HURCO COMPANIES INC
Form 10-Q
June 06, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended April 30, 2014 or

.. Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _________ to _________.

Commission File No. 0-9143

HURCO COMPANIES, INC.

(Exact name of registrant as specified in its charter)

Indiana	**35-1150732**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
One Technology Way	
Indianapolis, Indiana	**46268**
(Address of principal executive offices)	(Zip code)

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to the filing requirements for the past 90 days:

Yes x No ¨.

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes x No ¨

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a small reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨		Accelerated filer x
Non-accelerated filer ¨	(Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No x

The number of shares of the Registrant's common stock outstanding as of June 2, 2014 was 6,504,880.

HURCO COMPANIES, INC.

April 2014 Form 10-Q Quarterly Report

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PART I - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

HURCO COMPANIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)

	Three Months Ended April 30		Six Months Ended April 30	
	2014	2013	2014	2013
	(Unaudited)		(Unaudited)	
Sales and service fees	$ 53,731	$ 49,619	$ 104,701	$ 93,704
Cost of sales and service	37,102	34,336	74,153	65,505
Gross profit	16,629	15,283	30,548	28,199
Selling, general and administrative expenses	11,206	10,679	21,806	19,599
Operating income	5,423	4,604	8,742	8,600
Interest expense	54	55	131	120
Interest income	16	31	32	47
Investment income	5	4	36	15
Other expense, net	269	72	285	331
Income before taxes	5,121	4,512	8,394	8,211
Provision for income taxes	1,585	1,329	2,489	2,774
Net income	$ 3,536	$ 3,183	$ 5,905	$ 5,437
Income per common share				
Basic	$ 0.54	$ 0.49	$ 0.90	$ 0.83
Diluted	$ 0.54	$ 0.48	$ 0.90	$ 0.83

Weighted average common shares outstanding				
Basic	6,498	6,452	6,487	6,449
Diluted	6,531	6,496	6,520	6,489
Dividends paid per share	$ 0.07	$ —	$ 0.12	$ —

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

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HURCO COMPANIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

	Three Months Ended April 30		Six Months Ended April 30	
	2014	2013	2014	2013
	(Unaudited)		(Unaudited)	
Net income	$ 3,536	$ 3,183	$ 5,905	$ 5,437
Other comprehensive income (loss):				
Translation of foreign currency financial statements	1,227	(954)	514	(94)
(Gain) / loss on derivative instruments reclassified into operations, net of tax $117, $(251), $264 and $(597), respectively	225	(442)	481	(1,049)
Gain / (loss) on derivative instruments, net of tax $(412), $410, $(666) and $(150), respectively	(770)	721	(1,211)	(263)
Total other comprehensive income (loss)	682	(675)	(216)	(1,406)
Comprehensive income	$ 4,218	$ 2,508	$ 5,689	$ 4,031

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

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HURCO COMPANIES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per-share data)

	April 30 2014 (Unaudited)	October 31 2013 (Audited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 46,674	$ 42,804
Accounts receivable, net	37,739	36,139
Refundable taxes	3	6
Inventories, net	95,599	95,260
Deferred income taxes	2,594	2,080
Derivative assets	53	699
Other	9,176	8,014
Total current assets	191,838	185,002
Non-current assets:		
Property and equipment:		
Land	782	782
Building	7,314	7,326
Machinery and equipment	19,419	19,059
Leasehold improvements	3,577	3,634
	31,092	30,801
Less accumulated depreciation and amortization	(19,045)	(18,502)
	12,047	12,299
Software development costs, less accumulated amortization	3,638	3,714
Goodwill	2,861	2,807
Intangible assets, net	1,958	2,155
Investments and other assets, net	5,586	5,258
	$ 217,928	$ 211,235
LIABILITIES AND SHAREHOLDERS’ EQUITY		
Current liabilities:		
Accounts payable	$ 36,964	$ 35,527
Accrued expenses and other	12,889	13,504
Accrued warranty expenses	1,775	1,778
Derivative liabilities	1,737	1,212
Short-term debt	3,195	3,665
Total current liabilities	56,560	55,686
Non-current liabilities:		

Deferred income taxes	747	743
Accrued tax liability	1,167	1,103
Deferred credits and other	2,362	2,212
Total liabilities	60,836	59,744
Shareholders' equity:		
Preferred stock: no par value per share, 1,000,000 shares authorized, no shares issued	—	—
Common stock: no par value, $.10 stated value per share, 12,500,000 shares authorized, 6,585,918 and 6,533,510 shares issued; and 6,504,880 and 6,465,054 shares outstanding, as of April 30, 2014 and October 31, 2013, respectively	651	647
Additional paid-in capital	55,386	54,698
Retained earnings	103,255	98,130
Accumulated other comprehensive loss	(2,200)	(1,984)
Total shareholders' equity	157,092	151,491
	$ 217,928	$ 211,235

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

HURCO COMPANIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Three Months Ended April 30		Six Months Ended April 30	
	2014	2013	2014	2013
	(Unaudited)		(Unaudited)	
Cash flows from operating activities:				
Net income	$3,536	$3,183	$5,905	$5,437
Adjustments to reconcile net income to net cash provided by (used for) operating activities:				
Provision for doubtful accounts	31	(15)	(51)	(58)
Deferred income taxes	11	(269)	14	(585)
Equity in income of affiliates	(81)	(58)	(165)	(114)
Depreciation and amortization	816	798	1,551	1,715
Foreign currency (gain) loss	(2,102)	1,673	(1,367)	(224)
Unrealized (gain) loss on derivatives	391	(752)	528	187
Stock-based compensation	146	255	392	503
Change in assets and liabilities:				
(Increase) decrease in accounts receivable and refundable taxes	(2,652)	(1,090)	(1,156)	3,057
(Increase) decrease in inventories	(689)	(169)	(23)	259
Increase (decrease) in accounts payable	(2,527)	3,292	1,668	3,325
Increase (decrease) in accrued expenses	1,113	(1,519)	(556)	(4,367)
Net change in derivative assets and liabilities	221	(378)	631	(611)
Other	1,071	(217)	(1,310)	299
Net cash provided by (used for) operating activities	(715)	4,734	6,061	8,823
Cash flows from investing activities:				
Purchase of property and equipment	(615)	(241)	(951)	(772)
Software development costs	(240)	(212)	(423)	(517)
Other investments	(9)	(10)	(215)	(40)
Proceeds from sale of equipment	—	—	126	—
Net cash provided by (used for) investing activities	(864)	(463)	(1,463)	(1,329)
Cash flows from financing activities:				
Dividends paid	(456)	—	(780)	—
Proceeds from exercise of stock options	298	—	298	—
Restricted shares vested	1	1	2	1
Borrowings (repayment) on short-term debt	(3)	—	(386)	—
Net cash provided by (used for) financing activities	(160)	1	(866)	1
Effect of exchange rate changes on cash	420	(103)	138	12

Net increase (decrease) in cash and cash equivalents	(1,319)	4,169	3,870	7,507
Cash and cash equivalents at beginning of period	47,993	39,108	42,804	35,770
Cash and cash equivalents at end of period	$46,674	$43,277	$46,674	$43,277

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

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HURCO COMPANIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended April 30, 2014 and 2013

(Unaudited)

(In thousands, except shares outstanding)	Common stock Shares Outstanding	Amount	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balances, October 31, 2012	6,447,210	$ 645	$ 53,415	$ 90,586	$ (853)	$ 143,793
Net income	—	—	—	5,437	—	5,437
Other comprehensive loss	—	—	—	—	(1,406)	(1,406)
Stock-based compensation expense	6,475	1	502	—	—	503
Balances, April 30, 2013 (Unaudited)	6,453,685	$ 646	$ 53,917	$ 96,023	$ (2,259)	$ 148,327
Balances, October 31, 2013	6,465,054	$ 647	$ 54,698	$ 98,130	$ (1,984)	$ 151,491
Net income	—	—	—	5,905	—	5,905
Other comprehensive loss	—	—	—	—	(216)	(216)
Stock-based compensation expense	23,520	2	390	—	—	392
Exercise of common stock options	16,306	2	298	—	—	300
Dividends paid	—	—	—	(780)	—	(780)
Balances, April 30, 2014 (Unaudited)	6,504,880	$ 651	$ 55,386	$ 103,255	$ (2,200)	$ 157,092

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. GENERAL

The unaudited Condensed Consolidated Financial Statements include the accounts of Hurco Companies, Inc. and its consolidated subsidiaries. As used in this report, unless the context indicates otherwise, the terms “we”, “us”, “our” and similar language refer to Hurco Companies, Inc. and its consolidated subsidiaries as a whole.

We design and produce computerized machine tools, interactive computer control systems, machine tool components, and software for sale through our distribution network to the worldwide metal cutting market. We also provide software options, computer control upgrades, accessories and replacement parts for our products, as well as customer service and training support.

The condensed financial information as of April 30, 2014 and for the three and six months ended April 30, 2014 and April 30, 2013 is unaudited. However, in our opinion, the interim data includes all adjustments, consisting only of normal recurring adjustments, necessary to present fairly our consolidated financial position, results of operations, changes in shareholders’ equity and cash flows at the end of the interim periods. We suggest that you read these condensed consolidated financial statements in conjunction with the financial statements and the notes thereto included in our Annual Report on Form 10-K for the year ended October 31, 2013.

2. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

We are exposed to certain market risks relating to our ongoing business operations, including foreign currency risk, interest rate risk and credit risk. We manage our exposure to these and other market risks through regular operating and financing activities. Currently, the only risk that we manage through the use of derivative instruments is foreign currency risk for which we enter into derivative instruments in the form of foreign currency forward exchange contracts with a major financial institution.

These forward exchange contracts are entered into to reduce the potential effects of foreign exchange rate movements on our net equity investment in one of our foreign subsidiaries, to reduce the impact on gross profit and net earnings from sales and purchases denominated in foreign currencies, and to reduce the impact on our net earnings of foreign currency fluctuations on receivables and payables denominated in foreign currencies which are different than the subsidiaries functional currency. We are primarily exposed to foreign currency exchange rate risk with respect to transactions and net assets denominated in Euros, Pounds Sterling, Canadian Dollars, South African Rand, Singapore

Dollars, Indian Rupee, Chinese Yuan, South Korean Won, Polish Zloty, and New Taiwan Dollars. We record all derivative instruments as assets or liabilities at fair value.

Derivatives Designated as Hedging Instruments

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

We had forward contracts outstanding as of April 30, 2014, denominated in Euros, Pounds Sterling and New Taiwan Dollars with set maturity dates ranging from May 2014 through April 2015. The contract amounts, expressed at forward rates in U.S. Dollars at April 30, 2014, were $33.3 million for Euros, $11.2 million for Pounds Sterling and $22.2 million for New Taiwanese Dollars. At April 30, 2014, we had approximately $1.7 million of losses, net of tax, related to cash flow hedges deferred in Accumulated other comprehensive loss. Included in this amount are $933,000 of unrealized losses, net of tax, related to cash flow hedge instruments that remain subject to currency fluctuation risk. The majority of these deferred losses will be recorded as an adjustment to Cost of sales and service in periods through April 2015, when the corresponding inventory that is the subject of the related hedge contracts is sold, as described above.

We are also exposed to foreign currency exchange risk related to our investment in net assets in foreign countries. To manage this risk, we have maintained a forward contract with a notional amount of €3.0 million. We designated this forward contract as a hedge of our net investment in Euro denominated assets. We selected the forward method under Financial Accounting Standards Board, or FASB, guidance related to the accounting for derivatives instruments and hedging activities. The forward method requires all changes in the fair value of the contract to be reported as a cumulative translation adjustment in Accumulated other comprehensive loss, net of tax, in the same manner as the underlying hedged net assets. This forward contract matures in November 2014. At April 30, 2014, we had $238,000 of realized gains and $65,000 of unrealized losses, net of tax, recorded as cumulative translation adjustments in Accumulated other comprehensive loss related to these forward contracts.

Derivatives Not Designated as Hedging Instruments

We also enter into foreign currency forward exchange contracts to protect against the effects of foreign currency fluctuations on receivables and payables denominated in foreign currencies. These derivative instruments are not designated as hedges under the FASB guidance and, as a result, changes in their fair value are reported currently as Other expense, net, in the Condensed Consolidated Statements of Operations consistent with the transaction gain or loss on the related receivables and payables denominated in foreign currencies.

We had forward contracts outstanding as of April 30, 2014, in Euros, Pounds Sterling, Canadian Dollars, the South African Rand, and the New Taiwan Dollar with set maturity dates ranging from May 2014 through October 2014. The contract amounts at forward rates in U.S. Dollars at April 30, 2014 totaled $51.4 million.

Fair Value of Derivative Instruments

We recognize the fair value of derivative instruments as assets and liabilities on a gross basis on our Condensed Consolidated Balance Sheets. As of April 30, 2014 and October 31, 2013, all derivative instruments were recorded at fair value on the balance sheets as follows (in thousands):

	April 30, 2014		October 31, 2013	
Derivatives	Balance sheet location	Fair value	Balance sheet location	Fair value
Designated as hedging instruments:				
Foreign exchange forward contracts	Derivative assets	$9	Derivative assets	$244
Foreign exchange forward contracts	Derivative liabilities	$1,557	Derivative liabilities	$1,158
Not designated as hedging instruments:				
Foreign exchange forward contracts	Derivative assets	$44	Derivative assets	$455
Foreign exchange forward contracts	Derivative liabilities	$180	Derivative liabilities	$54

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

Derivative instruments had the following effects on our Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Changes in Shareholders' Equity and Condensed Consolidated Statements of Income during the three months ended April 30, 2014 and 2013 (in thousands):

Derivatives	Amount of Gain (Loss) Recognized in Other Comprehensive Income		Location of Gain (Loss) Reclassified from Other Comprehensive Income	Amount of Gain (Loss) Reclassified from Other Comprehensive Income	
	Three months ended April 30,			Three months ended April 30,	
	2014	2013		2014	2013
Designated as hedging instruments: (Effective portion)					
Foreign exchange forward contracts – Intercompany sales/purchases	$ (1,182)	$ 1,131	Cost of sales and service	$ (342)	$ 693
Foreign exchange forward contract – Net investment	$ (113)	$ 122			

We recognized a loss of $10,000 for the three months ended April 30, 2014, and a gain of $32,000 for the three months ended April 30, 2013 as a result of contracts closed early that were deemed ineffective for financial reporting purposes and did not qualify as cash flow hedges. We recognized the following gains and losses in our Condensed Consolidated Statements of Income during the three months ended April 30, 2014 and 2013 (in thousands) on derivative instruments not designated as hedging instruments:

Derivatives	Location of gain (loss) recognized in operations	Amount of gain (loss) recognized in operations	
		Three months ended April 30,	
		2014	2013
Not designated as hedging instruments:			
Foreign exchange forward contracts	Other (income) expense, net	$ (935)	$ 501

The following table presents the changes in the components of Accumulated other comprehensive loss, net of tax, for the three months ended April 30, 2014 (in thousands):

	Foreign Currency Translation	Cash Flow Hedges	Total
Balance, January 31, 2014	$ (1,729)	$ (1,153)	$(2,882)
Other comprehensive income (loss) before reclassifications	1,227	(770)	457
Reclassifications	—	225	225
Balance, April 30, 2014	$ (502)	$ (1,698)	$(2,200)

Derivative instruments had the following effects on our Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Changes in Shareholders' Equity and Condensed Consolidated Statements of Income during the six months ended April 30, 2014 and 2013 (in thousands):

Derivatives	Amount of Gain (Loss) Recognized in Other Comprehensive Income Six months ended April 30, 2014	2013	Location of Gain (Loss) Reclassified from Other Comprehensive Income	Amount of Gain (Loss) Reclassified from Other Comprehensive Income Six months ended April 30, 2014	2013
Designated as hedging instruments: (Effective portion)					
Foreign exchange forward contracts – Intercompany sales/purchases	$ (1,877)	$ (413)	Cost of sales and service	$ (745)	$ 1,646
Foreign exchange forward contract – Net investment	$ (82)	$ (51)			

We recognized a loss of $29,000 for the six months ended April 30, 2014, and a loss of $32,000 for the six months ended April 30, 2013 as a result of contracts closed early that were deemed ineffective for financial reporting purposes and did not qualify as cash flow hedges. We recognized the following gains and losses in our Condensed Consolidated Statements of Income during the six months ended April 30, 2014 and 2013 (in thousands) on derivative instruments not designated as hedging instruments:

Derivatives	Location of gain (loss) recognized in operations	Amount of gain (loss) recognized in operations Six months ended April 30, 2014	2013
Not designated as hedging instruments:			
Foreign exchange forward contracts	Other (income) expense, net	$ (973)	$ (587)

The following table presents the changes in the components of Accumulated other comprehensive loss, net of tax, for the six months ended April 30, 2014 (in thousands):

Foreign

	Currency Translation	Cash Flow Hedges	Total
Balance, October 31, 2013	$ (1,016)	$(968)	$(1,984)
Other comprehensive income (loss) before reclassifications	514	(1,211)	(697)
Reclassifications	—	481	481
Balance, April 30, 2014	$ (502)	$(1,698)	$(2,200)

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3. EQUITY INCENTIVE PLAN

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

A summary of stock option activity for the six-month period ended April 30, 2014, is as follows:

	Stock Options	Weighted Average Exercise Price
Outstanding at October 31, 2013	168,712	$ 20.73
Options granted	—	—
Options exercised	(16,306)	(18.35)
Options cancelled	(20,217)	(25.59)
Outstanding at April 30, 2014	132,189	$ 20.28

Summarized information about outstanding stock options as of April 30, 2014, that have already vested and those that are expected to vest, as well as stock options that are currently exercisable, are as follows:

	Options already vested and expected to vest	Options currently exercisable
Number of outstanding options	132,189	105,677
Weighted average remaining contractual life (years)	6.44	5.03

Weighted average exercise price per share	$ 20.28	$ 19.74
Intrinsic value of outstanding options	$ 935,000	$ 823,000

The intrinsic value of an outstanding stock option is calculated as the difference between the stock price as of April 30, 2014 and the exercise price of the option.

On January 10, 2014, the Compensation Committee approved a long-term incentive compensation arrangement for our executive officers in the form of restricted shares and performance shares awarded under the 2008 Plan. The awards were 25% time-based vesting and 75% performance-based vesting. The three-year performance period is fiscal 2014 through fiscal 2016.

The Compensation Committee granted a total 12,182 shares of time-based restricted shares to our executive officers. The restricted shares vest in thirds over three years from the date of grant provided the recipient remains employed through that date. The grant date fair value of the restricted shares was based upon the closing sales price of our common stock on the date of grant.

The Compensation Committee also granted a total of 16,948 performance shares to our executive officers designated as “Performance Shares –TSR”. The shares were weighted as 40% of the overall long-term incentive compensation arrangement and will vest based upon the total shareholder return of our common stock over a three-year period, relative to the total shareholder return of the companies in a specified peer group over that period. Participants will have the ability to earn between 50% of the target number of shares for achieving threshold performance and 200% of the target number of shares for achieving maximum performance. The fair value of the market-based performance shares was calculated using the Monte Carlo approach.

The Compensation Committee also granted a total of 17,056 performance shares to our executive officers designated as “Performance Shares –ROIC”. These shares were weighted as 35% of the overall long-term incentive compensation arrangement and will vest based upon the achievement of pre-established goals related to our average return on invested capital over the three-year period. Participants will have the ability to earn between 50% of the target number of shares for achieving threshold performance and 200% of the target number of shares for achieving maximum performance. The grant date fair value of the ROIC performance shares was based on the closing sales price of our common stock on the grant date.

On March 13, 2014, the Compensation Committee granted a total of 11,235 shares of restricted stock to our non-employee directors. The restricted stock vests in full one year from the date of grant provided the recipient remains on the board of directors through that date. The grant date fair value of the restricted stock was based on the closing sales price of our common stock on the grant date which was $24.92 per share.

A reconciliation of the activity relating to outstanding share awards made under the 2008 Plan and related information is as follows:

	Number of Shares	Grant Date Fair Value
Unvested at October 31, 2013	68,456	23.01
Shares granted	57,421	24.90
Shares vested	(23,520)	(24.42)
Shares cancelled	(13,609)	(23.64)
Shares withheld		