SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

X --- Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended January 31, 1996 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	35-1150732
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
ONE TECHNOLOGY WAY INDIANAPOLIS, INDIANA	46268
(Address of principal executive offices)	(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 X No

The number of shares of the Registrant's common stock outstanding as of February 27, 1996 was 5,426,482.

HURCO COMPANIES, INC.
January 1996 Form 10-Q Quarterly Report

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PART I - FINANCIAL INFORMATION

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	THREE MONTHS ENDED JANUARY 31, 1996	1995
	(Unaudited)	
SALES AND SERVICE FEES	$ 23,224	$ 18,872
Cost of sales and service	16,749	14,214
GROSS PROFIT	6,475	4,658
Selling, general and administrative expenses	5,049	4,246
OPERATING INCOME	1,426	412

Interest expense	1,130	904
Other (income) expense, net	(276)	(19)
Income (loss) before income taxes	572	(473)
Income tax expense (benefit)	--	--
NET INCOME (LOSS)	$ 572	$ (473)
EARNINGS (LOSS) PER COMMON SHARE	$ .10	$ (.09)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	5,579	5,415

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS.

HURCO COMPANIES, INC.
CONSOLIDATED BALANCE SHEET
(Dollars in thousands)

ASSETS	January 31, 1996 (Unaudited)	October 31, 1995 (Audited)
CURRENT ASSETS:		
Cash and cash equivalents	$ 917	$ 2,072
Accounts receivable	17,004	17,809
Inventories	26,144	25,238
Other	668	1,237
Total current assets	44,733	46,356
PROPERTY AND EQUIPMENT	10,324	10,629
SOFTWARE DEVELOPMENT COSTS, LESS AMORTIZATION	3,849	3,513
OTHER ASSETS	964	923
Total non-current assets	15,137	15,065
	$ 59,870	$ 61,421
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 10,014	$ 10,570
Accrued expenses	7,642	9,552
Current portion of long-term debt	6,278	6,357
Total current liabilities	23,934	26,479
NON-CURRENT LIABILITIES		
Long-term debt	27,691	27,242
Other long-term obligations	658	217
Total non-current liabilities	28,349	27,459
SHAREHOLDERS' EQUITY:		
Preferred stock: $100 par value per share; 40,000 shares authorized; no shares issued	--	--
Common stock: no par value; $.10 stated value per share; 7,500,000 shares authorized; and 5,426,482		

and 5,425,302 shares issued, respectively	543	543
Additional paid-in capital	45,573	45,573
Accumulated deficit	(33,901)	(34,472)
Foreign currency translation adjustment	(4,628)	(4,161)
Total shareholders' equity	7,587	7,483
	$ 59,870	$ 61,421

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS.

HURCO COMPANIES, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(Dollars in thousands)

	THREE MONTHS ENDED JANUARY 31, 1996	1995
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 572	$ (473)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
Depreciation and amortization	780	643
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	418	(114)
(Increase) decrease in inventories	(1,267)	(922)
Increase (decrease) in accounts payable	(521)	(1,141)
Increase (decrease) in accrued expenses	(1,778)	(688)
Other	519	107
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(1,277)	(2,588)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of equipment	2	--
Purchases of property and equipment	(101)	(84)
Software development costs	(284)	(223)
Other investments	37	12
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	(346)	(295)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net short-term (repayment) borrowings	(84)	--
Proceeds from long-term borrowings	20,661	13,328
Repayment of long-term borrowings	(20,099)	(10,539)
Proceeds from exercise of common stock options	--	4
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	478	2,793
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(10)	28
NET INCREASE (DECREASE) IN CASH	(1,155)	(62)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,072	1,101
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 917	$ 1,039

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. GENERAL

The condensed financial information as of January 31, 1996 and 1995 is unaudited but includes all adjustments which the Company considers necessary for a fair presentation of financial position at those dates and its results of operations and cash flows for the three months then ended. It is suggested that those condensed financial statements be read in conjunction with the financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended October 31, 1995.

2. HEDGING

The U.S. dollar equivalent notional amount of outstanding foreign currency forward exchange contracts was approximately $15,270,000 as of January 31, 1996 (of which $12,733,000 related to hedges of firm intercompany sales commitments) and $18,879,000 as of October 31, 1995. Deferred gains related to hedges of intercompany sales commitments were approximately $388,000 as of January 31, 1996. Contracts outstanding at January 31, 1996 mature at various times through August 30, 1996.

3. EARNINGS PER SHARE

Earnings per share of common stock are based on the weighted average number of common shares outstanding, which includes, for the first quarter of fiscal 1996, common stock equivalents related to outstanding stock options computed using the treasury method. Such common stock equivalents totaled 153,000 shares. Fully diluted earnings per share are the same as primary earnings per share for this period. No effect has been given to options outstanding for the three months ended January 31, 1995 as no dilution would result from their exercise.

4. ACCOUNTS RECEIVABLE

The allowance for doubtful accounts was $1,068,000 as of January 31, 1996 and $1,070,000 as of October 31, 1995.

5. INVENTORIES

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

	JANUARY 31, 1996	OCTOBER 31, 1995
Purchased parts and sub-assemblies	$ 18,001	$ 17,380
Work-in-Process	2,964	3,523
Finished Goods	5,179	4,335
	$ 26,144	$ 25,238

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

THREE MONTHS ENDED JANUARY 31, 1996 COMPARED TO THREE MONTHS ENDED JANUARY 31, 1995

Total sales and service fees for the first quarter of fiscal 1996 increased $4.4 million over the first quarter of fiscal 1995. This sales growth of 23% was principally due to increased shipments of machine tool products in Europe. The introduction of the Company's new "Advantage Series" machine tool product line in Europe in the latter part of fiscal 1995 had resulted in an unusually high backlog in Europe at the beginning of fiscal 1996. This high backlog, as well as an increased availability of products for shipment, contributed to the strong first quarter 1996 sales results.

In the United States, sales and service fees for the first quarter of 1996

increased $810,000, or 7%, over the comparable 1995 period. Machine tool sales increased $745,000, or 14%, over fiscal 1995 first quarter sales because of additional availability of the "Advantage Series" products. Sales of CNC systems and software increased $166,000, or 5%, over fiscal 1995 first quarter sales because of higher unit sales, primarily to major original equipment manufacturers. These increases were offset, however, by a decrease of $101,000, or 4%, in service parts and fees from fiscal 1995 first quarter sales.

European sales and service fees increased $3.4 million, or 49%, over the first quarter of fiscal 1995 and accounted for 44% of total sales in the first quarter of fiscal 1996 compared to 37% for the same quarter of fiscal 1995. As previously noted, these increases were primarily due to the Company's introduction of the new "Advantage Series" machine tool product line in the latter part of fiscal 1995. Approximately $359,000 (10.6%) of the increase represents the effect of stronger European currencies when translating sales to U.S. dollars.

Gross profit increased by $1.8 million, or 39%, for the first quarter of fiscal 1996 over the comparable period of fiscal 1995 due to the increased sales and an increase in the gross profit margin, as a percentage of sales, from 24.7% in fiscal 1995 to 27.9% in fiscal 1996. The improvement in gross profit margin was primarily due to an increased percentage of higher-margin European sales, including sales of the higher-margin "Advantage Series" products, in the total worldwide sales mix.

Selling, general and administrative (SG&A) expenses for the first quarter of fiscal 1996 increased 19% compared to the corresponding 1995 period, principally because of increased selling expenses associated with increased unit volume, planned product introduction and promotion costs and normal annual compensation adjustments. SG&A expenses, as a percentage of sales and service fees, was 22% in the first quarter of fiscal 1996 compared to 23% for the same quarter of fiscal 1995.

The Company generated $1.4 million of operating income in the first quarter of fiscal 1996, nearly 3 1/2 times the $412,000 reported for the first quarter of fiscal 1995, because of higher sales and improvements in gross profit margins.

Interest expense for the first quarter of fiscal 1996 increased $226,000 over the amount reported in the same period of fiscal 1995 due to the amortization of the remaining $240,000 of the non-recurring contingent fees paid to the Company's lenders based on fiscal 1995 operating results.

Other income for the first quarter of fiscal 1996 includes $308,000 of income, net of legal fees, related to a patent license executed in January 1996.

No income tax expense has been provided for the first quarter of fiscal 1996. The income tax liability incurred in certain tax jurisdictions was offset by the reversal of valuation allowance reserves against the Company's net operating loss carryforwards.

Worldwide new order bookings for the first quarter of fiscal 1996 were $20.0 million, a decrease of $2.4 million, or 11%, from the first quarter of fiscal 1995. While international orders increased $1.5 million, or 20%, over the first quarter of fiscal 1995, domestic machine tool orders were substantially lower than those recorded during the 1995 first quarter. Domestic bookings during the first quarter of fiscal 1995 reflected unusually high demand for the "Advantage Series" machine tool line introduced in the United States in late fiscal 1994, fueled in part by distributor anticipation of limited product availability. The increasing availability of new products for shipment in the latter part of fiscal 1995 enabled the Company to assure its domestic customers shorter delivery times, which, along with somewhat slower machine tool demand, contributed to a reduction in domestic machine tool orders for the first quarter of fiscal 1996 compared to the fourth quarter of fiscal 1995. As a result, total backlog of $12.3 million at January 31, 1996 was lower than the near record $16.1 million at the end of fiscal 1995, although the January 31, 1996 backlog remained above the $10.6 million reported at January 31, 1995.

The Company manages its foreign currency exposure through the use of foreign currency forward exchange contracts. The Company does not speculate in the financial markets and, therefore, does not enter into those contracts for trading purposes. The Company also moderates its currency risk related to significant purchase commitments with certain foreign vendors through price adjustment agreements that provide for a sharing of, or otherwise limit, the

potential adverse effect of currency fluctuations on the costs of purchased products. The results of these programs achieved management's objectives for the first quarter of fiscal 1996.

LIQUIDITY AND CAPITAL RESOURCES

At January 31, 1996, the Company had cash and cash equivalents of $917,000 compared to $2.1 million at October 31, 1995. Cash used for operations totaled $1.3 million in the first quarter of fiscal 1996 compared to $2.6 million in the same period of fiscal 1995. During the first quarter of fiscal 1996, accounts receivable decreased by $418,000 because of lower sales in the quarter compared to the fourth quarter of fiscal 1995. Inventories increased by $1.3 million primarily due to higher levels of machine tools, both on-hand and in-transit from the Company's contract builders, to support enhanced product delivery time to customers. Accounts payable and accrued expenses decreased during the 1996 first quarter by $2.3 million primarily because of seasonal payments, related to fiscal 1995 operations, for incentive compensation, value-added taxes in Europe and non-recurring contingent fees of $600,000 due the Company's lenders.

Working capital was $20.8 million at January 31, 1996, compared to $19.9 million at October 31, 1995. During the first quarter of fiscal 1996, total debt increased by $370,000. New borrowings, along with cash and cash equivalents available at October 31, 1995, were used to fund operations during the quarter.

As of January 31, 1996, the Company had unutilized credit facilities of $5.0 million available for either direct borrowings or commercial letters of credit.

Under the terms of the Company's agreements with its lenders, which were amended and restated effective January 26, 1996, $6.3 million of term loan payments are due and payable over the next 12 months, including approximately $3.2 million in installment payments which are due on July 31, 1996. Although management believes that anticipated cash flow from operations, together with available borrowings under the Company's bank credit facilities, will be sufficient to enable the Company to meet its anticipated cash requirements for the next 12 months, including scheduled debt amortization payments, there is no assurance that planned cash flows will be achieved. Should cash flow from operations be less than currently anticipated, the Company may be required to limit planned investments in new products, equipment and business development opportunities.

In order to provide additional liquidity and working capital, the Company is considering alternatives for raising approximately $5.0 million of additional capital through the issuance and sale of equity or subordinated debt securities. The Company has no present agreements or arrangements for obtaining such additional capital and there can be no assurance that it will be obtainable on acceptable terms. Although the Company has no obligation to seek or obtain such additional capital, if it is not obtained, the Company may be subject to increased fees to its lenders.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

IMS Technology, Inc. (IMS), a wholly-owned subsidiary of the Company, owns various domestic and foreign patents covering the machining method practiced when a machine tool is integrated with an interactive CNC (the Interactive Machining Patents).

IMS commenced an action in October 1995 in the U.S. District Court for the Northern District of Illinois against Yamazaki Mazak, Machinery Systems, Inc., Okuma Machinery Works Ltd., Nissan Motor Co., Ltd., Nissan Motor Corp. USA, Inc. and various distributors and end-users. IMS has alleged that these parties have infringed IMS's Interactive Machining Patents. IMS recently moved to have this action transferred to the U.S. District Court for the Eastern District of Virginia.

Southwestern Industries, Inc. commenced an action in November 1995 in the U.S. District Court for the Central District of California against IMS seeking to have the Interactive Machining Patents declared invalid. IMS has asked the Court to dismiss this action or, alternatively, transfer it to the U.S. District Court in Virginia.

On January 11, 1996, IMS commenced an action in the U.S. District Court for the Eastern District of Virginia against each of Southwestern Industries, Inc. and Bridgeport Machines, Inc. alleging infringement by each of these companies of the Interactive Machining Patents. Southwestern asked the Virginia Court to sever action against it and transfer it to the U.S. District Court in California. The Court denied Southwestern's motion to sever and transfer.

On January 30, 1996, IMS added Mitsubishi Electric Corporation of Tokyo, Japan as a defendant to the lawsuit against Bridgeport Machine, Inc., and Southwestern Industries, Inc. in the U.S. District Court for the Eastern District of Virginia. Mitsubishi attempted a preemptive suit for declaratory judgment against IMS and the Company in Chicago. IMS has moved to have this action transferred to the U.S. District Court in Virginia. The Mitsubishi action in Chicago also included a claim alleging violation of the antitrust law by IMS and the Company arising from the Company's acquisition of the Interactive Machining Patents. IMS and the Company have moved to have this and the related claims dismissed.

On February 20, 1996, IMS filed an antitrust suit in Virginia asserting that a group of Japanese-owned companies, Mitsubishi Electric Corporation, Mitsubishi Electric America, Inc. Yamazaki Mazak Corporation, Yamazaki Mazak Trading Corporation, Mazak Corporation, Okuma Machinery Works Ltd., Okuma America Corp., Nissan Motor Co., Ltd., Nissan Motor Car Carrier Co., Ltd. and Nissan Motor Corp. USA, Inc., have engaged in a conspiracy and combination to boycott any license under the Interactive Machining Patents.

All of the above actions, unless otherwise noted, are still pending.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

3.3	Amended and Restated By-Laws of the Company dated September 12, 1995.
10.20.26	Amended and Restated Credit Agreement and Amendment to Term Loan Agreement, dated January 26, 1996, between the Registrant and NBD Bank.
10.20.27	Fifth Amendment to Letter Agreement (European Facility), dated January 26, 1996, among the Registrant's foreign subsidiaries and NBD Bank.
10.20.28	Amended and Restated Intercreditor, Agency and Sharing Agreement, dated January 26, 1996, among the Registrant, NBD Bank, Principal Mutual Life Insurance Company and NBD Bank as Agent.
10.42.7	Fourth Amendment to Amended and Restated Noted Agreement, dated January 26, 1996, between the Registrant and Principal Mutual Life Insurance Company.
11	Statement re: Computation of Per Share Earnings
27	Financial Data Schedule (electronic filing only)

(b) Reports on Form 8-K: None

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/ ROGER J. WOLF

Roger J. Wolf
Senior Vice President and
Chief Financial Officer

By: /S/ THOMAS L. BROWN

Thomas L. Brown
Corporate Controller and
Principal Accounting Officer

March 18, 1996

Exhibit 3.3

AMENDED AND RESTATED BY-LAWS OF THE COMPANY
dated September 12, 1995

AMENDED AND RESTATED

BY-LAWS

OF

HURCO COMPANIES, INC.

EFFECTIVE SEPTEMBER 12, 1995

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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 6460 Saguaro Court, Indianapolis, Indiana 46268; and the name of its Registered Agent located at such office is Michael K. Campbell.

SECTION 3. PRINCIPAL OFFICE. The address of the Principal Office of the Corporation is 6460 Saguaro Court, 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 at least twenty-five percent (25%) 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 tab ulate 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 adjournrnent.

SECTION 8. NONAPPLICATION OF STATUTE CONCERNING CONTROL SHARE ACGUISITIONS AND BUSINESS COMBINATIONS. Chapter 42 of the Indiana Business Corporation Law concerning Control Share Acquisitions (Indiana Code section 23-1-42-1 ET SEQ.) shall not apply to control share acquisitions of shares of the Corporation, and the Corporation shall not be governed by Chapter 43 of the Indiana Business Corporation Law concerning Business Combinations (Indiana Code section 23-1-43-1 ET SEG.).

SECTION 9. 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 he 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 9. 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 9, 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 10. NOTICE OF SHAREHOLDER NOMINEES. Only persons who are nominated in accordance with the procedures set forth in this Section 10 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 10. 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 10. 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 seven (7) members. The number of directors may be increased or decreased from time to time by amendment to the By-laws of the Corporation, provided that no decrease shall have the effect of shortening the term of an 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 preside at all meetings of the Board of Directors and shareholders and shall have such general supervision, direction and control of the business of the Corporation and its employees and shall exercise such general powers of management as the Board may be from time to time provide.

SECTION 7. THE PRESIDENT. The President 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, with the Secretary or an Assistant Secretary, any and all certificates for shares of the capital stock of the Corporation, and shall have the authority to sign singly deeds, bonds, mortgages, contracts, or other instruments to which the Corporation is a party (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); and shall preside at meetings of the shareholders and of the Board of Directors. He shall also serve the Corporation in such other capacities and perform such other duties and have such additional authority and powers as are incident to his office or as may be defined in these By-laws or delegated to him from time to time by 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 Presi- dent 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 l 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 By-laws, 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 section 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, t.he 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

THE INDIANA BUSINESS CORPORATION LAW

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.

Exhibit 10.20.26

AMENDED AND RESTATED CREDIT AGREEMENT AND
AMENDMENT TO TERM LOAN AGREEMENT
dated January 26, 1996, between the Registrant and NBD Bank

HURCO COMPANIES, INC.

AMENDED AND RESTATED

CREDIT AGREEMENT

AND

AMENDMENT TO TERM LOAN AGREEMENT

dated as of January 26, 1996

with

NBD BANK

AMENDED AND RESTATED CREDIT AGREEMENT
AND AMENDMENT TO TERM LOAN AGREEMENT

THIS AMENDED AND RESTATED AGREEMENT, dated as of January 26, 1996 (this "Agreement"), between HURCO COMPANIES, INC., an Indiana corporation (the "Company"), and NBD BANK (formerly known as NBD Bank, N.A.), a Michigan banking corporation ("NBD").

WHEREAS, the Company and NBD are party to a Credit Agreement and Amendment to Term Loan Agreement dated as of March 24, 1994 (as amended, the "1994 Credit Agreement"), pursuant to which NBD has committed to issue to the Company a revolving credit facility, including letters of credit, not to exceed $24,500,000 in aggregate principal amount outstanding, and has agreed to consider issuing certain supplemental letters of credit not to exceed $2,000,000 in aggregate face amount outstanding; and

WHEREAS, the Company and NBD are party to a Term Loan Agreement dated as of September 9, 1991, as amended by the 1994 Credit Agreement (the "NBD Term Loan Agreement"), pursuant to which NBD made a term loan to the Company under a Third Amended and Restated NBD Term Note dated as of May 31, 1995 (the "NBD Term Note"), executed by the Company in favor of NBD, and the Company has requested that the NBD Term Loan Agreement be further amended and that certain payments due under the NBD Term Note be deferred; and

WHEREAS, the Company and NBD are party to a Reimbursement Agreement dated as of September 1, 1990, as amended by the 1994 Credit Agreement (the "Reimbursement Agreement"), pursuant to which NBD issued its Irrevocable Letter of Credit No. 252 in favor of First of America Bank-Indianapolis in the face amount of $1,060,274 (the "IRB L/C") to secure payment of amounts due under the $1,000,000 City of Indianapolis, Indiana, Economic Development Revenue Bonds

(Hurco Companies, Inc. Project), Series 1990 (the "IRB Bonds"), and the Company has requested that the Reimbursement Agreement be further amended; and

WHEREAS, Hurco Europe Limited, a corporation organized under the laws of England and Wales ("Hurco Europe"), and Hurco GmbH Werkzeugmaschinen CIM-Bausteine Vertrieb und Service, a corporation organized under the laws of the Federal Republic of Germany ("Hurco GmbH"), and NBD are party to a letter agreement dated June 17, 1993, as amended (the "European Facility"), pursuant to which NBD, in its sole discretion, may make revolving credit loans in favor of Hurco Europe and Hurco GmbH not to exceed $5,000,000 or its Dollar Equivalent (as herein defined), with the maximum aggregate principal amount (or its Dollar Equivalent) outstanding under the revolving credit facility and the related letter of credit facility of the 1994 Credit Agreement and the European Authorization not to exceed $27,000,000; and

WHEREAS, the Company, Hurco Europe, and Hurco GmbH have requested that NBD amend the 1994 Loan Agreement (as amended hereby, the "New Facility"), the Term Loan, and the European Facility to, INTER ALIA, extend the due date for repayment of certain of the facilities; and

WHEREAS, the Company has guaranteed to NBD the obligations of Hurco Europe and Hurco GmbH under the European Facility pursuant to an Amended and Restated Guaranty dated as of September 10, 1990, as confirmed by Confirmations of Guaranty dated June 17, 1993, dated March 24, 1994, dated as of January 31, 1995, dated as of May 31, 1995, and dated as of July 31, 1995, each executed by the Company, which guaranty is to be further confirmed hereunder (collectively, the "Hurco Guaranty"); and

WHEREAS, Autocon Technologies, Inc. (the "Guarantor"), an Indiana corporation, is a wholly-owned subsidiary of the Company, and has guaranteed the Company's obligations to NBD pursuant to a Guaranty dated as of March 24, 1994, as confirmed by Confirmations of Guaranty-Autocon dated as of January 31, 1995, dated as of May 31, 1995, and dated as of July 31, 1995, which guaranty is to be further confirmed in connection with this Agreement (collectively, the "NBD Guaranty"); and

WHEREAS, IMS Technology, Inc. ("IMS"), a Virginia corporation, is a wholly-owned subsidiary of the Company, and has executed a Security Agreement-IMS (as defined below) in favor of the Agent; and

WHEREAS, the Company has issued to Principal Mutual Life Insurance Company, an Iowa corporation ("PML"), its $12,500,000 10.37% Senior Notes due December 1, 2000, as amended by the $12,500,000 11.12% Amended and Restated Senior Notes due December 1, 2000 (as amended, the "PML Notes"), pursuant to the Note Agreement dated as of December 1, 1990, as amended by the Amended and Restated Note Agreement dated as of March 24, 1994, and as further amended from time to time, between the Company and PML (as amended, the "PML Note Agreement"), and the Guarantor has guaranteed the Company's obligations to PML pursuant to a Guaranty Agreement dated as of March 24, 1994 (the "PML Guaranty"); and

WHEREAS, NBD and PML (collectively, the "Lenders"), the Company, and NBD as collateral agent (the "Agent"), have entered into an Intercreditor, Agency and Sharing Agreement dated as of March 24, 1994, which has been amended and is to be further amended and, as amended, restated pursuant to an Amended and Restated Intercreditor, Agency, and Sharing Agreement of even date herewith (collectively, the "Intercreditor Agreement"), whereby the Company has agreed to make certain payments to the Agent for the Lenders' benefit, the Lenders have agreed to share certain payments received from the Company or its Subsidiaries in certain events, and the Agent has agreed to act as collateral agent on behalf of the Lenders with respect to the Collateral (as defined below); and

WHEREAS, the Company, the Guarantor, and IMS have provided security for their respective obligations to the Lenders in the form of the Collateral under the Security Documents (as defined below); and

WHEREAS, NBD is willing to make the amendments requested and to enter into the Intercreditor Agreement and the other agreements referred to herein upon the terms and subject to the conditions contained herein.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements herein contained, the parties hereto agree as follows, intending to be legally bound.

ARTICLE I.

DEFINITIONS

.1 CERTAIN DEFINITIONS. As used herein, the following terms have the following respective meanings:

.2 "ACTIVE SUBSIDIARY" means a Subsidiary of the Company which is not an Inactive Subsidiary.

"ACTIVE DOMESTIC SUBSIDIARY" means an Active Subsidiary which is also a Domestic Subsidiary.

"ACTIVE FOREIGN SUBSIDIARY" means an Active Subsidiary which is also a Foreign Subsidiary.

"ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS" shall mean, with respect to any Plan as of any date, the "Actuarial present value of accumulated plan benefits" of such Plan as defined in Statement of Financial Accounting Standards No. 35, determined pursuant to generally accepted accounting principles, uniformly applied.

"ADVANCE" means any New Facility Loan, and any Letter of Credit Advance.

"AFFILIATE" means, as to any Person, any Subsidiary of such Person and any other Person which, directly or indirectly, controls, is controlled by, or is under common control with, such Person and, with respect to the Company, includes each officer or director or holder of 10% or more of the Company's voting stock. For the purposes of this definition, "control" means possessing the power to direct or cause the direction of management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"AMENDED TERM NOTE" means the Fourth Amended and Restated NBD Term Note of the Company substantially in the form of Exhibit D payable to the order of NBD evidencing the aggregate indebtedness of the Company to NBD under the NBD Term Loan Agreement as amended hereunder, as the Amended Term Note may be amended, supplemented or otherwise modified from time to time.

"AUTHORIZATION NOTE" means the demand promissory note of the Company evidencing the Company's obligations under the Authorization Letters of Credit, in substantially the form of Exhibit H, as amended or modified from time to time and together with any promissory notes issued in exchange or replacement therefor.

"AUTHORIZATION LETTER OF CREDIT" means a standby or commercial letter of credit or bankers acceptance having a stated expiry date not later than the Automatic Termination Date, as in effect from time to time, issued by NBD, in its sole and uncontrolled discretion, pursuant to Section 3.1(a)(ii) for the account of the Company under an application and related documentation acceptable to NBD requiring, among other things, the Company to immediately reimburse NBD in respect of all drafts or other demands for payment honored thereunder and all expenses paid or incurred by NBD relative thereto.

"AUTHORIZATION LETTER OF CREDIT ADVANCE" means any issuance of an Authorization Letter of Credit.

"AUTOMATIC TERMINATION DATE" means May 1, 1997, PROVIDED,

HOWEVER, that, upon the Company delivering to NBD a certificate required under Section 7.1(d)(ii) demonstrating that the Consolidated Tangible Net Worth of the Company and its Subsidiaries, determined in accordance with GAAP, equals or exceeds $12,000,000, this term shall thereafter mean November 1, 1997.

"BOND DEFAULT" means the occurrence of an Event of Default under Section 601(h) of the Trust Indenture or under Section 201(d)(5) of the Trust Indenture, or any corresponding default under the Loan Agreement referred to in the Trust Indenture.

"BORROWING BASE" means an amount equal to the sum of (a) the funds held in the Cash Collateral Account, plus (b) the Cash Equivalent Amount, plus (c) 80% of the Eligible Accounts Receivable, plus (d) the Eligible Inventory Amount. The Borrowing Base shall be calculated as of each specified date (a "calculation date") as follows: A Borrowing Base shall be calculated (the "New Rate Borrowing Base") using the New York foreign exchange selling rates in effect on the calculation date as reported in the Wall Street Journal Midwest Edition, and a Borrowing Base shall be calculated (the "Old Rate Borrowing Base") using the October 1995 Exchange Rates. The New Rate Borrowing Base shall be subtracted from the Old Rate Borrowing Base, and the difference not exceeding $500,000, if positive, shall be added to (or, if negative, shall be subtracted from) the New Rate Borrowing Base, which sum shall constitute the Borrowing Base.

"BORROWING BASE CERTIFICATE" shall have the meaning specified in Section 7.1(d)(vi).

"BUSINESS DAY" means a day other than a Saturday, Sunday or other day on which the Agent or any Lender is not open to the public for carrying on substantially all of its banking functions.

"CAPITAL EXPENDITURES" means capital expenditures as defined and classified in accordance with GAAP and including, without duplication, any Capital Lease and capitalized software developments costs of the Company and its Subsidiaries, computed on a consolidated basis in accordance with GAAP.

"CAPITAL LEASE" of any person means any lease which, in accordance with generally accepted accounting principles, is or should be capitalized on such person's books.

"CAPITAL STOCK" of any person means any equity securities, any securities exchangeable for or convertible into equity securities, and any warrants, rights or other options to purchase or otherwise acquire such securities.

"CASH COLLATERAL ACCOUNT" shall have the meaning specified in Section 5.5.

"CASH EQUIVALENT AMOUNT" means the lesser of (a) the value of all collected funds held in accounts maintained by the Company with NBD, and (b) $750,000.

"CODE" means the Internal Revenue Code of 1986, as amended.

"COLLATERAL" means all collateral in which the Agent has been granted a Lien by the Company or any of its Subsidiaries under any of the Security Documents.

"CONSOLIDATED" or "CONSOLIDATED" means, when used with reference to any financial term in this Agreement, the aggregate for two or more persons of the amounts signified by such term for all such persons determined on a consolidated basis in accordance with generally accepted accounting principles.

"CONSOLIDATED CURRENT ASSETS" and "CONSOLIDATED CURRENT LIABILITIES" shall have the meaning specified in the PML Note Agreement, except that any reference therein to "generally accepted accounting principles" shall mean GAAP, as defined herein.

"CONSOLIDATED FIXED CHARGES" for any period means the sum of: (a) interest expense (including the interest component of Rentals under Capital Leases and capitalized interest, but not including any interest expense accrued or paid under any Subordinated Debt), of the Company and its Subsidiaries for such period and (b) Rentals of the Company and its Subsidiaries under all leases

other than Capital Leases.

"CONSOLIDATED FIXED CHARGE NET INCOME" for any period means the consolidated net income and net losses of the Company and its Subsidiaries determined in accordance with GAAP, but excluding therefrom (a) any extraordinary gain or loss and (b) the net income of any Person (other than a Subsidiary of the Company) in which the Company or any of its Subsidiaries has an ownership interest to the extent that it has not been received by the Company or such Subsidiary in the form of dividends or other similar distributions.

"CONSOLIDATED INCOME AVAILABLE FOR FIXED CHARGES" for any period means the sum of Consolidated Fixed Charge Net Income for such period, plus (to the extent deducted in determining Consolidated Fixed Charge Net Income) (a) all provisions for any federal, state, or other income taxes made by the Company and its Subsidiaries during such period, (b) interest expense (including the interest component of Rentals under Capital Leases and capitalized interest) of the Company and its Subsidiaries during such period, and (c) Rentals of the Company under all leases other than Capital Leases.

"CONSOLIDATED TOTAL CAPITALIZATION" shall have the meaning specified in the PML Note Agreement, except that any reference therein to "generally accepted accounting principles" shall mean GAAP, as defined herein.

"CONSOLIDATED TOTAL INDEBTEDNESS" shall have the meaning specified in the PML Note Agreement, except that any reference therein to "generally accepted accounting principles" shall mean GAAP, as defined herein.

"CONTINGENT LIABILITIES" of any person shall mean, as of any date, all obligations of such person or of others for which such person is contingently liable, as obligor, guarantor, surety or in any other capacity, or in respect of which obligations such person assures a creditor against loss or agrees to take any action to prevent any such loss (other than endorsements of negotiable instruments for collection in the ordinary course of business), including without limitation all reimbursement obligations of such person in respect of any letters of credit, surety bonds or similar obligations and all obligations of such person to advance funds to, or to purchase assets, property or services from, any other person in order to maintain the financial condition of such other person.

"CREDIT OBLIGATIONS" means all present and future obligations and other liabilities of the Company and its Subsidiaries arising under or included within the Outstanding Facilities, as amended from time to time, including without limitation any interest, premium, fees, expenses, and charges relating thereto and all renewals, extensions, and refundings of the foregoing. The principal amount of the Credit Obligations shall be the aggregate of the outstanding principal amount of all loans outstanding under the Outstanding Facilities plus the face amount of the IRB L/C and the Letters of Credit plus the unreimbursed portions of any amounts drawn under the IRB L/C and the Letters of Credit.

"CURRENCY" means any non-Dollar currency in which a foreign branch of NBD is willing to issue a Letter of Credit Advance under this Agreement or has made a loan under the European Facility.

"DEBENTURE" means the Debenture dated November 8, 1994, between Hurco Europe and NBD, as amended from time to time, securing Hurco Europe's and Hurco GmbH's obligations under the European Facility.

"DOLLAR EQUIVALENT" means, with respect to each Advance in Dollars, the amount thereof, and, with respect to each Advance or loan under the European Facility in a Currency, the sum in Dollars resulting from converting the amount of such Advance or loan from the relevant Currency into Dollars at the most favorable spot exchange rate determined by NBD to be available to it for purchasing that Currency with Dollars at 11:00 a.m. local time for the relevant foreign exchange market on the date such Advance or loan is disbursed, or on such other date as of which the Dollar Equivalent determination is to be made.

"DOLLARS" and "$" means the lawful money of the United States of America.

"DOMESTIC SUBSIDIARIES" means all Subsidiaries of the Company which are organized under the laws of one of the states of the United States.

"EBITDA" means, for any period, the sum of (i) net income determined in accordance with GAAP (without taking into account any extraordinary gains or non-cash extraordinary losses), (ii) interest expense determined in accordance with generally accepted accounting principles, (iii) depreciation and amortization, (iv) federal, state and local income taxes, in each case for the Company and its Consolidated Subsidiaries, determined in accordance with GAAP.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any regulation promulgated thereunder.

"ERISA AFFILIATE" means all Subsidiaries and any trade or business (whether or not incorporated) which is a member of a group of corporations or trades and businesses of which the Company or any Subsidiary is a member and which is under common control with the Company or any Subsidiary within the meaning of Section 414 of the Code.

"EFFECTIVE DATE" means the effective date specified in Section 9.15.

"ELIGIBLE ACCOUNTS RECEIVABLE" means all accounts receivable included in the consolidated financial statements of the Company and its Subsidiaries, before reserves for bad debts, all determined in accordance with GAAP, other than any such accounts receivable which are more than 90 days past due, or are due from any Affiliate or Subsidiary of the Company.

"ELIGIBLE INVENTORY" means all inventories, including without limitation raw materials, work in process, and finished goods, included in the consolidated financial statements of the Company and its Subsidiaries, determined in accordance with GAAP.

"ELIGIBLE INVENTORY AMOUNT" means the lesser of (a) 65% of the value of the Eligible Inventory and (b) $16,500,000.

"ENVIRONMENTAL LAWS" means all provisions of law, statutes, ordinances, rules, regulations, judgments, writs, injunctions, decrees, orders, awards and standards promulgated by the government of the United States of America or any other national government having jurisdiction over the Company or the Guarantor, or by any state, province, municipality, or other subdivision thereof or therein, or by any court, agency, instrumentality, regulatory authority or commission of any of the foregoing, concerning the protection of, or regulating the discharge of substances into, the environment.

"EQUITY INFUSION" means the amount of the proceeds (net of reasonable issuance expenses) realized from the sale by the Company or any of its Subsidiaries of any Capital Stock or Subordinated Debt of the Company or any of its Subsidiaries, PROVIDED, HOWEVER, that for purposes of Section 7.2(p), "Equity Infusion" means the Company receiving net proceeds of an Equity Infusion or Infusions on or before October 31, 1997, aggregating not less than $3,000,000.

"EVENT OF DEFAULT" means any of the events or conditions described in Section 8.1.

"FISCAL YEAR" or "FISCAL YEAR" means the fiscal year of the Company, which presently begins on November 1 of each calendar year and ends on October 31 of the following calendar year. Each Fiscal Year may be referred to by reference to the calendar year during which the Fiscal Year ends, and may be divided into four "fiscal quarters".

"FLOATING RATE" means a rate per annum that is equal to the sum of (a) one-quarter of one percent (1/4 of 1%) per annum, plus (b) the Prime Rate, PROVIDED, HOWEVER, that, upon the Company delivering to NBD a certificate required under Section 7.1(d)(ii) demonstrating that the Consolidated Tangible Net Worth of the Company and its Subsidiaries, determined in accordance with GAAP, equals or exceeds $15,000,000, and until such time as the Company delivers

such a certificate demonstrating otherwise, this term shall mean a rate per annum that is equal to the Prime Rate with respect to amounts outstanding under the New Facility Note only.

"FOREIGN SUBSIDIARIES" means all Subsidiaries of the Company which are organized under the laws of a jurisdiction other than the United States or one of its states.

"GAAP" means generally accepted accounting principles applied on a basis consistent with that reflected in the financial statements of the Company for the fiscal year ended October 31, 1995, referred to in Section 6.5.

"GENERALLY ACCEPTED ACCOUNTING PRINCIPLES" means generally accepted accounting principles as determined from time to time by the Financial Accounting Standards Board or any successor organization.

"INACTIVE SUBSIDIARY" means a Subsidiary of the Company not actively engaged in business, and which has assets with a book value less than or equal to $10,000. Schedule 6.9 lists all Inactive Subsidiaries existing on the Effective Date.

"INDEBTEDNESS" or "INDEBTEDNESS" of any person means, as of any date, without duplication, (a) all obligations of such person for borrowed money, (b) all obligations of such person as lessee under any lease which, in accordance with generally accepted accounting principles, is or should be capitalized on the books of the lessee, (c) all obligations which are secured by any lien or encumbrance existing on any asset or property of such person whether or not the obligation secured thereby shall have been assumed by such person, and (d) all obligations of others similar in character to those described in clauses (a) through (c) of this definition for which such person is liable, contingently or otherwise, as obligor, guarantor or in any other capacity, or in respect of which obligations such person assures a creditor against loss or agrees to take any action to prevent any such loss (other than endorsements of negotiable instruments for collection in the ordinary course of business), including without limitation all reimbursement obligations of such person in respect of letters of credit, surety bonds or similar obligations and all obligations of such person to advance funds to, or to purchase assets, property or services from, any other person in order to maintain the financial condition of such other person.

"INTANGIBLE ASSETS" means, for the Company or any of its Subsidiaries, the net book value, calculated in accordance with GAAP, of all items of the following character which are included in the assets of such person: (i) goodwill, including without limitation the excess of cost over book value of any asset, (ii) organization or experimental expenses, (iii) unamortized debt discount and expense, (iv) patents, trademarks, trade names and copyrights, (v) deferred taxes and deferred charges, (vi) franchises, licenses and permits, and (vii) other assets which are deemed intangible assets under generally accepted accounting principles.

"INTEREST PAYMENT DATE" means the last day of each calendar month, beginning with the first such day after the Effective Date.

"LEASEHOLD MORTGAGE" means the Leasehold Mortgage and Assignment of Rents dated as of March 24, 1994, executed by the Company in favor of the Agent, as amended from time to time, providing the Agent with a first mortgage on the leasehold estate with respect to the Guarantor's headquarters facility located in Farmington Hills, Michigan.

"LETTER OF CREDIT" means any Authorization Letter of Credit or any New Facility Letter of Credit.

"LETTER OF CREDIT ADVANCE" means any Authorization Letter of Credit Advance or any New Facility Letter of Credit Advance.

"LETTER OF CREDIT DOCUMENTS" shall have the meaning specified in Section 2.5.

"LIEN" means any pledge, assignment, hypothecation, mortgage,

security interest, deposit arrangement, option, conditional sale or title retaining contract, sale and leaseback transaction, financing statement filing, lessor's or lessee's interest under any lease, subordination of any claim or right, or any other type of lien, charge, encumbrance, similar preferential arrangement or other claim or right.

"LOAN DOCUMENTS" means, collectively, this Agreement, the documents evidencing the Outstanding Facilities, the Security Documents, and any other instrument, agreement, or other writing or filing executed by the Company or the Guarantor in connection therewith.

"MORTGAGE" means the Mortgage, Assignment of Leases and Rents, Security Agreement, Financing Statement and Fixture Filing dated as of March 24, 1994, executed by the Company in favor of the Agent, as amended from time to time, providing the Agent with a first mortgage on the Company's headquarters facility located in Marion County, Indiana.

"MULTIEMPLOYER PLAN" means any "multiemployer plan" as defined in Section 4001(a)(3) of ERISA or Section 414(f) of the Code.

"NET ASSETS AVAILABLE FOR BENEFITS" shall mean, with respect to any Plan as of any date, the "Net assets available for benefits" of such Plan as defined in Statement of Financial Accounting Standards No. 35, determined pursuant to generally accepted accounting principles, uniformly applied.

"NET INCOME" means, for any period, the consolidated net income (or loss) of the Company and its Subsidiaries after deductions for income taxes, determined in accordance with GAAP.

"NEW FACILITY ADVANCE" means the issuance of any New Facility Loan or any New Facility Letter of Credit Advance.

"NEW FACILITY COMMITMENT" means NBD's commitment to make New Facility Loans and Letter of Credit Advances under the New Facility pursuant to Section 2.1 in an aggregate principal amount not to exceed $24,500,000 at any time.

"NEW FACILITY LETTER OF CREDIT" means (a) a commercial letter of credit, bankers acceptance, or bank guaranty having a stated expiry date not later than the earlier of (i) 180 days after the issuance date, and (ii) the date which is 30 days prior to the Automatic Termination Date, or (b) a standby letter of credit having a stated expiring date not later than the earlier of (i) eighteen months after the issuance date, and (ii) November 1, 1997, each issued by NBD under the New Facility for the account of the Company under an application and related documentation acceptable to NBD requiring, among other things, the Company to immediately reimburse NBD in respect of all drafts or other demands for payment honored thereunder and all expenses paid or incurred by NBD relative thereto.

"NEW FACILITY LETTER OF CREDIT ADVANCE" means any issuance of a New Facility Letter of Credit under the New Facility.

"NEW FACILITY LOAN" means any borrowing under Section 3.1 (other than a Letter of Credit Advance) or Section 2.5.

"NEW FACILITY NOTE" means the New Facility Note of the Company substantially in the form of Exhibit A payable to the order of NBD evidencing the aggregate indebtedness of the Company to NBD under the New Facility, as the New Facility Note may be amended, supplemented or otherwise modified from time to time.

"NOTES" means the Authorization Note and the New Facility Note.

"OCTOBER 1995 EXCHANGE RATES" means the following rates of exchange, expressed as the Dollar Equivalent per unit, for the following Currencies:

British Pound	$1.5805
German Mark	.7107
French Franc	.2049
Singapore Dollar	.7072

"OUTSTANDING FACILITIES" means, collectively, the New Facility, the New Facility Note, the NBD Term Loan Agreement (as amended hereby), the Amended Term Note, the Reimbursement Agreement (as amended hereby), the IRB L/C, the Hurco Guaranty, the NBD Guaranty, the Authorization Note, and the Letters of Credit, each as existing following the execution of this Agreement.

"OVERDUE RATE" means, with respect to the Outstanding Facilities, a rate per annum that is equal to the sum of three percent (3%) per annum plus the Floating Rate.

"PBGC" means the Pension Benefit Guaranty Corporation and any entity succeeding to any or all of its functions under ERISA.

"PERMITTED INVESTMENTS" means any investment in (i) direct obligations of the United States or any agency thereof, or obligations guaranteed by the United States or any agency thereof, (ii) commercial paper rated not less than "P-1" if rated by Moody's Investors Services, Inc., or not less than "A-1" if rated by Standard and Poor's Corporation, or (iii) time deposits or demand deposits with, including certificates of deposit issued by, a financial institution (which may be the Agent or any other financial institution) having a long-term debt rating of at least "A" as assigned by a nationally recognized credit rating agency, PROVIDED in each case that such investment matures within 90 days from the date of its acquisition.

"PERSON" or "PERSON" shall include an individual, a corporation, an association, a partnership, a trust or estate, a joint stock company, an unincorporated organization, a joint venture, a government (foreign or domestic) and any agency or political subdivision thereof, or any other entity.

"PLAN" means any employee pension benefit plan subject to Title IV of ERISA or to the minimum funding standards of Section 412 of the Code (i) which has been established or maintained by the Company or any ERISA Affiliate, (ii) to which the Company or any ERISA Affiliate has been required to contribute on behalf of any of its employees, or (iii) which any predecessor company has established, maintained or contributed to and with respect to which the predecessor company, the PBGC, the Internal Revenue Service, the Department of Labor, or any governmental agency claims or any court determines that the Company or any ERISA Affiliate has acted as an employer.

"PLEDGE AGREEMENT" means the Pledge Agreement dated as of March 24, 1994, executed by the Company in favor of the Agent, as it may be amended or modified from time to time.

"PRIME RATE" means the rate per annum equal to the greater of:

(a) the per annum rate announced by NBD from time to time as its "prime rate" (it being acknowledged that such announced rate may not necessarily be the lowest rate charged by NBD to any of its customers), which prime rate shall change simultaneously with any change in such announced rate, and

(b) the sum of (i) one and one-half percent (1-1/2%) per annum plus (ii) the per annum federal funds rate for overnight borrowings from other banks in NBD's regional federal funds market at the opening of business on each day, as determined by NBD; all as conclusively determined in good faith by NBD, absent manifest error in calculation, such sum to be rounded up, if necessary, to the nearest whole multiple of 1/100 of 1%.

"PROHIBITED TRANSACTION" means any transaction involving any Plan which is proscribed by Section 406 of ERISA or Section 4975 of the Code.

"RENTALS" as of the date of any determination thereof means all fixed payments (including all payments which the lessee is obligated to make to the lessor on termination of the lease or surrender of the property) payable by the Company or a Subsidiary of the Company, as lessee or sublessee under a lease of real or personal property, but exclusive of any amounts required to be paid by the Company or a Subsidiary of the Company (whether or not designated as rents or additional rents) on account of maintenance, repairs, insurance, taxes, assessments, amortization and similar charges. Fixed rents under any so-called "percentage leases" shall be computed solely on the basis of the minimum rents,

if any, required to be paid by the lessee regardless of sales volume or gross revenues.

"REPORTABLE EVENT" means a reportable event as described in Section 4043(b) of ERISA including those events as to which the thirty (30) day notice period is waived under Part 2615 of the regulations promulgated by the PBGC under ERISA.

"SECURITY AGREEMENT-GUARANTOR" means the Security Agreement dated as of March 24, 1994, executed by the Guarantor in favor of the Agent, as it may be amended or modified from time to time.

"SECURITY AGREEMENT-HURCO" means the Security Agreement dated as of March 24, 1994, executed by the Company in favor of the Agent, as it may be amended or modified from time to time.

"SECURITY AGREEMENT-IMS" means the Security Agreement-IMS dated as of June 13, 1995, executed by IMS in favor of the Agent, as it may be amended or modified from time to time.

"SECURITY AGREEMENTS" means, collectively, the Security Agreement-Guarantor, the Security Agreement-IMS, and the Security Agreement-Hurco.

"SECURITY DOCUMENTS" means the Security Agreements, the Mortgage, the Leasehold Mortgage, the NBD Guaranty, the Hurco Guaranty, the Pledge Agreement, the Debenture, and all other Security Documents as defined in the Intercreditor Agreement, together with any other instrument, agreement, financing statement, landlord's waiver, or other writing or filing executed in connection therewith.

"SUBORDINATED DEBT" of any person means any Indebtedness for borrowed money which expressly provides that no payment of any principal or interest shall be made to the holders thereof so long as the Advances remain outstanding and which is otherwise expressly subordinate and junior in right and priority of payment to all Advances and other Indebtedness of such person to NBD in the manner and by agreement satisfactory in form and substance to NBD.

"SUBSIDIARY" of any person means any corporation (whether now existing or hereafter organized or acquired), in which at least a majority of the securities of each class having ordinary voting power for the election of directors (other than securities which have such power only by reason of the happening of a contingency), at the time as of which the determination is being made, is owned, beneficially and of record, by such person or by one or more of the other Subsidiaries of such person or by any combination thereof.

"TANGIBLE NET WORTH" of any person means, as of any date, (a) the amount of any capital stock, paid-in capital and similar equity accounts, plus (or minus in the case of a deficit) the capital surplus and retained earnings of such person, and excluding the amount of any foreign currency translation adjustment account shown as a capital account of such person, plus (b) the amount of any Subordinated Debt, less (c) any treasury stock, and less (d) the Intangible Assets of such person.

"TERMINATION DATE" means the earliest to occur of the following: (i) the Automatic Termination Date, or (ii) the date upon which the Credit Obligations are declared due and payable under Section 8.2.

"TRUST INDENTURE" means the Trust Indenture dated as of September 1, 1990, between the City of Indianapolis, Indiana, and First of America Bank-Indianapolis, as trustee, as amended from time to time, entered into in conjunction with the IRB Bonds.

"UCC" means the Uniform Commercial Code as the same may, from time to time, be in effect in the State of Michigan; PROVIDED, HOWEVER, in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection, or priority of the Agent's security interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of Michigan, the term "UCC" means the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the

provisions hereof relating to such attachment, perfection or priority and for purposes of definitions related to such provisions.

.2 OTHER DEFINITIONS; RULES OF CONSTRUCTION. As used herein, the terms defined in the introductory paragraphs of this Agreement shall have the respective meanings ascribed thereto in the introductory paragraphs of this Agreement. Such terms, together with the other terms defined in Section 1.1, shall include both the singular and the plural forms thereof and shall be construed accordingly. All computations required hereunder and all financial terms used herein shall be made or construed in accordance with generally accepted accounting principles unless such principles

are inconsistent with the express requirements of this Agreement. Use of the terms "herein", "hereof", and "hereunder" shall be deemed references to this Agreement in its entirety and not to the Section or clause in which such term appears. All references to the "face amount" of any Letters of Credit shall mean the maximum amount available to be drawn thereunder, assuming compliance with all conditions to drawing.

ARTICLE II.

THE NEW FACILITY

.3 AGREEMENT OF NBD.

(a) NEW FACILITY. (i) NBD agrees, subject to the terms and conditions of this Agreement, to establish for the Company the New Facility through its main office in Detroit, Michigan, and its foreign branches, from and including the Effective Date to but excluding the Termination Date, and to make loans under the New Facility pursuant to Section 2.5 and Section 3.1, and to issue New Facility Letters of Credit pursuant to Section 3.1, from time to time from and including the Effective Date to but excluding the Termination Date, not to exceed in aggregate principal amount at any time outstanding the New Facility Commitment as of the date the Advance is made.

(i) NBD agrees that the New Facility consolidates, restates, and supersedes the 1994 Credit Agreement, and the Company hereby acknowledges, accepts, and ratifies the New Facility. All amounts outstanding under the 1994 Credit Agreement on the Effective Date shall constitute New Facility Loans under the New Facility. Each letter of credit, bankers acceptance, and bank guaranty issued by NBD for the Company's account which is outstanding on the Effective Date (other than the IRB L/C and Authorization Letters of Credit) shall constitute New Facility Letters of Credit issued under the New Facility.

(b) LIMITATION ON AMOUNTS OF ADVANCES. Notwithstanding anything in this Agreement to the contrary,

(i) the aggregate principal amount of Advances under the New Facility outstanding at any time shall not exceed the New Facility Commitment;

(ii) the aggregate principal amount of Advances outstanding under the New Facility plus the principal amount outstanding under the European Facility plus the aggregate principal amount of Authorization Letter of Credit Advances outstanding and principal amounts outstanding under the Authorization Note at any time shall not exceed the amount of the Borrowing Base as of the most recent Borrowing Base Certificate;

(iii) the aggregate principal amount of New Facility Advances made to the Company, together with the aggregate amount of loans made to Hurco Europe and Hurco GmbH under the European Facility, outstanding at any time shall not exceed $27,000,000;

(iv) the aggregate principal amount of

any New Facility Letter of Credit Advances outstanding at any time shall not exceed $9,500,000;

(v) the aggregate principal amount of any New Facility Letter of Credit Advances outstanding at any time in the form of standby letters of credit shall not exceed $2,000,000; and

(vi) the aggregate principal amount of any Authorization Letter of Credit Advances outstanding at any time shall not exceed $2,000,000.

.4 A AUTHORIZATION LETTERS OF CREDIT. NBD, in its sole and uncontrolled discretion, and subject to Section 2.1(b)(ii), may issue Authorization Letters of Credit for the benefit of the Company pursuant to Section 3.1(a)(ii) from time to time to but excluding the day which is 120 days prior to the Automatic Termination Date, as in effect from time to time, not to exceed at any time outstanding the aggregate amount of $2,000,000.

.5 AMOUNT OF LETTER OF CREDIT ADVANCES. For purposes of this Agreement, a Letter of Credit Advance (a) shall be deemed outstanding in an amount equal to the sum of the maximum amount available to be drawn under the related Letter of Credit on or after the date of determination and on or before the stated expiry date thereof plus the amount of any draws under such letter of credit that have not been reimbursed as provided in Section 2.5, and (b) shall be deemed outstanding at all times on and before the stated expiry date of the related Letter of Credit or such earlier date on which all amounts available to be drawn under such Letter of Credit have been fully drawn or on which the Letter of Credit is surrendered by the beneficiary, and thereafter until all related reimbursement obligations have been paid pursuant to Section 2.5. As provided in Section 2.5, upon each payment made by NBD in respect of any draft or other demand for payment under any Letter of Credit, the amount of any Letter of Credit Advance outstanding immediately prior to such payment shall be automatically reduced by the amount of each New Facility Loan deemed advanced in respect of the related reimbursement obligation.

.6 FEES.

(a) COMMITMENT FEE. The Company agrees to pay to NBD a commitment fee on the unused New Facility Commitment, for the period from the Effective Date to but excluding the Termination Date, at a rate equal to one-half of one percent (1/2 of 1%) per annum, payable monthly in arrears on each Interest Payment Date.

(b) CLOSING FEE. The Company agrees to pay to NBD a closing fee in the amount of $90,000 on or before the Effective Date.

(c) AUTHORIZATION USAGE FEE. The Company agrees to pay to NBD an initial usage fee of $10,000 on or before the Effective Date, and a fee of $10,000 on or before the first date that an Authorization Letter of Credit Advance is made in an amount which, together with the amount of all Authorization Letters of Credit then outstanding, equals or exceeds $2,000,000.

(d) DEFERRAL FEE. The Company agrees to pay to NBD a deferral fee of $12,500 on or before the Effective Date.

(e) LEVERAGE FEE. The Company agrees to pay to NBD on each payment date set forth below the amounts set forth next to such payment date if the Company does not deliver to NBD a certificate required under Section 7.1(d)(ii) as of the corresponding reporting date set forth below which demonstrates that the Consolidated Tangible Net Worth of the Company and its Subsidiaries as of the reporting date, determined in accordance with GAAP, equals or exceeds $12,000,000:

Reporting DATE	Leverage FEE	Payment DATE
July 31, 1996	$ 60,000	August 25, 1996
August, 31, 1996	60,000	September 25, 1996
September 30, 1996	100,000	October 25, 1996
October 31, 1996	100,000	November 25, 1996

.7 LETTER OF CREDIT FEES. The Company agrees to pay to NBD a fee at the rate equal to (a) two percent (2%) per annum on the amount of each Letter of Credit Advance made after the Effective Date (I.E., this fee shall not be payable in respect of the Letters of Credit which are outstanding on the Effective Date) in the form of a standby letter of credit, a time draft, a bankers acceptance, or a bank guaranty, and (b) one-half of one percent (1/2 of 1%) per annum on the amount of each Letter of Credit Advance made after the Effective Date (I.E., this fee shall not be payable in respect of the Letters of Credit which are outstanding on the Effective Date) in the form of a sight draft, each to be calculated from the date of the Letter of Credit Advance until the stated expiry date of the corresponding Letter of Credit. Such fees are nonrefundable and the Company shall not be entitled to any rebate if a Letter of Credit does not remain outstanding through its stated expiry date or for any other reason. The Company further agrees to pay to NBD, on demand, all other customary administrative fees, charges, and expenses relating to issuing, negotiating, accepting, amending, transferring, and paying all Letters of Credit, or otherwise payable pursuant to the documents under which each Letter of Credit is issued. Such fee is payable at the time the Company requests any Letter of Credit Advance.

.8 LETTER OF CREDIT REIMBURSEMENT PAYMENTS. (a) The Company agrees to pay to NBD on the day on which NBD honors a draft or other demand for payment presented or made under any Letter of Credit, an amount equal to the amount paid by NBD in respect of such draft or other demand under such Letter of Credit and all expenses paid or incurred by NBD relating thereto. Unless such payment has been made on such day, upon each such payment, NBD shall be deemed to have disbursed to the Company, and the Company shall be deemed to have elected to satisfy its reimbursement obligation by, a New Facility Loan made on such day bearing interest at the applicable rate in an amount equal to the amount so paid under the Letter of Credit. The New Facility Loan shall be disbursed notwithstanding any failure to satisfy any conditions for disbursement of any New Facility Loan set forth in Article III and, to the extent of the New Facility Loan disbursed, the Company's reimbursement obligation under this Section shall be deemed satisfied, PROVIDED, HOWEVER, that disbursing a New Facility Loan in spite of the failure to satisfy any conditions for disbursement shall not constitute a waiver of any Event of Default.

(a) The Company's reimbursement obligation under this Section shall be absolute, unconditional and irrevocable and shall remain in full force and effect until all the Company's obligations hereunder shall have been satisfied, notwithstanding the occurrence of any of the following events, whether or not with notice to, or the consent of, the Company:

(i) Any lack of validity or enforceability of any Letter of Credit or any documentation relating to any Letter of Credit or to any transaction related in any way to such Letter of Credit (the "Letter of Credit Documents");

(ii) Any amendment, modification, waiver, consent, or any substitution, exchange or release of or failure to perfect any interest in collateral or security, with respect to any of the Letter of Credit Documents;

(iii) The existence of any claim, setoff, defense or other right which the Company may have at any time against any beneficiary or any transferee of any Letter of Credit (or any persons or entities for whom any such beneficiary or any such transferee may be acting), NBD, or any other person or entity, whether in connection with any of the Letter of Credit Documents, the transactions contemplated herein or therein or any unrelated transactions;

(iv) Any draft or other statement or document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(v) Payment to the beneficiary under any Letter of Credit against presentation of documents which do not comply with the terms of the Letter of Credit, including failure of any documents to bear any reference or adequate reference to such Letter of Credit, so long as such documents substantially comply with the terms of the Letter of Credit;

(vi) Any failure, omission, delay or lack on the part of any party to any of the Letter of Credit Documents to

enforce, assert or exercise any right, power or remedy conferred upon any such party under this Agreement or any of the Letter of Credit Documents, or any other acts or omissions on the part of any such party;

(vii) Any other event or circumstance that would, in the absence of this clause, result in the release or discharge by operation of law or otherwise of the Company from performing or observing any obligation, covenant or agreement contained in this Section.

No setoff, counterclaim, reduction or diminution of any obligation or any defense of any kind or nature which the Company has or may have against the beneficiary of any Letter of Credit shall be available hereunder to the Company against NBD.

ARTICLE III.

DISBURSEMENTS UNDER NEW FACILITY

.9 DISBURSEMENT OF ADVANCES. (a) (i) The Company shall give NBD notice of its request for each New Facility Advance in substantially the form of Exhibit B hereto not later than 12:00 p.m. Noon Detroit time (i) five Business Days prior to the date any New Facility Letter of Credit Advance is requested to be made, and (ii) on the Business Day any New Facility Loan is requested to be made, which notice shall specify whether a New

Facility Loan or a New Facility Letter of Credit is requested and, in the case of each New Facility Letter of Credit Advance, such information as may be necessary for its issuance by NBD. Subject to the terms of this Agreement, the proceeds of each requested New Facility Advance shall be made available to the Company by depositing the proceeds thereof, in immediately available funds, in an account maintained and designated by the Company at NBD's principal office.

(i) The Company shall give NBD notice of its request for each Authorization Letter of Credit Advance in accordance with Section 9.2 not later than 12:00 p.m. Noon Detroit time five Business Days prior to the date any Authorization Letter of Credit Advance is requested to be made, which notice shall contain such information as may be necessary for its issuance by NBD. The Company shall contemporaneously provide PML with a copy of such request in the manner specified for notices in the Intercreditor Agreement.

(b) All New Facility Loans shall be evidenced by the New Facility Note, all reimbursement obligations under the Authorization Letters of Credit shall be evidenced by the Authorization Note, and all such loans shall be due and payable and bear interest as provided in this Agreement. NBD is hereby authorized by the Company to record on the schedule attached to the Notes, or in its books and records, the date, amount and type of each loan, the amount of each payment or prepayment of principal thereon, and the other information provided for on such schedule, which schedule or books and records, as the case may be, shall constitute prima facie evidence of the information so recorded, PROVIDED, HOWEVER, that failure of NBD to record, or any error in recording, any such information shall not relieve the Company of its obligation to repay the outstanding principal amount of the loans, all accrued interest thereon, and other amounts payable with respect thereto in accordance with the terms of the Notes and this Agreement. Subject to the terms of this Agreement, the Company may borrow New Facility Loans under this Section, prepay New Facility Loans pursuant to Section 5.2, and reborrow New Facility Loans under this Section.

(c) Subject to the terms of this Agreement, NBD shall, on the date any Letter of Credit Advance is requested to be made, issue the related Letter of Credit for the account of the Company. Notwithstanding anything herein to the contrary, NBD may decline to issue any requested Letter of Credit on the basis that the beneficiary, the purpose of issuance, or the terms of the drawing are unacceptable to it.

(d) Notwithstanding any provisions of this Agreement, it is understood and agreed that NBD shall at no time be obligated to make any Authorization Letter of Credit Advance hereunder, despite compliance with any express conditions precedent thereto, and NBD shall be privileged at any time to make demand for payment of the Authorization Note, the reimbursement obligations, the cash collateral obligations pursuant to Section 5.2A, and all

other indebtedness, obligations and liabilities of the Company to NBD in connection with the Authorization Letters of Credit, despite the fact that there may not then exist an Event of Default.

.10 CONDITIONS FOR FIRST DISBURSEMENT. The obligation of NBD to make the first Advance hereunder is subject to the Company delivering the following documents and the following matters being completed, all in form and substance satisfactory to NBD:

(a) CHARTER DOCUMENTS. Certificates of recent date of the appropriate authority or official of the Company's and the Guarantor's respective jurisdiction of organization listing all charter documents of the Company and the Guarantor, respectively, on file in that office and certifying as to the good standing and corporate existence of the Company and the Guarantor, respectively, together with copies of the charter documents of the Company and the Guarantor, certified as of a recent date by such authority or official and certified as true and correct as of the Effective Date by a duly authorized officer of the Company and the Guarantor, respectively;

(b) BY-LAWS AND CORPORATE AUTHORIZATIONS. Copies of the by-laws of the Company and the Guarantor, together with all authorizing resolutions and evidence of other corporate action taken by the Company and the Guarantor to authorize their respective execution, delivery and performance of this Agreement and the other Loan Documents to which the Company or the Guarantor is a party and the consummation by the Company or the Guarantor of the transactions contemplated hereby and thereby, certified as true and correct as of the Effective Date by a duly authorized officer of the Company and the Guarantor, respectively;

(c) INCUMBENCY CERTIFICATE. Certificates of incumbency of the Company and the Guarantor containing, and attesting to the genuineness of, the signatures of those officers authorized to act on behalf of the Company and the Guarantor in connection with this Agreement and the other Loan Documents to which the Company or the Guarantor is a party, and the consummation by the Company and the Guarantor of the transactions contemplated hereby and thereby, certified as true and correct as of the Effective Date by a duly authorized officer of the Company and the Guarantor;

(d) NOTES. The New Facility Note, the Amended Term Note, and the Authorization Note, each duly executed on the Company's behalf;

(e) EUROPEAN FACILITY. A letter agreement, in form and substance satisfactory to NBD, amending the European Facility, duly executed by Hurco Europe and Hurco GmbH, a confirmation of the Debenture, duly executed by Hurco Europe, and a confirmation of the Hurco Guaranty duly executed by the Company, together with any documents and certificates required to be delivered thereunder;

(f) LEASED PROPERTY. Schedule 3.2(f) setting forth all real property leased by the Company and the Guarantor, together with copies of the related leases, certified as true and correct as of the Effective Date by a duly authorized officer of the Company;

(g) CONFIRMATIONS. A Confirmation of the NBD Guaranty and the Security Agreement-Guarantor duly executed by the Guarantor, a confirmation of the Hurco Guaranty, the Pledge Agreement, the Security Agreement-Hurco, the Mortgage, and the Leasehold Mortgage duly executed by the Company, and a confirmation of the Security Agreement-IMS duly executed by IMS;

(h) LEGAL OPINIONS. The favorable written opinion of counsel for the Company, the Guarantor, and IMS, substantially in the form of Exhibit C, and as to such other matters as NBD may reasonably request;

(i) CONSENTS, APPROVALS, ETC. Copies

of all governmental and nongovernmental consents, approvals, authorizations, declarations, registrations or filings, if any, required on the part of the Company or any Guarantor in connection with the execution, delivery and performance of this Agreement and the other Loan Documents or the transactions contemplated hereby or as a condition to the legality, validity or enforceability of this Agreement and the other Loan Documents, certified as true and correct and in full force and effect as of the Effective Date by a duly authorized officer of the Company, or if none is required, a certificate of such officer to that effect;

(j) FEES. The fee described in Section 2.3(b) and the initial usage fee described in Section 2.3(e) shall have been paid to NBD;

(k) LEGAL FEES. The reasonable fees and out-of-pocket expenses submitted to the Company by counsel to NBD and the Agent incurred prior to the Effective Date in connection with preparing and executing this Agreement and the Security Documents, to the extent then available; and

(l) OTHER DOCUMENTS. The Company shall deliver such other agreements, documents and certificates requested by NBD.

.11 FURTHER CONDITIONS FOR DISBURSEMENT. The obligation of NBD to make any Advance (including the first Advance) is further subject to the satisfaction of the following conditions precedent:

(a) The representations and warranties contained in Article VI hereof and in the Security Documents shall be true and correct on and as of the date such Advance is made (both before and after such Advance is made) as if such representations and warranties were made on and as of such date;

(b) No Event of Default, and no event or condition which might become such an Event of Default with notice or lapse of time, or both, shall exist or shall have occurred and be continuing on the date such Advance is made (whether before or after such Advance is made); and

(c) NBD shall have received the Borrowing Base Certificate required to be delivered under Section 7.1(d)(vi) as of the day next preceding the date of such Advance, and the aggregate principal amount of the Advances then outstanding, after giving effect to the requested Advance, does not exceed the Borrowing Base as calculated in the Borrowing Base Certificate; and

(d) In the case of any Letter of Credit Advance, the Company shall have delivered to NBD an application for the related Letter of Credit and other related documentation requested by NBD appropriately completed and duly executed on the Company's behalf.

The Company shall be deemed to have made a representation and warranty to NBD at the time of making each Advance to the effect set forth in clauses (a) and (b) of this Section.

.12 MINIMUM AMOUNTS. Except for New Facility Loans which exhaust the entire remaining amount of the New Facility Commitment, each loan hereunder and each prepayment thereof shall be in a minimum amount of $200,000 and in an integral multiple of $10,000. Each Letter of Credit hereunder shall be in a minimum face value of the Dollar Equivalent of $100,000.

ARTICLE IV.

AMENDMENTS TO TERM LOAN AGREEMENT AND REIMBURSEMENT AGREEMENT

.13 ADMINISTRATION OF OUTSTANDING FACILITIES. The Company will pay or cause to be paid all amounts required to be paid on the NBD Term Loan Agreement and the Reimbursement Agreement under Section 5.3 and perform or cause to be performed all other obligations contained in the Outstanding Facilities, except to the extent any such performance would be inconsistent with the requirements of this Agreement. The NBD Term Loan Agreement, the Reimbursement Agreement, and the IRB L/C shall continue to be governed by the documents under which they were originally issued, as amended through the Effective Date, and as further amended under this Agreement below.

.14 AMENDMENTS TO NBD TERM LOAN. After the Effective Date, the NBD Term Loan Agreement is amended as follows:

(a) DEFINITIONS. Section 1.1 of the NBD Term Loan Agreement is amended by adding the following definition: "'NEW FACILITY CREDIT AGREEMENT' shall mean the Amended and Restated Credit Agreement and Amendment to Term Loan Agreement dated as of January 26, 1996, between the Borrower and the Bank, as such agreement may be amended from time to time."

(b) PAYMENT PROVISIONS OF THE TERM LOAN. The Term Note (as defined in the NBD Term Loan Agreement) is amended and restated by the Amended Term Note. The due date of each principal payment required under Section 3.1 of the NBD Term Loan Agreement shall be amended to require that the principal amount of the Term Loan (as defined in the NBD Term Loan Agreement) shall be payable in installments of (i) $1,467,568.28 payable on the earlier of the Equity Infusion and July 31, 1996, (ii) $1,250,000 on September 30, 1996, and (iii) $1,250,000 and all other outstanding amounts payable thereunder on September 30, 1997. The NBD Term Loan Agreement is further modified to provide that, notwithstanding any provisions therein to the contrary, on and after the Effective Date (as defined in this Agreement), interest shall accrue on the Term Loan at the Floating Rate (as defined in this Agreement), and be payable on each Interest Payment Date (as defined in this Agreement).

(c) COVENANTS. The first paragraph of Section 5.1 of the NBD Term Loan Agreement is amended and restated to delete references and incorporation therein of the referenced Sections of the Credit Agreement (as defined therein), and to insert in lieu thereof and incorporate by reference the covenants set forth in Section 7.1 and Section 7.2 of this Agreement, including definitions of defined terms used therein and exhibits referred to therein, except that (i) all cross-references shall be deemed to refer to the relevant provision or provisions as incorporated therein, (ii) references therein to "hereof", "hereto", "herein", and "Agreement" shall be deemed to refer to the NBD Term Loan Agreement, (iii) Sections 7.1(a) through 7.1(j) shall be redesignated as Sections 5.1(a) through 5.1(j), respectively, and Sections 7.2(a) through 7.2(r) shall be redesignated as Sections 5.2(a) through 5.2(r), respectively, and (iv) references in such sections as incorporated therein to the defined term "Event of Default" shall be deemed references to that term as defined in the NBD Term Loan Agreement. Section 5.1 of the NBD Term Loan Agreement is further amended by changing the phrase "Credit Agreement" in the second paragraph of that Section to the phrase "New Facility Credit Agreement".

(d) EVENTS OF DEFAULT. Section 6.1 of the NBD Term Loan Agreement is amended and restated to delete references and incorporation therein of the referenced Sections of the Credit Agreement (as defined therein) and to insert in lieu thereof and incorporate by reference the Events of Default set forth in Sections 8.1(a) through 8.1(j) of this Agreement, including definitions of defined terms used therein and exhibits referred to therein, except that (i) all cross-references shall be deemed to refer to the relevant provision or provisions as incorporated therein, (ii) references therein to "hereof", "hereto", "herein", and "Agreement" shall be deemed to refer to the NBD Term Loan Agreement, and (iii) Sections 8.1(a) through 8.1(j) shall be redesignated as Sections 6.1(a) through 6.1(j), respectively. Section 6.1 of the NBD Term Loan Agreement is further amended by changing the phrase "Credit Agreement" in the last two sentences of that Section to the phrase "New Facility Credit Agreement".

.15 AMENDMENTS TO REIMBURSEMENT AGREEMENT. After the Effective Date, the Reimbursement Agreement is amended as follows:

(a) DELAYING REPAYMENT OF REIMBURSEMENT OBLIGATION. The text of Section 1.06 of the Reimbursement Agreement is designated as subsection (a) of that Section, and a new subsection (b) is added to Section 6.01, to read as follows: "Notwithstanding anything herein to the contrary, the Company may defer payment of its reimbursement obligations under this Agreement on account of the Bank's honoring of any draft under the Letter of Credit, such draft resulting from the expiry date under the Letter of Credit not being extended for at least one year under Section 6.10 hereof, to the Termination Date (as defined in the Credit Agreement (as defined in Section 4.02(b) hereof, as amended)). Prior to such due date, the Company shall pay interest on the reimbursement amount at the rate and on the dates interest is determined and due under the Credit Agreement on New Facility Loans (as defined therein)."

(b) NEGATIVE COVENANTS. The first two sentences of Section 4.02(b) of the Reimbursement Agreement are amended to read as follows: "Permit or suffer the breach of any covenant or agreement contained in Section 7.2 of the Amended and Restated Credit Agreement and Amendment to Term Loan Agreement between the Company and the Bank, dated as of January 26, 1996 (as amended or modified from time to time with the written consent of the Bank, the "Credit Agreement"). All such provisions of Section 7.2, including definitions of defined terms used therein and exhibits referred to therein are hereby incorporated by reference and made a part of this Agreement to the same extent as if set forth fully herein, except that all cross-references shall be deemed to refer to the relevant provision or provisions as incorporated herein."

(c) EVENTS OF DEFAULT. Section 5.01(i) of the Reimbursement Agreement is amended to read as follows: "A default (not caused by the failure of the Bank to perform its payment obligations under the Letter of Credit and not a Bond Default (as defined in the Credit Agreement)) under any of the Operative Documents shall have occurred and be continuing without being cured or waived pursuant thereto; or".

ARTICLE V.

PAYMENTS, PREPAYMENTS,
AND REDUCTIONS OF OBLIGATIONS

.16 PAYMENTS ON THE TERMINATION DATE. On the Termination Date, the Company shall repay the entire unpaid amount of the New Facility and the other Outstanding Facilities and deposit into the Cash Collateral Account those amounts then required under Section 5.5 with respect to the IRB L/C and the Letters of Credit.

.17 PERMITTED PRINCIPAL PREPAYMENTS. The Company may at any time and from time to time prepay all or a portion of the principal amount of the New Facility Loans in accordance with Section 3.1(b), without premium or penalty, provided that the Company shall have notified NBD not later than 12:00 p.m. Noon Detroit time on the Business Day a prepayment is to be made.

5.2A AUTHORIZATION NOTE PAYMENTS. Unless earlier payment is required under this Agreement, the Company shall pay to NBD on demand the entire outstanding principal amount of the Authorization Note and immediately deliver cash collateral to NBD in an amount equal to the maximum amount that may be available to be drawn at any time prior to the stated expiry of all outstanding Authorization Letters of Credit, which cash collateral shall be held in the Cash Collateral Account and is hereby pledged to NBD to secure all indebtedness, obligations and liabilities of any kind of the Company to NBD, and the Company agrees to execute such further written agreements and documents in form and substance satisfactory to NBD to further document such pledge.

.18 OUTSTANDING FACILITY PAYMENTS. The Company shall pay or cause to be paid when due (a) all regularly scheduled principal payments on the Outstanding Facilities and (b) all payments of interest and fees (including without limitation letter of credit fees and commitment fees) which are owing under the Outstanding Facilities.

.19 MANDATORY PRINCIPAL PAYMENTS.

(a) SPECIAL MANDATORY PAYMENTS. The Company shall make or cause to be made to the Agent the payments required to be made under Section 3.1 of the Intercreditor Agreement. The amount of the New Facility Commitments shall be permanently reduced by an amount equal to all such payments which are applied on the New Facility Loans.

(b) VIOLATION OF BORROWING BASE. If at any time the principal amount of the outstanding Advances, plus the Dollar

Equivalent of all amounts outstanding under the European Facility, exceeds the amount of the Borrowing Base established pursuant to the Borrowing Base Certificate most recently required to be delivered (a "Borrowing Base Violation"), the Company shall pay to NBD, within 5 days after notice of such Borrowing Base Violation has been given by NBD to the Company, an amount not less than the amount of such excess, to be applied first to the amounts outstanding under the New Facility, and then deposited in the Cash Collateral Account, PROVIDED, HOWEVER, that the Company may instead provide evidence satisfactory to NBD, within five days after delivering a Borrowing Base Certificate demonstrating a Borrowing Base Violation, that the Borrowing Base Violation no longer exists.

(c) VIOLATION OF COMMITMENT LIMITATIONS. (i) If at any time the principal amounts outstanding under the New Facility exceed the New Facility Commitment, and upon written notice from NBD of such occurrence, the Company shall immediately pay to NBD an amount not less than the amount of such excess, to be applied first to the amounts outstanding under the New Facility, and then deposited in the Cash Collateral Account.

(i) If at any time the aggregate principal amounts outstanding under the New Facility and the European Facility exceed the sum of the New Facility Commitment plus the amount which NBD is authorized to provide under the European Facility, and upon written notice from NBD of such occurrence, the Company shall immediately pay (or cause to be paid by Hurco Europe or Hurco GmbH) to NBD an amount not less than the amount of such excess, to be applied first to the amounts outstanding under the New Facility, and then deposited in the Cash Collateral Account (or, if paid by Hurco Europe or Hurco GmbH, applied to the amounts outstanding under the European Facility).

(d) VIOLATION OF LETTER OF CREDIT SUBLIMITS. If at any time the face amount of the New Facility Letters of Credit exceeds the lesser of $9,500,000 and the New Facility Commitment, or if the face amount of the standby New Facility Letters of Credit exceeds the lesser of $2,000,000 and the New Facility Commitment, or if the face amount of the Authorization Letters of Credit exceeds $2,000,000, the Company shall immediately pay to NBD an amount to be deposited in the Cash Collateral Account equal to the amount by which this excess exceeds the sum of all amounts then being held in the Cash Collateral Account allocable to the Authorization Letters of Credit.

.20 LETTERS OF CREDIT AFTER TERMINATION DATE. (a) In the event that the IRB L/C or any Letter of Credit shall for any reason be outstanding on the Termination Date, the Company will pay to NBD cash or cash equivalents in an amount equal to the face amount of such letters of credit. Such funds shall either (i) be applied against the outstanding principal amounts of the NBD Facilities, or (ii) be held by NBD in a cash collateral account (the "Cash Collateral Account"), as NBD shall determine. All references in this Section 5.5 to "letters of credit" shall include bankers acceptances and bank guaranties included within the Letters of Credit.

(a) The Cash Collateral Account shall be (i) established by NBD on the Effective Date in its name (as a cash collateral account), (ii) held by and under NBD's sole dominion and control, and (iii) subject to the terms of this Section. The Company hereby pledges, and grants to NBD a security interest in, all funds held in the Cash Collateral Account from time to time, all investments made with such funds, and all proceeds thereof, as security for the payment of all amounts due in respect of such letters of credit, whether or not then due.

(b) (i) From time to time after funds are deposited in the Cash Collateral Account, and only to the extent that there are funds on deposit in the Cash Collateral Account in an amount greater than the undrawn face amount of all letters of credit secured by the Cash Collateral Account, NBD shall apply such excess funds then held in the Cash Collateral Account to pay any reimbursement obligations in accordance with subsection (c)(ii) below, and then to pay any other amounts on the NBD Facilities as shall be or shall become due and payable by the Company to NBD.

(i) Except as otherwise provided in

Section 5.5(d) below, upon expiration or earlier termination of all letters of credit, and thereafter upon payment in full of all Credit Obligations, all funds then held in the Cash Collateral Account shall be returned to the Company.

(c) Neither the Company nor any person or entity claiming on behalf of or through the Company shall have any right to withdraw any of the funds held in the Cash Collateral Account, except that if, at any time after applying the amounts to be paid under Section 5.5(c), (i) the funds in the Cash Collateral Account exceed the face amount of the letters of credit secured thereby plus a reasonable reserve determined by NBD as necessary to secure payment of all interest and commitment fees payable to NBD hereunder or under the documents relating to such liabilities, and all anticipated expenses of NBD allowable under Section 5.10 and Section 11.5 or such related documents, and (ii) no Event of Default or any event or condition which might become an Event of Default with notice or lapse of time, or both, shall exist or have occurred and be continuing, then the excess shall be returned to the Company.

(d) All funds in the Cash Collateral Account shall be invested in Permitted Investments offered by NBD and made in NBD's name for NBD's benefit. Interest and earnings thereon shall be held in the Cash Collateral Account and applied as permitted under Section 5.5(c) and Section 5.5(d). Unless an Event of Default has occurred and is continuing, NBD shall act upon the Company's instructions from time to time with respect to the type, issuer, and maturity of Permitted Investments and the timing of any sale thereof, except that NBD shall sell such investments as required to satisfy the payments required to be made under Section 5.5(c).

.21 INTEREST PAYMENTS.

(a) NEW FACILITY. The Company shall pay interest to NBD on the unpaid principal amount of the New Facility, from the date hereof until the New Facility is paid in full, on each Interest Payment Date and on the Termination Date, and thereafter on demand, at the Floating Rate.

(b) NBD TERM NOTE. The Company shall pay interest to NBD on the unpaid principal amount of the Amended Term Note, from the date hereof until the Amended Term Note is paid in full, on each Interest Payment Date and at maturity (whether at stated maturity, by acceleration or otherwise), and thereafter on demand, at the Floating Rate.

(c) OVERDUE RATE. Notwithstanding the foregoing, the Company shall pay interest on demand at the Overdue Rate on the outstanding principal amount of any Outstanding Facility and the New Facility, and any other amount payable by the Company hereunder (other than interest), which is not paid in full when due (whether at stated maturity, by acceleration or otherwise) for the period commencing on the due date thereof until the same is paid in full.

.22 PAYMENT METHOD. All payments to be made to NBD under this Agreement will be made in Dollars and in immediately available funds for NBD's account at NBD's address referred to in Section 11.2 not later than 1:00 p.m. Detroit time on the date on which such payment shall become due. Payments received after 1:00 p.m. Detroit time shall be deemed to be payments made prior to 1:00 p.m. Detroit time on the next succeeding Business Day.

.23 NO SETOFF OR DEDUCTION. All payments of principal of and interest on the Outstanding Facilities, and all other amounts payable by the Company hereunder, shall be made without setoff or counterclaim, and free and clear of, and without deduction or withholding for, or on account of, any present or future taxes, levies, imposts, duties, fees, assessments, or other charges of whatever nature, imposed by any governmental authority, or by any department, agency or other political subdivision or taxing authority.

.24 PAYMENT ON NON-BUSINESS DAY; PAYMENT COMPUTATIONS. Whenever any installment of principal of, or interest on, the Outstanding Facilities, or any other amount due hereunder becomes due and payable on a day which is not a Business Day, the maturity thereof shall be extended to the next succeeding Business Day and, in the case of any installment of principal, interest shall be payable thereon at the rate per annum determined in accordance with this Agreement during such extension. Computations of interest and other amounts due under this Agreement shall be made on the basis

of a year of 360 days for the actual number of days elapsed, including the first day but excluding the last day of the relevant period.

.25 ADDITIONAL COSTS. (a) In the event that any applicable law, treaty, rule or regulation (whether domestic or foreign) now or hereafter in effect and whether or not presently applicable to NBD, or any interpretation, phase-in, or administration thereof by any governmental authority charged with the interpretation, phase-in, or administration thereof, or compliance by NBD with any guideline, request or directive of any such authority (whether or not having the force of law), shall (i) affect the basis of taxation of payments to NBD of any amounts payable under this Agreement (other than (A) taxes imposed on the overall net income of NBD by the jurisdiction, or by any political subdivision or taxing authority of any such jurisdiction, in which NBD has its principal office or any lending office, and (B) taxes existing as of the Effective Date on the income of financial institutions imposed under Indiana law), or (ii) shall impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, letters of credit or guarantees issued by, or credit extended by NBD, or (iii) shall impose any other condition with respect to this Agreement, the Outstanding Facilities, the Loan Documents, or any Obligation, and the result of any of the foregoing is to increase the cost of making, issuing, funding or maintaining any Obligation or to reduce the amount of any sum receivable by NBD thereon, then the Company shall pay to NBD, from time to time, upon its request, additional amounts sufficient to compensate NBD for such increased cost or reduced sum receivable. A statement as to the amount of such increased cost or reduced sum receivable, prepared in good faith and in reasonable detail by NBD and submitted to the Company, shall be conclusive and binding for all purposes absent manifest error in computation.

(a) In the event that any applicable law, treaty, rule or regulation (whether domestic or foreign) now or hereafter in effect and whether or not presently applicable to NBD or any interpretation, phase-in, or administration thereof by any governmental authority charged with the interpretation, phase-in, or administration thereof, or compliance by NBD with any guideline, request or directive of any such authority (whether or not having the force of law), including any risk-based capital guidelines, affects or would affect the amount of capital required or expected to be maintained by NBD or any corporation controlling NBD, and NBD determines that the amount of such capital is increased by or based upon the existence of NBD's obligations hereunder and such increase has the effect of reducing the rate of return on NBD's or such corporation's capital as a consequence of its obligations

hereunder to a level below that which NBD or such controlling corporation could have achieved but for such circumstances (taking into consideration its policies with respect to capital adequacy), then the Company shall pay to NBD from time to time, upon its request additional amounts sufficient to compensate NBD for any increase in the amount of capital and reduced rate of return which NBD determines to be allocable to the existence of NBD's obligations hereunder. A statement as to the amount of such compensation, prepared in good faith and in reasonable detail by NBD and submitted by NBD to the Company, shall be conclusive and binding for all purposes absent manifest error in computation.

ARTICLE VI.

REPRESENTATIONS AND WARRANTIES

The Company represents and warrants as follows:

.26 EXISTENCE AND POWER. Each of the Company and its Active Subsidiaries (i) is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, (ii) is qualified to do business, and is in good standing, in each additional jurisdiction where such qualification is necessary under applicable law, (iii) has all requisite power to own or lease the properties used in its business and to carry on its business as now being conducted and as proposed to be conducted, and (iv) has all requisite power to execute and deliver this Agreement and the other Loan Documents to which it is a party, and to engage in the transactions contemplated by this Agreement and the other Loan Documents. All outstanding shares of the capital stock of each of the Company's Subsidiaries are duly authorized, validly issued, fully paid, and nonassessable,

and, to the extent owned by the Company or any of its Subsidiaries, are owned beneficially and of record by the Company or another of its Subsidiaries, free and clear of any liens, charges, encumbrances, or rights of others whatsoever, except as permitted under Section 7.2(b).

.27 AUTHORITY. The execution, delivery and performance by each of the Company and the Guarantor of this Agreement and the other Loan Documents to which it is a party have been duly authorized by all necessary corporate action and are not in contravention of any law, rule or regulation, or any judgment, decree, writ, injunction, order or award of any arbitrator, court or governmental authority, or of the terms of its articles of incorporation and by-laws or other charter documents, or of any material contract or undertaking to which it is a party or by which it or its properties may be bound or affected or result in the imposition of any Liens other than those permitted under Section 7.2(b).

.28 BINDING EFFECT. This Agreement is, and the other Loan Documents to which it is a party, when delivered hereunder, will be, legal, valid, and binding obligations of each of the Company and the Guarantor that is a signatory thereto, enforceable against it in accordance with their respective terms.

.29 LITIGATION. Except as otherwise set forth on Schedule 6.4 hereto, there is no action, suit or proceeding which is pending or, to the best of the Company's knowledge, threatened against or affecting the Company or any of its Subsidiaries before or by any court, governmental

authority or arbitrator, which, if adversely decided, might result, either individually or collectively, in any material adverse change in the business, properties, operations, prospects, or condition, financial or otherwise, of the Company and the Guarantor, taken as a whole, or in any material adverse effect on the legality, validity or enforceability of this Agreement, the other Loan Documents, or the Credit Obligations and, to the best of the Company's knowledge, there is no reasonable basis for any such action, suit or proceeding.

.30 FINANCIAL CONDITION. The consolidated balance sheet of the Company and its Subsidiaries and the related consolidated statements of operations and cash flows and consolidated changes in shareholders equity for the fiscal year ended October 31, 1994, and reported on by the Company's independent certified public accountants, and the consolidated balance sheet of the Company and its Subsidiaries and the related consolidated statements of operations and cash flows and consolidated changes in shareholders equity for the fiscal quarter ended July 31, 1995, copies of which have been furnished to NBD, fairly present, and the financial statements of the Company and its Subsidiaries delivered pursuant to Sections 7.1(d)(iii) and 7.1(d)(iv) will fairly present, the consolidated financial position of the Company and its Subsidiaries as at the respective dates thereof, and the consolidated results of operations of the Company and its Subsidiaries for the respective periods indicated, all in accordance with generally accepted accounting principles consistently applied (subject, in the case of any interim statements, to year-end audit adjustments). There has been no material adverse change in the business, properties, operations, prospects, or condition, financial or otherwise, of the Company or any of its Subsidiaries since October 31, 1994. Except for any letters of credit, bankers acceptances, and bankers guaranties issued by NBD since October 31, 1994, there is no material Contingent Liability of the Company or the Guarantor that is not reflected in such financial statements or in the notes thereto.

.31 LIENS. There are no Liens of any nature

.32 DISCLOSURE. No report or other information furnished in writing by the Company or the Guarantor or any of their officers or agents to NBD in connection with the negotiation or administration of this Agreement contains any material misstatement of fact or omits to state any material fact or any fact necessary to make the statements contained therein not misleading. Neither this Agreement or the other Loan Documents, nor any other document, certificate, or statement or other information furnished to by or on behalf of the Company or the Guarantor in connection with the transactions contemplated herein contains any untrue statement of a material fact or omits to state a material fact in order to make the statements contained herein and therein not misleading. There is no fact known to the Company or the Guarantor which materially and adversely affects, or which in the future may (so far as the Company can now foresee) materially and adversely affect, the business,

properties, operations, prospects, or condition, financial or otherwise, of the Company and the Guarantor, taken as a whole, which has not been set forth in this Agreement or in the other documents, certificates, statements, reports and other information furnished in writing to NBD by or on behalf of the Company or the Guarantor in connection with the transactions contemplated hereby.

.33 ERISA. The Company, its Domestic Subsidiaries, their ERISA Affiliates, and their respective Plans are in compliance in all material respects with those provisions of ERISA and the Code which are applicable to it. To the best knowledge of the Company and its Domestic Subsidiaries, no Prohibited Transaction and no Reportable Event has occurred

with respect to any such Plan. None of the Company, any of its Domestic Subsidiaries, or any of their ERISA Affiliates is an employer with respect to any Multiemployer Plan. The Company, its Domestic Subsidiaries, and their ERISA Affiliates have met the minimum funding requirements as the same currently apply under ERISA and the Code with respect to each of their respective Plans, if any, and have not incurred any liability to the PBGC or any Plan. The execution, delivery and performance of the Loan Documents do not constitute a Prohibited Transaction. The Actuarial Present Value of Accumulated Plan Benefits does not exceed Net Assets Available for Benefits with respect to any Plan of the Company, its Domestic Subsidiaries, or their ERISA Affiliates on an on-going basis.

.34 SUBSIDIARIES. Schedule 6.9 hereto correctly sets forth the corporate name, jurisdiction of incorporation, and ownership of each Subsidiary of the Company as of the Effective Date. Schedule 6.9 also sets forth the corporate names of the Inactive Subsidiaries.

.35 CONSENTS, ETC. Except for such consents, approvals, authorizations, or filings delivered by the Company pursuant to Section 3.2(i), if any, each of which is in full force and effect, and except for such landlord's consent, if any, sought in good faith by the Company in connection with the Leasehold Mortgage to be provided by the Company, no consent, approval or authorization of or declaration, registration or filing with any governmental authority or any nongovernmental person or entity, including without limitation any creditor, lessor, stockholder or partner of the Company or any of its Subsidiaries, is required on the part of the Company or the Guarantor in connection with the execution, delivery and performance of the Loan Documents or the transactions contemplated hereby or thereby or as a condition to the legality, validity or enforceability of any of the Loan Documents.

.36 TAXES. The Company and its Subsidiaries have filed all tax returns (foreign and domestic; federal, state and local) required to be filed and have paid all taxes shown thereon to be due, including interest and penalties, or have established adequate financial reserves on their respective books and records for payment thereof. Neither the Company nor any of its Subsidiaries knows of any actual or proposed tax assessments or any basis therefor, and no extension of time for the assessment of deficiencies in any tax has been granted by the Company or any Subsidiary.

.37 TITLE TO PROPERTIES. Except as otherwise disclosed in the financial statements delivered pursuant to Section 6.5 or 7.1(d), the Company or one of its Subsidiaries has good and marketable fee simple title to all of the real property and a valid and indefeasible ownership interest in all of the other properties and assets reflected in said financial statements or subsequently acquired by the Company or one of its Subsidiaries (including without limitation the Collateral). All of such properties and assets are free and clear of any Lien, except for Liens permitted under Section 7.2(b).

.38 INVESTMENT COMPANY ACT. Neither the Company nor the Guarantor is an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

.39 ENVIRONMENTAL AND SAFETY MATTERS. Each of the Company and its Subsidiaries is in material compliance with all national, state and local laws, ordinances and regulations relating to safety and industrial hygiene or to the environmental condition, including without

limitation all Environmental Laws in jurisdictions in which the Company or any

Subsidiary owns or operates, or has owned or operated, a facility or site, or arranges or has arranged for disposal or treatment of hazardous substances, solid waste, or other wastes, accepts or has accepted for transport any hazardous substances, solid wastes or other wastes or holds or has held any interest in real property or otherwise, except where the failure to so comply does not have a material adverse effect on the business, properties, operations, prospects, or condition, financial or otherwise, of the Company and its Subsidiaries, taken as a whole. No claim, notice, suit, administrative action, investigation or inquiry arising under or relating to any Environmental Laws is pending or threatened against the Company or any of its Subsidiaries, any real property in which the Company or any of its Subsidiaries holds or has held an interest, or any past or present operation of the Company or any of its Subsidiaries. Neither the Company nor any of its Subsidiaries knows of any basis for any such claim, notice, suit, administrative action, investigation, or inquiry.

ARTICLE VII.

COVENANTS

.40 AFFIRMATIVE COVENANTS. The Company covenants and agrees that, until the Termination Date and thereafter until all of the Credit Obligations (other than payment of the Success Fee) have been satisfied in full and all other obligations of the Company and the Guarantor under this Agreement and the Loan Documents have been performed, it shall, and shall cause each of its Active Subsidiaries to:

(a) PRESERVATION OF EXISTENCE, ETC. Do or cause to be done all things necessary to preserve and maintain its legal existence as a corporation, and its qualification as a foreign corporation in good standing under each jurisdiction in which such qualification is necessary under applicable law, and preserve and maintain its rights, privileges, licenses, franchises, permits, patents, copyrights, trademarks, and trade names material to conducting its business, and defend all of the foregoing against all claims, actions, suits, demands, or proceedings at law or in equity or by or before any governmental instrumentality or other agency or regulatory authority.

(b) COMPLIANCE WITH LAWS, ETC. Comply in all material respects with all applicable laws, rules, regulations and orders of any governmental authority (including without limitation ERISA, the Code, and Environmental Laws), in effect from time to time, and pay and discharge promptly when due all taxes, assessments and governmental charges imposed upon it or upon its income, revenues, or property before the same shall become delinquent or in default, as well as all lawful claims for labor, materials, and supplies or otherwise, which, if unpaid, might give rise to Liens upon its properties or any portion thereof, except to the extent that compliance with or payment of any of the foregoing is then being contested in good faith by appropriate legal proceedings and with respect to which adequate financial reserves have been established on the books and records of the Company or of the Subsidiary, as the case may be.

(c) MAINTENANCE OF PROPERTIES; INSURANCE. Maintain, or cause to be maintained, in good repair, working order and condition, and protect all of the property used or useful in its business, and from time to time make or cause to be made all appropriate material repairs and

renewals thereto and replacements thereof, and maintain in full force and effect insurance (in addition to insurance required under the Security Documents), including without limitation fire, extended risk, and public liability insurance, with responsible and reputable insurance companies or associations in such amounts, on such terms and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties similarly situated, and maintain in full force and effect public liability insurance, insurance against claims for personal injury or death or property damage occurring in connection with any of its activities or any of its properties owned, occupied, or controlled by it, in such amounts as it shall reasonably deem necessary, and maintain such other insurance as may be required by law or reasonably requested by NBD for purposes of assuring compliance with this Section. All such insurance covering tangible property shall name NBD or the Agent and the Lenders as loss payees.

(d) REPORTING REQUIREMENTS. Furnish to

NBD the following:

(i) Promptly and in any event within three calendar days after becoming aware of the occurrence of (A) any Event of Default or any event or condition which, with notice or lapse of time, or both, would constitute an Event of Default, (B) the commencement of any material litigation against, by or affecting the Company or any of its Subsidiaries (not including the commencement of patent infringement litigation by the Company or any of its Subsidiaries), and any material developments therein, (C) entering into any material contract or undertaking that is not entered into in the ordinary course of business, or (D) any development in the business or affairs of the Company or any of its Subsidiaries which has resulted in or which is likely in the reasonable judgment of the Company to result in a material adverse change in the business, properties, operations, or condition, financial or otherwise, of the Company and its Subsidiaries, taken as a whole, a statement of the Company's chief financial officer setting forth details of such Event of Default or such litigation, event or condition and the action which the Company or its Subsidiary, as the case may be, has taken and proposes to take with respect thereto;

(ii) As soon as available and in any event within 15 Business Days after the end of each month, a consolidated and consolidating balance sheet of the Company and its Subsidiaries, as of the end of such month, and the related consolidated and consolidating statements of operations and retained earnings (except that consolidating balance sheets and statements of operations and retained earnings need not be given for Inactive Subsidiaries or Active Subsidiaries whose only asset is the capital stock of another Subsidiary of the Company), for the period commencing at the end of the previous fiscal year and ending with the end of such month, together with a certificate of the Company's chief financial officer or principal accounting officer in the form of Exhibit E demonstrating compliance with the covenant contained in Section 7.2(e), and such supporting schedules setting forth such information as NBD may reasonably request relating to that covenant;

(iii) As soon as available and in any event within 50 days after the end of each fiscal quarter of the Company, the consolidated and consolidating balance sheet of the Company and its Subsidiaries as of the end of such quarter, and the related consolidated and consolidating statements of operations and cash flows (except that consolidating balance sheets and statements of operations and retained earnings need not be given for Inactive Subsidiaries or Active Subsidiaries whose only asset is the capital

stock of another Subsidiary of the Company), for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, setting forth in each case in comparative form the corresponding figures for the corresponding date or period of the preceding fiscal year, all in reasonable detail and duly certified (subject to year-end audit adjustments) by the Company's chief financial officer or principal accounting officer as fairly presenting the consolidated financial position of the Company and its Subsidiaries for the periods contained therein and as having been prepared in accordance with generally accepted accounting principles, together with a certificate of such officer in the form of Exhibit F, demonstrating compliance with the covenants contained in Sections 7.2(b)-(n), and such supporting schedules setting forth such information as NBD may reasonably request relating to such covenants, and stating whether such officer is aware of any Event of Default or any event or condition which, with notice or lapse of time, or both, would constitute an Event of Default, and, if such an Event of Default or such an event or condition then exists and is continuing, a statement setting forth the nature and status thereof;

(iv) As soon as available and in any event within 110 days after the end of each fiscal year of the Company, a copy of the consolidated and consolidating balance sheet of the Company and its Subsidiaries, each as of the end of such fiscal year, and the related consolidated and consolidating statements of operations and cash flows for such fiscal year and consolidated changes in shareholders equity (except that consolidating balance sheets and statements of operations and retained earnings need not be given for Inactive Subsidiaries or Active Subsidiaries whose only asset is the capital stock of another Subsidiary of the Company), with a customary audit report of independent certified public accountants selected by the Company and reasonably acceptable to NBD, which report shall be without any qualifications (it being acknowledged that explanatory text highlighting or emphasizing information provided in the financial statements and which is not expressed as a qualification to the report is not to be deemed a qualification),

together with (A) a certificate of such accountants stating that they have reviewed this Agreement and stating further whether, in the course of their review of such financial statements, they have become aware of any Event of Default or any event or condition which, with notice or lapse of time, or both, would constitute an Event of Default, and, if such an Event of Default or such an event or condition then exists and is continuing, a statement setting forth the nature and status thereof and (B) a certificate of the Company's chief financial officer or principal accounting officer in the form of Exhibit F, as required under Section 7.1(d)(iii);

(v) Promptly after the sending or filing thereof, copies of all reports, proxy statements and financial statements which the Company or any of its Subsidiaries sends to or files with any of their respective security holders or any securities exchange or the Securities and Exchange Commission or any successor agency thereof;

(vi) As soon as available and in any event within 15 Business Days after the end of each month, a Borrowing Base Certificate in the form attached as Exhibit G (the "Borrowing Base Certificate") prepared as of the close of business on the last day of such month, and such supporting schedules setting forth such information as NBD may reasonably request as to the Borrowing Base, including without limitation information concerning the aging, value, location and other information relating to computing the Borrowing Base and the eligibility of any assets included in such computation in the form previously provided to NBD under the 1994 Credit Agreement, executed by the Company's chief financial officer or principal accounting officer;

(vii) Promptly and in any event within 10 calendar days after receiving or becoming aware thereof, (A) a copy of any notice of intent to terminate any Plan of the Company, its Subsidiaries or any ERISA Affiliate filed with the PBGC, (B) a statement of the Company's chief financial officer setting forth the details of any Reportable Event with respect to any such Plan, (C) a copy of any notice that the Company, any of its Subsidiaries or any ERISA Affiliate may receive from the PBGC relating to the intention of the PBGC to terminate any such Plan or to appoint a trustee to administer any such Plan, or (D) a copy of any notice of failure to make a required installment or other payment within the meaning of Section 412(n) of the Code or Section 302(f) of ERISA with respect to any such Plan;

(viii) As soon as available and in any event within 15 Business Days after the end of each month, a consolidated forecast of cash flows for the Company and its Active Domestic Subsidiaries for the subsequent one-month period in the form previously provided to NBD under the 1994 Credit Agreement, executed by the Company's chief financial officer or principal accounting officer; and

(ix) Promptly, such other information and financial statements with respect to the business, properties, operations, or condition, financial or otherwise, of the Company or any of its Subsidiaries as NBD may from time to time reasonably request.

(e) ACCOUNTING; ACCESS TO RECORDS; AUDIT PROCEDURES. Maintain a system of accounting established and administered in accordance with sound business practices to permit preparation of financial statements in accordance with generally accepted accounting principles and, at any reasonable time and from time to time, permit NBD or any agents or representatives thereof to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, the Company and any of its Subsidiaries, and to discuss the affairs, finances and accounts of the Company and any of its Subsidiaries with its directors, officers, employees and independent auditors, and by this provision the Company authorizes such persons to discuss such affairs, finances and accounts with NBD. In addition, the Company and its Subsidiaries shall permit NBD and any of its agents or representatives to conduct such tests and make such examination of the Collateral as deemed necessary by NBD to assist NBD in evaluating the Collateral and analyzing the financial reports generated by the Company and its Subsidiaries (collectively, an "Audit"). NBD shall not perform an Audit more frequently than once during a fiscal year of the Company. The Company shall pay or reimburse NBD for the reasonable fees and expenses of each Audit, including without limitation the reasonable fees and expenses of appraisers and other agents and representatives of NBD, and reimburse NBD for the reasonable time spent by employees of NBD and any of its affiliates in connection with each Audit.

(f) FURTHER ASSURANCES. Execute and deliver within 30 days after NBD's request therefor all further instruments and documents and take all further action that may be necessary or desirable, or that NBD may reasonably request, in order to give effect to, and to aid in exercising and enforcing NBD's rights and remedies under, this Agreement and Security Documents.

(g) ENVIRONMENTAL REPORT. Deliver within 6 months after the Effective Date a report detailing the Company's response to the Environmental Property Assessment issued March 7, 1994, by August Mack Environmental Inc. regarding the Company's headquarters facility.

(h) SUBSIDIARIES. Each Active Subsidiary, and each corporation becoming a Subsidiary of the Company after the date hereof, will be a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and will be duly qualified to do business in each additional jurisdiction where such qualification may be necessary under applicable law. Each such Subsidiary will have all requisite corporate power to own its properties and to carry on its business as proposed to be conducted. All outstanding shares of each such Subsidiary's capital stock will be duly authorized, validly issued, fully paid, and nonassessable and will be owned, beneficially and of record, by the Company or another of its Subsidiaries, free and clear of any liens, charges, encumbrances or rights of others whatsoever, except as disclosed on Schedule 6.9.

(i) MOST FAVORED LENDER. In the event that the Company shall hereafter enter into any modification of the PML Note Agreement or any other contract or agreement pursuant to which the Company shall have available to it a credit facility (a "Credit Agreement"), which increases the fees, expenses, interest rate spreads over prime rate, LIBOR rate, or any other such base rate or any other charges which are or may be payable to a lender pursuant to a Credit Agreement (but excluding (i) reimbursements for actual out-of-pocket expenses of the lender or its counsel and excluding reasonable commitment fees to obtain, increase, or extend or renew a credit facility, including lines of credit and term loan facilities, payment deferral fees, default rate interest, and reasonable fees and expenses or costs actually incurred for collection arising out of default under any Credit Agreement, (ii) the increase in interest rate to 13.12% per annum on the prepayment due July 31, 1996, on the PML Notes, and (iii) any increases in fees, expenses, interest rate spreads, base rates or other charges resulting solely from the operation of Section 6.14 of the PML Note Agreement or any comparable provision of any other Credit Agreement) over the interest rate spreads, fees, charges, and expenses provided for in the PML Note Agreement or such other Credit Agreement, as applicable, then, effective as of the date of such increase, the amount of the increase in the interest rate spread (I.E., the number of basis points added to the interest rate spread), if any, shall be added to the interest rate payable to NBD under the Notes issued in connection with this Agreement, as amended, and as and when the amount representing the increase of fees, expenses, and/or charges, if any, becomes due and payable under the Credit Agreement, the Company shall pay to NBD a comparable amount as a fee. In no event will the fee payable to NBD pursuant to the foregoing exceed the amount of the corresponding increase in fee, charge, or expense payable under the modified Credit Agreement. Failure of the Company to make the payments which become due and payable under this Section shall constitute an Event of Default under Section 8.1(a). Upon any increase in the interest rate to be charged under the Notes pursuant to this Section, the Company shall execute such amendments to the Notes and this Agreement as NBD may reasonably request to confirm and evidence the increase in the interest rate.

(j) COMMON COVENANTS. The Company agrees to immediately and automatically grant NBD the same loan covenants, including financial covenants, and terms it grants PML or any replacement lender therefor, if such covenants and terms are different in kind or more restrictive (on the Company) than NBD's existing covenants or terms. If the Company defaults in the performance of such new covenants or terms, an Event of Default shall arise under Section 8.1(c).

 NEGATIVE COVENANTS. The Company covenants

and agrees that, until the Termination Date and thereafter until all of the Credit Obligations have been satisfied in full and all other obligations of the Company and the Guarantor under this Agreement and the Loan Documents have been performed:

(a) ACCOUNTING CHANGES. The Company shall not change its fiscal year or make any significant changes (i) in accounting treatment and reporting practices except as permitted by generally accepted accounting principles and disclosed to NBD, or (ii) in tax reporting treatment except as permitted by law and disclosed to NBD.

(b) LIENS. Neither the Company nor the Guarantor shall create or permit to exist any Lien on any of the assets or property now owned or hereafter acquired of the Company or any of its Subsidiaries, including without limitation the capital stock of any Subsidiary of the Company, except:

(i) Liens in favor of the Agent for the benefit of the Agent and the Lenders;

(ii) Liens for taxes not delinquent or for taxes being contested in good faith by appropriate proceedings and as to which adequate financial reserves have been established on its books;

(iii) Liens (other than any Lien imposed by ERISA) created and maintained in the ordinary course of business which would not have a material adverse effect on the business or operations of the Company and its Subsidiaries, taken as a whole, and which constitute (A) pledges or deposits under worker's compensation laws, unemployment insurance laws or similar legislation, (B) good faith deposits in connection with bids, tenders, contracts or leases to which the Company or any of its Subsidiaries is a party for a purpose other than borrowing money or obtaining credit, including rent security deposits, (C) Liens imposed by law, such as those of carriers, warehousemen and mechanics, if payment of the obligation secured thereby is not yet due, (D) Liens securing taxes, assessments or other governmental charges or levies not yet subject to penalties for nonpayment, and (E) pledges or deposits to secure public or statutory obligations of the Company or any of its Subsidiaries, or surety, customs or appeal bonds to which the Company or any of its Subsidiaries is a party;

(iv) Liens affecting real property which constitute minor survey exceptions or defects or irregularities in title, minor encumbrances, easements or reservations of, or rights of others for, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of such real property, PROVIDED, that all of the foregoing, in the aggregate, do not at any time materially detract from the value of said properties or materially impair their use in the operation of the businesses of the Company or any of its Subsidiaries;

(v) Liens described on Schedule 6.6 or otherwise permitted under Section 6.6;

(vi) Any Capital Lease or other Lien created to secure payment of the purchase price of any tangible fixed asset acquired by the Company or any of its Subsidiaries may be created or suffered to exist upon such fixed asset if the outstanding principal amount of the Indebtedness secured by the Lien does not at any time exceed the purchase price paid for the asset, and the aggregate principal amount of all obligations under all Capital Leases plus the aggregate Indebtedness secured by such Liens does not increase by more than $500,000 during any single fiscal year, PROVIDED, that such Lien does not encumber any other asset at any time owned by the Company or such Subsidiary; and

(vii) The interest or title of a lessor under any lease otherwise permitted under this Agreement with respect to the property subject to such lease to the extent the obligations to be performed thereunder by the Company or its Subsidiaries are not delinquent.

(c) LOANS, ADVANCES AND EXTENSIONS OF CREDIT. The Company shall not purchase or otherwise acquire any Capital Stock of or other ownership interest in, or make, or permit any Subsidiary to make,

any loan or advance of any of its funds or property or any other extension of credit to, or purchase, or permit any Subsidiary to purchase, any bonds, notes, debentures or other debt securities of, any other person (including without limitation any Foreign Subsidiary), other than (i) investments in Permitted Investments, (ii) extensions of trade credit made in the ordinary course of business on customary credit terms, and commission, travel, and similar advances made to officers and employees in the ordinary course of business, (iii) loans and advances to the Guarantor in an unlimited amount, and loans and advances to the Foreign Subsidiaries in an amount not to exceed (A) the sum of such Indebtedness outstanding on October 31, 1995, plus the Dollar Equivalent of $1,500,000 during the Company's fiscal year 1996 and (B) the sum of such Indebtedness outstanding on October 31, 1996, plus the Dollar Equivalent of $1,500,000 during the Company's fiscal year 1997 (with any extension of trade credit to any Foreign Subsidiary made in the ordinary course of business not constituting a loan or advance for purposes hereof except to the extent any amount thereof is outstanding for more than 120 days), (iv) capital contributions not to exceed $200,000 to Hurco S.A.R.L., an indirectly wholly-owned French subsidiary of the Company (PROVIDED that the capital contributions are used by Hurco S.A.R.L. to immediately repay intercompany receivables owed by it to Hurco Europe), and other capital contributions to the Foreign Subsidiaries made exclusively by converting advances or other extensions of credit made prior to the Effective Date to capital contributions, (v) promissory notes or equity securities received by the Company in connection with any asset sales permitted under subsection (h) below, PROVIDED that the promissory notes are delivered to NBD or the Agent immediately upon the Company receiving them, and that the Company pledges the equity securities to the Agent for the benefit of the Agent and the Lenders promptly upon NBD's request, and (vi) a capital investment of up to $250,000 (or such greater amounts as may be approved in writing by NBD and PML) in a new Taiwanese joint venture company (the "JVC") to be organized with a Taiwanese investor for the purpose of developing, producing, and marketing CNC controls and related software products, PROVIDED, that 66% of the Company's resulting equity interest shall be pledged to the Agent for the benefit of the Agent and the Lenders, and granting a negative pledge to the Agent for the benefit of the Agent and the Lenders on the remainder of the equity interest, promptly upon the request of either Lender, if permitted and not unlawful under applicable law.

(d) NEGATIVE PLEDGE LIMITATION. Neither the Company nor any Subsidiary shall enter into any agreement with any person, other than the Agent and the Lenders, which prohibits or limits the ability of the Company or any Subsidiary to create, incur, assume, or suffer to exist in favor of the Agent or either of the Lenders any Lien upon any of its assets, rights, revenues, or property, real, personal, or mixed, tangible or intangible, whether now owned or hereafter acquired.

(e) TANGIBLE NET WORTH. The Company shall not permit the Consolidated Tangible Net Worth of the Company and its Subsidiaries, determined in accordance with GAAP, to be less than the sum of (i) $6,750,000 plus (ii) 50% of the cumulative Net Income for each fiscal quarter ending after October 31, 1995 (if positive), plus (iii) 85% of the Equity Infusion, if any.

(f) INDEBTEDNESS. Neither the Company nor any Subsidiary shall create, incur, or assume, or permit any Subsidiary to create, incur, or assume, or in any manner become liable in respect of, or suffer to exist, any Indebtedness other than:

(i) The Credit Obligations;

(ii) Indebtedness under the PML Note Agreement and the PML Notes;

(iii) Indebtedness of the Guarantor to the Company in an unlimited amount, of any Active Subsidiary to any other Active Subsidiary in an unlimited amount, of the Company's Subsidiaries owed to the Company in the form of trade receivables for inventory delivered by the Company to or on behalf of its Subsidiaries, and of the Foreign Subsidiaries owing to the Company in an aggregate amount not exceeding the advances permitted under

Section 7.2(c)(iii);

(iv) Indebtedness of the Foreign Subsidiaries to non-Affiliates of the Company not exceeding in the aggregate the Dollar Equivalent of $5,500,000 at any time;

(v) Capital Leases to the extent not in violation of Section 7.2(l); and

(vi) Any Subordinated Debt of the Company or any of its Subsidiaries.

(g) ACQUISITIONS. The Company shall not, nor shall it permit any of the Company's Subsidiaries to, purchase or otherwise acquire (whether in one transaction or a series of transactions) all or a substantial portion of the business, assets, rights, revenues, or property, tangible or intangible, of any person, or all or a substantial portion of the Capital Stock or other ownership interest in any other person, nor merge or consolidate with any other person or take any other action having a similar effect, nor enter into any joint venture or similar arrangement with any other person through establishing a jointly-owned company or other entity with such other person except for those transactions permitted under Section 7.2(c)(vi) or which constitute Permitted Investments.

(h) SALES OF ASSETS. The Company shall not sell, lease, or otherwise transfer or dispose of, or permit any of the Company's Subsidiaries to sell, lease, or otherwise transfer or dispose of, any assets of the Company or any Subsidiary (including without limitation any equity securities of any Subsidiary) to any Person other than (i) sales of inventory in the ordinary course of business, (ii) sales of obsolete or surplus machinery and equipment in the ordinary course of business with a net book value not exceeding $200,000 in the aggregate during any fiscal year ("Miscellaneous Equipment Sales"), PROVIDED, that any such sales occurring prior to the Effective Date shall not be included in this calculation, (iii) trade-ins of any equipment in conjunction with acquiring new equipment, (iv) sales of obsolete or surplus machinery and equipment in the ordinary course of business which are not Miscellaneous Equipment Sales, so long as the purchase price is paid in cash or immediately available funds, and the sales proceeds, net of reasonable selling expenses, are applied as specified in Section 5.4(a) within 45 days after the close of the fiscal quarter when the sale was made, and if, immediately after such transaction, no Event of Default shall exist or shall have occurred and be continuing, and (v) other sales of assets as may be approved by NBD.

(i) LEVERAGE RATIO. The Company shall not permit the ratio of (i) the Consolidated Indebtedness (excluding any Subordinated Debt)of the Company and its Subsidiaries reflected on the Company's balance sheet to (ii) the Consolidated Tangible Net Worth of the Company and its Subsidiaries, all determined in accordance with GAAP, to exceed 10.5 to 1.0 at any time from the Effective Date through July 30, 1996, to exceed 4.5 to 1.0 at any time from July 31, 1996, through October 30, 1996, to exceed 4.0 to 1.0 at any time from October 31, 1996, through January 30, 1997, to exceed 3.5 to 1.0 at any time from January 31, 1997, through October 30, 1997, and to exceed 3.0 to 1.0 at any time thereafter, PROVIDED, HOWEVER, that if the Equity Infusion equals or exceeds $3,000,000, such ratio shall not exceed 3.55 to 1.0 at any time from the later of the Equity Infusion and July 31, 1996, through January 30, 1997, shall not exceed 3.0 to 1.0 at any time from January 31, 1997, through October 30, 1997, and shall not exceed 2.5 to 1.0 at any time thereafter.

(j) RESTRICTIONS ON SUBSIDIARY PAYMENTS. The Company shall not, and shall not permit any of the Company's Subsidiaries to, enter into any agreement or arrangement restricting the ability of any of the Company's Subsidiaries to pay dividends or make cash advances or other payments of any nature to the Company or any of its Subsidiaries.

(k) DIVIDENDS AND OTHER RESTRICTED PAYMENTS. The Company shall not make, pay, declare or authorize any dividend, payment or other distribution in respect of any class of its Capital Stock or any dividend, payment or distribution in connection with the redemption, purchase, retirement or other acquisition, directly or indirectly, of any shares of its Capital Stock other than such dividends, payments or other distributions

to the extent payable solely in shares of the Company's Capital Stock which do not entitle the holder thereof to any dividend, payment, or other distribution.

(l) LEASES. The Company shall not, and shall not permit the Company's Subsidiaries, to become or remain liable in any way under any lease (other than a Capital Lease) of real or personal property if the highest annual rent and other amounts (exclusive of property taxes, property and liability insurance premiums, and maintenance costs), which may be payable by the lessee or user thereunder during the succeeding four fiscal quarters, when added to the aggregate of all such rents and other amounts in respect of which the Company and its Subsidiaries are liable which may be payable during the succeeding four fiscal quarters shall exceed $2,600,000.

(m) CAPITAL EXPENDITURES. The Company shall not, and shall not permit its Subsidiaries to, make any Capital Expenditure (i) if the aggregate purchase price and other acquisition costs of all such Capital Expenditures made by the Company or any of its Subsidiaries during fiscal year 1996, when combined with all other Capital Expenditures made during that fiscal year, would exceed $2,750,000, or (ii) if the aggregate purchase price and other acquisition costs of all such Capital Expenditures made by the Company or any of its Subsidiaries during fiscal year 1997, when combined with all other Capital Expenditures made during that fiscal year, would exceed $2,500,000.

(n) FIXED CHARGE RATIO. or each of the fiscal periods set forth below, the Company shall not, as of the end of any such fiscal period, permit the ratio of Consolidated Income Available for Fixed Charges to Consolidated Fixed Charges for the preceding twelve months to be less than the amount set forth opposite such fiscal period:

FISCAL QUARTER ENDED	RATIO
January 31, 1996	.67 to 1.0
April 30, 1996	1.00 to 1.0
July 31, 1996	1.00 to 1.0
October 31, 1996	1.125 to 1.0
January 31, 1997	1.125 to 1.0
April 30, 1997 and thereafter	1.25 to 1.0

(o) CURRENT RATIO. The Company will not at any time permit the ratio of Consolidated Current Assets to Consolidated Current Liabilities to be less than 1.50 to 1.0, PROVIDED that during the period beginning on November 1, 1995, and ending on October 31, 1997, the above covenant shall be replaced by the following covenant: For each of the fiscal quarterly periods ending January 31, 1996, through and including October 31, 1997, the Company will not at any time permit its Consolidated Current Assets to be less than $40,000,000, PROVIDED, FURTHER, that (i) the amount of Consolidated Current Assets shall be increased or decreased, as appropriate, to exclude the effect of any foreign currency translation adjustments subsequent to October 31, 1995, in any such fiscal quarter solely for the purpose of determining compliance with this subsection, and (ii) if in any such fiscal quarter the proceeds from the sale of receivables or the sale of inventory outside the ordinary course of business are applied to pay any of the Target Indebtedness (as defined in the PML Note Agreement), then such amounts shall be added back to Consolidated Current Assets in such fiscal quarter for determining compliance with this subsection.

(p) INDEBTEDNESS RATIO. The Company will not, and will not permit any Subsidiary to, create, assume, incur, guarantee or otherwise become liable for, directly or indirectly, any Indebtedness, other than Indebtedness of the Company and its Subsidiaries which, after giving effect thereto and the application of the proceeds thereof, would result in Consolidated Total Indebtedness of the Company and its Subsidiaries then to be outstanding, determined on a consolidated basis in accordance with GAAP, of not in excess of 50% of the Consolidated Total Capitalization, PROVIDED that for each of the fiscal periods set forth below, the Company will not at any time permit Consolidated Total Indebtedness as reflected on the Company's consolidated balance sheet to exceed the percentage of Consolidated Total Capitalization set forth opposite such fiscal period:

	Percentage	Percentage

FISCAL QUARTER ENDED	before Equity INFUSION	after Equity INFUSION
January 31, 1996	87%	87%
April 30, 1996	87%	87%
July 31, 1996	82%	78%
October 31, 1996	80%	78%
January 31, 1997	78%	75%
April 30, 1997	78%	75%
July 31, 1997	78%	75%
October 31, 1997	75%	70%

(q) CASH FLOW. For each of the fiscal periods set forth below, the Company shall not, as of the end of any such fiscal period, permit the dollar amount of the difference obtained by deducting Capital Expenditures from EBITDA, to be less than the amount set forth opposite such fiscal period on a rolling four-quarter basis:

FISCAL QUARTER ENDED	AMOUNT
October 31, 1996	$4,500,000
January 31, 1997	$4,500,000
April 30, 1997	$4,700,000
July 31, 1997	$5,200,000
October 31, 1997	$5,500,000

(r) INCONSISTENT AGREEMENTS. The Company shall not, and shall not permit its Subsidiaries to, enter into any agreement containing any provision which would violate or breach this Agreement, or which would be violated or breached by this Agreement or any of the transactions contemplated hereby or by performance by the Company or any of its Subsidiaries of its obligations in connection therewith.

ARTICLE VIII.

DEFAULT

.42 EVENTS OF DEFAULT. The occurrence and continuation of any one of the following events or conditions shall be deemed an "Event of Default" hereunder unless waived by NBD:

(a) The Company fails to pay on the due date thereof any principal of or interest on the New Facility Note, or the Company fails to fund the Cash Collateral Account on the day such funding is required, or the Company fails to pay when due any other Credit Obligation required to be paid hereunder or any commitment fees or any other amount payable hereunder, and such failure continues for more than 5 days following written notice thereof to the Company by NBD, PROVIDED, that no written notice need be given before an Event of Default will be deemed to occur as a result of the Company's failure to observe the requirements of Sections 5.4(b) or 5.4(c); or

(b) Any representation or warranty made by the Company or any of its Subsidiaries in this Agreement or any other document or certificate furnished by or on behalf of the Company or any of its Subsidiaries in connection with this Agreement proves to have been incorrect in any material respect when made or deemed made, and such failure continues for more than 5 days following written notice thereof to the Company; or

(c) The Company fails to perform or observe the covenants set forth in Sections 7.2(a) through 7.2(r), or in Section 1(e) of the Hurco Security Agreement, and such failure continues for more than 10 days following written notice thereof to the Company; or

(d) The Company or, as applicable, any of the Company's Subsidiaries fails to perform or observe any other term, covenant or agreement contained in this Agreement or in any other Loan Document, and such failure continues for more than 30 days following written notice

thereof to the Company (or such longer or shorter period of time as may be specified in such Loan Document); or

(e) The Company or any of the Company's Subsidiaries fails to make any payments under any of its Indebtedness (other than under this Agreement or the Outstanding Facilities but including the European Facility and the PML Notes) beyond the period of grace permitted thereunder, or fails to perform or observe any other term or covenant contained in any document governing, evidencing, or securing such Indebtedness beyond the period of grace permitted thereunder; or

(f) Any Loan Document for any reason ceases to be valid and binding on the Company or the Guarantor in any material respect, or ceases to create a valid Lien on any of the collateral purported to be covered thereby, or such Lien ceases to be a perfected and first priority Lien, except as permitted hereunder; or

(g) One or more judgments or orders for the payment of money in an aggregate amount exceeding the Dollar Equivalent of $100,000 shall be rendered against the Company, the Guarantor, or any of the Company's Subsidiaries, or any other judgment or order (whether or not for the payment of money) shall be rendered against or shall affect the Company, the Guarantor, or any of the Company's Subsidiaries which causes or could cause a material adverse change in the business, properties, prospects, operations or condition, financial or otherwise, of the Company and its Subsidiaries, taken as a whole, or which does or could have a material adverse effect on the legality, validity or enforceability of this Agreement or any Loan Document, and either (i) such judgment or order shall have remained unsatisfied and the Company, the Guarantor, or such Subsidiary shall not have taken action necessary to stay enforcement thereof by reason of pending appeal or otherwise, prior to the expiration of the applicable period of limitations for taking such action or, if such action shall have been taken, a final order denying such stay shall have been rendered, or (ii) enforcement proceedings shall have been commenced by any creditor upon any such judgment or order; or

(h) The occurrence of a Reportable Event that results in or could result in liability of the Company, the Guarantor, any Subsidiary of the Company or their ERISA Affiliates to the PBGC or to any Plan and such Reportable Event is not corrected within thirty (30) days after the occurrence thereof; or the occurrence of any Reportable Event which could constitute grounds for termination of any Plan of the Company, the Guarantor,

any Subsidiary of the Company, or their ERISA Affiliates by the PBGC or for the appointment by the appropriate United States District Court of a trustee to administer any such Plan and such Reportable Event is not corrected within thirty (30) days after the occurrence thereof; or the filing by the Company, the Guarantor, any Subsidiary of the Company or any of their ERISA Affiliates of a notice of intent to terminate a Plan or the institution of other proceedings to terminate a Plan; or the Company, the Guarantor, any Subsidiary of the Company or any of their ERISA Affiliates shall fail to pay when due any liability to the PBGC or to a Plan; or the PBGC shall have instituted proceedings to terminate, or to cause a trustee to be appointed to administer, any Plan of the Company, the Guarantor, any Subsidiary of the Company, or their ERISA Affiliates; or any person engages in a Prohibited Transaction with respect to any Plan which results in or could result in liability of the Company, the Guarantor, any Subsidiary of the Company, any of their ERISA Affiliates, any Plan of the Company, the Guarantor, any Subsidiary of the Company, or their ERISA Affiliates or fiduciary of any such Plan; or failure by the Company, the Guarantor, any Subsidiary of the Company or any of their ERISA Affiliates to make a required installment or other payment to any Plan within the meaning of Section 302(f) of ERISA or Section 412(n) of the Code that results in or could result in liability of the Company, the Guarantor, any Subsidiary of the Company or any of their ERISA Affiliates to the PBGC or any Plan; or the withdrawal of the Company, the Guarantor, any Subsidiary of the Company, or any of their ERISA Affiliates from a Plan during a plan year in which it was a "substantial employer" as defined in Section 4001(9a)(2) of ERISA; or the Company, the Guarantor, any Subsidiary of the Company, or any of their ERISA Affiliates becomes an employer with respect to any Multiemployer Plan without the prior written consent of NBD;

(i) The Company, the Guarantor, or any of the Company's Active Subsidiaries shall be dissolved or liquidated (or any judgment, order or decree therefor shall be entered), or shall generally not pay its debts as they become due, or shall admit in writing its inability to pay its

debts generally, or shall make a general assignment for the benefit of creditors, or shall institute, or there shall be instituted against the Company, the Guarantor, or any of the Company's Active Subsidiaries, any proceeding or case seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief or protection of debtors or seeking the entry of an order for relief, or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its assets, rights, revenues or property, and, if such proceeding is instituted against the Company, the Guarantor, or such Subsidiary and is being contested by the Company, the Guarantor, or such Subsidiary, as the case may be, in good faith by appropriate proceedings, such proceeding shall remain undismissed or unstayed for a period of 60 days; or the Company, the Guarantor, or such Subsidiary shall take any action (corporate or other) to authorize or further any of the actions described above in this subsection; or

(j) The Company fails to provide NBD with a binding commitment for a replacement working capital facility, similar to the New Facility, not later than 45 days prior to the Automatic Termination Date.

.43 REMEDIES. (a) Upon the occurrence of any Event of Default, NBD may, by notice to the Company, terminate the New Facility Commitment, and declare the Credit Obligations, all interest thereon, and all other amounts payable under the Loan Documents related to the Credit Obligations, to be immediately due and payable, whereupon the New Facility Commitment shall terminate, and the Credit Obligations, all such interest, and

all such amounts shall be due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Company, PROVIDED, that upon any event or condition described in Section 8.1(j) occurring, the New Facility Commitment shall automatically terminate forthwith and the Credit Obligations shall automatically become immediately due and payable without notice, and NBD may exercise any other remedies available to it.

(a) Upon the occurrence and during the continuance of any Event of Default, NBD and any of its Affiliates may at any time and from time to time, without notice to the Company or the Guarantor (any requirement for such notice being expressly waived by the Company and the Guarantor), set off and apply against the Credit Obligations any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by NBD or any of its Affiliates to or for the credit or the account of the Company or the Guarantor and any property of the Company or the Guarantor from time to time in possession of NBD or any of its Affiliates, irrespective of whether or not NBD shall have made any demand hereunder and although such obligations may be contingent and unmatured. The Company and the Guarantor hereby grant to NBD a lien on and security interest in all such deposits, indebtedness and property as collateral security for the payment and performance of the Credit Obligations under this Agreement. NBD's rights under this subsection are in addition to other rights and remedies (including, without limitation, other rights of setoff) which it may have.

ARTICLE IX.

MISCELLANEOUS

.44 AMENDMENTS, ETC. No amendment, modification, termination or waiver of any provision of this Agreement or any other Loan Document nor any consent to any departure therefrom shall be effective unless the same shall be in writing and signed by NBD and the Company. Any amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

.45 NOTICES. (a) Except as otherwise provided in Section 9.2(c) hereof, all notices and other communications hereunder shall be in writing and shall be delivered or sent to the Company and the Guarantor at Hurco Companies, Inc., One Technology Way, Indianapolis, Indiana 46268, Attention: Chief Financial Officer, and to NBD at the address set forth on the signature pages hereof, or to such other address as may be designated by the Company, the Guarantor, or NBD by notice to the other parties hereto. All notices and other communications shall be deemed to have been given at the time of actual delivery thereof to such address, or in the case of telex notice, upon

receipt of the appropriate answerback, in all other cases, upon receipt, or if sent by certified or registered mail, postage prepaid, to such address, on the fifth day after the date of mailing, PROVIDED, HOWEVER, that notices to NBD shall not be effective until received.

(a) Notices by the Company of prepayment pursuant to Section 5.2 shall be irrevocable and binding on it.

(b) Any notice to be given by NBD hereunder may be given by telephone, by telecopy, or by telex and must be immediately confirmed in writing in the manner provided in Section 9.2(a). Any such notice given by telephone, telecopy, or telex transmission shall be deemed effective upon receipt thereof by the party to whom such notice is required to be given.

.46 CONDUCT NO WAIVER; REMEDIES CUMULATIVE. No course of dealing on NBD's part, nor any delay or failure on NBD's part in exercising any right, power or privilege hereunder shall operate as a waiver of such right, power or privilege or otherwise prejudice NBD's rights and remedies hereunder; nor shall any single or partial exercise thereof preclude any further exercise thereof or the exercise of any other right, power or privilege. No right or remedy conferred upon or reserved to NBD under the Loan Documents is intended to be exclusive of any other right or remedy, and every right and remedy shall be cumulative and in addition to every other right or remedy granted thereunder or now or hereafter existing under any applicable law. Every right and remedy granted by the Loan Documents or by applicable law to NBD may be exercised from time to time and as often as NBD may deem expedient and, unless contrary to the express provisions of the Loan Documents, irrespective of the occurrence or continuance of any Event of Default.

.47 RELIANCE ON AND SURVIVAL OF VARIOUS PROVISIONS. All terms, covenants, agreements, representations and warranties of the Company and the Guarantor made herein or in any certificate or other document delivered pursuant hereto shall be deemed to be material and to have been relied upon by NBD, notwithstanding any investigation heretofore or hereafter made by NBD or on its behalf, and those covenants and agreements of the Company set forth in Section 5.10 and Section 9.5 shall survive the satisfaction in full of the Credit Obligations and the termination of the Outstanding Facilities.

.48 EXPENSES; INDEMNIFICATION. (a) The Company agrees to pay upon demand and save NBD harmless from liability for the payment of (i) the reasonable fees and out-of-pocket expenses of counsel to NBD in connection with preparing and executing this Agreement and the Security Documents, (ii) all other out-of-pocket expenses of NBD incurred in connection with this Agreement and the other Loan Documents and consummating the transactions contemplated hereby, including without limitation all environmental, real estate survey, appraisal, title insurance, and other costs necessary to perfect the security interests of the Lenders in the Collateral, (iii) all stamp and other taxes and fees payable or determined to be payable in connection with the executing, delivering, filing or recording the Loan Documents and consummating the transactions contemplated thereby, and any and all liabilities with respect to or resulting from any delay in paying or omitting to pay such taxes or fees, (iv) all reasonable costs and expenses of NBD (including reasonable fees and expenses of counsel and whether incurred through negotiations, legal proceedings or otherwise) in connection with any actual or potential Event of Default or the enforcement of, or exercising or preserving any rights under, the Credit Obligations or the Loan Documents, and (v) all reasonable costs and expenses of NBD (including reasonable fees and expenses of counsel) in connection with any action or proceeding relating to a court order, injunction, or other process or decree restraining or seeking to restrain NBD from paying any amount under or otherwise relating in any way to the IRB L/C or any Letter of Credit and any and all costs and expenses which any of them may incur relating to any payment under the IRB L/C or any Letter of Credit (except as otherwise provided in subsection (b) below).

(a) The Company indemnifies and agrees

to hold harmless NBD, its officers, directors, employees and agents, from and against any and all claims, damages, losses, liabilities, costs or expenses of any kind or nature whatsoever which it or any such person may incur or which may be claimed against any of them by reason of or in connection with any letter of credit (including both the IRB L/C and the Letters of Credit), and neither NBD nor any of its officers, directors, employees or agents shall be liable or responsible for: (i) the use which may be made of any letter of credit or for any acts or omissions of any beneficiary in connection therewith; (ii) the validity, sufficiency or genuineness of documents or of any endorsement thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged; (iii) payment by NBD to the beneficiary under any letter of credit against presentation of documents which do not comply with the terms of any letter of credit, including failure of any documents to bear any reference or adequate reference to such letter of credit, (iv) any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any letter of credit; or (v) any other event or circumstance whatsoever arising in connection with any letter of credit; PROVIDED, HOWEVER, that the Company shall not be required to indemnify NBD and such other persons, and NBD shall be liable to the Company to the extent, but only to the extent, of any direct, as opposed to consequential or incidental, damages suffered by the Company which were caused by (A) NBD's wrongful dishonor of any letter of credit after the presentation to it by the beneficiary thereunder of a draft or other demand for payment and other documentation strictly complying with the terms and conditions of such letter of credit, or (B) NBD's payment to the beneficiary under any letter of credit against presentation of a draft or other demand for payment or other documentation which do not substantially comply with the terms of the letter of credit. It is understood that in making any payment under a letter of credit, NBD will rely on documents presented to it under such letter of credit as to any and all matters set forth therein without further investigation and regardless of any notice or information to the contrary, and such reliance and payment against documents presented under a letter of credit substantially complying with the terms thereof shall not be deemed gross negligence or willful misconduct of NBD in connection with such payment. It is further acknowledged and agreed that the Company may have rights against the beneficiary or others in connection with any letter of credit with respect to which NBD is alleged to be liable and it shall be a precondition to asserting any liability of NBD under this Section that the Company shall first have exhausted all remedies in respect of the alleged loss against such beneficiary and any other parties obligated or liable in connection with such letter of credit and any related transactions.

.49 SUCCESSORS AND ASSIGNS. This agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, PROVIDED, that the Company and the Guarantor may not assign their respective rights or obligations hereunder or under the Outstanding Facilities without NBD's prior consent.

.50 COUNTERPARTS. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart.

.51 GOVERNING LAW. This Agreement is a contract of such State. The Company and the Guarantor further agree that any legal action or proceeding with respect to this Agreement or any other Loan Document or the transactions contemplated hereby may be brought in any court of the State of

Michigan, or in any court of the United States of America sitting in Michigan, and the Company and the Guarantor each hereby submits to and accepts generally and unconditionally the jurisdiction of those courts with respect to its person and property, and the Company irrevocably appoints John W. George, of 38455 Hills Tech Drive, Farmington Hills, Michigan 48331-5751, as its agent for service of process and irrevocably consents to the service of process in connection with any such action or proceeding by personal delivery to such agent or to it or by the mailing thereof by registered or certified mail, postage prepaid to it at its address set forth in Section 9.2(a). Nothing in this paragraph shall affect NBD's right to serve process in any other manner permitted by law or limit NBD's right to bring any such action or proceeding against the Company or the Guarantor or any of their property in the courts of any other jurisdiction. Each of the Company and the Guarantor hereby irrevocably waives any objection to the laying of venue of any such suit or proceeding in the above-described courts.

.52 HEADINGS. The headings of the various subdivisions hereof are for the convenience of reference only and shall in no way modify any of the terms or provisions hereof.

.53 CONSTRUCTION OF CERTAIN PROVISIONS. If any provision of this Agreement refers to any action to be taken by any person, or which such person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such person, whether or not expressly specified in such provision.

.54 INTEGRATION; SEVERABILITY. This Agreement and the Loan Documents embody the entire Agreement and understanding among the Company, the Guarantor, and NBD, and they supersede all prior agreements and understandings, relating to the subject matter hereof. In case any one or more of the obligations of the Company or the Guarantor under the Loan Documents shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining obligations of the Company and the Guarantor shall not in any way be affected or impaired thereby, and such invalidity, illegality or enforceability in one jurisdiction shall not affect the validity, legality, or enforceability of the Credit Obligations of the Company or the Guarantor in any other jurisdiction.

.55 INDEPENDENCE OF COVENANTS. All covenants hereunder shall be given independent effect so that if a particular action or condition is not permitted by any such covenant, the fact that it would be permitted by an exception to, or would be otherwise within the limitations of, another covenant shall not avoid the occurrence of an Event of Default or any event or condition which with notice or lapse of time, or both, could become such an Event of Default if such action is taken or such condition exists.

.56 INTEREST RATE LIMITATION. Notwithstanding any provisions of this Agreement or the other Loan Documents to the contrary, in no event shall the amount of interest paid or agreed to be paid by the Company exceed an amount computed at the highest rate of interest permissible under applicable law. If, from any circumstances whatsoever, fulfilling any provision of the Loan Documents at the time performance of such provision shall be due shall involve exceeding the interest rate limitation validly prescribed by law which a court of competent jurisdiction may deem applicable hereto, then, IPSO FACTO, the obligations to be fulfilled shall be reduced to an amount computed at the highest rate of interest permissible under applicable law. If for any reason whatsoever NBD shall ever receive as interest an amount which would be deemed

unlawful under such applicable law, such interest shall be automatically applied to the payment of principal of the Credit Obligations outstanding hereunder (whether or not then due and payable) and not to the payment of interest, or shall be refunded to the Company if such principal and all other obligations of the Company and the Guarantor to the Lenders have been paid in full.

.57 WAIVER OF JURY TRIAL. Each of NBD, the Company, and the Guarantor, after consulting or having had the opportunity to consult with counsel, hereby knowingly, voluntarily and intentionally waives any right any of them may have to a trial by jury in respect of any litigation based hereon or arising out of, under or in connection with this Agreement or any of the transactions contemplated hereby, or any course of conduct or dealing, statements (whether oral or written) or actions of any of them related thereto. None of the undersigned shall seek to consolidate, by counterclaim or otherwise, any such action in which a jury trial has been waived with any other action in which a jury trial cannot be or has not been waived. These provisions shall not be deemed to have been modified in any respect or relinquished by any of the undersigned except by a written instrument executed by all of them. This provision is a material inducement for NBD in entering into this Agreement.

.58 RELEASE. The Company acknowledges that it is not aware of any claims or causes of action which it may now have or assert against NBD. As further consideration for the agreements herein, the Company, for itself and its successors and assigns, releases NBD, its predecessors, officers, directors, employees, agents, attorneys, affiliates, subsidiaries, successors, and assigns from any liability, claim, right, or cause of action which now exists, or hereafter arises, whether known or unknown, arising from or in any way related to actions or omissions taken or committed by NBD in connection with any credit facilities identified in the recitals hereto to which NBD is or was a party, and any predecessor facilities, prior to the date hereof.

.59 EFFECTIVENESS OF AGREEMENT. This Agreement

shall become effective when executed by the Company, the Guarantor, and NBD, and at such time, this Agreement shall become effective with its Effective Date being the date that the last of said actions has taken place. At such time, NBD shall insert in the following paragraph the date of its signing. Such date shall be the Effective Date of this Agreement (the "Effective Date").

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the 26 day of January, 1996.

HURCO COMPANIES, INC.

By:/S/ ROGER J. WOLF

Roger J. Wolf
Its: Senior Vice President
and Chief Financial Officer

NBD BANK

By:/S/ TIMOTHY G. SKILLMAN

Timothy G. Skillman
Its: Vice President

Address for Notices:
611 Woodward Avenue
Detroit, Michigan 48226
Attn: Timothy G. Skillman

Telex no.: 4320060
Telecopy No.: (313) 225-4355

Exhibit 10.20.27

FIFTH AMENDMENT TO LETTER AGREEMENT (EUROPEAN FACILITY)
dated January 26, 1996,
among the Registrant's foreign subsidiaries and NBD Bank

NBD BANK

611 Woodward Avenue
Detroit, Michigan 48226

Dated as of January 26, 1996

Hurco Europe Limited
Hurco GmbH Werkzeugmaschinen
CIM-Bausteine Vertrieb und Service

Re: Fifth Amendment to European Facility

Ladies and Gentlemen:

This letter amends the letter agreement with you dated June 17, 1993, as previously amended by the letter agreements dated March 24, 1994, as of January 31, 1995, as of May 31, 1995, and as of August 1, 1995 (as amended, the "European Facility"), and is being entered into in conjunction with the Amended and Restated Credit Agreement and Amendment to Term Loan Agreement of even date herewith with your parent, Hurco Companies, Inc. (the "1996 Credit Agreement").

The definition of "Expiration Date" in the European Facility is amended to read as follows:

> "EXPIRATION DATE" means the earlier to occur of (a) November 1, 1997, and (b) the date on which NBD declares under paragraph 13 all principal and interest on indebtedness to NBD provided under this agreement to be immediately due and payable, PROVIDED, HOWEVER, that if, prior to May 1, 1997, Hurco Companies has not delivered to NBD a certificate required under Section 7.1(d)(ii) of the 1996 Credit Agreement demonstrating that the Consolidated Tangible Net Worth (as defined in the 1996 Credit Agreement) of Hurco Companies and its Subsidiaries, determined in accordance with GAAP (as defined in the 1996 Credit Agreement), equals or exceeds $12,000,000, then the term "Expiration Date" shall mean May 1, 1997.

The European Facility is further amended to withdraw the availability of the Term Loans (as defined therein) under Section 1(b) of the European Facility. No amounts are presently outstanding under the Term Loans. Any reference to the "Loans" in the European Facility shall be deemed to refer to the Revolving Loans (as defined therein).

You agree to pay to NBD a commitment fee on the amount of the unused portion of the European Facility that exceeds Two Million Five Hundred Thousand Dollars ($2,500,000), for the period from the date hereof to but excluding the Termination Date, at a rate equal to one-half of one percent (1/2 of 1%) per annum, payable quarterly in arrears on the last day of each fiscal quarter of Hurco Europe.

Should the foregoing be agreeable to you, as it is to us, please indicate your agreement and acceptance by executing and returning the enclosed copy of this letter, whereupon the European Facility shall be amended as herein provided, and references to the European Facility shall be to the European Facility as so amended. Except as amended hereby, the European Facility shall remain in full force and effect.

Very truly yours,

NBD Bank

By:/S/ TIMOTHY G. SKILLMAN

Timothy G. Skillman
Its: Vice President

Agreed and accepted:

HURCO EUROPE LIMITED

By: /S/ROGER J. WOLF
- ---
Roger J. Wolf
Its: Director

Dated as of January 26, 1996

HURCO GmbH WERKZEUGMASCHINEN
CIM-BAUSTEINE VERTRIEB UND
SERVICE

By: /S/GERHARD KOHLBACHER
- ----------
Its: General Manager

Dated as of January 26, 1996

Exhibit 10.20.28

AMENDED AND RESTATED INTERCREDITOR, AGENCY
AND SHARING ARGEEMENT
dated January 26, 1996, among the Registrant, NBD Bank,
Principal Mutual Life Insurance Company and
NBD Bank as Agent

AMENDED AND RESTATED
INTERCREDITOR, AGENCY AND SHARING AGREEMENT

THIS AGREEMENT, dated as of January 26, 1996 (as amended, this "Agreement"), among HURCO COMPANIES, INC. (the "Company"), NBD BANK (formerly known as NBD Bank, N.A.), a Michigan banking corporation ("NBD"), and PRINCIPAL MUTUAL LIFE INSURANCE COMPANY, an Iowa corporation ("PML" and, collectively with NBD, the "Lenders"), and NBD as Agent for the Lenders (in such capacity, the "Agent").

The Company and NBD are party to a Credit Agreement and Amendment to Term Loan Agreement dated as of March 24, 1994 (as amended, the

"1994 Credit Agreement"), pursuant to which NBD has committed to issue a revolving credit facility (the "1994 New Facility"), including New Facility Letters of Credit (as defined therein), not to exceed $24,500,000 in aggregate principal amount outstanding, and has agreed to consider issuing Authorization Letters of Credit pursuant to an Authorization Note (each as defined therein) not to exceed $2,000,000 in aggregate face amount outstanding at any time; and

The Company and NBD are party to a Term Loan Agreement dated as of September 9, 1991 (as amended, and as further amended by the 1996 Credit Agreement (as defined below), the "NBD Term Loan Agreement"), pursuant to which NBD has made a term loan to the Company which has an outstanding principal balance of $3,967,568.28, and which is evidenced by a Fourth Amended and Restated NBD Term Note of even date herewith (the "Amended Term Note"); and

The Company and NBD are party to a Reimbursement Agreement dated as of September 1, 1990 (as amended, the "Reimbursement Agreement"), pursuant to which NBD issued its Irrevocable Letter of Credit No. 252 in favor of First of America Bank-Indianapolis in the face amount of $1,060,274 (the "IRB L/C") to secure payment of amounts due under the $1,000,000 City of Indianapolis, Indiana, Economic Development Revenue Bonds (Hurco Companies, Inc. Project), Series 1990 (the "IRB Bonds"); and

The Company, Hurco Europe Limited ("Hurco Europe"), and Hurco GmbH Werkzeugmaschinen CIM - Bausteine Vertrieb und Service ("Hurco GmbH") and NBD are party to a letter agreement dated June 17, 1993 (as amended, the "European Facility"), pursuant to which NBD, in its sole discretion, may make revolving credit loans in favor of Hurco Europe and Hurco GmbH not to exceed $5,000,000 or its Dollar Equivalent (as therein defined), with the maximum aggregate principal amount (or its Dollar Equivalent) outstanding under the 1994 New Facility and the European Facility not to exceed $27,000,000; and

The Company has requested that NBD amend the 1994 Credit Agreement and amend the NBD Term Loan Agreement and the Reimbursement Agreement under an Amended and Restated Credit Agreement and Amendment to Term Loan Agreement of even date herewith between the Company and NBD (the "1996 Credit Agreement") to amend and restate the 1994 New Facility and to amend and restate the 1994 Authorization Note (the "Authorization Note") and the circumstances under which the 1994 Authorization Letters of Credit may be issued (as issued or to be issued under the 1996 Credit Agreement, the "Authorization Letters of Credit"), and that NBD amend the European Facility (as amended, the "Amended European Facility"); and

The Company has guaranteed to NBD the obligations of Hurco Europe and Hurco GmbH under the European Facility pursuant to an Amended and Restated Guaranty dated as of September 10, 1990, as confirmed by Confirmations of Guaranty dated June 17, 1993, March 24, 1994, and of even date herewith (collectively, the "Hurco Guaranty" and, together with the NBD Term Loan Agreement (as amended), the Amended Term Note, the Amended European Facility, the Reimbursement Agreement, the IRB L/C, the Authorization Letters of Credit, the Authorization Note, the 1996 Credit Agreement, and the New Facility Note, the "NBD Facilities"); and

The Company has issued to PML its $12,500,000 11.12% Amended and Restated Senior Notes due December 1, 2000 (the "Amended PML Notes"), pursuant to the Amended and Restated Note Agreement dated as of March 24, 1994, between the Company and PML (the "PML Note Agreement"), and has requested PML to amend the PML Note Agreement to defer certain principal payments, among other things, pursuant to the Fourth Amendment to Amended and Restated Note Agreement of even date herewith (the PML Note Agreement, as amended, the "Amended PML Note Agreement"); and

The Company and the Lenders are party to an Intercreditor, Agency, and Sharing Agreement dated as of March 24, 1994, as amended, and the Company desires to amend and restate such agreement; and

NBD and PML are willing to make the amendments requested of them, PROVIDED that the terms set forth in this Agreement are agreed to by each of them and by the Company.

In consideration of the premises and of the mutual agreements herein contained, the parties hereto agree as follows, intending to be legally bound:

ARTICLE I.

CERTAIN AGREEMENTS

.1 ENTRY INTO AGREEMENTS. NBD shall enter into the New Facility and the Amended European Authorization, and PML shall enter into the Amended PML Note Agreement, contemporaneously, upon the conditions to execution thereof contained in such agreements being satisfied.

.2 NOTICE OF EVENT OF DEFAULT; EXERCISE OF REMEDIES. Each Lender agrees that if an Event of Default shall occur under any of the Loan Documents to which it is a party, it shall promptly give notice thereof to the other Lender. After such notice has been given, any Lender may take such action as it deems appropriate, up to and including acting to declare the obligations due it to be due and payable as is provided for in the Loan Documents to which it is a party, and may commence and pursue legal proceedings to obtain a judgment against the obligor on such obligations. The enforcement of any judgment shall be subject to the terms of this Agreement.

.3 RESTRICTIONS ON PREPAYMENTS. Except as provided in this Agreement, no prepayment shall be made on any of the Credit Obligations other than Credit Obligations that may be reborrowed or reissued, and other than the required prepayments under Section 2.1(a) of the Amended PML Note Agreement, and, upon NBD's prior consent, the prepayments under Section 2.2(b) or Section 2.2(c) of the Amended PML Note Agreement.

ARTICLE II.

THE COLLATERAL AGENT AND THE LENDERS

.4 APPOINTMENT AND AUTHORIZATION. Each Lender hereby irrevocably appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the Security Documents as are delegated to the Agent by the terms hereof or thereof, together with all such other powers as are reasonably incidental thereto. In performing its functions and duties under this Agreement, the Agent shall act solely as agent of the Lenders and, except as provided in this Agreement or the Security Documents, does not assume and shall not be deemed to have assumed any obligation towards or relationship of agency or trust with or for the Company or any of its Subsidiaries.

.5 AGENT AND AFFILIATES. NBD and its Affiliates may accept deposits from, and generally engage in any kind of banking, trust, financial advisory or other business with the Company or any Subsidiary or Affiliate of the Company as if it were not acting as Agent hereunder, and may accept fees and other consideration therefor without having to account for the same to PML.

.6 . SCOPE OF AGENT'S DUTIES. The Agent shall have no duties or responsibilities except those expressly set forth herein and in the Security Documents and shall not, by reason of this Agreement, have a fiduciary relationship with the Lenders, other than as may be provided for in this Agreement. No implied covenants, responsibilities, duties, obligations or liabilities shall be read into this Agreement or otherwise exist against the Agent except its duty to act in good faith with respect to the Lenders. As to any matters not expressly provided for by this Agreement and the Security Documents, the Agent shall not be required to exercise any discretion or take any action, but may request instructions from the Lenders and shall in all cases be fully protected in acting, or in refraining from acting, pursuant to such instructions, which instructions and any action or omission pursuant thereto shall be binding upon all of the Lenders; PROVIDED, HOWEVER, that the Agent shall not be required to take any action which in the judgment of the Agent may expose it to personal liability or which is contrary to this Agreement or applicable law. The Agent shall not be responsible to the Lenders for any recitals, statements, representations or warranties contained in the Security Documents, or in any certificate or other document referred to or provided for therein, or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of any of the Security Documents or any other document referred to or provided for herein or therein or for any failure the Company or any of its Subsidiaries to perform any of its obligations under any of the Security

Documents. Except for action expressly required of the Agent hereunder, the Agent shall in all cases be fully justified in failing or refusing to act unless it shall be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of any action or omission. Within 5 Business Days after the Agent has received any payment or proceeds to be distributed hereunder, and otherwise within 5 Business Days after the request of a Lender, the Agent shall provide an accounting of any proceeds received and disbursements made under Article III hereof, together with expenses incurred by the Agent to the date of such accounting.

.7 RELIANCE BY AGENT. The Agent shall be entitled to rely upon any certificate, notice or other document (including any cable, telegram, telex or facsimile transmission) believed by it to be genuine and correct and to have been signed or sent by or on behalf of a proper person. The Agent may treat the payee of any New Facility Note, Amended Term Note, or Amended PML Note as the holder thereof unless and until the Agent receives written notice of the assignment thereof signed by such payee and the Agent receives the written agreement of the assignee that such assignee is bound hereby to the same extent as if it had been an original party hereto. Any request, authority or consent of any person or entity who, at the time of making such request or giving such authority or consent, is the holder of any New Facility Note, Amended Term Note, or Amended PML Note shall be conclusive and binding on any subsequent holder or transferee or assignee of that note. The Agent may employ agents (including without limitation collateral agents) and may consult with legal counsel (who may be counsel for the Company), independent public accountants, and other experts selected by it and shall not be liable to the Lenders, except as to money or property received by it or its authorized agents, for the negligence or misconduct of any such agent selected by it with reasonable care or for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

.8 EVENTS OF DEFAULT. The Agent shall not be deemed to have knowledge of the occurrence of any Event of Default, or any event or condition which with notice or lapse of time, or both, could become an Event of Default, unless the Agent has received written notice from a Lender or the Company specifying such Event of Default or such event or condition and stating that such notice is a "Notice of Default". In the event that the Agent receives such a notice, the Agent shall promptly give written notice thereof to the Lenders. The Agent shall take such action with respect to such Event of Default or event or condition as shall be reasonably directed in writing by the Lenders, including without limitation pursuing such remedies under the Security Documents as the Lenders unanimously shall request, PROVIDED, HOWEVER, that, unless and until the Agent shall have received such direction, the Agent may (in the case of an emergency where, after reasonable efforts, the Agent has been unable to communicate with all of the Lenders) but shall not be required to take such action, or refrain from taking such action with respect thereto, as it shall deem advisable in the best interests of the Lenders.

.9 LIABILITY OF AGENT. Neither the Agent nor any of its directors, officers, agents, or employees shall be liable to the Lenders for any action taken or not taken by it or them in connection herewith with the consent or at the request of the Lenders, or in the absence of its or their own gross negligence or willful misconduct. Neither the Agent nor any of its directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify (i) any statement, warranty or representation made in connection with any of the Security Documents, (ii) the performance or observance of any of the covenants or agreements of the Company or any of its Subsidiaries, (iii) the satisfaction of any condition specified in any of the Security Documents, except receipt of items required to be delivered to the Agent, or (iv) the validity, effectiveness, legal enforceability, value or genuineness of this Agreement or any of the Security Documents or any instrument or writing furnished in connection therewith. The Agent shall not incur any liability by acting in reliance upon any notice, consent, certificate, statement, or other writing (which may be a bank wire, telex, telecopy, or similar writing) believed by it to be genuine or to be signed by the proper party or parties.

.10 INDEMNIFICATION. The Lenders agree to indemnify the Agent (to the

extent not reimbursed by the Company, but without limiting any obligation of the Company to make such reimbursement), ratably according to their respective Exposure Percentages on the date the alleged claim arose or damage occurred, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising out of this Agreement and the Security Documents or the transactions contemplated hereby or any action taken or omitted by the Agent under this Agreement or the Security Documents, PROVIDED, that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Agent's gross negligence or willful misconduct. Without limiting the foregoing, each Lender agrees to reimburse the Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including without limitation reasonable counsel fees and expenses) reasonably incurred by the Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, the Security Documents, and the administration and enforcement (whether through negotiations, legal proceedings or otherwise), or legal advice in respect of rights and responsibilities under, this Agreement, to the extent that the Agent is not reimbursed for such expenses by the Company, but without limiting the Company's obligations to make such reimbursement. The Agent agrees that it shall first request indemnification from the Company, and if not paid by the Company within thirty days of such request, the Agent may then seek reimbursement from the Lenders. If any indemnity furnished to the Agent for any purpose shall, in the opinion of the Agent, be insufficient or become impaired, the Agent may call for additional indemnity and cease, or not commence, to take any action until such additional indemnity is furnished. The Agent shall provide, with any indemnification claims submitted to the Lenders by the Agent, an accounting of such claims.

.11 RESIGNATION OR REMOVAL OF AGENT. The Agent may resign as such at any time upon forty-five days' prior written notice to the Company and the Lenders. The Agent may be removed with or without cause at any time by an instrument in writing duly executed by the Lenders delivered to the Company and the Agent. In the event of any such resignation or removal, the Lenders shall, by an instrument in writing delivered to the Company and the Agent, appoint a successor, which shall be a commercial bank organized under the laws of the United States or any State thereof and having a combined capital and surplus of at least $500,000,000, or any lesser amount acceptable to the Lenders. If the Lenders are unable to agree on a successor within 25 days following receipt of the Agent's notice of resignation, PML shall have the right to select a successor that meets the above criteria. If a successor is not so appointed or does not accept such appointment at least five days before the Agent's resignation or removal becomes effective, the Agent may appoint a temporary successor to act until such appointment by the Lenders or PML, as the case may be, is made and accepted. If no successor is appointed as provided above by the 45th day after the date such notice of resignation was given by the resigning Agent, or by the date such removal is effective, such Agent's resignation or removal shall become effective and the Lenders shall thereafter perform all the duties of the Agent hereunder until such time, if any, as a successor Agent is appointed as provided above. Notwithstanding the above, if the Agent shall have tendered its resignation following the assignment by NBD to another entity of all of the Credit Obligations to it, such resignation shall not be effective unless the entity acquiring such Credit Obligations shall have undertaken to act as Agent in accordance with the terms of this Agreement.

Any successor to the Agent shall execute and deliver to the Company and the Lenders an instrument accepting such appointment and thereupon such successor Agent, without further act, deed, conveyance or transfer shall become vested with all of the properties, rights, interests, powers, authorities and obligations of its predecessor hereunder with like effect as if originally named as Agent hereunder, and the Agent ceasing to act shall be discharged therefrom. Upon request of such successor Agent, the Agent ceasing to act shall execute and deliver such instruments of conveyance, assignment and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Agent all such properties, rights, interests, powers, authorities and obligations. The provisions of this Article shall thereafter remain effective for such Agent ceasing to act with respect to any actions taken or omitted to be taken by such Agent while acting as the Agent hereunder.

ARTICLE III.

SHARING OF PAYMENTS

.12 MANDATORY PRINCIPAL PAYMENTS. In addition to payments that are required under the Loan Documents, and the prepayments permitted under Section 1.3 hereof, the Company shall make the following payments (PROVIDED, that the payments required under subsections (a) and (b) below are the same payments required under Sections 2.1(c) and (b), respectively, of the Amended PML Note Agreement, which shall be satisfied by the payments required under subsections (a) and (b) below being made to the Agent):

(a) SPECIAL MANDATORY PAYMENTS. The Company shall make the following payments to the Agent for the benefit of the Lenders. All such payments shall be distributed by the Agent as received to the Lenders based on their respective Interim Exposure Percentages, calculated as of the date the Agent received the payment to be distributed. NBD shall apply its portion of such payments received first to the payment required to be made on July 31, 1996 (the "NBD Deferred Payment"), under the Amended Term Note, and then to the payment required to be made on September 30, 1996, under the Amended Term Note, and thereafter to any remaining amounts due under the Amended Term Note, in inverse order of their maturity, and thereafter to any amounts outstanding under the New Facility Loans. The amount of the New Facility Commitments shall be permanently reduced by an amount equal to all such payments made on the New Facility Loans. PML shall apply its portion of such payments received first to the required prepayments under the Amended PML Notes which are due and payable on July 31, 1996 (the "PML Deferred Amount"), and thereafter to any remaining amounts due under the Amended PML Notes, including any applicable make-whole premiums, in inverse order of their maturity. Notwithstanding the above, the net proceeds received by the Company on or before October 31, 1996, not exceeding $5,000,000 (before issuance expenses) (the "Equity Infusion"), from sales described under subsection (ii) below shall be distributed by the Agent to the Lenders and applied to the NBD Deferred Payment and the PML Deferred Amount; any remaining proceeds shall be retained by the Company for use as working capital. If the net proceeds of the Equity Infusion are not sufficient to fully pay the Deferred Principal, then the proceeds shall be divided between the Lenders in proportion to and applied against their portions of the Deferred Principal.

(i) ASSET SALES. The Company shall immediately pay to the Agent for the benefit of the Lenders the aggregate proceeds from all sales of assets of the Company or any of its Subsidiaries (other than sales of inventory in the ordinary course of business and Equipment Sales) PROVIDED, that net proceeds from sales of obsolete or surplus machinery and equipment in the ordinary course of business which are not Equipment Sales shall be paid to the Agent as follows: (A) for any such sales transaction, the net proceeds of which exceeds $200,000, the net proceeds shall be paid to the Agent within 10 days after the Company's corporate financial officer becomes aware of the transaction, and (B) for all other such sales transactions, the net proceeds shall be paid within 45 days after the close of the fiscal quarter when the sale was made. For purposes of this subsection, "aggregate proceeds" means sales proceeds less any reasonable sales expenses incurred by the seller.

(ii) EQUITY SECURITY SALES. Except as provided above in subsection (a), or unless the Lenders otherwise consent, the Company shall immediately pay to the Agent for the benefit of the Lenders an amount equal to the proceeds (net of reasonable issuance expenses) of any sales by the Company or any of its Subsidiaries of (A) newly-issued equity securities or treasury stock of the Company or any of its Subsidiaries, and (B) Subordinated Debt of the Company or any of its Subsidiaries.

(b) EXCESS CASH FLOW. The Company shall pay to the Agent for the benefit of the Lenders, not more than forty-five (45) days after the end of each applicable fiscal year, 75% of the amount of Excess Cash Flow. Such payment shall be allocated between the Lenders based on and applied against their pro rata shares of the Deferred Principal, and after all such amounts shall have been paid, then pro rata in accordance with their Interim Exposure Percentages. NBD shall apply its portion of such payments received

first to the NBD Deferred Payment, and thereafter to any remaining amounts due under the Amended Term Note, in inverse order of their maturity, and thereafter to any amounts outstanding under the New Facility Loans. The amount of the New Facility Commitments shall be permanently reduced by an amount equal to all such payments made on the New Facility Loans. PML shall apply its portion of such payments received first to the PML Deferred Amount in order of their maturity, and thereafter to any remaining amounts due under the Amended PML Notes, including any applicable make-whole premiums, in inverse order of their maturity.

.13 DELIVERING SHARING NOTICE FOLLOWING ACCELERATION OF OBLIGATIONS. Following the occurrence of an Event of Default under any of the Loan Documents, and a Lender declaring the Credit Obligations to it to be due and payable by notice to the Company (with copies thereof being delivered to the Agent and the other Lender), a Lender may deliver a Sharing Notice. Thereafter, all payments and proceeds of Collateral received by the Agent or any Lender shall be applied as set forth in (a) through (d) below, and the provisions in Section 3.4(b) shall become effective. The Sharing Notice may be delivered simultaneously with or after any Lender has declared the Credit Obligations to it to be due and payable, PROVIDED, that no holder of the Amended PML Notes other than PML may deliver a Sharing Notice until 30 days after an Event of Default has occurred and is continuing. If a Lender receives any payments or proceeds of Collateral or any proceeds of other collateral after a Sharing Notice has been delivered, that Lender shall turn them over to the Agent for distribution pursuant to this Agreement unless receipt thereof by such Lender could be deemed to constitute a payment to such Lender, in which event the provisions of Section 3.3 shall apply.

Payments and proceeds of Collateral will be applied as follows:

(a) First, to pay (i) all reasonable out-of-pocket expenses (to the extent not paid by the Company) incurred by the Agent in connection with exercising such rights and remedies, or otherwise in connection with enforcing the Credit Obligations, including without limitation all reasonable costs and expenses of collection, reasonable attorneys' fees, court costs, reasonable appraisers' and consultants' fees, administration expenses, and foreclosure expenses, and (ii) all other reasonable fees, costs, and expenses of the Agent described in this Agreement and the Security Documents and of the Lenders described in their respective Loan Documents.

(b) Next, but only out of the proceeds of the Cash Collateral Account, to pay (i) interest and letter of credit commissions then owed to NBD under or with respect to Authorization Letters of Credit or that portion of any New Facility Loans drawn to reimburse NBD for draws under Authorization Letters of Credit, (ii) the principal balance then owed NBD under the Authorization Note or that portion of any New Facility Loans drawn to reimburse NBD for draws under Authorization Letters of Credit, and (iii) amounts to be deposited in the NBD Cash Collateral Account equal to the face amount of all undrawn Authorization Letters of Credit, any such deposit NOT being treated as a payment for purposes of the sharing obligations of the Lenders under this Agreement, PROVIDED, HOWEVER, that the sum of all amounts paid under subsections (ii) and (iii) above shall not exceed $2,000,000, and, PROVIDED, FURTHER, that no amounts shall be paid under this subsection (b) with respect to (A) any Authorization Letter of Credit issued with an expiry date beyond the Automatic Termination Date, or whose expiry date is extended beyond the Automatic Termination Date, without the other Lender's prior written consent, and (B) any Authorization Letter of Credit issued following NBD receiving written notice from the other Lender or the Company of, or otherwise becoming aware of, the existence of an Event of Default, except for Authorization Letters of Credit issued following such receipt for which the other Lender has delivered to NBD its waiver of this requirement that those Authorization Letters of Credit be excluded from coverage under this subsection (b) (the Lender may withdraw its waiver as to any Authorization Letters of Credit not yet made by delivering written notice of its withdrawal to NBD).

(c) Next, to pay interest, make-whole premiums, commitment fees, and letter of credit commissions then owed to the Lenders under or with respect to the Credit Obligations, the principal balance then owed to the Lenders under the Credit Obligations, amounts to be

deposited in the NBD Cash Collateral Account equal to the face amount of the undrawn IRB L/C and all undrawn Letters of Credit, any such deposit being treated as a payment for purposes of the sharing obligations of the Lenders under this Agreement, and all other amounts owed by the Company or any of its Subsidiaries to either of the Lenders under the Loan Documents. If there are not sufficient funds to completely satisfy the obligations included in this subsection, then the available funds will be allocated between the Lenders in accordance with their respective Final Exposure Percentages. If one

Lender receives payment in full of all such amounts owed it under this Subsection before the other Lender, the other Lender shall receive all payments thereafter until it shall have received payment in full of all such amounts owed to it. Each Lender may apply funds received by it in satisfaction of the above obligations in any order that it chooses, subject to the provisions of the Loan Documents to which it is a party.

(d) Next, to pay all other amounts owed by the Company or any of its Subsidiaries to any of the Lenders, allocated in accordance with their respective Final Exposure Percentages.

(e) Next, to the Company or such other Person as may be legally entitled thereto.

.14 FINAL EXPOSURE PERCENTAGE SHARING PROCEDURES; SUBSEQUENT EVENTS. (a) Upon the occurrence of an Event of Default, acceleration of the Credit Obligations under either Lender's Outstanding Facilities, and after a Sharing Notice has been given, the Lenders shall determine and effectuate their Final Exposure Percentages as provided in the definition of "Final Exposure Percentage".

(a) If, at any time (whether before or after an Event of Default), any Lender shall receive any payment that would otherwise be subject to the sharing provisions of this Article III, such Lender will notify the other Lender and the Agent thereof, and will either remit such payment to the Agent or will purchase a participation (such participation to be evidenced by a Participation Agreement substantially in the form of Exhibit B hereto) or, if necessary, take such other action as is required to share such payment in accordance with the applicable Exposure Percentages of the Lenders. To the extent that a Letter of Credit then outstanding shall not have been drawn upon at the date of its expiry, the amount not drawn upon shall be treated as a receipt by NBD of a payment in that amount, but that amount which has been deposited in the NBD Cash Collateral Account other than under Section 3.2(b) shall not be shared with the other Lender (because the amount so deposited has been deemed to constitute a payment hereunder). To the extent that an Authorization Letter of Credit then outstanding shall not have been drawn upon at the date of its expiry, the amount not drawn upon which has been deposited in the NBD Cash Collateral Account under Section 3.2(b) shall be paid to the Agent for application under this Section 3.3(b) or otherwise shared in accordance with the Final Exposure Percentages of the Lenders. The Lenders further agree among themselves that if any payment received on the Credit Obligations by a Lender and shared hereunder with the other Lender shall be rescinded or must otherwise be restored to the Company or its estate, the Lender which shall have shared the benefit of such payment shall, by repurchase of participation theretofore sold, or otherwise, return its share of that benefit to the Lender whose payment shall have been rescinded or otherwise restored.

(b) If any Lender or the Agent shall fail to remit to the Agent or any other Lender an amount payable by such Lender or the Agent pursuant to this Agreement within three (3) Business Days after receiving a payment to be remitted or notification of a required participation hereunder ("Due Date"), such payment shall be made, together with interest thereon from the Due Date until paid, at the contract rate of interest then applicable to the Credit Obligations owing to the Lender to whom such payment is to be made.

.15 CASH COLLATERAL. (a) The Company has previously executed the Dominion

of Funds Agreement dated March 24, 1994, in the form attached hereto as Exhibit A. The Company confirms the continued validity and effectiveness of the Dominion of Funds Agreement.

(a) Upon the occurrence of the events described in Section 3.2, the Agent shall establish the Cash Collateral Account referred to in Exhibit A, and shall distribute to the Lenders the proceeds in such account in accordance with Section 3.2 periodically as there are collected funds therein in excess of $5,000. The Company, which now maintains its principal banking accounts at NBD, including a lockbox mechanism for the deposit of collections of the Company's accounts receivable, agrees that it will at all times during the term of this Agreement maintain those accounts and lockbox mechanism at NBD and shall use its best efforts at all times to cause its account debtors to make payments to it in care of the lockbox.

ARTICLE IV.

DEFINITIONS

.16 "AFFILIATE" means, as to any person, any Subsidiary of such person and any other person which, directly or indirectly, controls is controlled by, or is under common control with, such Person and, with respect to the Company, includes each officer or director or holder of 10% or more of the Company's voting stock. For the purposes of this definition, "control" means possessing the power to direct or cause the direction of management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

.17 "AUTHORIZATION LETTERS OF CREDIT" means the Authorization Letters of Credit, as defined in the 1996 Credit Agreement, between NBD and the Company, as amended, which may be issued by NBD in a face amount not to exceed $2,000,000, which amount may not be increased without the prior written consent of PML.

"AUTOCON" means Autocon Technologies, Inc., a Subsidiary of Hurco.

"AUTOCON GUARANTIES" means the guaranties of Autocon of even date herewith in favor of each of the Lenders.

"AUTOMATIC TERMINATION DATE" means May 1, 1997, PROVIDED, HOWEVER, that such term shall mean November 1, 1997, upon the "Automatic Termination Date" under the 1996 Credit Agreement being extended to November 1, 1997.

"CASH COLLATERAL ACCOUNT" means the Cash Collateral Account referred to in Section 3.4(b).

"COLLATERAL" means all collateral in which the Agent has been granted a lien by the Company or any of its Subsidiaries under any of the Security Documents.

"CREDIT OBLIGATIONS" means all present and future obligations and other liabilities of the Company and its Subsidiaries arising under or included within the Outstanding Facilities, as amended from time to time, including without limitation any interest, premium, fees, expenses, and charges relating thereto and all renewals, extensions, and refundings of the foregoing. The principal amount of the Credit Obligations shall be the aggregate of the outstanding principal amount of all loans outstanding under the Outstanding Facilities plus the face amount of the IRB L/C and the Letters of Credit.

"DEFERRED PRINCIPAL" means the aggregate of the NBD Deferred Payment plus the PML Deferred Amount, each as defined in Section 3.1(a).

"DOMESTIC SUBSIDIARIES" means all Subsidiaries of the Company which are organized under the laws of one of the states of the United States.

"EFFECTIVE DATE" means the date of this Agreement.

"EFFECTIVE DATE EXPOSURE PERCENTAGE" means, for NBD [70.726%] and for PML [29.274%].

"EQUIPMENT SALES" means any sales of obsolete or surplus machinery and equipment by the Company or any of its Subsidiaries in the ordinary course of business with a net book value not exceeding $200,000 in the aggregate during any fiscal year of the Company, PROVIDED, that any such sales occurring prior to the Effective Date shall not be included in this calculation.

"EQUITY INFUSION" has the meaning ascribed to it in Section 3.1(a).

"EXCESS CASH FLOW" means with respect to the fiscal years of the Company ending October 31, 1994 and October 31, 1995, the amount of which consolidated net actual cash flow from operations as determined in accordance with generally accepted accounting principles and less any allowed capital expenditures, exceeds (i) $2,500,000 in the fiscal year ending October 31, 1994, and (ii) $3,200,000 in the fiscal year ending October 31, 1995.

"EXPOSURE PERCENTAGE" means either the Interim Exposure Percentage or the Final Exposure Percentage as in effect at the time of determination.

"EVENT OF DEFAULT" means any of the events or conditions described in any of the Loan Documents as Events of Default.

"FINAL EXPOSURE PERCENTAGE" means, for each Lender, the percentage obtained as follows:

(a) (a preliminary exposure percentage shall be calculated for each Lender by dividing that Lender's portion of the principal amount of the Credit Obligations outstanding on the Termination Date by the total principal amount of the Credit Obligations outstanding on the Termination Date. For purposes of the above calculation, there shall be subtracted from the principal amount of the Credit Obligations:

(i) in the case of PML, any payments applied by it pursuant to Section 3.1 on make-whole premiums;

(ii) in the case of NBD, any amounts held by it in the NBD Cash Collateral Account in respect of Letters of Credit (as defined in the New Facility), and the face amount of any outstanding Authorization Letters of Credit;

(iii) in the case of NBD, amounts that exceed the maximum limitations contained in Section 2.1(b) of the 1996 Credit Agreement, PROVIDED, HOWEVER, that the full amount of Advances that were within the Borrowing Base when made shall be included in the calculation, irrespective of a subsequent decline in the Borrowing Base; and

(iv) in the case of NBD, amounts loaned by it following receipt of written notice from the other Lender or the Company of, or otherwise becoming aware of, the existence of an Event of Default, except for Advances made during any period following such receipt for which the other Lender has delivered to NBD its waiver of this requirement that those Advances be subtracted in calculating NBD's Final Exposure Percentage (the Lender may withdraw its waiver as to any Advances not yet made by delivering written notice of its withdrawal to NBD).

(b) each Lender's preliminary exposure percentage shall be compared to its Effective Date Exposure Percentage;

(c) if a Lender's preliminary exposure percentage is lower than its Effective Date Exposure Percentage, then that Lender shall purchase participation in the other Lender's Credit Obligations in an amount sufficient that its proportion of the principal amount of the Credit Obligations, including its participation interest in the other Lender's Credit Obligations, equals its Effective Date Exposure Percentage, PROVIDED, that PML's total principal amount of the Credit Obligations, including its participation interest in NBD's Credit Obligations, shall not exceed $12,500,000; and

(d) for each Lender, its Final Exposure Percentage shall be calculated as the percentage obtained by dividing that Lender's portion of the

principal amount of the Credit Obligations outstanding on the Termination Date, including its participation interest in the other Lender's Credit Obligations, by the total principal amount of the Credit Obligations outstanding on the Termination Date.

"FOREIGN SUBSIDIARIES" means all Subsidiaries of the Company which are organized under the laws of a jurisdiction other than the United States or one of its states.

"IMS" means IMS Technology, Inc., a Subsidiary of the Company.

"IMS SECURITY AGREEMENT" means the Security Agreement of IMS dated as of June 13, 1995, executed by IMS in favor of the Agent.

"INTERIM EXPOSURE PERCENTAGE" means, for NBD, the percentage obtained by dividing (a) the sum of the outstanding principal amount of the Amended Term Note, plus the face amount of the IRB L/C, plus the lesser of (i) the aggregate amount of the Borrowing Base as of the last Borrowing Base Certificate, and (ii) the face amount of the Authorization Letters of Credit plus the aggregate amount (not to exceed $27,000,000) of the New Facility Commitment plus the Amended European Facility, all as of the date of calculation, by (b) the sum of the amount calculated under subsection (a) above plus the outstanding principal amount of the Amended PML Notes as of the date of calculation. For PML, the term "Interim Exposure Percentage" means the percentage obtained by dividing the outstanding principal amount of the Amended PML Notes as of the date of calculation by the amount calculated under subsection (b) above.

"LEASEHOLD MORTGAGE" means the Leasehold Mortgage and Assignment of Rents dated as of March 24, 1994, executed by the Company in favor of the Agent, as amended from time to time, providing the Agent with a first mortgage on the lease and leasehold estate of the Company in the leased premises used by Autocon in Farmington Hills, Michigan.

"LOAN DOCUMENTS" means, collectively, the documents evidencing the Outstanding Facilities, the Security Documents, and any other instrument, agreement, or other writing or filing executed by the Company or any of its Subsidiaries in connection therewith.

"MORTGAGE" means the Mortgage, Assignment of Rents, and Security Agreement dated as of March 24, 1994, executed by the Company in favor of the Agent, as amended from time to time, providing the Agent with a first mortgage on the Company's headquarters facility located in Marion County, Indiana.

"NBD CASH COLLATERAL ACCOUNT" means the Cash Collateral Account established by NBD under the New Facility in respect of Letters of Credit (as defined in the New Facility).

"NBD OBLIGATIONS" means the Credit Obligations other than the Amended PML Note Agreement and the Amended PML Notes.

"OUTSTANDING FACILITIES" means, collectively, the 1996 Credit Agreement, the New Facility Note, the Authorization Letters of Credit, the Authorization Note, the NBD Term Loan Agreement as amended by the 1996 Credit Agreement, the Amended Term Note, the Amended European Facility, the Reimbursement Agreement as amended by the 1996 Credit Agreement, the IRB L/C, the Hurco Guaranty, the Amended PML Note Agreement, the Amended PML Notes, and the Autocon Guaranties.

"PLEDGE AGREEMENT" means the Pledge Agreement dated as of March 24, 1994, executed by the Company in favor of the Agent, as it may be amended or modified from time to time.

"SECURITY AGREEMENTS" means, collectively, those certain Security Agreements dated as of March 24, 1994, executed by the Company and Autocon in favor of the Agent, as they may be amended or modified from time to time.

"SECURITY DOCUMENTS" means the Security Agreements, the IMS Security Agreement, the Mortgage, the Leasehold Mortgage, the Pledge Agreement, and any other instrument, agreement, financing statement, landlord's waiver, or other writing or filing executed in connection therewith.

"SHARING NOTICE" means a written notice provided by any Lender to the other Lender, the Agent, and the Company in accordance with Section 3.2 stating that such notice is a "Sharing Notice", PROVIDED, that a Sharing Notice shall be

deemed to have been delivered by each Lender upon any Event of Default occurring by reason of Section 8.1(i) of the 1996 Credit Agreement or Section 8.1(i) of the Amended PML Note Agreement.

"SUBORDINATED DEBT" of any person means any Indebtedness for borrowed money which expressly provides that no payment of any type, including principal or interest, shall be made to the holders thereof so long as the Credit Obligations remain outstanding and which is otherwise expressly subordinate and junior in right and priority of payment to all Credit Obligations and other Indebtedness of such person to the Lenders in the manner and by agreement satisfactory in form and substance to the Lenders.

"SUBSIDIARY" of any person means any corporation (whether now existing or hereafter organized or acquired), in which at least a majority of the securities of each class having ordinary voting power for the election of directors (other than securities which have such power only by reason of the happening of a contingency), at the time as of which the determination is being made, is owned, beneficially and of record, by such person or by one or more of the other Subsidiaries of such person or by any combination thereof.

"TERMINATION DATE" means the earliest to occur of the following: (i) the Automatic Termination Date, or (ii) the date upon which the Credit Obligations are declared due and payable under any of the Loan Documents.

.17 OTHER DEFINITIONS; RULES OF CONSTRUCTION. As used herein, the terms defined in the introductory paragraphs of this Agreement shall have the respective meanings ascribed thereto in the introductory paragraphs of this Agreement. Such terms, together with the other terms defined in Section 4.1, shall include both the singular and the plural forms thereof and shall be construed accordingly. Use of the terms "herein", "hereof", and "hereunder" shall be deemed references to this Agreement in its entirety and not to the Section or clause in which such term appears. All references to the "face amount" (i) of any Letters of Credit shall mean the maximum amount available to be drawn thereunder, assuming compliance with all conditions to drawing and (ii) of the IRB L/C shall mean the maximum amount available to be drawn thereunder, assuming compliance with all conditions to drawing, plus the amount of any draws thereon not then reimbursed by the Company. Capitalized terms not defined herein shall have the meaning given them in the Loan Documents.

ARTICLE V.

COLLATERAL

.18 LIENS AND SECURITY INTERESTS. For the benefit of the Agent and the Lenders, and to secure repayment of all Credit Obligations, on or before the Effective Date, the Company, IMS, and Autocon shall execute and deliver the Security Documents and such other confirmations, instruments and documents as the Agent or the Lenders shall reasonably request. To the extent that the Company, IMS, or Autocon is prohibited by the terms of any agreement to which it is a party from granting a lien to the Agent on any of its property which the Agent or the Lenders have reasonably requested, the Company shall use its best efforts to obtain the consent of the other parties to each such agreement to the granting of the liens required.

.19 TERMINATION OF THIS AGREEMENT. This Agreement shall terminate upon the irrevocable payment in full and the performance and satisfaction of all Credit Obligations (other than any Success Fee provided for in any of the Outstanding Facilities).

ARTICLE VI.

MISCELLANEOUS

.20 AMENDMENTS, ETC. No amendment, modification, termination or waiver of any provision of this Agreement, nor any consent to any departure therefrom shall be effective unless the same shall be in writing and signed by the Lenders, and, to the extent any rights or duties of the Agent may be affected thereby, the Agent. Neither Lender shall, without the consent of the other, through amendment or modification of any Loan Document or in any other context (i) increase interest rates or accelerate maturities of interest or principal (other than the acceleration of maturities following an Event of Default) or (ii) provide for additional loans or other financial accommodations except for additional loans up to the Dollar Equivalent of $500,000 under the Amended European Facility, or (iii) take or consent to any action, the effect of which would be to release or enforce rights or remedies in respect of the Collateral (except for inventory sold in the ordinary course of business), obtain additional collateral not subject to equal and ratable liens with the other Lender (except as provided in the Amended European Facility), obtain greater priorities than provided for in this Agreement, or impair or diminish the rights or claims of the other Lender as against the Company and its Subsidiaries, it being the understanding among the Lenders that following acceleration of the Credit Obligations, all payments and proceeds of the Collateral and of any other collateral held by NBD under the Amended European Facility and any cash held by any Lender subject to set off rights (excluding cash collateral in the NBD Cash Collateral Account) are to be subject to the sharing provisions of this Agreement. Any amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. All payments or distributions made to the Agent or either of the Lenders on account of allowed non-subordinated claims respecting Credit Obligations in a bankruptcy or other insolvency proceeding of the Company or Autocon shall be made subject to the sharing provisions of Article III.

.21 . NOTICES. (a) Except as otherwise provided in Section 6.2(c) hereof, all notices and other communications hereunder shall be in writing and shall be delivered or sent to the Company at Hurco Companies, Inc., One Technology Way, Indianapolis, Indiana 46268, Attention: Chief Financial Officer, and to the Lenders and the Agent at the addresses set forth on the signature pages hereof, or to such other address as may be designated by the Company, the Lenders, or the Agent by notice to the other parties hereto. All notices and other communications shall be deemed to have been given at the time of actual delivery thereof to such address, or in the case of telex notice, upon receipt of the appropriate answerback, in all other cases, upon receipt, or if sent by certified or registered mail, postage prepaid, to such address, on the fifth day after the date of mailing, PROVIDED, HOWEVER, that notices to the Agent or the Lenders shall not be effective until received.

(a) Any notice to be given by the Agent, or any Lender hereunder may be given by telephone, by telecopy, or by telex and must be immediately confirmed in writing in the manner provided in Section 6.2(a). Any such notice given by telephone, telecopy, or telex transmission shall be deemed effective upon receipt thereof by the party to whom such notice is required to be given.

.22 SUCCESSORS AND ASSIGNS. (a) This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, PROVIDED, that the Company may not assign its rights or obligations hereunder without the prior consent of all the Lenders, and PROVIDED, further, that, without the prior written consent of the other Lender, a Lender may only assign its rights and obligations under the Outstanding Facilities to one or more Qualified Purchasers. A "Qualified Purchaser" means a purchaser which, based on financial statements for the purchaser's most recently completed fiscal year, audited in accordance with generally accepted accounting principles by a recognized accounting firm, meets the following creditworthiness standard: (i) $100 million in shareholders' equity, and (ii) a public rating, if available for the purchaser, of Baa2 (Moody's), BBB (Standard & Poor's) or higher. If NBD or PML (individually, an "Original Lender") has assigned hereunder any or all of its respective interests in the Outstanding Facilities, then any actions which

require the consent of both Lenders shall be satisfied as to the assigning Original Lender if the persons holding at least 51% of the then-outstanding principal amount of the Outstanding Facilities originally held by the assigning Original Lender have agreed to such action and, if still a holder of any part of the Outstanding Facilities, the assigning Original Lender has also agreed to such action.

(a) Any Lender may in accordance with applicable law, at any time sell to one or more banks or other entities ("Participants") participating interests in any Credit Obligation owing to such Lender, any note held by such Lender, any commitment of such Lender or any other interest of such Lender hereunder and under the other Loan Documents. In the event of any such sale of participating interests to a Participant, such Lender's obligations under this Agreement to the other parties to this Agreement shall remain unchanged, such Lender shall remain solely responsible for the performance thereof, such Lender shall remain the holder of any such note for all purposes under this Agreement and the other Loan Documents, and the Company and the Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and the other Loan Documents.

(b) Nothing herein shall prohibit any Lender from pledging or assigning its rights hereunder and under any note to any Federal Reserve Bank in accordance with applicable law.

.23 COUNTERPARTS. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart.

.24 GOVERNING LAW. This Agreement is a contract made under, and shall be governed by and construed in accordance with, the laws of the State of Michigan applicable to contracts made and to be performed entirely within such State and without giving effect to choice of law principles of such State. The Company further agrees that any legal action or proceeding with respect to this Agreement or any Loan Document or the transactions contemplated hereby may be brought in any court of the State of Michigan, or in any court of the United States of America sitting in Michigan, and the Company hereby submits to and accepts generally and unconditionally the jurisdiction of those courts with respect to its person and property, and irrevocably appoints John W. George, of 38455 Hills Tech Drive, Farmington Hills, Michigan 48331-5751, as its agent for

service of process and irrevocably consents to the service of process in connection with any such action or proceeding by personal delivery to such agent or to it or by the mailing thereof by registered or certified mail, postage prepaid to it at its address set forth in Section 6.2(a). Nothing in this paragraph shall affect the right of the Lenders and the Agent to serve process in any other manner permitted by law or limit the right of the Lenders or the Agent to bring any such action or proceeding against the Company or any of its property in the courts of any other jurisdiction. Hurco Companies hereby irrevocably waives any objection to the laying of venue of any such suit or proceeding in the above described courts.

.25 HEADINGS. The headings of the various subdivisions hereof are for the convenience of reference only and shall in no way modify any of the terms or provisions hereof. .26 INTEGRATION; SEVERABILITY. This Agreement embodies the entire Agreement and understanding between the Lenders, and the Agent, and it supersedes all prior agreements and understandings relating to the subject matter hereof.

.27 WAIVER OF JURY TRIAL. EACH OF THE LENDERS, THE AGENT AND THE COMPANY, AFTER CONSULTING OR HAVING HAD THE OPPORTUNITY TO CONSULT WITH COUNSEL, HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT ANY OF THEM MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY, OR ANY COURSE OF CONDUCT OR DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN) OR ACTIONS OF ANY OF THEM RELATED THERETO. NONE OF THE UNDERSIGNED SHALL SEEK TO CONSOLIDATE, BY COUNTERCLAIM OR OTHERWISE, ANY SUCH ACTION IN WHICH A JURY TRIAL HAS BEEN WAIVED WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. THESE PROVISIONS SHALL NOT BE DEEMED TO HAVE BEEN MODIFIED IN ANY RESPECT OR RELINQUISHED BY ANY OF THE UNDERSIGNED EXCEPT BY A WRITTEN INSTRUMENT EXECUTED BY ALL OF THEM. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE LENDERS AND THE AGENT IN ENTERING

INTO THIS AGREEMENT.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the date first written above.

HURCO COMPANIES, INC.

By:/S/ROGER J. WOLF

Its: Sr. Vice President & CFO

Address for Notices:
611 Woodward Avenue
Detroit, Michigan 48226
Attn: Timothy G. Skillman

Telex no.: 4320060
Telecopy no.: (313) 225-4355

NBD BANK

By:/S/TIMOTHY G. SKILLMAN

Its: Vice President

Address for Notices:

711 High Street
Des Moines, Iowa 50392-0800
Attn: Investment Securities Division
Telex no.:
Telecopy No.: (515) 248-2490

PRINCIPAL MUTUAL LIFE INSURANCE COMPANY

By:/S/DONALD D. BRATTEBO

Its: Second Vice President-
Securities Investment

And by:/S/NORA M. EVERETT

Its: Counsel

Address for Notices:
611 Woodward Avenue
Detroit, Michigan 48226
Attn: Timothy G. Skillman
Telex No.: 4320060
Telecopy No.: (313) 225-4355

NBD BANK, as Agent

By:/S/TIMOTHY G. SKILLMAN

Its:Vice President

Exhibit 10.42.7

FOURTH AMENDMENT TO AMENDED AND RESTATED NOTE AGREEMENT
dated January 26, 1996, between the Registrant and
Principal Mutual Life Insurance Company

FOURTH AMENDMENT TO AMENDED AND RESTATED NOTE AGREEMENT

THIS AMENDMENT ("Amendment") effective as of January 26, 1996 (the "Effective Date") is entered into between Hurco Companies, Inc., an Indiana corporation (the "Company"), and Principal Mutual Life Insurance Company (the "Purchaser").

WITNESSETH:

The Company and the Purchaser have entered into that certain Hurco Companies, Inc. Amended and Restated Note Agreement dated as of March 24, 1994, as amended by that certain (1) Amendment and Notes Modification Agreement dated

as of January 31, 1995 and (2) Amendment dated May 31, 1995, and (3) Third Amendment to Amended and Restated Note Agreement dated as of July 31, 1995 (as so amended the "Note Agreement"). The Company and the Purchaser agree to amend the Note Agreement on the terms and conditions hereinafter set forth. Terms defined in the Note Agreement which are used herein shall have the same meaning set forth in the Note Agreement unless otherwise specified herein.

1. AMENDMENT. Effective as of the Effective Date and subject to the conditions precedent set forth in paragraph 3 hereof, the Note Agreement is hereby amended as follows:

1.1 SECTION 1.2 is amended and restated, in its entirety, as follows:

1.2 DESCRIPTION OF NOTES. The Notes shall be dated the Closing Date, shall bear interest from such date at the rate of 11.12% per annum prior to maturity, payable monthly on the first day of each calendar month commencing April 1, 1994, and at maturity, to bear interest on overdue principal (including any overdue required or optional prepayment), premium, if any, and (to the extent legally enforceable) on any overdue installment of interest at the rate of 13.12% per annum, shall be expressed to mature on December 1, 2000 and to be substantially in the form attached as Exhibit A. Provided, however, that as long as (1) the Company is not in default of this Note Agreement and has a Consolidated Adjusted Net Worth that equals or exceeds $15,000,000 (as evidenced by delivery to Purchaser by Company of a certificate required under Section 6.6) and (2) the annual rate of interest on all money loaned to the Company by NBD under the New Facility Note (or any replacement facility) does not exceed the Prime Rate, as defined in the original Amended and Restated Credit Agreement and Amendment to Term Loan Agreement, dated as of January 26,1996, between the Company and NBD (the "New Bank Agreement"), then the Notes shall bear interest at a rate of 10.87% per annum, payable monthly on the first day of the calendar month, commencing on the first day of the calendar month following the month in which the Company fulfills all the above conditions until such time as any of the above conditions are not met. If above conditions are not met, then the interest rate shall revert to 11.12% or 13.12%, whichever is applicable. Notwithstanding anything to the contrary herein or in the Notes, the July, 1996 Payment (as defined in Section 2.1) shall earn interest at a rate of 13.12% per annum from February 1, 1996 until paid in full. Each required prepayment of principal shall be considered to be overdue if it is not paid on its due date notwithstanding any Forbearance Default. The term "Notes" as used herein shall include each Amended and Restated Note delivered pursuant to this Agreement (the "Agreement") and each Note delivered in substitution or exchange therefor and,

where applicable, shall include the singular number as well as the plural. Any reference to the Purchaser in this Agreement shall in all instances be deemed to include any nominee of the Purchaser or any separate account or other person on whose behalf the Purchaser has acquired the Notes and any Person to whom a Note is assigned. Concurrently with the execution and delivery to it of the Notes, each of the 1990 Notes shall be marked by Purchaser with the following legend: "This Note has been amended and, as amended, restated by a promissory note executed pursuant to an Amended and Restated Note Agreement, dated as of March 24, 1994, executed by Hurco Companies, Inc. and the payee hereof."

1.2 SECTION 2.1 is amended and restated, in its entirety, as follows:

2.1 REQUIRED PREPAYMENTS. In addition to payment of all outstanding principal of the Notes at maturity and regardless of the amount of Notes which may be outstanding from time to time, the Company shall make the following prepayments:

(a) The Company shall prepay and there shall become due and payable on the dates set forth below, $1,785,714.29 of the principal amount of the Notes or such lesser amount as would constitute payment in full on the Notes, with the remaining principal payable on December 1, 2000: December 1, 1995, December 1, 1996, December 1, 1997, December 1, 1998, and December 1, 1999. The Company shall also prepay $1,676,229 of the principal amount of the Notes on the earlier of July 31, 1996 or an Equity Infusion (the "July, 1996 Payment"). Each such prepayment shall be at a price of 100% of the principal amount prepaid, together with interest accrued thereon to the date of prepayment.

(b) The Company shall prepay and there shall become due and payable on December 15, 1994 and December 15, 1995, an amount equal to seventy-five percent (75%) of Excess Cash Flow multiplied by the Intercreditor Fraction. The Intercreditor Fraction shall be determined as of the last day of the

preceding fiscal year. Such amounts shall be applied FIRST, to the principal prepayment required to be made on the earlier of July 31, 1996 and an Equity Infusion until prepaid in full, SECOND, to the principal prepayment required to be made on December 1, 1995 until prepayment in full, and THIRD, to the anticipated payment at maturity until prepaid in full, and FOURTH, to the remaining principal prepayments in the inverse order of their required prepayment dates until prepaid in full. Any amounts paid by the Company and applied pursuant to clauses THIRD and FOURTH of the preceding sentences shall be subject to the payment by the Company of a premium by the Company on December 15, 1994 or December 14, 1995, as applicable, calculated in accordance with the provisions of Section 2.2(d).

(c) The Company shall prepay and there shall become due and payable not later than ten days after receipt thereof, an amount equal to one hundred percent (100%) of Permitted Asset Sale Proceeds or Equity Sale Proceeds (excluding any Equity Infusion) multiplied by the fraction determined by reference to clause (ii) of the definition of Intercreditor Fraction. Such fraction shall be determined as of each date that Permitted Asset Sale Proceeds or Equity Sale Proceeds are received by the Company. Such amounts shall be applied in accordance with the provisions of the third sentence of Section 2.1(b), and a prepayment premium shall be required on each date of prepayment to the extent set forth in the last sentence of Section 2.1(b). Any Equity Infusion received by the Company prior to July 31, 1996 shall be applied to pay the July, 1996 Payment and the installment payment due NBD on its term loan to the Company which is due the same date as the July, 1996 Payment, with any remaining balance of the Equity Infusion retained by the Company for working capital.

1.3 Add to Section 5.1 the following defined terms: "EQUITY INFUSION - The proceeds (net of reasonable issuance expenses not to exceed $500,000) realized from the sale by the Company or any of its Subsidiaries on or prior to October 31, 1996, of any capital stock or Subordinated Debt of the Company or its Subsidiaries, provided that the gross amount of such proceeds (before issuance expenses) shall not exceed $5,000,000.

EBITDA - shall mean, for any period, the sum of (i) net income determined in accordance with generally accepted accounting principles (without taking into account any extraordinary gains or non-cash extraordinary losses), (ii) interest expense determined in accordance with generally accepted accounting principles, (iii) depreciation and amortization, (iv) federal, state and local income taxes, in each case for the Company and its consolidated Subsidiaries, determined in accordance with generally accepted accounting principles.

CAPITAL EXPENDITURES shall mean capital expenditures as defined and classified in accordance with generally accepted accounting principles and including, without duplication, any Capitalized Lease and capitalized software development costs of the Company and its Subsidiaries, computed on a consolidated basis in accordance with generally accepted accounting principles.

1.4 The definition of "Indebtedness," as set forth in Section 5.1 is amended by adding to the end of such definition the following words: "Provided, however, that the foregoing shall exclude for all purposes Subordinated Debt, as defined herein.

1.5 Subparagraph (viii) in the definition of "Permitted Investments," as set forth in Section 5.1, is amended and restated, in its entirety, as follows:

(viii) capital contributions not to exceed $200,000 to Hurco S.A.R.L., an indirectly wholly-owned French Subsidiary of the Company (PROVIDED that the capital contributions are used by Hurco S.A.R.L. to immediately repay intercompany receivables owed by it to Hurco Europe); and

(b) a capital investment of up to $250,000 (or such greater amounts as may be approved in writing by NBD and Purchaser) in a new Taiwanese joint venture company to be organized with a Taiwanese investor for the purpose of developing, producing and marketing CNC controls and related software products, PROVIDED that 66% of the Company's resulting equity interest shall be pledged to the Collateral Agent for the benefit of the Collateral Agent, the Purchaser and NBD upon the request of either Purchaser or NBD, if permitted and not unlawful under applicable law.

1.6 The definition of the term "NBD Agreement," as set forth in Section 5.1, is amended and restated, in its entirety, as follows:

NBD AGREEMENT - That certain Amended and Restated Credit Agreement and Amendment to Term Loan Agreement, dated as of January 26, 1996, between the Company and NBD, as the same may be amended from time to time, to the extent permitted by the Intercreditor Agreement, as well any collateral, related or successor credit lending arrangement.

1.7 The definition of the term "Consolidated Adjusted Net Worth," as set forth in Section 5.1, is amended and restated, in its entirety, as follows:

CONSOLIDATED ADJUSTED NET WORTH - The consolidated stockholders' equity (including preferred stock other than preferred stock which would be characterized as Indebtedness in accordance with generally accepted accounting principles) of the Company and its Subsidiaries determined in accordance with generally accepted accounting principles after elimination of minority interests, plus the sum of any Subordinated Debt, as defined herein, less the sum of all goodwill, trade names, trademarks, patents, organization expense, unamortized debt discount and expense and other similar intangibles properly classified as intangibles in accordance with generally accepted accounting principles, and excluding the effects of any foreign currency translation adjustment.

1.8 The definition of the term "Consolidated Current Assets and Consolidated Current Liabilities," as set forth in Section 5.1, is amended by adding at the end of such definition the following words: "Provided, however, that Consolidated Current Liabilities shall not include any Subordinated Debt, as defined herein.."

1.9 The definition of the term "Consolidated Fixed Charges," as set forth in Section 5.1, is amended by adding at the end of such definition the following words: "Provided, however, that Fixed Charges shall not include any interest which accrues on Subordinated Debt, as defined herein, during any period, unless actually paid during such period. "

1.10 The definition of "Subordinated Indebtedness," as set forth in Section 5.1, is amended and restated, in its entirety, as follows: Subordinated Debt means any Indebtedness of the Company or any of its Subsidiaries for borrowed money which expressly provides that no payment of any kind including principal or interest shall be made to the holders thereof so long as there is any unpaid balance on either of the Notes and which is otherwise expressly subordinate and junior in right and priority of payment to all obligations to Purchaser in the manner and by agreement satisfactory in form and substance to Purchaser.

1.11 Delete Section 6.16 EQUITY INFUSION in its entirety.

1.12 Add Section 6.17 as follows:

6.17 LEVERAGE FEE. The Company shall pay to Purchaser on each payment date set forth below the amounts set forth next to such payment date if the Company does not deliver to Purchaser a certificate required under Section 6.6 as of the corresponding reporting date set forth below that demonstrates that the Consolidated Adjusted Net Worth as of the reporting date equals or exceeds $12,000,000

REPORTING Date	LEVERAGE FEE	PAYMENT DATE
July 31, 1996	16,740	August 25, 1996
August 31, 1996	16,740	September 25, 1996
September 30, 1996	27,900	October 25, 1996
October 31, 1996	27,900	November 25, 1996

1.13 SECTION 7.1 is amended and restated, in its entirety, as follows:

7.1 NET WORTH. The Company will not at any time permit its Consolidated Adjusted Net Worth to be less than (a) $6,750,000 plus (b) 50% of the Consolidated Net Income for each fiscal quarter ending on and after January 31, 1996 (if positive) plus (c) 85% of the Equity Infusion, if any.

1.14 SECTION 7.2 is amended and restated, in its entirety, as follows:

7.2 CURRENT RATIO. The Company will not at any time permit the ratio of Consolidated Current Assets to Consolidated Current Liabilities to be less than 1.50 to 1.0, provided that during the period beginning on November 1, 1995 and ending on October 31, 1997, the above covenant shall be replaced by the following covenant: For each of the fiscal quarters ending on January 31, April 30, July 31, and October 31, beginning with the quarter ending on January 31, 1996, through and including the quarter ending October 31, 1997, the Company will not at any time permit its Consolidated Current Assets to be less than $40,000,000, PROVIDED FURTHER, that (i) the amount of Consolidated Current Assets shall be increased or decreased, as appropriate, to exclude (using as the base in the adjustments the "October, 1995 Exchange Rates," as defined in the New Bank Agreement) the effect of any foreign currency translation adjustments subsequent to October 31, 1995 in any such fiscal quarter solely for the purpose of determining compliance with this Section 7.2, and (ii) if in any such fiscal quarter the proceeds from the sale of receivables or the sale of inventory outside the ordinary course of business are applied to pay any of the Target Indebtedness, then such amounts shall be added back to Consolidated Current Assets in such fiscal quarter determining compliance with this Section 7.2

1.15 SECTION 7.3 is amended and restated, in its entirety, as follows:

7.3 INDEBTEDNESS. The Company will not, and will not permit any Subsidiary to, create, assume, incur, guarantee or otherwise become liable for, directly or indirectly, any Indebtedness, other than Indebtedness of the Company and its Subsidiaries which, after giving effect thereto and the application of the proceeds thereof, would result in Consolidated Total Indebtedness of the Company and its Subsidiaries then to be outstanding, determined on a consolidated basis in accordance with generally accepted accounting principles and reflected on the Company's consolidated balance sheet, of not in excess of 50% of the Consolidated Total Capitalization, PROVIDED that for each of the fiscal periods set forth below, the Company will not at any time permit Consolidated Total Indebtedness as reflected on the Company's consolidated balance sheet to exceed the percentage of Consolidated Total Capitalization set forth opposite such fiscal period in the column captioned "Percentage"; and provided further that for each fiscal period from and after any Equity Infusion equal to or in excess of $3,000,000, the Company will not at any time permit Consolidated Total Indebtedness, as reflected on the Company's consolidated balance sheet, to exceed the percentage of Consolidated Total Capitalization set forth opposite such fiscal period in the column captioned "Post-Infusion Percentage":

FISCAL QUARTER ENDED	PERCENTAGE	POST-INFUSION PERCENTAGE
January 31, 1996	87%	87%
April 30, 1996	87%	87%
July 31, 1996	82%	78%
October 31, 1996	80%	78%
January 31, 1997	78%	75%
April 30, 1997	78%	75%
July 31, 1997	78%	75%
October 31, 1997	75%	70%

1.16 SECTION 7.5 is amended and restated, in its entirety, as follows:

7.5 FIXED CHARGE RATIO. The Company will not, as of the end of any fiscal quarter, permit the ratio of Consolidated Income Available for Fixed Charges to Consolidated Fixed Charges for the preceding twelve months to be less than 1.25 to 1.0, PROVIDED that such covenant shall not be applicable during the fiscal year ending October 31, 1994, and PROVIDED FURTHER that for each of the fiscal periods set forth below, the Company will not as of the end of any such fiscal period permit the ratio of Consolidated Income Available for Fixed Charges to Consolidated Fixed Charges for the preceding twelve months to be less than the set forth amount opposite such fiscal period:

FISCAL QUARTER ENDED	RATIO

January 31, 1996	.67 to 1.0
April 30, 1996	1.0 to 1.0
July 31, 1996	1.0 to 1.0
October 31, 1996	1.125 to 1.0
January 31, 1997	1.125 to 1.0

1.17 SECTION 7.14 is amended and restated, in its entirety, as follows:

7.14 CAPITAL EXPENDITURES. The Company shall not, and shall not permit its Subsidiaries to, make any Capital Expenditure (i) if the aggregate purchase price and other acquisition costs of all such Capital Expenditures made by the Company or any of its Subsidiaries during fiscal year 1996, when combined with all other Capital Expenditures made during that fiscal year, would exceed $2,750,000, or (ii) if the aggregate purchase price and other acquisition costs of all such Capital Expenditures made by the Company or any of its Subsidiaries during fiscal year 1997, when combined with all other Capital Expenditures made during that fiscal year, would exceed $2,500,000. Thereafter, the Company will not permit the sum of consolidated aggregate capital expenditures, including, without limitation, ' Capitalized Leases, plus capitalized software development costs to exceed $1,750,000 in any fiscal year.

1.18 SECTION 7.16 is amended and restated, in its entirety, as follows:

7.16 LEVERAGE RATIO. The Company will not permit the ratio of (i) the Consolidated Total Indebtedness of the Company and its Subsidiaries, as reflected on the Company's consolidated balance sheet, to (ii) the Consolidated Adjusted Net Worth of the Company and its Subsidiaries, all determined in accordance with generally accepted accounting principles, to exceed 10.5 to 1.0 at any time from the Effective Date through July 30, 1996, to exceed 4.5 to 1.0 at any time from July 31, 1996, through October 30, 1996, to exceed 4.0 to 1.0 from October 31, 1996, through January 30, 1997, to exceed 3.5 to 1.0 at any time from January 31, 1997, to October 30, 1997, and 3.0 to 1.0 at any time thereafter, PROVIDED, HOWEVER, that if the Equity Infusion equals or exceeds $3,000,000, such ratio shall not exceed 3.55 to 1.0 at any time from the later of the Equity Infusion and July 31, 1996, through January 30, 1997, shall not exceed 3.0 to 1.0 at any time from January 31, 1997, through October 30, 1997, and shall not exceed 2.5 to 1.0 at any time thereafter.

1.19 Add SECTION 7.19 as follows:

7.19 CASH FLOW COVENANT. For each of the fiscal periods set forth below, the Company shall not, as of the end of any such fiscal period, permit the dollar amount of the difference obtained by deducting Capital Expenditures from EBITDA, to be less than the amount set forth opposite such fiscal period on a rolling four-quarter basis:

FISCAL QUARTER ENDED	AMOUNT
October 31, 1996	$4,500,000.00
January 31, 1997	$4,500,000.00
April 30, 1997	$4,700,000.00
July 31, 1997	$5,200,000.00
October 31, 1997	$5,500,000.00

Default in the performance of this Section 7.19 shall constitute an Event of Default under Section S.1(d).

1.20. Add SECTION S.1(J) as follows:

Section 8.1(j). The Company fails to provide to Purchaser with a binding commitment for a replacement working capital facility, similar to NBD Bank Association's New Facility under the NBD Agreement (the "NBD Facility"), 45 days prior to any termination of the NBD Facility.

2. NOTES MODIFICATION. At the end of the first paragraph of each of the Notes add the words "Provided, however, that as long as (1) the Company is not in default of the Note Agreement and has a Consolidated Adjusted Net Worth that equals or exceeds $15,000,000 ' (as evidenced by delivery to Purchaser by the Company of a certificate required under Section 6.6 of the Note Agreement) and

(2) the annual rate of interest on all money loaned to the Company by NBD under the New Facility Note (or any replacement facility) does not exceed the Prime Rate, as defined in the original New Bank Agreement, then the Notes shall bear interest at the rate of 10.87% per annum, payable monthly on the first day of the calendar month, commencing on the first day of the calendar month following the month in which the Company fulfills the above conditions until such time as any of the above conditions are not met. Notwithstanding anything to the contrary herein or in the Agreement, the amount of the July, 1996 Payment shall earn interest at a rate of 13.12% per annum from February 1, 1996 until paid in full." In clause (b) of the fourth paragraph of each of the Notes, the date "February 1, 1996" is deleted and replaced by "the earlier of July 31, 1996 and receipt by the Company of an Equity Infusion."

3. CONDITIONS PRECEDENT. This Amendment shall become effective as of the latest to occur of the date (i) the Company shall have delivered to the Purchaser reaffirmations of each of the Subsidiary Guaranties and the Autocon Guaranty executed in favor of Purchaser, (ii) the Company and NBD execute and deliver amendments to the NBD Agreement and the NBD Term Loan in the form of EXHIBIT A attached hereto, (iii) the Purchaser and NBD execute and deliver an amendment to the Intercreditor Agreement in the form of EXHIBIT B attached hereto (the "Intercreditor Amendments"), and (iv) the Company shall have paid to the Purchaser an amendment fee in the amount of $35,301.71.

4. REPRESENTATIONS AND WARRANTIES. The Company hereby represents and warrants to the Purchaser that (i) this Amendment constitutes a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, and (ii) that no event has occurred and no condition exists which constitutes an "Event of Default" (as defined in the Note Agreement) or with the lapse of time or the giving of notice or both, would become an Event of Default.

5. COST AND EXPENSES. In accordance with SECTION 11.1 of the Note Agreement, the Company acknowledges that it is liable to pay all reasonable expenses of Purchaser, including, without limitation, reasonable charges and disbursements of special counsel, incurred in connection with the preparation, execution and delivery of this Amendment.

6. RATIFICATION. Except as specifically amended or modified above, the Note Agreement and each of the Notes shall remain in full force and effect and are hereby ratified and confirmed. The execution, delivery and effectiveness of this Amendment shall neither operate as a waiver of any right, power or remedy of the Purchaser under the Note Agreement or the Notes nor operate a waiver of the provisions of the Note Agreement or the Notes except as specifically set forth herein.

IN WITNESS WHEREOF, the Company and the Purchaser have caused this Amendment to be executed and delivered by their respective officer or officers thereunto duly authorized.

HURCO COMPANIES, INC.

By: /S/ROGER J. WOLF

Title: Senior Vice President and
Chief Financial Officer

PRINCIPAL MUTUAL LIFE INSURANCE COMPANY

By: /S/NORA EVERETT

Its: Counsel

By: /S/JAMES C. FIFELD

Its: Counsel

REAFFIRMATION OF GUARANTY

Reference is made to that certain Guaranty Agreement dated as of March 24, 1994 (the "Guaranty"), and executed by the undersigned in favor of Principal Mutual Life Insurance Company ("PML"). The undersigned has reviewed that certain Fourth Amendment to Amended and Restated Note Agreement, effective as of January 26, 1996 (the "Amendment") between PML and Hurco Companies, Inc. (the "Company") and reaffirms that the Guaranty continues in full force and effect in accordance with its terms notwithstanding the execution and delivery of the Amendment.

AUTOCON TECHNOLOGIES, INC.

By: /S/ROGER J. WOLF

Title: Secretary

Exhibit 11

STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS

Exhibit 11

STATEMENT RE: COMPUTATION OF
PER SHARE EARNINGS

	THREE MONTHS ENDED JANUARY 31,			
	1996		1995	
	PRIMARY	FULLY DILUTED	PRIMARY	FULLY DILUTED

(in thousands, except per share amount)

Net income (loss)	$ 572	$ 572	$ (473)	$ (473)
Weighted average common shares outstanding	5,426	5,426	5,415	5,415
Assumed issuances under stock option plans (1)	153	153	--	--
	5,579	5,579	5,415	5,415
Earnings (loss) per common share	$ .10	$ .10	$ (.09)	$ (.09)

(1) NO ASSUMED ISSUANCES UNDER STOCK OPTION PLANS WERE MADE IN 1995 BECAUSE SUCH ISSUANCES WOULD HAVE BEEN ANTI-DILUTIVE.

<ARTICLE> 5
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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE QUARTERLY REPORT FORM 10-Q FOR THE PERIOD ENDED JANUARY 31, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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