

Edgar Filing: HURCO COMPANIES INC - Form DEF 14A

HURCO COMPANIES INC
Form DEF 14A
February 21, 2003

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934
(Amendment No. \_\_\_\_)

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 ss.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)

Payment of Filing Fee (Check the appropriate box):

- [x] No fee required
[ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
1) Title of each class of securities to which transaction applies:
2) Aggregate number of securities to which transaction applies:
3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):
4) Proposed maximum aggregate value of transaction:
5) Total fee paid:

- [ ] Fee paid previously with preliminary materials.
[ ] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
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

Edgar Filing: HURCO COMPANIES INC - Form DEF 14A

INDIANAPOLIS, INDIANA 46268  
(317) 293-5309

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held April 3, 2003

To Our Shareholders:

The 2003 Annual Meeting of Shareholders of Hurco Companies, Inc., will be held at the corporate headquarters of Hurco Companies, Inc., One Technology Way, Indianapolis, Indiana, 46268 at 10:00 a.m. EST on Thursday, April 3, 2003, for the following purposes:

1. To elect six directors to serve until the next annual meeting or until their successors are duly elected and qualified.
2. To transact such other business as may properly come before the Annual Meeting or any adjournments thereof.

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 February 7, 2003, 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,

Roger J. Wolf, Secretary

February 21, 2003  
Indianapolis, Indiana

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.

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

Annual Meeting of Shareholders  
April 3, 2003

-----  
PROXY STATEMENT  
-----

SOLICITATION, VOTING AND REVOCABILITY OF PROXIES

## Edgar Filing: HURCO COMPANIES INC - Form DEF 14A

This Proxy Statement is furnished to the holders (the "Shareholders") of common stock of Hurco Companies, Inc. ("Hurco" or the "Company") in connection with the solicitation of proxies by the Board of Directors for the 2003 Annual Meeting of Shareholders to be held at 10:00 a.m. EST on Thursday, April 3, 2003 at the corporate headquarters of Hurco Companies, Inc., One Technology Way, Indianapolis, Indiana, and at any adjournments thereof. This Proxy Statement and the accompanying form of proxy are being mailed to the Shareholders on or about February 21, 2003. Proxies are being solicited principally by mail. Directors, officers and regular employees of Hurco may also solicit proxies personally by telephone, telegraph or otherwise. All expenses incident to the preparation and mailing to the Shareholders of the Notice, Proxy Statement and form of Proxy will be paid by Hurco.

Shareholders of record as of the close of business on February 7, 2003, are entitled to notice of and vote at the Annual Meeting or any adjournments thereof. On such record date, Hurco had 5,583,158 shares of common stock 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. If no instructions are given, the proxy will be voted for the election of the Board of Directors' nominees named in this Proxy Statement. Directors will be elected by a plurality of the votes cast. A proxy may indicate that all or a portion of the shares represented by such proxy are not being voted with respect to a specific proposal. This could occur, for example, when a broker is not permitted to vote shares held in street name on certain proposals in the absence of instructions from the beneficial owners. Shares that are not voted with respect to a specific proposal will be considered present for purposes of determining a quorum and voting on other proposals. Abstentions on a specific proposal will be considered as present, but not as voting in favor of such proposal. Neither the non-voting of shares nor abstentions will affect the matters to be voted on at the Annual Meeting.

### ELECTION OF DIRECTORS

The Board of Directors currently consists of six members and the Board has nominated six persons for election as directors. All nominees are currently directors. Each director will serve for a term of one year, which expires at the next Annual Meeting of Shareholders of the Company, when his successor has been elected. The six nominees are: Robert W. Cruickshank, Michael Doar, Richard T. Niner, O. Curtis Noel, Charles E. Mitchell Rentschler and Gerald V. Roch. Unless authority is specifically withheld, the shares represented by the enclosed form of 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 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.

## Edgar Filing: HURCO COMPANIES INC - Form DEF 14A

The following information sets forth the name of each director, his age, tenure as a director, principal occupation and business experience for the last five years:

Name ----	Age ---	Served as a Director since -----
Robert W. Cruickshank (2,3)	57	2000
Michael Doar (1)	47	2000
Richard T. Niner (1)	63	1986
O. Curtis Noel (3)	67	1993
Charles E. Mitchell Rentschler (2)	63	1986
Gerald V. Roch (2)	71	2001

Robert W. Cruickshank has been owner of R. W. Cruickshank Company, a financial services firm 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, and Friedman's Jewelers, Inc., a retail jewelry business.

Michael Doar was elected Chairman of the Board of Directors and Chief Executive Officer on November 14, 2001. Previously, 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 since 1989.

Richard T. Niner was appointed Chairman of the Executive / Nominating Committee of the Board of Directors on November 14, 2001. Prior to that time, Mr. Niner had been Chairman of the Board of Directors since March 9, 1999. Mr. Niner's principal occupation since 1998 has been acting as a general partner of Wind River Associates. Mr. Niner is also a general partner of Brynwood Management II, L.P., the general partner of Brynwood Partners II, L.P., and until December 31, 1998, his principal occupation was acting as a general partner of Brynwood Management, the general partner of Brynwood Partners Limited Partnership. Mr. Niner is a director of Arrow International, Inc., a cardiac and critical care products business.

O. Curtis Noel has been an independent business consultant for more than ten years specializing in market and industry studies, competitive analysis and corporate development programs with clients in the U.S. and abroad.

Charles E. Mitchell Rentschler has been an independent business consultant since 2001, providing general business consulting services to the foundry industry. Mr. Rentschler served as President and Chief Executive Officer of The Hamilton Foundry & Machine Co. from 1985 until 2001. The Hamilton Foundry and Machine Co. filed a petition for relief under Chapter 11 of the Bankruptcy Code on October 10, 2000.

Gerald V. Roch has been an independent business consultant providing general business and technology consulting services since 1994. Mr. Roch was a co-founder of Hurco in 1968 and in 1986 was the founder of Made2Manage Systems, Inc., a manufacturing software company. Mr. Roch served as President and Chief Executive Officer of Made2Manage Systems, Inc. from 1986 until 1994.

- (1) Member of Executive / Nominating Committee
- (2) Member of Audit Committee

## Edgar Filing: HURCO COMPANIES INC - Form DEF 14A

(3) Member of Compensation Committee

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

### Board Meetings and Committees

During the last fiscal year, the Board of Directors held five meetings. All of the current directors attended at least 75% of the aggregate number of meetings of the Board and the committees on which they served.

The Board has an Audit Committee that held seven meetings during the last fiscal year. The Audit Committee has the authority to oversee the Company's accounting and financial reporting activities, and meets with the Company's independent accountants and Chief Financial Officer to review the scope, cost and results of the annual audit and to review internal accounting controls, policies and procedures. The report of the Audit Committee is included on page 9 of this Proxy Statement. The Audit Committee selects the independent accountants of Hurco. See INDEPENDENT ACCOUNTANTS on page 13.

The Board has a Compensation Committee that held two meetings during the last fiscal year. The Compensation Committee reviews and recommends to the Board the compensation of the officers and managers of Hurco and guidelines for the general wage structure of the entire workforce. The Compensation Committee also oversees the administration of the Company's employee benefit plans. The report of the Compensation Committee regarding executive compensation is included on page 7 of this Proxy Statement.

The Board of Directors has an Executive/Nominating Committee that held one meeting during the last fiscal year. The Executive/Nominating Committee reviews the structure and composition of the Board of Directors and considers the qualifications of and recommends all nominees for directors. The Executive/Nominating Committee will consider candidates whose names are submitted in writing by shareholders. Shareholders who wish to nominate persons for election as directors must comply with the advance notice and eligibility requirements contained in the Company's By-laws, a copy of which is available upon request. Such requests and any nominations should be addressed to the Secretary, Hurco Companies, Inc., One Technology Way, P.O. Box 68180, Indianapolis, Indiana 46268.

The members of these Committees are identified in the table on pages 3 and 4.

### Compensation of Directors

Each director who is not a full-time employee of the Company receives a fee of \$1,500 for each meeting of the Board of Directors attended. Each such director also receives \$5,000 per fiscal quarter. Directors are also entitled to receive reimbursement for travel and other expenses incurred in attending such meetings.

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

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers, and persons who own more than 10% of the Company's common stock, to file reports of ownership with the Securities and Exchange Commission and Nasdaq. Such persons are also required to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on the Company's review of the copies of such forms received by it, or 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, the Company believes that, during its fiscal year ending October 31, 2002, its officers, directors and greater than 10% beneficial owners complied with all filing requirements under Section 16(a).

Edgar Filing: HURCO COMPANIES INC - Form DEF 14A

EXECUTIVE COMPENSATION

Summary Compensation

The following table sets forth all compensation paid or accrued during each of the last three fiscal years to each of the individuals who served as the Company's Chief Executive Officer during the fiscal year ended October 31, 2002 and each of the other three executive officers of Hurco (the "Named Executive Officers") whose salary and bonus exceeded \$100,000 during the fiscal year ended October 31, 2002.

Summary Compensation Table

Name and Principal Position -----	Fiscal Year ----	Annual Compensation		Other Annual Compensation (\$) -----	Long- Compen Secur Under Optio -----
		Salary (\$) -----	Bonus (\$)(1) -----		
Michael Doar Chairman and CEO	2002	207,470	--	--	80,
Brian D. McLaughlin Former President and CEO	2002 2001 2000	58,000 288,077 278,076	-- -- 90,000	-- -- --	110, -- 40,
James D. Fabris President and Chief Operating Officer	2002 2001 2000	223,365 198,077 185,576	-- -- 65,000	-- -- --	35, -- 20,
Roger J. Wolf Sr. VP, Secretary, Treasurer and CFO	2002 2001 2000	185,000 183,077 173,462	-- -- 50,000	-- -- --	35, -- 30,
David E. Platts Vice President - Technology	2002 2001 2000	125,000 121,154 105,182	-- -- 20,000	-- -- --	10, -- 10,

- (1) Represents cash bonuses earned and paid in the subsequent year.
- (2) Represents shares of common stock underlying grants of options made during the year. We Appreciation Rights (SARs).
- (3) Includes severance compensation.
- (4) Represents contributions to defined contribution plans and split dollar life insurance premiums, as follows.

Name	Defined Contribution Plan Company Match	Company Paid Split-Dollar Life Insurance Premiums
Michael Doar	\$5,908	\$27,656
Brian McLaughlin	301	47,406
James D. Fabris	5,504	19,184
Roger J. Wolf	4,451	42,766
David E. Platts	1,340	12,215

Edgar Filing: HURCO COMPANIES INC - Form DEF 14A

Stock Options  
-----

Option Grants During Fiscal 2002

Name -----	Number of Securities Underlying Options Granted 2 -----	% of Total Options Granted to Employees in Fiscal Year -----	Exercise Price (\$/SH) -----	Expiration Date -----
Michael Doar	80,000	24.8%	\$2.17	12/18/2011
Brian D. McLaughlin	110,000	34.2%	\$2.11	11/13/2009
James D. Fabris	35,000	10.9%	\$2.17	12/18/2011
Roger J. Wolf	35,000	10.9%	\$2.17	12/18/2011
David E. Platts	10,000	3.1%	\$2.17	12/18/2011

1 The potential realizable value illustrates value that might be realized upon the exercise of the options immediately prior to the expiration of their terms, assuming the specified compounded rates of appreciation of Hurco's common stock from the date of grant through the term of the options.

2 Options may be exercised in three annual installments commencing on the first anniversary of the date of grant except for Brian McLaughlin's options which vested upon grant.

Aggregated Option Exercises in Fiscal 2002 and Year-End Option Va

Name -----	Shares Acquired on Exercise (#) -----	Value Realized (\$) -----	Number of Securities Underlying Unexercised Options at FY-End (#) -----		at F -----
			Exer- cisable -----	Unexer- cisable -----	Exer- cisable -----
Michael Doar	--	--	15,000	80,000	--
Brian D. McLaughlin	--	--	110,000	--	--
James D. Fabris	1,500	\$3,188	69,833	55,667	--
Roger J. Wolf	--	--	85,000	55,000	--
David E. Platts	--	--	27,667	17,333	--

(1) Value is calculated based on the closing market price of the common stock on October 31, 2002 (\$ 1.55) less the option exercise price.

Compensation Committee Interlocks and Insider Participation

The members of the Compensation Committee are O. Curtis Noel and Robert W. Cruickshank. None of the Compensation Committee members are involved in a relationship requiring disclosure as an interlocking executive officer/director

## Edgar Filing: HURCO COMPANIES INC - Form DEF 14A

or under Item 404 of Regulation S-K or is a former officer or employee of the Company or any of its subsidiaries.

### Employment Contracts

Michael Doar entered into an employment contract 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 stock option grants, is awarded periodically at the discretion of the Compensation Committee. Mr. Doar is entitled to thirty days notice and twelve months salary and benefits if he is removed as Chairman and Chief Executive Officer by action of the Board of Directors.

James D. Fabris entered into an employment contract on November 18, 1997. The contract term is unspecified. Mr. Fabris' salary and bonus arrangement are set annually by the Compensation Committee of the Board of Directors. Other compensation, such as stock option grants, is awarded periodically at the discretion of the Compensation Committee. As part of the contract, Mr. Fabris is entitled to 12 months' salary if Hurco terminates his employment for any reason other than gross misconduct.

Roger J. Wolf entered into an employment contract on January 8, 1993. The contract term is unspecified. Mr. Wolf's salary and bonus arrangements are set annually by the Compensation Committee of the Board of Directors. Other compensation, such as stock option grants, is awarded periodically at the discretion of the Compensation Committee. Mr. Wolf is entitled to 12 months' salary if Hurco terminates his employment without just cause.

### COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Compensation Committee of the Board of Directors establishes policies relating to the compensation arrangements of the Chief Executive Officer and all other executive officers and oversees the administration of the Company's employee benefit plans. All decisions of the Compensation Committee relating to the compensation of the Company's executive officers are reviewed by the full Board.

### Compensation Policy

The goal of the Company's executive compensation policy is to ensure that an appropriate relationship exists between executive pay and the creation of shareholder value, while at the same time motivating and retaining key employees. To achieve this goal, the Company's executive compensation policy integrates annual base compensation with incentive compensation plans based upon corporate performance and individual initiatives and performance. Measurement of corporate performance is primarily based on Company goals and industry performance levels. Accordingly, in years in which performance goals and industry levels are achieved or exceeded, executive compensation tends to be higher than in years in which performance is below expectations. Annual cash compensation, together with stock option incentives, are designed to attract and retain qualified executives and to ensure that such executives have a continuing stake in the long-term success of the Company.

Stock options are granted from time to time to key employees, based primarily on such person's potential contribution to the Company's growth and profitability. The Compensation Committee feels that stock options are an effective incentive for managers to create value for shareholders since the value of an option bears a direct relationship to the Company's stock price. The Compensation Committee believes that linking compensation for the Chief Executive Officer and all other executive officers to corporate performance results in a better alignment of



## Edgar Filing: HURCO COMPANIES INC - Form DEF 14A

compensation with corporate goals and shareholder interest. As performance goals are met or exceeded, resulting in increased value to shareholders, executives are rewarded commensurately.

### Fiscal 2002 Executive Compensation

For fiscal 2002, the Company's compensation program for the Chief Executive Officer and all other executive officers consisted of (i) base salary; (ii) bonus awards based upon the performance measurements described above; and (iii) stock option awards. During fiscal year 2002, the annual compensation of the Chief Executive Officer consisted of base salary and stock options, which were established at the time of his appointment in November 2001. In evaluating 2002 performance, the Committee considered the Company's financial performance in relation to its business plan and other corporate performance criteria and determined that no bonuses would be awarded to the Chief Executive Officer and other corporate executive officers. The Committee believes that compensation levels for the Chief Executive Officer and all other executive officers and key employees during fiscal 2002 adequately reflect the Company's compensation goals and policies.

O. Curtis Noel  
Robert W. Cruickshank

### REPORT OF AUDIT COMMITTEE

The Company's Audit Committee is comprised of three Directors. The Board of Directors and the Audit Committee believe that the Audit Committee's current composition satisfies the rule of the National Association of Securities Dealers, Inc. ("NASD") that governs audit committee composition, including the requirement that audit committee members all be "independent directors" as that term is defined by NASDAQ rules.

The primary function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing the financial information which will be provided to the shareholders and others, the system of internal controls which 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 accountants.

The Audit Committee has adopted a formal, written charter which was approved by the full Board of Directors of the Company on February 4, 2003. The Charter specifies the scope of the Audit Committee's responsibilities and how it should carry out those responsibilities. A copy of the Charter is attached as Exhibit A to this proxy statement.

The Audit Committee has reviewed and discussed the audited financial statements of the Company for the fiscal year ended October 31, 2002, with the Company's management. The Audit Committee has discussed with PricewaterhouseCoopers LLP, the Company's independent public accountants, the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (Communication with Audit Committees). The Audit Committee has also received the written disclosures and the letter from PricewaterhouseCoopers LLP required by Independence Standards Board Standard No. 1 (Independence Discussion with Audit Committees) and the Audit Committee has discussed the independence of PricewaterhouseCoopers LLP with 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.

## Edgar Filing: HURCO COMPANIES INC - Form DEF 14A

Based on the review and discussions with the Company's independent auditors for the fiscal year ended October 31, 2002, the Audit Committee recommended to the Board of Directors that the financial statements be included in the Company's Annual Report on Form 10-K for filing with the Securities and Exchange Commission.

Robert W. Cruickshank  
Charles E. M. Rentschler  
Gerald V. Roch

### PERFORMANCE GRAPH \*

The following graph illustrates the cumulative total shareholder return on Hurco common stock for the five-year period ended October 31, 2002, as compared to the Russell 2000 Small Company Index and a peer group consisting of traded securities for U.S. companies in the same three digit SIC group as Hurco (SIC 3540-3549 - Metal Working Machinery and Equipment). The comparisons in this table are required by the Securities and Exchange Commission and are not intended to forecast or be indicative of possible future performance of Hurco common stock.

[OBJECT OMITTED]

\*

\$100 INVESTED ON 10/31/97 IN STOCK OR INDEX-INCLUDING REINVESTMENT OF DIVIDENDS.  
Fiscal year ending October 31.

### INCORPORATION BY REFERENCE

Notwithstanding anything to the contrary set forth in any of the Company's previous filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that may incorporate future filings (including this Proxy Statement, in whole or in part), the preceding Audit Committee Report, Compensation Committee Report on Executive Compensation and the stock price Performance Graph shall not be incorporated by reference in any such filings.

### SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information as of February 14, 2003, regarding beneficial ownership of the Company's common stock by each director and Named Executive Officer, by all directors and executive officers as a group, and by certain other beneficial owners of more than 5% of the common stock. Each such person has sole voting and investment power with respect to such securities, except as otherwise noted.

#### Other Beneficial Owners

Name and Address	Shares Beneficially Owned
Richard T. Niner Wind River Associates, LP	942,312 (1)

## Edgar Filing: HURCO COMPANIES INC - Form DEF 14A

1055 Washington Blvd.  
Box 9-5th Floor  
Stamford, CT 06901

Bridgeway Capital Management 5615 Kirby Drive, Suite 518 Houston, Texas 77005	549,900 (2)
---	-------------

Dimensional Fund Advisors Inc. 1299 Ocean Avenue Santa Monica, CA 90401	414,100 (3)
---	-------------

FMR Corp. 82 Devonshire Street Boston, Massachusetts 02109	387,428 (4)
--	-------------

Royce & Associates, Inc. 1414 Avenue of the Americas New York, NY 10019	493,700 (5)
---	-------------

### Directors and Executive Officers

Richard T. Niner	942,312 (1)	15.8%
Robert W. Cruickshank	45,000 (7)	0.8%
Michael Doar	48,667 (12)	0.8%
Charles E. Mitchell Rentschler	63,100 (1, 6)	1.1%
O. Curtis Noel	25,000 (1)	0.4%
Gerald V. Roch	15,000 (7)	0.3%
James D. Fabris	89,167 (10)	1.5%
David E. Platts	48,033 (8)	0.8%
Roger J. Wolf	130,459 (9)	1.7%
Brian D. McLaughlin	142,320 (11,13)	2.4%
Executive officers and directors as a group (10 persons)	1,248,751 (14)	21.0%

- (1) Includes 25,000 shares subject to options that are exercisable within 60 days.
- (2) According to a Schedule 13G, filed January 15, 2003 Bridgeway Capital Management has shared voting power for all shares.
- (3) According to a Schedule 13G, filed February 12, 2003, Dimensional Fund Advisors has sole voting power for all shares.
- (4) According to a Schedule 13G, filed February 14, 2002, FMR Corporation has sole power to dispose all shares.
- (5) According to Schedule 13G, filed February 11, 2003, Royce & Associates has sole voting power for all shares.
- (6) Includes 11,100 shares owned by Mr. Rentschler's wife, as to which he may be deemed to have beneficial ownership.
- (7) Includes 15,000 shares subject to options that are exercisable within 60 days.
- (8) Includes 36,333 shares subject to options that are exercisable within 60 days.
- (9) Includes 86,667 shares subject to options that are exercisable within

## Edgar Filing: HURCO COMPANIES INC - Form DEF 14A

- 60 days.
- (10) Includes 87,667 shares subject to options that are exercisable within 60 days.
  - (11) Includes 110,000 shares subject to options that are exercisable within 60 days.
  - (12) Includes 41,667 shares subject to options that are exercisable within 60 days.
  - (13) Includes 1,320 shares owned by Mr. McLaughlin's wife and children, as to which he may be deemed to have beneficial ownership.
  - (14) Includes 258,667 shares subject to options that are exercisable within 60 days.

### INDEPENDENT ACCOUNTANTS

PricewaterhouseCoopers, LLP ("PwC") served as the Company's independent accountants for fiscal 2002. A representative of PwC is expected to be present at the Annual Meeting and will have the opportunity to make a statement if desired, and such representative is expected to be available to respond to appropriate questions. As recommended by the Audit Committee, PwC has been reappointed as independent auditors for fiscal 2003.

On May 31, 2002, Hurco dismissed Arthur Andersen LLP ("Andersen") as its independent accountants. This decision was approved by the Audit Committee of the Board of Directors. Andersen's reports on Hurco's financial statements for the two years ended October 31, 2001 and 2000, did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles. During the two most recent fiscal years ended October 31, 2001 and 2000, and the subsequent interim period through May 31, 2002, there were no disagreements with Andersen on any matter of accounting principle or practices, financial statement disclosure or auditing scope or procedure which, if not resolved to Andersen's satisfaction, would have caused Andersen to make reference to the subject matter in its report on Hurco's consolidated financial statements for such year; nor were there any reportable events as defined in Item 304(a)(1)(v) of Regulation S-K.

On June 27, 2002, the Board of Directors approved the recommendation of its Audit Committee to engage PwC as Hurco's independent accountants. During the years ended October 31, 2001 and 2000 and the subsequent interim period through June 27, 2002, Hurco did not consult PwC with respect to the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on Hurco's financial statements, or any other matters or reportable events as set forth in Items 304(a)(2)(i) and (ii) of Regulation S-K.

The Company incurred the following fees for services performed by PwC and Andersen for the fiscal year ended October 31, 2002:

Audit Fees. Fees for the audit and review of Forms 10-Q were \$242,500 and \$40,500, paid to PwC and Andersen, respectively.

Financial Information Systems Design and Implementation Fees. There were no fees paid for services related to financial information systems design and implementation.

All Other Fees. Aggregate fees billed for all other services rendered

## Edgar Filing: HURCO COMPANIES INC - Form DEF 14A

by PwC and Andersen were approximately \$3,900 and \$65,000, respectively.

### SHAREHOLDER PROPOSALS

The date by which shareholder proposals must be received by the Company for inclusion in proxy materials relating to the 2004 Annual Meeting of Shareholders is October 31, 2003.

In order to be considered at the 2004 Annual Meeting, shareholder proposals must comply with the advance notice and eligibility requirements contained in the Company's By-Laws. The Company's By-Laws provide that shareholders are required to give advance notice to the Company 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 the Secretary of the Company. In order to be timely, a shareholder's notice must be delivered to or mailed and received at the principal executive offices of the Company 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. A copy of the Company's By-Laws is available upon request. Such requests and any shareholder proposals should be sent to Roger J. Wolf, Secretary, Hurco Companies, Inc., One Technology Way, P.O. Box 68180, Indianapolis, Indiana, 46268, the principal executive offices of the Company.

### ANNUAL REPORT ON FORM 10-K

The Company filed its Annual Report on Form 10-K for the fiscal year ended October 31, 2002 with the Securities and Exchange Commission. Shareholders may obtain a copy of the Form 10-K by writing to Roger J. Wolf, Senior Vice-President and Chief Financial Officer, Hurco Companies, Inc., One Technology Way, P. O. Box 68180, Indianapolis, Indiana 46268. A copy of the 10-K can also be obtained at [hurco.com](http://hurco.com) or [SEC.gov](http://SEC.gov).

### OTHER BUSINESS

The Board of Directors knows of no other matters which 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 matters.

Exhibit A

### CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF HURCO COMPANIES, INC.

Purpose

## Edgar Filing: HURCO COMPANIES INC - Form DEF 14A

The Audit Committee of the Board of Directors of Hurco Companies, Inc. (the "Company") is appointed by the Board to assist the Board in monitoring (1) the integrity of the Company's financial statements, (2) the independent auditor's qualifications and independence, (3) the performance of the Company's independent auditor, and (4) the Company's compliance with legal and regulatory requirements.

The Audit Committee is also responsible for producing the annual Audit Committee report required by the rules of the Securities and Exchange Commission (the "SEC") to be included in the Company's proxy statement.

### Committee Membership

The Audit Committee shall consist of at least three directors. The members of the Audit Committee shall meet the independence and experience requirements of the NASDAQ Stock Market, Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and SEC rules and regulations.

The members and the Chair of the Audit Committee shall be appointed by the Board. Audit Committee members may be replaced by the Board.

### Meetings

The Audit Committee shall meet as often as it determines, but not less frequently than quarterly. The Audit Committee shall meet periodically with management and the independent auditor in separate executive sessions. The Audit Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or advisors to, the Committee.

### Committee Authority and Responsibilities

The Audit Committee shall be directly and solely responsible for the appointment, determination of compensation and oversight of the work of the independent auditor, including resolution of disagreements between management and the independent auditor regarding financial reporting, as required by Section 10A(m)(2) of the Exchange Act. The Audit Committee shall preapprove all auditing services and permitted non-audit services, including the fees and terms thereof. The independent auditor shall report directly to the Audit Committee.

The Audit Committee shall have the authority, to the extent it deems necessary or appropriate and without seeking Board approval, to retain independent legal, accounting or other advisors. The Company shall provide for appropriate funding, as determined by the Audit Committee, for payment of compensation to the independent auditor for the purpose of rendering or issuing an audit report and to any advisors employed by the Audit Committee.

The Audit Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant preapprovals of audit and permitted non-audit services, provided that decisions of such subcommittee to grant preapprovals shall be presented to the Audit Committee at its next scheduled meeting.

The Audit Committee shall make regular reports to the Board. The Audit Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. The Audit Committee, to the extent it deems necessary or appropriate, shall:

### Financial Statement and Disclosure Matters

## Edgar Filing: HURCO COMPANIES INC - Form DEF 14A

1. Review and discuss with management and the independent auditor the annual audited financial statements, including disclosures made in management's discussion and analysis, and recommend to the Board whether the audited financial statements should be included in the Company's Form 10-K.
2. Review and discuss with management and the independent auditor the Company's quarterly financial statements prior to the filing of its Form 10-Q, including the results of the independent auditor's reviews of the quarterly financial statements.
3. In connection with such quarterly reviews and annual audit, discuss with management and the independent auditor major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies.
4. Discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61, as amended relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.
5. Review and discuss quarterly reports from the independent auditor on:
  - a. changes in critical accounting policies and practices used;
  - b. all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor;
  - c. management's disposition of significant audit adjustments as identified by the external auditor;
  - d. any proposed changes by regulatory authorities in accounting standards or financial disclosures that could materially affect the Company's financial statements; and
  - e. other material written communications between the independent auditor and management, such as any management letter with respect to internal control deficiencies.
6. Discuss with management and the independent auditor, the Company's earnings press releases prior to issuance, including the use of any "pro forma" or "adjusted" non-GAAP information.
7. Discuss with management and the independent auditor the effect of any material off-balance sheet structures on the Company's financial statements.
8. Discuss with management at least annually the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.
9. Review disclosures made to the Audit Committee by the Company's CEO and CFO during their certification process for the Form 10-K and Forms 10-Q about any significant deficiencies in the design or operation of disclosure controls and internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the company's disclosure controls and internal controls.
10. Review and approve all related-party transactions, i.e. with Directors, Executive Officers, significant shareholders or affiliated entities in which such persons have material interests of the Company.

## Edgar Filing: HURCO COMPANIES INC - Form DEF 14A

### Oversight of the Company's Relationship with the Independent Auditor

11. Review and evaluate the lead partner of the independent auditor team.
12. Obtain annually, to the extent made available, and review a report from the independent auditor regarding (a) the independent auditor's internal quality-control procedures, (b) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, (c) any steps taken to deal with any such issues, and (d) any relationships between the independent auditor and the Company, that may impact their objectivity or independence
13. Evaluate annually the qualifications, performance and independence of the independent auditor, including considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence, and taking into account the opinions of management. The Audit Committee shall present its conclusions with respect to the independent auditor to the Board.
14. Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit every five years or as otherwise required by Section 10A(j) of the Exchange Act.
15. Ensure that the Company's Chief Executive Officer, Chief Financial Officer, Corporate Controller or other principal accounting officer did not participate in the audit of the Company in any capacity as an employee of the independent auditing firm within one year preceding the appointment of such firm for any audit.
16. Meet with the independent auditor prior to the audit to discuss the planning, scope and staffing of the audit.

### Compliance Oversight Responsibilities

17. Obtain from the independent auditor assurance that any reportable events under the provisions of Section 10A(b) of the Exchange Act respecting the detection and reporting of illegal acts, of which they are aware, have been communicated to the Committee.
18. Establish and maintain procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by Company employees of concerns regarding questionable accounting or auditing matters.
19. Discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting policies.
20. Discuss, as deemed necessary, with the Company's outside counsel, legal matters that may have a material impact on the financial statements or the Company's compliance policies.

### Limitation of Audit Committee's Role



## Edgar Filing: HURCO COMPANIES INC - Form DEF 14A

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent auditor.