HURCO COMPANIES INC
Form DEF 14A
January 26, 2010

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 ¨

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

Hurco Companies Inc

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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(1) Amount Previously Paid: _____________

(2)	Form, Schedule or Registration Statement No.: _____________
(3)	Filing Party: _____________
(4)	Date Filed: _____________

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 18, 2010

The 2010 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 18, 2010, for the following purposes:

1. To elect nine directors to serve until the next annual meeting and their successors are duly elected and qualify,

2. To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for fiscal 2010, and

3. 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 and 2. The persons named as proxies will use their discretion to vote on other matters that may properly arise at the annual meeting.

The above 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 13, 2010, 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 26, 2010

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 the annual meeting described above. 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. You may obtain directions to the annual meeting 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.

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

Annual Meeting of Shareholders
March 18, 2010

PROXY STATEMENT

SOLICITATION, VOTING AND REVOCABILITY OF PROXIES

This proxy statement is furnished to the holders of common stock of Hurco Companies, Inc. (“Hurco,” the “Company,” “we,” “us” or “our”) in connection with the solicitation of proxies by the Board of Directors for the 2010 Annual Meeting of Shareholders to be held at 10:00 a.m. EDT on Thursday, March 18, 2010, 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 26, 2010. Proxies are being solicited principally by mail. Our directors, officers and other employees may also solicit proxies personally by telephone, electronic mail or otherwise. All expenses incident to the preparation and mailing of this proxy statement and form of proxy will be paid by us.

Shareholders of record as of the close of business on January 13, 2010, are entitled to notice of and vote at the annual meeting or any adjournments thereof. On that date, 6,440,851 shares of our common stock were outstanding and entitled to vote. Each share will be entitled to one vote with respect to each matter submitted to a vote. 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.

If the enclosed form of proxy is executed and returned, it may be revoked at any time before it is voted by giving written notice to the Secretary of the Company. If a shareholder executes more than one proxy, the proxy having the latest date will revoke any earlier proxies. Shareholders who attend the annual meeting may revoke their proxies and vote in person.

A proxy, if returned properly executed and not subsequently revoked, will be voted in accordance with the instructions of the shareholder in the proxy. The election of directors will be determined by the vote of a plurality of the votes cast. The proposal to ratify the appointment of auditors will be approved if more votes are cast in favor of it than are cast against.

You should be aware that due to a change in NYSE rules applicable to shareholder meetings held on or after January 1, 2010, brokers will no longer be entitled to exercise discretion to vote shares in an uncontested election of directors if the shareholder does not give voting instructions. Accordingly, if you hold your shares in "street name" and wish your shares to be voted in the election of directors, you must give your broker voting instructions. If your shares are held in "street name" and you do not give your broker voting instructions, your broker will nonetheless have discretion to vote your shares for the proposal to ratify the selection of auditors. Abstentions will be considered as present for quorum purposes, but not as voting in favor of such proposal. Broker non-votes and abstentions will not affect the election of directors or the other proposal to be voted on at the annual meeting.

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ELECTION OF DIRECTORS

The Board of Directors currently consists of eight members. The Board of Directors has amended our By-Laws, effective as of the date of the annual meeting, to increase the number of directors to nine. The Board, acting on the recommendation of our Nominating and Governance Committee, has nominated all eight current directors for re-election and Gerhard Kohlbacher, a recently retired Hurco executive, to fill the newly-created vacancy. Each director will serve for a term of one year, which expires at our next annual meeting of shareholders and until his or her successor has been elected and qualifies.

The nine nominees are identified below. 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 accept election, 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 accept election.

The following information sets forth the name of each nominee, his or her age, tenure as a director, principal occupation and business experience for the last five years. There are no family relationships among any of our directors or officers.

Name	Age	Served as a Director since
Stephen H. Cooper 1,2	70	2005
Robert W. Cruickshank 1,3	64	2000
Michael Doar	54	2000
Philip James3	67	2007
Gerhard Kohlbacher	59	N/A
Michael P. Mazza 3	45	2006
Richard T. Niner 2	70	1986
Charlie Rentschler 2	70	1986
Janaki Sivanesan1	38	2008

1Member of Audit Committee
2Member of Nominating and Governance Committee
3Member of Compensation Committee

Stephen H. Cooper has been a practicing attorney and member of the bar of the State of New York since December 1965. Until his retirement in December 2004, Mr. Cooper was for more than thirty years a partner in the international law firm Weil, Gotshal & Manges LLP, based in New York, where he specialized in corporate finance and federal securities law. Since August 2002, he has served as an Adjunct Professor of Law at New York Law School, Pace University Law School, and, most recently, Albany Law School, teaching courses on federal securities regulation and corporate law, including corporate governance. For more than twenty-five years, Mr. Cooper has been an active member of the senior leadership of the Committee on the Federal Regulation of Securities of the American Bar Association.

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Robert W. Cruickshank has been a consultant providing private clients with financial advice since 1981. Mr. Cruickshank also is a director of Calgon Carbon Corporation, a producer of products and services for the purification, reparation and concentration of liquids and gases.

Michael Doar was elected Chairman of our Board of Directors and our Chief Executive Officer in fiscal 2001. He was appointed to the additional office of President in November 2009 following the resignation of James D. Fabris. 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. Mr. Doar had 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.

Philip 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.

Gerhard Kohlbacher served as President of our subsidiary, Hurco GmbH, from November 2004 to December 2009, when he retired. He was primarily responsible for managing our operations in Europe. From November 1985 to November 2004, he held other senior positions in our European operations.

Michael P. Mazza is an intellectual property attorney, and the principal of his law firm, Michael P. Mazza, LLC. Previously, he was associated with Niro, Scavone, Haller & Niro, a Chicago intellectual property law firm.

Richard T. Niner is a self-employed private investor.

Charlie Rentschler is a Senior Vice President of Morgan Joseph & Co. Inc., an investment banking firm. From 2006 to 2009 he was Vice President of Wall Street Access, a registered broker dealer in New York. Between 2003 to 2006, he was the Director, Industrial Research, of Foresight Research Solutions, an independent research firm. From 2001 to 2003, Mr. Rentschler was an independent business consultant providing service to the foundry industry. From 1985 to 2001, Mr. Rentschler served as President and CEO of The Hamilton Foundry & Machine Co. in Harrison, Ohio. He is also a director of Accuride Corporation, a manufacturer of commercial vehicle components located in Evansville, Indiana.

Janaki Sivanesan is a practicing attorney and has her own private practice. She previously practiced law 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.

The Board of Directors recommends a vote “FOR” each of the nominees listed above.

CORPORATE GOVERNANCE

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 LLC ("Nasdaq") (the market in which our common stock trades), and the director independence rules of the Securities and Exchange Commission (the "SEC"). The independent directors are currently Messrs. Cooper, Cruickshank, James, Mazza, Niner and Rentschler and Ms. Sivanesan. The Board has affirmatively determined that none of the persons who served as independent directors during fiscal 2009 have a 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 2009, 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 2009. With the exception of Mr. Niner, all directors attended the 2009 annual meeting of shareholders.

Board Committees and Committee Meetings

The Board of Directors has appointed the following three standing 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 18 of this proxy statement.

The current members of the Audit Committee are Messrs. Cruickshank (Chairman) and Cooper and Ms. Sivanesan. 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 (the "Exchange Act"). The Board has determined that Mr. Cruickshank meets the definition of 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 twelve meetings during fiscal 2009.

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

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 9 of this proxy statement.

The current members of the Compensation Committee are Messrs. James (Chairman), Cruickshank and Mazza. All members of the Compensation Committee are independent directors as defined by Nasdaq rules.

The Compensation Committee held three meetings during fiscal 2009.

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.

The current members of the Nominating and Governance Committee are Messrs. Niner (Chairman), Cooper and Rentschler. All members of the Nominating and Governance Committee are independent directors as defined by Nasdaq rules.

The Nominating and Governance Committee held two meetings during fiscal 2009.

The Nominating and Governance Committee is responsible for identifying potential Board members. Nominees will be evaluated on the basis of their experience, areas of expertise, judgment, integrity, ability to make independent inquiries and willingness to devote adequate time to Board duties. The Nominating and Governance Committee's process for identifying and evaluating nominees for director is the same whether the nominee has been identified by the committee or a third party.

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 2011 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.

Compensation Committee Interlocks and Insider Participation

No member of our Compensation Committee was, at any time during fiscal 2009 or at any other time before fiscal 2009, an officer or employee of Hurco. 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 2009.

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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, 2009, all of our officers, directors and greater than 10% beneficial owners complied with all filing requirements under Section 16(a) except as indicated in the following sentences. James D. Fabris, who resigned as an officer as of October 31, 2009, sold a total of 12,500 shares on September 16 and 17, 2009 and did not file a Form 4 reporting those transactions until October 5, 2009. Michael P. Mazza, one of our directors, purchased 625 shares on May 28, 2008, 700 shares on June 10, 2008, 500 shares on October 16, 2008 and 500 shares on December 17, 2009 and did not file a Form 4 reporting those transactions until January 7, 2010.

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.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The goals of our executive compensation program are to establish an appropriate relationship between executive pay and the creation of shareholder value, while at the same time motivating and retaining qualified employees. This section and the tables that follow it provide information regarding the compensation program and practices as they relate to the total pay for our Chief Executive Officer, Chief Financial Officer, another executive officer and a former executive officer, all of whom are identified in the Summary Compensation Table on page 10, 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 Executive Compensation section) include administering our compensation programs and approving or ratifying all compensation related decisions for the named executive officers.

Impact of Global Recession

Our compensation program was significantly affected by the global recession, which led to a steep decline in worldwide demand for machine tools. Beginning in the second quarter of fiscal 2009, we reduced the base compensation of our executive officers and directors by 10% and suspended the company-match contribution to our 401(k) plan. In addition, there were no bonuses awarded in fiscal 2009.

Elements of Compensation

Our executive compensation program is very simple. We pay our named executed officers a base salary and consider whether to award them discretionary cash bonuses.

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. Our Chief Executive Officer makes a recommendation on salary adjustments for each of the other named executive officers. Our Chief Executive Officer bases his recommendations on his subjective assessment of our overall performance, his assessment of 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. Historically, the Committee has determined on an annual basis whether to pay discretionary cash bonuses to the named executive officers as a reward for past efforts and motivation for future efforts. When making its bonus determinations, the Committee has available to it our annual financial statements for the fiscal year end and related business plan which detail revenue, profit margins, net income and cash flows. The Committee also considers the role of, and the contributions made by, each named executive officer in achieving our business plan. 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 Awards. Although the Committee has the authority to make equity-based awards under the shareholder-approved incentive plan, the Committee did not grant any equity awards to any named executive officers during fiscal 2009.

Medical, Disability and Life Insurance. The named executive officers participate in benefits coverage to help manage the financial impact of ill health, disability and death. 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. 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 reimbursement of a health club membership, personal travel and use of company leased vehicles. For additional information regarding perquisites see "Summary Compensation Information."

Pay Equity. The total compensation of our Chief Executive Officer is greater than that of the other named executive officers. The principal reason for this disparity is that the Committee believes that the Chief Executive Officer is the person most instrumental in the development and implementation of our business strategies.

Employment Contracts

We have employment contracts with Messrs. Doar and Oblazney. These contracts generally provide for continued salary payments and other benefits for 12 months if the officer's employment terminates. Additional information regarding employment contracts is found in this section under the heading "Employment Contracts." We also estimate under the heading "Potential Payments Upon Termination" the benefits that we would have paid to any of our current named executive officers if their employment had terminated on October 31, 2009.

The Committee believes that these contracts are an important part of the overall compensation arrangements for the affected officers. The contracts help to secure the continued employment and dedication of those officers, and provide a reasonable amount of assurance of continued employment. The contracts do not include any specific guarantees regarding continuation of employment following, or compensation payable in connection with, a change in control of the Company.

Compensation Decisions for Fiscal 2009

Details of the compensation payable to the named executive officers for fiscal 2009 are disclosed in the tables and related discussion that follows this “Compensation Discussion and Analysis.” As noted above and in the tables, we did not pay any bonuses or make any incentive compensation awards during fiscal 2009.

Compensation Decisions for Fiscal 2010

On November 19, 2009, employing the methodology described above under “Elements of Compensation,” the Committee approved annual salaries for each of the named executive officers for fiscal 2010 as follows: Mr. Doar - $337,500, Mr. Oblazney - $185,000, and Ms. McClelland - $130,000. The Committee will consider discretionary bonuses with respect to fiscal 2010 when it meets in November 2010.

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. In fiscal 2009, none of the Company’s officers covered under the law had non-performance-based annual compensation substantially in excess of $1,000,000. Thus, substantially 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 Committee has reviewed and discussed the foregoing “Compensation Discussion and Analysis” with management, and based on that review and those discussions, the Committee has recommended to the Board of Directors that this “Compensation Discussion and Analysis” be included in the Company’s Annual Report on Form 10-K and Proxy Statement on Schedule 14A.

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

Summary Compensation Information

The following table summarizes the compensation information for each of our named executive officers for the fiscal years ended October 31, 2009, 2008 and 2007:

Summary Compensation Table

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)	Option Awards ($)	All Other Compensation ($)	Total ($)