holders the Principal or repurchase price, if any, of and interest on the Notes as and when the same shall become due and payable in accordance with their terms; or (b) affect the relative rights against the Company of the Holders and creditors of the Company other than the holders of Senior Indebtedness; or (c) prevent the Trustee or any Holder from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the rights, if any, under this Article 11 of the holders of Senior Indebtedness to receive cash, property and securities otherwise payable or deliverable to the Trustee of such Holder.

SECTION 11.8 TRUSTEE TO EFFECTUATE SUBORDINATION.

Each Holder of a Note by his acceptance thereof authorizes and directs the Trustee on his behalf to take such action as may be necessary or appropriate to effectuate the subordination provided in this Article 11 and appoints the Trustee his attorney-in-fact for any and all such purposes.

SECTION 11.9 NO WAIVER OF SUBORDINATION PROVISIONS.

No right of any present or future holder of any Senior Indebtedness to enforce subordination as herein provided shall at any time in any way be prejudiced or impaired by any act or failure to act by the Company or by any act or failure to act in good faith, by any such holder, or by any non-compliance by the Company with the terms, provisions and covenants of this Indenture, regardless of any knowledge thereof any such holder may have or be otherwise charged with.

Without in any way limiting the generality of the foregoing paragraph, the holders of Senior Indebtedness may, at any time and from time to time, without the consent of or notice to the Trustee or the Holders, without incurring responsibility to the Holders and without impairing or releasing the subordination provided in this Article 11 or the obligations hereunder of the Holders to the holders of Senior Indebtedness, do any one or more of the following: (i) change the manner, place or terms of payment or extend the time of payment of, or renew or alter, Senior Indebtedness, or otherwise amend or supplement in any manner Senior Indebtedness or any instrument evidencing the same or any agreement under which Senior Indebtedness is outstanding; (ii) sell, exchange, release or otherwise deal with any property pledged, mortgaged or otherwise securing Senior Indebtedness; (iii) release any Person liable in any manner for the collection of Senior Indebtedness; and (iv) exercise or refrain from exercising any rights against the Company and any other Person.

SECTION 11.10 NOTICE TO TRUSTEE.

The Company shall give prompt written notice to the Trustee of any fact known to the Company which would prohibit the making of any payment to or by the Trustee with respect to the Notes. Notwithstanding the provisions of this Article 11 or any other provision of this Indenture, the Trustee shall not be charged with knowledge of the existence of any facts which would prohibit the making of any payment to or by the Trustee with respect to the Notes, unless and until the Trustee shall have received written notice thereof from the Company or a holder of Senior Indebtedness or from any Representative therefor, and, prior to the receipt of any such written notice, the Trustee,

subject to the provisions of Section 7.1, shall be entitled in all respects to assume that no such facts exist; PROVIDED, HOWEVER, that if the Trustee shall not have received the notice provided for in this Section 11.10 at least 10 Business Days prior to the date upon which by the terms hereof any money may become payable for any purpose (including, without limitation, the payment of the principal of (and premium, if any) or interest on any Note), then, notwithstanding anything herein contained to the contrary, the Trustee shall have full power and authority to receive such money and to apply the same to the purpose for which such money was received and shall not be affected by any notice to the contrary which may be received by it during or after such 10 Business Day period.

Subject to the provisions of Section 7.1, the Trustee shall be entitled to rely on the delivery to it of a written notice by a Person representing himself to be a holder of Senior Indebtedness (or a Representative therefor) to establish that such notice has been given by a holder of Senior Indebtedness (or a Representative therefor). In the event that the Trustee determines in good faith that further evidence is required with respect to the right of any Person as a holder of Senior Indebtedness to participate in any payment or distribution pursuant to this Article 11, the Trustee may request such Person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Senior Indebtedness held by such Person, the extent to which such Person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such Person under this Article 11, and if such evidence is not furnished, the Trustee may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment.

SECTION 11.11 RELIANCE ON JUDICIAL ORDER OR CERTIFICATE OF LIQUIDATING AGENT.

Upon any payment or distribution of assets of the Company referred to in this Article 11, the Trustee, subject to the provisions of Section 7.1, and the Holders shall be entitled to rely upon any order or decree entered by any court of competent jurisdiction in which such insolvency, bankruptcy, receivership, liquidation, reorganization, dissolution, winding-up or similar case or proceeding is pending, or a certificate of the trustee in bankruptcy, receiver, liquidating trustee, custodian, assignee for the benefit of creditors, agent or other Person making such payment or distribution, delivered to the Trustee or to the Holders, for the purpose of ascertaining the Persons entitled to participate in such payment or distribution, the holders of the Senior Indebtedness and other indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article 11.

SECTION 11.12 TRUSTEE NOT FIDUCIARY FOR HOLDERS OF SENIOR INDEBTEDNESS.

The Trustee shall not be deemed to owe any fiduciary duty to, or be subject to any implied covenants or obligations in favor of, the holders of Senior Indebtedness and shall not be liable to any such holders if it shall in good faith mistakenly pay over or distribute to Holders or to the Company or to any other Person cash, property or securities to which any holders of Senior Indebtedness shall be entitled by virtue of this Article 11 or otherwise.

SECTION 11.13 RIGHTS OF TRUSTEE AS HOLDER OF SENIOR INDEBTEDNESS; PRESERVATION OF TRUSTEE'S RIGHTS.

The Trustee in its individual capacity shall be entitled to all the rights set forth in this Article 11 with respect to any Senior Indebtedness which may at any time be held by it, to the same extent as any other holder of Senior Indebtedness, and nothing in this Indenture shall deprive the Trustee of any of its rights as such holder.

Nothing in this Article 11 shall subordinate to Senior Indebtedness the claims of, or payments to, the Trustee under or pursuant to Section 7.7.

SECTION 11.14 ARTICLE APPLICABLE TO PAYING AGENTS.

In case at any time any Paying Agent other than the Trustee shall have been appointed by the Company and be then acting hereunder, the term "TRUSTEE" as used in this Article 11 shall in such case (unless the context otherwise requires) be construed as extending to and including such Paying Agent within its meaning as fully for all intents and purposes as if such Paying Agent were named in this Article 11 in addition to or in place of the Trustee; PROVIDED, HOWEVER, that Section 11.13 shall not apply to the Company or any Affiliate of the Company if it or such Affiliate acts as Paying Agent.

SECTION 11.15 CERTAIN CONVERSIONS DEEMED PAYMENT.

For the purposes of this Article 11 only, (a) the issuance and delivery of Junior Securities upon conversion of Notes in accordance with Article 10 shall not be deemed to constitute a payment or distribution on account of the Principal or repurchase price, if any, of or interest on Notes or on account of the purchase or other acquisition of Notes and (b) the payment, issuance or delivery of cash, property or securities (other than Junior Securities) upon conversion of a Note shall be deemed to constitute payment on account of the Principal of such Note. Nothing contained in this Article 11 or elsewhere in this

Indenture or in the Notes is intended to or shall impair, as among the Company, its creditors other than holders of Senior Indebtedness and the Holders, the right, which is absolute and unconditional, of a Holder to convert any Note in accordance with Article 10.

ARTICLE 12.

MEETINGS OF HOLDERS

SECTION 12.1 ACTION BY HOLDERS.

Whenever in this Indenture it is provided that the Holders of a specified percentage in aggregate principal amount of the Notes may take any action (including the making of any demand or request, the giving of any notice, consent or waiver or the taking of any other action), the fact that at the time of taking any such action, the Holders of such specified percentage have joined therein may be evidenced (a) by any instrument or any number of instruments of similar tenor executed by Holders in person or by proxy appointed in writing or (b) by the record of the Holders voting in favor thereof at any meeting of Holders called and held in accordance with the provisions of this Article 12. Whenever the Company or the Trustee solicits the taking of action by the Holders, the Company or the Trustee may fix in advance of such solicitation a date as the record date for determining Holders entitled to take such action. If a record date is fixed, those and only those Persons who are Holders at the record date so fixed, or their proxies, shall be entitled to take such action regardless of whether they are Holders at the time of such action.

SECTION 12.2 Purposes for Which Meeting May Be Called.

A meeting of Holders may be called at any time and from time to time pursuant to the provisions of this Article 12 for any of the following purposes:

(a) to give any notice to the Company, or the Trustee, or to give any directions to the Trustee, or to waive or to consent to the waiving of any Default hereunder and its consequences, or to take any other action authorized to be taken by Holders pursuant to any of the provisions of Article 6;

(b) to remove the Trustee or to appoint a successor Trustee pursuant to the provisions of Article 7;

(c) to consent to the execution of an indenture or indentures supplemental hereto pursuant to Section 9.2; or

(d) to take any other action (i) authorized to be taken by or on behalf of the Holders of any specified aggregate principal amount of the Notes under any other provision of this Indenture, or authorized or permitted by law or (ii) which the Trustee deems necessary or appropriate in connection with the administration of this Indenture.

SECTION 12.3 MANNER OF CALLING MEETINGS.

The Trustee may at any time call a meeting of Holders to take any action specified in Section 12.2, to be held at such time and at such place in the City of New York, New York, or such other place as the Trustee shall determine. Notice of every meeting of Holders, setting forth the time and place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given by the Trustee, to the Company and to each Holder not less than 10 nor more than 60 days prior to the date fixed for such meeting.

Any meeting of Holders shall be valid without notice if the Holders of all Notes then outstanding are present in person or by proxy, or if notice is waived before or after the meeting by all of the Holders and if the Company and the Trustee are either present by duly authorized representatives or have, before or after the meeting, waived notice.

SECTION 12.4 CALL OF MEETINGS BY THE COMPANY OR HOLDERS.

In case at any time the Company or the Holders of not less than 10% in aggregate principal amount of the Notes then outstanding, shall have requested the Trustee to call a meeting of Holders to take any action specified in Section 12.2, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have given the notice of such meeting within 20 days after receipt of such request, then the Company or the Holders of Notes in the amount above specified may determine the time and place in the City of New York, New York, for such meeting and may call such meeting for the purpose of taking such action, by giving or causing to be given notice thereof as provided in Section 12.3.

SECTION 12.5 WHO MAY ATTEND AND VOTE AT MEETINGS.

To be entitled to vote at any meeting of Holders, a person shall be (a) a Holder on the record date for such meeting or, if there is no such record date, on the date of such meeting or (b) a Person appointed by an instrument in writing as proxy for one or more of such Holders.

The only Persons who shall be entitled to be present or to speak at any meeting of Holders shall be the Persons entitled to vote at such meeting and their counsel and any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

SECTION 12.6 REGULATIONS MAY BE MADE BY TRUSTEE; CONDUCT OF THE MEETING; VOTING RIGHTS; ADJOURNMENT.

Notwithstanding any other provision of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Holders, in regard to proof of the holding of Notes and of the appointment of proxies, and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem appropriate.

The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Holders as provided in Section 12.4, in which case the Company or the Holders calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the Holders of a majority in principal amount of the Notes represented at the meeting and entitled to vote.

At any meeting each Holder or proxy shall be entitled to one vote for each $1,000 principal amount of Notes held or represented by such Holder or proxy, as the case may be; PROVIDED, HOWEVER, that no vote shall be cast or counted at any meeting with respect to any Notes challenged as not outstanding and ruled by the chairman of the meeting to be not outstanding. The chairman of the meeting shall have no right to vote other than by virtue of Notes held by such chairman or instruments in writing as aforesaid duly designating such chairman as the proxy to vote on behalf of other Holders. At any meeting of Holders, the presence (in person or by proxy) of Persons holding or representing a majority in aggregate principal amount of the Notes then outstanding shall be sufficient for a quorum. Any meeting of Holders duly called pursuant to the

provisions of Section 12.3 or 12.4 may be adjourned from time to time by vote of the Holders of a majority in aggregate principal amount of the Notes represented at the meeting and entitled to vote, and the meeting may be held as so adjourned without further notice.

SECTION 12.7 VOTING AT THE MEETING AND RECORD TO BE KEPT.

The vote upon any resolution submitted to any meeting of Holders shall be by written ballots on which shall be subscribed the signatures of the Holders or of their representatives by proxy and the principal amount of the Notes voted by the ballot. The permanent chairman of the meeting shall appoint two inspectors of votes, who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in duplicate of all votes cast at the meeting. A record in duplicate of the proceedings of each meeting of Holders shall be prepared by the secretary of the meeting and there shall be attached to such record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more Persons having knowledge of the facts, setting forth a copy of the notice of the meeting and showing that such notice was given as provided in Section 12.3 or 12.4. The record shall be signed and verified by the affidavits of the permanent chairman and the secretary of the meeting and one of the duplicates shall be delivered to the Company and the other to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting.

Any record so signed and verified shall be conclusive evidence of the matters therein stated.

SECTION 12.8 EXERCISE OF RIGHTS OF TRUSTEE OR HOLDERS MAY NOT BE HINDERED OR DELAYED BY CALL OF MEETING.

Nothing contained in this Article 12 shall be deemed or construed to authorize or permit, by reason of any call of a meeting of Holders or any rights expressly or impliedly conferred hereunder to make such call, any hindrance or delay in the exercise of any right or rights conferred upon or reserved to the Trustee or to the Holders under any of the provisions of this Indenture or of the Notes.

SECTION 12.9 COMMUNICATION BY HOLDERS WITH OTHER HOLDERS.

Holders may communicate pursuant to TIA ss. 312(b) with other Holders with respect to their rights under this Indenture or the Notes. The Company, the Trustee, the Registrar and anyone else shall have the protection of TIA ss. 312(c).

ARTICLE 13.

MISCELLANEOUS

SECTION 13.1 TRUST INDENTURE ACT CONTROLS.

If any provision of this Indenture limits, qualifies or conflicts with another provision which is required or deemed to be included in this Indenture by the TIA, the required or deemed provision shall control.

SECTION 13.2 NOTICES.

Any notice or communication by the Company or the Trustee to the other shall be deemed to have been duly given if given in writing and delivered in person or mailed by first-class mail (registered or certified, return receipt requested), telecopier or overnight air courier guaranteeing next day delivery addressed as follows:

if to the Company:

Heico Corporation
3000 Taft Street
Hollywood, California 33021
Fax No.:
Attention:

if to the Trustee:

The Company or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

All notices and communications (other than those sent to Holders) shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when

receipt acknowledged, if telecopied; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery.

Any notice or communication to a Holder shall be in writing and shall be mailed by first class mail, certified or registered, return receipt requested, or by overnight air courier guaranteeing next day delivery to its last address shown on the Register. Any notice or communication shall also be so mailed to any Person described in TIA ss. 313(c), to the extent required by the TIA. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders.

If a notice or communication is given in the manner provided above within the time prescribed, it shall be deemed to have been duly given, whether or not received by the addressee.

If the Company mails a notice or communication to Holders, it shall mail a copy to the Trustee and each Agent at the same time.

SECTION 13.3 CERTIFICATE AND OPINION AS TO CONDITIONS PRECEDENT.

Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Company shall furnish to the Trustee:

(a) an Officers' Certificate stating that, in the opinion of the signers, all conditions precedent if any, provided for in this Indenture relating to the proposed action have been complied with; and

(b) at the Trustee's request, an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

SECTION 13.4 STATEMENTS REQUIRED IN CERTIFICATE OR OPINION OF COUNSEL.

Each Officers' Certificate or Opinion of Counsel with respect to compliance with a condition or covenant in this Indenture shall include:

(a) a statement that each Person executing such Officers' Certificate or Opinion of Counsel has read such covenant or condition;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such Officers' Certificate or Opinion of Counsel are based;

(c) a statement that, in the opinion of each such Person, such examination or investigation has been made as is necessary to enable it to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been complied with; PROVIDED, HOWEVER, that an Opinion of Counsel may be based, insofar as it relates to factual matters, on a certificate or certificates of public officials, a legal opinion of counsel employed by the Company or a Subsidiary or a certificate of or representations by an Officer or Officers unless counsel rendering such Opinion of Counsel actually knows that such certificate, legal opinion or representation is erroneous.

SECTION 13.5 RULES BY TRUSTEE AND AGENTS.

The Trustee may make reasonable rules for action by or at a meeting of Holders. The Registrar, Paying Agent or Conversion Agent may make reasonable rules and set reasonable requirements for its functions.

SECTION 13.6 LEGAL HOLIDAYS.

If a payment date is not a Business Day at a place of payment, payment may be made at such place of payment on the next succeeding Business Day, and no additional interest shall accrue for the intervening period.

SECTION 13.7 NO RECOURSE AGAINST OTHERS.

A director, officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Notes or this Indenture or for any claim based on, with respect to or by reason of such obligations or their creation including with respect to any certificate delivered thereunder or hereunder. Each Holder by accepting a Note waives and releases all such liability. The waiver and release contained in this Section 13.7 are part of the consideration for the Company's issuance of the Notes.

SECTION 13.8 COUNTERPARTS.

This Indenture may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

SECTION 13.9 GOVERNING LAW.

THE INTERNAL LAWS OF THE STATE OF NEW YORK SHALL GOVERN THIS INDENTURE AND THE NOTES, WITHOUT REGARD TO THE CONFLICT OF LAWS PROVISIONS THEREOF.

SECTION 13.10 NO ADVERSE INTERPRETATION OF OTHER AGREEMENTS.

This Indenture may not be used to interpret another indenture, loan or debt agreement of the Company or a Subsidiary. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

SECTION 13.11 SUCCESSORS.

All agreements of the Company in this Indenture and the Notes shall bind its successors. All agreements of the Trustee in this Indenture shall bind its successors.

SECTION 13.12 SEVERABILITY.

In case any provision of this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 13.13 TABLE OF CONTENTS, HEADINGS, ETC.

The Table of Contents and headings of the Articles and Sections have been inserted for convenience of reference only, are not to be considered a part hereof and shall in no way modify or restrict any of the terms or provisions hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be executed as of the day and year first above written.

HEICO CORPORATION

By:

Name:
Title:

Attest:

By:

Name:
Title:

Attest

Name:

EXHIBIT A

[Face of Note]

HEICO CORPORATION

__ % CONVERTIBLE SUBORDINATED NOTE DUE 2004

CUSIP No. _____

No._____ $_____

HEICO CORPORATION promises to pay to _____ _____ or registered assigns, the principal sum of _____

_____ Dollars on _____, 2004.

Interest Payment Dates: _____ and _____, commencing _____, 1998.

Record Dates: _____ and _____.

Reference is made to the further provisions of this Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

HEICO CORPORATION

By:_____
Chairman

(SEAL)

ATTEST:

By:_____
Secretary

Authentication:

This is one of the Notes referred to in the within-mentioned Indenture:

_____
as Trustee

By:_____
Authorized Signature

Dated:_____

[Reverse Side]

Capitalized terms used herein without definition shall have the meanings ascribed to them in the Indenture dated as of _____, 1997 between Heico Corporation., a Florida corporation, and _____, as trustee, as amended from time to time in accordance with its terms (the Indenture).

1. INTEREST.

(a) The Company shall pay interest on the outstanding principal amount of this Note at the rate of __% per annum from the date of original issuance of any Notes under the Indenture until maturity. The Company will pay interest semi-annually on _____ and _____ of each year commencing _____, 1998, or if any such day is not a Business Day, on the next succeeding Business Day. Interest on the Notes will accrue from the most recent date on which interest has been paid or, if no interest has been paid, from the date of original issuance of any Notes under the Indenture; PROVIDED, HOWEVER, that if there is no existing Default in the payment of interest and this Note is authenticated between a record date shown on the face hereof and the net succeeding Interest Payment Date, interest shall accrue from such net succeeding Interest Payment Date. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

(b) To the extent lawful, the Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on (i) overdue Principal or repurchase price, if any, of the Notes at the rate borne by the Notes and (ii) overdue installments of interest on the Notes at the rate borne by the Notes.

2. METHOD OF PAYMENT. The Company will pay interest (except defaulted interest) on the Notes to Holders at the close of business on the record date shown on the face hereof next preceding the applicable Interest Payment Date (even if such Notes are canceled after such record date and on or before such Interest Payment Date), except as provided in Section 10.2 of the Indenture. Defaulted interest shall be paid to Holders as of a special record date established for purposes of determining the Holders entitled thereto. The Notes will be payable as to Principal, repurchase price and interest at the office or agency of the Company maintained for such purpose within or without the City and State of New York, as set forth in the Indenture, or, at the option of the Company, payment of interest may be made by check mailed to the Holders at their addresses set forth in the Register. Such payment shall be in the currency of the United States of America which at the time of payment is legal tender for payment of public and private debts.

3. PAYING AGENT, REGISTRAR AND CONVERSION AGENT. Initially, the Trustee will act as Paying Agent, Registrar and Conversion Agent. The Company may change any Paying Agent, Registrar or Conversion Agent without notice to any Holder. The Company or any Subsidiary may act in any such capacity.

4. INDENTURE. The Company issued the Notes under the Indenture. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939. The Notes are subject to all such terms, and Holders are referred to the Indenture and the Trust Indenture Act of 1939 for a statement of such terms. The Notes are general unsecured obligations of the Company limited to $_____ in aggregate principal amount, subject to Section 2.7 of the Indenture.

5. OPTIONAL REDEMPTION BY THE COMPANY. The Notes are not subject to redemption at the option of the Company prior to _____, 2000. Thereafter, the Notes will be redeemable at any time prior to maturity at the option of the Company, in whole or in part from time to time, upon not less than 30 days' nor more than 60 days' prior notice to the Holders at the redemption prices (expressed as percentages of principal amount) set forth below:

AFTER	PERCENTAGE
2000	%
2001	%
2002	%
2003 and thereafter	$

in each case together with accrued but unpaid interest, if any, up to but not including the redemption date.

6. MANDATORY REDEMPTION. Except as set forth in paragraph 7 below, the Company shall not be required to make mandatory redemptions with respect to the Notes.

7. REPURCHASE AT THE OPTION OF HOLDER. Upon a Change of Control, the Company shall offer to repurchase all then outstanding Notes at a repurchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest to the Change of Control Payment Date, if any. Within 30 days after a Change of Control, the Company shall mail a notice to each Holder setting forth the procedures governing the Change of Control Offer as required by the Indenture. A Holder may tender or refrain from tendering all or any portion of such Holder's Notes, at such Holder's discretion, by completing and signing the form entitled Option of Holder to Elect Repurchase below and delivering such form, together with the Notes with respect to which the repurchase right is being exercised, duly endorsed for transfer to the Company, to the Paying Agent. Any partial tender of Notes must be made in an integral multiple of $1,000.

8. CONVERSION. To convert a Note, the Holder thereof must (i) complete and sign the "Form of Election to Convert" below (unless such Holder is DTC, in which case the customary procedures of DTC will apply), (ii) surrender such Note to the Conversion Agent, (iii) furnish appropriate endorsements and transfer documents if required by the Registrar or the Conversion Agent, (iv) pay any transfer or similar tax if required by Section 10.6 of the Indenture and (v) make the payment described in the net sentence. If this Note (even if this Note has been called for redemption or a Change of Control Offer has been made) is converted after a regular interest payment record date and prior to the related Interest Payment Date, the full interest installment on this Note scheduled to be paid on such Interest Payment Date shall be payable on such Interest Payment Date to the Holder of this Note at the close of business on such record date; PROVIDED, HOWEVER, that if such record date is on or after _____, 2000, this Note must be accompanied by a payment equal to the interest on this Note (or portion thereof converted) payable by the Company on such Interest Payment Date, which payment will be returned to such Holder if the Company defaults in the payment of such interest, all as provided in Section 10.2 of the Indenture. No fractional shares of Common Stock will be issued upon conversion, but an adjustment in cash will be made, as provided in the Indenture, with respect to any fractional share which would otherwise be issuable upon conversion. A Holder is not entitled to any rights of a holder of Common Stock until such Holder has converted its Notes into Common Stock as provided in the Indenture.

9. SUBORDINATION. The Notes are subordinated to Senior Indebtedness. To the extent provided in the Indenture, Senior Indebtedness must be paid before the Notes may be paid. The Company agrees, and each Holder by accepting a Note agrees, to the subordination provisions contained in the Indenture and authorizes the Trustee to give effect to such provisions, and each Holder appoints the Trustee its attorney-in-fact for any and all such purposes.

10. DENOMINATIONS, TRANSFER, EXCHANGE. The Notes are in registered form without coupons in denominations of $1,000 and integral multiples of $1,000. A Holder may transfer or exchange Notes as provided in the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Registrar need not register the exchange or transfer of any Notes (or portion thereof) during the 15 day period (or shorter) preceding the mailing of a notice of redemption or any Notes (or portion thereof) with respect to which a repurchase election has been tendered and not withdrawn by the Holder thereof in accordance with Section 4.6 of the Indenture.

11. PERSONS DEEMED OWNERS. The registered Holder of a Note may be treated as its owner for all purposes.

12. AMENDMENTS AND WAIVERS. Subject to certain exceptions, the Indenture or the Notes may be amended with the consent of the Holders of at least a majority in aggregate principal amount of the Notes then outstanding and any existing

Default (except a payment default) may be waived with the consent of the Holders of at least a majority in aggregate principal amount of the Notes then outstanding. Without the consent of any Holder, the Company and the Trustee may amend or supplement the Indenture or the Notes to (i) cure any ambiguity, defect or inconsistency, provided that such amendment does not in the opinion of the Trustee adversely affect the rights of any Holder, (ii) provide for uncertificated Notes in addition to or in lieu of certificated Notes, (iii) comply with Sections 5.1 and 10.5 of the Indenture, (iv) make any change that does not adversely affect the rights of any Holder, (v) comply with requirements of the SEC in order to effect or maintain the qualification of the Indenture under the TIA, (vi) add to the covenants of the Company and (vii) change the place of payment of Principal or repurchase price, if any, of or interest on the Notes (subject to certain limitations set forth in the Indenture).

13. DEFAULTS AND REMEDIES. Events of Default include: (a) failure to pay any Principal or repurchase price, if any, of any Note when due and payable, whether at maturity, upon redemption, upon a Change of Control Offer or otherwise, whether or not such payment is prohibited by the subordination provisions of the Indenture; (b) failure to pay any interest on any Note when due and payable, which failure continues for 30 days, whether or not such payment is prohibited by the subordination provisions of the Indenture; (c) failure to perform the other covenants of the Company in the Indenture, which failure continues for 90 days after written notice as provided in the Indenture; (d) default in payment when due of Principal of, or acceleration of, any indebtedness for money borrowed by the Company or any Subsidiary in excess of $_____, individually or in the aggregate, if such indebtedness is not discharged, or such acceleration is not annulled, within 10 days after written notice as provided in the Indenture; and (e) certain events of bankruptcy, insolvency or reorganization of the Company or any Significant Subsidiary. If an Event of Default shall occur and be continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the then outstanding Notes may accelerate the maturity of all Notes, except that in the case of an Event of Default arising from certain events of bankruptcy or insolvency, all outstanding Notes shall immediately so accelerate. The Trustee may require indemnity satisfactory to it before it enforces the Indenture or the Notes at the request or direction of any of the Holders. Subject to certain limitations, the Holders of a majority in aggregate principal amount of the outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. The Company must furnish an annual compliance certificate to the Trustee.

14. TRUSTEE DEALINGS WITH COMPANY. The Trustee, in its individual or any other capacity, may make loans to, accept deposits from and perform services for the Company or its Affiliates, and may otherwise deal with the Company or its Affiliates, as if were not Trustee; PROVIDED, HOWEVER, that if the Trustee acquires any conflicting interest as described in the Trust Indenture Act of 1939, it must eliminate such conflict or resign.

15. NO RECOURSE AGAINST OTHERS. A director, officer, employee, incorporator or stockholder of the Company, as such, shall not have any liability for any obligations of the Company under the Notes or the Indenture or for any claim based on, with respect to, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release contained in Article 13 of the Indenture are part of the consideration for the Company's issuance of the Notes.

16. AUTHENTICATION. This Note shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

17. ABBREVIATIONS. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with right of survivorship and not as tenants in common), CUST (=Custodian), and U/G/M/A (=Uniform Gifts to Minors Act).

The Company will furnish to any Holder upon written request and without charge a copy of the Indenture. Requests may be made to:

Heico Corporation
3000 Taft Street
Hollywood, Florida 33021

Attn:

FORM OF ELECTION TO CONVERT

I (we) hereby irrevocably exercise the option to convert this Note, or the portion below designated, into shares of Common Stock in accordance with the terms of the Indenture referred to in this Note, and direct that the shares issuable and deliverable upon conversion, together with any check in payment for fractional shares, be issued in the name of and delivered to the undersigned registered Holder hereof, unless a different name has been indicated below. If shares are to be issued in the name of a Person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto.

Portion of this Note
to be converted (if partial
conversion, $1,000 or an
integral multiple thereof):$_____

Signature:_____
(exactly as your name appears on the face of this Note)

Name:_____

Title:_____

Address:_____

Phone No.:_____

Date:_____

If shares are to be issued and registered in the name of a Person other than the undersigned, please print he name and address, including zip code, and social security or other taxpayer identification number of such Person below.

Name:_____

Address:_____

TlN/Social Security No: _____

Signature Guaranteed (if Common Stock to be issued to other than registered holders):

By: _____
This signature shall be guaranteed by an eligible guarantor institution (a bank or trust company having an office or correspondent in the United States or a broker or dealer which is a member of a registered securities exchange or the National Association of Securities Dealers, Inc.) with membership in an approved signature guaranty medallion program pursuant to SEC Rule 17Ad-15.

ASSIGNMENT FORM

ASSIGNMENT FORM

(I) or (we) assign and transfer this Note to

_____

(Insert assignee's social security or tax I.D. no.)

_____

_____

_____

(Print or type assignee's name, address and zip code)

and irrevocably appoint_____agent to transfer this Note on the Register. The agent may substitute another to act for him.

Date: _____

Signature:_____
(exactly as your name appears on the face of this Note)

Name:_____

Title:_____

Address:_____

Phone No.:_____

Date:_____

Signature Guaranteed:

By: _____
This signature shall be guaranteed by an eligible guarantor institution (a bank or trust company having an office or correspondent in the United States or a broker or dealer which is a member of a registered securities exchange or the National Association of Securities Dealers, Inc.) with membership in an approved signature guaranty medallion program pursuant to SEC Rule 17Ad-15.

OPINION OF HOLDER TO ELECT REPURCHASE

To elect to have all or part of this Note repurchased by the Company pursuant to Section 4.6 of the Indenture in connection with a Change of Control Offer, state the amount you elect to have repurchased (if all, write "ALL"): $_____.

Your Name:_____
(exactly as your name appears on the face of this Note)

By:_____

Title:_____

Date:_____

Signature Guaranteed:

By:_____
This signature shall be guaranteed by an eligible guarantor institution (a bank or trust company having an office or correspondent in the United States or a broker or dealer which is a member of a registered securities exchange or the National Association of Securities Dealers, Inc.) with membership in an approved signature guaranty medallion program pursuant to SEC Rule 17Ad-15.

EXHIBIT 10.32

EXECUTION COPY

STOCK PURCHASE AGREEMENT

BETWEEN

HEICO AEROSPACE HOLDINGS CORP.

AND

HEICO CORPORATION

AND

LUFTHANSA TECHNIK AG

DATED OCTOBER 30, 1997

EXECUTION COPY

TABLE OF CONTENTS

EXECUTION COPY

STOCK PURCHASE AGREEMENT

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

RECITALS

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

AGREEMENT

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

1. DEFINITIONS

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

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

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

"CLOSING" -- as defined in Section 2.3.

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

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

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

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

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

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

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

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

"DAMAGES" -- as defined in Section 5.2

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"GOVERNMENTAL BODY" -- any:

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

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

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

(d) multi-national organization or body; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

With respect to a specified Person other than an individual:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. SALE AND TRANSFER OF SHARES; CLOSING

2.1 SHARES

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

2.2 PURCHASE PRICE

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

2.3 CLOSING

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

2.4 CLOSING OBLIGATIONS

At the Closing:

(a) Seller and HEICO will deliver to Investor:

(i) certificates representing the Shares;

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

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

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

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

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

(b) Investor will deliver to Seller:

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

(ii) the Shareholders Agreement duly executed by Investor;

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

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

3. REPRESENTATIONS AND WARRANTIES OF SELLER AND HEICO

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

3.1 ORGANIZATIONS AND GOOD STANDING

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

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

3.2 AUTHORITY; NO CONFLICT

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

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

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

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

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

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

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

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

3.3 CAPITALIZATION

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

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

3.4 FINANCIAL STATEMENTS

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

3.5 SEC DOCUMENTS.

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

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

3.6 NO UNDISCLOSED LIABILITIES OR MATERIAL ADVERSE CHANGE

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

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

3.7 LEGAL PROCEEDINGS; ORDERS

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

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

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

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

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

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

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

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

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

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

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

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

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

3.8 ABSENCE OF CERTAIN CHANGES AND EVENTS

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

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

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

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

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

3.9 INSURANCE

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

3.10 ENVIRONMENTAL MATTERS

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

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

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

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

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

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

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

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

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

3.11 LABOR RELATIONS; COMPLIANCE

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

3.12 COMPLIANCE WITH LAWS AND PERMITS

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

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

3.13 INTELLECTUAL PROPERTY

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

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

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

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

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

(b) KNOW-HOW NECESSARY FOR THE BUSINESS

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

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

(c) PATENTS

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

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

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

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

(d) Trademarks

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

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

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

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

(e) Copyrights

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

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

(f) TRADE SECRETS

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

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

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

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

3.14 DISCLOSURE

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

3.15 EMPLOYEE BENEFIT MATTERS

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

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

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

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

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

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

3.16 RELATIONSHIPS WITH RELATED PERSONS

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

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

3.17 BROKERS OR FINDERS

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

4. REPRESENTATIONS AND WARRANTIES OF INVESTOR

4.1 ORGANIZATION AND GOOD STANDING

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

4.2 AUTHORITY; NO CONFLICT

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

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

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

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

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

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

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

4.3 CERTAIN PROCEEDINGS

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

4.4 BROKERS OR FINDERS

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

4.5 INVESTMENT REPRESENTATION

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

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

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

5. INDEMNIFICATION; REMEDIES

5.1 SURVIVAL; RIGHT TO INDEMNIFICATION NOT AFFECTED BY KNOWLEDGE

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

5.2 INDEMNIFICATION AND PAYMENT OF DAMAGES BY HEICO

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

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

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

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

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

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

5.3 INDEMNIFICATION AND PAYMENT OF DAMAGES BY INVESTOR

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

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

5.4 LIMITATIONS ON AMOUNT - HEICO

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

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

5.5 LIMITATIONS ON AMOUNT - INVESTOR

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

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

5.6 PROCEDURE FOR INDEMNIFICATION - THIRD PARTY CLAIMS

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

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

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

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

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

5.7 PROCEDURE FOR INDEMNIFICATION - OTHER CLAIMS

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

5.8 ATTORNEYS' FEES

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

6. GENERAL PROVISIONS

6.1 EXPENSES

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

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

6.2 PUBLIC ANNOUNCEMENTS

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

6.3 NOTICES

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

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

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

3000 Taft Street
Hollywood, Florida 33021
Attention: Thomas Irwin
Facsimile No.: (954) 987-8228

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

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

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

6.4 JURISDICTION; SERVICE OF PROCESS

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

6.5 FURTHER ASSURANCES

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

6.6 WAIVER

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

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

6.7 ENTIRE AGREEMENT AND MODIFICATION

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

6.8 DISCLOSURE LETTER

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

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

6.9 ASSIGNMENTS, SUCCESSORS, AND NO THIRD-PARTY RIGHTS

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

6.10 SEVERABILITY

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

6.11 SECTION HEADINGS, CONSTRUCTION

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

6.12 GOVERNING LAW

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

6.13 COUNTERPARTS

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

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

Investor:

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

HEICO Corporation

By: _____
Name: _____
Title: _____

Seller:

By: _____
Name: _____
Title: _____

EXHIBIT 10.33

SHAREHOLDERS AGREEMENT

BY AND AMONG

HEICO AEROSPACE HOLDINGS CORP.

AND

HEICO AEROSPACE CORPORATION

AND

ALL OF THE SHAREHOLDERS

OF

HEICO AEROSPACE HOLDINGS CORP.

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SHAREHOLDERS AGREEMENT

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

INTRODUCTION

Simultaneously with the execution and delivery of this Agreement, LHT is purchasing 200 shares (the "Acquired Shares") of Newco's common stock, par value $.0l per share (the "Common Stock") representing twenty percent (20%) of the voting securities of Newco, pursuant to a Stock Purchase Agreement of even date herewith, by and among Parent, LHT, and Newco (the "Purchase Agreement");

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

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

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

ARTICLE 1

DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE 2

REPRESENTATIONS AND WARRANTIES

2.1 REPRESENTATIONS AND WARRANTIES OF SHAREHOLDERS.

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

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

2.2 REPRESENTATIONS AND WARRANTIES OF NEWCO AND THE COMPANY.

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

ARTICLE 3

BOARDS OF DIRECTORS AND COMMITTEES

3.1 NEWCO BOARD.

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

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

(ii) the initial Newco Board shall consist of eight directors, two of which shall be LHT Directors;

(iii) the removal, without cause, of any LHT Director from the Newco Board shall be effected only upon the written request of LHT and under no other circumstances;

(iv) in the event that any LHT Director ceases to serve as a member of the Newco Board during his or her term of office, the resulting vacancy on the Newco Board shall be filled within thirty (30) days of such vacancy by another representative designated by LHT, as provided hereunder;

(v) the removal, without cause, of any director designated by Parent, or Parent's designee, from the Newco Board shall be effected only upon the written request of Parent, or Parent's designee, and under no other circumstances; and

(vi) in the event that any director designated by Parent, or Parent's designee, ceases to serve as a member of the Newco Board during his or her term of office, the resulting vacancy on the Newco Board shall be filled within thirty (30) days of such vacancy by a director designated by Parent or Parent's designee. The right to increase or decrease the size of the Board of Directors shall remain with Parent.

3.2 VISITATION RIGHTS OF LHT.

3.2.1. DESIGNATED REPRESENTATIVE AND ALTERNATE.

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

3.2.2. NOTICE TO DESIGNATED REPRESENTATIVE OR ALTERNATE.

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

Committees.

3.2.3. CONFIDENTIAL INFORMATION.

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

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

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

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

3.3 APPLICATION TO OTHER RIGHTS.

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

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

ARTICLE 4

STRATEGIC COMMITTEE

4.1 COMPOSITION OF THE STRATEGIC COMMITTEE.

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

4.2 PURPOSE OF STRATEGIC COMMITTEE.

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

ARTICLE 5

AEROSPACE AND AVIATION INDUSTRY INVESTMENTS

5.1 FUTURE INVESTMENTS.

5.1.1. RIGHT OF PARTICIPATION.

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

5.1.2. RIGHT TO PARTICIPATE WITH PARENT.

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

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

5.1.3. PROCEDURE RELATING TO SECTION 5.1.2.

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

5.1.4. MUTUAL BUSINESS INTERESTS

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

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

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

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

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

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

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

ARTICLE 6

LIAISON OFFICER AND EXCHANGE OF EXPERTS

6.1 LIAISON OFFICER.

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

6.2 EXCHANGE OF EXPERTS.

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

ARTICLE 7

PREEMPTIVE RIGHTS

7.1 PREEMPTIVE RIGHTS.

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

7.2 PROCEDURE.

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

ARTICLE 8

RESTRICTIONS ON AND RIGHTS OF LHT WITH RESPECT TO PARENT

8.1 RESTRICTION ON ACQUIRING SECURITIES OF PARENT.

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

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

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

ARTICLE 9

RIGHTS OF FIRST REFUSAL

9.1 PARENT'S RIGHT OF FIRST REFUSAL.

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

9.2 LHT'S RIGHT OF FIRST REFUSAL.

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

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

ARTICLE 10

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

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

ARTICLE 11

BUY AND SELL OF NEWCO SHARES

11.1 RESTRICTION ON TRANSFER DURING HOLDING PERIOD.

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

11.2 CHANGE IN CONTROL OF LHT.

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

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

11.3 RESTRICTION ON SALE BY LHT TO COMPETITOR.

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

ARTICLE 12

CERTAIN COVENANTS

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

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

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

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

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

12.2 LHT'S RIGHTS IN CONNECTION WITH TAX CONTROVERSIES.

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

ARTICLE 13

CERTAIN GUIDELINES

13.1 DIVIDENDS.

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

13.2 DEBT TO EQUITY RATIO.

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

ARTICLE 14

ALLOCATION OF OVERHEAD

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

ARTICLE 15

APPROVAL OF CERTAIN TRANSACTIONS

15.1 APPROVAL OF LHT DIRECTORS.

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

(i) alter, amend or repeal their Articles of Incorporation in a manner that would violate LHT's rights under this Agreement;

(ii) alter, amend or repeal their Bylaws in any way that would violate LHT's rights under this Agreement;

(iii) liquidate or dissolve Newco and/or any of its subsidiaries;

(iv) materially change the organizational form of Newco or any of its subsidiaries or effect a material recapitalization or material reorganization of Newco or any of its subsidiaries engaged in a business in the Aerospace and Aviation Industry;

(v) engage in any other business activities other than the research, development, production, commercialization and servicing of equipment, products, parts and systems related to the Aerospace and Aviation Industry;

(vi) engage in any business transaction with Parent or its Affiliates on terms materially

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

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

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

15.2 GOOD FAITH CONSULTATION REQUIREMENT.

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

ARTICLE 16

LEGEND

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

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

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

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

ARTICLE 17

TRANSFERS

17.1 TRANSFERS.

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

17.2 TRANSFERS IN VIOLATION OF THIS AGREEMENT.

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

ARTICLE 18

ENCUMBRANCE OF NEWCO'S ASSETS BY PARENT

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

ARTICLE 19

MISCELLANEOUS

19.1 AFTER-ACQUIRED SHARES.

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

19.2 AMENDMENT AND WAIVER.

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

19.3 SEVERABILITY.

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

19.4 ENTIRE AGREEMENT.

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

19.5 SUCCESSORS AND ASSIGNS.

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

19.6 COUNTERPARTS.

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

19.7 CURE PERIOD.

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

19.8 FURTHER ASSURANCES.

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

19.9 ATTORNEYS' FEES.

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

19.10 NOTICES.

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

Newco's address is:

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

Company's address is:

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

19.11 GOVERNING LAW.

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

19.12 JURISDICTION; SERVICE OF PROCESS.

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

19.13 DESCRIPTIVE HEADINGS.

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

19.14 CONSTRUCTION.

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

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

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

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

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

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

HEICO Aerospace Holdings Corp.

By:_____
Name:_____
Title:_____

HEICO Aerospace Corporation

By:_____
Name:_____
Title:_____

Lufthansa Technik AG

By:_____
Name:_____
Title:_____

By:_____
Name:_____
Title:_____

HEICO Corporation

By:_____
Name:_____
Title:_____

SCHEDULE 2.1

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

HEICO Corporation
Computation of Ratio of Earnings to Fixed Charges
(In thousands, except ratio data)

	YEAR ENDED OCTOBER 31,					NINE MONTHS ENDED JULY 31,			
	1992	1993	1994	1995	PRO FORMA 1996(1)	1996	1996	1997	PRO FORMA 1997(2)
Net income from continuing operations	332	728	640	1,437	3,665	3,493	2,278	4,946	4,775
Plus (minus):									
Income taxes expense (benefit)	(224)	132	95	771	1,720	2,507	1,078	2,404	3,302
Interest expense	183	205	59	169	185	319	129	319	339
Interest factor of rent expense	108	44	23	44	55	105	34	72	86
"Earnings"	399	1,109	817	2,421	5,625	6,424	3,519	7,741	8,502
"Fixed charges"	291	249	82	213	240	424	163	391	425
Ratio of Earnings to Fixed Charges	1.37	4.45	10.00	11.35	23.41	15.15	21.63	19.80	20.01

(1) Gives effect to the Company's September 1996 acquistion of Trilectron, its September 1997 acquisition of Northwings and its October 1997 sale to Lufthansa of a 20% minority interest in the Company's Flight Support Group as if each of such transactions had been consummated as of November 1, 1995.

(2) Gives effect to the Company's September 1997 acquistion of Northwings and its October 1997 sale to Lufthansa of a 20% minority interest in the Company's Flight Support Group as if each of such transactions had been consummated as of November 1, 1995.

EXHIBIT 21

HEICO CORPORATION AND SUBSIDIARIES
SUBSIDIARIES OF COMPANY

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

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

EXHIBIT 23.2

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in this Registration Statement of HEICO Corporation on Form S-3 of our report dated December 27, 1996 (September 9, 1997 as to Note 15), appearing in and incorporated by reference in the Annual Report on Form 10-K of HEICO Corporation for the year ended October 31, 1996 and to the reference to us under the heading "Experts" in the Prospectus, which is part of this Registration Statement.

Deloitte & Touche LLP

Miami, Florida
November 5, 1997

DE LA OSA & ASSOCIATES, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Heico Corporation
3000 Taft Street
Hollywood, FL 33021

NORTHWINGS

CONSENT

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in this Registration Statement of HEICO Corporation on Form S-3 of our report dated June 30, 1997, appearing in the Current Report on Form 8-K of HEICO Corporation dated September 16, 1997 and to the reference to us under the heading "Experts" in the Prospectus, which is part of this Registration Statement.

/s/ DE LA OSA & ASSOCIATES, P.A.
- --------------------------------
De La Osa & Associates, P.A.
Miami, Florida
November 3, 1997

KERKERING, BARBERIO & CO., P.A.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' CONSENT REPORT

We consent to the incorporation by reference in this Registration Statement of HEICO Corporation on Form S-3 of our report dated March 12, 1996, appearing in the current report on Form 8-K of HEICO Corporation dated September 16, 1996 and to the reference to us under the heading "Experts" in the Prospectus as it relates to these financial statements which is part of the Registration Statement.

/s/ KERKERING, BARBERIO & CO.
- ----------------------------
KERKERING, BARBERIO & CO., P.A.
Sarasota, Florida

November 5, 1997

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3-MOS

OCT-31-1997
JUL-31-1997
10,330,000
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8,628,000
(254,000)
17,282,000
39,630,000
21,901,000
(14,167,000)
70,820,000
9,876,000
10,546,000
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0
54,000
47,258,000
70,820,000
16,716,000
16,716,000
11,847,000
11,847,000
2,613,000
0
141,000
2,588,000
876,000
1,712,000
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1,712,000
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