NEWS RELEASE

IDEAS REALIZED.
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For Immediate Release

HEI, Inc. Announces the 2010 Year End Results

MINNEAPOLIS, March 25, 2011 - HEI, Inc. (Pink Sheets: HEII; http://www.heii.com) today announced its financial results for its fiscal year 2010, which ended January 1, 2011.

Sales for the year ended January 1, 2011 were $36,420,000, compared to $31,530,000 for the year ended January 2, 2010. The Company generated a net loss of ($369,000) for 2010 compared to a net loss of ($1,558,000) for 2009. Basic and diluted earnings per share were a loss of ($0.04) per share for 2010 compared to a loss of ($0.16) per share for 2009.

ñWe achieved a 16% sales increase for 2010 with approximately 25% of our revenues coming from new customers and new programs that we added during the year. The new customers and programs are an expansion of our military, industrial and telecommunications manufacturing, while medical continues to be a strong market for us as well. We are not satisfied with having generated a net loss for the year, but we are pleased with much of the progress that we have made with adding new customers. Expanding sales to existing and new customers continues to be our primary objective, backed by capacity expansion and operational improvements, all of which will be supported by our expected return to profitability in 2011,ò commented HEI CEO, Mark B. Thomas.

HEI presently plans to have its Fiscal Year 2010 Annual Report posted on its website by March 28, 2011. Please visit our website at http://www.heii.com under HEI Corporate - News & Events to download your PDF copy for a complete review of Fiscal Year 2010 comparative results.

HEI, Inc. designs, develops and manufactures ultra-miniature microelectronics, substrates, systems, connectivity and software solutions for customers engaged in the medical, hearing, telecommunications, military, aerospace, and industrial markets. HEI provides its customers with a single point of contact that can take an idea from inception to a fully functional and cost effective product utilizing innovative design solutions and by the application of state-of-the-art materials, processes and manufacturing capabilities.

Corporate Headquarters & HEI ï Victoria (Microelectronics Division)	PO Box 5000, 1495 Steiger Lake Lane, Victoria, MN 55386
HEI ï Boulder (Advanced Medical Division)	4801 North 63rd Street, Boulder, CO 80301
HEI ï Tempe (High Density Interconnect Division)	610 South Rockford Drive, Tempe, AZ 85281

FORWARD LOOKING INFORMATION

Information in this news release, which is not historical, includes forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 that involve substantial risks and uncertainties. You can identify these statements by forward-looking words such as ñmay,ò ñwill,ò ñexpect,ò ñanticipate,ò ñbelieve,ò ñintend,ò ñestimate,ò ñcontinue,ò and similar words. Statements contained in this press release, including the implementation of business strategies, growth of specific markets, improved results and estimated HEI revenue, cash flow and profits, are forward looking statements. All such forward-looking statements involve risks and uncertainties including, without limitation, adverse business and market conditions, the ability of HEI to secure and satisfy customers, the availability and cost of materials from HEIôs suppliers, HEIôs ability to satisfy financial or other obligations or covenants set forth in its financing agreements, adverse competitive developments, change in or cancellation of customer requirements, collection of receivables and outstanding debt, HEIôs ability to

control fixed and variable operating expenses, and other risks detailed in previous HEI SEC filings. Since HEI is no longer reporting to the SEC, readers are cautioned to weigh the potential for additional risk factors based on ongoing business activities and the current economic conditions. The information set forth herein should be read in light of such risks. We undertake no obligation to update these statements to reflect ensuing events or circumstances, or subsequent actual results.

HEI, INC.
BALANCE SHEETS

	January 1, 2011	January 2, 2010
	(In thousands, except share and per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ -	$ -
Accounts receivable, net of allowance for doubtful accounts	5,071	3,566
Inventories, net	4,359	2,952
Deferred income taxes	425	362
Other current assets	227	455
Total current assets	10,082	7,335
Property and equipment:		
Land	216	216
Building and improvements	4,337	4,337
Fixtures and equipment	25,334	24,140
Accumulated depreciation	(24,290)	(23,025)
Net property and equipment	5,597	5,668
Security deposit	230	230
Other long-term assets	336	388
Total assets	$ 16,245	$ 13,621
LIABILITIES AND SHAREHOLDERSô EQUITY		
Current liabilities:		
Checks issued in excess of cash in bank	$ 524	$ 395
Current maturities of long-term debt	684	551
Accounts payable	2,737	1,750
Customer deposit liabilities	297	228
Accrued liabilities	718	945
Total current liabilities	4,960	3,869
Deferred income taxes	425	362
Other long-term liabilities, less current maturities	1,953	1,934
Long-term debt, less current maturities	5,907	4,240
Total other long-term liabilities, less current maturities	8,285	6,536
Total liabilities	13,245	10,405
Commitments and contingencies		
Shareholdersô equity:		
Undesignated stock; 5,000,000 shares authorized; none issued	-	-
Convertible preferred stock, $.05 par; 167,000 shares authorized; 32,000 shares issued and outstanding; liquidation preference at $26 per share (total liquidation preference $832,000)	2	2
Common stock, $.05 par; 20,000,000 shares authorized; 10,971,000 and 10,183,000 shares issued and 9,871,000 and 9,720,000 outstanding	494	486
Additional paid-in capital	28,241	28,096
Accumulated deficit	(25,737)	(25,368)
Total shareholdersô equity	3,000	3,216
Total liabilities and shareholdersô equity	$ 16,245	$ 13,621

HEI, INC.
STATEMENTS OF OPERATIONS

	Fiscal Periods Ended		
	12 months January 1, 2011	12 months January 2, 2010	16 months January 3, 2009
	(In thousands, except share and per share data)		
Net sales	$ 36,420	$ 31,530	$ 55,751
Cost of sales	31,665	26,734	45,183
Gross profit	4,755	4,796	10,568
Operating expenses:			
Selling, general and administrative	4,393	5,074	7,212
Research, development and engineering	612	805	1,658
Operating income (loss)	(250)	(1,083)	1,698
Interest expense	(286)	(445)	(836)
Other income (expense), net	167	(30)	211
Income (loss) before income taxes	(369)	(1,558)	1,073
Income tax provision	-	-	
Net income (loss)	$ (369)	$ (1,558)	$ 1,073
Income (loss) per common share ð basic and diluted:			
Net income (loss)	$ (0.04)	$ (0.16)	$ 0.11
Weighted average common shares outstanding:			
Basic and diluted	9,766,000	9,699,000	9,575,000

HEI, INC.
STATEMENTS OF CASH FLOWS

	Fiscal Period Ended		
	12 months January 1, 2011	**12 months January 2, 2010**	**16 months January 3, 2009**
	(In thousands, except share and per share data)		
Cash flow from operating activities:			
Net income (loss)	$ (369)	$ (1,558)	$ 1,073
Adjustments to reconcile net income (loss) to cash flow from operating			
Depreciation and amortization	1,817	2,005	2,234
Change in accounts receivable allowance	(77)	53	(29)
(Gain) loss on disposal of property and equipment	(19)	43	(51)
Stock based compensation expense	153	145	196
Changes in operating assets and liabilities:			
Accounts receivable	(1,428)	1,067	(208)
Inventories	(1,407)	522	(214)
Other current assets	219	308	(561)
Accounts payable	987	316	(1,781)
Customer deposit liabilities	69	155	42
Accrued liabilities	(208)	(382)	82
Net cash flow provided by (used in) operating activities	(263)	2,674	783
Cash flow from investing activities:			
Additions to property and equipment	(1,614)	(560)	(3,024)
Proceeds from the sale of assets	-	5	52
Additions to patents	(29)	(38)	(50)
Net cash flow provided by (used in) investing activities	(1,643)	(593)	(3,022)
Cash flow from financing activities:			
Checks written in excess of cash in bank	129	(114)	318
Payment of debt issuance costs	(23)	(51)	-
Repayment of long-term debt	(608)	(1,910)	(1,125)
Proceeds from long-term debt	716	2,029	1,233
Net proceeds (repayments) of long-term debt - revolving line of credit	1,692	(2,042)	1,643
Net cash flow provided by (used in) financing activities	1,906	(2,088)	2,069
Net increase (decrease) in cash and cash equivalents	-	(7)	(170)
Cash and cash equivalents, beginning of year	-	7	177
Cash and cash equivalents, end of year	$ -	$ -	$ 7
Supplemental disclosures of cash flow information:			
Interest paid	$ 309	$ 446	$ 803

Supplemental disclosures of non-cash financing and investing activities:

In Fiscal 2010, 2009 and 2008, the Company issued common stock for vested restricted stock awards of $8, $4 and $4, respectively

During Fiscal 2009, the Company utilized $298 of its security deposits towards the buy-out of select capital leases

During Fiscal 2009, the Company acquired an asset that was under a capital lease for $63 that was financed by the lessor over a 12-month