

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

FORM 10-Q

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

For the quarterly period ended January 31, 2013

OR

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

For the transition period from _____ to _____

Commission File Number: 1-4604

HEICO CORPORATION

(Exact name of registrant as specified in its charter)

Florida

(State or other jurisdiction of
incorporation or organization)

65-0341002

(I.R.S. Employer Identification No.)

3000 Taft Street, Hollywood, Florida

(Address of principal executive offices)

33021

(Zip Code)

(954) 987-4000

(Registrant's telephone number, including area code)

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

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

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

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

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

The number of shares outstanding of each of the registrant's classes of common stock as of February 20, 2013 is as follows:

Common Stock, \$.01 par value	21,403,587 shares
Class A Common Stock, \$.01 par value	31,632,469 shares

HEICO CORPORATION

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PART I. FINANCIAL INFORMATION; Item 1. FINANCIAL STATEMENTS
HEICO CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS - UNAUDITED
(in thousands, except per share data)

	January 31, 2013	October 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$19,089	\$21,451
Accounts receivable, net	110,258	122,214
Inventories, net	195,089	189,704
Prepaid expenses and other current assets	9,493	6,997
Deferred income taxes	25,766	27,545
Total current assets	359,695	367,911
Property, plant and equipment, net	81,800	80,518
Goodwill	543,932	542,114
Intangible assets, net	150,786	154,324
Deferred income taxes	2,608	2,492
Other assets	53,700	45,487
Total assets	\$1,192,521	\$1,192,846
LIABILITIES AND EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$657	\$626
Trade accounts payable	42,055	50,083
Accrued expenses and other current liabilities	57,774	76,241
Income taxes payable	2,088	4,564
Total current liabilities	102,574	131,514
Long-term debt, net of current maturities	254,224	131,194
Deferred income taxes	89,863	90,436
Other long-term liabilities	62,098	52,777
Total liabilities	508,759	405,921
Commitments and contingencies (Note 13)		
Redeemable noncontrolling interests (Note 10)	51,218	67,166
Shareholders' equity:		
Preferred Stock, \$.01 par value per share; 10,000 shares authorized; 300 shares designated as Series B Junior Participating Preferred Stock and 300 shares designated as Series C Junior Participating Preferred Stock; none issued	—	—
Common Stock, \$.01 par value per share; 75,000 shares authorized; 21,396 and 21,346 shares issued and outstanding	214	213
Class A Common Stock, \$.01 par value per share; 75,000 shares authorized; 31,625 and 31,517 shares issued and outstanding	316	315
Capital in excess of par value	248,817	244,632
Deferred compensation obligation	928	823
HEICO stock held by irrevocable trust	(928)	(823)
Accumulated other comprehensive loss	(338)	(3,572)
Retained earnings	277,593	375,085
Total HEICO shareholders' equity	526,602	616,673
Noncontrolling interests	105,942	103,086
Total shareholders' equity	632,544	719,759
Total liabilities and equity	\$1,192,521	\$1,192,846

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

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

	Three months ended January 31,	
	2013	2012
Net sales	\$216,490	\$212,655
Operating costs and expenses:		
Cost of sales	138,901	134,407
Selling, general and administrative expenses	42,650	40,616
Total operating costs and expenses	181,551	175,023
Operating income	34,939	37,632
Interest expense	(640)	(610)
Other income	285	144
Income before income taxes and noncontrolling interests	34,584	37,166
Income tax expense	9,600	12,700
Net income from consolidated operations	24,984	24,466
Less: Net income attributable to noncontrolling interests	5,026	5,281
Net income attributable to HEICO	\$19,958	\$19,185
Net income per share attributable to HEICO shareholders:		
Basic	\$.38	\$.36
Diluted	\$.37	\$.36
Weighted average number of common shares outstanding:		
Basic	52,951	52,611
Diluted	53,439	53,285
Cash dividends per share	\$2.200	\$.048

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

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

	Three months ended January 31,	
	2013	2012
Net income from consolidated operations	\$24,984	\$24,466
Other comprehensive income (loss):		
Foreign currency translation adjustments	3,234	(5,428)
Total other comprehensive income (loss)	3,234	(5,428)
Comprehensive income from consolidated operations	28,218	19,038
Less: Comprehensive income attributable to noncontrolling interests	5,026	5,281
Comprehensive income attributable to HEICO	\$23,192	\$13,757

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

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

	Redeemable Noncontrolling Interests	HEICO Shareholders' Equity								Total Shareholders' Equity
		Common Stock	Class A Common Stock	Capital in Excess of Par Value	Deferred Compensation Obligation	HEICO Stock Held by Irrevocable Trust	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interests	
Balances as of October 31, 2012	\$67,166	\$213	\$315	\$244,632	\$823	(\$823)	(\$3,572)	\$375,085	\$103,086	\$719,759
Comprehensive income	2,168	—	—	—	—	—	3,234	19,958	2,858	26,050
Cash dividends (\$2.20 per share)	—	—	—	—	—	—	—	(116,645)	—	(116,645)
Tax benefit from stock option exercises	—	—	—	5,170	—	—	—	—	—	5,170
Stock option compensation expense	—	—	—	1,094	—	—	—	—	—	1,094
Proceeds from stock option exercises	—	1	1	284	—	—	—	—	—	286
Redemptions of common stock related to stock options exercises	—	—	—	(2,364)	—	—	—	—	—	(2,364)
Acquisitions of noncontrolling interests	(16,610)	—	—	—	—	—	—	—	—	—
Distributions to noncontrolling interests	(2,310)	—	—	—	—	—	—	—	—	—
Adjustments to redemption amount of redeemable noncontrolling interests	804	—	—	—	—	—	—	(804)	—	(804)
Deferred compensation obligation	—	—	—	—	105	(105)	—	—	—	—
Other	—	—	—	1	—	—	—	(1)	(2)	(2)
Balances as of January 31, 2013	\$51,218	\$214	\$316	\$248,817	\$928	(\$928)	(\$338)	\$277,593	\$105,942	\$632,544

	Redeemable Noncontrolling Interests	HEICO Shareholders' Equity								Total Shareholders' Equity
		Common Stock	Class A Common Stock	Capital in Excess of Par Value	Deferred Compensation Obligation	HEICO Stock Held by Irrevocable Trust	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interests	
Balances as of October 31, 2011	\$65,430	\$171	\$250	\$226,120	\$522	(\$522)	\$3,033	\$299,497	\$91,083	\$620,154
Comprehensive income	2,381	—	—	—	—	—	(5,428)	19,185	2,900	16,657
Cash dividends (\$.048 per share)	—	—	—	—	—	—	—	(2,526)	—	(2,526)
Tax benefit from stock option exercises	—	—	—	13,026	—	—	—	—	—	13,026
Stock option compensation expense	—	—	—	942	—	—	—	—	—	942
Proceeds from stock option exercises	—	—	—	79	—	—	—	—	—	79
Distributions to noncontrolling interests	(3,006)	—	—	—	—	—	—	—	—	—
Adjustments to redemption amount of redeemable noncontrolling interests	992	—	—	—	—	—	—	(992)	—	(992)
Other	420	—	—	—	—	—	(148)	(79)	—	(227)
Balances as of January 31, 2012	\$66,217	\$171	\$250	\$240,167	\$522	(\$522)	(\$2,543)	\$315,085	\$93,983	\$647,113

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

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

	Three months ended January 31,	
	2013	2012
Operating Activities:		
Net income from consolidated operations	\$24,984	\$24,466
Adjustments to reconcile net income from consolidated operations to net cash provided by (used in) operating activities:		
Depreciation and amortization	8,140	6,975
Tax benefit from stock option exercises	5,170	13,026
Excess tax benefit from stock option exercises	(5,105)	(11,983)
Stock option compensation expense	1,094	942
Deferred income tax provision	803	851
Decrease in value of contingent consideration	(159)	—
Changes in operating assets and liabilities, net of acquisitions:		
Decrease in accounts receivable	12,142	4,189
Increase in inventories	(4,960)	(5,885)
Increase in prepaid expenses and other current assets	(2,456)	(7,666)
Decrease in trade accounts payable	(8,115)	(4,375)
Decrease in accrued expenses and other current liabilities	(16,605)	(20,431)
Decrease in income taxes payable	(2,393)	(2,457)
Other	743	98
Net cash provided by (used in) operating activities	13,283	(2,250)
Investing Activities:		
Acquisitions, net of cash acquired	(1,242)	(142,328)
Capital expenditures	(4,466)	(3,788)
Other	(3)	(107)
Net cash used in investing activities	(5,711)	(146,223)
Financing Activities:		
Borrowings on revolving credit facility	145,000	157,000
Payments on revolving credit facility	(22,000)	(6,000)
Cash dividends paid	(116,645)	(2,526)
Acquisitions of noncontrolling interests	(16,610)	—
Excess tax benefit from stock option exercises	5,105	11,983
Distributions to noncontrolling interests	(2,310)	(3,006)
Redemptions of common stock related to stock option exercises	(2,364)	—
Revolving credit facility issuance costs	(570)	(3,028)
Proceeds from stock option exercises	286	79
Other	(152)	(93)
Net cash (used in) provided by financing activities	(10,260)	154,409
Effect of exchange rate changes on cash	326	(345)
Net (decrease) increase in cash and cash equivalents	(2,362)	5,591
Cash and cash equivalents at beginning of year	21,451	17,500
Cash and cash equivalents at end of period	\$19,089	\$23,091

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

HEICO CORPORATION AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—UNAUDITED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of HEICO Corporation and its subsidiaries (collectively, “HEICO,” or the “Company”) have been prepared in conformity with accounting principles generally accepted in the United States of America for interim financial information and in accordance with the instructions to Form 10-Q. Therefore, the condensed consolidated financial statements do not include all information and footnotes normally included in annual consolidated financial statements and should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended October 31, 2012. The October 31, 2012 Condensed Consolidated Balance Sheet has been derived from the Company’s audited consolidated financial statements. In the opinion of management, the unaudited condensed consolidated financial statements contain all adjustments (consisting principally of normal recurring accruals) necessary for a fair presentation of the condensed consolidated balance sheets, statements of operations, statements of comprehensive income, statements of shareholders' equity and statements of cash flows for such interim periods presented. The results of operations for the three months ended January 31, 2013 are not necessarily indicative of the results which may be expected for the entire fiscal year.

Stock Split

All applicable fiscal 2012 share and per share information has been adjusted retrospectively to reflect a 5-for-4 stock split effected in April 2012.

New Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2011-05, “Presentation of Comprehensive Income,” which requires the presentation of total comprehensive income, the components of net income and the components of other comprehensive income in either a single continuous statement of comprehensive income or in two separate, but consecutive statements. ASU 2011-05 eliminates the option to present other comprehensive income and its components in the statement of shareholders’ equity. The Company adopted ASU 2011-05 in the first quarter of fiscal 2013 and elected to make the presentation in two separate, but consecutive statements, which had no impact on the Company’s consolidated results of operations, financial position or cash flows.

In September 2011, the FASB issued ASU 2011-08, “Testing Goodwill for Impairment,” which is intended to reduce the complexity and cost of performing a quantitative test for impairment of goodwill by permitting an entity the option to perform a qualitative evaluation about the likelihood of goodwill impairment in order to determine whether it should calculate the

fair value of a reporting unit. The update also improves previous guidance by expanding upon the examples of events and circumstances that an entity should consider between annual impairment tests in determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, or in fiscal 2013 for HEICO's annual impairment test. Early adoption is permitted. The adoption of this guidance is not expected to have a material impact on the Company's consolidated results of operations, financial position or cash flows.

In February 2013, the FASB issued ASU 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income," which requires disclosure about amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement of operations or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income, but only if the amount reclassified is required to be reclassified to net income in its entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional detail about those amounts. ASU 2013-02 is to be applied prospectively and is effective for fiscal years and interim periods beginning after December 15, 2012, or in the second quarter of fiscal 2013 for HEICO. The adoption of this guidance is not expected to have a material impact on the Company's consolidated results of operations, financial position or cash flows.

2. ACQUISITIONS

Additional Purchase Consideration

Pursuant to the terms of the purchase agreements related to certain fiscal 2012 acquisitions, the Company was obligated to pay additional purchase consideration representing the difference between the actual net assets of the acquired entity as of the acquisition date and the amount estimated in the purchase agreement. During the first quarter of fiscal 2013, the Company paid \$1.2 million of such additional purchase consideration, which was accrued as of October 31, 2012.

3. SELECTED FINANCIAL STATEMENT INFORMATION

Accounts Receivable

(in thousands)	January 31, 2013	October 31, 2012
Accounts receivable	\$113,047	\$124,548
Less: Allowance for doubtful accounts	(2,789)	(2,334)
Accounts receivable, net	<u>\$110,258</u>	<u>\$122,214</u>

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

(in thousands)	January 31, 2013	October 31, 2012
Costs incurred on uncompleted contracts	\$7,780	\$6,673
Estimated earnings	7,235	6,235
	15,015	12,908
Less: Billings to date	(10,740)	(7,426)
Included in the accompanying Condensed Consolidated Balance Sheets under the caption "Accounts receivable, net" (costs and estimated earnings in excess of billings)	\$4,275	\$5,482

The percentage of the Company's net sales recognized under the percentage-of-completion method was not material for the three months ended January 31, 2013 and 2012. Changes in estimates pertaining to percentage-of-completion contracts did not have a material effect on net income from consolidated operations for the three months ended January 31, 2013 and 2012.

Inventories

(in thousands)	January 31, 2013	October 31, 2012
Finished products	\$98,529	\$93,873
Work in process	19,483	18,887
Materials, parts, assemblies and supplies	69,743	69,042
Contracts in process	7,602	8,299
Less: Billings to date	(268)	(397)
Inventories, net of valuation reserves	\$195,089	\$189,704

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

Property, Plant and Equipment

(in thousands)	January 31, 2013	October 31, 2012
Land	\$4,512	\$4,505
Buildings and improvements	55,289	54,322
Machinery, equipment and tooling	111,445	109,041
Construction in progress	6,760	5,599
	178,006	173,467
Less: Accumulated depreciation and amortization	(96,206)	(92,949)
Property, plant and equipment, net	\$81,800	\$80,518

Accrued Customer Rebates and Credits

The aggregate amount of accrued customer rebates and credits included within accrued expenses and other current liabilities in the accompanying Condensed Consolidated Balance Sheets was \$11.6 million and \$10.8 million as of January 31, 2013 and October 31, 2012, respectively. The total customer rebates and credits deducted within net sales for the three months ended January 31, 2013 and 2012 was \$1.4 million and \$.4 million, respectively. The increase in customer rebates and credits is principally due to the fact that the first quarter of fiscal 2012 reflected a reduction in the net sales volume of certain customers eligible for rebates as well as a reduction in associated rebate percentages.

4. GOODWILL AND OTHER INTANGIBLE ASSETS

The Company has two operating segments: the Flight Support Group (“FSG”) and the Electronic Technologies Group (“ETG”). Changes in the carrying amount of goodwill by operating segment for the three months ended January 31, 2013 are as follows (in thousands):

	Segment		Consolidated Totals
	FSG	ETG	
Balances as of October 31, 2012	\$203,539	\$338,575	\$542,114
Adjustments to goodwill	(108)	—	(108)
Foreign currency translation adjustments	—	1,926	1,926
Balances as of January 31, 2013	\$203,431	\$340,501	\$543,932

The adjustments to goodwill during fiscal 2013 represent immaterial measurement period adjustments to the purchase price allocations of certain fiscal 2012 acquisitions.

Identifiable intangible assets consist of the following (in thousands):

	As of January 31, 2013			As of October 31, 2012		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizing Assets:						
Customer relationships	\$102,193	(\$27,055)	\$75,138	\$102,172	(\$24,038)	\$78,134
Intellectual property	43,577	(6,842)	36,735	43,093	(5,738)	37,355
Licenses	2,900	(1,183)	1,717	2,900	(1,117)	1,783
Non-compete agreements	1,238	(1,238)	—	1,339	(1,320)	19
Patents	609	(320)	289	589	(309)	280
Trade names	566	(364)	202	566	(336)	230
	151,083	(37,002)	114,081	150,659	(32,858)	117,801
Non-Amortizing Assets:						
Trade names	36,705	—	36,705	36,523	—	36,523
	\$187,788	(\$37,002)	\$150,786	\$187,182	(\$32,858)	\$154,324

Amortization expense related to intangible assets for the three months ended January 31, 2013 and 2012 was \$4.5 million and \$3.5 million, respectively. Amortization expense related to intangible assets for the remainder of fiscal 2013 is estimated to be \$13.3 million. Amortization expense for each of the next five fiscal years and thereafter is estimated to be \$17.1 million in fiscal 2014, \$15.5 million in fiscal 2015, \$14.1 million in fiscal 2016, \$13.4 million in fiscal 2017, \$11.8 million in fiscal 2018 and \$28.9 million thereafter.

5. LONG-TERM DEBT

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

	January 31, 2013	October 31, 2012
Borrowings under revolving credit facility	\$250,000	\$127,000
Capital leases and notes payable	4,881	4,820
	254,881	131,820
Less: Current maturities of long-term debt	(657)	(626)
	\$254,224	\$131,194

As of January 31, 2013 and October 31, 2012, the weighted average interest rate on borrowings under the Company's revolving credit facility was 1.2%. The revolving credit facility contains both financial and non-financial covenants. As of January 31, 2013, the Company was in compliance with all such covenants.

In December 2012, the Company entered into an amendment to extend the maturity date of its revolving credit facility by one year to December 2017. The Company also amended certain covenants contained within the revolving credit facility agreement to accommodate payment of a special and extraordinary cash dividend paid in December 2012. See Note 8, Shareholders' Equity, for additional information. Expenses of \$.6 million were recorded in connection with the amendments and are included in other assets within the Company's Condensed Consolidated Balance Sheets, and are being amortized to selling, general and administrative expenses within the Company's Condensed Consolidated Statements of Operations over the remaining term of the revolving credit facility.

6. INCOME TAXES

As of January 31, 2013, the Company's liability for gross unrecognized tax benefits related to uncertain tax positions was \$2.6 million of which \$1.7 million would decrease the Company's income tax expense and effective income tax rate if the tax benefits were recognized. A reconciliation of the activity related to the liability for gross unrecognized tax benefits for the three months ended January 31, 2013 is as follows (in thousands):

Balance as of October 31, 2012	\$2,527
Increases related to current year tax positions	74
Balance as of January 31, 2013	<u>\$2,601</u>

There were no material changes in the liability for unrecognized tax positions resulting from tax positions taken during the current or a prior year, settlements with other taxing authorities or a lapse of applicable statutes of limitations. The accrual of interest and penalties related to the unrecognized tax benefits was not material for the three months ended January 31, 2013. Further, the Company does not expect the total amount of unrecognized tax benefits to materially change in the next twelve months.

The Company's effective tax rate in the first quarter of fiscal 2013 decreased to 27.8% from 34.2% in the first quarter of fiscal 2012. The decrease is principally due to an income tax credit for qualified research and development activities for the last ten months of fiscal 2012 that was recognized in the first quarter of fiscal 2013 pursuant to the retroactive extension of Section 41 of the Internal Revenue Code "Credit for Increasing Research Activities," in January 2013 to cover a two year period, from January 1, 2012 to December 31, 2013. As a result, the Company recognized an additional \$1.6 million of research and development tax credits in the first quarter of fiscal 2013 compared to the first quarter of fiscal 2012. The decrease in the effective tax rate was also attributed to an income tax deduction under Section 404(k) of the Internal Revenue Code for the special and extraordinary cash dividend paid to participants of the HEICO Savings and Investment Plan in December 2012 holding HEICO common stock. See Note 8, Shareholders' Equity, for additional information.

7. FAIR VALUE MEASUREMENTS

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

	As of January 31, 2013			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Deferred compensation plans:				
Corporate owned life insurance	\$—	\$44,637	\$—	\$44,637
Mutual funds	1,214	—	—	1,214
Money market funds and cash	1,183	—	—	1,183
Equity securities	1,114	—	—	1,114
Other	—	472	565	1,037
Total assets	\$3,511	\$45,109	\$565	\$49,185
Liabilities:				
Contingent consideration	\$—	\$—	\$10,738	\$10,738

	As of October 31, 2012			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Deferred compensation plans:				
Corporate owned life insurance	\$—	\$37,086	\$—	\$37,086
Mutual funds	1,154	—	—	1,154
Money market funds and cash	1,122	—	—	1,122
Equity securities	991	—	—	991
Other	—	442	538	980
Total assets	\$3,267	\$37,528	\$538	\$41,333
Liabilities:				
Contingent consideration	\$—	\$—	\$10,897	\$10,897

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

funds and money market funds that are classified within Level 1. A portion of the assets within the other deferred compensation plan is currently invested in a fund that invests in future and forward contracts, most of which are privately negotiated with counterparties without going through a public exchange and that use trading methods that are proprietary and confidential. These assets are therefore classified within Level 3 and are valued using a market approach with corresponding gains and losses reported within other income in the Company's Condensed Consolidated Statements of Operations. The assets of both plans are held within irrevocable trusts and classified within other assets in the Company's Condensed Consolidated Balance Sheets and have an aggregate value of \$49.2 million as of January 31, 2013 and \$41.3 million as of October 31, 2012, of which the LCP related assets were \$44.7 million and \$37.1 million as of January 31, 2013 and October 31, 2012, respectively. The related liabilities of the two deferred compensation plans are included within other long-term liabilities in the Company's Condensed Consolidated Balance Sheets and have an aggregate value of \$48.9 million as of January 31, 2013 and \$40.8 million as of October 31, 2012, of which the LCP related liability was \$44.4 million and \$36.5 million as of January 31, 2013 and October 31, 2012, respectively.

As part of the agreement to acquire a subsidiary by the ETG in fiscal 2012, the Company may be obligated to pay contingent consideration of up to \$14.6 million in aggregate should the acquired entity meet certain earnings objectives during each of the first five years following the acquisition. The \$10.7 million estimated fair value of the contingent consideration as of January 31, 2013 (compared to \$10.9 million as of October 31, 2012) is classified within Level 3 and was determined in a manner consistent with that disclosed in Note 7, Fair Value Measurements, of the Notes to Consolidated Financial Statements of the Company's Annual Report on form 10-K for the year ended October 31, 2012. Changes in the fair value of the contingent consideration, excluding milestone payments, are recorded in selling, general and administrative expenses within the Company's Condensed Consolidated Statements of Operations. As of January 31, 2013, the estimated amount of such contingent consideration to be paid within the next twelve months of \$.7 million is included in accrued expenses and other current liabilities and the remaining \$10.0 million is included in other long-term liabilities in the Company's Condensed Consolidated Balance Sheet.

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

	Assets	Liabilities
Balances as of October 31, 2012	\$538	\$10,897
Decrease in value of contingent consideration	—	(159)
Total unrealized gains	27	—
Balances as of January 31, 2013	<u>\$565</u>	<u>\$10,738</u>

The Company did not have any transfers between Level 1 and Level 2 fair value measurements during the three months ended January 31, 2013.

The carrying amounts of the Company's cash and cash equivalents, accounts receivable, trade accounts payable and accrued expenses and other current liabilities approximate fair value as of January 31, 2013 due to the relatively short maturity of the respective instruments. The carrying amount of long-term debt approximates fair value due to its variable interest rates.

8. SHAREHOLDERS' EQUITY

During the three months ended January 31, 2013, the Company repurchased an aggregate 29,083 shares of Common Stock at a total cost of \$1.3 million and an aggregate 31,972 shares of Class A Common Stock at a total cost of \$1.1 million. The transactions occurred as settlement for employee taxes due pertaining to exercises of non-qualified stock options and did not impact the number of shares authorized for future purchase under the Company's share repurchase program.

In December 2012, the Company paid a special and extraordinary \$2.14 per share cash dividend on both classes of HEICO's common stock as well as its regular semi-annual \$.06 per share cash dividend that was accelerated from January 2013. The dividends, which aggregated \$116.6 million, were funded from borrowings under the Company's revolving credit facility.

9. RESEARCH AND DEVELOPMENT EXPENSES

Cost of sales for the three months ended January 31, 2013 and 2012 includes approximately \$7.3 million and \$6.5 million, respectively, of new product research and development expenses.

10. REDEEMABLE NONCONTROLLING INTERESTS

The holders of equity interests in certain of the Company's subsidiaries have rights ("Put Rights") that may be exercised on varying dates causing the Company to purchase their equity interests through fiscal 2022. The Put Rights, all of which relate either to common shares or membership interests in limited liability companies, provide that the cash consideration to be paid for their equity interests (the "Redemption Amount") be at fair value or at a formula that management intended to reasonably approximate fair value based solely on a multiple of future earnings over a measurement period. As of January 31, 2013, management's estimate of the aggregate Redemption Amount of all Put Rights that the Company would be required to pay is approximately \$51 million. The actual Redemption Amount will likely be different. The aggregate Redemption Amount of all Put Rights was determined using probability adjusted internal estimates of future earnings of the Company's subsidiaries with Put Rights while considering the earliest exercise date, the measurement period and any applicable fair value

adjustments. The portion of the estimated Redemption Amount as of January 31, 2013 redeemable at fair value is approximately \$42 million and the portion redeemable based solely on a multiple of future earnings is approximately \$9 million. Adjustments to Redemption Amounts based on fair value will have no affect on net income per share attributable to HEICO shareholders whereas the portion of periodic adjustments to the carrying amount of redeemable noncontrolling interests based solely on a multiple of future earnings that reflect a redemption amount in excess of fair value will affect net income per share attributable to HEICO shareholders.

In December 2012, the Company, through its HEICO Aerospace Holdings Corp. ("HEICO Aerospace") subsidiary, acquired the remaining 13.3% interest in one of its subsidiaries. The purchase price of the redeemable noncontrolling interest acquired was paid using proceeds from the Company's revolving credit facility.

11. NET INCOME PER SHARE ATTRIBUTABLE TO HEICO SHAREHOLDERS

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

	Three months ended January 31,	
	2013	2012
Numerator:		
Net income attributable to HEICO	\$19,958	\$19,185
Denominator:		
Weighted average common shares outstanding-basic	52,951	52,611
Effect of dilutive stock options	488	674
Weighted average common shares outstanding-diluted	53,439	53,285
Net income per share attributable to HEICO shareholders:		
Basic	\$.38	\$.36
Diluted	\$.37	\$.36
Anti-dilutive stock options excluded	747	636

No portion of the adjustments to the redemption amount of redeemable noncontrolling interests of \$.8 million and \$1.0 million for the three months ended January 31, 2013 and 2012, respectively, reflect a redemption amount in excess of fair value and therefore no portion of the adjustments affect basic or diluted net income per share attributable to HEICO shareholders.

12. OPERATING SEGMENTS

Information on the Company's two operating segments, the Flight Support Group ("FSG"), consisting of HEICO Aerospace and HEICO Flight Support Corp. and their collective subsidiaries; and the Electronic Technologies Group ("ETG"), consisting of HEICO Electronic Technologies Corp. and its subsidiaries, for the three months ended January 31, 2013 and 2012, respectively, is as follows (in thousands):

	Segment		Other, Primarily Corporate and Intersegment	Consolidated Totals
	FSG	ETG		
<u>Three months ended January 31, 2013:</u>				
Net sales	\$138,998	\$78,841	(\$1,349)	\$216,490
Depreciation and amortization	2,835	5,113	192	8,140
Operating income	24,245	15,546	(4,852)	34,939
Capital expenditures	2,387	2,035	44	4,466

Three months ended January 31, 2012:

Net sales	\$138,867	\$74,471	(\$683)	\$212,655
Depreciation and amortization	2,686	4,031	258	6,975
Operating income	25,507	16,205	(4,080)	37,632
Capital expenditures	1,655	2,078	55	3,788

Total assets by operating segment as of January 31, 2013 and October 31, 2012 are as follows (in thousands):

	Segment		Other, Primarily Corporate	Consolidated Totals
	FSG	ETG		
Total assets as of January 31, 2013	\$482,182	\$632,458	\$77,881	\$1,192,521
Total assets as of October 31, 2012	487,188	636,660	68,998	1,192,846

13. COMMITMENTS AND CONTINGENCIES

Guarantees

The Company has arranged for a standby letter of credit for \$1.5 million to meet the security requirement of its insurance company for potential workers' compensation claims, which is supported by the Company's revolving credit facility.

Product Warranty

Changes in the Company's product warranty liability for the three months ended January 31, 2013 and 2012, respectively, are as follows (in thousands):

	Three months ended January 31,	
	2013	2012
Balances as of beginning of fiscal year	\$2,571	\$2,231
Accruals for warranties	(579)	330
Warranty claims settled	(339)	(320)
Balances as of January 31	<u>\$1,653</u>	<u>\$2,241</u>

The decrease in the Company's warranty accrual for the three months ended January 31, 2013 is principally attributed to the partial reversal of a previous accrual for which potential warranty claims did not materialize.

Litigation

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

Item 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

This discussion of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and notes thereto included herein. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates if different assumptions were used or different events ultimately transpire.

Our critical accounting policies, which require management to make judgments about matters that are inherently uncertain, are described in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” under the heading “Critical Accounting Policies” in our Annual Report on Form 10-K for the year ended October 31, 2012. There have been no material changes to our critical accounting policies during the three months ended January 31, 2013.

Our business is comprised of two operating segments: the Flight Support Group (“FSG”), consisting of HEICO Aerospace Holdings Corp. (“HEICO Aerospace”) and HEICO Flight Support Corp. and their collective subsidiaries, and the Electronic Technologies Group (“ETG”), consisting of HEICO Electronic Technologies Corp. (“HEICO Electronic”) and its subsidiaries.

Our results of operations for the three months ended January 31, 2013 have been affected by the fiscal 2012 acquisitions as further detailed in Note 2, Acquisitions, of the Notes to the Consolidated Financial Statements of our Annual Report on Form 10-K for the year ended October 31, 2012.

All per share information has been adjusted retrospectively to reflect a 5-for-4 stock split effected in April 2012.

Results of Operations

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

	Three months ended January 31,	
	2013	2012
Net sales	\$216,490	\$212,655
Cost of sales	138,901	134,407
Selling, general and administrative expenses	42,650	40,616
Total operating costs and expenses	181,551	175,023
Operating income	\$34,939	\$37,632
Net sales by segment:		
Flight Support Group	\$138,998	\$138,867
Electronic Technologies Group	78,841	74,471
Intersegment sales	(1,349)	(683)
	\$216,490	\$212,655
Operating income by segment:		
Flight Support Group	\$24,245	\$25,507
Electronic Technologies Group	15,546	16,205
Other, primarily corporate	(4,852)	(4,080)
	\$34,939	\$37,632
Net sales	100.0%	100.0%
Gross profit	35.8%	36.8%
Selling, general and administrative expenses	19.7%	19.1%
Operating income	16.1%	17.7%
Interest expense	0.3%	0.3%
Other income	0.1%	0.1%
Income tax expense	4.4%	6.0%
Net income attributable to noncontrolling interests	2.3%	2.5%
Net income attributable to HEICO	9.2%	9.0%

Comparison of First Quarter of Fiscal 2013 to First Quarter of Fiscal 2012

Net Sales

Our net sales for the first quarter of fiscal 2013 increased by 2% to \$216.5 million, as compared to net sales of \$212.7 million for the first quarter of fiscal 2012. The increase in net sales principally reflects an increase of \$4.4 million (a 6% increase) to \$78.8 million in net sales within the ETG as well as an increase of \$.1 million to \$139.0 million in net sales within the FSG. The net sales increase in the ETG principally reflects additional net sales of \$4.2 million from fiscal 2012 acquisitions as well as nominal organic growth. The organic growth in the ETG principally reflects increased demand for certain space products resulting in a \$4.4 million increase in net sales from this product line partially offset by a decrease in demand for certain defense and industrial products resulting in a \$2.3 million and \$1.7 million decrease in net sales from these product lines, respectively. Ongoing economic uncertainty coupled with weaker market conditions for defense related products due to the threat of United States defense spending reductions contributed to the decline in net sales for certain of our ETG products during the first quarter of fiscal 2013. Despite the continued uncertainty surrounding governmental budgetary reductions, we anticipate improving demand and moderate organic growth within the ETG principally during the second half of fiscal 2013. The net sales increase in the FSG reflects additional net sales of \$3.6 million from fiscal 2012 acquisitions partially offset by an aggregate decrease of \$1.9 million within the FSG's aftermarket replacement parts and repair and overhaul services product lines and a decrease of \$1.6 million within the FSG's specialty product lines. Consistent with previous guidance, domestic economic uncertainty contributed to the decline in demand for certain products within our aftermarket replacement parts and repair and overhaul services product lines during the first quarter of fiscal 2013. Furthermore, the decrease in net sales within our specialty product lines primarily reflects the impacts of production delays at certain customers. Based on our current economic visibility, we anticipate improving demand and moderate organic growth within the FSG principally during the second half of fiscal 2013. Sales price changes were not a significant contributing factor to the ETG and FSG net sales growth in the first quarter of fiscal 2013.

Gross Profit and Operating Expenses

Our consolidated gross profit margin decreased to 35.8% for the first three months of fiscal 2013 as compared to 36.8% for the first three months of fiscal 2012, reflecting an approximate 1.0% decrease in both the ETG's and FSG's gross profit margins. The decrease in the ETG's gross profit margin is principally attributed to a 1.1% increase in new product research and development expenses as a percentage of net sales. The ETG's new product research and development expenses increased from \$3.3 million in the first quarter of fiscal 2012 to \$4.3 million in the first quarter of fiscal 2013. The decrease in the FSG's gross profit margin principally reflects a less favorable product mix and the previously mentioned lower sales within our specialty product lines. The FSG's new product research and development expenses were \$3.2 million in the first quarter of fiscal 2012 compared to \$3.0 million in the first quarter of fiscal 2013.

Selling, general and administrative (“SG&A”) expenses were \$42.7 million and \$40.6 million for the first quarter of fiscal 2013 and fiscal 2012, respectively. The increase in SG&A expenses reflects an increase of \$2.5 million attributed to the fiscal 2012 acquired businesses. SG&A expenses as a percentage of net sales increased from 19.1% in the first quarter of fiscal 2012 to 19.7% in the first quarter of fiscal 2013 principally reflecting the impact of higher SG&A expenses as a percentage of net sales at the acquired businesses of which .4% of the increase is attributed to amortization expense of intangible assets recognized in conjunction with the acquisitions.

Operating Income

Operating income for the first quarter of fiscal 2013 decreased by 7% to \$34.9 million as compared to operating income of \$37.6 million for the first quarter of fiscal 2012. The decrease in operating income reflects a \$1.3 million decrease (a 5% decrease) to \$24.2 million in operating income of the FSG for the first quarter of fiscal 2013, down from \$25.5 million in the first quarter of fiscal 2012 and a \$.7 million decrease (a 4% decrease) in operating income of the ETG to \$15.5 million for the first quarter of fiscal 2013 down from \$16.2 million for the first quarter of fiscal 2012. The decrease in operating income of the FSG principally reflects the previously mentioned less favorable product mix and decline in sales volumes within our specialty product lines as compared to the first quarter of fiscal 2012. The decrease in operating income of the ETG principally reflects the previously mentioned increase in new product research and development expenses and an increase in amortization expense of intangible assets attributed to the fiscal 2012 acquisitions.

As a percentage of net sales, our consolidated operating income decreased to 16.1% for the first quarter of fiscal 2013, down from 17.7% for the first quarter of fiscal 2012. The decrease in consolidated operating income as a percentage of net sales reflects a decrease in the ETG’s operating income as a percentage of net sales from 21.8% in the first quarter of fiscal 2012 to 19.7% in the first quarter of fiscal 2013 and a decrease in the FSG's operating income as a percentage of net sales from 18.4% in the first quarter of fiscal 2012 to 17.4% in the first quarter of fiscal 2013. The decrease in operating income as a percentage of net sales for the ETG principally reflects the previously mentioned lower gross profit margin and increased SG&A expenses attributed to the fiscal 2012 acquisitions. The decrease in operating income as a percentage of net sales for the FSG principally reflects the previously mentioned lower gross profit margin.

Interest Expense

Interest expense approximated \$.6 million in both the first quarter of fiscal 2013 and fiscal 2012.

Other Income

Other income in the first quarter of fiscal 2013 and 2012 was not material.

Income Tax Expense

Our effective tax rate in the first quarter of fiscal 2013 decreased to 27.8% from 34.2% in the first quarter of fiscal 2012. The decrease is principally due to an income tax credit for qualified research and development activities for the last ten months of fiscal 2012 that was recognized in the first quarter of fiscal 2013 pursuant to the retroactive extension of Section 41 of the Internal Revenue Code "Credit for Increasing Research Activities," in January 2013 to cover a two year period, from January 1, 2012 to December 31, 2013. As a result, we recognized an additional \$1.6 million of research and development tax credits in the first quarter of fiscal 2013 compared to the first quarter of fiscal 2012. The decrease in the effective tax rate was also attributed to an income tax deduction under Section 404(k) of the Internal Revenue Code for the one-time special and extraordinary cash dividend paid to participants of the HEICO Savings and Investment Plan in December 2012 holding HEICO common stock. See Liquidity and Capital Resources of this Item 2.

Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests relates to the 20% noncontrolling interest held by Lufthansa Technik AG in the FSG and the noncontrolling interests held by others in certain subsidiaries of the FSG and ETG. Net income attributable to noncontrolling interests was \$5.0 million for the first quarter of fiscal 2013 compared to \$5.3 million in the first quarter of fiscal 2012. The decrease in the first quarter of fiscal 2013 principally reflects our purchases of certain noncontrolling interests during fiscal 2012 and 2013 resulting in lower allocations of net income to noncontrolling interests, partially offset by higher earnings of certain ETG and FSG subsidiaries during the first quarter of fiscal 2013.

Net Income Attributable to HEICO

Net income attributable to HEICO increased to \$20.0 million, or \$.37 per diluted share, for the first quarter of fiscal 2013 from \$19.2 million, or \$.36 per diluted share, for the first quarter of fiscal 2012, principally reflecting lower operating income offset by favorable tax benefits recognized during the first quarter of fiscal 2013.

Outlook

Forecasts of accelerating capacity growth within the commercial aviation market should lead to higher demand for the Flight Support Group's products and services; however, the exact timing of the resulting benefit to HEICO is uncertain. In our Electronic Technologies Group's markets, we anticipate improving product demand for most of our products, but acknowledge that ongoing uncertainty with respect to the level of United States defense spending may moderate demand for certain of our defense products. Based on current economic conditions and

market outlooks, we are estimating full year fiscal 2013 growth in net sales and operating income of 6% to 8% over fiscal 2012, with operating margins approximating the 18% reported last year, and growth in net income of approximately 9% to 11% over the prior year.

Liquidity and Capital Resources

Our principal uses of cash include acquisitions, cash dividends, capital expenditures, distributions to noncontrolling interests and working capital needs. Capital expenditures in fiscal 2013 are anticipated to approximate \$18 - \$20 million.

In December 2012, we entered into an amendment to extend the maturity date of our revolving credit facility by one year to December 2017. We also amended certain covenants contained within the revolving credit facility agreement to accommodate payment of a special and extraordinary cash dividend. In December 2012, we paid a special and extraordinary cash dividend of \$2.14 per share on both classes of our common stock as well as our regular semi-annual \$.06 per share cash dividend that was accelerated from January 2013. The dividends, which aggregated \$116.6 million, were funded from borrowings under our revolving credit facility.

We finance our activities primarily from our operating activities and financing activities, including borrowings under our revolving credit facility. The revolving credit facility contains both financial and non-financial covenants. As of January 31, 2013, we were in compliance with all such covenants. As of January 31, 2013, our net debt to shareholders' equity ratio was 37.3%, with net debt (total debt less cash and cash equivalents) of \$235.8 million.

Based on our current outlook, we believe that our net cash provided by operating activities and available borrowings under our revolving credit facility will be sufficient to fund cash requirements for at least the next twelve months.

Operating Activities

Net cash provided by operating activities was \$13.3 million for the first quarter of fiscal 2013 and consisted primarily of net income from consolidated operations of \$25.0 million and depreciation and amortization of \$8.1 million (a non-cash item) partially offset by an increase in working capital (current assets minus current liabilities) of \$22.4 million. Net cash provided by operating activities increased by \$15.5 million from a deficit position of \$2.3 million in the first quarter of fiscal 2012. The increase in net cash provided by operating activities is principally due to a \$14.2 million decrease in working capital primarily from the timing of accounts receivable collection and certain payments pertaining to fiscal 2012 year-end and the first quarter of fiscal 2013 accruals as well as a \$1.2 million increase in depreciation and amortization expense.

Investing Activities

Net cash used in investing activities of \$5.7 million during the first quarter of fiscal 2013 related primarily to capital expenditures and additional purchase consideration for certain fiscal 2012 acquisitions totaling \$4.5 million and \$1.2 million, respectively.

Financing Activities

Net cash used in financing activities during the first quarter of fiscal 2013 totaled \$10.3 million and related primarily to \$116.6 million in cash dividends on our common stock, acquisitions of noncontrolling interests of \$16.6 million, redemptions of common stock related to stock option exercises of \$2.4 million and distributions to noncontrolling interests of \$2.3 million, partially offset by net borrowings on our revolving credit facility of \$123.0 million and the presentation of \$5.1 million of excess tax benefit from stock option exercises as a financing activity.

Contractual Obligations

Except as otherwise noted below, there have not been any material changes to the amounts presented in the table of contractual obligations that was included in our Annual Report on Form 10-K for the year ended October 31, 2012.

As of January 31, 2013, we had a total of \$250 million of outstanding borrowings under our revolving credit facility with a maturity in fiscal 2018. The \$123 million increase over the \$127 million outstanding as of October 31, 2012 principally relates to borrowings made to fund an aggregate \$2.20 per share cash dividend paid in December 2012 and to repurchase the remaining 13.3% interest in one of our subsidiaries.

Off-Balance Sheet Arrangements

Guarantees

We have arranged for a standby letter of credit for \$1.5 million to meet the security requirement of our insurance company for potential workers' compensation claims, which is supported by our revolving credit facility.

New Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2011-05, "Presentation of Comprehensive Income," which requires the presentation of total comprehensive income, the components of net income and the components of other comprehensive income in either a single continuous statement of comprehensive income or in two separate, but consecutive statements. ASU 2011-05 eliminates the option to present other comprehensive income and its components in the statement of shareholders' equity. We adopted ASU 2011-05 in the first quarter of fiscal 2013 and elected to make the presentation in two separate, but consecutive statements, which had no impact on our consolidated results of operations, financial position or cash flows.

In September 2011, the FASB issued ASU 2011-08, "Testing Goodwill for Impairment," which is intended to reduce the complexity and cost of performing a quantitative test for impairment of goodwill by permitting an entity the option to perform a qualitative evaluation about the likelihood of goodwill impairment in order to determine whether it should calculate the fair value of a reporting unit. The update also improves previous guidance by expanding upon the examples of events and circumstances that an entity should consider between annual impairment tests in determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, or in fiscal 2013 for our annual impairment test. Early adoption is permitted. The adoption of this guidance is not expected to have a material impact on our consolidated results of operations, financial position or cash flows.

In February 2013, the FASB issued ASU 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income," which requires disclosure about amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement of operations or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income, but only if the amount reclassified is required to be reclassified to net income in its entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional detail about those amounts. ASU 2013-02 is to be applied prospectively and is effective for fiscal years and interim periods beginning after December 15, 2012, or in the second quarter of fiscal 2013 for us. The adoption of this guidance is not expected to have a material impact on our consolidated results of operations, financial position or cash flows.

Forward-Looking Statements

Certain statements in this report constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained herein that are not clearly historical in nature may be forward-looking and the words “anticipate,” “believe,” “expect,” “estimate” and similar expressions are generally intended to identify forward-looking statements. Any forward-looking statement contained herein, in press releases, written statements or other documents filed with the Securities and Exchange Commission or in communications and discussions with investors and analysts in the normal course of business through meetings, phone calls and conference calls, concerning our operations, economic performance and financial condition are subject to risks, uncertainties and contingencies. We have based these forward-looking statements on our current expectations and projections about future events. All forward-looking statements involve risks and uncertainties, many of which are beyond our control, which may cause actual results, performance or achievements to differ materially from anticipated results, performance or achievements. Also, forward-looking statements are based upon management’s estimates of fair values and of future costs, using currently available information. Therefore, actual results may differ materially from those expressed or implied in those statements. Factors that could cause such differences include: lower demand for commercial air travel or airline fleet changes, which could cause lower demand for our goods and services; product specification costs and requirements, which could cause an increase to our costs to complete contracts; governmental and regulatory demands, export policies and restrictions, reductions in defense, space or homeland security spending by U.S. and/or foreign customers or competition from existing and new competitors, which could reduce our sales; our ability to introduce new products and product pricing levels, which could reduce our sales or sales growth; and our ability to make acquisitions and achieve operating synergies from acquired businesses, customer credit risk, interest and income tax rates and economic conditions within and outside of the aviation, defense, space, medical, telecommunications and electronics industries, which could negatively impact our costs and revenues. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except to the extent required by applicable law.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have not been any material changes in our assessment of HEICO's sensitivity to market risk that was disclosed in Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," in our Annual Report on Form 10-K for the year ended October 31, 2012.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the first quarter ended January 31, 2013 that have materially affected, or are reasonably likely to materially affect, HEICO's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides information about issuer purchases of equity securities during the first quarter ended January 31, 2013:

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs ⁽²⁾
November 1, 2012 - November 30, 2012				
Common Stock	—	—	—	—
Class A Common Stock	—	—	—	2,001,450
December 1, 2012 - December 31, 2012				
Common Stock	37,186	\$43.40	—	—
Class A Common Stock	41,923	\$34.47	—	2,001,450
January 1, 2013 - January 31, 2013				
Common Stock	—	—	—	—
Class A Common Stock	—	—	—	2,001,450
Total				
Common Stock	37,186	\$43.40	—	—
Class A Common Stock	41,923	\$34.47	—	2,001,450

(1) The shares purchased represent shares tendered by option holders as payment of the exercise price and employee withholding taxes due upon the exercise of non-qualified stock options and did not impact the shares that may be purchased under our existing share repurchase program.

(2) In 1990, our Board of Directors authorized a share repurchase program, which allows us to repurchase our shares in the open market or in privately negotiated transactions at our discretion, subject to certain restrictions included in our revolving credit agreement. As of January 31, 2013, the maximum number of shares that may yet be purchased under this program was 2,001,450 of either or both of our Class A Common Stock and our Common Stock. The repurchase program does not have a fixed termination date.

Item 6. EXHIBITS

<u>Exhibit</u>	<u>Description</u>
10.1	First Amendment to Revolving Credit Agreement, effective as of December 11, 2012, among HEICO Corporation, as Borrower, the Lenders from time to time party hereto and Sun Trust Bank, as Administrative Agent, is incorporated by reference to Exhibit 10.1 to the Form 8-K filed on December 14, 2012.*
10.2	Second Amendment to Revolving Credit Agreement, effective as of December 11, 2012, among HEICO Corporation, as Borrower, the Lenders from time to time party hereto and Sun Trust Bank, as Administrative Agent, is incorporated by reference to Exhibit 10.2 to the Form 8-K filed on December 14, 2012.*
10.3	HEICO Savings and Investment Plan, as amended and restated effective January 1, 2012. **
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer. **
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101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document. **
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document. **
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document. **
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document. **

* Previously filed.

** Filed herewith.

*** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: February 22, 2013

HEICO CORPORATION

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

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

EXHIBIT INDEX

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HEICO SAVINGS AND INVESTMENT PLAN

(Amended and Restated Effective as of January 1, 2012)

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HEICO SAVINGS AND INVESTMENT PLAN

ARTICLE 1 INTRODUCTION

HEICO Corporation (“HEICO”) adopted the HEICO Savings and Investment Plan (the “Plan”) effective January 1, 1985 for the benefit of employees of HEICO and participating affiliated companies. The Plan was last restated in its entirety effective January 1, 2007, and is hereby further amended and restated effective as of January 1, 2012 (except for those sections of the Plan that have an alternate effective date).

The Plan is intended to be an employee stock ownership plan within the meaning of Code Section 4975(e)(7) which is designed to invest primarily in Common Stock and a stock bonus plan within the meaning of Treasury Regulation Section 1.401-1(b)(1)(iii) that is qualified under Code Section 401(a). The purposes of the Plan are (i) to encourage Employee savings by establishing a formal plan under which Employee contributions are supplemented by Employer contributions to create a flexible and competitive total compensation program for Employees, and (ii) to allow Employees the option to defer a portion of their compensation on a pre-tax basis.

ARTICLE 2 DEFINITIONS

The following terms when used herein shall have the designated meaning unless a different meaning is plainly required by the context in which the term is used:

2.01 “Accounts” shall mean the Account established and maintained by the Committee, the Administrator or Trustee for each Participant or his Beneficiary to which shall be allocated each Participant’s interest in the Trust, and all dividends, income, gains and losses attributable thereto. Each Account may be divided into sub-accounts determined by the Committee as described in Section 6.01.

2.02 “Actual Deferral Percentage” shall mean the ratio, expressed as a percentage, of Elective Deferral Contributions on behalf of a Participant for the Plan Year to the Participant’s Compensation for the Plan Year. The Actual Deferral Percentage of each Participant shall be rounded to the nearest 100th of 1% of such Participant’s Compensation. The Actual Deferral Percentage of a Participant who makes no Elective Deferral Contributions during a Plan Year is zero.

2.03 “Adjustment” shall mean, for a Valuation Date, the aggregate earnings, realized or unrealized appreciation, losses, expenses, and realized or unrealized depreciation of the Investment Fund since the immediately preceding Valuation Date.

2.04 “Administrator” shall mean the Committee or such other persons or entities designated by the Committee pursuant to Section 14.02 to administer the Plan on behalf of the Committee.

2.05 “Affiliate” shall mean the Company and any corporation which is a member of a controlled group of corporations (as defined in Code Section 414(b)) which includes the Company; any trade or business (whether or not incorporated) which is under common control (as defined in Code Section 414(c)) with the Company; any organization (whether or not incorporated) which is a member of an affiliated service group (as defined in Code Section 414(m)) which includes the Company; and any other entity required to be aggregated with the Company pursuant to regulations under Code Section 414(o).

2.06 “Authorized Leave of Absence” shall mean that period during which the Participant is absent without Compensation and for which the Committee, in its sole discretion, has determined him to be on a “Leave of Absence” instead of having terminated his Employment. However, such discretion of the Committee shall be exercised in a nondiscriminatory manner. In all events, a Leave of Absence by reason of service in the armed forces of the United States shall end no later than the time at which a Participant’s re-employment rights as a member of the armed forces cease to be protected by law; and a Leave of Absence for any other reason shall end after six (6) months, except that if the Participant resumes employment with the Employer prior thereto, the Leave of Absence shall end on such date of resumption of employment. The date that the Leave of Absence ends shall be deemed the Termination Date if the Participant does not resume employment with the Employer. In determining a Year of Service for Accrual of Benefits, all such Leaves of Absence shall be considered periods when the Employee is a Participant.

2.07 “Average Actual Deferral Percentage” shall mean the average, expressed as a percentage, of the Actual Deferral Percentages of the Participants. The Average Actual Deferral Percentage of the Participants shall be rounded to the nearest 100th of 1%. If two or more plans maintained by the Employer or its Affiliates are treated as one plan for purposes of the nondiscrimination requirements of Code Section 401(a)(4) or the coverage requirements of Code Section 410(b) (other than for purposes of the average benefits test), all Elective Deferral Contributions that are made pursuant to those plans shall be treated as having been made pursuant to one plan.

2.08 “Actual Contribution Percentage” shall mean the ratio, expressed as a percentage, of the sum of the after-tax contributions and Employer Contributions under the Plan on behalf of a Participant for the Plan Year to the Participant’s Compensation for the Plan Year. The Actual Contribution Percentage of each Participant shall be rounded to the nearest 100th of such Participant’s Compensation.

2.09 “Average Actual Contribution Percentage” shall mean the average, expressed as percentage, of the Contribution Percentages of the Participants. The Average Actual Contribution Percentage of the Participants shall be rounded to the nearest 100th of 1%. If two or more plans maintained by the Employer or its Affiliates are treated as one plan for purposes of the nondiscrimination requirements of Code Section 401(a)(4) or the coverage requirements of Code Section 410(b) (other than for purposes of the average benefits test), all Employer Matching Contributions that are made pursuant to those plans shall be treated as having been made pursuant to one plan.

2.10 “Beneficiary” shall mean any person, including a contingent beneficiary or beneficiaries, designated by a Participant to receive benefits payable in the event of the death of a Participant; except that the Beneficiary of a Participant who is married shall be the Participant’s spouse, unless such spouse consents in writing to the Participant’s designation of a Beneficiary other

than such spouse. Such written consent must be on a form acceptable to the Committee, delivered to the Committee, signed by the consenting spouse and notarized. Such consent shall not be required if it is established to the satisfaction of the Committee that there is no spouse or the spouse cannot be located. If no Beneficiary is designated or a designation is revoked, or if a designated Beneficiary shall not survive to receive payments due hereunder, all or a part of the Participant's Accounts which have not been distributed shall be payable to the surviving spouse of the Participant or, if there is not such surviving spouse, to the Participant's estate. The foregoing provisions shall not preclude the designation of the Beneficiary's estate or other conditional Beneficiaries in the event the first designated Beneficiary does not survive to receive full payment. A Participant may change his Beneficiary at any time by similar written designation. Any designation of a Beneficiary shall take effect upon receipt of written notice to the Committee.

2.11 "Board" shall mean the Board of Directors of HEICO Corporation.

2.12 "Code" shall mean the Internal Revenue Code of 1986, as it may be amended from time to time. A reference to a specific provision of the Code shall include such provision and any applicable Treasury Regulation pertaining thereto.

2.13 "Committee" shall mean the Committee appointed by the Board of Directors under Article 14 to administer the Plan.

2.14 "Common Stock" shall mean the common stock of HEICO Corporation that also meet the requirements to be Qualifying Employer Securities. Both HEICO Corporation Common Stock and HEICO Corporation Class A Common Stock shall be considered Common Stock.

2.15 "Company" shall mean HEICO Corporation or any successor to the HEICO Corporation by merger, consolidation, or purchase of substantially all of its assets.

2.16 "Compensation" shall mean the total base salary or wages, including overtime pay, paid by an Employer to an Employee during the Plan Year under consideration, excluding commissions, bonuses, incentive compensation, any amount paid in lieu of vacation days and all other items of extraordinary compensation reportable as taxable wages. Compensation also includes any elective deferrals under a cash-or-deferred arrangement or cafeteria plan that are not includible in gross income by reason of Code Section 125 or 402(e) (3), but does not include any other amounts contributed pursuant to, or received under, this Plan or any other defined contribution plan.

Notwithstanding the above, Compensation shall include any amount which is contributed by an Employer pursuant to a salary reduction agreement and which is not includible in the gross income of the Employee under Code Sections 125, 132(f), 402(e), 402(h) or 403(b). Compensation shall also include Differential Wage Payments, but only to the extent such payments do not exceed the amounts the individual would have received from the Employer if the individual had continued to perform services for the Employer.

Notwithstanding the above, the annual Compensation of each participant taken into account in determining allocations for any Plan Year beginning after December 31, 2011, shall not exceed \$250,000, as adjusted for cost-of-living increases in accordance with Code Section 401(a)(17)(B). Annual Compensation means Compensation during the plan year or such other consecutive 12-month period over which compensation is otherwise determined under the plan (the determination

period). The cost-of-living adjustment in effect for a calendar year applies to annual compensation for the determination period that begins with or within such calendar year.

Notwithstanding the above, Compensation for purposes of Section 2.02, Section 2.07, Article 4 and Article 7 for the Plan Year in which an Employee first becomes a Participant shall be determined based on the Employee's Compensation for the portion of the Plan Year in which the Employee is eligible to participate in the Plan. Notwithstanding the preceding sentence, Compensation for purposes of Section 5.01 and Section 5.02 (Limitations on Annual Additions) shall be based on the amount actually paid or made available to the Participant during the Plan Year.

2.17 "Differential Wage Payments" shall mean any payment (as defined in Code Section 3401(h)) which is paid after December 31, 2008 and which (a) is made by the Employer to an individual with respect to any period during which the individual is performing service in the uniformed services (as defined in Chapter 43, Title 38, United States Code) while on active duty for a period of more than 30 days, and (b) represents all or a portion of the wages the individual would have received from the Employer if the individual were performing service for the Employer.

2.18 "Early Retirement Date" shall mean the later of (a) an Employee's 55th birthday or (b) the date on which he completes 10 Years of Service.

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

2.20 "Elective Deferral Contributions Account" shall mean the portion of a Participant's Account attributable to Elective Deferral Contributions, and the total of the Adjustments that have been credited to or deducted from a Participant's Account with respect to Elective Deferral Contributions.

2.21 "Eligible Employee" shall mean, except for those Employees identified in the following sentence, all Employees employed by an Employer. The following Employees shall not be considered Eligible Employees:

- (a) Any Employee included in a collective bargaining unit for which a labor organization is recognized as collective bargaining agent unless such Employee has been designated by the Committee as an "Eligible Employee" for the purposes of this Plan;
- (b) Any Employee who is employed by an Affiliate that is not an Participating Employer;
- (c) Any Employee who is a nonresident alien and who does not receive earned income from the Employer that constitutes income from sources within the United States; or
- (d) Employees who are, according to the Employer's records, characterized as temporary, seasonal or occasional employees; provided, however, any

temporary, seasonal or occasional employee of an Employer who completes one Year of Service shall be an Eligible Employee.

2.22 “Employee” shall mean any person employed by an Employer, including a leased employee within the meaning of Code Section 414(n) and an individual who is treated as an employee pursuant to regulations issued under Code Section 414(o). An “Employee” also includes any person who would be an Employee but who is on an Authorized Leave of Absence or who is receiving Differential Wage Payments from an Employer.

2.23 “Employer” shall mean the Company and any Affiliate that has been approved by the Board to participate in the Plan and which shall have taken all action deemed necessary by the Board to participate. All references in the Plan to the term “Participating Employer” shall mean the Employer and vice versa. All Employers, groups of employees designated as participating in the Plan by such Employers (if not all employees), and the effective date of a company’s designation as an Employer shall be specified in Appendix A.

2.24 “Employer Contributions” shall mean Employer Matching Contributions and Equity Builder Contributions. All references in the Plan to “Employer Account(s)” shall mean the Account(s) to which Employer Contributions are allocated thereto.

2.25 “Employer Matching Contributions” shall have the meaning as defined in Section 4.04(a).

2.26 “Employer Matching Contributions Account” shall mean the portion of a Participant’s Account attributable to Employer Matching Contributions, and the total of the Adjustments that have been credited to or deducted from a Participant’s Account with respect to Employer Matching Contributions.

2.27 “Employment” shall mean the active service of an Employee with the Employer or an Affiliate.

2.28 “Entry Date” shall mean each day of the Plan Year.

2.29 “ERISA” shall mean Public Law 93-406, the Employee Retirement Income Security Act of 1974, as it may be amended from time to time.

2.30 “Equity Builder Contributions” shall mean contributions that are made by an Employer on behalf of a Participant that is designated as an Equity Builder Contribution, pursuant to Section 4.04(b), and is not taken into account under the tests described in Article 7.

2.31 “Equity Builder Contributions Account” shall mean the portion of a Participant’s Account attributable to Equity Builder Contributions, and the total of the Adjustments that have been credited to or deducted from a Participant’s Account with respect to such Equity Builder Contributions.

2.32 “Excess Aggregate Contributions” shall mean the amounts described in Section 7.02(e).

2.33 “Excess Contributions” shall mean the amounts described in Section 7.01(e).

2.34 “Excess Deferral Amounts” shall mean the amounts described in Section 4.01(d).

2.35 “Highly Compensated Employee” shall mean:

- (a) Any Employee who (1) was a five (5) percent owner at any time during the Plan Year or the preceding Plan Year, or (2) for the preceding Plan Year received compensation in excess of \$110,000 beginning after December 31, 2010, (adjusted at the same time and in the same manner as under Code Section 415(d)).
- (b) A former Employer if the former Employee separated from service from an Employer and all Affiliates (or is deemed to have separated from service from the Employer and all Affiliates) prior to the determination year, performed no services for an Employer during the determination year, and was a highly compensated active employee during the separation year or any determination year ending on or after the date the Employee attains age 55.
- (c) The determination of who is a Highly Compensated Employee hereunder, including the determination as to the number and identity of employees in the top paid group, and the compensation considered shall be made in accordance with the provisions of Code Section 414(q) and the regulations issued thereunder.
- (d) For purposes of this Section 2.35, the following terms shall have the following meanings:
 - (1) Compensation shall mean all compensation within the meaning of Code Section 414(s), including elective amounts that are not includible in the gross income of the Employee under Code Section 125, 132(f)(4), 402(e)(3), 402(h), or 403(b).
 - (2) 5 Percent Owner shall mean any Employee who owns or is deemed to own (within the meaning of Code Section 318), more than five percent (5%) of the value of outstanding stock of the Employer or stock possessing more than five percent (5%) of the total combined voting power of the Employer.

2.36 “Hour of Service” shall mean:

- (a) Each hour for which an Employee is paid, or entitled to payment, for performance of duties for performance of duties for an Employer or Employers.
- (b) Each hour for which an Employee is paid, or entitled to payment, by an Employer or Employers, on account of a period of time during which no duties are performed (irrespective of whether the employment relationship is terminated) due to vacation, holiday, illness, incapacity, layoff, jury duty, military duty, or leave of absence; provided that in no event, shall an

Employee receive credit for more than 501 Hours of Service for any single continuous period of non-working time.

- (c) Each hour for which an Employee is absent from work by reason of (1) the pregnancy of the Employee, (2) the birth of a child of the Employee, (3) the placement of a child with the Employee in connection with the adoption of the child by the Employee, or (4) the caring for a child referred to in Sections (1) through (3) immediately following birth or placement. Hours credited under this Section shall be credited at the rate of eight (8) hours per day, but shall not, in the aggregate, exceed the number of hours required to prevent the Employee from incurring a One-Year Break in Service (a maximum of 501 hours) during the first computation period in which a One-Year Break in Service would otherwise occur; provided, however, that this rule shall apply only during the Plan Year in which the absence from work begins and the immediately following Plan Year.
- (d) Each hour for which back pay, irrespective of mitigation of damages, is either awarded or agreed to by an Employer or Employers. These hours shall be credited to the Employee for the computation period or period to which the award or agreement pertains, rather than the computation period in which the award, agreement, or payment is made.
- (e) In lieu of the foregoing, an Employee who is not compensated on an hourly basis (such as salary and commission employees) shall be credited with 40 Hours of Service for each week (or 8 Hours of Service for each day) in which such Employee would be credited with Hours of Service in hourly pay. However, this method of computing Hours of Service may not be used for any Employee whose Hours of Service is required to be counted and recorded by an federal law, such as the Fair Labor Standards act. Any such method must yield an equivalency of at least 1,000 hours per computation.
- (f) The following rules shall apply in determining whether an Employee completes an “Hour of Service:
 - (1) The same hours shall not be credited under Sections (a) or (b) above, as the case may be, and Sections (c) above.
 - (2) The rules relating to determining hours of service for reasons other than the performance of duties and for crediting hours of service to particular periods of employment shall be those rules stated in Department of Labor regulations Title 29, Chapter XXV, subchapter C, part 2530, Sections 200b-2(b) and 200(b)-2(c), respectively.

2.37 “Investment Fund” shall mean the separate funds under the Trust Fund that are distinguished by their investment objectives.

2.38 “Investment Manager” shall mean the term “Investment Manager” as defined in Section 3(38) of ERISA.

2.39 “Non-Highly Compensated Employee” shall mean an Employee of the Employer who is not a Highly Compensated Employee.

2.40 “Normal Retirement Age” shall mean the date a Participant attains age sixty-five (65).

2.41 “One Year Break in Service” shall mean, with respect to any Employee or Participant, any Computation Period during which he is not credited with 500 Hours of Service.

2.42 “Participant” shall mean an Employee who becomes eligible to participate in the Plan as provided in Article 3. Notwithstanding the foregoing, for purposes of Article 7, a Participant shall mean any Eligible Employee who (a) is eligible to receive an allocation of an Employer Matching Contribution, even if no Employer Matching Contribution is allocated due to the Eligible Employee’s failure to make a required Elective Deferral Contribution, (b) is eligible to make an Elective Deferral Contribution, including an Eligible Employee whose right to make Elective Deferral Contributions has been suspended because of an election not to participate or a hardship distribution, and (c) is unable to receive an Employer Matching Contribution or make an Elective Deferral Contribution because his Compensation is less than a stated amount.

2.43 “Plan” shall mean the HEICO Savings and Investment Plan.

2.44 “Plan Year” shall mean the calendar year. In addition, Plan Year shall also be the “limitation year” for purposes of Code Section 415.

2.45 “Qualified” as used in “qualified plan” or “qualified trust” shall mean a plan and trust which are entitled to the tax benefits provided respectively by Code Sections 401 and 501 and by related provisions of the Code.

2.46 “Qualifying Employer Securities” shall mean common stock issued by the Employer (or by a corporation which is a member of the same controlled group) which is readily tradable on an established securities market in accordance with Code Section 409(l) or otherwise qualifies under Code Section 409(l). Noncallable preferred stock shall be treated as Qualifying Employer Securities if such stock is convertible at any time into stock which meets the requirements of the previous sentence and if such conversion is at a conversion price which (as of the date of the acquisition by the tax credit employee stock ownership plan) is reasonable in accordance with Code Section 409(l)(3). A security is “readily tradable on an established securities market” if the security is traded on a national securities exchange that is registered under section 6 of the Securities Exchange Act of 1934 (15 U.S.C. 78f); or the security is traded on a foreign national securities exchange that is officially recognized, sanctioned, or supervised by a governmental authority and the security is deemed by the SEC as having a “ready market” under SEC Rule 15c3-1 (17 CFR 240.15c3-1).

2.47 “Rollover Contributions” shall mean any distribution as provided for in Code Section 402(c)(4), or any other provision of the Code which may permit rollovers to the Plan from time to time, from an eligible retirement plan as that term is defined in Code Section 402(c)(8).

2.48 “Rollover Contributions Account” shall mean the portion of a Participant’s Account attributable to Rollover Contributions, and the total of the Adjustments which have been credited to or deducted from a Participant’s Account with respect to Rollover Contributions.

2.49 “Termination of Employment” or “Termination Date” shall mean the date on which the earliest of the following events occurs: (a) a Participant’s retirement, (b) a Participant’s termination of employment as a result of Total and Permanent Disability, (c) a Participant’s death, or (d) a Participant’s termination of employment for any other reason. Transfer of employment among Affiliates will not be considered a termination of employment with any Employer.

2.50 “Total and Permanent Disability” or “Disability” shall mean a physical or mental condition of a Participant resulting from bodily injury, disease, or mental disorder which renders such Participant incapable of continuing any gainful occupation and which constitutes total disability under the federal Social Security Acts.

2.51 “Trust Agreement” shall mean the agreement and any amendments thereto entered into between the Company and the Trustee to establish the Trust Fund and specify the duties of the Trustee and the Company.

2.52 “Trust Fund” or “Trust” shall mean the cash and other properties held and administered by the Trustee pursuant to the Trust Agreement to carry out the provisions of the Plan.

2.53 “Trustee” shall mean the designated trustee acting at any time under the Trust Agreement.

2.54 “Valuation Date” shall mean the last day of each calendar quarter and any other date as of which the value of Plan assets is determined.

2.55 “Year of Service” shall mean any Computation Period during which an Employee is credited with at least 1,000 Hours of Service.

- (a) For purposes of applying the vesting rules, a Year of Service shall mean any Computation Period a Participant is credited with 1,000 Hours of Service with an Employer or Affiliate. An Employee will receive credit for a Year of Service as of the end of the Computation Period if the Employee completes the required Hours of Service during such period, even if the Employee is not employed for the entire period.
- (b) For all periods on or after January 1, 2004, the “Computation Period” shall mean the Plan Year.
- (c) In the case of a Participant who has five (5) consecutive One Year Breaks in Service, all Years of Service after such period of break will be disregarded for the purpose of vesting in the portion of the Participant’s Employer Accounts that was credited before such period of break.
- (d) If a Participant has five (5) consecutive One Year Breaks in Service and had no vested interest in his Employer Accounts prior to the period of break, all Years of Service credited before the period of break shall be permanently disregarded for all purposes under the Plan.

ARTICLE 3
ELIGIBILITY AND PARTICIPATION

3.01 Participation in the Plan.

- (a) An Eligible Employee shall become a Participant in (and thereupon be permitted to make Elective Deferral Contributions) the Plan on the Entry Date coincident with the later of (1) the date the Employee is credited with One Hour of Service, or (2) the date the Employee becomes an Eligible Employee, if he was not an Eligible Employee.
- (b) Prior to becoming a Participant, each Eligible Employee shall be provided an opportunity to designate the percentage of his Compensation to be contributed to the Plan under Section 4.01. Any such designation shall become effective as of the date such Employee becomes a Participant in accordance with Section 3.01(a) above, provided the designation is made in the manner authorized by the Committee.
- (c) A Participant who has a Termination Date or who ceases to be an Eligible Employee but does not have a Termination Date, then such Participant shall continue to be known as a "Participant", but shall not be eligible to make Elective Deferral Contributions and shall not be eligible to receive Employer Contributions.
- (d) If an Employee's termination of Employment occurs after becoming a Participant and having a vested balance in his Account, such Employee shall become a Participant again on his date of rehire.

3.02 Rollover Contributions. Employees may not make Rollover Contributions to the Plan prior to becoming a Participant.

3.03 Acquisitions. If a group of persons becomes employed by an Employer (or any of its subsidiaries or divisions) as a result of an acquisition of another employer, the Committee shall determine the applicable Entry Date or special entry date for such acquired employees, and any other terms and conditions which apply to participation in this Plan. Except to the extent required by law or provided for by the Committee, employees of an acquired business shall be treated as having first accrued an Hour of Service as of the date of the Employer's acquisition of such business.

ARTICLE 4
CONTRIBUTIONS

4.01 Elective Deferral Contributions.

- (a) An arrangement under which Participants may make elective deferrals, such as Elective Deferral Contributions under this Plan is referred to as a cash or deferred arrangement ("CODA"). Under such an arrangement, elective deferrals cannot relate to Compensation that is currently available prior to the adoption or effective date of the CODA. In addition, except for occasional, bona fide administrative considerations, contributions made

pursuant to such an election cannot precede the earlier of (1) the performance of services relating to the contribution, and (2) when the Compensation that is subject to the election would be currently available to the Participant in the absence of an election to defer prior to the adoption or effective date of the CODA. Participants may not make Elective Deferral Contributions with respect to amounts that are not Code Section 415(c)(3) Compensation. Code Section 415(c)(3) Compensation shall have the same meaning as set forth in Code Section 415(c)(3) and Treasury Regulation Section 1.415(c)-2(d)(2). It should be noted, for this purpose, Code Section 415(c)(3) Compensation is not limited to the annual compensation limit of Code Section 401(a)(17).

- (b) Each Employer shall contribute to the Trust, on behalf of each Participant, Elective Deferral Contributions as specified in a salary reduction agreement between the Participant and such Employer; provided, however, that such contribution for a Participant shall not exceed the limitations set forth in Code Section 402(g) (\$17,000 for Plan Years beginning after December 31, 2011), or any successor thereto, for each Plan Year (including any other elective deferrals within the meaning of Code Section 402(g)(3) in the case of all other plans, contracts, or arrangements of the Employer).

Notwithstanding the foregoing, with respect to each Eligible Employee who is hired by an Employer on or after January 1, 2006, such Eligible Employee shall be deemed to make an election to contribute to the Trust, and the Employer shall so contribute as soon as administratively feasible, an Elective Deferral Contribution in an amount equal to three percent (3%) of the Eligible Employee's Compensation for the Plan Year, unless the Eligible Employee elects a greater or lesser percentage (including zero) in a salary reduction agreement entered into between the Eligible Employee and the Employer with respect to such Plan Year. Each such Eligible Employee shall have an effective opportunity to receive notice of availability of such election, as well as a salary reduction agreement form, and the Eligible Employee shall have a reasonable period to make a salary reduction election change before the date on which the deemed election shall take place. In the event that the automatic contribution arrangement under this Plan is an eligible automatic contribution arrangement as defined in Code Section 414(w) (3), then each Eligible Employee who is automatically enrolled in this Plan pursuant to this Section 4.01(b) shall be provided with a ninety (90) day period (commencing from the first day on which his or her participation begins) to elect out of the Plan and withdraw the contributions made on his or her behalf and the earnings thereon.

- (c) A Participant may assign to this Plan any Excess Deferral Amounts made during a taxable year of the Participant by notifying the Committee on or before March 1st (or such later date as established by the Committee) of the subsequent year of the amount of the Excess Deferrals Amounts to be assigned to the Plan. Notwithstanding any other provision of the Plan, Excess Deferral Amounts and income allocable thereto shall be distributed no later

than the April 15th immediately following the end of the applicable Plan Year. A distribution pursuant to this Section 4.01(c) of Excess Deferral Amounts and income, gains and losses allocable thereto shall be made without regard to any consent otherwise required under Section 10.02(c) or any other provision of the Plan. A distribution pursuant to this Section 4.01(c) of Excess Deferral Amounts and income, gains and losses allocable thereto shall not be treated as a distribution for purposes of determining whether a distribution required by Section 10.06 is satisfied. Any distribution under this Section 4.01(c) of less than the entire Excess Deferral Amount and income, gains and losses allocable thereto shall be treated as a pro rata distribution of Excess Deferral Amounts and income, gains and losses allocable thereto. In no case may an Employee receive from the Plan as a corrective distribution for a taxable year under this Section 4.01(c) an amount in excess of the individual's total Elective Deferral Contributions under the Plan for the taxable year.

- (d) "Excess Deferral Amount" shall mean those Elective Deferral Contributions that are includable in a Participant's gross income under Code Section 402(g) to the extent such Participant's Elective Deferral Contributions for a taxable year exceed the dollar limitation under Code Section 402(g). If an Excess Deferral Amount is not distributed by the first April 15 following the close of the Participant's taxable year, such amount shall be treated as an annual addition under the Plan.
- (e) The Participant's notice of an Excess Deferral Amount made pursuant to Section 4.01(c) shall be in writing; shall be submitted to the Committee no later than March 1 with respect to the preceding calendar year; shall specify the Participant's Excess Deferral Amount for the preceding calendar year; and shall be accompanied by the Participant's written statement that if such amounts are not distributed, such Excess Deferral Amount, when added to amounts deferred under other plans or arrangements described in Code Sections 401(k), 408(k), or 403(b), exceeds the limit imposed on the Participant by Code Section 402(g) for the calendar year in which the deferral occurred. A Participant is deemed to notify the Committee of any Excess Deferral Amount that arises by taking into account only those Elective Deferral Contributions made to this Plan and any other plans of this Employer or an Affiliate.
- (f) The Excess Deferral Amount shall be adjusted for income or loss. The income or loss allocable to the Excess Deferral Amount is equal to the allocable income or loss for the taxable year of the individual as follows:

The income or loss allocable to the Excess Deferral Amount for the taxable year of the individual is equal to the income or loss for the taxable year of the individual allocable to the Participant's Elective Deferral Contributions multiplied by a fraction, the numerator of which is such Participant's Excess Deferral Amount for the taxable year, and the denominator of which is equal to the sum of the Participant's Elective Deferral Account as of the beginning

of the taxable year, plus the Participant's Elective Deferral Contributions for the taxable year.

- (g) The Excess Deferral Amount, which may be distributed under Section 4.01(c) with respect to an Employee for a taxable year, shall be reduced by any Excess Contributions previously distributed with respect to such Employee for the Plan Year beginning with or within such taxable year. In the event of a reduction under this Section 4.01(g), the amount of Excess Contributions included in the gross income of the Employee and reported by the Employer as a distribution of Excess Contributions shall be reduced by the amount of the reduction under this Section 4.01(g).

4.02 Elections Regarding Elective Deferral Contributions.

- (a) A Participant may elect to change his Elective Deferral Contribution Amount on a daily basis by contacting the Administrator and executing any forms (whether hardcopy or electronic) as may be required by the Administrator from time to time. Any change a Participant makes shall become effective as soon as administratively feasible following the receipt of such election by the Administrator.
- (b) A Participant may suspend further Elective Deferral Contributions to the Plan at any time by contacting the Administrator and executing any forms (whether hardcopy or electronic) as may be required by the Administrator from time to time. Any suspension a Participant requests shall become effective as soon as administratively feasible following the receipt of such election by the Administrator.

4.03 Catch-Up Contributions.

- (a) **Eligibility.** All Employees who are eligible to make Elective Deferral Contributions under this Plan and who are projected to have attained age 50 before the close of the Plan Year shall be eligible to make Catch-Up Contributions in accordance with, and subject to the limitations of, Code Section 414(v).
- (b) **Election.** In order to have Catch-Up Contributions made on his or her behalf for a Plan Year, a Participant shall direct that such Catch-Up Contributions be made pursuant to a procedure prescribed by the Committee whereby such Participant's annual Compensation shall be reduced by a specified amount not to exceed the limitations of Code Section 414(v), and whereby the Employer agrees to contribute an identical amount on the Participant's behalf to the Plan on a pre-tax basis under this Section 4.03.
- (c) **Application.** Such Catch-Up Contributions shall not be taken into account for purposes of the limitation set forth in Section 5.02 hereof as well as the provisions of the Plan implementing the required limitations of Code Sections 402(g) and 415. The Plan shall not be treated as failing to satisfy the provisions of the Plan implementing the requirements of Code Sections

401(k)(3), 401(k)(11), 401(k)(12), 410(b), or 416, as applicable, by reason of the making of such Catch-Up Contributions.

- (d) **Classification; No Matching Contributions.** For purposes of this Plan, except as provided in this Section 4.03, Catch-Up Contributions shall be considered Elective Deferral Contributions and shall be allocated to a Participant's Elective Deferral Account. Notwithstanding the foregoing, Catch-Up Contributions shall not be considered Elective Deferral Contributions for purposes of allocating Employer Matching Contributions as provided in Section 4.04(a) of this Plan.

4.04 Employer Contributions.

- (a) **Employer Matching Contributions.** Each Employer shall contribute Employer Matching Contributions, if any, as provided for in this Section 4.04(a). A Participant's Employer Matching Contribution is a percentage of his or her Elective Deferral Contributions made to the Plan and may be limited to a percentage of the Participant's Compensation, as determined by the Board of Directors from time to time at its sole discretion. The Employer Matching Contribution percentage may vary (1) among Participants employed by different Employers; or (2) with the Participant's rate of deferral, but must be uniform for Participants with equal rates of Elective Deferral Contributions and may not increase as the rate of Elective Deferral Contribution increases. Effective for Plan Years beginning on or after January 1, 2009, Employer Matching Contributions shall be calculated quarterly based on Elective Deferral Contributions made during that calendar quarter and Compensation paid for each payroll period for which Elective Deferral Contributions are made (i.e., excluding Compensation paid for any payroll period that the Participant does not contribute any Elective Deferral Contributions to the Plan, and excluding any Compensation paid prior to the payroll period for which the Participant's first Elective Deferral Contribution was ever made to the Plan), and subject to the requirement set forth in Section 4.04(c)(1) hereof, shall be contributed to the Plan at the end of each calendar quarter on behalf of any Participant who makes Elective Deferral Contributions during that calendar quarter.
- (b) **Equity Builder Contributions.** Each Employer may contribute Equity Builder Contributions as provided for in this Section 4.04(b). Subject to the requirement in Section 4.04(c)(2) hereof, a Participant's share of Equity Builder Contributions for a Plan Year is determined by multiplying (1) the total Equity Builder Contributions to be allocated among all Participants' Accounts by (2) the Participant's Compensation for the Plan Year and dividing the result by (3) the Compensation paid for the Plan Year to all Participants eligible for an allocation. Only Compensation paid by Employers on account of service while a Participant is taken into account. A Participant's share of Equity Builder Contributions shall be in an amount as fixed by the Board of Directors from time to time at its sole discretion.

- (c) **Eligibility to Receive Employer Matching Contributions and Equity Builder Contributions.** Effective for Plan Years beginning on or after January 1, 2009, Employer Matching Contributions and Equity Builder Contributions, if any, shall be allocated to the Employer Accounts of Participants based on the following:
- (1) With respect to each calendar quarter during a Plan Year, Employer Matching Contributions shall be allocated among and credited to the Employer Matching Contributions Account of Participants who are employed by an Employer on the last day of each such calendar quarter.
 - (2) Equity Builder Contributions, if any, shall be allocated to the Employer Accounts of Participants who are credited with 1,000 Hours of Service during the Plan Year with an Employer and are employed on the last day of such Plan Year.

4.05 After-Tax Contributions. Participants shall not be permitted to make after-tax contributions to the Plan.

4.06 Rollover Contributions. An Eligible Employee may make a Rollover Contribution to this Plan, provided, however, that the trust from which the funds are to be transferred must permit the transfer to be made, and provided, further, the Committee consents to such transfer and is reasonably satisfied that such transfer will not jeopardize the tax exempt status of this Plan or Trust. Rollover Contributions shall be made by delivery to the Administrator for deposit in the Trust. All Rollover Contributions must be in cash or property satisfactory to the Administrator, whose decision in this regard shall be final. The Administrator will not accept rollovers of accumulated deductible employee contributions from a simplified employee pension plan or after-tax contributions from another qualified plan or IRA (including Roth IRAs described in Code Section 408A(b)). Upon approval by the Administrator, the amount transferred shall be deposited in the Trust and shall be credited to the Participant's Rollover Contributions Account. A Rollover Contribution will not be matched by Employer Contributions, and is not subject to the restrictions provided in Section 4.01 or the limitations described in Article 5 and Article 7.

4.07 Form and Timing of Contributions.

- (a) Elective Deferral Contributions shall be deducted by the Employer from the Participant's Compensation and contributed to the Trust as promptly as possible after the end of each regular pay period but in no event later than 15 days after the end of the month in which such Elective Deferral Contributions are retained by the Employer.
- (b) All Employer Contributions for the purpose of paying or prepaying principal, interest or fees on Plan Indebtedness related to Financed Stock, as defined in Article 12, must be made in cash. All other Employer Contributions may be made in cash, Company Stock or other property, in the contributing Employer's discretion. All Employer Contributions, whether in cash, Company Stock, or other property, are contingent upon acceptance by the

Trustee and a determination by the Administrator that the contributions will not jeopardize the qualified status of this Plan.

- (c) All Employer Contributions shall be contributed to the Trust on or before the time required by law for filing the Employer's federal income tax return (including extensions) for its taxable year in or with which the Plan Year with respect to which the contribution is made ends.

4.08 Nondeductible Contributions and Contributions Made by Mistake of Fact. Any contribution or portion of a contribution to the Plan that (a) is determined to be nondeductible under Code Section 404 or (b) is made as a result of a mistake of fact may be reclaimed by the appropriate Employer within one year after the date of the disallowance of the deduction or the making of the mistaken contribution.

4.09 Forfeitures.

- (a) At least once per Plan Year, any amounts which became Forfeitures since the last December 31st shall be made available to (1) reinstate previously forfeited Account balances of Participants, if any, in accordance with Section 8.03, (2) pay administrative expenses of the Plan, and/or (3) reduce Employer Matching Contributions and/or Equity Builder Contributions that Employers would otherwise make on behalf of their current Participants that Plan Year, or Participants in the next Plan Year and each succeeding Plan Year.
- (b) The term "Forfeiture" shall mean the amount of a Participant's nonvested Account balance which is forfeited as provided for in Article 8, or any excess Employer Matching Contributions forfeited in accordance with Article 7. The portion of a Participant's Accounts that are not distributable to him by reason of the provisions Article 7 or Article 8 shall be credited to a Forfeiture Account. The value of the Forfeiture Account shall be the market value as determined on each Valuation Date.
- (c) Elective Deferral Contributions are to be taken into account in determining a Participant's vested benefits under the Plan. Thus, for example, the Plan shall take Elective Deferral Contributions into account in determining whether a Participant has a nonforfeitable right to contributions under the Plan for purposes of forfeitures, and for applying provisions permitting the repayment of distributions to have forfeited amounts restored, and the provisions of Code Sections 410(a)(5)(D)(iii) and 411(a)(6)(D)(iii) permitting a plan to disregard certain service completed prior to breaks-in-service (sometimes referred to as "the rule of parity").

4.10 Investment Funds. The Administrator will establish a Company Stock fund ("Company Stock Fund") for the investment of Plan assets in Common Stock. The Committee may direct the Administrator to establish other Investment Funds within the Trust and to permit Participants to direct the allocation of their Account balances among these Investment Funds in accordance with rules prescribed by the Committee. The Committee may alter the available Investment Funds or the procedures for allocating Account balances among them at any time.

4.11 Investment of Contributions. Contributions made by a Participant pursuant to Sections 4.01 and 4.06 shall be contributed to the Trust and invested in the Investment Funds selected by each Participant in accordance with rules and/or procedures prescribed by the Committee. Such contributions shall not be invested in Company Stock. If an investment election is not made by the Participant, funds will be invested in a default investment fund designated by the Committee. Contributions, other than Elective Deferral Contributions, made by the Employer on behalf of a Participant shall be invested in the Company Stock Fund.

ARTICLE 5

MAXIMUM BENEFITS

5.01 Limitation on Annual Additions.

- (a) Notwithstanding any other provisions of the Plan, the sum of the Annual Additions to a Participant's Accounts, when combined with Annual Additions to the Participant's account under all other qualified plans maintained by the Employer, for any Plan Year shall not exceed the lesser of \$50,000 (for Plan years ending after December 31, 2011) or 100% of such Participant's compensation (as such term is defined in Code Section 415(c)(3)). For purposes of the Code Section 415(c)(3), payments made by the later of 2½ months after severance from employment or the end of the limitation year that includes the date of severance from employment are included in compensation for the limitation year if, absent a severance from employment, such payments would have been paid to the employee while the employee continued in employment with the employer and are regular compensation for services during the employee's regular working hours, compensation for services outside the employee's regular working hours (such as overtime or shift differential), commissions, bonuses or other similar compensation. Code Section 415(c)(3) compensation shall also include Differential Wage Payments, but only to the extent such payments do not exceed the amounts the individual would have received from the Employer if the individual had continued to perform services for the Employer.

The term "Annual Additions" to a Participant's Accounts for any Plan Year means the sum of:

- (1) such Participant's allocable share of the Employer Contributions for the Plan Year;
- (2) such Participant's Elective Deferral Contributions for the Plan Year;
- (3) forfeitures allocated to such Participant's account; and
- (4) amounts described in Code Sections 415(l)(1) and 419A(d)(2).

Notwithstanding the foregoing, the term “Annual Additions” shall not include the following: (i) the direct transfer of a benefit or employee contributions from a qualified plan to this Plan; (ii) rollover contributions (as described in Code Section 401(a)(31), 402(c)(1), 403(a)(4), 403(b)(8), 408(d)(3), and 457(e)(16)); (iii) repayments of loans made to a participant from the Plan; (iv) repayments of amounts described in Code Section 411(a)(7)(B) (in accordance with Code Section 411(a)(7)(C)) and Code Section 411(a)(3)(D) or repayment of contributions to a governmental plan (as defined in Code Section 414(d)) as described in Code Section 415(k)(3), as well as Employer restorations of benefits that are required pursuant to such repayments; and (v) restorative payments, which are payments made to restore losses to a Plan resulting from actions by a fiduciary for which there is reasonable risk of liability for breach of a fiduciary duty under ERISA or under other applicable federal or state law, where Participants who are similarly situated are treated similarly with respect to the payments.

Elective Deferral Contributions and Employer Contributions do not fail to be Annual Additions merely because such contributions are Excess Deferral Amounts, Excess Contributions or Excess Aggregate Contributions or merely because such Excess Deferral Amounts, Excess Contributions and Excess Aggregate Contributions are corrected through distribution.

The 100% limitation shall not apply to (1) any post-retirement medical benefits account for a key employee (as defined in section 419A(d)(1)) which is otherwise treated as an Annual Addition or (2) any amount otherwise treated as an Annual Addition under Code Section 415(l)(1).

- (b) If it is determined that, but for the limitations contained in Section 5.01(a), the Annual Additions to a Participant's Accounts for any Plan Year would be in excess of the limitations contained herein, then the Sponsoring Employer will follow the rules of any Employee Plans Compliance Resolution System (EPCRS) or any superseding guidance that is issued by the Internal Revenue Service, including, but not limited to, the preamble of the final Section 415 regulations.
- (c) For purposes of this Article, all defined contribution plans (without regard to whether a plan has been terminated) ever maintained by the Employer (or a “predecessor employer”) under which the participant receives annual additions are treated as one defined contribution plan as required to be combined pursuant to Code Section 415(f) and Regulation Section 1.415(f)-1. Employer shall mean the employer that adopts this Plan, and all members of a controlled group of corporations (as defined in Code Section 414(b) as modified by Code Section 415(h)), all commonly controlled trades or businesses (as defined in Code Section 414(c) as modified by Code Section 415(h), or affiliated service groups (as defined in Code Section 414(m)) of which the adopting Employer is a part, and any other entity required to be aggregated with the Employer pursuant to regulations under Code Section 414(o).

5.02 Increase in Limitations on Annual Additions. Notwithstanding anything contained in Section 5.01 to the contrary, the \$50,000 (for Plan years ending after December 31, 2011) Annual Addition limitation shall be adjusted for increases in the cost-of-living as provided under Code Section 415(d)(1)(C) and Regulation Section 1.415(d)-1.

ARTICLE 6

ACCOUNTS AND ALLOCATIONS

6.01 Participant Accounts.

- (a) A separate Account shall be maintained for each Participant, or Beneficiary, so long as he has an interest in the Trust Fund.
- (b) The Committee may divide the Account into sub-accounts and divide any sub-accounts into additional sub-portions as the Committee deems to be necessary or advisable under the circumstances or to establish other accounts or sub-accounts as needed.

6.02 Value of Account as of Valuation Date. As of each Valuation Date, each Participant's Account shall equal:

- (a) His total Account as determined on the immediately preceding Valuation Date, plus
- (b) His Elective Deferral Contributions added to his Account since the immediately preceding Valuation Date, plus
- (c) His Employer Contributions added to his Account since the immediately preceding Valuation Date, plus
- (d) His Rollover Contributions which were added to his Account since the immediately preceding Valuation Date, minus
- (e) His Distributions, if any, since the immediately preceding Valuation Date, plus or minus
- (f) His allocable share of Adjustments.

6.03 Allocation of Adjustments. As of each Valuation Date, amounts in Participants' Accounts/sub-accounts which have not been segregated from the general Trust Fund for investment purposes (accounts which have been segregated include any directed investment accounts) and which have not been distributed since the prior Valuation Date will have the net income of the Trust Fund that has been earned since the prior Valuation Date allocated in accordance with such rules and procedures that are established by the Administrator and that are applied in a uniform and nondiscriminatory manner based upon the investments of the Trust Fund and the Participants' Accounts/sub-accounts to which the net income is allocated. However, Participants' Accounts and/or sub-accounts which have been segregated from the general Trust Fund for investment purposes will only have the net income earned thereon allocated thereto. For purposes of this Section, the

term "net income" means the net of any interest, dividends, unrealized appreciation and depreciation, capital gains and losses, and investment expenses of the Trust Fund determined on each Valuation Date.

ARTICLE 7
SPECIAL DISCRIMINATION RULES

7.01 Average Actual Deferral Percentage Limitation.

- (a) The Average Actual Deferral Percentage for all Participants who are Highly Compensated Employees may not exceed the greater of:
 - (1) the Average Actual Deferral Percentage for all Participants who are Non-Highly Compensated Employees for the current Plan Year multiplied by 1.25; or
 - (2) the Average Actual Deferral Percentage for all Participants who are Non-Highly Compensated Employees for the current Plan Year multiplied by two, but not more than two percentage points in excess of the Average Actual Deferral Percentage of Participants who are Non-Highly Compensated Employees.
- (b) Should neither limitation (1) or (2) in Section 7.01(a) be met with respect to a Plan Year, the Committee, subject to applicable law and regulations, shall cause Excess Contributions and income allocable thereto to be distributed in accordance with Section 7.01(e) no later than 2½ months (6 months in the case of an Excess Contribution made to an eligible automatic contribution arrangement (as defined in Code Section 414(w)(3)) following the end of any Plan Year to Participants on whose behalf such Excess Contributions were made for the current Plan Year.
- (c) Distributions of Excess Contributions must be adjusted for income (gain or loss) through the end of the Plan Year for which the contribution was made. The Committee has the discretion to determine and allocate income using any of the methods set forth below:
 - (1) The Committee may use any reasonable method for computing the income allocable to Excess Contributions, provided that the method does not violate Code Section 401(a)(4), is used consistently for all Participants and for all corrective distributions under the Plan for the Plan Year, and is used by the Plan for allocating income to Participant's Accounts. A Plan will not fail to use a reasonable method for computing the income allocable to Excess Contributions merely because the income allocable to Excess Contributions is determined on a date that is no more than seven (7) days before the distribution.

- (2) The Committee may allocate income to Excess Contributions for the Plan Year by multiplying the income for the Plan Year allocable to the Elective Deferral Contributions and other amounts taken into account under the Average Actual Deferral Percentage test (including contributions made for the Plan Year), by a fraction, the numerator of which is the Excess Contributions for the Participant for the Plan Year, and the denominator of which is the sum of the:
- (i) Account balance attributable to Elective Deferral Contributions and other amounts taken into account under the Average Actual Deferral Percentage test as of the beginning of the Plan Year, and
 - (ii) Any additional amount of such contributions made for the Plan Year.

A distribution of Excess Contributions and income, gains and losses allocable thereto shall be made without regard to any consent otherwise required under Section 10.02(c) or any other provision of the Plan. A distribution pursuant to Section 7.01(b) of Excess Contributions and income, gains and losses allocable thereto shall not be treated as a distribution for purposes of determining whether the distribution required by Section 10.06 is satisfied. Any distribution under Section 7.01(b) of less than the entire Excess Contribution and income, gains and losses allocable thereto shall be treated as a pro rata distribution of Excess Contributions and income, gains and losses allocable thereto. In no event shall Excess Contributions for a Plan Year remain unallocated or be allocated to a suspense account for allocation to one or more employees in any future Plan Year.

- (d) The Actual Deferral Percentage for any Participant who is a Highly Compensated Employee for the Plan Year and who is eligible to have Elective Deferral Contributions (as defined in Treasury Regulation Section 1.401(k)-6) allocated to such Participant's Account under two (2) or more cash or deferred arrangements described in Code Section 401(k) that are maintained by the same Employer or an Affiliate, shall be determined as if all such Elective Deferral Contributions were made under a single arrangement. If a Highly Compensated Employee participates in two or more cash or deferred arrangements of the Employer that have different Plan Years, then all Elective Deferral Contributions made during the Plan Year being tested under all such cash or deferred arrangements shall be aggregated, without regard to the plan years of the other plans.
- (e) Elective Deferral Contributions exceeding the limitations of Section 7.01(a) ("Excess Contributions") and any income or loss allocable to such Excess Contribution shall be designated by the Committee as Excess Contributions and shall be distributed to Highly Compensated Employees whose Accounts were credited with Excess Contributions in the current Plan Year. To determine the aggregate amount of Excess Contributions to be distributed,

the Committee shall first determine the aggregate dollar amount of the distribution as follows:

- (1) Determine the dollar amount by which the Elective Deferral Contributions of the Highly Compensated Employee(s) with the highest Actual Deferral Percentage must be reduced to equal the second highest Actual Deferral Percentage(s) under the Plan; then
- (2) Determine the dollar amount by which the Elective Deferral Contributions for the two (or more) Highly Compensated Employees with the highest Actual Deferral Percentage(s) under the Plan must be reduced to equal the third highest Actual Deferral Percentage(s) under the Plan; then
- (3) Repeat the steps described in (1) and (2) above with respect to the third and successive highest Actual Deferral Percentage levels under the Plan until the Average Actual Deferral Percentage does not exceed the amount allowable under Section 7.01(a); then
- (4) Add the dollar amounts determined in each of steps (1), (2), and (3) above.

The aggregate dollar amount of Excess Contributions determined under steps (1) through (4) above shall be distributed as follows:

- (1) First, to those Highly Compensated Employee(s) with the highest amount of Elective Deferral Contributions until each such Participant's Elective Deferral Contributions equals the second highest Elective Deferral Contributions under the Plan;
 - (2) Second, to the two (or more) Highly Compensated Employees with the next highest dollar amount of Elective Deferral Contributions under the Plan, until each such Participant's Elective Deferral Contributions equals the third highest amount of Elective Deferral Contributions under the Plan; and
 - (3) Then, the steps described in (1) and (2) above shall be repeated with respect to the third and successive Highly Compensated Employees with the highest amount of Elective Deferral Contributions until all Excess Contributions have been distributed.
- (f) The income, gain or loss allocable to distributed Excess Contributions for the Plan Year for purposes of Section 4.01(c) is determined by multiplying the income for the Plan Year allocable to Elective Deferral Contributions by a fraction. The numerator of the fraction is the Excess Contribution distributed to the Participant for the Plan Year. The denominator of the fraction is the total Account Balance of the Participant attributable to Elective Deferral Contributions as of the end of the Plan Year, reduced by the gain

allocable to such total amount for the Plan Year and increased by the loss allocable to such total amount for the Plan Year.

- (g) The determination of the amount of aggregate Excess Contributions to be distributed under Section 4.01(c) with respect to an Employee for a taxable year shall be reduced by any Excess Contributions previously distributed with respect to such Participant for the Plan Year beginning with or within such taxable year.
- (h) To the extent administratively possible, the Committee shall distribute all Excess Contributions and any income or loss allocable thereto prior to 2½ months (6 months in the case of an Excess Contribution made to an eligible automatic contribution arrangement (as defined in Code Section 414(w)(3)) following the end of the Plan Year in which the Excess Contributions arose. In any event, however, the Excess Contributions and any income or loss allocable thereto shall be distributed prior to the end of the Plan Year following the Plan Year in which the Excess Contributions arose.
- (i) Notwithstanding anything contained herein to the contrary, the Employer may, in determining whether the Plan satisfies this Section 7.01, exclude from consideration all Participants (other than Highly Compensated Employees) who have not attained age 21 and is credited with one Year of Service, as described in Code Section 410(a)(1)(A).
- (j) Except as otherwise provided in this Section 7.01, the Plan may use the current year testing method or prior year testing method for the Average Actual Deferral Percentage test for a Plan Year without regard to whether the current year testing method or prior year testing method is used for the Average Actual Contribution Percentage test for that Plan Year. However, if different testing methods are used, then the Plan cannot use:
 - (1) The recharacterization method of Treasury Regulation Section 1.401(k)-2(b)(3) to correct excess contributions for a Plan Year; or
 - (2) The rules of Treasury Regulation Section 1.401(m)-2(a)(6)(ii) to take Elective Deferral Contributions into account under the Average Actual Contribution Percentage test (rather than the Average Actual Deferral Percentage test).

7.02 Average Actual Contribution Percentage Limitation.

- (a) The Average Actual Contribution Percentage for Participants who are Highly Compensated Employees may not exceed the greater of:
 - (1) the Average Actual Contribution Percentage for all Participants who are Non-Highly Compensated Employees for the current Plan Year multiplied by 1.25; or

- (2) the Average Actual Contribution Percentage for all Participants who are Non-Highly Compensated Employees for the current Plan Year multiplied by two, but not more than two percentage points in excess of the Average Actual Contribution Percentage of Participants who are Non-Highly Compensated Employees.
- (b) An Employer Matching Contribution with respect to an Elective Deferral Contribution for a Plan Year is not taken into account under the Average Actual Contribution Percentage test for a Non-Highly Compensated Employee to the extent it exceeds the greatest of:
 - (1) five percent (5%) of the Non-Highly Compensated Employee's Code Section 414(s) compensation for the Plan Year;
 - (2) the Non-Highly Compensated Employee's Elective Deferral Contributions for the Plan Year; and
 - (3) the product of two (2) times the Plan's "representative matching rate" and the Non-Highly Compensated Employee's Elective Deferral Contributions for the Plan Year.

For purposes of this Section 7.02(b), the Plan's "representative matching rate" is the lowest "matching rate" for any eligible Non-Highly Compensated Employee among a group of Non-Highly Compensated Employees that consists of half of all eligible Non-Highly Compensated Employees in the Plan for the Plan Year who make Elective Deferral Contributions for the Plan Year (or, if greater, the lowest "matching rate" for all eligible Non-Highly Compensated Employees in the Plan who are employed by the Employer on the last day of the Plan Year and who make Elective Deferral Contributions for the Plan Year).

For purposes of this Section 7.02(b), the "matching rate" for a Participant generally is the Employer Matching Contributions made for such Participant divided by the Participant's Elective Deferral Contributions for the Plan Year. If the matching rate is not the same for all levels of Elective Deferral Contributions for a Participant, then the Participant's "matching rate" is determined assuming that a Participant's Elective Deferral Contributions are equal to six percent (6%) of Code Section 414(s) compensation.

- (c) Excess Aggregate Contributions and income allocable thereto shall be forfeited, if otherwise forfeitable under the terms of this Plan, or if not forfeitable, shall be distributed no later than 2½ months (6 months in the case of an Excess Aggregate Contribution made to an eligible automatic contribution arrangement (as defined in Code Section 414(w)(3)) after the first day of each Plan Year as set forth below. Distributions of Excess Aggregate Contributions must be adjusted for income (gain or loss) through the end of the Plan Year for which the contribution was made. For the purpose of this Section, "income" shall be determined and allocated in accordance with the provisions of Section 7.01(c) of this Plan, except that

such Section shall be applied by substituting “Excess Contributions” with “Excess Aggregate Contributions” and by substituting amounts taken into account under the Average Actual Contribution Percentage test for amounts taken into account under the Average Actual Deferral Percentage test. A distribution of Excess Aggregate Contributions and income, gains and losses allocable thereto shall be made without regard to any consent otherwise required under Section 10.02(c) or any other provision of the Plan. A distribution pursuant to this Section 7.02(c) of Excess Aggregate Contributions and income, gains and losses allocable thereto shall not be treated as a distribution for purposes of determining whether the distribution required by Section 10.06 is satisfied.

- (d) The Average Actual Contribution Percentage for any Participant who is a Highly Compensated Employee for the Plan Year and who is eligible to receive Employer Matching Contributions allocated to his or her account under two (2) or more plans described in Code Section 401(a), or arrangements described in Code Section 401(k) that are maintained by the same Employer, shall be determined as if the total of such contributions was made under each plan and arrangement. If a Highly Compensated Employee participates in two (2) or more such plans or arrangements that have different plan years, then all matching contributions made during the Plan Year being tested under all such plans and arrangements shall be aggregated, without regard to the plan years of the other plans. In the event this Plan satisfies the requirements of Code Section 410(b) only if aggregated with one or more other plans, or if one or more other plans satisfy the requirements of Code Section 410(b) only if aggregated with this Plan, then this Section 7.02 shall be applied by determining the Actual Contribution Percentage of Participants as if all such plans were a single plan.
- (e) For purposes of this Plan, “Excess Aggregate Contributions” shall mean, with respect to a Plan Year, the excess of the aggregate amount of the Employer Contributions actually made on behalf of Highly Compensated Employees for such Plan Year, over the maximum amount of such contributions permitted under the limitations of Section 7.02(a). To determine the aggregate amount of Excess Aggregate Contributions to be distributed, the Committee shall first determine the aggregate dollar amount of the distribution as follows:
 - (1) Determine the dollar amount by which the Excess Aggregate Contributions of the Highly Compensated Employee(s) with the highest Actual Contribution Percentage must be reduced to equal the second highest Actual Contribution Percentage (s) under the Plan; then
 - (2) Determine the dollar amount by which the Excess Aggregate Contributions for the two (or more) Highly Compensated Employees with the highest Actual Contribution Percentage (s) under the Plan must be reduced to equal the third highest Actual Contribution Percentage (s) under the Plan; then

- (3) Repeat the steps described in (1) and (2) above with respect to the third and successive highest Actual Contribution Percentage levels under the Plan until the Average Actual Contribution Percentage does not exceed the amount allowable under Section 7.02(a); then
- (4) Add the dollar amounts determined in each of steps (1), (2), and (3) above.

The aggregate dollar amount of Excess Aggregate Contributions determined under steps (1) through (4) above shall be distributed as follows:

- (1) First, to those Highly Compensated Employee(s) with the highest amount of Excess Aggregate Contributions until the sum of each such Participant's Employer Matching Contributions equals the sum of the second highest Employer Matching Contributions under the Plan; then
 - (2) Second, to the two (or more) Highly Compensated Employees with the next highest dollar amount of Excess Aggregate Contributions under the Plan, until the sum of each such Participant's Employer Matching Contributions equals the sum of the third highest Employer Matching Contributions under the Plan; and
 - (3) Then, the steps described in (1) and (2) above shall be repeated with respect to the third and successive Highly Compensated Employees with the highest amount of Excess Aggregate Contributions until all Excess Aggregate Contributions have been distributed.
- (f) The income, gain or loss allocable to distributed Excess Aggregate Contributions for the Plan Year is determined by multiplying the income for the Plan Year allocable to Employer Matching Contributions by a fraction. The numerator of the fraction is the Excess Aggregate Contributions made on behalf of the Participant for the Plan Year. The denominator of the fraction is the total Account Balance of the Participant attributable to Employer Matching Contributions as of the end of the Plan Year, reduced by the gain allocable to such total amount for the Plan Year and increased by the loss allocable to such total amount for the Plan Year.
 - (g) The determination and correction of Excess Aggregation Contributions of a Highly Compensated Employee shall be calculated in accordance with Treasury Regulation Sections 1.401(m)-1(e)(4)(iii) and 1.401(m)-1(f)(13)(iii).
 - (h) Excess Aggregate Contributions shall be forfeited if otherwise forfeitable under the terms of the Plan (or if not forfeitable, distributed) from the Employer Matching Contributions Account of the Participant in proportion to the Employer Matching Contributions for the Plan Year.

- (i) Amounts forfeited by Highly Compensated Employees under this Section 7.02 shall be treated as Annual Additions and applied to reduce subsequent Employer Contributions to the Plan.
- (j) Notwithstanding the foregoing, no forfeitures arising under this Section 7.02 shall be allocated to the Account of any Highly Compensated Employee.
- (k) Except as otherwise provided in this Section 7.02, the Plan may use the current year testing method or prior year testing method for the Average Actual Contribution Percentage test for a Plan Year without regard to whether the current year testing method or prior year testing method is used for the Average Actual Deferral Percentage test for that Plan Year. However, if different testing methods are used, then the Plan cannot use:
 - (1) The recharacterization method of Treasury Regulation Section 1.401(k)-2(b)(3) to correct excess contributions for a Plan Year; or
 - (2) The rules of Treasury Regulation Section 1.401(m)-2(a)(6)(ii) to take Elective Deferral Contributions into account under the Average Actual Contribution Percentage test (rather than the Average Actual Deferral Percentage test).

ARTICLE 8

VESTING

8.01 Vested Percentage of Accounts. A Participant shall be vested in the following percentages of his Accounts:

- (a) 100% of his Elective Deferral Contributions Account, Rollover Contributions Account and Prior Employer Accounts, if any, plus
- (b) a percentage of his Employer Accounts, which shall vest in accordance with the following schedule:

<u>Years of Service</u>	<u>Vested Percentage</u>
less than 2	0%
2 but less than 3	20%
3 but less than 4	40%
4 but less than 5	60%
5 but less than 6	80%
6 or more	100%

- (c) Notwithstanding the above, a Participant's Account shall become fully (100%) vested upon (1) his Early Retirement Date or Normal Retirement Date, if he is then an Employee, (2) his death, if he was an Employee immediately before his death, or (3) the determination that he is unable to continue his previous employment on account of Disability. If a Participant dies while performing qualified military service (as defined in Code Section 414(u)), the survivors of the Participant are entitled to any additional benefits (other than benefit accruals relating to the period of qualified military service) provided under the Plan as if the Participant had resumed and then terminated employment on account of death, including accelerated vesting.
- (d) A Participant shall become fully vested in all cash dividends received by the Trust for which an election is offered pursuant to Section 12.08.

8.02 Amount Subject to Distribution Upon Termination of Employment. Upon Termination of Employment, a Participant may request a distribution of the vested percentage of his Accounts as described in Section 8.01 hereof. Such distribution shall be distributed in accordance with Article 10. The portion of a Participant's Employer Account that is not vested shall be forfeited in accordance with Section 8.03.

8.03 Forfeitures.

- (a) When a Participant has a Termination of Employment but does not receive a distribution of his vested Employer Account prior to incurring five consecutive One Year Break in Service, the Employer Account shall continue to be credited with investment gains and losses until distribution of the vested percentage of the Employer Account commences. Upon incurring five consecutive One Year Breaks in Service, the Participant's non-vested Account balance shall be forfeited.
- (b) If a Participant has a Termination of Employment and receives a distribution of his entire vested Employer Account prior to incurring five consecutive One Year Breaks in Service, the non-vested portion of the Employer Account, will be forfeited.

- (c) When a Participant forfeits the non-vested portion of his Employer Account, to the extent possible, Financed Stock released from the Stock Suspense Account in accordance with the provisions of Section 12.05(c) and allocated in accordance with the provisions of Sections 12.06(c) and (d) must be forfeited only after all other assets. If the Participant has an interest in more than one class of Financed Stock which have been released from the Stock Suspense Account and allocated to a Participant's Employer Account (and any other Account holding employer securities), to the extent possible, all Qualifying Employer Securities must be forfeited in the same proportion of each such class of Financed Stock.
- (d) A Participant is eligible to have a previous Forfeiture restored, if (1) he previously incurred a Forfeiture under this Article, (2) he again becomes an Employee before he has five (5) consecutive One Year Breaks in Service, and (3) he repays any distribution that he previously received, in the manner specified in Section 8.03(f).
- (e) Any repayment in accordance with (d) above must be made no later than the earlier of (1) the end of the Plan Year in which the individual incurs a five (5) consecutive One Year Breaks in Service, counting from the Plan Year beginning immediately after distribution or deemed distribution that resulted in his Forfeiture or (2) the fifth (5th) anniversary of his reemployment.
- (f) In order to exercise his right of repayment, the Participant must repay to the Trust, without interest (1) an amount equal to any cash he received as part of the distribution that resulted in his Forfeiture, plus (2) all Company Stock that was then distributed to him. Cash or other property may not be restored to the Trust in lieu of Company Stock, but the shares restored need not be the same ones that were originally distributed. A Participant who had no vested interest in his Accounts at the time of his Forfeiture is automatically deemed to have complied with the terms of this Section as of the date on which he becomes eligible to make a repayment.
- (g) If a Participant complies with the conditions of the applicable provisions of this Section 8.03, his Accounts will be credited with both the cash and Company Stock that he has repaid and the interest in his Accounts that he had previously forfeited, unadjusted for any income, expenses, gains or losses since the time of forfeiture. This restoration is to be made, first, out of Forfeitures arising in the Plan Year of repayment, and, second, out of Employer Contributions and shares of Company Stock released from the Unallocated Stock Account in the Plan Year of repayment. The Participant's Employer is required to make any contributions necessary to make a complete restoration.

ARTICLE 9
IN-SERVICE WITHDRAWALS

9.01 Hardship Withdrawals. A Participant may apply in writing to the Administrator for a hardship withdrawal of part or all of his Elective Deferral Contributions Account (other than earnings credited to his Elective Deferral Contributions Account on or after January 1, 1989). The Administrator, in its discretion, and in accordance with the provisions of this Section 9.01, shall determine whether a withdrawal of part or all of such account is necessary to alleviate the hardship. For purposes of Section 9.01(a), a distribution is on account of hardship only if the distribution both is made on account of an immediate and heavy financial need of the participant as determined in accordance with Section 9.01(a) below, and is necessary to satisfy such financial need as determined in accordance with Section 9.01(b) below. The determination by the Administrator of the existence of an immediate and heavy financial need and of the amount necessary to meet the need shall be made in a non-discriminatory and consistent manner. The determination of hardship by the Administrator shall be final and binding.

- (a) A distribution will be deemed to be made on account of an immediate and heavy financial need of the participant only if the distribution is on account of the financial needs described in this Section 9.01(a), in which case the Administrator may reasonably rely upon the participant's representation that the financial need is on account of:
 - (1) Expenses for (or necessary to obtain) medical care that would be deductible under Code Section 213(d) (determined without regard to whether the expenses exceed 7.5% of adjusted gross income);
 - (2) Costs directly related to the purchase of a principal residence for the Participant (excluding mortgage payments);
 - (3) Payment of tuition, related educational fees, and room and board expenses, for up to the next twelve (12) months of post-secondary education for the Participant, the Participant's spouse, children, or dependents (as defined in Code Section 152, without regard to Code Sections 152(b)(1), (b)(2), and (d)(1)(B)) and such expenses of the Participant's primary beneficiary under the Plan (as defined below);
 - (4) Payments necessary to prevent the eviction of the Participant from the Participant's principal residence or foreclosure on the mortgage on that residence;
 - (5) Payments for burial or funeral expenses for the Participant's deceased parent, spouse, children or dependents (as defined in Code Section 152, and without regard to Code Section 152(d)(1)(B)) and such expenses of the Participant's primary beneficiary under the Plan (as defined below); or
 - (6) Expenses for the repair of damage to the Employee's principal residence that would qualify for the casualty deduction under Code

Section 165 (determined without regard to whether the loss exceeds 10% of adjusted gross income).

A financial need shall not fail to qualify as immediate and heavy merely because such need was reasonably foreseeable or voluntarily incurred by the Participant. There shall be no reduction in the maximum amount of Elective Deferral Contributions that a Participant may make pursuant to Code Section 402(g) solely because of a hardship distribution made by this Plan or any other plan of the Employer. A Participant's "primary beneficiary under the Plan" is an individual who is named as a beneficiary under the Plan and has an unconditional right to all or a portion of the Participant's account balance under the Plan upon the Participant's death.

- (b) A distribution will be deemed to be necessary to satisfy an immediate and heavy financial need of a Participant if all of the following requirements are satisfied:
 - (1) the distribution is not in excess of the amount of the immediate and heavy financial need of the Participant, including any amounts necessary to satisfy applicable federal, state and local income taxes, excise taxes and penalty taxes which may be reasonably anticipated to result from the distribution;
 - (2) the Participant has obtained all distributions (including distributions currently available to the Participant as provided for in Section 12.09), other than hardship distributions, and all non-taxable loans currently available under all plans maintained by the Employer; and
 - (3) the Participant does not make a contribution to this Plan or to any other plan of deferred compensation contrary to the provisions of Section 9.02.

9.02 Suspension of Contributions Due to Hardship Withdrawal. If a Participant receives a hardship withdrawal, such Participant shall not be permitted to make:

- (a) Elective Deferrals for the six-month period following the date of receipt of the hardship withdrawal; and
- (b) Contributions to any other qualified or nonqualified plan of deferred compensation maintained by the Employer including, but not limited to, stock option plans and stock purchase plans for the six-month period following the date of receipt of the hardship withdrawal.

ARTICLE 10
PAYMENTS TO PARTICIPANTS AND THEIR BENEFICIARIES

10.01 Definitions.

- (a) **“Designated Beneficiary”** shall mean the individual who is designated as the beneficiary under Section 2.10 of the Plan and is the designated beneficiary under Code Section 401(a)(9) and Treasury Regulation Section 1.401(a)(9)-1, Q&A-4.
- (b) **“Distribution Calendar Year”** shall mean a calendar year for which a minimum distribution is required. For distributions beginning before the Participant’s death, the first distribution calendar year is the calendar year immediately preceding the calendar year which contains the Participant’s required beginning date. For distributions beginning after the Participant’s death, the first distribution calendar year is the calendar year in which distributions are required to begin under Section 10.06(b)(2). The required minimum distribution for the Participant’s first distribution calendar year will be made on or before the Participant’s required beginning date. The required minimum distribution for other distribution calendar years, including the required minimum distribution for the distribution calendar year in which the Participant’s required beginning date occurs, will be made on or before December 31 of that distribution calendar year.
- (c) **“Life Expectancy”** shall mean life expectancy as computed by use of the Single Life Table in Treasury Regulation Section 1.401(a)(9)-9.
- (d) **“Participant’s Account Balance”** shall mean the account balance as of the last Valuation Date in the calendar year immediately preceding the Distribution Calendar Year (valuation calendar year) increased by the amount of any contributions made and allocated or forfeitures allocated to the account balance as of dates in the valuation calendar year after the valuation date and decreased by distributions made in the valuation calendar year after the valuation date. The account balance for the valuation calendar year includes any amounts rolled over or transferred to the Plan either in the valuation calendar year or in the distribution calendar year if distributed or transferred in the valuation calendar year.

10.02 Commencement of Distribution. The Participant’s Account shall be distributed at the earliest of the following dates:

- (a) **Termination of Employment.** If a Participant has a Termination Date other than on account of death, the Participant’s Account shall be distributed as soon as administratively feasible following the Participant’s Termination Date and receipt by the Committee of the Participant’s request for a distribution. A Participant shall be treated as having a Termination of Employment for purposes of the restrictions on the distribution of Elective Deferrals under Code Section 401(k)(2)(B)(i)(I) during any period the Participant is performing service in the uniformed services (as described in

Code Section 3401(h)(2)(A)) and such Participant may elect to receive a distribution of his Elective Deferrals, provided, however, that the Participant may not make additional Elective Deferral contributions for the 6-month period beginning on the date of the distribution.

- (b) **Death.** If a Participant has a Termination Date on account of death, the Participant's Account shall be distributed within ninety (90) days after the Participant's death unless the particular facts and circumstances require a longer wait.
- (c) **Consent of Participant.** A Participant's consent to a distribution of his Account shall be subject to the following:
 - (1) If the total value of the Participant's vested Accounts to be distributed is less than or equal to \$1,000, determined any time on or after the Participant's Termination Date, the Participant's vested Account balance shall be distributed as soon as administratively feasible to the Participant in a lump sum payment.
 - (2) If the total value of the Participant's vested Accounts to be distributed is greater than \$1,000, determined on or after the Participant's Termination Date, the Participant's consent to a distribution shall be required; provided that, notwithstanding the lack of consent, distribution shall be made no later than the date established under Section 10.06 for mandatory distributions.
- (d) **Retirement After Age 65.** Notwithstanding any other provision of the Plan, unless the Participant otherwise elects, the payment of benefits under this Plan shall begin not later than the 60th day after the latest of the close of the Plan Year in which occurs (1) the Participant's Normal Retirement Age or (2) the Participant's Termination Date.

10.03 Forms of Payments. Except as provided for in Section 10.04, a Participant may elect to receive a distribution in the form of a single lump sum payment of his entire vested Account. However, with respect to his Accounts invested in the Company Stock Fund, a Participant may elect a distribution in the form of cash, or full shares of Common Stock and cash in lieu of fractional shares.

10.04 Prior Employer Accounts. A Participant's Prior Employer Account shall be distributed in the form of a single lump sum payment of the Participant's entire vested Prior Employer Account. No distribution shall be made in the form of an annuity or cash installment.

10.05 Payments When a Loan is Outstanding. Payments to Participants who have borrowed from their Accounts pursuant to Article 11 will also be governed by Section 11.03(b).

10.06 Minimum Distribution Requirements.

(a) General Rules

- (1) **Requirements of Treasury Regulations Incorporated.** All distributions required under this Section 10.06 will be determined and made in accordance with the Treasury Regulations under Code Section 401(a)(9).
- (2) **TEFRA Section 242(b)(2) Elections.** Notwithstanding the other provisions of this Section 10.06, distributions may be made under a designation made before January 1, 1984, in accordance with Section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act (TEFRA) and the provisions of the Plan that relate to Section 242(b)(2) of TEFRA.

(b) Time and Manner of Distribution.

- (1) **Required Beginning Date.** The Participant's entire interest will be distributed, or begin to be distributed, to the Participant no later than the Participant's required beginning date. For purposes of this Section:
 - (i) The term "required beginning date" of a Participant is the later of the first day of April of the calendar year following: (A) the calendar year in which the Participant attains age 70½, or (B) the calendar year in which the Participant retires if the Participant is not a 5-percent owner of the Employer.
 - (ii) The "required beginning date" for a Participant who is a 5-percent Owner (as defined in Code Section 401(a)(9)) shall not be later than April 1 of the calendar year following the calendar year in which the participant attains age 70½.
 - (iii) Once distributions have begun to a 5-percent owner under this Section, they must continue to be distributed, even if the Participant ceases to be a 5-percent owner in a subsequent year.
- (2) **Death of Participant Before Distributions Begin.** If the Participant dies before distributions begin, the Participant's entire interest will be distributed, or begin to be distributed, no later than as follows:
 - (i) If the Participant's surviving spouse is the Participant's sole designated beneficiary, then distributions to the surviving spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died, or by December 31 of the calendar year in which the Participant would have attained age 70½, if later.

- (ii) If the Participant's surviving spouse is not the Participant's sole designated beneficiary, then distributions to the designated beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died.
- (iii) If there is no designated beneficiary as of September 30 of the year following the year of the Participant's death, the Participant's entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.
- (iv) If the Participant's surviving spouse is the Participant's sole designated beneficiary and the surviving spouse dies after the Participant but before distributions to the surviving spouse begin, this Section 10.06(b)(2), other than Section 10.06(b)(2)(i), will apply as if the surviving spouse was the Participant.

For purposes of this Section 10.06(b) and Section 10.06(d) unless Section 10.06(b)(2)(iv) applies, distributions are considered to begin on the Participant's required beginning date. If Section 10.06(b)(2)(iv) applies, distributions are considered to begin on the date distributions are required to begin to the surviving spouse under Section 10.06(b)(2)(i). If distributions under an annuity purchased from an insurance company irrevocably commence to the Participant before the Participant's required beginning date (or to the Participant's surviving spouse before the date distributions are required to begin to the surviving spouse under Section 10.06(b)(2)(i)), the date distributions are considered to begin is the date distributions actually commence.

- (3) **Forms of Distribution.** Unless the Participant's interest is distributed in the form of an annuity purchased from an insurance company or in a single sum on or before the required beginning date, as of the first distribution calendar year distributions will be made in accordance with Sections 10.06(c) and 10.06(d) of the Plan. If the Participant's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of Code Section 401(a)(9) and the Treasury Regulations.
- (c) **Required Minimum Distributions During Participant's Lifetime.**
- (1) **Amount of Required Minimum Distribution for Each Distribution Calendar Year.** During the Participant's lifetime, the minimum amount that will be distributed for each distribution calendar year is the lesser of:

- (i) the quotient obtained by dividing the Participant's account balance by the distribution period in the Uniform Lifetime Table set forth in Section 1.401(a)(9)-9 of the Treasury Regulations, using the Participant's age as of the Participant's birthday in the distribution calendar year; or
 - (ii) if the Participant's sole designated beneficiary for the distribution calendar year is the Participant's spouse, the quotient obtained by dividing the Participant's account balance by the number in the Joint and Last Survivor Table set forth in Section 1.401(a)(9)-9 of the Treasury Regulations, using the Participant's and spouse's attained ages as of the Participant's and spouse's birthdays in the distribution calendar year.
- (2) **Lifetime Required Minimum Distributions Continue Through Year of Participant's Death.** Required minimum distributions will be determined under this Section 10.06(c) beginning with the first distribution calendar year and up to and including the distribution calendar year that includes the Participant's date of death.
- (d) **Required Minimum Distributions After Participant's Death.**
 - (1) **Death On or After Date Distributions Begin.**
 - (i) **Participant Survived by Designated Beneficiary.** If the Participant dies on or after the date distributions begin and there is a designated beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the longer of the remaining life expectancy of the Participant or the remaining life expectancy of the Participant's designated beneficiary, determined as follows:
 - (A) The Participant's remaining life expectancy is calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.
 - (B) If the Participant's surviving spouse is the Participant's sole designated beneficiary, the remaining life expectancy of the surviving spouse is calculated for each distribution calendar year after the year of the Participant's death using the surviving spouse's age as of the spouse's birthday in that year. For distribution calendar years after the year of the surviving spouse's death, the remaining life expectancy of the surviving spouse is calculated using the age of the surviving spouse as of the spouse's

birthday in the calendar year of the spouse's death, reduced by one for each subsequent calendar year.

(C) If the Participant's surviving spouse is not the Participant's sole designated beneficiary, the designated beneficiary's remaining life expectancy is calculated using the age of the beneficiary in the year following the year of the Participant's death, reduced by one for each subsequent year.

(ii) **No Designated Beneficiary.** If the Participant dies on or after the date distributions begin and there is no designated beneficiary as of September 30 of the year after the year of the Participant's death, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the Participant's remaining life expectancy calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

(e) **Death Before Date Distributions Begin.**

(1) **Participant Survived by Designated Beneficiary.** If the Participant dies before the date distributions begin and there is a designated beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the remaining life expectancy of the Participant's designated beneficiary, determined as provided in Section 10.06(d)(1).

(2) **No Designated Beneficiary.** If the Participant dies before the date distributions begin and there is no designated beneficiary as of September 30 of the year following the year of the Participant's death, distribution of the Participant's entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(3) **Death of Surviving Spouse Before Distributions to Surviving Spouse Are Required to Begin.** If the Participant dies before the date distributions begin, the Participant's surviving spouse is the Participant's sole designated beneficiary, and the surviving spouse dies before distributions are required to begin to the surviving spouse under Section 10.06(b)(2), this Section 10.06(e)(3) will apply as if the surviving spouse were the Participant.

(f) Notwithstanding the foregoing provisions of this Section 10.06, if the total value of a Participant's vested Accounts to be distributed is less than or equal to \$1,000, determined any time on or after the Participant's Termination Date,

the Participant's vested Account balance shall be distributed in a lump sum payment as soon as administratively feasible in accordance with Section 10.02(c)(1).

- (g) **2009 Required Minimum Distributions.** Notwithstanding the foregoing provisions of this Section 10.06, a Participant or Beneficiary who would have been required to receive required minimum distributions for 2009 but for the enactment of Code Section 401(a)(9)(H) (the "2009 required minimum distributions"), and who would have satisfied that requirement by receiving distributions that are (1) equal to the 2009 required minimum distributions or (2) one or more payments in a series of substantially equal distributions (that include the 2009 required minimum distributions) made at least annually and expected to last for the life (or life expectancy) of the Participant, the joint lives (or joint life expectancy) of the Participant and the Participant's Designated Beneficiary, or for a period of at least 10 years, will not receive those distributions for 2009 unless the Participant or Beneficiary chooses to receive such distributions.

10.07 Qualified Domestic Relations Orders. Notwithstanding any other provisions of this Article 10, any Account of a Participant may be apportioned between the Participant and an alternate payee (as defined in Code Section 414(p)(8)) either through separate Accounts or by providing the alternate payee a percentage of the Participant's Account. The Committee shall notify the affected Participant and each alternate payee of the order and determine that the order is a qualified domestic relations order as defined in Code Section 414(p)(1)(A). A domestic relations order that otherwise satisfies the requirements for a qualified domestic relations order ("QDRO") will not fail to be a QDRO: (i) solely because the order is issued after, or revises, another domestic relations order or QDRO; or (ii) solely because of the time at which the order is issued, including issuance after the annuity starting date or after the Participant's death.

10.08 Payment to Minors and Incapacitated Persons. In the event that any amount is payable to a minor or to any person who, in the judgment of the Committee, is incapable of making proper disposition thereof, such payment shall be made for the benefit of such minor or such person in any of the following ways as the Committee, in its sole discretion, shall determine:

- (a) By payment to the legal representative of such minor or such person;
- (b) By payment directly to such minor or such person;
- (c) By payment in discharge of bills incurred by or for the benefit of such minor or such person. The Trustee shall make such payments as directed by the Committee without the necessary intervention of any guardian or like fiduciary and without any obligation to require bond or to see the further application of such payment. Any payment so made shall be in complete discharge of the Plan's obligation to the Participant and his Beneficiaries.

10.09 Notices to Participants. The Committee shall distribute or cause to be distributed to each Participant who has requested a withdrawal or distribution a notice, containing the information described in Code Section 402(f). Such notice shall be provided within a reasonable time, not in excess of 180 days prior to the date of such withdrawal or distribution. Such notice

shall clearly inform the Participant that the Participant has a right to a period of at least 30 days after receiving the notice to consider the decision of whether or not to elect a distribution or withdrawal (or, if applicable, a particular distribution option). Distribution or withdrawal shall not be made within such 30-day period, unless the Participant affirmatively elects otherwise. A Participant shall be permitted to revoke his election at any time prior to the annuity starting date, or, if later, the end of the seven-day period beginning on the date the above described notice was provided.

10.10 Eligible Rollover Distributions.

- (a) A Participant may elect, at a time and in the manner prescribed by Committee, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the Participant in a direct rollover. An eligible rollover distribution shall be a distribution of all or any portion of the balance to the credit of a Participant, except that an eligible rollover distribution shall not include any distribution which is part of a series of installment payments over a period of ten years or more, any distribution to the extent such distribution is required under Code Section 401(a)(9), and the portion of any distribution that is not includable in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities). An eligible individual retirement plan is an individual retirement account as described in Code Section 408(a), an individual retirement annuity as described in Code Section 408(b), or a qualified trust described in Code Section 401 which accepts the Participant's eligible rollover distribution. This Section shall also apply to distributions to the surviving spouse of a deceased Participant, or to the alternate payee of a Participant under a Qualified Domestic Relations Order, provided that, in the case of a distribution to a surviving spouse, an eligible retirement plan shall include only an individual retirement account or an individual retirement annuity.
- (b) Notwithstanding the above, an eligible retirement plan shall also mean an annuity contract described in Code Section 403(b) and an eligible plan under Code Section 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this plan. The definition of eligible retirement plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relation order, as defined in Code Section 414(p). A Participant may elect to roll over directly an eligible rollover distribution to a Roth IRA described in Code Section 408A(b).
- (c) For purposes of this Section 10.10, any amount that is distributed on account of hardship shall not be an eligible rollover distribution and the distributee may not elect to have any portion of such a distribution paid directly to an eligible retirement plan.
- (d) **Non-spouse beneficiary rollover right.** A non-spouse beneficiary who is a Beneficiary under the Plan who also qualifies as a designated beneficiary

under Code Section 401(a)(9)(E), may roll over all or any portion of his or her distribution, by a direct trustee-to-trustee transfer ("direct rollover"), to an individual retirement account the beneficiary establishes for purposes of receiving the distribution. In order to be able to roll over the distribution, the distribution otherwise must satisfy the definition of an eligible rollover distribution. A non-spouse beneficiary may not roll over an amount which is a required minimum distribution, as determined under applicable Treasury Regulations and other Revenue Service guidance.

10.11 Age 59½ Withdrawals. A Participant who has attained age 59½ may withdraw any portion of any Account in which he is fully (100%) vested, as of any Valuation Date giving written notice to the Administrator, in such form as the Administrator may require, at least fifteen (15) days before the date as of which the withdrawal is to be made. A Participant may make no more than two withdrawals under this Section 10.11 in any Plan Year.

ARTICLE 11

LOANS

11.01 Availability of Loans. Loans shall be permitted to Participants under this Plan, as established by the policy of the Committee. Any such loan shall be subject to such conditions and limitations (including such loan guidelines as may, from time to time, be established by the Committee) as the Committee deems necessary for administrative convenience and to preserve the tax-qualified status of the Plan. Notwithstanding the foregoing, except to the extent otherwise required under the Code or ERISA, loans shall not be permitted under this Plan to (a) any Beneficiary or (b) any Participant after the Participant has terminated employment with the Employer and its Affiliates.

11.02 Amount of Loans. Subject to the limitations contained in this Article 11, any Participant may borrow from his Accounts an amount not exceeding the lesser of the following:

- (d) 50% of the combined current value of the Participant's Elective Deferral Account, Rollover Contributions Account and the vested portion of Employer Accounts, determined on the date of such Participant's request for a loan, reduced by the outstanding balance of all other loans from the Plan, or
- (e) the vested portion of his Accounts up to \$50,000, reduced by the greater of (1) the highest outstanding balance of loans from the Plan during the one-year period ending on the day before the date on which such loan is made, or (2) the outstanding balance of loans from the Plan on the date on which such loan is made.

11.03 Conditions of the Loan. The loan shall be subject to the following conditions:

- (a) The interest rate on all loans shall be commercially reasonable at the time the Administrator approves the loan. All loans shall be evidenced by a note and shall be adequately secured as to principal and interest. No more than 50% of the Participant's vested portion of his Accounts valued immediately

after the origination of each loan shall serve as security for his outstanding loan, provided, however, that the terms of any loan may be adjusted at any time, in the sole and absolute discretion of the Administrator to ensure that there is adequate security for the loan. No loan may have a term in excess of five years, except for a loan obtained to acquire a principal residence which may not have a term in excess of fifteen years.

- (b) The Administrator shall be responsible for the collection of all loans. Upon default of any loan, the entire unpaid balance shall, if the immediate distribution of the Participant's Account is to be made, be offset against that portion of the Participant's Account which serve as security for his loan, upon his first becoming entitled to receive a distribution in accordance with the relevant portion of Article 10 of the Plan, whether or not the Participant elects to have his payments commence at that time.

11.04 Loan Policy. The Administrator is authorized and directed to administer the loan program in accordance with the regulations and rulings of the Internal Revenue Service and the Department of Labor. The Committee may establish such additional guidelines and rules as it deems necessary. Such guidelines and rules shall be set forth in the loan policy and the terms specified in such loan policy are hereby incorporated by reference in the Plan. The Committee may amend or modify the loan policy as it deems necessary to carry out the provisions of this Article 11.

ARTICLE 12

LEVERAGED EMPLOYEE STOCK OWNERSHIP PLAN PROVISIONS

12.01 Effect of Article. Notwithstanding anything to the contrary contained in the Plan, the provisions of this Article 12 shall control the interpretation and administration of the Plan where applicable.

12.02 Definitions. The following terms when used in this Article 12 shall have the designated meaning unless a different meaning is plainly required by the context in which the term is used:

- (a) **"Disqualified Person"** shall mean a person defined in Code Section 4975(e)(2) and shall mean a party in interest as defined in ERISA Section 3(14).
- (b) **"Exempt Loan"** shall mean any Loan that satisfies the provisions of Section 12.04.
- (c) **"Financed Stock"** shall mean Common Stock acquired with the proceeds of an Exempt Loan.
- (d) **"Indebtedness"** shall mean the principal amount of any indebtedness incurred by the Plan in connection with the acquisition of Financed Stock.
- (e) **"Interest"** shall mean interest payable by the Plan with respect to Indebtedness.

- (f) **“Leveraged ESOP”** shall mean the portion of the Plan described in this Article 12.
- (g) **“Loan”** shall mean any loan made to the Leveraged ESOP, by a Disqualified Person or guaranteed by a Disqualified Person.
- (h) **“Release Date”** shall mean each date specified in Section 12.05(c) for the release of shares of Common Stock from the Stock Suspense Account for allocation to Participants’ Employer Accounts.
- (i) **“Stock Suspense Account”** shall mean an account credited with the Financed Stock prior to the release there from in accordance with Section 12.05(d).
- (j) **“Unallocated Financed Stock”** shall mean shares of Financed Stock that remain in the Stock Suspense Account prior to the release of such shares from the Stock Suspense Account and the allocation of such shares to Participants’ Employer Accounts.

12.03 Purpose and Nature of the Leveraged ESOP.

- (a) The primary purpose of the Leveraged ESOP is to enable Participants to share in the growth and prosperity of HEICO Corporation and its Affiliates by enabling Participants to acquire stock ownership interests in the form of Common Stock. Accordingly, the Leveraged ESOP is an employee stock ownership plan within the meaning of Code Section 4975(e)(7) which is designed to invest primarily in Common Stock. The Leveraged ESOP may engage in loans (or other extensions of credit) to finance its acquisition of Common Stock, including such Loans (or extensions of credit) from or secured primarily by a guarantee of the Company or an Affiliated Company or the expectation that the Company and its Affiliated Companies will make contributions to the Leveraged ESOP in amounts sufficient to enable the Leveraged ESOP to amortize such loans (or extensions of credit).
- (b) The Leveraged ESOP is intended to be and shall be a stock bonus plan within the meaning of Treasury Regulation Section 1.401-1(b)(1)(iii) that is qualified under Code Section 401(a). It is designed to meet the requirements for an employee stock ownership plan within the meaning of Code Section 4975(e)(7) and ERISA Section 407(d)(6) and regulations thereunder and may enter into one or more Exempt Loans pursuant to this Article 12. Separate accounting shall be maintained with respect to the Leveraged ESOP, any Exempt Loan and Financed Stock acquired with the proceeds of such Exempt Loan.
- (c) The terms of any Exempt Loan shall comply with all the requirements necessary to constitute an “exempt loan” within the meaning of Treasury Regulation Section 54.4975-7(b).

12.04 Requirements as to Exempt Loans. No Loan shall be entered into on behalf of the Leveraged ESOP which is a Loan made or guaranteed by a Disqualified Person unless the Committee determines that all of the requirements of this Section including each of the following requirements are met:

- (a) the terms shall be as favorable to the Plan as the terms of a comparable loan from arms-length negotiations between independent parties;
- (b) the interest rate shall be no more than a reasonable interest rate considering all relevant factors including the amount and duration of the loan, the security and guarantee involved, the credit standing of the Plan and the guarantor of the loan, and the interest rate prevailing for comparable loans;
- (c) the loan shall be without recourse against the Plan;
- (d) the loan must be for a specific term under which the number of years to maturity is definitely ascertainable at all times;
- (e) the loan may not be payable at the demand of any person except in the case of default;
- (f) the only assets of the Plan that may be given as collateral on the loan are Common Stock acquired with the proceeds of the Exempt Loan or Common Stock used as collateral on a prior Exempt Loan repaid with the proceeds of the Exempt Loan;
- (g) no person entitled to payment under the loan shall have any right to assets of the Plan other than collateral given for the loan, contributions made to the Plan to enable it to meet its obligations under the loan, and earnings attributable to such collateral and such contributions;
- (h) the value of Plan assets transferred in satisfaction of the loan upon an event of default shall not exceed the amount of the default;
- (i) if the lender is a Disqualified Person, Plan assets may only be transferred upon default only upon and to the extent of the failure of the Plan to meet the payment schedule of the loan;
- (j) upon payment of any portion of the balance due on the loan, the assets pledged as collateral for such portion shall be released from encumbrance;
- (k) the loan shall be repaid only from proceeds of an Exempt Loan, amounts contributed to the Plan by the Company or its Affiliated Companies to enable the Plan to repay such loan, earnings on such contributions, and earnings on Financed Stock acquired with the proceeds of such loan (including dividends and proceeds of sale of such Financed Stock, so long as such use of proceeds complies with applicable requirements of the Code and regulations thereunder);

- (l) the payments made with respect to an Exempt Loan must not exceed an amount equal to the sum of such contributions and earnings received during or prior to the year less such payments in prior year, and such contributions and earnings must be accounted for separately in the books and accounts of the ESOP until the Exempt Loan is repaid; and
- (m) the loan must be primarily for the benefit of Participants and their beneficiaries.

12.05 Use of Exempt Loan Proceeds.

- (a) The proceeds of any Exempt Loan shall be used within a reasonable time after receipt thereof to acquire Common Stock, to repay such loan, or to repay a prior Exempt Loan as determined by the Committee in its sole discretion. Except as permitted by law, Common Stock acquired with the proceeds of an Exempt Loan may not at that time or at any time thereafter be subject to any put, call, option, buy-sell or other similar arrangement when held by and distributed from the Plan, whether or not the Plan is then an employee stock ownership plan. The rights and protections granted in this paragraph are non-terminable and will continue to exist as long as any Company Stock acquired with an Exempt Loan is held by the Plan or by any Participant or any other person for whose benefit such protections and rights have been created, and neither the repayment of such loan nor the failure of the Plan to be an employee stock ownership plan, nor any amendment of the Plan, will cause a termination of the protections and rights.
- (b) All shares of Common Stock acquired by the Trustee with the proceeds of an Exempt Loan shall be allocated to a separate Stock Suspense Account within the Trust and be held therein until allocated to the Employer Accounts of Participants pursuant to the provisions of Section (d) below.
- (c) As of the last day of any Plan Year (each date being referred to as a "Release Date"), there shall be released from the Stock Suspense Account and allocated to Participants' Employer Accounts in accordance with the provisions of Section 12.06(c) below a number of shares of Financed Stock, as determined in a reasonable and nondiscriminatory manner by the Committee and subject to the provisions of Sections (d) and (e) below.
- (d) If the conditions of this Section 12.05(d) are satisfied, the percentage of Financed Stock to be released on each Release Date equals the Indebtedness repaid during the current Plan Year divided by the Indebtedness originally incurred.
 - (1) The formula set forth in this Section 12.05(d) may be used if (i) the Board elects its use no later than the time when stock acquired under a particular Loan Agreement is first released, (ii) the term of the Loan Agreement does not exceed ten (10) years, and (iii) the Loan Agreement provides for the repayment of Indebtedness on a basis

that results in the amortization of Indebtedness no less rapidly than under standard amortization tables.

- (e) If the formula set forth in Section 12.05(d) is not used, the percentage of shares of Financed Stock so released from the Stock Suspense Account, as of each Release Date shall not be less than the total number of shares of Financed Stock in the Stock Suspense Account immediately prior to the first day of such Plan Year multiplied by a fraction, the numerator of which is equal to the total dollar amount of Indebtedness and Interest actually paid by the Trustee with respect to such Plan Year to amortize the Exempt Loan and the denominator of which is the sum of the numerator plus the total dollar amount of Indebtedness and Interest due for all future periods of such Exempt Loan after the end of such Plan Year.

12.06 Allocations and Accounting.

- (a) The provisions of this Section 12.06 shall govern the allocation of Employer Contributions that are used to make payments on an Exempt Loan.
- (b) Any Financed Stock acquired by the Leveraged ESOP shall be allocated initially to the Stock Suspense Account. Each Participant's Employer Account shall reflect such Participant's interest in the Leveraged ESOP.
 - (1) Each Participant's Employer Account shall be credited with its allocated share of Common Stock released from the Stock Suspense Account pursuant to Sections 12.05(d) and 12.05(e). Each Participant's Employer Account will be credited with its allocable share of cash dividends on Common Stock allocated to such Participant's Employer Account and proceeds from the sale of such shares of Common Stock.
 - (2) Each Participant's Employer Account shall be debited for Common Stock distributed to said Participant from such Employer Account pursuant to applicable Plan provisions, or for its allocable share of Common Stock sold by the Trustee or otherwise removed from such Employer Account in accordance with any applicable provisions of the Plan. Each Participant's Employer Account shall be debited for cash payments which are distributed to said Participant from such Account pursuant to applicable Plan provisions.
- (c) All Common Stock released from the Stock Suspense Account as of any Release Date are allocated among the Participants' Employer Matching Contributions Account, to the extent that Employer Matching Contributions made on their behalf were utilized to pay Interest or repay Indebtedness. Common Stock not so allocated is allocated to the Equity Builder Contributions Account of active Participants in accordance with the provisions of Section 4.04(b).

- (d) As of each Release Date in each Plan Year, the Financed Stock that is released from the Stock Suspense Account, if any, pursuant to the provisions of Sections 12.05(d) and 12.05(e) shall be allocated to the Employer Accounts of Participants. Each Participant's allocable share of Financed Stock shall be calculated by multiplying the aggregate number of shares of Financed Stock released on such Release Date by a fraction, the numerator of which is the Contribution made for such Plan Year by the Employer on behalf of such Participant pursuant to Section 4.04, and the denominator of which is the aggregate contribution to be made by the Employer on behalf of all Participants pursuant to Section 4.04 for such Plan Year.

12.07 Use of Cash Dividends on Common Stock.

- (a) All dividends received with respect to Financed Stock are used to pay Interest or repay Indebtedness. If, however, dividends that would otherwise be allocated to Participants' Accounts or distributed to them in accordance with Section 12.08 are used to pay Interest or repay Indebtedness, Company Stock equal in value to the dividends so applied must be allocated to each Participant's Equity Builder Account, in addition to any other allocations under this Plan.
- (b) After a loan has been repaid, dividends on stock acquired with the proceeds of the loan are distributed or allocated in accordance with Section 12.08. The refinancing of a loan through a new loan transaction is not deemed to be repayment for purposes of this Section 12.07.

12.08 Common Stock Cash Dividends.

(a) **Cash Dividends Paid**

- (1) Notwithstanding any other provision of Article 12 to the contrary, each Participant may elect to:
 - (i) receive a distribution in cash equal to the value of any cash dividends paid by the Company and received by the Trust with respect to shares of Common Stock allocated to his Employer Accounts at the close of business on the ex-dividend date established for the payment of such cash dividends; or
 - (ii) reinvest in the Company Stock Fund any cash dividends paid by the Company and received by the Trust with respect to shares of Common Stock allocated to his Employer Accounts at the close of business on the ex-dividend date established for the payment of such cash dividends.
- (2) Any distribution pursuant to paragraph (a)(1)(i) shall be made as soon as is administratively feasible following the receipt of the cash dividends by the Trust, but in no event later than 90 days after the

close of the Plan Year in which such cash dividends were paid by the Company.

- (3) If a Participant fails to make an election pursuant to paragraph (a)(1)(i), he shall be deemed to have made an election pursuant to paragraph (a)(1)(ii).
 - (4) Cash dividends subject to an election pursuant to paragraph (a)(1) shall be fully vested in accordance with Section 8.01(d).
- (b) **Elections.** The Committee shall specify the manner in which Participants will be required to make their elections subject to the following conditions:
- (1) The Committee shall provide no less than annually each Participant an opportunity to make an election.
 - (2) A Participant's election shall take effect immediately following receipt by the Committee and shall remain in effect until an election to the contrary is filed by such Participant.
 - (3) A Participant's election shall become irrevocable the latter of (i) that date on which the cash dividends attributable to such election are paid to the Trust, or (ii) the date established by the Committee for revoking such an election.
 - (4) The rules established by the Committee for making an election shall be applied in a uniform and nondiscriminatory manner.

12.09 Diversification Election.

- (a) With respect to any shares of Common Stock allocated to the Account of a Participant, alternate payee who has an account under the Plan, or a beneficiary of a deceased Participant, the individual shall be entitled to elect to direct the Plan to divest any such shares and to reinvest an equivalent amount in other Investment Funds which satisfy the requirements of Section 12.09(c) hereof.
- (b) Except as otherwise determined by the Committee as may be necessary and appropriate, a Participant's election to divest pursuant to Section 12.09(a) as to a Plan Year may be made at any time by filing a written election with the Administrator. The Committee shall impose restrictions on the divestiture of Common Stock this is either required in order to ensure compliance with applicable securities laws or is reasonably designed to ensure compliance with applicable securities laws. The Administrator shall direct the Trustee in writing to liquidate, including a specific direction as to the manner in which to liquidate, the shares of Common Stock as to which a Participant has made a transfer election and to transfer such cash proceeds to the other Investment Fund or Funds elected as soon as administratively feasible after such transfer election has been made.

- (c) For purposes of this Section 12.09, other Investment Funds must include not less than three (3) Investment Funds, other than Company Stock, to which the Participant may direct the proceeds of divestment of Company Stock required by this Section 12.09, each of which options is diversified and has materially different risk and return characteristics.

12.10 Voting and Tendering of Company Stock. The Trustee shall vote each share of Common Stock held under the Plan. Each Participant shall be entitled to direct the Trustee as to the manner in which the voting rights attributable to the shares of Common Stock allocated to his Employer Accounts as of the relevant record date are to be exercised. The Trustee shall vote all shares of Common Stock as to which it receives timely voting instructions solely in accordance with such instructions, provided that the Trustee may vote the shares as it determines is reasonably necessary to fulfill its fiduciary duties under ERISA. If a Participant does not, with respect to any matter, give instructions concerning the voting of stock allocated to his Employer Accounts, the Trustee shall vote that Participant's Employer Accounts Common Stock in the same proportions as Common Stock for which instructions have been received, subject to its fiduciary duties under ERISA.

Except as otherwise required by the fiduciary standards of ERISA Section 404, the Trustee shall vote Common Stock held in the Stock Suspense Account in the same proportions as Common Stock that has been allocated to Participants' Employer Accounts.

ARTICLE 13 **TOP-HEAVY PROVISIONS**

13.01 Top-Heavy. The following provisions shall become effective in any Plan Year in which the Plan is determined to be a Top-Heavy Plan.

- (a) The following terms when used in this Article 13 shall have the designated meaning unless a different meaning is plainly required by the context in which the term is used:
- (1) **"Key Employee"** shall mean any individual who meets the criteria of a Key Employee as defined in Code Section 416(i)(1).
 - (2) **"Determination Date"** shall mean, with respect to any Plan Year, the last day of the immediately preceding Plan Year.
 - (3) **"Permissive Aggregation Group"** means any grouping of plans of the Employer which includes the Required Aggregation Group, plus any other plans of the Employer that allow, when aggregated, the resulting group of plans to meet the requirements of Code Sections 401(a)(4) and 410.
 - (4) **"Required Aggregation Group"** means each plan of the Employer in which a Key Employee is a participant, and each other plan of the Employer which enables any plan in which a Key Employee

participates to meet the requirements of Code Sections 401(a)(4) or 410.

- (5) **“Non-Key Employee”** shall mean any individual who is not a Key Employee.
- (b) The Plan will be considered a Top-Heavy Plan for the Plan Year, if, as of the last Determination Date:
 - (1) the aggregate of the Accounts of Participants who are Key Employees exceeds 60% of the aggregate of the accounts of all Participants (the “60% Test”); or
 - (2) the Plan is part of a Required Aggregation Group and the Required Aggregation Group meets the requirements of Section 13.01(b)(1).

However, and notwithstanding the results of the 60% Test, the Plan shall not be considered a Top-Heavy Plan for any Plan Year in which the Plan is a part of a Required or Permissive Aggregation Group which is not top-heavy. Distributions made with respect to Employees within the five-year period ending on the Determination Date shall be included for purposes of making the 60% Test. If any employee has not performed services for the Employer at any time during the five-year period ending on the Determination Date, any Account of such employee shall not be taken into account for purposes of the foregoing determination. If any Employee is a Non-Key Employee for any Plan Year, but was a Key Employee for any prior Plan Year, the Non-Key Employee’s Account shall not be taken into account for purposes of the foregoing determination for any Plan Year following the last Plan Year for which the Employee was treated as a Key Employee.

Solely for the purpose of determining if the Plan, or any other plan included in a required aggregation group of which this Plan is a part, is top-heavy (within the meaning of Code Section 416(g)) the accounts of an Employee other than a Key Employee shall be determined under (1) the method, if any, that uniformly applies for accrual purposes under all plans maintained by the Employer, or (2) if there is no such method, as if such benefit accrued not more rapidly than the slowest accrual rate permitted under the fractional accrual rate of Code Section 411(b)(1)(C). Rollover Contributions or transfers initiated by the Employee and made from another qualified plan within the meaning of Code Section 401(a) maintained by an employer (other than the Employer or an Affiliated Company), shall not be taken into account with respect to this Plan for purposes of determining whether this Plan is top-heavy (or whether any aggregation group which includes this Plan is top-heavy).

- (c) The minimum annual contribution for a Non-Key Employee shall be equal to the lesser of:

- (1) 3% of his compensation (within the meaning of Code Section 415); or
- (2) the percentage at which contributions are made (or required to be made) under the Plan, including Elective Deferral Contributions, for the plan year for the Key Employee for whom such percentage is the highest.

Each Participant who is a Non-Key Employee and who is also a Participant in a defined benefit plan maintained by the Employer shall receive a minimum benefit accrual under the defined benefit plan to the extent provided therein, and, to the extent that the minimum benefits provided thereunder are not sufficient to satisfy the requirements of Code Section 416, shall receive a minimum contribution under this Plan. The minimum contribution under this Plan shall in no event be greater than that which is necessary, when combined with the benefits provided to the Participant under the defined benefit plan (including the minimum benefit provisions therein), to satisfy the requirements of Code Section 416.

- (d) If the Plan is top-heavy for any Plan Year, a Participant's Account shall continue to be vested in accordance with the vesting schedule provided in Section 8.01 of the Plan.

13.02 Modification of Top-Heavy Rules. Notwithstanding anything contained in this Plan to the contrary, for purposes of determining whether the plan is a top-heavy plan under Code Section 416(g), and whether the plan satisfies the minimum benefits requirements of Code Section 416(c) for such years the following shall apply:

(a) **Determination of top-heavy status.**

- (1) **Key employee.** Key employee means any employee or former employee (including any deceased employee) who at any time during the Plan Year that includes the determination date was an officer of the employer having annual compensation greater than \$165,000 (for Plan Years beginning after December 31, 2011, as adjusted under Code Section 416(i)(1)), a 5-percent owner of the employer, or a 1-percent owner of the employer having annual compensation of more than \$150,000. For this purpose, annual compensation means compensation within the meaning of Code Section 415(c)(3). The determination of who is a key employee will be made in accordance with Code Section 416(i)(1) and the applicable regulations and other guidance of general applicability issued thereunder.
- (2) **Distributions during year ending on the determination date.** The present values of accrued benefits and the amounts of account balances of an employee as of the determination date shall be increased by the distributions made with respect to the employee under the plan and any plan aggregated with the plan under Code Section 416(g)(2) during the 1-year period ending on the determination date. The preceding

sentence shall also apply to distributions under a terminated plan which, had it not been terminated, would have been aggregated with the plan under Code Section 416(g)(2)(A)(i). In the case of a distribution made for a reason other than severance from employment, death, or disability, this provision shall be applied by substituting “5-year period” for “1-year period.”

- (3) **Employees not performing services during year ending on the determination date.** The accrued benefits and accounts of any individual who has not performed services for the employer during the 1-year period ending on the determination date shall not be taken into account.
- (b) **Minimum benefits.** Employer Matching Contributions shall be taken into account for purposes of satisfying the minimum contribution requirements of Code Section 416(c)(2) and the Plan. Employer Matching Contributions that are used to satisfy the minimum contribution requirements shall be treated as matching contributions for purposes of the Actual Contribution Percentage test and other requirements of Code Section 401(m).

ARTICLE 14

PLAN ADMINISTRATION

14.01 Committee. The day-to-day operations of the Plan are administered by one or more persons appointed by the Board of Directors, who are referred to in this Plan as the “Committee”. The Board may remove any member of the Committee at any time with or without cause. The Board will fill vacancies in the Committee as soon as is reasonably possible after the vacancy occurs. Until a new appointment is made, the remaining member or members of the Committee have full authority to act. The Board is responsible for transmitting to the Trustee the names and authorized signatures of the members of the Committee and, as changes take place in membership, the names and signatures of new members. Any member of the Committee may resign by delivering his written resignation to the Board, the Trustee and the Committee. Any such resignation becomes effective upon its receipt by the Board or on such other date as is agreed to by the Board and the resigning member. The Committee acts by a majority of its members at the time in office, and such action may be taken either by vote at a meeting or by consent in writing without a meeting. The Committee may adopt such rules and appoint such subcommittees as it deems desirable for the conduct of its affairs and the administration of the Plan.

14.02 Powers of the Committee. In carrying out its duties with respect to the general administration of the Plan, the Committee has, in addition to any other powers conferred by the Plan or by law, the following powers:

- (a) to determine all questions relating to eligibility to participate in the Plan;
- (b) to compute and certify to the Trustee the amount and kind of distributions payable to Participants and their Beneficiaries;

- (c) to maintain all records necessary for the administration of the Plan except for those maintained by the Company or Trustee;
- (d) to interpret the provisions of the Plan and to make and publish such rules for the administration of the Plan not inconsistent with the terms thereof;
- (e) to establish and modify the method of accounting for the Plan or the Trust;
- (f) to employ counsel, accountants and other consultants to aid in exercising its powers and carrying out its duties hereunder;
- (g) to appoint, at the direction of the Company, an Investment Manager (as defined in ERISA Section 3(38)), who shall have responsibility for investment of the Trust Fund; and
- (h) to perform any other acts necessary and proper for the administration of the Plan, except such acts that are to be performed by the Company or the Trustee.

14.03 Indemnification of Members of the Committee. The Company agrees to indemnify and hold harmless each member of the Committee against any and all expenses and liabilities arising out of his action or failure to act in such capacity, excepting only expenses and liabilities arising out of his own willful misconduct or gross negligence. This right of indemnification is in addition to any other rights to which any member of the Committee may be entitled.

14.04 Liabilities for which Members of the Committee are Indemnified. Liabilities and expenses against which a member of the Committee is indemnified hereunder include, without limitation, the amount of any settlement or judgment, costs, counsel fees and related charges reasonably incurred in connection with a claim asserted or a proceeding brought against him or her or the settlement thereof.

14.05 Company's Right to Settle Claims. The Company may, at its own expense, settle any claim asserted or proceeding brought against any member of the Committee when such settlement appears to be in the best interests of the Company.

14.06 Fiduciary Liability Insurance. If the Company obtains fiduciary liability insurance to protect the Committee, the provisions of this Section 14.06 will apply only to the extent that such insurance coverage is not sufficient.

14.07 Designation of Members of the Committee as Named Fiduciaries. The members of the Committee are hereby designated as "named fiduciaries", within the meaning of Section 402(a) of ERISA, with respect to the operation and administration of the Plan and are, except to the extent provided by Section 14.08, jointly responsible for administering the Plan in accordance with its terms.

14.08 Procedures for Allocating or Delegating Fiduciary Responsibilities. The Committee may establish procedures for (a) the allocation of fiduciary responsibilities (other than "trustee responsibilities" as defined in Section 405(c) of ERISA) under the Plan among its members, and (b) the designation of persons other than named fiduciaries to carry out fiduciary responsibilities (other than trustee responsibilities) under the Plan.

If any fiduciary responsibility is allocated or delegated to any person, no named fiduciary is liable for any act or omission of such person, except as provided in Section 405(c) of ERISA.

The Company shall be empowered to appoint and remove the Trustee and Committee from time to time as it deems necessary for the proper administration of the Plan to assure that the Plan is being operated for the exclusive benefit of the Participants and their Beneficiaries in accordance with the terms of the Plan, the Code, and the Act.

14.09 Filing of Claim. If a dispute arises between the Committee and a Participant or Beneficiary over the amount of benefits payable under the Plan, the Participant or Beneficiary may file a claim for benefits by notifying the Committee in writing of his claim. Such notification may be in any form adequate to give reasonable notice to the Committee, must set forth the basis of the claim and must authorize the Committee to conduct such investigations as may be necessary to determine the validity of the claim and to take such steps as may be necessary to facilitate the payment of any benefits to which the claimant may be entitled under the Plan.

14.10 Time for Initial Decision. The Committee is required to decide whether to grant a claim within 90 days after the date on which the claim is filed, unless special circumstances require a longer period for adjudication and the claimant is notified in writing of the reasons for an extension of time. No extensions, however, are permitted beyond 90 days after the date on which the claimant received notice of the extension of time from the Committee. If the Committee fails to notify the claimant of its decision to grant or deny the claim within the time specified by this Section, the claim will be deemed to have been denied, and the review procedure described in Section 14.12 will become available to the claimant.

14.11 Notice of Denial. Whenever a claim for benefits is denied, written notice prepared in a manner calculated to be understood by the claimant, will be provided to him, setting forth the specific reasons for the denial and explaining the procedure for reconsideration of the decision made by the Committee. If the denial is based upon submission of information insufficient to support a decision, the Committee will specify the information necessary to perfect the claim and its reasons for requiring such additional information.

14.12 Manner of Reconsideration. Any claimant whose claim is denied may, within 60 days after his receipt of written notice of denial, request in writing a reconsideration of its decision by the Committee. The claimant or his representative may examine any Plan documents relevant to his claim and may submit issues and comments in writing.

14.13 Time for Reconsideration. The Committee is required to review and reconsider its decision within 60 days after its receipt of the claimant's written request, unless special circumstances require a longer period for adjudication and the claimant is notified in writing of the reasons for an extension of time. A decision must, however, be made no later than 120 days after the Committee's receipt of the claimant's written request. If the Committee fails to notify the claimant of its decision within the time specified by this Section, the claim will be deemed to have been denied on reconsideration.

14.14 Notice of Adverse Decision on Reconsideration. The Committee's decision to deny a claimant's request for reconsideration must be in writing, must state specifically the reasons for the decision, must be written in a manner calculated to be understood by the claimant and must make specific reference to the pertinent Plan provisions upon which it is based.

14.15 Expenses of the Committee. The members of the Committee serve without compensation for services as such. All expenses of the Committee are paid out of the Trust Fund, unless paid by the Employers. Expenses payable from the Trust include any expenses incidental to the functioning of the Committee, including, but not limited to, fees of legal counsel, accountants and other specialists.

14.16 Conduct of Committee Business. The Committee may select one of its members as secretary to keep minutes of its proceedings and to have custody of all data, records and documents pertaining to the administration of the Plan. The Committee may authorize one or more of its members to execute any document or documents on behalf of the Committee, in which event the Committee must notify the Trustee in writing of such action and the name or names of those designated. The Trustee thereafter may accept and rely conclusively upon any direction or document executed by such member or members as representing action by the Committee until such time as the Committee files with the Trustee a written revocation of the designation.

14.17 Agent for Service of Process. The Committee is hereby designated as the agent for service of process in any action brought against the Plan or Trust.

ARTICLE 15

AMENDMENT AND TERMINATION

15.01 Right to Amend. The Company intends for the Plan to be permanent so long as the Company exists; however, it reserves (through action of either the Committee or the Board) the right to modify, alter, or amend this Plan or the Trust Agreement, from time to time, to any extent that it may deem advisable, including, but not limited to any amendment deemed necessary to insure the continued qualification of the Plan under Code Sections 401(a) and 401(k) or to insure compliance with ERISA; provided, however, that the Company shall not have the authority to amend this Agreement in any manner which will:

- (a) Permit any part of the Trust Fund (other than such part as is required to pay taxes and administrative expenses) to be used for or diverted to purposes other than for the exclusive benefit of the Participant or their Beneficiaries;
- (b) Cause or permit any portion of the Trust Fund to revert to or become the property of the Employer;
- (c) Change the duties, liabilities, or responsibilities of the Trustee without its prior written consent.

15.02 Termination and Discontinuance of Contributions. The Company (through action of either the Committee or the Board) shall have the right at any time and for any reason to terminate this Plan (hereinafter referred to as "Plan Termination"). Upon Plan Termination, the Committee shall direct the Trustee with reference to the disposition of the Trust Fund, after payment of any expenses properly chargeable against the Trust Fund. The Trustee shall distribute all amounts held in Trust to the Participants and others entitled to distributions based on each Participant's Account balance in the Plan. In the event that this Plan is partially terminated, then the provisions of this Section 15.02 shall apply, but solely with respect to the Employees' Participating Employer and shall not affect the sponsorship of the Plan by the Company or any other Participating Employer.

In the event the Plan is terminated, partially terminated or Employer Contributions discontinued, the Employer Account of affected Participants shall become fully (100%) vested. Any distribution after termination of the Plan may be made at any time, and from time to time, in whole or in part to the extent that no discrimination in value results, in cash, in securities or other assets in kind, as the Committee in its discretion may determine, or, if there shall be no Committee, as the Company in its discretion may determine. In making such distribution any and all determinations, divisions, appraisals, apportionments and allotments so made shall be final and conclusive.

If the Employer maintains an alternative defined contribution plan (described in Treasury Regulation Section 1.401(k)-1(d)(4)(i)), the Employer shall be prevented from distributing elective deferrals (and other amounts, such as QNECs, that are subject to the distribution restrictions that apply to elective deferrals) from a terminating 401(k) plan. An alternative defined contribution plan does not include an employee stock ownership plan defined in Code Sections 4975(e)(7) or 409(a), a simplified employee pension as defined in Code Section 408(k), a SIMPLE IRA plan as defined in Code Section 408(p), a plan or contract that satisfies the requirements of Code Section 403(b), or a plan that is described in Code Sections 457(b) or (f).

15.03 Supplements. In adopting the Plan or at any time thereafter, an Employer may adopt a Supplement that modifies or adds to the Plan. Any Supplement shall be effective only if approved by the Board. Upon its effective date, any Supplement shall be deemed incorporated by reference into the Plan as adopted by such Employer.

15.04 Merger of the Plan. In the event of any merger or consolidation of the Plan with or transfer in whole or in part of the assets and liabilities of the Trust or another trust fund held hereunder to any other plan of deferred compensation maintained or to be established for the benefit of some or all of the Participants of this Plan, the assets of the Trust applicable to such Participants shall be transferred to the other trust fund only if:

- (a) Each Participant would (if either this Plan or the other plan then terminated) receive a benefit immediately after the merger, consolidation or transfer which is equal to or greater than the benefit, which he would have been entitled to receive immediately before the merger, consolidation or transfer (if this Plan had been terminated);
- (b) Resolutions of the Boards of Directors of all Employers under this Plan and of any new or successor employer of the affected Participants shall authorize such transfer of assets; and
- (c) Such other plan is qualified under Code Section 401(a) and the related trust is exempt from tax under Code Section 501(a).

15.05 Transfers to Nonqualified Foreign Trusts. Notwithstanding anything contained in the Plan, a transfer from this Plan to a nonqualified foreign trust is treated as a distribution. In the case of a transfer to an ERISA Section 1022(i)(1) plan, the transfer is not treated as a distribution from the transferor plan and the transfer will not be treated as causing the transferor plan to fail to satisfy the requirements of Code Section 401(a).

ARTICLE 16
PARTICIPATING EMPLOYERS

16.01 Participation by Participating Employers. A Participating Employer may adopt this Plan by a properly executed document evidencing such adoption, with the consent of the Board. Each Participating Employer delegates all fiduciary and administrative responsibilities (including the appointment and removal of fiduciaries) allocated under the Plan to the Company, the Committee and other fiduciaries of the Plan. Provided, however, that this delegation of fiduciary and administrative responsibilities may be altered by agreement between the Company and a Participating Employer.

All Participating Employers shall be listed in Appendix A to the Plan.

16.02 Withdrawal of Participating Employers. Any Participating Employer (including a present or past Employer) may discontinue or revoke its participation in the Plan at any time without affecting the other Employees in the Plan by delivering to the Committee a copy of resolutions to such effect. The Committee may, in its absolute discretion, terminate the participation in the Plan of any Participating Employer (including a present or past Affiliated Employer) at any time such Employer fails to discharge its obligations under the Plan.

After any discontinuance of participation, the Trustee shall transfer, deliver and assign contracts and any other Trust Fund assets allocable to the Participants of such Participating Employer to such new Trustee as shall have been designated by such Participating Employer, in the event that it has established a separate qualified plan for its Employees; provided, however, that no such transfer shall be made if the result is the elimination or reduction of any benefits protected under Code Section 411(d)(6). If no successor trustee is designated, the Trustee shall retain such assets for the Employees of said Participating Employer pursuant to the provisions of the Trust. In no event shall any part of the corpus or income of the Trust Fund as it relates to such Participating Employer be used for or diverted to purposes other than for the exclusive benefit of the Employees of such Participating Employer.

16.03 Requirements of Participating Employers. Each Participating Employer shall be required to use the Trustee as provided in this Plan. The Trustee may, but is not required to, commingle, hold and invest as one Trust Fund all contributions made by Participating Employers, as well as all increments thereof. However, the assets of the Plan shall, on an ongoing basis, be available to pay benefits to all Participants and Beneficiaries under the Plan without regard to the Employer who contributed such assets.

16.04 Transfers Between Participating Employers. If a Participant is transferred to or from a Participating Employer, this transfer shall not affect the Participant's rights under the Plan, and all amounts credited to such Participant's Accounts, as well as his accumulated service for eligibility and vesting, shall continue to his credit. An Employee transferred between Participating Employers shall be credited with all accumulated service for eligibility and vesting. No such transfer shall be considered a termination of employment hereunder, and the Participating Employer to which the Employee is transferred shall be obligated to the Employee under the Plan in the same manner as was the Participating Employer from whom the Employee was transferred.

16.05 Participating Employer Contributions. All contributions made by a Participating Employer, as provided for in this Plan, shall be determined separately by each Participating Employer, and shall be allocated only among the Participants eligible to a share of the contributions of the Employer or Participating Employer making the contribution. On the basis of the information furnished by each Participating Employer, the Committee shall keep separate books and records concerning the affairs of each Participating Employer hereunder and as to the accounts and credits of the Employees of each Participating Employer.

ARTICLE 17

MISCELLANEOUS

17.01 Laws of Florida to Apply. Except to the extent superseded by ERISA, all questions pertaining to the validity, construction, and operation of the Plan shall be determined in accordance with the laws of the State of Florida.

17.02 Protected Benefits. Early retirement benefits, retirement-type subsidies, or optional forms of benefits protected under Code Section 411(d)(6) ("Protected Benefits") shall not be reduced or eliminated with respect to benefits accrued under such Protected Benefits unless such reduction or elimination is permitted under the Code, authority issued by the Internal Revenue Service, or judicial authority.

17.03 Credit for Qualified Military Service; Treatment of Differential Wage Payments. Notwithstanding any provision of this Plan to the contrary, effective as required by USERRA (i.e., December 12, 1994), contributions, benefits and service credit with respect to qualified military service will be provided in accordance with Code Section 414(u). In addition, effective as required by the HEART Act (i.e., January 1, 2009), the differential wage payment rules contained in Code Section 414(u)(12) shall apply with respect to individuals performing services in the uniformed services described in Code Section 3401(h)(2)(A).

17.04 Exclusive Benefit Rule. All contributions made by the Employer to the Trust Fund will be used for the exclusive benefit of the Participants and their Beneficiaries and will not be used for nor diverted to any other purpose except the payment of the costs of maintaining the Plan. The sponsorship of the Plan shall not be transferred from an Employer to an unrelated taxpayer unless the transfer of the sponsorship of the Plan is in connection with a transfer of business assets, operations, or employees from the Employer to the unrelated taxpayer.

17.05 No Rights under the Plan except as Set Forth Herein. Nothing in this Plan, express or implied, is intended to confer upon or give to any person, firm, association, or corporation, other than the parties hereto and their successors in interest, any right, remedy, or claim under or by reason of this Plan or any covenant, condition, or stipulation hereof, and all covenants, conditions and stipulations in this Plan, by or on behalf of any party, are for the sole and exclusive benefit of the parties hereto.

17.06 Undefined Terms. Unless the context clearly requires another meaning, any term not specifically defined in this Plan is used in the sense given to it by ERISA and the Code.

17.07 Number and Gender. When appropriate the singular as used in this Plan shall include the plural and vice versa; and the masculine shall include the feminine.

IN WITNESS WHEREOF, HEICO Corporation has caused this instrument, approved as of the 17th day of December, 2012, to be executed by its duly authorized officer.

HEICO CORPORATION

By: /s/ CARLOS L. MACAU, JR.
Title: Executive Vice President -
Chief Financial Officer and
Treasurer

APPENDIX A

PARTICIPATING EMPLOYERS IN THE

HEICO SAVINGS AND INVESTMENT PLAN

<u>Participating Employer</u>	<u>EIN</u>	<u>Effective Date</u>
HEICO Corporation	65-0341002	January 1, 1985
Jet Avion Corporation	59-2699611	July 1, 1985
LPI Industries Corporation	65-0054782	April 1, 1989
HEICO Aerospace Corporation	59-0791770	April 27, 1993
Aircraft Technology, Inc.	65-0233725	October 1, 1998
Radiant Power Corp.	65-0892651	February 1, 1999
McClain International, Inc.	58-0876596	October 1, 1998
Rogers-Dierks, Inc.	58-2428936	October 1, 1999
Turbine Kinetics, Inc.	65-0845883	October 1, 1999
Thermal Structures, Inc.	95-3575611	August 1, 1999
Santa Barbara Infrared, Inc.	77-0111325	January 1, 2000
Northwings Accessories Corp.	65-0312802	January 1, 2000
Leader Tech, Inc.	04-2667972	April 1, 2000
Future Aviation, Inc.	65-1011336	April 1, 2001
Analog Modules, Inc.	59-2074349	May 1, 2001
Jetseal, Inc.	91-1433851	January 1, 2002
Inertial Airline Services, Inc.	34-1823836	January 1, 2002
HEICO Aerospace Parts Corp.	65-1146790	July 1, 2002
Aviation Facilities, Inc.	03-0377215	July 1, 2002
Aero Design, Inc.	62-1858631	January 1, 2003
Niacc-Avitech Technologies, Inc.	51-0453669	July 1, 2003
Sierra Microwave Technology, LLC	37-1480034	January 1, 2004
Connectronics Corp.	20-1971140	December 1, 2004
Lumina Power, Inc.	20-2350926	May 1, 2005
Engineering Design Team, Inc.	93-0964386	January 1, 2006
Arger Enterprises, Inc.	95-3296745	January 1, 2007
Prime Air, LLC	20-5545289	January 1, 2007
DEC Technologies, Inc.	26-0348155	January 1, 2008
Meridian Industrial, Inc.	26-0837681	January 1, 2008
Sunshine Avionics LLC	26-1913893	July 1, 2008
HEICO Parts Group, Inc.	26-3082967	January 1, 2009
VPT, Inc.	54-1684156	June 1, 2009
dB Control Corp.	27-1784894	July 1, 2010
3D Plus U.S.A., Inc.	74-2947071	January 1, 2012
Switchcraft, Inc.	36-2051512	January 1, 2012
Conxall Corporation	36-2944789	January 1, 2012
Ramona Research, Inc.	45-4786673	July 1, 2012
CSI Aerospace, Inc.	45-5531151	October 1, 2012

As of December 17, 2012

APPENDIX B

PRIOR EMPLOYER ACCOUNTS

The term “Prior Employer Account” shall mean the Accounts established to hold assets attributable to the following plans merged with or had assets transferred to this Plan:

- (1) Air Radio & Instrument Corp. Profit Sharing Plan as in existence prior to its merger with and into this Plan as of June 30, 2000.
- (2) California Manufacturing Enterprises and Affiliates 401(k) Profit Sharing Plan as in existence prior to the transfer of assets into this Plan as of March 15, 2000.
- (3) Santa Barbara Infrared, Inc. 401(k) Profit Sharing Plan as in existence prior to its merger with and into this Plan as of December 31, 2001.

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

I, Laurans A. Mendelson, certify that:

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

Date: February 22, 2013

/s/ LAURANS A. MENDELSON

Laurans A. Mendelson
Chief Executive Officer (Principal
Executive Officer)

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

I, Carlos L. Macau, Jr., certify that:

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

Date: February 22, 2013

/s/ CARLOS L. MACAU, JR.
Carlos L. Macau, Jr.
Chief Financial Officer
(Principal Financial Officer)

SECTION 1350 CERTIFICATION

In connection with the Quarterly Report of HEICO Corporation (the “Company”) on Form 10-Q for the period ended January 31, 2013 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Laurans A. Mendelson, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 22, 2013

/s/ LAURANS A. MENDELSON

Laurans A. Mendelson
Chief Executive Officer
(Principal Executive Officer)

SECTION 1350 CERTIFICATION

In connection with the Quarterly Report of HEICO Corporation (the “Company”) on Form 10-Q for the period ended January 31, 2013 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Carlos L. Macau, Jr., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 22, 2013

/s/ CARLOS L. MACAU, JR.

Carlos L. Macau, Jr.
Chief Financial Officer
(Principal Financial Officer)