

HURCO COMPANIES INC  
Form DEF 14A  
January 23, 2012

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549**

**SCHEDULE 14A  
(RULE 14a-101)  
SCHEDULE 14A INFORMATION**

**PROXY STATEMENT PURSUANT TO SECTION 14(a)  
OF THE  
SECURITIES EXCHANGE ACT OF 1934**

Filed by the Registrant  x  
Filed by a Party other than the Registrant  o  
Check the appropriate box:

o Preliminary Proxy Statement  
 o Confidential, for Use of the Commission only (as permitted by Rule 14a-6(e)(2))  
 x Definitive Proxy Statement  
 o Definitive Additional Materials  
 o Soliciting Material Pursuant to Rule 240.14a-12

**Hurco Companies Inc**

(Name of Registrant as Specified In Its Charter)

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**HURCO COMPANIES, INC.  
ONE TECHNOLOGY WAY  
P.O. BOX 68180  
INDIANAPOLIS, INDIANA 46268  
(317) 293-5309**

## **NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

To Be Held March 15, 2012

The 2012 Annual Meeting of Shareholders of Hurco Companies, Inc., will be held at our corporate headquarters, One Technology Way, Indianapolis, Indiana 46268, at 10:00 a.m. EDT on Thursday, March 15, 2012, for the following purposes:

1. To elect eight directors to serve until the next annual meeting of shareholders and until their successors are duly elected and qualify,
2. To solicit an advisory vote on executive compensation,
3. To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending October 31, 2012, and
4. To transact such other business as may properly come before the meeting or any adjournments thereof.

**The Board of Directors recommends a vote FOR items 1, 2 and 3. The persons named as proxies will use their discretion to vote on any other matters that may properly arise at the annual meeting.**

The foregoing items of business are more fully described in our proxy statement accompanying this notice. Please read our proxy statement carefully.

If you do not expect to attend the annual meeting, please mark, sign and date the enclosed proxy and return it in the enclosed return envelope which requires no postage if mailed in the United States.

Only shareholders of record as of the close of business on January 11, 2012, are entitled to notice of and to vote at the annual meeting or any adjournments thereof. In the event there are not sufficient votes for approval of one or more of the above matters at the time of the annual meeting, the annual meeting may be adjourned in order to permit further solicitation of proxies.

By order of the Board of Directors,  
John G. Oblazney, *Secretary*

Indianapolis, Indiana  
January 23, 2012

**YOUR VOTE IS IMPORTANT** Even if you plan to attend the meeting, we urge you to mark, sign and date the enclosed proxy and return it promptly in the enclosed envelope.

## **Important Notice Regarding the Availability of Proxy Materials**

In accordance with the rules of the Securities and Exchange Commission, we are advising our shareholders of the availability on the Internet of our proxy materials related to our forthcoming annual meeting. These rules allow companies to provide access to proxy materials in one of two ways. Because we have elected to utilize the full set delivery option, we are delivering to all shareholders paper copies of all of the proxy materials, as well as providing access to those proxy materials on a publicly accessible website.

**The notice of annual meeting of shareholders, proxy statement, form of proxy card and annual report to shareholders on Form 10-K are available at [www.hurco.com/proxymaterials](http://www.hurco.com/proxymaterials). If you plan to attend the annual meeting in person, you may obtain directions to the meeting site by written request directed to John G. Oblazney, Vice President and Chief Financial Officer, Hurco Companies, Inc., One Technology Way, P. O. Box 68180, Indianapolis, Indiana 46268 or by telephone at (317) 293-5309.**

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**HURCO COMPANIES, INC.**  
**One Technology Way**  
**P. O. Box 68180**  
**Indianapolis, Indiana 46268**

**Annual Meeting of Shareholders**  
**March 15, 2012**

**PROXY STATEMENT**

This proxy statement and accompanying proxy are being furnished to the holders of common stock of Hurco Companies, Inc. in connection with the solicitation of proxies by the Board of Directors for the 2012 Annual Meeting of Shareholders to be held at 10:00 a.m. EDT on Thursday, March 15, 2012, at our corporate headquarters at One Technology Way, Indianapolis, Indiana, and at any adjournments thereof. This proxy statement and the accompanying form of proxy are being mailed to our shareholders on or about January 23, 2012.

**QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING**

**Who may vote at the meeting?**

Shareholders of record as of the close of business on January 11, 2012 are entitled to vote at the annual meeting or any adjournments thereof. As of that date, we had 6,441,351 shares of our common stock outstanding.

**What are my voting rights?**

Holders of our common stock are entitled to one vote per share with respect to each matter submitted to a vote. Therefore, a total of 6,441,351 votes are entitled to be cast at the meeting. There is no cumulative voting on election of directors or any other matter.

**How many shares must be present to hold the meeting?**

The presence in person or by proxy of the holders of a majority of the outstanding shares entitled to vote at the annual meeting is necessary to constitute a quorum for the transaction of business.

## What matters will be voted on at the meeting?

There are three matters to be considered at the meeting, as follows:

1. Election of eight directors to serve until the next annual meeting of shareholders and their successors are duly elected and qualify,
2. An advisory vote on executive compensation, also referred to as the say-on-pay vote, and
3. Ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending October 31, 2012.

## How are votes counted?

All shares that have been properly voted, and not revoked, will be voted at the meeting in accordance with the instructions of the voting shareholders.

Brokers are not entitled to exercise discretion to vote shares in an uncontested election of directors or on the advisory votes on executive compensation if the shareholder does not give voting instructions. Accordingly, if you hold your shares in street name and wish your shares to be voted by your broker or other nominee in the election of directors or on the two say-on-pay matters, you must give your broker voting instructions.

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## What vote is required to approve each proposal?

To approve each of the proposals, the following votes are required from the holders of voting shares. Abstentions and broker non-votes will not count as votes cast on the proposals below and will not affect the outcome of the votes.

Proposal	Vote Required
1 Election of directors	The election of director nominees will be determined by a plurality of the shares voting on such election, which means that the director nominees receiving the most <b>FOR</b> votes will be elected up to the maximum number of directors to be elected at the annual meeting. Broker non-votes and abstentions will not affect the determination of whether any nominee is elected.
2 Advisory vote on executive compensation	Approval by a majority of the votes cast.
3 Ratification of auditors	Approval by a majority of the votes cast.

## How can I vote my shares without attending the meeting?

Whether you hold your shares directly as a registered shareholder or beneficially in street name, you may vote without attending the meeting. If you are a shareholder of record, you can vote your shares by granting a proxy via the Internet, over the telephone or by mailing your signed proxy card. If you hold your shares in street name, your broker, bank or other nominee will provide you with materials and instructions on voting your shares.

## How do I vote my shares in person at the meeting?

Proof of stock ownership and some form of government issued photo identification (such as a valid driver's license or passport) will be required for admission to the meeting. **Only shareholders who owned our common stock as of the close of business on January 11, 2012 are entitled to attend the meeting.**

If you are a shareholder of record, you must bring some form of photo identification to be admitted to the meeting. You may vote your shares in person at the meeting by completing a ballot at the meeting.

If your shares are held in street name, you must request a proxy from your broker, bank or other nominee that holds your shares. If you do not obtain a proxy from your broker, bank or other nominee, you will not be entitled to vote your shares at the meeting, but you can still attend the meeting if you bring a recent bank or brokerage statement showing that you owned shares of common stock on January 11, 2012.

Even if you currently plan to attend the meeting, we recommend that you vote by proxy, either via the Internet, by telephone or by mail, so that your vote will be counted if you later decide not to attend the meeting.

## What can I do if I change my mind after I submit my proxy?

If you are a shareholder of record, you may revoke your proxy at any time before it is voted at the meeting by: (1) giving timely written notice of the revocation to our Secretary, or (2) submitting a later-dated proxy in person at the meeting, via the Internet, by telephone or by mail. If your shares are held in street name, you may submit new voting instructions by contacting your broker, bank or other nominee holder. You may also vote in person at the annual meeting if you obtain a legal proxy as described above.





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## **What are the Board's recommendations on how I should vote my shares?**

The Board recommends that you vote your shares as follows:

**FOR** the election of the eight nominees as directors.

**FOR** the advisory proposal to approve our executive compensation.

**FOR** the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending October 31, 2012.

## **How would my shares be voted if I do not specify how they should be voted?**

If you sign and return a proxy card without indicating how you want your shares to be voted, the persons named as proxies will vote your shares as follows:

**FOR** the election of the eight nominees as directors.

**FOR** the advisory approval of our executive compensation.

**FOR** the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending October 31, 2012.

## **What is the effect of the advisory vote on executive compensation?**

This vote is advisory and not binding on the Board of Directors. The Board could, if it concluded it was in our best interests to do so, choose not to follow or implement the outcome of the advisory vote.

## **What happens if additional matters are presented at the annual meeting?**

We know of no other matters other than the items of business described in this proxy statement that will be presented at the meeting. If you grant a proxy, the persons named as proxy holders will have discretion to vote your shares on any additional matters properly presented for a vote at the meeting in accordance with Indiana law and our By-Laws.

## **Who will count the votes?**

Our Corporate Secretary will count the votes.

## **Can I review the list of shareholders entitled to vote at the meeting?**

A list of shareholders entitled to vote at the meeting will be available at the meeting and for ten days prior to the meeting, between the hours of 9:00 a.m. and 4:30 p.m., at our offices at One Technology Way, Indianapolis, Indiana 46268. If you would like to view the shareholder list, please contact our Corporate Secretary to schedule an

appointment.

## **Who pays for the cost of proxy preparation and solicitation?**

We will pay the cost of preparing, assembling and mailing this proxy statement and form of proxy. We will also request banks, brokers and other holders of record to send the proxy materials to, and obtain proxies from, beneficial owners and will reimburse them for their reasonable expenses in doing so.

## **Is this proxy statement the only way that proxies are being solicited?**

Our directors, officers and other employees may also solicit proxies personally by telephone, facsimile, electronic mail, personal contact or otherwise. They will not be specifically compensated for doing so.

## **Can I receive future proxy statements and annual reports electronically?**

Yes. If you are a shareholder of record, you may request and consent to electronic delivery of future proxy statements, annual reports and other shareholder communications by following the instructions on the proxy card to vote using the Internet and when prompted, indicate that you agree to receive or access shareholder communications electronically in future years. You may also contact our Transfer Agent, Computershare Investment Services by calling (781) 575-2879 or toll-free at (877) 282-1169 or by writing: Computershare Investment Services, P.O. Box 43078, Providence, RI 02940. If your shares are held beneficially in street name, please contact your broker or other nominee and ask about the availability of electronic delivery.

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**Are you planning on making the proxy materials only available by Internet this year, unless paper copies are requested?**

No. Although many public companies are mailing a notice to their shareholders so they can provide proxy materials through the Internet, we have again elected to use the full set delivery option and so are providing paper copies of proxy materials to all of our shareholders. Our proxy materials and Annual Report on Form 10-K are also available via the internet at [www.hurco.com/proxymaterials](http://www.hurco.com/proxymaterials). We may decide not to use the full set delivery option in the future; however, you will still have the right to request a free set of proxy materials by mail.

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## PROPOSAL 1. ELECTION OF DIRECTORS

The Board of Directors currently consists of eight members. Three of our incumbent directors, Stephen H. Cooper, Richard T. Niner, and Charlie Rentschler, are retiring from the Board when their current terms expire at the annual meeting. The Board, acting on the recommendation of our Nominating and Governance Committee, has nominated the eight persons identified below. Each nominee who is elected will serve for a term of one year, which expires at our next annual meeting of shareholders or such later date as his or her successor has been elected and qualifies.

No fees were paid to any third parties to identify or evaluate potential nominees. Unless authority is specifically withheld, the shares voting by proxy will be voted in favor of these nominees.

If any of these nominees becomes unable to serve, the persons named in the proxy will exercise their voting power in favor of other such person or persons as the Board may recommend. All of the nominees have consented to being named in this proxy statement and to serve if elected. The Board of Directors knows of no reason why any of the nominees would be unable to serve.

The names of the persons who are nominees for election and their current positions and offices with Hurco are set forth below. There are no family relationships among any of our directors or officers, except that Andrew Niner, one of the nominees, is the son of Richard T. Niner whose term as director expires at the annual meeting.

Nominees	Positions and Offices Held with Hurco
Robert W. Cruickshank	Presiding Independent Director
Michael Doar	Chairman, Chief Executive Officer, President and Director
Philip James	Director
Michael P. Mazza	Director
Andrew Niner	Nominee
Richard Porter	Nominee
Janaki Sivanesan	Director
Ronald Strackbein	Nominee

### Business Experience and Qualifications of Nominees

**Robert W. Cruickshank**, age 66, has been a member of the Board of Directors since 2000 and will begin serving as the Presiding Independent Director in 2012. Mr. Cruickshank has been a consultant providing clients with financial advice since 1981. Mr. Cruickshank is also a director of Calgon Carbon Corporation, a producer of products and services for the purification, reparation and concentration of liquids and gases. Mr. Cruickshank brings to our Board of Directors and Audit Committee expertise in finance and investments. Mr. Cruickshank also has experience serving as an independent director of several public companies.

**Michael Doar**, age 56, has been a member of the Board of Directors since 2000. Mr. Doar was elected Chairman of the Board of Directors and our Chief Executive Officer in fiscal 2001. He was appointed to the additional office of President in November 2009. Prior to joining Hurco, Mr. Doar served as Vice President of Sales and Marketing of Ingersoll Contract Manufacturing Company, a subsidiary of Ingersoll International, an international engineering and machine tool systems business, having previously held various management positions with Ingersoll International from 1989. Mr. Doar also serves as a director of Twin Disc, Incorporated, a manufacturer of marine and heavy duty

off-highway power transmission equipment.

Mr. Doar has led Hurco for more than ten years. As Chairman, Chief Executive Officer and President, Mr. Doar brings to our Board of Directors his in-depth knowledge of our business, strategy, people, operations, competition and financial position. Mr. Doar also provides leadership and vision for the development and execution of our strategic plans and the achievement of our business goals and objectives.

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**Philip James**, age 69, has been a member of the Board of Directors since 2007. Mr. James is President of James Consulting Associates LLC, a firm that provides strategic advice to senior management of global manufacturing companies, with special emphasis on China. Mr. James has conducted business extensively in China for twenty-five years. Previously, Mr. James served as Chief Executive Officer of Ingersoll Production Systems, a subsidiary of Dalian Machine Tool Group, a Chinese machine tool manufacturer. Mr. James brings to the Board of Directors substantial experience in the machine tool industry as well as international business matters, particularly with respect to the Chinese market.

**Michael P. Mazza**, age 47, has been a member of the Board of Directors since 2006. Mr. Mazza is an attorney specializing in intellectual property law, and the principal of his law firm, Michael P. Mazza, LLC in Chicago. Previously, he was associated with Niro, Scavone, Haller & Niro, a Chicago intellectual property law firm. Mr. Mazza brings to our Board of Directors legal expertise in the area of intellectual property, particularly patent protection and enforcement, and provides valuable insight into the protection of our technological developments with respect to computerized machine tools.

**Andrew Niner**, age 34, is a nominee for the Board of Directors. Mr. Niner is a partner at Pacific Legacy Capital, a California based private equity group focused on investing in lower middle market companies. Previously, Mr. Niner was a restructuring advisor at a global distribution company and a strategy manager at Levi Strauss & Company. Mr. Niner earned his Masters of Business Administration from the University of California at Berkeley and is a CFA Charterholder. Mr. Niner is the son of Richard T. Niner, an incumbent director whose term will expire at the annual meeting. Mr. Niner brings to our Board of Directors knowledge and experience in strategic business development, operations and capital market transactions.

**Richard Porter**, age 56, is a nominee for the Board of Directors. Mr. Porter has managed a private equity portfolio of manufacturing companies since 2007. Previously he was President of CB Manufacturing, a cutting tool company, and President of Ingersoll Contract Manufacturing Company, a subsidiary of Ingersoll International. Mr. Porter brings to the Board of Directors extensive experience in the machine tool industry, particularly in product and contract manufacturing. Mr. Porter also has experience serving on boards of private companies ranging in size from \$40 million to \$480 million.

**Janaki Sivanesan**, age 40, has been a member of the Board of Directors since 2008. Ms. Sivanesan is a practicing attorney and has her own private practice. She previously served as a partner at a large, New York law firm. She was admitted to the bars of the State of New York and Georgia in 2007 and 1996, respectively. Ms. Sivanesan's practice involves a wide range of corporate transactions, from mergers and acquisitions to corporate finance, including public offerings of securities and private equity and venture capital transactions. Ms. Sivanesan also has experience in cross border transactions related to manufacturing and outsourcing, and is particularly knowledgeable with respect to business operations in India. Ms. Sivanesan provides to the Board of Directors and Audit Committee thorough knowledge and understanding of complex legal and capital markets transactions as well as corporate mergers and acquisitions.

**Ronald Strackbein**, age 70, is a nominee for the Board of Directors. Mr. Strackbein has been a self-employed private investor for more than twenty years. Mr. Strackbein provides to the Board of Directors significant experience in corporate operations, management and finance. Mr. Strackbein also has experience serving as a director of several other public and private corporations.

**The Board of Directors recommends a vote FOR each of the nominees for director.**

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## **CORPORATE GOVERNANCE**

### **Policies on Corporate Governance**

Our Board believes that good corporate governance is important to ensure that the company is managed for the long-term benefit of its shareholders. The Board or one of its committees periodically reviews our Corporate Governance Principles, the written charters for each of the standing committees of the Board and our Code of Business Conduct and Ethics and amends them as appropriate to reflect new policies or practices.

### **Board Leadership Structure**

Our Board is currently led by Mr. Doar, our Chairman and Chief Executive Officer. Mr. Doar has held these positions since 2001 and has experience in leading the Company through a range of changes in business environments. The Board of Directors believes that it is most efficient and effective for a single individual to fulfill these two leadership roles at this time. Combining the Chairman and Chief Executive Officer roles facilitates clear leadership responsibility and accountability, effective decision-making, and a cohesive corporate strategy. Our Board of Directors possesses considerable experience and knowledge of the challenges and opportunities that we face as a company. We feel they are well qualified to evaluate our current and future needs and to judge how the capabilities of our senior management can be most effectively organized to meet those needs.

Our Board of Directors currently has seven independent directors. We have three standing committees and one of our independent directors serves as our Presiding Independent Director as required by our Corporate Governance Principles. Mr. Niner, who is retiring from the Board, has served as the Presiding Independent Director for many years. The independent directors have designated Mr. Cruickshank to succeed Mr. Niner. The Presiding Independent Director oversees executive sessions of the independent directors and plays an active role in setting Board agendas and facilitating interactions between the independent directors and management. The Board of Directors evaluates its leadership structure on an ongoing basis and may change it as circumstances warrant. We believe that each of these measures counter-balances any risk that may exist in having Mr. Doar serve as both Chairman and Chief Executive Officer. For these reasons, our Board of Directors believes this leadership structure is effective for our Company.

### **Board Role in Risk Oversight**

Our Board regularly receives reports from our Chief Executive Officer and other members of our senior management team regarding areas of significant risk to us, including strategic, operational, financial, legal, regulatory and reputational risks. However, management is responsible for assessing and managing our various risk exposures on a day-to-day basis. In this regard, management, with the assistance, where appropriate, of its counsel, has established functions that focus on particular risks, such as legal matters, regulatory compliance, treasury management, research and development, supply chain and quality control, and has developed a systemic and integrated approach to overall risk management, which includes the identification of risks and mitigation plans in the strategic planning process.

Our Board's role is primarily one of oversight. Our Board oversees our risk management processes to determine whether those processes are functioning as intended and are consistent with our business and strategy. Our Board conducts this oversight primarily through the Audit Committee, although some aspects of risk oversight are performed by the full Board or another committee. The Audit Committee is assigned with, among other things, oversight of our risks relating to accounting matters, financial reporting and legal and regulatory compliance. The Audit Committee

meets regularly with our Chief Financial Officer, external auditors and management to discuss our major financial risk exposures and the steps management has taken to monitor and control such exposures, including our risk assessment and risk management policies. The Audit Committee also receives regular reports regarding issues such as the status and findings of audits being conducted by our independent auditors, the status of material litigation and material accounting changes or proposed audit adjustments that could affect our financial statements. Our Audit Committee has standing items on its quarterly meeting agendas relating to these responsibilities. The Audit Committee members, as well as each other director, have access to our Chief Financial Officer and any other member of our management for discussions between meetings as warranted. The Audit Committee provides reports to the full Board on risk-related items.

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The activities of the Compensation Committee with respect to risks relating to our compensation policies and procedures are discussed on page 16 of this proxy statement.

## Director Independence and Board Meetings

The Board of Directors has determined that a majority of our directors are independent directors as defined by the listing standards of The Nasdaq Stock Market (the market in which our common stock trades), and the director independence rules of the Securities and Exchange Commission. The Board has affirmatively determined that none of the persons who served as independent directors during fiscal 2011 have any relationship with us that would impair their independence.

Directors are expected to attend Board meetings, meetings of committees on which they serve and our annual meeting of shareholders, and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. During fiscal 2011, the Board of Directors held four regular meetings. All directors attended at least 75% of the aggregate number of meetings of the Board and the committees on which they served during fiscal 2011, and all directors, except Mr. Mazza, attended the 2011 annual meeting of shareholders.

## Board Committees and Committee Meetings

The Board of Directors has three standing committees: the Audit Committee, the Compensation Committee and the Nominating and Governance Committee. The members of the committees, as of the date of this proxy statement, are identified in the following table.

Director	Audit Committee	Compensation Committee	Nominating and Governance Committee
Stephen H. Cooper	X		X
Robert W. Cruickshank	Chair	X	
Michael Doar		Chair	
Philip James		X	
Michael P. Mazza			
Richard T. Niner			Chair
Charlie Rentschler			X
Janaki Sivanesan	X		

Messrs. Cooper, Niner and Rentschler will retire at the annual meeting pursuant to the mandatory age limitation for directors. If the three nominees are elected as directors at the annual meeting, it is expected that the Board of Directors will appoint each of them to one or more committees.

## Audit Committee

The Audit Committee oversees our accounting and financial reporting activities. It appoints our independent registered public accounting firm and meets with that firm and our Chief Financial Officer to review the scope, cost and results of our annual audit and to review our internal accounting controls, policies and procedures. The Report of the Audit Committee is included on page 27 of this proxy statement.

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All members of the Audit Committee are independent as such term is defined for audit committee members under the Nasdaq rules and Rule 10A-3 of the Securities Exchange Act of 1934, as amended, or the Exchange Act. The Board has determined that Mr. Cruickshank qualifies as an audit committee financial expert, as defined in Item 407(d)(5)(ii) of Regulation S-K of the Exchange Act.

The Audit Committee held five meetings during fiscal 2011.

The Audit Committee operates under a written charter, a copy of which is available on our website at [www.hurco.com](http://www.hurco.com).

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**Compensation Committee**

The Compensation Committee reviews and recommends to the Board the compensation of our officers and managers and guidelines for the general wage structure of the entire workforce. The Compensation Committee also oversees the administration of our employee benefit plans and discusses with management the Compensation Discussion and Analysis and, if appropriate, recommends its inclusion in our Annual Report on Form 10-K and proxy statement. The Report of the Compensation Committee is included on page 15 of this proxy statement.

All members of the Compensation Committee are independent directors as defined by Nasdaq rules.

The Compensation Committee held two meetings during fiscal 2011.

The Compensation Committee operates under a written charter, a copy of which is available on our website at *www.hurco.com*.

**Nominating and Governance Committee**

The Nominating and Governance Committee assists the Board by identifying individuals qualified to become Board members, maintains our Corporate Governance Principles and Code of Business Conduct and Ethics, leads the Board in an annual self-evaluation, recommends members and chairs for each standing committee, and determines and evaluates succession plans for our Chief Executive Officer.

All members of the Nominating and Governance Committee are independent directors as defined by Nasdaq rules.

The Nominating and Governance Committee held one meeting during fiscal 2011.

The Nominating and Governance Committee is responsible for identifying potential Board members. The committee examines, among other things, the following qualifications and skills of director candidates: their business or professional experience, their integrity and judgment, their records of public service, their ability to devote sufficient time to the affairs of the Company, the diversity of backgrounds and experience they will bring to the Board, and the needs of the Board for certain skills or experiences. The Nominating and Governance Committee also believes that all nominees should be individuals of substantial accomplishment with demonstrated leadership capabilities. The committee does not have a formal policy with regard to the consideration of diversity in identifying nominees for director.

The Nominating and Governance Committee will consider candidates for director who are recommended by shareholders. A shareholder who wishes to recommend a director candidate for consideration by the committee should send such recommendation to our Secretary at One Technology Way, Indianapolis, Indiana 46268, who will forward it to the committee. Any such recommendation should include a description of the candidate's qualifications for Board service and contact information for the shareholder and the candidate.

A shareholder who wishes to nominate an individual as a candidate for director without the recommendation of the Nominating and Governance Committee must comply with the advance notice and informational requirements set forth in our By-Laws, which are more fully explained later in this proxy statement under Shareholder Proposals for our 2013 Annual Meeting.

The Nominating and Governance Committee operates under a written charter, a copy of which is available on our website at [www.hurco.com](http://www.hurco.com).

## **Compensation Committee Interlocks and Insider Participation**

The members of our Compensation Committee during fiscal 2011 were Messrs. James (Chair), Cruickshank and Mazza. No member of our Compensation Committee was, at any time during fiscal 2011 or at any other time before fiscal 2011, our officer or employee. In addition, none of the members of the Compensation Committee were involved in a relationship requiring disclosure as an interlocking executive officer or director under Item 407(e)(4) of Regulation S-K of the Exchange Act. None of our executive officers served as a member of the Compensation Committee at any time during or before fiscal 2011.

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## **Shareholder Communications**

The Board of Directors has implemented a process whereby shareholders may send communications to its attention. The process for communicating with the Board is set forth in our Corporate Governance Principles, which are available on our website at *www.hurco.com*.

## **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires our directors and executive officers, and persons who own more than 10% of our common stock, to file reports of ownership with the SEC and Nasdaq. Such persons are also required to furnish us with copies of all Section 16(a) forms they file.

Based solely on our review of the copies of such forms received by us, and written representations from certain reporting persons that they were not required to file a Form 5 to report previously unreported ownership or changes in ownership, we believe that, during our fiscal year ended October 31, 2011, all of our officers, directors and greater than 10% beneficial owners complied with all filing requirements under Section 16(a).

## **Code of Business Conduct and Ethics**

We have adopted a Code of Business Conduct and Ethics, which applies to all of our directors, officers and employees, including our principal executive officer, principal financial officer and principal accounting officer. If we grant any waiver to the Code of Business Conduct and Ethics, we will disclose the nature of such waiver in a Current Report on Form 8-K that we will file with the SEC. A copy of the Code of Business Conduct and Ethics is available on our website at *www.hurco.com*. We will disclose any amendments or updates to our Code of Business Conduct and Ethics by posting such amendments or updates on our website.

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## **PROPOSAL 2. ADVISORY VOTE ON EXECUTIVE COMPENSATION**

As we did at the previous annual meeting, we are requesting shareholders to approve a proposal concerning the compensation of our named executive officers as disclosed in this proxy statement pursuant to the SEC's compensation disclosure rules (which disclosures includes the Compensation Discussion and Analysis, the compensation tables and the narrative discussion following the compensation tables). Consistent with the preference expressed by shareholders at the 2011 annual meeting, we are conducting advisory votes on executive compensation on an annual basis.

Our executive compensation program is intended to motivate and retain qualified managerial personnel in a way that establishes an appropriate relationship between executive pay and the creation of shareholder value. We believe that our executive compensation program accomplishes this goal.

The Compensation Discussion and Analysis beginning on page 12 of this proxy statement describes our executive compensation program in detail and explains the decisions made by the Compensation Committee that determined the compensation of our five most-highly compensated executive officers, the named executive officers during fiscal 2011. Key factors impacting compensation included the following:

The Company's performance in fiscal 2011 represented a significant improvement over fiscal 2010 with orders and sales increasing more than 70% year-over-year.

The increases in total compensation of the named executive officers over fiscal 2010 were consistent with the improved operating performance.

The compensation of the named executive officers includes equity-based incentive awards intended to align the interests of executives more closely with shareholders.

As an advisory vote, this proposal is not binding upon the Board of Directors or us. However, we expect that the Compensation Committee, which is responsible for designing and administering our executive compensation program will consider the outcome of the vote when making future compensation decisions for named executive officers.

**The Board of Directors recommends a vote FOR the advisory proposal approving of the compensation of our named executive officers as disclosed in this proxy statement.**



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## **EXECUTIVE COMPENSATION**

### **Compensation Discussion and Analysis**

The goals of our executive compensation program are to foster the creation of shareholder value while, at the same time, motivating and retaining managerial personnel. This section and the tables that follow it provide information regarding our compensation program and practices as they relate to our Chief Executive Officer, Chief Financial Officer and the three other executive officers identified in the Summary Compensation Table on page 17, and are referred to as the named executive officers in this analysis. We do not currently have any executive officers who are not also named executive officers.

The responsibilities of the Compensation Committee of the Board of Directors (referred to as the Committee in this section) include administering our compensation programs and approving or ratifying all compensation related decisions for the named executive officers.

### **2011 Overview**

We are an industrial technology company that designs and produces computerized machine tools. The recent global economic recession had a significant adverse effect on our operational performance and the market for machine tools in fiscal 2009 and early fiscal 2010. We took steps to reduce our operating costs to reflect the decline in demand for our products. These steps included Company-wide reductions in compensation. We began to see signs of recovery in the second half of fiscal 2010. Fiscal 2011 proved to be a significant improvement over fiscal 2010 with orders and sales outpacing the previous year by more than 70%. Total compensation paid to the named executive officers increased in fiscal 2011 reflecting our improved operating results and overall performance.

### **Elements of Compensation**

Our executive compensation program is very simple. The compensation package of our named executive officers consists primarily of a base salary, an annual cash bonus and equity-based incentive awards.

**Base Salaries.** Our industry is highly cyclical and we believe that offering competitive base salaries is a key factor in attracting and retaining talent. Base salaries generally carry over from the prior year and are reviewed annually for possible adjustments. During the recent downturn, we decreased the base salaries of all employees, including the named executive officers, to reduce our operating costs. Base salaries were increased in fiscal 2011 to their prior levels as our performance improved. Our Chief Executive Officer makes a recommendation on salary adjustments for each of the other named executive officers. Our Chief Executive Officer bases these recommendations on a subjective assessment of our overall performance, his assessment of each individual's contributions to that performance, and to a lesser extent, his views on competitive practices in our industry and of other similar sized public companies. The members of the Committee then use their own business experience and judgment to determine the amount of the increase, if any. The base salary of our Chief Executive Officer is determined by the Committee based on the Committee's subjective assessment of our overall performance and the Chief Executive Officer's individual contribution to that performance.

**Annual Cash Bonuses.** The Committee determines on an annual basis whether to pay discretionary cash bonuses to the named executive officers as a reward for past efforts. When making its bonus determinations, the Committee has

available to it our financial results for the fiscal year just ended and our business plan that details anticipated revenue, profit margins, net income and cash flows for the coming fiscal year. No annual cash bonuses were paid in fiscal 2010 or 2009 as part of Company-wide cost reductions. The Committee also considers the role of, and the contributions made by, each named executive officer during the prior fiscal year. The Committee does not employ a specific formula for taking any of these factors into account. Rather, the Committee makes a subjective assessment of these factors in the aggregate and applies their collective business experience and judgment to determine both how we performed in the year and the amount of the annual bonus to be paid to each named executive officer.

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***Equity-Based Incentive Awards.*** The Company has a shareholder-approved plan that permits the Committee to grant several types of equity-based awards. The Committee believes that equity-based awards that include multi-year vesting requirements provide our executive officers with an ownership stake in the Company and promote executive retention. The Committee believes stock options are an effective means to align the interests of executives with those of our shareholders because stock options only have value if our stock price increases after the stock options are granted. In December 2010, the Committee made awards of shares of restricted stock to the named executive officers. These awards vest in their entirety three years from the date of grant. The Committee believes that annual grants of restricted stock to the named executive officers can be an effective means to align the interests of executives more closely with those of our shareholders. In fiscal 2012, the Committee has made awards of stock options and shares of restricted stock to the named executive officers.

***Discretionary Payments.*** In fiscal 2011, the Committee approved one-time discretionary cash payments to all employees, including the named executive officers. The amount of the payments was equal to the reductions in base salaries during fiscal 2009 and 2010 instituted as part of a Company-wide effort to reduce costs. In approving the payments, the Committee considered the benefit the Company received from being able to adjust to lower production levels during the downturn and the significant contributions the employees made to the Company's return to profitability in fiscal 2011.

***Medical, Disability and Life Insurance.*** All full-time employees, including the named executive officers, participate in insurance benefits coverage to help manage the financial impact of ill health, disability and death. In addition, all named executive officers are provided supplemental disability benefits and our Chief Executive Officer is also provided a split-dollar life insurance benefit.

***Retirement Benefits.*** We sponsor a 401(k) plan in which all full-time employees are eligible to participate. The purpose of the plan is to provide an incentive for employees to save for their retirement income needs and to assist in our attraction and retention of employees. Our named executive officers participate in the 401(k) plan on the same basis as other eligible employees. Prior to fiscal 2009, we made matching contributions in an amount equal to 100% of the first 6% of a participant's annual earnings that he or she contributed, up to the maximum permitted by law. This benefit was suspended beginning in the second quarter of fiscal 2009 in order to control expenses as a result of the severe economic downturn. In January 2011, the matching contributions were reinstated to the plan at a contribution rate lower than we had previously. We also maintain a deferred compensation program in which our named executive officers and other senior management employees may voluntarily participate. For additional information regarding the deferred compensation program see Nonqualified Deferred Compensation.

***Perquisites.*** The Committee believes that, even though the level of perquisites provided to the named executive officers is relatively minimal, perquisites are an integral component in establishing the competitiveness of our overall compensation program. Perquisites offered to the named executive officers include the use of company leased vehicles. For additional information regarding perquisites see Tabular Compensation Information.

## **Employment Agreements**

We have employment agreements with Messrs. Doar and Oblazney. These agreements provide for continued salary payments and other benefits for 12 months if employment terminates. Additional information regarding employment agreements is found in this section under the heading Employment Agreements on page 21. Under the heading Potential Payments Upon Termination on page 22 we also estimate the benefits that we would have paid to these individuals if their employment had terminated on October 31, 2011, under various scenarios.

The Committee believes that these agreements are an important part of the overall compensation arrangements for Messrs. Doar and Oblazney by helping to secure for us the continued employment and dedication of those officers, and provide a reasonable amount of assurance to them of continued employment.

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**Compensation Decisions for Fiscal 2011**

Details of the compensation payable to the named executive officers for fiscal 2011 are disclosed in the tables and related discussion that follow this Compensation Discussion and Analysis.

In November 2010, the Committee approved base salary increases for Mr. Oblazney, Ms. McClelland and Mr. Volovic effective January 2011. In November 2011, the Committee also approved annual cash bonuses for all named executive officers equal to their base salaries then in effect, with the exception of Mr. Doar who was awarded \$50,000 more than his base salary. These were the first annual cash bonuses paid since fiscal 2008. In addition, the Committee approved a one-time payment to all employees, including the named executive officers, equal to the 10% reductions in base salary taken over fiscal 2009 and 2010 to reflect the substantial improvement in our business, to ensure retention of key employees and to remain competitive with the market.

The Committee approved the reinstatement of matching contributions for all employees participating in the 401(k) plan beginning in January 2011 in an amount equal to 25% of the first 6% of a participant's annual earnings that he or she contributes.

In December 2010, the Committee granted 5,000 shares of restricted stock to the named executive officers. The restricted stock grants vest in their entirety three years from the date of grant. The grant date fair value of the restricted stock is based on the closing sales price of our common stock on the grant date.

During fiscal 2011, no changes to the employment agreements with Messrs. Doar and Oblazney were recommended or approved by the Committee.

**Compensation Decisions for Fiscal 2012**

On November 17, 2011, employing the methodology described above under Elements of Compensation, the Committee established annual base salaries for the named executive officers for fiscal 2012. The following table sets forth the annual base salary of each of the named executive officers for fiscal 2011 and the annual base salary established by the Committee for each of those officers for fiscal 2012:

	Fiscal 2011 Base Salary	Fiscal 2012 Base Salary
Michael Doar	\$ 375,000	\$ 400,000
John G. Oblazney	\$ 190,000	\$ 200,000
John P. Donlon	\$ 200,000	\$ 210,000
Sonja K. McClelland	\$ 145,000	\$ 160,000
Gregory S. Volovic	\$ 215,000	\$ 240,000

On November 17, 2011, the Committee approved an increase in matching contributions for all employees participating in the 401(k) plan beginning in January 2012 to 50% of the first 6% of a participant's annual earnings that he or she contributes.

On December 14, 2011, the Committee granted awards of shares of restricted stock and stock options to the named executive officers as follows:

	Restricted Stock	Stock Options
Michael Doar	8,741	16,311
John Oblazney	3,963	7,395
John P. Donlon	4,196	7,829
Sonja K. McClelland	2,914	5,437
Gregory S. Volovic	4,429	8,264

The restricted stock grants vest in their entirety three years from the date of grant. The grant date fair value of the restricted stock is based on the closing sales price of our common stock on the grant date. The stock options vest at the rate of one-third per year over three years, beginning one year from the grant date, and expire ten years from the grant date. The exercise price for the stock options is based on the closing sales prices of our common stock on the grant date.

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**Taxes and Accounting Considerations**

Section 162(m) of the Internal Revenue Code limits the deductibility of non-performance-based executive compensation in excess of \$1,000,000. None of our officers covered under the law had non-performance-based annual compensation in excess of \$1,000,000. Thus, all such compensation will be deductible for tax purposes. The Committee expects to continue to monitor future compensation decisions in relation to the possible impact of Section 162(m).

Section 409A of the Internal Revenue Code affects the payments of certain types of deferred compensation to key employees and includes requirements relating to when payments under such arrangements can be made, acceleration of benefits, and timing of elections under such arrangements. Failure to satisfy these requirements will generally lead to an acceleration of the timing for including deferred compensation in an employee's income, as well as certain penalties and interest. We believe that our nonqualified deferred compensation arrangements meet the effective requirements of Section 409A as required by law or regulation.

**REPORT OF THE COMPENSATION COMMITTEE**

*The information contained in this report shall not be deemed to be soliciting material, to be filed with the SEC, or to be subject to Regulation 14A or Regulation 14C (other than as provided in Item 407 of Regulation S-K) or to the liabilities of Section 18 of the Exchange Act, and shall not be deemed to be incorporated by reference in future filings with the SEC except to the extent that we specifically incorporate it by reference into a document filed under the Securities Act of 1933, as amended, or the Securities Act, or the Exchange Act.*

The Committee has reviewed and discussed the foregoing Compensation Discussion and Analysis with management.

Based on that review and those discussions, the Committee recommended to the Board of Directors that this Compensation Discussion and Analysis be included in this proxy statement on Schedule 14A and incorporated by reference in the Company's Annual Report on Form 10-K for its 2011 fiscal year.

Philip James, *Chairman*  
Robert W. Cruickshank  
Michael P. Mazza

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## **ASSESSMENT OF COMPENSATION-RELATED RISKS**

On an ongoing basis as part of our strategic business planning process, the named executive officers and key senior management conduct an assessment of the current risks arising from our compensation policies and practices. This team reviews and discusses the characteristics and approval policies of compensation programs for all employees, including salaries, equity awards, and cash bonuses, to determine whether any of these policies or programs could create risks that are reasonably likely to have a material adverse effect on us.

In November 2011, as part of our business planning process, we reviewed and discussed all recommended changes to our compensation policies and practices with our board of directors as part of our business plan review and approval process. In addition, the Compensation Committee met separately to review the management team's assessment of the risks that could arise from our compensation policies and practices in conjunction with any recommended changes that were needed. As part of their review, the Compensation Committee specifically considered factors that reduce the likelihood of excessive risk-taking such as our overall compensation levels being competitive with the market, the balance between fixed components like salary and benefits and stock options or restricted stock with time-based vesting.

Based on such assessments, we believe that any risks arising from our compensation policies and practices are not reasonably likely to have a material adverse effect on us.



TABLE OF CONTENTS**Tabular Compensation Information**

The following table summarizes the compensation information for each of our named executive officers for the fiscal years ended October 31, 2011, 2010 and 2009:

**SUMMARY COMPENSATION TABLE**

Name and Principal Position	Fiscal Year	Salary <sup>(1)</sup> (\$)	Bonus <sup>(2)</sup> (\$)	Stock Awards <sup>(3)</sup> (\$)	Option Awards <sup>(4)</sup> (\$)	All Other Compensation <sup>(5)</sup> (\$)	Total (\$)
Michael Doar Chairman, Chief Executive Officer and President	2011	375,000	473,462	115,500		65,187	1,029,149
	2010	352,500			223,315	47,766	623,581
	2009	349,039				65,795	414,834
John G. Oblazney Vice President, Secretary, Treasurer and Chief Financial Officer	2011	189,038	204,231	115,500		19,816	528,585
	2010	183,577			89,326	18,364	291,267
	2009	172,192				25,358	197,550
John P. Donlon Executive Vice President, Worldwide Sales and Service	2011	200,000	200,000	115,500		52,634	568,134
	2010	110,769					110,769
Sonja K. McClelland Corporate Controller, Assistant Secretary	2011	142,115	155,000	115,500		2,641	415,256
	2010	129,000			44,663	859	174,522
	2009	121,000				1,420	122,420
Gregory S. Volovic Executive Vice President of Technology and Operations	2011	213,077	229,481	115,500		5,012	563,070
	2010	202,039			89,326	2,806	294,171

(1) Amounts shown in fiscal 2009 and 2010 are net of salary reductions implemented in fiscal 2009.

(2) Represents discretionary bonuses awarded by the Committee for performance for the specified fiscal year that are paid in the following fiscal year. Fiscal 2011 also includes a one-time payment equal to the 10% reductions in base salary that were in effect during fiscal 2009 and 2010.

(3) Represents the grant date fair value of restricted stock awards determined in accordance with Accounting Standards Codification Topic 718, or ASC 718 (formerly known as SFAS 123(R)).

(4) Represents the grant date fair value of option awards determined in accordance with ASC 718. For a discussion of the assumptions made in the valuation of our stock options, see Note 8 to the Consolidated Financial Statements

(5) included in our Annual Report on Form 10-K for the year ended October 31, 2011, and 2010 and Note 9 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended October 31, 2009.

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(5) The following table summarizes the information included in the All Other Compensation column in the Summary Compensation Table:

Name		Leased Auto	Supplemental Disability Insurance	Matching 401(k) Plan Contributions	Split-Dollar Life Insurance	Other	Total
Michael Doar	2011	27,172	4,023	3,308	30,684		65,187
	2010	25,401	3,966		18,399		47,766
	2009	24,292	4,189	4,768	32,546		65,795
John G. Oblazney	2011	16,044	1,363	2,409			19,816
	2010	17,291	1,073				18,364
	2009	15,812	1,070	8,476			25,358
John P. Donlon	2011		2,666			49,968	52,634
	2010						
Sonja K. McClelland	2011		809	1,832			2,641
	2010		859				859
	2009		820	600			1,420
Gregory S. Volovic	2011		2,743	2,269			5,012
	2010		2,806				2,806

The amounts shown in the Leased Auto column represent either the portion of the lease cost for automobiles leased by us allocable to an executive's personal use of the automobile or the sum of a monthly car allowance that is added to an executive's salary. For automobiles leased by us where the automobile is used for both business and personal purposes, the percentage of personal use is calculated and applied to the lease and operating expenses.

The Split-Dollar Life Insurance amounts represent a portion of the premium paid on insurance policies we own on the life of the employee. All cash contributions are returned to us upon employee separation or death of the insured. We pay the full amount of the premiums and are the beneficiary for a portion of the policies' death benefit. By policy endorsement, the employee has the right to designate the beneficiary for the remainder of the death benefit and related incidental rights.

The amount reported in the Other column for Mr. Donlon in fiscal 2011 represents a one-time relocation bonus and reimbursement of his moving expenses that was a condition of his hire in fiscal 2010.

TABLE OF CONTENTS**GRANTS OF PLAN-BASED AWARDS TABLE**

The following table provides information regarding the shares of restricted stock awards made during fiscal 2011:

Name	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units (#)	Grant Date Fair Value of Stock and Option Awards <sup>(1)</sup>
Michael Doar	12/22/10	5,000	\$ 115,500
John G. Oblazney	12/22/10	5,000	\$ 115,500
John P. Donlon	12/22/10	5,000	\$ 115,500
Sonja K. McClelland	12/22/10	5,000	\$ 115,500
Gregory S. Volovic	12/22/10	5,000	\$ 115,500

<sup>(1)</sup> Amounts represent the grant date fair value of the awards determined in accordance with ASC 718, calculated using \$23.10, the closing price of our common stock as reported by Nasdaq on the date of grant.

The only incentive plan in which the named executive officers are eligible to participate is the 2008 Equity Incentive Plan, which was approved by shareholders in March 2008. The plan provides for equity-based incentive awards in the form of stock options, stock appreciation rights settled in stock, restricted shares, performance shares and performance units. Under the plan, the Committee has authority to determine the officers, directors and key employees who will be granted awards; determine the form and size of the award; determine the terms and conditions upon which the awards will be granted; and prescribe the form and terms of award agreements. The number of shares of our common stock available for issuance under the plan was 638,141 shares as of October 31, 2011.

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The following table summarizes the outstanding equity awards held by the named executive officers as of October 31, 2011:

Name	Option Awards					Stock Awards	
	Number of Securities Underlying Unexercised Options (#) Exercisable <sup>(1)</sup>	Number of Securities Underlying Unexercised Options (#) Unexercisable		Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)
Michael Doar	5,000	10,000	(2)	\$ 14.82	12/18/2019	5,000 <sup>(4)</sup>	\$ 115,500
	3,333	6,667	(3)	\$ 18.13	05/13/2020		
John G. Oblazney	15,000			\$ 26.69	11/16/2016	5,000 <sup>(4)</sup>	\$ 115,500
	2,000	4,000	(2)	\$ 14.82	12/18/2019		
	1,333	2,666	(3)	\$ 18.13	05/13/2020		
John P. Donlon						5,000 <sup>(4)</sup>	\$ 115,500
Sonja K. McClelland	500			\$ 2.15	12/17/2012	5,000 <sup>(4)</sup>	\$ 115,500
	1,000	2,000	(2)	\$ 14.82	12/18/2019		
	666	1,334	(3)	\$ 18.13	05/13/2020		
Gregory S. Volovic	11,369			\$ 26.69	11/16/2016	5,000 <sup>(4)</sup>	\$ 115,500
	2,000	4,000	(2)	\$ 14.82	12/18/2019		
	1,333	2,667	(3)	\$ 18.13	05/13/2020		

(1) These stock options were fully vested as of October 31, 2011.

These stock options have a three-year vesting period, with one-third of the total shares having vested on December 18, 2010, and one-half of the remaining options vesting on each of December 18, 2011 and December 18, 2012, respectively.

(3) These stock options have a three-year vesting period, with one-third of the total shares having vested on May 13, 2011, and one-half of the remaining options vesting on each of May 13, 2012 and May 13, 2013, respectively.

(4) These restricted shares vest on December 22, 2013.

The Option Exercises and Stock Vested table has been omitted because, during fiscal 2011, no options were exercised and no stock awards vested.

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For Mr. Doar, the only named executive officer participating in the nonqualified deferred compensation plan, the following table provides information regarding fiscal 2011 executive contributions, fiscal 2010 earnings and aggregate balances as of October 31, 2011. There were no Company contributions or aggregate withdrawals or distributions in fiscal 2011.

Name	Executive Contributions in Last Fiscal Year (\$)	Aggregate Earnings in Last Fiscal Year (\$)	Aggregate Balance at Last Fiscal Year End (\$)
Michael Doar	\$ 21,173	7,144	\$ 323,300

The amounts shown in this table are also included in the amounts shown in the Salary or Bonus columns of the Summary Compensation Table. All of the contributions by Mr. Doar in fiscal 2011 and prior fiscal years were reported in the Summary Compensation Table in fiscal 2011 or prior fiscal years, as applicable. The aggregate balance shown includes earnings on such contributions.

The Deferred Compensation Plan II, or the DCPII, is a nonqualified deferred compensation plan to which senior managers and other highly compensated employees are eligible to participate. A committee consisting of our Chief Executive Officer, Chief Financial Officer and Human Resources Manager administers the plan. This committee is authorized to interpret the plan, establish, amend and rescind any rules and regulations relating to the plan, determine the terms and provisions of any agreements made pursuant to the plan, and make all other determinations that may be necessary or advisable for the administration of the plan.

Eligible participants are able to defer between 2% and 50% percent of their base salary and up to 100% of their annual bonus less required and voluntary payroll deductions in a given plan year. Deferral elections are made by eligible executives in January of each year for amounts to be earned in the following year. The Board of Directors may declare a discretionary amount of matching credits for participants deferring compensation, up to a maximum of 6% of compensation. The Board of Directors has not awarded any such matching credits to the named executive officers participating in the DCPII.

Participants are 100% vested in all deferral and matching accounts at all times. Amounts deferred under the plan are credited with earnings at the rate of return generated by the Vanguard mutual fund investment options elected by the participants that are offered in our 401(k) plan. The earnings do not reflect any above-market or preferential rates of return. Participants may change their investment options at any time by contacting Vanguard. Account balances in the DCPII are payable at the election of the participant either in a single lump sum or in monthly, quarterly or annual installments with a term of between two and ten years. Distributions under the DCPII will not commence prior to the expiration of a six-month period from the date of separation of service or the participant's death, if earlier.

**Employment Agreements**

Michael Doar entered into an employment agreement effective November 13, 2001. The contract term is unspecified. Mr. Doar's salary and bonus arrangements are set annually by the Compensation Committee of the Board of Directors.

Other compensation, such as cash bonuses and equity award grants, is awarded periodically at the discretion of the Compensation Committee. If Mr. Doar was removed as Chairman and Chief Executive Officer, his employment would continue for thirty days at which time he would be paid severance equal to 12 months of his then current base salary and his health, life and disability insurance benefits would be maintained for twelve months.

John G. Oblazney entered into an employment agreement on January 12, 2007. The contract term is unspecified. Mr. Oblazney's salary and bonus arrangements are set annually by the Compensation Committee of the Board of Directors.

Other compensation, such as cash bonuses and equity award grants, is awarded periodically at the discretion of the Compensation Committee. Mr. Oblazney is entitled to 12 months of salary if we terminate his employment for any reason other than gross misconduct (which is not defined in the agreement). Mr. Oblazney is also entitled to a lump sum payment in an amount sufficient to maintain his medical and life insurance coverage for 12 months.

TABLE OF CONTENTS**Potential Payments upon Termination**

	Resignation (\$)	Death (\$)	Disability (\$)	Retirement (\$)	Termination Without Cause (\$)	Termination For Cause (\$)
Michael Doar						
Severance Pay <sup>(1)</sup>					375,000	375,000
Deferred Compensation <sup>(2)</sup>	323,300	323,300	323,300	323,300	323,300	323,300
Stock Options <sup>(3)</sup>		249,400	249,400	83,133		
Restricted Stock <sup>(4)</sup>		130,600	130,600			
Health Care Coverage <sup>(5)</sup>			328,863		27,363	
Life Insurance <sup>(9)</sup>		1,273,462 <sup>(6)</sup>			30,964	
John G. Oblazney						
Severance Pay <sup>(1)</sup>					190,000	
Deferred Compensation						
Stock Options <sup>(3)</sup>		47,060	47,060	33,253		
Restricted Stock <sup>(4)</sup>		130,600	130,600			
Health Care Coverage <sup>(4)</sup>			192,863		27,363	
Life Insurance <sup>(9)</sup>		380,000 <sup>(7)</sup>			547	
John P. Donlon						
Severance Pay <sup>(8)</sup>					7,692	
Deferred Compensation						
Stock Options <sup>(3)</sup>						
Restricted Stock <sup>(4)</sup>		130,600	130,600			
Health Care Coverage <sup>(5)</sup>			181,363			
Life Insurance <sup>(9)</sup>		400,000 <sup>(7)</sup>				
Sonja K. McClelland						
Severance Pay <sup>(8)</sup>					33,462	
Deferred Compensation						
Stock Options <sup>(3)</sup>		64,980	64,980	28,612		
Restricted Stock <sup>(4)</sup>		130,600	130,600			
Health Care Coverage <sup>(5)</sup>			163,613			
Life Insurance <sup>(9)</sup>		290,000 <sup>(7)</sup>				
Gregory S. Volovic						
Severance Pay <sup>(8)</sup>					37,212	
Deferred Compensation						
Stock Options <sup>(3)</sup>		47,060	47,060	33,253		
Restricted Stock <sup>(4)</sup>		130,600	130,600			
Health Care Coverage <sup>(5)</sup>			220,363			
Life Insurance <sup>(9)</sup>		430,000 <sup>(7)</sup>				

Mr. Doar's agreement provides for a severance payment if he is removed as Chairman and Chief Executive Officer.

- (1) Mr. Oblazney would receive a severance payment if his employment is terminated for any reason other than gross misconduct. The severance payment is made in a lump sum on the next regular pay date following the removal or termination date. The amounts shown reflect 12 months of base salary.

- (2) Amounts can be paid in a lump sum distribution or installments depending on the participant's election.



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- Reflects the excess of the closing price of \$26.12 for our common stock on October 31, 2011, over the exercise price of outstanding options currently vested and any unvested stock options, the vesting of which would accelerate as a result of the named executive officer's termination of employment on October 31, 2011, as a result of the specified termination event, multiplied by the number of shares of common stock underlying the stock options.
- (3) Under the terms of the applicable award, all options shall terminate upon the first occurrence of (i) the date of termination of employment by us for cause or voluntarily by the participant for any reason other than death, disability or retirement, (ii) the expiration of three months after the date on which the participant retires or employment is terminated by us without cause, (iii) the expiration of one year after the date on which employment is terminated due to the participant's death or disability, or (iv) upon expiration of ten years from date of grant. Reflects the value of unvested restricted stock awards, the vesting of which would accelerate as a result of the named executive officer's termination of employment on October 31, 2011, as a result of the specified termination event, calculated using \$26.12, which was the closing price for our common stock on October 31, 2011. Under the terms of the applicable award, a participant's rights with respect to the unvested portion of the restricted shares will terminate if a participant ceases continuous service for any reason other than death or disability before the restricted shares have vested.
- (4) Amounts represent 12 months of coverage under the short-term and long-term disability plan, any supplemental disability plan payment, and COBRA payments grossed up for tax purposes.
- (5) Amount includes split-dollar life insurance payment of two times annual salary plus one times bonus and \$50,000 maximum benefit for accidental death insurance policy.
- (6) Amounts include life insurance payment of two times annual salary under accidental death insurance policy.
- (7) Amount reflects severance pay in accordance with our policy based upon years of service.
- (8) Amounts represent 12 months of group term life insurance premiums payable by us.
- (9)

In addition to the above, if a tender offer or exchange offer for shares of our common stock is commenced, or if our shareholders approve an agreement providing either for a transaction in which we will cease to be an independent publicly owned entity or for a sale or other disposition of all or substantially all of our assets, the outstanding unvested stock options held by Messrs. Doar, Oblazney, Volovic, and Ms. McClelland will become immediately exercisable in full. In addition, the unvested restricted stock held by any of the named executive officers will immediately vest.

TABLE OF CONTENTS**Compensation of Directors****DIRECTOR COMPENSATION TABLE**

Name	Fees Earned or Paid in Cash (\$)	Stock Awards <sup>(2)</sup> (\$)	Total (\$)
Stephen H. Cooper	30,500	24,993	55,493
Robert W. Cruickshank	38,000	24,993	62,993
Philip James	30,500	24,993	55,493
Gerhard Kohlbacher <sup>(1)</sup>	5,000		5,000
Michael P. Mazza	21,500	24,993	46,493
Richard T. Niner	28,000	24,993	52,993
Charlie Rentschler	23,000	24,993	47,993
Janaki Sivanesan	30,500	24,993	55,493

(1) Mr. Kohlbacher resigned from the Board of Directors in December 2010.

Amounts reflect the grant date fair value of restricted stock awards issued to each non-employee director during the year ended October 31, 2011, calculated in accordance with ASC 718. During fiscal 2011, each non-employee director, excluding Mr. Kohlbacher who did not stand for re-election in March 2011, received 837 shares of (2) restricted stock on March 17, 2011, the date of our annual meeting of shareholders. The grant date fair value is calculated by multiplying the closing price of our common stock on the Nasdaq on the date of grant, which was \$29.86, by the number of shares of restricted stock awarded. The restricted stock vests one year from the date of grant.

In fiscal 2011, we paid directors who are not our employees a quarterly retainer in cash of \$5,000 and fees of \$1,500 for each board meeting attended in the first two quarters. For the second two quarters of fiscal 2011, per board meeting fees were eliminated. In fiscal 2011, we paid Mr. Cruickshank \$15,000 for his services as the Audit Committee Chairman and paid each of Mr. James, Mr. Cooper and Ms. Sivanesan \$7,500 in fiscal 2011 for serving as a Committee chair or Audit Committee member. In addition to the above fees paid in cash, each director, with the exception of Gerhard Kohlbacher who did not stand for re-election in March 2011, received 837 shares of restricted stock on March 17, 2011 as part of their director compensation. These shares were granted with a one year vesting period and the closing price was \$29.86 on the date of grant.

Our current director compensation consists of a quarterly retainer of \$5,000 and an annual grant of shares of restricted stock having a fair market value of \$25,000 at the grant date. We pay the chair of the Audit Committee an additional quarterly retainer of \$2,500 and the chair of the Compensation Committee as well as each Audit Committee member an additional quarterly retainer of \$1,250.

As of October 31, 2011, non-employee directors held outstanding options to purchase the following number of shares of common stock:

Mr. Cooper	5,000 shares
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Mr. James	5,000 shares
Mr. Mazza	2,500 shares
Ms. Sivanesan	5,000 shares

Mr. Doar's compensation for fiscal 2011 is set forth in the Summary Compensation Table and the following tables and narrative. Mr. Doar is not included in this table because he did not receive any additional compensation for his service as a director.

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BENEFICIAL OWNERS AND SHAREHOLDERS**

The following table sets forth information as of January 3, 2012, regarding beneficial ownership of our common stock held by each director, director nominee and named executive officer, by all directors and executive officers as a group, and by all persons who are known to be beneficial owners of more than 5% of our common stock. Each such person has sole voting and investment power with respect to such securities, except as otherwise noted.

Name	Shares Beneficially Owned	
	Number	Percent
<u>Directors, Director Nominees and Executive Officers</u>		
Stephen H. Cooper	5,837 (1)	*
Robert W. Cruickshank	25,837 (2)	*
Michael Doar	113,702 (3)	1.8 %
Philip James	8,837 (1)	*
Michael P. Mazza	6,092 (4)	*
Andrew Niner		*
Richard T. Niner	232,649 (2)	3.6 %
Richard Porter		*
Charlie Rentschler	3,837 (2)	*
Janaki Sivanesan	5,837 (1)	*
Ronald Strackbein		*
John G. Oblazney	42,358 (5)	*
John P. Donlon	17,025 (6)	*
Sonja K. McClelland	18,851 (7)	*
Gregory S. Volovic	39,062 (8)	*
Executive officers and directors as a group (15 persons)	519,924 (9)	8.0 %
<u>Other Beneficial Owners</u>		
Name and Address		
FMR LLC		
82 Devonshire St.		631,800 (10)
Boston, MA 02109		
Thomson Horstmann & Bryant Inc.		
Park 80 West Plaza One		560,990 (10)
Saddle Brook, NJ 07663		
Royce & Associates, LLC		
1414 Avenue of the Americas		500,113 (10)
New York, NY 10019		
Dimensional Fund Advisors LP		
6300 Bee Cave Road		438,768 (10)
Austin, TX 78746		
		379,000 (10)

Franklin Resources Inc.  
One Franklin Parkway  
San Mateo, CA 94403

\*

Less than one (1) percent.

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- (1) Includes 5,000 shares subject to options that are currently exercisable and 837 unvested shares of restricted stock.  
(2) Includes 837 restricted shares.
- (3) Includes 13,333 shares subject to options that are currently exercisable and 13,741 unvested shares of restricted stock.
- (4) Includes 2,500 shares subject to options that are currently exercisable and 837 unvested shares of restricted stock.
- (5) Includes 20,333 shares subject to options that are currently exercisable and 8,963 unvested shares of restricted stock.  
(6) Includes 9,196 unvested shares of restricted stock.
- (7) Includes 2,667 shares subject to options that are currently exercisable and 7,914 unvested shares of restricted stock.
- (8) Includes 16,702 shares subject to options that are currently exercisable and 9,429 unvested shares of restricted stock.
- (9) Includes 70,536 shares subject to options that are currently exercisable and 55,102 unvested shares of restricted stock.
- (10) Based solely on information supplied by the beneficial owner on Form 13F for the quarter ended September 30, 2011 which was filed in November 2011.

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## REPORT OF THE AUDIT COMMITTEE

The Audit Committee is comprised of the three directors named below. The Board of Directors and the Audit Committee have determined that the Committee's current composition satisfies the Nasdaq listing requirements, including the requirement that all Audit Committee members be independent directors as defined by Nasdaq rules. The Board of Directors annually reviews the independence of the Audit Committee members under both Nasdaq rules and the SEC's definition of independence for Audit Committee members and the independence requirements in our Corporate Governance Principles. The Board has determined that Mr. Cruickshank meets the SEC's definition of an Audit Committee financial expert.

The primary function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing the financial information that will be provided to shareholders and others, the system of internal controls that management has established, and the audit process. In doing so, it is the responsibility of the Audit Committee to provide an open avenue of communication between the Board of Directors, management and the independent auditors.

The Audit Committee has reviewed and discussed the audited financial statements of the Company for the fiscal year ended October 31, 2011, with the Company's management. The Audit Committee has discussed with Ernst & Young LLP, the Company's independent registered public accounting firm, the matters required to be discussed by Statement on Auditing Standards No. 61, as amended, as adopted by the Public Accounting Oversight Board in Rule 3200T. The Audit Committee has also received the written disclosures and the letter from Ernst & Young required by applicable requirements of the Public Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence and the Audit Committee has discussed with Ernst & Young the independence of that firm.

The members of the Audit Committee have also confirmed that there have been no new circumstances or developments since their appointment to the Committee that would impair any member's ability to act independently.

Based on the reviews and discussions referred above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2011, for filing with the SEC.

Robert W. Cruickshank, *Chairman*  
Stephen H. Cooper  
Janaki Sivanesan

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**PROPOSAL 3. RATIFICATION OF APPOINTMENT OF  
INDEPENDENT  
REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee has appointed Ernst & Young LLP, or Ernst & Young, as our independent registered public accounting firm for fiscal 2012. The Board of Directors is submitting the appointment of Ernst & Young for ratification in order to permit shareholders to express their approval or disapproval. In the event of a negative vote, the Audit Committee may reconsider this appointment. Representatives of Ernst & Young will be present at the meeting and will be given an opportunity to respond to questions and make a statement, if they desire.

**The Board of Directors recommends a vote FOR the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending October 31, 2012.**

**INDEPENDENT REGISTERED PUBLIC ACCOUNTING  
FIRM**

**Audit and Non-Audit Fees**

Ernst & Young has served as our independent registered public accounting firm since fiscal 2009. The following table sets forth fees paid to Ernst & Young for services provided during fiscal years 2011 and 2010, respectively:

	2011	2010
Audit Fees <sup>(1)</sup>	\$ 672,737	\$ 678,305
Tax Fees <sup>(2)</sup>	70,825	36,265
All Other Fees <sup>(3)</sup>	19,096	18,540
<b>TOTAL</b>	<b>\$ 762,658</b>	<b>\$ 733,110</b>

(1) Represents fees for professional services provided in connection with the audit of annual financial statements, review of quarterly financial statements and audit of internal controls over financial reporting.

(2) Represents fees for services provided in connection with tax compliance and tax planning.

(3) Represents fees for the audit of our employee benefit plan and services provided in conjunction with the review of the SEC comment letter in February 2011.



## **Pre-approval Policy**

The Audit Committee's policy is to pre-approve all audit and permissible non-audit services provided by the independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The independent registered public accounting firm and management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent auditor in accordance with this pre-approval, and the fees for the services performed to date. The Audit Committee may also pre-approve particular services on a case-by-case basis. For fiscal 2011 and 2010, all of the fees reported above as Audit Related Fees, Tax Fees, and All Other Fees were pre-approved by the Audit Committee. The Audit Committee has concluded that the provision of the services listed above is compatible with maintaining that firm's independence.

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## **CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS**

Under our Code of Business Conduct and Ethics, which is available on our website at *www.hurco.com*, our directors, officers and employees are not permitted to conduct business on our behalf with a member of his or her family, or a business organization with which he or she or a family member has an interest or employment relationship that could be considered significant in terms of potential conflict of interest unless such business dealings have been disclosed to, and approved by, our Audit Committee.

Further, under our Audit Committee's charter, which is available on our website at *www.hurco.com*, our Audit Committee must review and approve all related person transactions. No related person transaction in an amount exceeding \$120,000 occurred during fiscal 2011.

## **SHAREHOLDER PROPOSALS FOR OUR 2013 ANNUAL MEETING**

The date by which shareholder proposals must be received by us for inclusion in proxy materials relating to the 2013 annual meeting of shareholders is September 17, 2012.

Our By-Laws provide that shareholders are required to give us advance notice of any business to be brought by a shareholder before an annual shareholders' meeting. For business to be properly brought before an annual meeting by a shareholder, the shareholder must give timely written notice thereof to our Secretary. In order to be timely, a shareholder's notice must be delivered to or mailed and received at our principal executive offices not less than 60 days prior to the meeting. 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 must be received not later than the close of business on the tenth day following the day on which notice of the date of the meeting was mailed or public disclosure was made. The notice must contain specified information about the proposed business and the shareholder making the proposal. These procedures apply to any matter other than nomination of directors that a shareholder wishes to raise at the 2013 annual meeting, including those matters raised pursuant to 17 C.F.R. §240.14a-8 of the rules and regulations of the SEC.

Shareholders who wish to nominate a candidate for election as a director without the recommendation of the Nominating and Governance Committee must provide timely written notice thereof to our Secretary. In order to be timely, a shareholder's notice must be delivered to or mailed and received by dates explained in the preceding paragraph with respect to shareholder proposals. In addition, the notice must contain additional information concerning the shareholder, the nominee and any Shareholder Associated Person, the nominee's consent to the nomination, an executed questionnaire in a form signed by our directors and nominees and representatives, and an agreement establishing that there is no undisclosed understanding with respect to the nominee's conduct as a director.

Any shareholder proposals or nominations that do not meet the above requirements will be considered untimely, and any proxy solicited by us may confer discretionary authority to vote on such proposal or nominee. A copy of our By-Laws is available upon request. Such requests and any shareholder proposals or nominations should be sent to John G. Oblazney, Secretary, Hurco Companies, Inc., One Technology Way, P.O. Box 68180, Indianapolis, Indiana 46268, our principal executive offices.

## **INCORPORATION BY REFERENCE**

Notwithstanding anything to the contrary set forth in any of our previous filings under the Securities Act or the Exchange Act, as amended, that may incorporate future filings (including this proxy statement, in whole or in part), the preceding Report of the Audit Committee and the Report of the Compensation Committee shall not be incorporated by reference in any such filings.

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## **ANNUAL REPORT ON FORM 10-K**

We have filed our Annual Report on Form 10-K for the fiscal year ended October 31, 2011, with the SEC. Shareholders may obtain a copy of the Form 10-K by writing to John G. Oblazney, Vice President and Chief Financial Officer, Hurco Companies, Inc., One Technology Way, P.O. Box 68180, Indianapolis, Indiana 46268. A copy of the Annual Report on Form 10-K can also be obtained at [www.hurco.com/proxymaterials](http://www.hurco.com/proxymaterials) or [www.sec.gov](http://www.sec.gov).

## **OTHER BUSINESS**

The Board of Directors knows of no other matters that may be presented at the annual meeting. If any other matters should properly come before the annual meeting, the persons named in the enclosed form of proxy will vote in accordance with their business judgment on such matter.

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