

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

FORM 10-Q

(Mark One)

- Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended July 31, 2009 or
 Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____.

Commission File No. 0-9143

HURCO COMPANIES, INC.
(Exact name of registrant as specified in its charter)

Indiana

(State or other jurisdiction of
incorporation or organization)

35-1150732

(I.R.S. Employer Identification Number)

**One Technology Way
Indianapolis, Indiana**

(Address of principal executive offices)

46268

(Zip code)

Registrant's telephone number, including area code **(317) 293-5309**

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to the 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 small reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

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 of the Registrant's common stock outstanding as of September 1, 2009 was 6,440,851.

HURCO COMPANIES, INC.
July 2009 Form 10-Q Quarterly Report

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PART I - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

HURCO COMPANIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	July 31		July 31	
	2009	2008	2009	2008
	(Unaudited)		(Unaudited)	
Sales and service fees	\$ 19,039	\$ 57,318	\$ 67,835	\$ 176,526
Cost of sales and service	<u>13,788</u>	<u>36,439</u>	<u>48,822</u>	<u>110,459</u>
Gross profit	5,251	20,879	19,013	66,067
Selling, general and administrative expenses	<u>7,200</u>	<u>11,829</u>	<u>22,747</u>	<u>35,881</u>
Operating income (loss)	(1,949)	9,050	(3,734)	30,186
Interest expense	6	25	33	46
Interest income	36	154	185	436
Investment income	3	72	32	363
Other expense (income), net	<u>(133)</u>	<u>471</u>	<u>(1,828)</u>	<u>1,311</u>
Income (loss) before taxes	(1,783)	8,780	(1,722)	29,628
Provision (benefit) for income taxes	<u>(552)</u>	<u>2,954</u>	<u>(564)</u>	<u>10,530</u>
Net income (loss)	<u>\$ (1,231)</u>	<u>\$ 5,826</u>	<u>\$ (1,158)</u>	<u>\$ 19,098</u>
Earnings (loss) per common share				
Basic	<u>\$ (0.19)</u>	<u>\$ 0.91</u>	<u>\$ (0.18)</u>	<u>\$ 2.98</u>
Diluted	<u>\$ (0.19)</u>	<u>\$ 0.90</u>	<u>\$ (0.18)</u>	<u>\$ 2.96</u>
Weighted average common shares outstanding				
Basic	<u>6,434</u>	<u>6,414</u>	<u>6,425</u>	<u>6,414</u>
Diluted	<u>6,434</u>	<u>6,439</u>	<u>6,425</u>	<u>6,445</u>

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

HURCO COMPANIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per-share data)

	July 31	October 31
	2009	2008
	(Unaudited)	(Audited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 26,696	\$ 26,394
Short-term investments	—	6,674
Accounts receivable, net	13,078	31,952
Inventories	65,284	66,368
Deferred income taxes	8,947	5,444
Derivative assets	161	12,463
Other	3,606	2,017
	<u>117,772</u>	<u>151,312</u>
Property and equipment:		
Land	782	782
Building	7,127	7,127
Machinery and equipment	15,845	14,885
Leasehold improvements	1,754	1,765
	<u>25,508</u>	<u>24,559</u>
Less accumulated depreciation and amortization	(12,043)	(10,961)
	<u>13,465</u>	<u>13,598</u>
Non-current assets:		
Software development costs, less accumulated amortization	6,265	5,711
Other assets	7,365	6,823
	<u>\$ 144,867</u>	<u>\$ 177,444</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 7,340	\$ 28,303
Derivative liabilities	3,522	2,692
Accrued expenses	9,727	20,134
	<u>20,589</u>	<u>51,129</u>
Non-current liabilities:		
Deferred income taxes	2,071	2,056
Deferred credits and other obligations	916	782
Total liabilities	<u>23,576</u>	<u>53,967</u>
Shareholders' equity:		
Preferred stock: no par value per share; 1,000,000 shares authorized; no shares issued	—	—
Common stock: no par value; \$.10 stated value per share; 13,250,000 shares authorized, and 6,440,851 and 6,420,851 shares issued and outstanding, respectively	644	642
Additional paid-in capital	51,917	51,690
Retained earnings	70,731	71,889
Accumulated other comprehensive loss	(2,001)	(744)
Total shareholders' equity	<u>121,291</u>	<u>123,477</u>
	<u>\$ 144,867</u>	<u>\$ 177,444</u>

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

HURCO COMPANIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Three Months Ended		Nine Months Ended	
	July 31		July 31	
	2009	2008	2009	2008
	(Unaudited)		(Unaudited)	
Cash flows from operating activities:				
Net income (loss)	\$ (1,231)	\$ 5,826	\$ (1,158)	\$ 19,098
Adjustments to reconcile net income (loss) to Net cash provided by (used for) operating activities:				
Provision for doubtful accounts	329	(22)	845	(163)
Deferred income tax provision	217	(310)	(1,029)	(956)
Equity in (income) loss of affiliates	125	(40)	213	(11)
Foreign currency gain (loss)	(4,366)	104	(5,227)	(3,896)
Unrealized gain (loss) on derivatives	1,232	(800)	5,248	(675)
Depreciation and amortization	846	777	2,451	2,190
Stock-based compensation	72	364	186	478
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	3,442	3,742	19,337	(2,541)
(Increase) decrease in inventories	2,905	(6,143)	6,405	(10,290)
Decrease in accounts payable	(3,672)	(826)	(21,185)	(1,559)
Increase (decrease) in accrued expenses	(1,925)	2,144	(11,231)	(1,826)
Net change in derivative assets and liabilities	(153)	1,051	3,502	999
Other	874	(311)	(2,065)	(275)
Net cash provided by (used for) operating activities	(1,305)	5,556	(3,708)	573
Cash flows from investing activities:				
Proceeds from sale of property and equipment	24	—	245	12
Purchase of property and equipment	(169)	(1,306)	(1,497)	(3,061)
Purchase of investments	—	—	—	(9,100)
Sale of investments	—	1,725	6,674	12,075
Software development costs	(472)	(236)	(1,463)	(395)
Other investments	(7)	(334)	(901)	(73)
Net cash provided by (used for) investing activities	(624)	(151)	3,058	(542)
Cash flows from financing activities:				
Tax benefit from exercise of stock options	—	—	—	36
Proceeds from exercise of common stock options	43	—	43	151
Net cash provided by financing activities	43	—	43	187
Effect of exchange rate changes on cash	732	34	909	1,070
Net increase (decrease) in cash and cash equivalents	(1,154)	5,439	302	1,288
Cash and cash equivalents at beginning of period	27,850	25,609	26,394	29,760
Cash and cash equivalents at end of period	\$ 26,696	\$ 31,048	\$ 26,696	\$ 31,048

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

HURCO COMPANIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the nine months ended July 31, 2009 and 2008

(In thousands, except Shares Issued and Outstanding)	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares Issued & Outstanding	Amount				
Balances, October 31, 2007	6,392,220	\$ 639	\$ 50,971	\$ 49,369	\$ (3,376)	\$ 97,603
Net income	—	—	—	19,098	—	19,098
Translation of foreign currency financial statements	—	—	—	—	2,261	2,261
Unrealized loss on derivative instruments, net of tax	—	—	—	—	(483)	(483)
Unrealized loss on investments, net of tax	—	—	—	—	(202)	(202)
Comprehensive income						20,674
Exercise of common stock options	28,631	3	148	—	—	151
Tax benefit from exercise of stock options	—	—	36	—	—	36
Stock-based compensation	—	—	478	—	—	478
Balances, July 31, 2008 (Unaudited)	6,420,851	\$ 642	\$ 51,633	\$ 68,467	\$ (1,800)	\$ 118,942
Balances, October 31, 2008	6,420,851	\$ 642	\$ 51,690	\$ 71,889	\$ (744)	\$ 123,477
Net loss	—	—	—	(1,158)	—	(1,158)
Translation of foreign currency financial statements	—	—	—	—	2,346	2,346
Unrealized loss on derivative instruments, net of tax	—	—	—	—	(3,805)	(3,805)
Reversal of unrealized loss on investments, net of tax	—	—	—	—	202	202
Comprehensive loss						(2,415)
Exercise of common stock options	20,000	2	41	—	—	43
Stock-based compensation	—	—	186	—	—	186
Balances, July 31, 2009 (Unaudited)	6,440,851	\$ 644	\$ 51,917	\$ 70,731	\$ (2,001)	\$ 121,291

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. GENERAL

The unaudited Condensed Consolidated Financial Statements include the accounts of Hurco Companies, Inc. and its consolidated subsidiaries. As used in this report, and unless the context indicates otherwise, the terms “we”, “us”, “our” and similar language refer to Hurco Companies, Inc. and its consolidated subsidiaries. We design and produce computerized machine tools, interactive computer control systems and software for sale through our distribution network to the worldwide metal cutting market. We also provide software options, computer control upgrades, accessories and replacement parts for our products, as well as customer service and training support.

The condensed financial information as of July 31, 2009 and for the three and nine months ended July 31, 2009 and July 31, 2008 is unaudited; however, in our opinion, the interim data includes all adjustments, consisting only of normal recurring adjustments, necessary to present fairly our consolidated financial position, results of operations, changes in shareholders' equity and cash flows at the end of the interim periods. We suggest that you read these condensed consolidated financial statements in conjunction with the financial statements and the notes thereto included in our Annual Report on Form 10-K for the year ended October 31, 2008.

In May 2009, we adopted FASB Statement No. 165, “Subsequent Events” (“SFAS 165”), which is effective for interim and annual periods ending after June 15, 2009. SFAS 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The statement introduces new terminology but is based on the same principles that previously existed in the auditing standards. SFAS 165 requires disclosure of the date through which we have evaluated subsequent events and whether that date represents the date the financial statements were issued or the date the financial statements were available to be issued. We issued our financial statements by filing with the Securities Exchange Commission on September 4, 2009, for the third quarter ended July 31, 2009 and we have evaluated subsequent events through the time of the filing.

2. SHORT-TERM INVESTMENTS

As of October 31, 2008 we held \$6.7 million face amount of auction rate securities, which represented indirect interest in student loan obligations and municipal bonds. These securities were intended to provide liquidity via an auction process that would reset the applicable interest rate at predetermined intervals, allowing a holder to either roll over the investment or to sell the securities at par value. We classified our auction rate securities as “available for sale” in accordance with the provisions of FASB Statement No. 115, “Accounting for Certain Investments in Debt and Equity Securities”.

During the second quarter of fiscal 2008, we recorded an unrealized loss of \$202,000 on our investment in these securities, net of tax, in Accumulated Other Comprehensive Loss, as we had concluded there was a temporary decline in the estimated fair value of the securities. In the first quarter of fiscal 2009, we sold all of our holdings of auction rate securities at par value and, accordingly, we reversed our previously-recorded unrealized loss on the securities. As a result, no gain or loss was recognized in our statement of operations for the nine months ended July 31, 2009, on the sale of the securities.

3. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

On February 1, 2009, we adopted FASB Statement No. 161, “Disclosures about Derivative Instruments and Hedging Activities” (“SFAS 161”), an amendment of FASB Statement No. 133, “Accounting for Derivative Instruments and Hedging Activities” (“SFAS 133”). The adoption of SFAS 161 did not have a material impact on our consolidated financial position or results of operations, but does require increased disclosure of our derivative and hedging activities, including how derivative and hedging activities affect our consolidated financial statements. These disclosures are provided below.

We are exposed to certain market risks relating to our ongoing business operations, including foreign currency risk, interest rate risk and credit risk. We manage our exposure to these and other market risks through regular operating and financing activities. Currently, the only risk that we manage through the use of derivative instruments is foreign currency risk.

We operate on a global basis and are exposed to the risk that our financial condition, results of operations and cash flows could be adversely affected by changes in foreign currency exchange rates. To reduce the potential effects of foreign exchange rate movements on our net equity investment in one of our foreign subsidiaries, gross profit and net earnings, we enter into derivative financial instruments in the form of foreign exchange forward contracts with a major financial institution. We are primarily exposed to foreign currency exchange rate risk with respect to transactions and net assets denominated in Euros, Pounds Sterling, Canadian Dollars, Singapore Dollars and New Taiwan Dollars.

We account for derivative instruments designated as hedging instruments in accordance with SFAS 133, and report all derivative instruments as assets or liabilities at fair value on our consolidated balance sheet.

Derivatives Designated as Hedging Instruments

We enter into foreign currency forward exchange contracts periodically to hedge certain forecasted inter-company sales and purchases denominated in foreign currencies (the Pound Sterling, Euro and New Taiwan Dollar). The purpose of these instruments is to mitigate the risk that the U.S. Dollar net cash inflows and outflows resulting from sales and purchases denominated in foreign currencies will be adversely affected by changes in exchange rates. These forward contracts have been designated as cash flow hedge instruments, and are recorded in the Condensed Consolidated Balance Sheets at fair value in Derivative Assets and Derivative Liabilities. The effective portion of the gains and losses resulting from the changes in the fair value of these hedge contracts are deferred in Accumulated Other Comprehensive Loss and recognized as an adjustment to Cost of Sales in the period that the corresponding inventory sold that is the subject of the related hedge contract is recognized, thereby providing an offsetting economic impact against the corresponding change in the U.S. Dollar value of the inter-company sale or purchase being hedged. The ineffective portion of gains and losses resulting from the changes in the fair value of these hedge contracts is reported in Other Income (Expense) immediately. We perform quarterly assessments of hedge effectiveness by verifying and documenting the critical terms of the hedge instrument and determining that forecasted transactions have not changed significantly. We also assess on a quarterly basis whether there have been adverse developments regarding the risk of a counterparty default.

For forward contracts outstanding as of July 31, 2009, we have obligations to purchase Euros and Pounds Sterling and sell New Taiwan Dollars at set maturity dates ranging from August 2009 through July 2010. The contract amount at forward rates in U.S. Dollars at July 31, 2009 to purchase Euros and Pounds Sterling was \$16.3 million and \$1.7 million, respectively. The contract amount at forward rates in U.S. Dollars to sell New Taiwan Dollars was \$11.9 million at July 31, 2009. At July 31, 2009, we had approximately \$25,000 of gains, net of tax, related to cash flow hedges deferred in Accumulated Other Comprehensive Loss. Of this amount, \$552,000 represents unrealized losses, net of tax, related to cash flow hedge instruments that remain subject to currency fluctuation risk. These deferred losses will be recorded as an adjustment to Cost of Sales in periods through July 2010, in which the corresponding inventory that is the subject of the related hedge contract is sold, as described above.

We are also exposed to foreign currency exchange risk related to our investment in net assets in foreign countries. To manage this risk, we entered into a forward contract on November 26, 2007 with a notional amount of €3.0 million. We designated this forward contract as a hedge of our net investment in Euro denominated assets. We selected the forward method under the guidance of the Derivatives Implementation Group Statement 133 Issue H8, "Foreign Currency Hedges: Measuring the Amount of Ineffectiveness in a Net Investment Hedge". The forward method requires all changes in the fair value of the forward to be reported as a cumulative translation adjustment in Accumulated Other Comprehensive Loss, net of tax, in the same manner as the underlying hedged net assets. This forward contract matured on November 25, 2008 and we entered into a new forward contract for the same notional amount that is set to mature in November 2009. At July 31, 2009, we had \$355,000 of realized gains and \$245,000 of unrealized losses, net of tax, recorded as cumulative translation adjustments in Accumulated Other Comprehensive Loss related to these forward contracts.

Derivatives Not Designated as Hedging Instruments

We enter into foreign currency forward exchange contracts to protect against the effects of foreign currency fluctuations on receivables and payables denominated in foreign currencies. These derivative instruments are not designated as hedges under SFAS 133 and, as a result, changes in their fair value are reported currently as Other Expense (Income), Net in the Condensed Consolidated Statement of Operations consistent with the transaction gain or loss on the related non-hedged gains and losses.

For forward contracts outstanding as of July 31, 2009, we have obligations to purchase Euros, Pounds Sterling, Canadian Dollars and Singapore Dollars and sell New Taiwan Dollars at set maturity dates ranging from August 2009 through March 2010. The contract amounts at forward rates in U.S. Dollars at July 31, 2009 to purchase Euros, Pounds Sterling, Canadian Dollars and Singapore Dollars totaled \$33.1 million. The contract amount at forward rates in U.S. Dollars to sell New Taiwan Dollars was \$905,000 at July 31, 2009.

Fair Value of Derivative Instruments

We recognize the fair value of derivative instruments as assets and liabilities on a gross basis on our Condensed Consolidated Balance Sheet. As of July 31, 2009 and October 31, 2008, all derivative instruments were recorded at fair value on the balance sheet as follows (in thousands):

Derivatives	2009		2008	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Designated as Hedging Instruments:				
Foreign exchange forward contracts	Derivative assets	\$ 161	Derivative assets	\$ 9,733
Foreign exchange forward contracts	Derivative liabilities	\$ 1,448	Derivative liabilities	\$ 2,568
Not Designated as Hedging Instruments:				
Foreign exchange forward contracts	Derivative assets	\$ —	Derivative assets	\$ 2,730
Foreign exchange forward contracts	Derivative liabilities	\$ 2,074	Derivative liabilities	\$ 124

Effect of Derivative Instruments on the Condensed Consolidated Balance Sheets, Statements of Changes in Shareholders' Equity and Statements of Operations

Derivative instruments had the following effects on our Condensed Consolidated Balance Sheets, Statements of Changes in Shareholders' Equity and Statements of Operations, net of tax during the quarter ended July 31, 2009 and 2008 (in thousands):

Derivatives	Amount of Gain Recognized in Other Comprehensive Income		Location of Gain (Loss) Reclassified from Other Comprehensive Income	Amount of Gain (Loss) Reclassified from Other Comprehensive Income	
	7/31/09	7/31/08		7/31/09	7/31/08
Designated as Hedging Instruments:					
(Effective Portion)					
Foreign exchange forward contracts	\$ 134	\$ 3,126	Cost of sales and service	\$ 687	\$ (978)
(Ineffective Portion)					
Foreign exchange forward contracts	N/A	N/A	Other income (expense)	\$ 225	\$ —

Derivatives	Location of Loss Recognized in Operations	Amount of Loss Recognized in Operations	
		7/31/09	7/31/08
Not Designated as Hedging Instruments:			
Foreign exchange forward contracts	Other income (expense)	\$ (2,485)	\$ (170)

4. STOCK OPTIONS

In March 2008, we adopted the Hurco Companies, Inc. 2008 Equity Incentive Plan (the "2008 Plan"), which allows us to grant awards of stock options, Stock Appreciation Rights settled in stock (SARs), restricted shares, performance shares and performance units. The 2008 Plan replaced the 1997 Stock Option and Incentive Plan (the "1997 Plan") which expired in March 2007. The Compensation Committee of the Board of Directors has authority to determine the officers, directors and key employees who will be granted awards; designate the number of shares subject to each award; determine the terms and conditions upon which awards will be granted; and prescribe the form and terms of award agreements. We have granted stock options under both plans which are currently outstanding. No stock option may be exercised more than ten years after the date of grant or such shorter period as the Compensation Committee may determine at the date of grant. The total number of shares of our common stock that may be issued as awards under the 2008 Plan is 750,000. The market value of a share of our common stock, for purposes of the 2008 Plan, is the closing sale price as reported by the Nasdaq Global Select Market on the date in question or, if not a trading day, on the last preceding trading date.

During the first nine months of fiscal 2009 and 2008, we recorded approximately \$186,000 and \$478,000, respectively, of stock-based compensation expense related to grants under the plans. As of July 31, 2009, there was approximately \$223,000 of total unrecognized stock-based compensation cost that we expect to recognize by the end of fiscal 2014.

During the first nine months of fiscal 2009, options to purchase 20,000 shares were exercised, resulting in cash proceeds of approximately \$43,000 and no additional tax benefit, compared to 28,631 shares exercised in the first nine months of the prior year period resulting in cash proceeds of approximately \$151,000 and an additional tax benefit of approximately \$36,000.

On April 16, 2009, the Compensation Committee granted a total of 21,000 options under the 2008 Plan to three new employees. The fair value of the options was estimated on the date of grant using a Black-Scholes valuation model with assumptions for expected volatility based on the historical volatility of our common stock, the contractual term of the options and a risk-free interest rate based upon the five-year U.S. Treasury yield as of the date of grant. The options granted to the employees vest over a five-year period beginning one year from the date of grant. Based upon the foregoing factors, the grant date fair value of the options was determined to be \$8.62 per share.

A summary of stock option activity for the nine-month period ended July 31, 2009, is as follows:

	<u>Stock Options</u>	<u>Weighted Average Exercise Price</u>
Outstanding at October 31, 2008	64,369	\$ 20.29
Options granted	21,000	14.88
Options exercised	20,000	2.15
Options cancelled	—	—
Outstanding at July 31, 2009	<u>65,369</u>	<u>\$ 24.11</u>

The aggregate intrinsic value of exercised stock options was \$347,000 for the nine-month period ended July 31, 2009, and \$685,000 for the nine-month period ended July 31, 2008. The intrinsic value of a stock option is calculated as the difference between the stock price as of July 31 and the exercise price of the option.

Summarized information about outstanding stock options as of July 31, 2009, that are already vested and those that are expected to vest, as well as stock options that are currently exercisable, is as follows:

	<u>Options Already Vested and Expected to Vest</u>	<u>Options Currently Exercisable</u>
Number of outstanding options	65,369	34,369
Weighted average remaining contractual life (years)	7.66	6.46
Weighted average exercise price per share	\$ 24.11	\$ 28.99
Intrinsic value	\$ 106,000	\$ 9,000

5. EARNINGS PER SHARE

Basic and diluted earnings per common share are based on the weighted average number of shares of our common stock outstanding. Diluted earnings per common share give effect to shares underlying outstanding stock options using the treasury method. The dilutive number of shares for the nine months ended July 31, 2009 and 2008 was 0 and 31,000, respectively.

6. ACCOUNTS RECEIVABLE

Accounts receivable are net of allowances for doubtful accounts of \$625,000 as of July 31, 2009 and \$678,000 as of October 31, 2008.

7. INVENTORIES

Inventories, priced at the lower of cost (first-in, first-out method) or market, are summarized below (in thousands):

	July 31, 2009	October 31, 2008
Purchased parts and sub-assemblies	\$ 14,171	\$ 13,098
Work-in-process	3,914	11,243
Finished goods	47,199	42,027
	<u>\$ 65,284</u>	<u>\$ 66,368</u>

8. SEGMENT INFORMATION

We operate in a single segment: industrial automation systems. We design and produce interactive computer control systems and software and computerized machine tools for sale through our own distribution network to the worldwide metal-working market. We also provide software options, control upgrades, accessories and replacement parts for our products, as well as customer service and training support.

9. GUARANTEES AND WARRANTIES

From time to time, our subsidiaries guarantee third party payment obligations in connection with the sale of certain machines to customers that use lease financing. As of July 31, 2009, we had 56 outstanding third party guarantees totaling approximately \$2.5 million. The terms of our subsidiaries' guarantees are consistent with the underlying customer financing terms. Upon shipment, the customer has the risk of ownership, but does not obtain title until the machine lease is paid in full. A retention of title clause allows us to recover the machine if the customer defaults on the lease. We accrue for potential liabilities under these guarantees when we believe a loss is probable and can be estimated. The accrual recorded at July 31, 2009 and October 31, 2008 was not material.

We provide warranties on our products with respect to defects in material and workmanship. The terms of these warranties are generally one year for machine labor and service parts. We recognize a liability with respect to this obligation at the time of product sale, with subsequent warranty claims recorded against the liability. The amount of the warranty liability is determined based on historical trend experience and any known warranty issues that could cause future warranty costs to differ from historical experience. The warranty liability may vary due to changes in sales volume, product mix and sales by region. A reconciliation of the changes in our warranty liability is as follows (in thousands):

	Nine months ended	
	July 31, 2009	July 31, 2008
Balance, beginning of period	\$ 2,536	\$ 2,449
Provision for warranties during the period	611	2,447
Charges to the reserve	(1,534)	(2,020)
Impact of foreign currency translation	22	135
Balance, end of period	<u>\$ 1,635</u>	<u>\$ 3,011</u>

10. COMPREHENSIVE INCOME

A reconciliation of our net income to comprehensive income was as follows (in thousands):

	Three months ended	
	July 31, 2009	July 31, 2008
Net income (loss)	\$ (1,231)	\$ 5,826
Translation of foreign currency financial statements	2,190	(23)
Unrealized gain (loss) on derivative instruments, net of tax	(1,700)	212
Comprehensive income (loss)	<u>\$ (741)</u>	<u>\$ 6,015</u>

11. DEBT AGREEMENTS

We are party to an unsecured domestic credit agreement that provides us with a \$30.0 million unsecured revolving credit facility and a separate letter of credit facility in the amount of 100.0 million New Taiwan Dollars. We are also party to a Taiwan revolving credit agreement of 100.0 million New Taiwan Dollars, which is an uncommitted demand credit facility. In the event the Taiwan facility is not available, the Taiwan letter of credit facility from the domestic agreement would enable us to provide credit enhancement to a replacement lender in Taiwan. We also have a £1.0 million revolving credit facility in the United Kingdom.

The domestic and U.K. facilities mature on December 7, 2012.

Borrowings under the domestic facility may be used for general corporate purposes and will bear interest at a LIBOR-based rate or an alternate base rate, in each case, plus an applicable margin determined by reference to the ratio of the interest-bearing debt and obligations and the undrawn face amount of all letters of credit outstanding, on a consolidated basis, to consolidated EBITDA. The domestic facility contains customary affirmative and negative covenants and events of default for an unsecured commercial bank credit facility, including, among other things, limitations on consolidations, mergers and sales of assets. The financial covenants are a minimum rolling four quarter consolidated net income covenant and a covenant establishing a maximum ratio of consolidated total indebtedness to total indebtedness and net worth.

As of July 31, 2009 and October 31, 2008, we had no debt or borrowings outstanding under our domestic or European credit facilities and no outstanding letters of credit issued to non-U.S. suppliers for inventory purchase commitments. As of July 31, 2009, we had unutilized credit facilities of \$36.9 million available for either direct borrowings or commercial letters of credit.

12. INCOME TAXES

On November 1, 2007, we adopted the provisions of Financial Accounting Standards Board Interpretation No. 48 "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109," ("FIN 48"). Our balance of unrecognized tax benefits as of July 31, 2009 and October 31, 2008 was approximately \$629,000 and \$613,000, respectively, which included accrued interest.

We recognize accrued interest and penalties related to unrecognized tax benefits as components of our income tax provision. As of July 31, 2009, the gross amount of accumulated interest accrued and reported in other liabilities was approximately \$88,000.

We file U.S. federal and state income tax returns, as well as tax returns in several foreign jurisdictions. The statute of limitations will expire between March 2010 and July 2010 with respect to unrecognized tax benefits related to FIN 48.

13. FAIR VALUE

On November 1, 2008, we adopted the provisions of FASB Statement No. 157 "Fair Value Measurements" ("SFAS 157") as it relates to financial assets and liabilities recorded at fair value on a recurring basis. Financial Accounting Standards Board Staff Position (FSP) No. 157-2 has delayed the effective date of SFAS 157 for nonfinancial assets and liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. We do not expect that the full adoption of SFAS 157 will have a material impact on our consolidated financial statements.

SFAS 157 established a three-tier fair value hierarchy, which categorizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs, such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exist, therefore requiring an entity to develop its own assumptions.

In accordance with SFAS 157, the following table represents the fair value hierarchy for our financial assets and liabilities measured at fair value as of July 31, 2009 (in thousands):

	Level I	Level II	Level III	Total
Assets:				
Derivative Assets	\$ —	\$ 161	\$ —	\$ 161

	Level I	Level II	Level III	Total
Liabilities:				
Derivative Liabilities	\$ —	\$ 3,522	\$ —	\$ 3,522

Included as Level II fair value measurements are derivative assets and liabilities related to hedged and unhedged gains and losses on foreign currency forward exchange contracts entered into with a third party. We estimate the fair value of these derivatives on a recurring basis using foreign currency exchange rates obtained from active markets.

14. EMPLOYEE BENEFITS

We maintain defined contribution plans in which a majority of our employees participate. Our contributions to these plans are discretionary. The purpose of these plans is generally to provide additional financial security during retirement by providing employees with an incentive to save throughout their employment. Our contributions to the plans are based upon employee contributions or compensation. As of April 1, 2009, we suspended our discretionary contributions to the plans for an indefinite period.

EXECUTIVE OVERVIEW

Hurco Companies, Inc. is an industrial technology company operating in a single segment. We design and produce computerized machine tools, featuring our proprietary computer control systems and software, for sale through our own distribution network to the worldwide metal cutting market. We also provide software options, control upgrades, accessories and replacement parts for our products, as well as customer service and training support.

The market for machine tools is international in scope. We have both significant foreign sales and foreign manufacturing operations. During fiscal 2008, more than 75% of our revenues were attributable to customers located abroad. That percentage has since decreased to approximately 68%, due primarily to deterioration of the European and Asian markets for machine tool products as a result of the global recession. We sell our products through more than 100 independent agents and distributors in countries throughout North America, Europe and Asia. We also have our own direct sales and service organizations in Canada, China, France, Germany, Italy, Poland, Spain, Singapore, South Africa, and the United Kingdom. Our machine tools are manufactured in Taiwan to our specifications by our wholly owned subsidiary, Hurco Manufacturing Limited (HML).

Our sales to foreign customers are denominated, and payments by those customers are made, in the prevailing currencies—primarily the Euro and Pound Sterling—in the countries in which those customers are located. Our product costs are incurred and paid primarily in the New Taiwan Dollar and the U.S. Dollar. Changes in currency exchange rates may have a material effect on our operating results and consolidated balance sheets as reported under U.S. Generally Accepted Accounting Principles. For example, when the U.S. Dollar strengthens in value relative to a foreign currency, as has been the case since the beginning of fiscal 2009, sales made, and expenses incurred, in that currency when translated to U.S. Dollars for reporting in our financial statements, are lower than would be the case when the U.S. Dollar is weaker. In our comparison of period-to-period results, we discuss the effect of currency translation on those results.

Our high levels of foreign manufacturing and sales also subject us to cash flow risks due to fluctuating currency exchange rates. We seek to mitigate those risks through the use of various derivative instruments – principally foreign currency forward exchange contracts.

We experienced significant growth in our sales and earnings between the beginning of fiscal 2003 and the end of fiscal 2008. The primary drivers of this growth were the strong worldwide demand for machine tools during that period, the expansion of our product line to include higher-price and higher-margin products, increased customer acceptance of our products and the strength of our selling and manufacturing operations outside the United States.

Since the beginning of fiscal 2009, our operating results have been adversely affected by the ongoing global recession. During periods of adverse economic conditions, manufacturers and suppliers of capital goods, such as our company, are often the first to experience reductions in demand, as their customers defer or eliminate investments in capital equipment. Additionally, during the current recession, customers who might otherwise want to purchase capital goods have found it difficult to obtain financing due to disruptions in the credit markets. During fiscal 2009, these conditions have had the greatest impact on our European sales region, the primary market for our more expensive, higher-margin machines. As a result, we experienced overall declines of 62% in sales and 65% in orders during the first three quarters of fiscal 2009 in comparison to the same period of fiscal 2008, and our European sales region experienced declines of 67% in sales and 70% in orders.

In response to these adverse market conditions, we have implemented various initiatives to reduce expenses, including management and employee pay reductions, workforce reductions, the suspension of corporate 401K matching contributions and restrictions on travel expenditures, while staying committed to our strategic plan of product innovation and penetration of developing markets. Monthly unit production levels for the third and fourth quarters of fiscal 2009 have been reduced by more than 80% from fiscal 2008 levels in an effort to decrease inventories.

We believe that our cash position and lack of outstanding debt provide us with the capability to weather the current global economic recession.

RESULTS OF OPERATIONS

Three Months Ended July 31, 2009 Compared to Three Months Ended July 31, 2008

Sales and Service Fees. Sales and service fees for the third quarter of fiscal 2009 were \$19.0 million, a decrease of \$38.3 million, or 67%, from the third quarter of fiscal 2008. The drop of third quarter revenues was primarily the result of the adverse impact of the global economic recession on demand for machine tools. A stronger U.S. Dollar when translating foreign sales to U.S. Dollars for financial reporting purposes during the 2009 period accounted for approximately \$1.7 million of the decrease.

The following tables set forth net sales (in thousands) by geographic region and product category for the third quarter of 2009 and 2008, respectively:

Net Sales and Service Fees by Geographic Region

	Three months ended July 31,				Change	
	2009		2008		Amount	%
North America	\$ 5,809	30.5%	\$ 10,643	18.6%	\$ (4,834)	(45.4)%
Europe	11,777	61.9%	43,071	75.1%	(31,294)	(72.7)%
Asia Pacific	1,453	7.6%	3,604	6.3%	(2,151)	(59.7)%
Total	\$ 19,039	100.0%	\$ 57,318	100.0%	\$ (38,279)	(66.8)%

The decrease in sales was primarily driven by lower volume, particularly for higher priced VMX machines (which are principally marketed in the European sales region), and continued pricing pressures globally. Unit shipments decreased in the North America, Europe and Asia Pacific sales regions by 51%, 68% and 57%, respectively.

Net Sales and Service Fees by Product Category

	Three months ended July 31,				Change	
	2009		2008		Amount	%
Computerized Machine Tools	\$ 15,552	81.7%	\$ 50,991	89.0%	\$ (35,439)	(69.5)%
Service Fees, Parts and Other	3,487	18.3%	6,327	11.0%	(2,840)	(44.9)%
Total	\$ 19,039	100.0%	\$ 57,318	100.0%	\$ (38,279)	(66.8)%

Unit sales of computerized machine tools during the third quarter of fiscal 2009 decreased by 62% from the corresponding period in fiscal 2008.

Orders. New order bookings in the third quarter of fiscal 2009, were \$17.9 million, a decrease of \$34.5 million, or 66%, compared to the prior year period, while unit orders declined by 63%. Orders in the North America, Europe and Asia Pacific regions decreased \$5.4 million, or 50%, \$27.3 million, or 71%, and \$1.8 million, or 61%, respectively. The impact of currency translation on new orders booked in the third quarter was consistent with the impact on sales.

Gross Profit. Gross margin for the third quarter of fiscal 2009 was 28%, compared to 36% for the 2008 period. The decrease in margin as a percentage of sales was primarily due to lower sales of higher-margin VMX machines in the European sales region, the impact of fixed costs on lower sales volume, and competitive pricing pressures on a global basis.

Operating Expenses. Selling, general and administrative expenses were \$7.2 million, a decrease of \$4.6 million, or 39%, from the corresponding period in 2008, reflecting lower sales commissions, the benefit of cost reduction initiatives, and the favorable effect of a stronger U.S. Dollar in 2009 when translating foreign operating expenses to U.S. Dollars for financial reporting purposes.

Operating Income (Loss). The operating loss for the third quarter of fiscal 2009 was \$1.9 million compared to operating income of \$9.1 million for the prior year period. The reduction in operating income year-over-year was primarily due to the reduction in sales, primarily those for the higher-margin VMX machines in the European sales region, and global competitive pricing pressures.

Other (Income) Expense, net. The increase in other income of \$0.6 million was primarily due to net realized gains on hedge contracts closed before maturity due to forecasted reductions in production and sales, and unrealized gains from foreign currency fluctuations on payables and receivables, net of foreign currency forward exchange contracts. These net gains were partially offset by a loss in our equity investment of an affiliated Taiwan contract manufacturer.

Income Taxes. Our effective tax rate for the third quarter of fiscal 2009 was 31% in comparison to 34% for the same period in fiscal 2008. Our provision for income taxes during the third quarter of fiscal 2009 was approximately \$3.5 million lower than in the same period in fiscal 2008 as a result of the decrease in operating income before income taxes.

Nine months Ended July 31, 2009 Compared to Nine months Ended July 31, 2008

Sales and Service Fees. Sales and service fees for the first nine months of fiscal 2009 were \$67.8 million, a decrease of \$108.7 million, or 62%, over the first nine months of fiscal 2008. The decrease in sales and service fees was primarily the result of the adverse impact of the current global recession on demand for machine tools. A stronger U.S. Dollar when translating foreign sales to U.S. Dollars for financial reporting purposes during the 2009 period accounted for approximately \$7.9 million of the decrease.

The following tables set forth net sales (in thousands) by geographic region and product category for the first nine months of 2009 and 2008, respectively:

Net Sales and Service Fees by Geographic Region

	Nine months ended July 31,				Change	
	2009		2008		Amount	%
North America	\$ 21,618	31.9%	\$ 35,427	20.1%	\$ (13,809)	(39.0)%
Europe	42,879	63.2%	130,776	74.1%	(87,897)	(67.2)%
Asia Pacific	3,338	4.9%	10,323	5.8%	(6,985)	(67.7)%
Total	\$ 67,835	100.0%	\$ 176,526	100.0%	\$ (108,691)	(61.6)%

The decrease in sales was primarily driven by lower volume, particularly for higher priced VMX machines (which are principally marketed in the European sales region), and continued pricing pressures globally.

Net Sales and Service Fees by Product Category

	Nine months ended July 31,				Change	
	2009		2008		Amount	%
Computerized Machine Tools	\$ 56,019	82.6%	\$ 157,977	89.5%	\$ (101,958)	(64.5)%
Service Fees, Parts and Other	11,816	17.4%	18,549	10.5%	(6,733)	(36.3)%
Total	\$ 67,835	100.0%	\$ 176,526	100.0%	\$ (108,691)	(61.6)%

Unit sales of computerized machine tools during the first nine months of fiscal 2009 decreased by 58% from the corresponding period in fiscal 2008.

Orders. New order bookings in the first nine months of fiscal 2009, were \$60.6 million, a decrease of \$111.9 million, or 65%, over the prior year period. Of that decrease, North America, Europe, and Asia Pacific orders decreased \$15.3 million, or 45%, \$89.6 million, or 70%, and \$7.1 million, or 72%, respectively.

Gross Profit. Gross margin for the first nine months of fiscal 2009 was 28%, compared to 37% for the 2008 period. The decrease in margin as a percentage of sales was primarily due to a lower sales of higher-margin VMX machines in the European sales region, the impact of fixed costs on lower sales volume, and global competitive pricing pressures.

Operating Expenses. Selling, general and administrative expenses were \$22.7 million for the first nine months of fiscal 2009, a reduction of \$13.1 million, or 37%, from the 2008 period, reflecting various initiatives to reduce expenses that have included management and employee pay reductions, workforce reductions, the suspension of corporate 401K matching contributions, and restriction of travel and other expenditures. The reduction in expenses also included the favorable effect of a stronger U.S. Dollar in 2009 when translating foreign operating expenses to U.S. Dollars for financial reporting purposes.

Operating Income (Loss). The operating loss for the first nine months of fiscal 2009 was \$3.7 million compared to operating income of \$30.2 million, for the prior year period. The reduction in operating income (loss) year-over-year was primarily due the reduction in sales, primarily those for higher-margin VMX machines in the European sales region, and global competitive pricing pressures.

Other (Income) Expense, net. The increase in other income of \$3.1 million was primarily due to net realized gains on hedge contracts closed before maturity due to forecasted reductions in production and sales, and unrealized gains from foreign currency fluctuations on payables and receivables, net of foreign currency forward exchange contracts. These net gains were partially offset by a loss in our equity investment of an affiliated Taiwan contract manufacturer.

Income Taxes. Our provision for income taxes during the first nine months of fiscal 2009 was \$11.1 million lower than in the same period in fiscal 2008 as a result of the decrease in operating income before income taxes.

LIQUIDITY AND CAPITAL RESOURCES

At July 31, 2009, we had cash of \$26.7 million, compared to cash and short term investments of \$33.1 million at October 31, 2008. Approximately 66% of the \$26.7 million of cash and cash equivalents is denominated in U.S. Dollars. The remaining balances are held outside the U.S. in the local currencies of our various foreign entities and are subject to fluctuations in currency exchange rates.

Working capital, excluding cash and cash equivalents and short-term investments, was \$70.5 million at July 31, 2009, compared to \$67.1 million at October 31, 2008. The \$3.4 million increase in working capital was primarily driven by reduced accounts payable as a result of lower production levels and a reduction in accrued expenses.

We have a number of domestic and international credit facilities, including a \$30.0 million unsecured revolving line of credit. As of July 31, 2009, we had no borrowings outstanding under any of these facilities and were in compliance with all terms and conditions, including financial covenants. One of the financial covenants applicable to the \$30.0 million credit facility requires us to report consolidated net income of not less than \$0 for four consecutive quarters on a rolling basis. If we continue to report losses for the fourth quarter of the current fiscal year, we would not be permitted to borrow under our loan agreement.

We believe our cash resources will permit us to stay committed to our strategic plan of product innovation and targeted penetration of developing markets. In order to minimize losses and sustain cash flow during these current economic conditions we have significantly reduced our production levels, eliminated overtime, reduced our work force, eliminated hiring and salary increases and reduced pay for salaried employees by 5-10%.

Capital expenditures were primarily for purchases of equipment for our manufacturing facilities and software development costs. We funded these expenditures with cash flow from operations.

We have an effective “shelf” registration statement on file with the SEC that allows us to offer and sell a variety of securities, including common stock, preferred stock, warrants, depository shares and debt securities, up to an aggregate amount of \$200.0 million, if and when authorized by the Board of Directors. At present, we have no plans to offer or sell securities.

Although we have not made any significant acquisitions in the recent past and we have no present plans for acquisitions, we continue to receive and review information on businesses and assets, including intellectual property assets, which are available for purchase.

NEW ACCOUNTING PRONOUNCEMENTS

In December 2007, the FASB issued SFAS No. 141(R), “Business Combinations” (“SFAS 141R”), which is a revision of SFAS No. 141 “Business Combinations.” SFAS 141R changes the way in which we will account for business combinations as it introduces new purchase accounting concepts, expands the use of fair value accounting related to business combinations and changes the subsequent period accounting for certain acquired assets and liabilities, and among other things, includes a substantial number of new disclosure requirements. SFAS 141R will be applied prospectively on business combinations with acquisition dates in fiscal years beginning on or after December 15, 2008. SFAS 141R may have a material impact on future acquisitions.

In December 2007, the FASB issued SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB 51” (“SFAS 160”). SFAS 160 changes the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests and classified as a component of equity. SFAS 160 requires retroactive adoption of the presentation and disclosure requirements for existing minority interests. SFAS 160 is effective for fiscal years beginning on or after December 15, 2008 and interim periods within those fiscal years. We do not expect that the adoption of SFAS No. 160 will have a material impact on our consolidated financial statements or results of operations.

In April 2009, the FASB issued FASB Staff Position (FSP) FAS 107-1 and APB 28-1, “Interim Disclosures about Fair Value of Financial Instruments,” which amends SFAS No. 107, “Disclosures about Fair Value of Financial Instruments” and Accounting Principles Board (APB) Opinion No. 28, “Interim Financial Reporting”. The FSP requires the SFAS No. 107 disclosures about the fair value of financial instruments to be presented in interim financial statements in addition to annual financial statements. The FSP is effective for interim reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The adoption of the FSP does not impact on our consolidated financial statements or results of operations.

CRITICAL ACCOUNTING POLICIES

Our accounting policies, which are described in our Annual Report on Form 10-K for the fiscal year ended October 31, 2008, require management to make significant estimates and assumptions using information available at the time the estimates are made. These estimates and assumptions significantly affect various reported amounts of assets, liabilities, revenues, and expenses. If our future experience differs materially from these estimates and assumptions, our results of operations and financial condition would be affected. There were no material changes to our critical accounting policies during the first nine months of fiscal 2009.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

There have been no material changes related to contractual obligations and commitments from the information provided in our Annual Report on Form 10-K for the fiscal year ended October 31, 2008. As of July 31, 2009, our FIN 48 liabilities were \$629,000. The periods in which the FIN 48 liabilities will be paid cannot be reliably estimated and are, therefore, excluded from our contractual obligations. For additional information regarding FIN 48, see Note 12 of Notes to Condensed Consolidated Financial Statements.

OFF BALANCE SHEET ARRANGEMENTS

From time to time, our subsidiaries guarantee third party payment obligations in connection with the sale of certain machines to customers that use financing. As of July 31, 2009, we had 56 outstanding third party guarantees totaling approximately \$2.5 million. The terms of our subsidiaries' guarantees are consistent with the underlying customer financing terms. Upon shipment, the customer has the risk of ownership, but does not obtain title until the machine is paid in full. A retention of title clause allows us to recover the machine if the customer defaults on the lease. We accrue for potential liabilities under these guarantees when we believe a loss is probable and can be estimated. The accrual recorded at July 31, 2009 and October 31, 2008 was not material.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements made in this report constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the statements. These risks, uncertainties and other factors include:

- The impact of the current global economic recession on demand for our products and our customers' access to credit and ability to pay us for the products they purchase;
- The cyclical nature of the machine tool industry;
- The risks of our international operations;
- The limited number of our manufacturing sources;
- The effects of changes in currency exchange rates;
- Our dependence on new product development;
- The need to make technological advances;
- Competition with larger companies that have greater financial resources;
- Changes in the prices of raw materials, especially steel and iron products;
- Possible obsolescence of our technology;
- Acquisitions that could disrupt our operations and affect operating results;
- Impairment of our goodwill or other assets;
- The need to protect our intellectual property assets;
- The impact of the continuing downturn in the U.S. economy;
- The impact of ongoing disruptions in the credit markets on our investment securities; and
- The effect of the loss of key personnel.

We discuss these and other important risks and uncertainties that may affect our future operation in Part I, Item 1A – Risk Factors in our most recent Annual Report on Form 10-K and may update that discussion in Part II, Item 1A – Risk Factors in this report or a Quarterly Report on Form 10-Q we file hereafter.

Readers are cautioned not to place undue reliance on these forward-looking statements. While we believe the assumptions on which the forward-looking statements are based are reasonable, there can be no assurance that these forward-looking statements will prove to be accurate. This cautionary statement is applicable to all forward-looking statements contained in this report.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Interest on borrowings on our bank credit agreements are tied to prevailing U.S. and European interest rates. At July 31, 2009, there were no outstanding borrowings under our bank credit agreements.

Foreign Currency Exchange Risk

In fiscal 2008, we derived more than 75% of our revenues from foreign markets. All of our computerized machine tools and computer control systems, as well as certain proprietary service parts, are sourced by our U.S.-based engineering and manufacturing division and re-invoiced to our foreign sales and service subsidiaries, primarily in their functional currencies.

Our products are sourced from foreign suppliers or built to our specifications by either our wholly owned subsidiary in Taiwan or an affiliated contract manufacturer. Our purchases are predominantly in foreign currencies and in some cases our arrangements with these suppliers include foreign currency risk sharing agreements, which reduce (but do not eliminate) the effects of currency fluctuations on product costs. The predominant portion of the exchange rate risk associated with our product purchases relates to the New Taiwan Dollar.

We enter into foreign currency forward exchange contracts from time to time to hedge the cash flow risk related to forecasted inter-company sales and purchases denominated in, or based on, foreign currencies (primarily the Euro, Pound Sterling, and New Taiwan Dollar). We also enter into foreign currency forward exchange contracts to protect against the effects of foreign currency fluctuations on receivables and payables denominated in foreign currencies. We do not speculate in the financial markets and, therefore, do not enter into these contracts for trading purposes.

Forward contracts for the sale or purchase of foreign currencies as of July 31, 2009, which are designated as cash flow hedges under FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133") were as follows:

Forward Contracts	Notional Amount in Foreign Currency	Weighted Avg. Forward Rate	Contract Amount at Forward Rates in U.S. Dollars		Maturity Dates
			Contract Date	July 31, 2009	
Sale Contracts:					
Euro	11,460,000	1.3616	15,604,300	16,338,052	August 2009 – July 2010
Pound Sterling	1,010,000	1.5451	1,560,527	1,685,358	August 2009 – July 2010
Purchase Contracts:					
New Taiwan Dollar	385,000,000	32.17*	11,966,203	11,932,606	August 2009 – July 2010

*NT Dollars per U.S. Dollar

Forward contracts for the sale or purchase of foreign currencies as of July 31, 2009, which were entered into to protect against the effects of foreign currency fluctuations on receivables and payables and are not designated as hedges under SFAS 133 denominated in foreign currencies, were as follows:

Forward Contracts	Notional Amount in Foreign Currency	Weighted Avg. Forward Rate	Contract Amount at Forward Rates in U.S. Dollars		Maturity Dates
			Contract Date	July 31, 2009	
Sale Contracts:					
Euro	18,814,156	1.3366	25,147,001	26,816,607	August 2009 – February 2010
Pound Sterling	396,826	1.6454	652,937	662,274	August 2009 – September 2009
Canadian Dollar	137,623	.9243	127,205	127,555	August 2009
Singapore Dollar	7,916,763	1.5501	5,107,259	5,500,555	March 2010
Purchase Contracts:					
New Taiwan Dollar	29,590,669	32.68*	905,428	904,534	August 2009

* NT Dollars per U.S. Dollar

We are exposed to foreign currency exchange risk related to our investment in net assets in foreign countries. To manage this risk, we entered into a forward contract on November 26, 2007 with a notional amount of €3.0 million. We designated this forward contract as a hedge of our net investment in Euro denominated assets. We selected the forward method under the guidance of the Derivatives Implementation Group Statement 133 Issue H8, "Foreign Currency Hedges: Measuring the Amount of Ineffectiveness in a Net Investment Hedge". The forward method requires all changes in the fair value of the forward to be reported as a cumulative translation adjustment in Accumulated Other Comprehensive Loss, net of tax, in the same manner as the underlying hedged net assets. This forward contract matured on November 25, 2008 and we entered into a new forward contract for the same notional amount. As of July 31, 2009, we had a realized gain of \$355,000 and an unrealized loss of \$245,000, net of tax, recorded as cumulative translation adjustments in Accumulated Other Comprehensive Loss, related to these forward contracts.

Forward contracts for the sale or purchase of foreign currencies as of July 31, 2009, which are designated as net investment hedges under SFAS 133 were as follows:

Forward Contracts	Notional Amount in Foreign Currency	Weighted Avg. Forward Rate	Contract Amount at Forward Rates in U.S. Dollars		Maturity Date
			Contract Date	July 31, 2009	
Sale Contracts:					
Euro	3,000,000	1.2936	3,880,800	4,275,990	November 2009

Item 4. CONTROLS AND PROCEDURES

We carried out an evaluation under the supervision and with participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of July 31, 2009, pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended. Based upon that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of the evaluation date.

There were no changes in our internal controls over financial reporting during the quarter ended July 31, 2009 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

We are involved in various claims and lawsuits arising in the normal course of our business. We believe it is remote that any of these claims will have a material adverse effect on our consolidated financial position or results of operations.

Item 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed in Part I, Item 1A – Risk Factors in our Annual Report on Form 10-K for the year ended October 31, 2008.

Item 5. OTHER INFORMATION

During the period covered by this report, the Audit Committee of our Board of Directors did not engage our independent registered public accounting firm to perform any non-audit services. This disclosure is made pursuant to Section 10A9(i)(2) of the Securities Exchange Act of 1934, as added by Section 202 of the Sarbanes-Oxley Act of 2002.

Item 6. EXHIBITS

- 3.1 Amended and Restated Bylaws of Hurco Companies, Inc. (as amended through July 8, 2009)
- 11 Computation of per share earnings.
- 31.1 Certification by the Chief Executive Officer, pursuant to Rule 13a-15(b) under the Securities and Exchange Act of 1934, as amended.
- 31.2 Certification by the Chief Financial Officer, pursuant to Rule 13a-15(b) under the Securities and Exchange Act of 1934, as amended.
- 32.1 Certification by the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification by the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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.

HURCO COMPANIES, INC.

By: /s/ John G. Oblazney
John G. Oblazney
Vice President and
Chief Financial Officer

By: /s/ Sonja K. McClelland
Sonja K. McClelland
Corporate Controller and
Principal Accounting Officer

September 4, 2009

AMENDED AND RESTATED

BY-LAWS

OF

HURCO COMPANIES, INC.

AS AMENDED THROUGH JULY 8, 2009

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BY-LAWS
OF
HURCO COMPANIES, INC.

ARTICLE I

Identification

Section 1. Name. The name of the Corporation is HURCO COMPANIES, INC. (hereinafter referred to as the "Corporation").

Section 2. Registered Office and Registered Agent. The street address of the Registered Office of the Corporation is One Technology Way, Indianapolis, Indiana 46268; and the name of its Registered Agent located at such office is James D. Fabris

Section 3. Principal Office. The address of the Principal Office of the Corporation is One Technology Way, Indianapolis, Indiana 46268. The Principal Office of the Corporation shall be the principal executive offices of the Corporation, and such Principal Office may be changed from time to time by the Board of Directors in the manner provided by law and need not be the same as the Registered Office of the Corporation.

Section 4. Other Offices. The Corporation may also have offices at such other places or locations, within or without the State of Indiana, as the Board of Directors may determine or the business of the Corporation may require.

Section 5. Seal. The Corporation need not use a seal. If one is used, it shall be circular in form and mounted upon a metal die suitable for impressing the same upon paper. About the upper periphery of the seal shall appear the words "HURCO COMPANIES, INC." and about the lower periphery thereof the word "Indiana". In the center of the seal shall appear the word "Seal". The seal may be altered by the Board of Directors at its pleasure and may be used by causing it or a facsimile thereof to be impressed, affixed, printed or otherwise reproduced.

Section 6. Fiscal Year. The fiscal year of the Corporation shall begin at the beginning of the first day of November in each year and end at the close of the last day of October next succeeding.

ARTICLE II

Shareholders

Section 1. Place of Meeting. All meetings of shareholders of the Corporation shall be held at such place, within or without the State of Indiana, as may be determined by the President or Board of Directors and specified in the notices or waivers of notice thereof or proxies to represent shareholders at such meetings.

Section 2. Annual Meetings. An annual meeting of shareholders shall be held each year on such date and at such time as may be determined by the President or Board of Directors. The failure to hold an annual meeting at the designated time shall not affect the validity of any corporate action. Any and all business of any nature or character may be transacted, and action may be taken thereon, at any annual meeting, except as otherwise provided by law or by these By-laws.

Section 3. Special Meetings. A special meeting of shareholders shall be held: (a) on call of the Board of Directors or the President; or (b) if the holders of a majority of all the votes entitled to be cast on any issue proposed to be considered at the proposed special meeting sign, date and deliver to the Secretary one (1) or more written demands for the meeting describing the purpose or purposes for which it is to be held. At any special meeting of the shareholders, only business within the purpose or purposes described in the notice of the meeting may be conducted.

Section 4. Notice of Meeting. Written or printed notice stating the date, time and place of a meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered or mailed by the Secretary, or by the officers or persons calling the meeting, to each shareholder of record of the Corporation entitled to vote at the meeting, at such address as appears upon the records of the Corporation, no fewer than ten (10) days nor more than sixty (60) days, before the meeting date. If mailed, such notice shall be effective when mailed if correctly addressed to the shareholder's address shown in the Corporation's current record of shareholders.

Section 5. Waiver of Notice. A shareholder may waive any notice required by law, the Articles of Incorporation or these By-laws before or after the date and time stated in the notice. The waiver by the shareholder entitled to the notice must be in writing and be delivered to the Corporation for inclusion in the minutes or filing with the corporate records. A shareholder's attendance at a meeting, in person or by proxy: (a) waives objection to lack of notice or defective notice of the meeting, unless the shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting; and (b) waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the shareholder objects to considering the matter when it is presented.

Section 6. Voting at Meetings.

(a) Voting Rights. At each meeting of the shareholders, each outstanding share, regardless of class, is entitled to one (1) vote on each matter voted on at such meeting, except to the extent cumulative voting is allowed by the Articles of Incorporation. Only shares are entitled to vote.

(b) Record Date. The record date for purposes of determining shareholders entitled to vote at any meeting shall be ten (10) days prior to the date of such meeting or such different date not more than seventy (70) days prior to such meeting as may be fixed by the Board of Directors.

(c) Proxies.

(1) A shareholder may vote the shareholder's shares in person or by proxy.

(2) A shareholder may appoint a proxy to vote or otherwise act for the shareholder by executing in writing an appointment form, either personally or by the shareholder's attorney-in-fact. For purposes of this Section, a proxy appointed by telegram, telex, telecopy or other document transmitted electronically for or by a shareholder shall be deemed "executed in writing" by the shareholder.

(3) An appointment of a proxy is effective when received by the Secretary or other officer or agent authorized to tabulate votes. An appointment is valid for eleven (11) months, unless a longer period is expressly provided in the appointment form.

(4) An appointment of a proxy is revocable by the shareholder, unless the appointment form conspicuously states that is irrevocable and the appointment is coupled with an interest.

(d) Quorum . At all meetings of shareholders, a majority of the votes entitled to be cast on a particular matter constitutes a quorum on that matter. If a quorum exists, action on a matter (other than the election of directors) is approved if the votes cast favoring the action exceed the votes cast opposing the action, unless the Articles of Incorporation or law require a greater number of affirmative votes.

(e) Adjournments . Any meeting of shareholders, including both annual and special meetings and any adjournments thereof, may be adjourned to a different date, time or place. Notice need not be given of the new date, time or place if the new date, time or place is announced at the meeting before adjournment, even though less than a quorum is present. At any such adjourned meeting at which a quorum is present, in person or by proxy, any business may be transacted which might have been transacted at the meeting as originally notified or called.

Section 7. List of Shareholders.

(a) After a record date has been fixed for a meeting of shareholders, the Secretary shall prepare or cause to be prepared an alphabetical list of the names of the shareholders of the Corporation who are entitled to vote at such meeting. The list shall show the address of and number of shares held by each shareholder.

(b) The shareholders' list must be available for inspection by any shareholder entitled to vote at the meeting, beginning five (5) business days before the date of the meeting for which the list was prepared and continuing through the meeting, at the Corporation's principal office or at a place identified in the meeting notice in the city where the meeting will be held. Subject to the restrictions of applicable law, a shareholder, or the shareholder's agent or attorney authorized in writing, is entitled on written demand to inspect and to copy the list during regular business hours and at the shareholder's expense, during the period it is available for inspection.

(c) The Corporation shall make the shareholders' list available at the meeting, and any shareholder, or the shareholder's agent or attorney authorized in writing, is entitled to inspect the list at any time during the meeting or any adjournment.

Section 8. Notice of Shareholder Business. At an annual meeting of the shareholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (c) otherwise properly brought before the meeting by a shareholder. For business to be properly brought before an annual meeting by a shareholder, the shareholder must have the legal right and authority to make the proposal for consideration at the meeting and the shareholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a shareholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation, not less than 60 days prior to the meeting; provided, however, that in the event that less than 70 days' notice or prior public disclosure of the date of the meeting is given or made to shareholders, notice by the shareholder to be timely must be so received not later than the close of business on the 10th day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made. A shareholder's notice to the Secretary shall set forth as to each matter the shareholder proposes to bring before the annual meeting (a) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (b) the name and record address of the shareholder(s) proposing such business, (c) the class and shares of number of the Corporation's capital stock which are beneficially owned by such shareholder(s), and (d) any material interest of such shareholder(s) in such business. Notwithstanding anything in these By-Laws to the contrary, no business shall be conducted at an annual meeting except in accordance with the procedures set forth in this Section 8. The Chairman of an annual meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting and in accordance with the provisions of this Section 8, and if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted. At any special meeting of the shareholders, only such business shall be conducted as shall have been brought before the meeting by or at the direction of the Board of Directors.

Section 9. Notice of Shareholder Nominees. Only persons who are nominated in accordance with the procedures set forth in this Section 9 shall be eligible for election as Directors. Nominations of persons for election to the Board of Directors may be made at a meeting of shareholders by or at the direction of the Board of Directors, by any nominating committee or person appointed by the Board of Directors or by any shareholder of the Corporation entitled to vote for the election of Directors at the meeting who complies with the notice procedures set forth in this Section 9. Such nominations, other than those made by or at the direction of the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely, a shareholder's notice shall be delivered to or mailed and received at the principal executive offices of the Corporation not less than 60 days prior to the meeting; provided, however, that in the event that less than 70 days' notice or prior public disclosure of the date of the meeting is given or made to shareholders, notice by the shareholders to be timely must be so received not later than the close of business on the 10th day following the date on which such notice of the date of the meeting was mailed or such public disclosure was made. Such shareholder's notice shall set forth (a) as to each person whom the shareholder proposes to nominate for election or re-election as a Director, (i) the name, age, business address and residence address of such person; (ii) the principal occupation or employment of such person, (iii) the class and number of shares of capital stock of the Corporation which are beneficially owned by such person, and (iv) any other information relating to such person that is required to be disclosed in solicitations of proxies for election of Directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange act of 1934, as amended (including without limitation such person's written consent to being named in the proxy statement as a nominee and to serving as a Director if elected); and (b) as to the shareholder giving the notice (i) the name and record address of such shareholder and (ii) the class and number of shares of capital stock of the Corporation which are beneficially owned by such shareholder. No person shall be eligible for election as a Director of the Corporation unless nominated in accordance with the procedures set forth in this Section 9. The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not so declared in accordance with the procedures prescribed by these By-Laws, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

ARTICLE III

Directors

Section 1. Duties. The business, property and affairs of the Corporation shall be managed and controlled by the Board of Directors and, subject to such restrictions, if any, as may be imposed by law, the Articles of Incorporation or by these By-laws, the Board of Directors may, and are fully authorized to, do all such lawful acts and things as may be done by the Corporation which are not directed or required to be exercised or done by the shareholders. Directors need not be residents of the State of Indiana or shareholders of the Corporation.

Section 2. Number of Directors. The Board of Directors shall consist of eight (8) members, which number may be increased or reduced from time to time by resolution adopted by not less than a majority of the Directors then in office; provided that no reduction in number shall have the effect of shortening the term of any incumbent Director.

Section 3. Election and Term. Except as otherwise provided in Section 5 of this Article, the directors shall be elected each year at the annual meeting of the shareholders, or at any special meeting of the shareholders. Each such director shall hold office, unless he is removed in accordance with the provisions of these By-laws or he resigns or dies or becomes so incapacitated he can no longer perform any of his duties as a director, for the term for which he is elected and until his successor shall have been elected and qualified. Each director shall qualify by accepting his election to office either expressly or by acting as a director. The shareholders or directors may remove any director, with or without cause, and elect a successor at a meeting called expressly for such purpose.

Section 4. Resignation. Any director may resign at any time by delivering written notice to the Board of Directors, the President, or the Secretary of the Corporation. A resignation is effective when the notice is delivered unless the notice specifies a later effective date. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation.

Section 5. Vacancies. Vacancies occurring in the membership of the Board of Directors caused by resignation, death or other incapacity, or increase in the number of directors shall be filled by a majority vote of the remaining members of the Board, and each director so elected shall serve until the next meeting of the shareholders, or until a successor shall have been duly elected and qualified.

Section 6. Annual Meetings. The Board of Directors shall meet annually, without notice, immediately following, and at the same place as, the annual meeting of the shareholders.

Section 7. Regular Meetings. Regular meetings shall be held at such times and places, either within or without the State of Indiana, as may be determined by the Chairman of the Board, the President or the Board of Directors.

Section 8. Special Meetings. Special meetings of the Board of Directors may be called by the President or by two (2) or more members of the Board of Directors, at any place within or without the State of Indiana, upon twenty-four (24) hours' notice, specifying the time, place and general purposes of the meeting, given to each director personally, by telephone, telegraph, teletype, or other form of wire or wireless communication; or notice may be given by mail if mailed at least three (3) days before such meeting.

Section 9. Notice. The Secretary or an Assistant Secretary shall give notice of each special meeting, and of the date, time and place of the particular meeting, in person or by mail, or by telephone, telegraph, teletype, or other form of wire or wireless communication, and in the event of the absence of the Secretary or an Assistant Secretary or the failure, inability, refusal or omission on the part of the Secretary or an Assistant Secretary so to do, any other officer of the Corporation may give said notice.

Section 10. Waiver of Notice. A director may waive any notice required by law, the Articles of Incorporation, or these By-laws before or after the date and time stated in the notice. Except as otherwise provided in this Section, the waiver by the director must be in writing, signed by the director entitled to the notice, and included in the minutes or filed with the corporate records. A director's attendance at or participation in a meeting waives any required notice to the director of the meeting unless the director at the beginning of the meeting (or promptly upon the director's arrival) objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

Section 11. Business to be Transacted. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or any waiver of notice of such meeting. Any and all business of any nature or character whatsoever may be transacted and action may be taken thereon at any meeting, regular or special, of the Board of Directors.

Section 12. Quorum — Adjournment if Quorum is Not Present. A majority of the number of directors fixed by, or in the manner provided in, the Articles of Incorporation or these By-laws shall constitute a quorum for the transaction of any and all business, unless a greater number is required by law or Articles of Incorporation or these By-laws. At any meeting, regular or special, of the Board of Directors, if there be less than a quorum present, a majority of those present, or if only one director be present, then such director, may adjourn the meeting from time to time without notice until the transaction of any and all business submitted or proposed to be submitted to such meeting or any adjournment thereof shall have been completed. In the event of such adjournment, written, telegraphic or telephonic announcement of the time and place at which the meeting will reconvene must be provided to all directors. The act of the majority of the directors present at any meeting of the Board of Directors at which a quorum is present shall constitute the act of the Board of Directors, unless the act of a greater number is required by law or the Articles of Incorporation or these By-laws.

Section 13. Presumption of Assent. A director of the Corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent or abstention shall be entered in the minutes of the meeting or unless he shall file his written dissent or abstention to such action with the presiding officer of the meeting before the adjournment thereof or to the Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent or abstain shall not apply to a director who voted in favor of such action.

Section 14. Action by Written Consent. Any action required or permitted to be taken at a meeting of the Board of Directors or any committee thereof may be taken without a meeting if the action is taken by all the members of the Board of Directors or committee, as the case may be. The action must be evidenced by one or more written consents describing the action taken, signed by each director or committee member, and included in the minutes or filed with the corporate records reflecting the action taken. Such action is effective when the last director or committee member signs the consent, unless the consent specifies a different prior or subsequent effective date. Such consent shall have the same force and effect as a unanimous vote at a meeting, and may be described as such in any document or instrument.

Section 15. Committees. The Board of Directors, by resolution adopted by a majority of the Board of Directors, may designate from among its members an executive committee and one or more other committees, each of which, to the extent provided in such resolution or in the Articles of Incorporation or in these By-laws of the Corporation, shall have and may exercise such authority of the Board of Directors as shall be expressly delegated by the Board from time to time; except that no such committee shall have the authority of the Board of Directors in reference to (a) amending the Articles of Incorporation; (b) approving a plan of merger even if the plan does not require shareholder approval; (c) authorizing dividends or distributions, except a committee may authorize or approve a reacquisition of shares, if done according to a formula or method prescribed by the Board of Directors; (d) approving or proposing to shareholders action that requires shareholder approval; (e) amending, altering or repealing the By-laws of the Corporation or adopting new By-laws for the Corporation; (f) filling vacancies in the Board of Directors or in any of its committees; or (g) electing or removing officers or members of any such committee. A majority of all the members of any such committee may determine its action and fix the time and place of its meetings, unless the Board of Directors shall otherwise provide. The Board of Directors shall have power at any time to change the number and members of any such committee, to fill vacancies and to discharge any such committee. The designation of such committee and the delegation thereto of authority shall not alone constitute compliance by the Board of Directors, or any member thereof, with the standard of conduct imposed upon it or him by the Indiana Business Corporation Law, as the same may, from time to time, be amended.

Section 16. Meeting by Telephone or Similar Communication Equipment. Any or all directors may participate in and hold a regular or special meeting of the Board of Directors or any committee thereof by, or through the use of, any means of conference telephone or other similar communications equipment by which all directors participating in the meeting may simultaneously hear each other during the meeting. Participation in a meeting pursuant to this Section shall constitute presence in person at such meeting, except where a director participates in the meeting for the express purpose of objecting to holding the meeting or transacting business at the meeting on the ground that the meeting is not lawfully called or convened.

ARTICLE IV

Officers

Section 1. Principal Officers. The officers of the Corporation shall be chosen by the Board of Directors and shall consist of a Chairman of the Board, a President, a Treasurer and a Secretary. There may also be one or more Vice Presidents, a Controller, and such other officers or assistant officers as the Board shall from time to time create and so elect. Any two (2) or more offices may be held by the same person.

Section 2. Election and Terms. Each officer shall be elected by the Board of Directors at the annual meeting thereof and shall hold office until the next annual meeting of the Board or until his or her successor shall have been elected and qualified or until his or her death, resignation or removal. The election of an officer shall not of itself create contract rights.

Section 3. Resignation and Removal. An officer may resign at any time by delivering notice to the Board of Directors, its Chairman, or the Secretary of the Corporation. A resignation is effective when the notice is delivered unless the notice specifies a later effective date. If an officer's resignation is made effective at a later date and the Corporation accepts the future effective date, the Board of Directors may fill the pending vacancy before the effective date, if the Board of Directors provides that the successor does not take office until the effective date. The acceptance of a resignation shall not be necessary to make it effective, unless expressly provided in the resignation. An officer's resignation does not affect the Corporation's contract rights, if any, with the officer. Any officer may be removed at any time, with or without cause, by vote of a majority of the whole Board. Such removal shall not affect the contract rights, if any, of the officer so removed.

Section 4. Vacancies. Whenever any vacancy shall occur in any office by death, resignation, increase in the number of officers of the Corporation, or otherwise, the same shall be filled by the Board of Directors, and the officer so elected shall hold office until the next annual meeting of the Board or until his or her successor shall have been elected and qualified.

Section 5. Powers and Duties of Officers. The officers so chosen shall perform the duties and exercise the powers expressly conferred or provided for in these By-laws, as well as the usual duties and powers incident to such office, respectively, and such other duties and powers as may be assigned to them by the Board of Directors or by the President.

Section 6. Chairman of the Board. The Chairman of the Board shall be the Chief Executive Officer of the Corporation and shall have charge of and supervision and authority over all of the affairs, business and operations of the Corporation in the ordinary course of its business, with all such duties, powers and authority with respect to such affairs, business and operations as may be reasonably incident to such responsibilities. He shall have general supervision of and direct all officers, agents and employees of the Corporation and shall see that all orders and resolutions of the Board are carried into effect. He shall have the authority to sign all deeds, bonds, mortgages, contracts, notes and other instruments on behalf of the Corporation (except in cases where the signing and execution thereof shall be expressly delegated by the Board or by these By-laws, or by law to some other officer or agent of the Corporation). He shall preside at meetings of the shareholders and of the Board of Directors. He shall also perform such other duties and have such additional authority and powers as are incident to his office or as may be delegated to him from time to time by the Board of Directors."

Section 7. The President. The President shall be the Chief Operating Officer of the Corporation and shall supervise the day-to-day operations of the Corporation subject to the supervision of the Chairman of the Board and the Board of Directors. He shall have the authority to sign all deeds, mortgages, bonds, contracts, notes and other instruments on behalf of the Corporation (except in cases where the signing and execution thereof shall be expressly delegated by the Board or by these By-laws or by law to some other officer or agent of the Corporation). In the absence of the Chairman of the Board, he shall preside at meetings of the shareholders. He shall also perform such other duties and have such additional authority and powers as are incident to his office or as may be delegated to him from time to time by the Chairman of the Board or the Board of Directors.

Section 8. Vice Presidents. The Vice Presidents shall assist the President and shall perform such duties as may be assigned to them by the Board of Directors or the President. Unless otherwise provided by the Board, in the absence or disability of the President, the Vice President (or, if there be more than one, the Vice President first named as such by the Board of Directors at its most recent meeting at which Vice Presidents were elected) shall execute the powers and perform the duties of the President. Any action taken by a Vice President in the performance of the duties of the President shall be conclusive evidence of the absence or inability to act of the President at the time such action was taken.

Section 9. Secretary. The Secretary (a) shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the shareholders in books provided for that purpose; (b) shall attend to the giving and serving of all notices; (c) when required, may sign with the President or a Vice President in the name of the Corporation, and may attest the signature of any other officers of the Corporation to all contracts, conveyances, transfers, assignments, encumbrances, authorizations and all other instruments, documents and papers, of any and every description whatsoever, of or executed for or on behalf of the Corporation and affix the seal of the Corporation thereto; (d) may sign with the President or a Vice President all certificates for shares of the capital stock of the Corporation and affix the corporate seal of the Corporation thereto; (e) shall have charge of and maintain and keep or supervise and control the maintenance and keeping of the stock certificate books, transfer books and stock ledgers and such other books and papers as the Board of Directors may authorize, direct or provide for, all of which shall at all reasonable times be open to the inspection of any director, upon request, at the office of the Corporation during business hours; (f) shall, in general, perform all the duties incident to the office of Secretary; and (g) shall have such other powers and duties as may be conferred upon or assigned to him by the Board of Directors.

Section 10. Treasurer. The Treasurer shall have custody of all the funds and securities of the Corporation which come into his hands. When necessary or proper, he may endorse on behalf of the Corporation, for collection, checks, notes and other obligations, and shall deposit the same to the credit of the Corporation in such banks or depositories as shall be selected or designated by or in the manner prescribed by the Board of Directors. He may sign all receipts and vouchers for payments made to the Corporation, either alone or jointly with such officer as may be designated by the Board of Directors. Whenever required by the Board of Directors, he shall render a statement of his cash account. He shall enter or cause to be entered, punctually and regularly, on the books of the Corporation, to be kept by him or under his supervision or direction for that purpose, full and accurate accounts of all moneys received and paid out by, for or on account of the Corporation. He shall at all reasonable times exhibit his books and accounts and other financial records to any director of the Corporation during business hours. He shall have such other powers and duties as may be conferred upon or assigned to him by the Board of Directors. The Treasurer shall perform all acts incident to the position of Treasurer, subject always to the control of the Board of Directors. He shall, if required by the Board of Directors, give such bond for the faithful discharge of his duties in such form and amount as the Board of Directors may require.

Section 11. The Controller. The Controller shall be the chief accounting officer of the Corporation and in such capacity shall keep full and accurate accounts of all assets, liabilities, commitments, receipts, disbursements, and other financial transactions of the Corporation and its subsidiaries in books belonging to the Corporation; shall cause audits of such books and records to be made at regular intervals as required by law and in accordance with guidelines established by the Audit Committee of the Board of Directors; shall see that all expenditures are made in accordance with procedures duly established, from time to time by the Corporation; shall prepare financial statements for the Corporation and its subsidiaries at regular intervals as required by law or at the request of the Board of Directors, the Chairman, the President or the Vice President, Finance; and, in general shall perform all the duties ordinarily connected with the office of Controller and such other duties as, from time to time, may be assigned to him by the Board of Directors, the Chairman, the President or the Vice President, Finance.

Section 12. Assistant Secretaries. The Assistant Secretaries shall assist the Secretary in the performance of his or her duties. In the absence of the Secretary, any Assistant Secretary shall exercise the powers and perform the duties of the Secretary. The Assistant Secretaries shall exercise such other powers and perform such other duties as may from time to time be assigned to them by the Board, the President, or the Secretary.

Section 13. Assistant Treasurers. The Assistant Treasurers shall assist the Treasurer in the performance of his or her duties. Any Assistant Treasurer shall, in the absence or disability of the Treasurer, exercise the powers and perform the duties of the Treasurer. The Assistant Treasurers shall exercise such other duties as may from time to time be assigned to them by the Board, the President, or the Treasurer.

Section 14. Delegation of Authority. In case of the absence of any officer of the Corporation, or for any reason that the Board may deem sufficient, a majority of the entire Board may transfer or delegate the powers or duties of any officer to any other officer or officers for such length of time as the Board may determine.

Section 15. Securities of Other Corporations. The President or any Vice President or Secretary or Treasurer of the Corporation shall have power and authority to transfer, endorse for transfer, vote, consent or take any other action with respect to any securities of another issuer which may be held or owned by the Corporation and to make, execute and deliver any waiver, proxy or consent with respect to any such securities.

ARTICLE V

Directors' Services, Limitation of Liability and Reliance on Corporate Records, and Interest of Directors in Contracts

Section 1. Services. No director of this Corporation who is not an officer or employee of this Corporation shall be required to devote his time or any particular portion of his time or render services or any particular services exclusively to this Corporation. Every director of this Corporation shall be entirely free to engage, participate and invest in any and all such businesses, enterprises and activities, either similar or dissimilar to the business, enterprise and activities of this Corporation, without breach of duty to this Corporation or to its shareholders and without accountability or liability to this Corporation or to its shareholders.

Every director of this Corporation shall be entirely free to act for, serve and represent any other corporation, any entity or any person, in any capacity, and be or become a director or officer, or both, of any other corporation or any entity, irrespective of whether or not the business, purposes, enterprises and activities, or any of them thereof, be similar or dissimilar to the business, purposes, enterprises and activities, or any of them, of this Corporation, without breach of duty to this Corporation or to its shareholders and without accountability or liability of any character or description to this Corporation or to its shareholders.

Section 2. General Limitation of Liability. A director shall, based on facts then known to the director, discharge the duties as a director, including the director's duties as a member of a committee, in good faith, with the care an ordinarily prudent person in a like position would exercise under similar circumstances, and in a manner the director reasonably believes to be in the best interests of the Corporation. A director is not liable to the Corporation for any action taken as a director, or any failure to take any action, unless: (a) the director has breached or failed to perform the duties of the director's office in accordance with the standard of care set forth above; and (b) the breach or failure to perform constitutes willful misconduct or recklessness.

Section 3. Reliance on Corporate Records and Other Information. Any person acting as a director of the Corporation shall be fully protected, and shall be deemed to have complied with the standard of care set forth in Section 2 of this Article, in relying in good faith upon any information, opinions, reports or statements, including financial statements and other financial data, if prepared or presented by (a) one or more officers or employees of the Corporation whom such person reasonably believes to be reliable and competent in the matters presented; (b) legal counsel, public accountants, or other persons as to matters such person reasonably believes are within the person's professional or expert competence; or (c) a committee of the Board of Directors of which such person is not a member, if such person reasonably believes the committee merits confidence; provided, however, that such person shall not be considered to be acting in good faith if such person has knowledge concerning the matter in question that would cause such reliance to be unwarranted.

Section 4. Interest of Directors in Contracts. Any contract or other transaction between the Corporation and (a) any director, or (b) any corporation, unincorporated association, business trust, estate, partnership, trust, joint venture, individual or other legal entity (1) in which any director has a material financial interest or is a general partner, or (2) of which any director is a director, officer, or trustee, shall be valid for all purposes, if the material facts of the contract or transaction and the director's interest were disclosed or known to the Board of Directors, a committee of the Board of Directors with authority to act thereon, or the shareholders entitled to vote thereon, and the Board of Directors, such committee or such shareholders authorized, approved or ratified the contract or transaction. Such a contract or transaction is authorized, approved or ratified: (i) by the Board of Directors or such committee, if it receives the affirmative vote of a majority of the directors who have no interest in the contract or transaction, notwithstanding the fact that such majority may not constitute a quorum or a majority of the directors present at the meeting, and notwithstanding the presence or vote of any director who does have such an interest; provided, however, that no such contract or transaction may be authorized, approved or ratified by a single director; and (ii) by such shareholders, if it receives the vote of a majority of the shares entitled to be counted, in which vote shares owned by or voted under the control of any director who, or of any corporation, unincorporated association, business trust, estate, partnership, trust, joint venture, individual or other legal entity that, has an interest in the contract or transaction may be counted; provided, however, that a majority of such shares, whether or not present, shall constitute a quorum for the purpose of authorizing, approving or ratifying such a contract or transaction. This Section shall not be construed to require authorization, ratification or approval by the shareholder of any such contract or transaction, or to invalidate any such contract or transaction that is fair to the Corporation or would otherwise be valid under the common and statutory law applicable thereto.

ARTICLE VI

Indemnification

Section 1. Indemnification Against Underlying Liability. The Corporation shall, to the fullest extent to which it is empowered to do so by the Corporation Law, or any other applicable law, as from time to time in effect, indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative and whether formal or informal, by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or who, while serving as such director, officer, employee or agent of the Corporation, is or was serving at the request of the Corporation as a director, officer, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust or other enterprise (collectively, "Agent") against expenses (including attorneys' fees), judgments, fines, penalties, court costs and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit, or proceeding by judgment, order, settlement (whether with or without court approval), conviction or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the Agent did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his conduct was unlawful. If several claims, issues or matters are involved, an Agent may be entitled to indemnification as to some matters even though he is not entitled as to other matters.

Section 2. Successful Defense. To the extent that an Agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 1 of this Article VI, or in defense of any claim, issue or matter therein, the Corporation shall indemnify such person against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

Section 3. Determination of Conduct. Subject to any rights under any contract between the Corporation and any Agent, any indemnification against underlying liability provided for in Section 1 of this Article VI (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the Agent is proper in the circumstances because he has met the applicable standard of conduct set forth in said Section. Such determination shall be made (1) by the Board of Directors by a majority vote of a quorum consisting of directors not at the time parties to such action, suit or proceeding; (2) if such an independent quorum cannot be obtained, by majority vote of a committee duly designated by the full Board of Directors (in which designation directors who are parties may participate), consisting solely of one or more directors not at the time parties to the action, suit or proceeding; (3) by special legal counsel (A) selected by the independent quorum of the Board of Directors (or the independent committee thereof if no such quorum can be obtained), or (B) if no such independent quorum or committee thereof can be obtained, selected by majority vote of the full Board of Directors (in which selection directors who are parties may participate); or (4) by the shareholders, but shares owned by or voted under the control of directors who are at the time parties to such action, suit or proceeding may not be voted on the determination. Notwithstanding the foregoing, an Agent shall be able to contest any determination that the Agent has not met the applicable standard of conduct by petitioning a court of appropriate jurisdiction.

Section 4. Definition of Good Faith. For purposes of any determination under Section 1 of this Article VI, a person shall be deemed to have acted in good faith and to have otherwise met the applicable standard of conduct set forth in Section 1 if his action is based on information, opinions, reports, or statements, including financial statements and other financial data, if prepared or presented by (1) one or more officers or employees of the Corporation or another enterprise whom he reasonably believes to be reliable and competent in the matters presented; (2) legal counsel, public accountants, appraisers or other persons as to matters he reasonably believes are within the person's professional or expert competence; or (3) a committee of the Board of Directors of the Corporation or another enterprise of which the person is not a member if he reasonably believes the committee merits confidence. The provisions of this Section 4 shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standards of conduct set forth in Section 1 of this Article VI.

Section 5. Payment of Expenses in Advance. Expenses incurred in connection with any civil, criminal, administrative or investigative action, suit or proceeding by an Agent who may be entitled to indemnification pursuant to Section 1 of this Article VI shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of a written affirmation by the Agent of his good faith belief that he has met the applicable standard of conduct set forth in Section 1 of this Article VI and upon receipt of a written undertaking by or on behalf of the Agent to repay such amount if it is ultimately determined that he is not entitled to be indemnified by the Corporation as authorized in this Article VI. Notwithstanding the foregoing, such expenses shall not be advanced if the Corporation conducts the determination of conduct procedure referred to in Section 3 of this Article VI and it is determined from the facts then known that the Agent will be precluded from indemnification against underlying liability because he has failed to meet the applicable standard of conduct set forth in Section 1 of this Article VI. The full Board of Directors (including directors who are parties) may authorize the Corporation to implement the determination of conduct procedure, but such procedure is not required for the advancement of expenses. The full Board of Directors (including directors who are parties) may authorize the Corporation to assume the Agent's defense where appropriate, rather than to advance expenses for such defense.

Section 6. Indemnity Not Exclusive. The indemnification against underlying liability, and advancement of expenses provided by, or granted pursuant to, this Article VI shall not be deemed exclusive of, and shall be subject to, any other rights to which those seeking indemnification or advancement of expenses may be entitled under the Corporation's Articles of Incorporation, these Bylaws, any resolution of the Board of Directors or shareholders, any other authorization, whenever adopted, after notice, by a majority vote of all voting shares then outstanding, or any contract, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be an Agent, and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 7. Vested Right to Indemnification. The right of any individual to indemnification under this Article shall vest at the time of occurrence or performance of any event, act or omission giving rise to any action, suit or proceeding of the nature referred to in Section 1 of this Article VI and, once vested, shall not later be impaired as a result of any amendment, repeal, alteration or other modification of any or all of these provisions. Notwithstanding the foregoing, the indemnification afforded under this Article shall be applicable to all alleged prior acts or omissions of any individual seeking indemnification hereunder, regardless of the fact that such alleged acts or omissions may have occurred prior to the adoption of this Article. To the extent such prior acts or omissions cannot be deemed to be covered by this Article VI, the right of any individual to indemnification shall be governed by the indemnification provisions in effect at the time of such prior acts or omissions.

Section 8. Insurance. The Corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was an Agent of the Corporation against any liability asserted against him or incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of this Article VI.

Section 9. Additional Definitions. For purposes of this Article VI references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to any employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries. A person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article VI.

Section 10. Payments a Business Expense. Any payments made to any indemnified party under this Article or under any other right to indemnification shall be deemed to be an ordinary and necessary business expense of the Corporation, and payment thereof shall not subject any person responsible for the payment, or the Board of Directors, to any action for corporate waste or to any similar action.

ARTICLE VII

Shares

Section 1. Share Certificates. The certificate for shares of the Corporation shall be in such form as shall be approved by the Board of Directors. Each share certificate shall state on its face the name and state of organization of the Corporation, the name of the person to whom the certificate is issued, and the number and class of shares the certificate represents. Share certificates shall be consecutively numbered and shall be entered in the books of the Corporation as they are issued. Every certificate for shares of the Corporation shall be signed (either manually or in facsimile) by, or in the name of, the Corporation by the President or a Vice President and either the Secretary or an Assistant Secretary of the Corporation, with the seal of the Corporation, if any, or a facsimile thereof impressed or printed thereon. If the person who signed (either manually or in facsimile) a share certificate no longer holds office when the certificate is issued, the certificate is nevertheless valid.

Section 2. Transfer of Shares. Except as otherwise provided by law, transfers of shares of the capital stock of the Corporation, whether part paid or fully paid, shall be made only on the books of the Corporation by the owner thereof in person or by duly authorized attorney, on payment of all taxes thereon and surrender for cancellation of the certificate or certificates for such shares (except as hereinafter provided in the case of loss, destruction or mutilation of certificate) properly endorsed by the holder thereof or accompanied by the proper evidence of succession, assignment or authority to transfer, and delivered to the Secretary or an Assistant Secretary. All such transfers shall be made in accordance with the relevant provisions of Indiana Code §§26-1-8-101 et seq.

Section 3. Transfer Agent. The Board of Directors shall have power to appoint one or more transfer agents and registrars for the transfer and registration of certificates of stock of the Corporation, and may require that such certificates shall be countersigned and registered by one or more of such transfer agents and registrars.

Section 4. Registered Holders. The Corporation shall be entitled to treat the person in whose name any share of stock or any warrant, right or option is registered as the owner thereof for all purposes and shall not be bound to recognize any equitable or other claim to, or interest in, such share, warrant, right or option on the part of any other person, whether or not the Corporation shall have notice thereof, save as may be expressly provided otherwise by the laws of the State of Indiana, the Articles of Incorporation of the Corporation or these By-laws. In no event shall any transferee of shares of the Corporation become a shareholder of the Corporation until express notice of the transfer shall have been received by the Corporation.

Section 5. Lost, Destroyed and Mutilated Certificates. The holder of any share certificate of the Corporation shall immediately notify the Corporation of any loss, destruction or mutilation of the certificate, and the Board may, in its discretion, cause to be issued to such holder of shares a new certificate or certificates of shares of capital stock, upon the surrender of the mutilated certificate, or, in case of loss or destruction, upon the furnishing of an affidavit or satisfactory proof of such loss or destruction. The Board may, in its discretion, require the owner of the lost or destroyed certificate or such owner's legal representative to give the Corporation a bond in such sum and in such form, and with such surety or sureties as it may direct, to indemnify the Corporation, its transfer agents and registrars, if any, against any claim that may be made against them or any of them with respect to the certificate or certificates alleged to have been lost or destroyed, but the Board may, in its discretion, refuse to issue a new certificate or new certificates, save upon the order of a court having jurisdiction in such matters.

Section 6. Consideration for Shares. The Corporation may issue shares for such consideration received or to be received as the Board of Directors determines to be adequate. That determination by the Board of Directors is conclusive insofar as the adequacy of consideration for the issuance of shares relates to whether the shares are validly issued, fully paid and nonassessable. When the Corporation receives the consideration for which the Board of Directors authorized the issuance of shares, the shares issued therefor are fully paid and nonassessable.

Section 7. Payment for Shares. The Board of Directors may authorize shares to be issued for consideration consisting of any tangible or intangible property or benefit to the Corporation, including cash, promissory notes, services performed, contracts for services to be performed, or other securities of the Corporation. If shares are authorized to be issued for promissory notes or for promises to render services in the future, the Corporation must report in writing to the shareholders the number of shares authorized to be so issued before or with the notice of the next shareholders' meeting.

Section 8. Distributions to Shareholders. The Board of Directors may authorize and the Corporation may make distributions to the shareholders subject to any restrictions set forth in the Articles of Incorporation of the Corporation and any limitations in the Indiana Business Corporation Law, as amended.

Section 9. Regulations. The Board of Directors shall have power and authority to make all such rules and regulations as they may deem expedient concerning the issue, transfer and registration or the replacement of certificates for shares of the Corporation.

ARTICLE VIII

Corporate Books and Reports

Section 1. Place of Keeping Corporate Books and Records. Except as expressly provided otherwise in this Article, the books of account, records, documents and papers of the Corporation shall be kept at any place or places, within or without the State of Indiana, as directed by the Board of Directors. In the absence of a direction, the books of account, records, documents and papers shall be kept at the principal office of the Corporation.

Section 2. Place of Keeping Certain Corporate Books and Records. The Corporation shall keep a copy of the following records at its principal office:

- (1) Its Articles or restated Articles of Incorporation and all amendments to them currently in effect;
- (2) Its By-laws or restated By-laws and all amendments to them currently in effect;
- (3) Resolutions adopted by the Board of Directors with respect to one or more classes or series of shares and fixing their relative rights, preferences and limitations, if shares issued pursuant to those resolutions are outstanding;
- (4) The minutes of all shareholders' meetings and records of all action taken by shareholders without a meeting, for the past three (3) years;
- (5) All written communications to shareholders generally within the past three (3) years, including financial statements furnished to shareholders;
- (6) A list of the names and business addresses of its current directors and officers; and
- (7) The Corporation's most recent annual report.

Section 3. Permanent Records. The Corporation shall keep as permanent records minutes of all meetings of its shareholders and Board of Directors, a record of all actions taken by the shareholders or Board of Directors without a meeting, and a record of all actions taken by a committee of the Board of Directors in place of the Board of Directors on behalf of the Corporation. The Corporation shall also maintain appropriate accounting records.

Section 4. Shareholder Records. The Corporation shall maintain a record of its shareholders, in a form that permits preparation of a list of the names and addresses of all shareholders, in alphabetical order by class of shares showing the number and class of shares held by each.

Section 5. Shareholder Rights of Inspection. The records designated in Section 2 of this Article may be inspected and copied by shareholders of record, during regular business hours at the Corporation's principal office, provided that the shareholder gives the Corporation written notice of the shareholder's demand at least five (5) business days before the date on which the shareholder wishes to inspect and copy. A shareholder's agent or attorney, if authorized in writing, has the same inspection and copying rights as the shareholder represented. The Corporation may impose a reasonable charge, covering the costs of labor and material, for copies of any documents provided to the shareholder.

Section 6. Additional Rights of Inspection. Shareholder rights enumerated in Section 5 of this Article may also apply to the following corporate records, provided that the notice requirements of Section 5 are met, the shareholder's demand is made in good faith and for a proper purpose, the shareholder describes with reasonable particularity the shareholder's purpose and the records the shareholder desires to inspect, and the records are directly connected with the shareholder's purpose: excerpts from minutes of any meeting of the Board of Directors, records of any action of a committee of the Board of Directors while acting in place of the Board of Directors on behalf of the Corporation, minutes of any meeting of the shareholders, and records of action taken by the shareholders or Board of Directors without a meeting, to the extent not subject to inspection under Section 5 of this Article, as well as accounting records of the Corporation and the record of shareholders. Such inspection and copying is to be done during regular business hours at a reasonable location specified by the Corporation. The Corporation may impose a reasonable charge, covering the costs of labor and material, for copies of any documents provided to the shareholder.

ARTICLE IX

Miscellaneous

Section 1. Notice and Waiver of Notice. Subject to the specific and express notice requirements set forth in other provisions of these By-laws, the Articles of Incorporation, and the Indiana Business Corporation Law, as the same may, from time to time, be amended, notice may be communicated to any shareholder or director in person, by telephone, telegraph, teletype, or other form of wire or wireless communication, or by mail. If the foregoing forms of personal notice are deemed to be impracticable, notice may be communicated in a newspaper of general circulation in the area where published or by radio, television, or other form of public broadcast communication. Subject to Section 4 of ARTICLE II of these By-laws, written notice is effective at the earliest of the following: (a) when received; (b) if correctly addressed to the address listed in the most current records of the Corporation, five days after its mailing, as evidenced by the postmark or private carrier receipt; or (c) if sent by registered or certified United States mail, return receipt requested, on the date shown on the return receipt which is signed by or on behalf of the addressee. Oral notice is effective when communicated. A written waiver of notice, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be equivalent to the giving of such notice.

Section 2. Depositories. Funds of the Corporation not otherwise employed shall be deposited in such banks or other depositories as the Board of Directors, the President or the Treasurer may select or approve.

Section 3. Signing of Checks, Notes, etc. In addition to and cumulative of, but in no way limiting or restricting, any other provision of these By-laws which confers any authority relative thereto, all checks, drafts and other orders for the payment of money out of funds of the Corporation and all notes and other evidence of indebtedness of the Corporation may be signed on behalf of the Corporation, in such manner, and by such officer or person as shall be determined or designated by the Board of Directors; provided, however, that if, when, after and as authorized or provided for by the Board of Directors, the signature of any such officer or person may be a facsimile or engraved or printed, and shall have the same force and effect and bind the Corporation as though such officer or person had signed the same personally; and, in the event of the death, disability, removal or resignation of any such officer or person, if the Board of Directors shall so determine or provide, as though and with the same effect as if such death, disability, removal or resignation had not occurred.

Section 4. Gender and Number. Wherever used or appearing in these By-laws, pronouns of the masculine gender shall include the female gender and the neuter gender, and the singular shall include the plural wherever appropriate.

Section 5. Laws. Wherever used or appearing in these By-laws, the words "law" or "laws" shall mean and refer to laws of the State of Indiana, to the extent only that such are expressly applicable, except where otherwise expressly stated or the context requires that such words not be so limited.

Section 6. Headings. The headings of the Articles and Sections of these By-laws are inserted for convenience of reference only and shall not be deemed to be a part thereof or used in the construction or interpretation thereof.

ARTICLE X

Amendments

These By-laws may, from time to time, be added to, changed, altered, amended or repealed or new By-laws may be made or adopted by a majority vote of the whole Board of Directors at any meeting of the Board of Directors, if the notice or waiver of notice of such meeting shall have stated that the By-laws are to be amended, altered or repealed at such meeting, or if all directors at the time are present at such meeting, have waived notice of such meeting, or have consented to such action in writing.

ARTICLE XI

Other Provisions

Section 1. The Indiana Business Corporation Law. Except as otherwise expressly provided herein, the provisions of the Indiana Business Corporation Law, as the same may, from time to time be amended, applicable to any of the matters not herein specifically covered by these By-laws, are hereby incorporated by reference in and made a part of these By-laws.

Section 2. Mandatory Classified Board Structure. The provisions of IC 23-1-33-6 (c) shall not apply to the Corporation. ”

Exhibit 11
Computation of Per Share Earnings

(in thousands, except per share data)	Three Months Ended July 31,				Nine Months Ended July 31,			
	2009		2008		2009		2008	
	Basic	Diluted	Basic	Diluted	Basic	Diluted	Basic	Diluted
Net income (loss)	\$ (1,231)	\$ (1,231)	\$ 5,826	\$ 5,826	\$ (1,158)	\$ (1,158)	\$ 19,098	\$ 19,098
Weighted-average shares Outstanding	6,434	6,434	6,414	6,414	6,425	6,425	6,414	6,414
Dilutive effect of stock options	—	—	—	25	—	—	—	31
	<u>6,434</u>	<u>6,434</u>	<u>6,414</u>	<u>6,439</u>	<u>6,425</u>	<u>6,425</u>	<u>6,414</u>	<u>6,445</u>
Income (loss) per common share	<u>\$ (0.19)</u>	<u>\$ (0.19)</u>	<u>\$ 0.91</u>	<u>\$ 0.90</u>	<u>\$ (0.18)</u>	<u>\$ (0.18)</u>	<u>\$ 2.98</u>	<u>\$ 2.96</u>

**CERTIFICATION PURSUANT TO RULE 13a-14(a) UNDER THE SECURITIES
EXCHANGE ACT OF 1934, AS AMENDED**

I, Michael Doar, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hurco Companies, Inc.;
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 first fiscal quarter) 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 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.

/s/ Michael Doar

Michael Doar
Chairman & Chief Executive Officer
September 4, 2009

**CERTIFICATION PURSUANT TO RULE 13a-14(a) UNDER THE SECURITIES
EXCHANGE ACT OF 1934, AS AMENDED**

I, John G. Oblazney, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hurco Companies, Inc.;
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 first fiscal quarter) 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 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.

/s/ John G. Oblazney

John G. Oblazney
Vice President & Chief Financial Officer
September 4, 2009

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Hurco Companies, Inc. (the "Company") on Form 10-Q for the period ending July 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certifies, pursuant to § 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; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael Doar

Michael Doar
Chairman & Chief Executive Officer
September 4, 2009

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Hurco Companies, Inc. (the "Company") on Form 10-Q for the period ending July 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certifies, pursuant to § 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; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ John G. Oblazney

John G. Oblazney
Vice President & Chief Financial Officer
September 4, 2009
