NEWS RELEASE

IDEAS REALIZED.
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For Immediate Release

HEI, Inc. Announces the Third Quarter 2010 Results

MINNEAPOLIS, November 29, 2010 - HEI, Inc. (Pink Sheets: HEII; http://www.heii.com) today announced its financial results for its third quarter of fiscal year 2010, which ended October 2, 2010.

Sales for the third quarter were $8,465,000, compared to $6,980,000 for the third quarter of 2009. The Company generated a net loss of ($510,000) for the third quarter of 2010 compared to a net loss of ($1,034,000) for the same period of 2009. Sales for the first nine months of 2010 were $27,335,000, compared to $23,692,000 for the first nine months of 2009. The Company generated a year-to-date net loss of ($139,000) for 2010 compared to a net loss of ($934,000) for the first nine months of 2009.

HEI CEO, Mark B. Thomas, remarked: ñWe are pleased with the 21% sales increase for the third quarter and the 15% sales increase on a year to date basis as we continue to rebuild our revenues from the downturn in 2009. The net results are lower than we would like, but we continue to be optimistic about the remainder of fiscal year 2010 and beyond. Our focus throughout the remainder of 2010 and into 2011 is to continue to grow sales, improve gross margins and expand our customer base.ò

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.
CONSOLIDATED BALANCE SHEETS

	October 2, 2010 (Unaudited)	January 2, 2010 (Audited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ -	$ -
Accounts receivable, net	4,964	3,566
Inventories, net	3,925	2,952
Deferred income taxes	362	362
Other current assets	553	455
Total current assets	9,804	7,335
Property and equipment:		
Land	216	216
Building and improvements	4,337	4,337
Fixtures and equipment	24,828	24,140
Accumulated depreciation	(23,858)	(23,025)
Net property and equipment	5,523	5,668
Security deposit	230	230
Other long-term assets	341	388
Total assets	$ 15,898	$ 13,621
LIABILITIES AND SHAREHOLDERSô EQUITY		
Current liabilities:		
Checks issued in excess of cash in bank	$ 589	$ 395
Current maturities of long-term debt	684	551
Accounts payable	2,677	1,750
Customer deposit liabilities	-	228
Accrued liabilities	953	945
Total current liabilities	4,903	3,869
Deferred income taxes	362	362
Other long-term liabilities, less current maturities	2,037	1,934
Long-term debt, less current maturities	5,420	4,240
Total other long-term liabilities, less current maturities	7,819	6,536
Total liabilities	12,722	10,405
Shareholdersô equity:		
Undesignated stock	-	-
Convertible preferred stock, $.05 par	2	2
Common stock, $.05 par	486	486
Paid-in capital	28,196	28,096
Accumulated deficit	(25,508)	(25,368)
Total shareholdersô equity	3,176	3,216
Total liabilities and shareholdersô equity	$ 15,898	$ 13,621

HEI, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share data)
(UNAUDITED)

	Three Months Ended		Nine Months Ended	
	October 2, 2010	October 3, 2009	October 2, 2010	October 3, 2009
Net sales	$ 8,465	$ 6,980	$ 27,335	$ 23,692
Cost of sales	7,713	6,479	23,656	19,812
Gross profit	752	501	3,679	3,880
Operating expenses:				
Selling, general and administrative	1,063	1,246	3,258	3,883
Research, development and engineering	116	193	497	626
Operating income (loss)	(427)	(938)	(76)	(629)
Interest expense	(83)	(98)	(230)	(313)
Other income (expense), net	-	2	167	8
Net income (loss)	$ (510)	$ (1,034)	$ (139)	$ (934)
Net income (loss) per common share	$ (0.05)	$ (0.11)	$ (0.01)	$ (0.10)
Weighted average common shares outstanding	9,747,000	9,720,000	9,731,000	9,692,000