

REFINITIV

DELTA REPORT

10-Q

HURC - HURCO COMPANIES INC

10-Q - APRIL 30, 2024 COMPARED TO 10-Q - JANUARY 31, 2024

The following comparison report has been automatically generated

TOTAL DELTAS 1769

█ CHANGES 159

█ DELETIONS 138

█ ADDITIONS 1472

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended **January 31, 2024** **April 30, 2024** 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**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, no par value	HURC	The Nasdaq Stock Market LLC

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 (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of the Registrant's common stock outstanding as of **February 29, 2024** **May 31, 2024** was **6,506,033** **6,523,259**.

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HURCO COMPANIES, INC.

Form 10-Q Quarterly Report for Fiscal Quarter Ended **January 31, 2024** **April 30, 2024**

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PART I - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

HURCO COMPANIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

Three Months Ended			
January 31,			
	2024	2023	
	(unaudited)		
Sales and service fees	\$ 45,059	\$ 54,682	
Cost of sales and service	<u>35,364</u>	<u>41,964</u>	
Gross profit	9,695	12,718	
Selling, general and administrative expenses	<u>11,515</u>	<u>11,484</u>	
Operating (loss) income	(1,820)	1,234	
Interest expense	131	16	
Interest income	156	52	
Investment income, net	59	29	
Other (expense) income, net	<u>(513)</u>	<u>641</u>	
(Loss) income before income taxes	(2,249)	1,940	
(Benefit) provision for income taxes	(601)	610	
Net (loss) income	<u>\$ (1,648)</u>	<u>\$ 1,330</u>	
(Loss) income per common share			
Basic	<u>\$ (0.25)</u>	<u>\$ 0.20</u>	
Diluted	<u>\$ (0.25)</u>	<u>\$ 0.20</u>	
Weighted average common shares outstanding			
Basic	<u>6,483</u>	<u>6,583</u>	
Diluted	<u>6,483</u>	<u>6,622</u>	
Dividends paid per share	<u>\$ 0.16</u>	<u>\$ 0.15</u>	
Three Months Ended			
April 30,			
	2024	2023	
	(unaudited)		
Sales and service fees	\$ 45,172	\$ 53,819	
	<u>\$ 90,231</u>	<u>\$ 108,501</u>	
Six Months Ended			
April 30,			
	2024	2023	
	(unaudited)		

Cost of sales and service	37,153	41,236	72,517	83,200
Gross profit	8,019	12,583	17,714	25,301
Selling, general and administrative expenses	11,461	11,592	22,976	23,076
Operating (loss) income	(3,442)	991	(5,262)	2,225
Interest expense	136	55	267	71
Interest income	164	85	320	137
Investment income, net	8	7	67	36
Other (expense) income, net	(476)	(360)	(989)	281
(Loss) income before income taxes	(3,882)	668	(6,131)	2,608
Provision (benefit) for income taxes	40	291	(561)	901
Net (loss) income	<u>\$ (3,922)</u>	<u>\$ 377</u>	<u>\$ (5,570)</u>	<u>\$ 1,707</u>
(Loss) income per common share				
Basic	<u>\$ (0.61)</u>	<u>\$ 0.06</u>	<u>\$ (0.86)</u>	<u>\$ 0.26</u>
Diluted	<u>\$ (0.61)</u>	<u>\$ 0.06</u>	<u>\$ (0.86)</u>	<u>\$ 0.26</u>
Weighted average common shares outstanding				
Basic	<u>6,518</u>	<u>6,486</u>	<u>6,500</u>	<u>6,536</u>
Diluted	<u>6,518</u>	<u>6,516</u>	<u>6,500</u>	<u>6,570</u>
Dividends paid per share	<u>\$ 0.16</u>	<u>\$ 0.16</u>	<u>\$ 0.32</u>	<u>\$ 0.31</u>

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 (LOSS)
(In thousands)

	Three Months Ended	
	January 31,	
	2024	2023
Net (loss) income	\$ (1,648)	\$ 1,330

Other comprehensive income:				
Translation gain of foreign currency financial statements	4,500		10,131	
(Gain) / loss on derivative instruments reclassified into operations, net of tax of \$64 and \$(25), respectively	212		(82)	
Gain / (loss) on derivative instruments, net of tax of \$5 and \$(48), respectively	18		(166)	
Total other comprehensive income	4,730		9,883	
Comprehensive income	\$ 3,082		\$ 11,213	
	Three Months Ended		Six Months Ended	
	April 30,		April 30,	
	2024	2023	2024	2023
	(unaudited)		(unaudited)	
Net (loss) income	\$ (3,922)	\$ 377	\$ (5,570)	\$ 1,707
Other comprehensive (loss) income:				
Translation (loss) gain of foreign currency financial statements	(3,984)		(470)	516
(Gain) / loss on derivative instruments reclassified into operations, net of tax (expense) / benefit of \$121, \$(15), \$185, and \$(40), respectively	407		(50)	619
Gain / (loss) on derivative instruments, net of tax expense / (benefit) of \$(192), \$(255), \$(187) and \$(303), respectively	(640)		(847)	(622)
Total other comprehensive (loss) income	(4,217)		(1,367)	513
Comprehensive (loss) income	\$ (8,139)	\$ (990)	\$ (5,057)	\$ 10,223

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)

ASSETS	January 31,		October 31,		April 30,		October 31,	
	2024	(unaudited)	2023		2024	(unaudited)	2023	
Current assets:								
Cash and cash equivalents	\$ 37,936		\$ 41,784		\$ 37,542		\$ 41,784	
Accounts receivable, net		33,131		39,965		27,052		39,965
Inventories, net		165,044		157,952		163,806		157,952
Derivative assets		768		740		365		740
Prepaid and other assets		10,204		7,789		10,209		7,789
Total current assets		247,083		248,230		238,974		248,230

Property and equipment:				
Land	1,046	1,046	1,046	1,046
Building	7,387	7,387	7,387	7,387
Machinery and equipment	26,307	26,779	25,843	26,779
Leasehold improvements	4,662	4,473	4,523	4,473
	39,402	39,685	38,799	39,685
Less accumulated depreciation and amortization	(31,677)	(30,826)	(31,453)	(30,826)
Total property and equipment, net	7,725	8,859	7,346	8,859
Non-current assets:				
Software development costs, less accumulated amortization	7,027	7,030	6,985	7,030
Intangible assets, net	931	994	860	994
Operating lease - right of use assets, net	12,016	10,971	11,490	10,971
Deferred income taxes	4,838	4,749	4,880	4,749
Investments and other assets	10,438	9,756	10,291	9,756
Total non-current assets	35,250	33,500	34,506	33,500
Total assets	\$ 290,058	\$ 290,589	\$ 280,826	\$ 290,589
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	\$ 28,052	\$ 29,661	\$ 27,356	\$ 29,661
Customer deposits	3,906	2,827	3,244	2,827
Derivative liabilities	820	1,821	2,578	1,821
Operating lease liabilities	3,878	3,712	3,658	3,712
Accrued payroll and employee benefits	7,484	9,853	7,592	9,853
Accrued income taxes	1,590	1,713	1,190	1,713
Accrued expenses	3,845	4,092	4,660	4,092
Accrued warranty expenses	1,227	1,294	1,121	1,294
Total current liabilities	50,802	54,973	51,399	54,973
Non-current liabilities:				
Deferred income taxes	69	83	61	83
Accrued tax liability	1,296	1,293	698	1,293
Operating lease liabilities	8,501	7,606	8,189	7,606
Deferred credits and other	4,833	4,403	4,902	4,403
Total non-current liabilities	14,699	13,385	13,850	13,385
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; 6,613,595 and 6,553,673 shares issued and 6,506,033 and 6,462,138 shares outstanding, as of January 31, 2024 and October 31, 2023, respectively	651	646		
Common stock: no par value, \$.10 stated value per share, 12,500,000 shares authorized; 6,636,473 and 6,553,673 shares issued and 6,523,259 and 6,462,138 shares outstanding, as of April 30, 2024 and October 31, 2023, respectively			652	646
Additional paid-in capital	61,936	61,665	62,155	61,665
Retained earnings	177,444	180,124	172,461	180,124
Accumulated other comprehensive loss	(15,474)	(20,204)	(19,691)	(20,204)
Total shareholders' equity	224,557	222,231	215,577	222,231
Total liabilities and shareholders' equity	\$ 290,058	\$ 290,589	\$ 280,826	\$ 290,589

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

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HURCO COMPANIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Three Months Ended	
	January 31,	
	2024	2023
(unaudited)		
Cash flows from operating activities:		
Net (loss) income	\$ (1,648)	\$ 1,330
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Provision for doubtful accounts	(71)	84
Deferred income taxes	(92)	152
Equity in loss (income) of affiliates	22	10
Foreign currency (gain) loss	512	(1,587)
Unrealized (gain) loss on derivatives	(656)	(388)
Depreciation and amortization	908	1,054
Stock-based compensation	591	770
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	7,528	5,751
(Increase) decrease in inventories	(2,496)	(2,984)
(Increase) decrease in prepaid expenses	(2,388)	(3,204)
Increase (decrease) in accounts payable	(2,519)	(5,244)
Increase (decrease) in customer deposits	1,021	815
Increase (decrease) in accrued expenses	(507)	(1,816)
Increase (decrease) in accrued payroll and employee benefits	(2,349)	(3,308)
Increase (decrease) in accrued income tax	(176)	401
Net change in derivative assets and liabilities	(58)	553
Other	(191)	(375)
Net cash provided by (used for) operating activities	(2,569)	(7,986)
Cash flows from investing activities:		
Proceeds from sale of property and equipment	15	—
Purchase of property and equipment	(444)	(214)
Software development costs	(388)	(385)
Net cash provided by (used for) investing activities	(817)	(599)
Cash flows from financing activities:		
Proceeds from exercise of common stock options	—	270
Dividends paid	(1,032)	(995)
Taxes paid related to net settlement of restricted shares	(315)	(313)
Stock repurchases	—	(743)
Net cash provided by (used for) financing activities	(1,347)	(1,781)
Effect of exchange rate changes on cash and cash equivalents	885	3,332
Net decrease in cash and cash equivalents	(3,848)	(7,034)
Cash and cash equivalents at beginning of period	41,784	63,922
Cash and cash equivalents at end of period	\$ 37,936	\$ 56,888

	Three Months Ended		Six Months Ended	
	April 30,		April 30,	
	2024	2023	2024	2023
	(unaudited)		(unaudited)	
Cash flows from operating activities:				
Net (loss) income	\$ (3,922)	\$ 377	\$ (5,570)	\$ 1,707
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:				
Provision for doubtful accounts	11	(22)	(60)	62
Deferred income taxes	(49)	149	(141)	301
Equity in (income) loss of affiliates	(109)	(232)	(87)	(222)
Foreign currency (gain) loss	(1,118)	(656)	(606)	(2,243)
Unrealized (gain) loss on derivatives	1,895	438	1,239	50
Depreciation and amortization	882	1,050	1,790	2,104
Stock-based compensation	220	750	811	1,524
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	5,708	203	13,236	5,954
(Increase) decrease in inventories	(1,247)	(7,487)	(3,743)	(10,471)
(Increase) decrease in prepaid expenses	(24)	548	(2,412)	(2,656)
Increase (decrease) in accounts payable	183	7,450	(2,336)	2,206
Increase (decrease) in customer deposits	(628)	(102)	393	713
Increase (decrease) in accrued expenses	988	(111)	481	(1,927)
Increase (decrease) in accrued payroll and employee benefits	91	504	(2,258)	(2,804)
Increase (decrease) in accrued income tax	(368)	(1,381)	(544)	(980)
Increase (decrease) in accrued tax liability	(598)	—	(595)	—
Net change in derivative assets and liabilities	(48)	47	(106)	600
Other	12	(574)	(182)	(953)
Net cash provided by (used for) operating activities	1,879	951	(690)	(7,035)
Cash flows from investing activities:				
Proceeds from sale of property and equipment	10	1	25	1
Purchase of property and equipment	(130)	(443)	(574)	(657)
Software development costs	(349)	(364)	(737)	(749)
Other investments	117	273	117	273
Net cash provided by (used for) investing activities	(352)	(533)	(1,169)	(1,132)
Cash flows from financing activities:				
Proceeds from exercise of common stock options	—	—	—	270
Dividends paid	(1,061)	(1,039)	(2,093)	(2,034)
Taxes paid related to net settlement of restricted shares	—	—	(315)	(313)
Stock repurchases	—	(3,866)	—	(4,609)
Net cash provided by (used for) financing activities	(1,061)	(4,905)	(2,408)	(6,686)
Effect of exchange rate changes on cash and cash equivalents	(860)	(246)	25	3,086
Net decrease in cash and cash equivalents	(394)	(4,733)	(4,242)	(11,767)
Cash and cash equivalents at beginning of period	37,936	56,888	41,784	63,922
Cash and cash equivalents at end of period	\$ 37,542	\$ 52,155	\$ 37,542	\$ 52,155

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
(In thousands, except shares outstanding)

	Three Months Ended April 30, 2024 and 2023					
	Common Stock		Additional		Accumulated	
	Shares	Paid-in	Retained	Other		
	Outstanding	Amount	Capital	Earnings	Income (Loss)	Total
(unaudited)						
Balances, January 31, 2023	6,587,694	\$ 659	\$ 63,621	\$ 180,212	\$ (11,642)	\$ 232,850
Net income (loss)	—	—	—	377	—	377
Other comprehensive income (loss)	—	—	—	—	(1,367)	(1,367)
Stock-based compensation expense, net of taxes withheld for vested restricted shares	13,914	1	749	—	—	750
Exercise of common stock options	—	—	—	—	—	—
Stock repurchases	(139,470)	(14)	(3,852)	—	—	(3,866)
Dividends paid	—	—	—	(1,039)	—	(1,039)
Balances, April 30, 2023	6,462,138	\$ 646	\$ 60,518	\$ 179,550	\$ (13,009)	\$ 227,705
Balances, January 31, 2024	6,506,033	\$ 651	\$ 61,936	\$ 177,444	\$ (15,474)	\$ 224,557
Net income (loss)	—	—	—	(3,922)	—	(3,922)
Other comprehensive income (loss)	—	—	—	—	(4,217)	(4,217)
Stock-based compensation expense, net of taxes withheld for vested restricted shares	17,226	1	219	—	—	220
Dividends paid	—	—	—	(1,061)	—	(1,061)
Balances, April 30, 2024	6,523,259	\$ 652	\$ 62,155	\$ 172,461	\$ (19,691)	\$ 215,577

	Three Months Ended January 31, 2024 and 2023						Six Months Ended April 30			
	Common Stock		Additional		Accumulated		Common Stock		Additional	
	Shares	Paid-in	Retained	Other	Shares	Paid-in	Retained	Other		
	Outstanding	Amount	Capital	Earnings	Income (Loss)	Total	Outstanding	Amount	Capital	Earnings
(unaudited)										
Balances, October 31, 2022	6,566,994	\$ 657	\$ 63,635	\$ 179,877	\$ (21,525)	\$ 222,644	6,566,994	\$ 657	\$ 63,635	\$ 179,877
Net income (loss)	—	—	—	1,330	—	1,330	—	—	—	1,330
Other comprehensive income (loss)	—	—	—	—	9,883	9,883	—	—	—	—
Stock-based compensation expense, net of taxes withheld for vested restricted shares	35,960	4	457	—	—	461	49,874	5	1,206	—
Exercise of common stock options	11,559	1	269	—	—	270	11,559	1	269	—
Stock repurchases	(26,819)	(3)	(740)	—	—	(743)	(166,289)	(17)	(4,592)	—
Dividends paid	—	—	—	(995)	—	(995)	—	—	—	(2,090)
Balances, January 31, 2023	6,587,694	\$ 659	\$ 63,621	\$ 180,212	\$ (11,642)	\$ 232,850	6,462,138	\$ 646	\$ 60,518	\$ 179,550
Balances, April 30, 2023	6,462,138	\$ 646	\$ 61,665	\$ 180,124	\$ (20,204)	\$ 222,231	6,462,138	\$ 646	\$ 61,665	\$ 180,124
Balances, October 31, 2023	6,462,138	\$ 646	\$ 61,665	\$ 180,124	\$ (20,204)	\$ 222,231	6,462,138	\$ 646	\$ 61,665	\$ 180,124
Net income (loss)	—	—	—	(1,648)	—	(1,648)	—	—	—	(5,592)

Other comprehensive income (loss)	—	—	—	—	4,730	4,730	—	—	—
Stock-based compensation expense, net of taxes withheld for vested restricted shares	43,895	5	271	—	—	276	61,121	6	490
Dividends paid	—	—	—	(1,032)	—	(1,032)	—	—	—
Balances, January 31, 2024	6,506,033	\$ 651	\$ 61,936	\$ 177,444	\$ (15,474)	\$ 224,557			
Balances, April 30, 2024							6,523,259	\$ 652	\$ 62,155

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

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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, the words "we", "us", "our", "Hurco" and the "Company" refer to Hurco Companies, Inc. and its consolidated subsidiaries.

We design, manufacture, and sell computerized (i.e., Computer Numeric Control ("CNC")) machine tools, consisting primarily of vertical machining centers (mills) and turning centers (lathes), to companies in the metal cutting industry through a worldwide sales, service, and distribution network. Although most of our computer control systems and software products are proprietary, they predominantly use industry standard personal computer components. Our computer control systems and software products are primarily sold as integral components of our computerized machine tool products. We also provide machine tool components, automation integration equipment and solutions for job shops, software options, control upgrades, accessories and replacement parts for our products, as well as customer service, training, and applications support.

The condensed consolidated financial information as of **January 31, 2024** **April 30, 2024** and for the **first three and six months ended January 31, 2024** **April 30, 2024** and **January 31, 2023** **April 30, 2023** 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 for and 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, 2023.

2. REVENUE RECOGNITION

We design, manufacture, and sell computerized machine tools. Our computer control systems and software products are primarily sold as integral components of our computerized machine tool products. We also provide machine tool components, automation integration equipment and solutions for job shops, software options, control upgrades, accessories and replacement parts for our products, as well as customer service, training, and applications support.

We recognize revenues from the sale of machine tools, components and accessories, and services and reflect the consideration to which we expect to be entitled. We record revenues based on a five-step model in accordance with Financial Accounting Standards Board ("FASB") guidance codified in Accounting Standard Codification ("ASC") 606, "Revenue from Contracts with Customers" ("ASC 606"). In accordance with ASC 606, we have defined contracts as agreements with our customers and distributors in the form of purchase orders, packing or shipping documents, invoices, and, periodically, verbal requests for components and accessories. For each contract, we identify our performance obligations, which are delivering goods or services, determine the transaction price, allocate the contract transaction price to each of the performance obligations (when applicable), and recognize the revenue when (or as) the performance obligation to the customer is fulfilled.

A good or service is transferred when the customer obtains control of that good or service. Our computerized machine tools are general purpose computer-controlled machine tools that are typically used in stand-alone operations. Prior to shipment, we test each machine to ensure the machine's compliance with

standard operating specifications. We deem that the customer obtains control upon delivery of the product and that obtaining control is not contingent upon contractual customer acceptance. Therefore, we recognize revenue from sales of our machine tool systems upon delivery of the product to the customer or distributor, which is normally at the time of shipment.

Depending upon geographic location, after shipment, a machine may be installed at the customer's facility by a distributor, independent contractor, or by one of our service technicians. In most instances, where a machine is sold through a distributor, we have no installation involvement. If sales are direct or through sales agents, we will typically complete the machine installation, which consists of the reassembly of certain parts that were removed for shipping and the re-testing of the machine to ensure that it is performing within the standard operating specifications. We consider the machine installation process for our three-axis machines to be inconsequential and immaterial within the context of the contract. For our five-axis machines and automation systems that we install, we estimate the fair value of the installation performance obligation and recognize that installation revenue over the period of the installation process.

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From time to time, and depending upon geographic location, we may provide training or freight services. We consider these services to be immaterial within the context of the contract, as the value of these services typically does not rise to a material level as a component of the total contract value. Service fees from maintenance contracts are deferred and recognized in earnings over the term of the contract and are generally sold on a stand-alone basis. Customer discounts and estimated product returns are considered variable consideration and are recorded as a reduction of revenue in the same period that the related sales are recorded. We have reviewed the overall sales transactions for variable consideration and have determined that these amounts are not significant.

3. 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.

We enter into these forward exchange contracts 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 that 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, Indian Rupee, Singapore Dollars, Chinese Yuan, 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 the following 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 is deferred in Accumulated other comprehensive income (loss) and recognized as an adjustment to Cost of sales and service in the period that the corresponding inventory sold that is the subject of the related hedge contract is recognized, 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 immediately reported in Other income (expense), net. 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 **January 31, 2024** **April 30, 2024**, denominated in Euros, Pounds Sterling, and New Taiwan Dollars with set maturity dates ranging from **February** **May** 2024 through **January** **April** 2025. The contract amounts, expressed at forward rates in U.S. dollars at **January 31, 2024** **April 30, 2024**, were **\$11.9 million** **\$8.7 million** for Euros, **\$5.7 million** **\$4.4 million** for Pounds Sterling, and **\$20.2 million** **\$16.8 million** for New Taiwan Dollars. At **January 31, 2024** **April 30, 2024**, we had an immaterial amount **\$0.6 million** of gain, loss, net of tax, related to cash flow hedges deferred in Accumulated other

comprehensive income (loss). Included in this amount was **\$0.2 million** **\$0.6 million** of unrealized loss, net of tax, related to cash flow hedge instruments that remain subject to currency fluctuation risk. The majority of these deferred gains will be recorded as an adjustment to Cost of sales and service in periods through **January** **April** 2025, 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 entered into a forward contract with a notional amount of €3.0 million in November 2023. We designated this forward contract as a hedge of our net investment in Euro denominated assets. We selected the forward method under FASB guidance related to the accounting for derivative 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 income (loss), net of tax, in the same manner as the underlying hedged net assets. This forward contract matures in November 2024. As of **January 31, 2024** **April 30, 2024**, we had a realized gain of \$1.2 million and an immaterial amount of unrealized **loss**, **gain**, net of tax, recorded as cumulative translation adjustments in Accumulated other comprehensive loss related to this forward contract.

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[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 inter-company receivables, payables and loans denominated in foreign currencies. These derivative instruments are not designated as hedges under FASB guidance and, as a result, changes in their fair value are reported currently in Other (expense) income, 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 **January 31, 2024** **April 30, 2024**, denominated in Euros, Pounds Sterling, and New Taiwan Dollars with set maturity dates ranging from **February** **May** 2024 through October 2024. The contract amounts, expressed at forward rates in U.S. dollars at **January 31, 2024** **April 30, 2024**, totaled **\$58.2 million** **\$54.1 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 **January 31, 2024** **April 30, 2024** and October 31, 2023, all derivative instruments were recorded at fair value on our Condensed Consolidated Balance Sheets as follows (in thousands):

Derivatives	January 31, 2024		October 31, 2023		April 30, 2024		October 31, 2023	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
	Designated as Hedging Instruments:							
Foreign exchange forward contracts	Derivative assets	\$ 276	Derivative assets	\$ 363	Derivative assets	\$ 186	Derivative assets	\$ 363
Foreign exchange forward contracts	Derivative liabilities	\$ 623	Derivative liabilities	\$ 1,232	Derivative liabilities	\$ 955	Derivative liabilities	\$ 1,232
Not Designated as Hedging Instruments:								
Foreign exchange forward contracts	Derivative assets	\$ 492	Derivative assets	\$ 377	Derivative assets	\$ 179	Derivative assets	\$ 377
Foreign exchange forward contracts	Derivative liabilities	\$ 197	Derivative liabilities	\$ 589	Derivative liabilities	\$ 1,623	Derivative liabilities	\$ 589

[Effect of Derivative Instruments on the Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Changes in Shareholders' Equity and Condensed Consolidated Statements of Operations](#)

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 Operations, net of tax, during the three months ended **January 31, 2024** **April 30, 2024** and 2023 (in thousands):

Derivatives	Amount of Gain (Loss)		Location of Gain (Loss) Reclassified		Amount of Gain (Loss) Reclassified		Location of Gain (Loss) Reclassified		Amount of Gain (Loss) Reclassified											
	Recognized in Other Comprehensive Income (Loss)		from Other Comprehensive Income (Loss)		from Other Comprehensive Income (Loss)		Recognized in Other Comprehensive Income (Loss)		from Other Comprehensive Income (Loss)											
	Three Months Ended January 31, 2024		Three Months Ended January 31, 2023		Three Months Ended April 30, 2024		Three Months Ended April 30, 2023		Three Months Ended April 30, 2024											
<u>Designated as Hedging Instruments: (Effective portion)</u>																				
Foreign exchange forward contracts																				
– Intercompany sales/purchases	\$ 18	\$ (166)	Cost of sales and service		\$ (212)	\$ 82	\$ (640)	\$ (847)	Cost of sales and service	\$ (407) \$ 50										
Foreign exchange forward contract																				
– Net investment	\$ (55)	\$ (199)					\$ 46	\$ (25)												

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We did not recognize any gains or losses as a result of hedges deemed ineffective for either of the three months ended **January 31, 2024** **April 30, 2024** or 2023. We recognized the following gains and losses in our Condensed Consolidated Statements of Operations during the three months ended **January 31, 2024** **April 30, 2024** and 2023 on derivative instruments not designated as hedging instruments (in thousands):

Derivatives	Location of Gain (Loss) Recognized in Operations		Amount of Gain (Loss) Recognized in Operations		Location of Gain (Loss) Recognized in Operations		Amount of Gain (Loss) Recognized in Operations									
	Three Months Ended January 31,		Three Months Ended April 30,		Three Months Ended April 30,		Three Months Ended April 30,									
	2024		2023		2024		2023									
<u>Not Designated as Hedging Instruments:</u>																
Foreign exchange forward contracts																
Other (expense) income, net	\$ 444	\$ (355)	Other (expense) income, net		\$ (1,854)	\$ (1,109)										

The following table presents the changes in the components of Accumulated other comprehensive loss, net of tax, for the three months ended **January 31, 2024** **April 30, 2024** (in thousands):

	Foreign Currency Translation	Cash Flow Hedges	Total
Balance, January 31, 2024	\$ (13,485)	\$ (1,989)	\$ (15,474)
Other comprehensive income (loss) before reclassifications	(3,984)	(640)	(4,624)
Reclassifications	—	407	407
Balance, April 30, 2024	<u>\$ (17,469)</u>	<u>\$ (2,222)</u>	<u>\$ (19,691)</u>

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 Operations, net of tax, during the six months ended April 30, 2024 and 2023 (in thousands):

	Amount of Gain (Loss)		Location of Gain		Amount of Gain	
	Recognized in Other		(Loss) Reclassified from Other		(Loss) Reclassified from Other	
	Comprehensive Income (Loss)		Comprehensive Income (Loss)		Comprehensive Income (Loss)	
	Six Months Ended		Six Months Ended		Six Months Ended	
	April 30,		April 30,		April 30,	
Derivatives	2024	2023			2024	2023
<u>Designated as Hedging Instruments:</u>						
<u>(Effective Portion)</u>						
Foreign exchange forward contracts			Cost of sales and service			
– Intercompany sales/purchases	\$ (622)	\$ (1,013)			\$ (619)	\$ 132
Foreign exchange forward contract						
– Net investment	\$ (9)	\$ (224)				

We did not recognize any gains or losses as a result of hedges deemed ineffective for either of the six months ended April 30, 2024 or 2023. We recognized the following gains and losses in our Condensed Consolidated Statements of Operations during the six months ended April 30, 2024 and 2023 on derivative instruments not designated as hedging instruments (in thousands):

	Foreign Currency Translation		Cash Flow Hedges		Total	
	Translation		Hedges		Total	
	Balance, October 31, 2023	\$ (17,985)	\$ (2,219)	\$ (20,204)		
	Other comprehensive income (loss) before reclassifications	4,500	18	4,518		
	Reclassifications	—	212	212		
Derivatives	<u>\$ (13,485)</u>	<u>\$ (1,989)</u>	<u>\$ (15,474)</u>			
<u>Derivatives</u>						
<u>Not Designated as Hedging Instruments:</u>						
Foreign exchange forward contracts	Other (expense) income, net	\$ (1,410)	\$ (1,464)			

The following table presents the changes in the components of Accumulated other comprehensive loss, net of tax, for the six months ended April 30, 2024 (in thousands):

	Foreign Currency Translation	Cash Flow Hedges	Total
Balance, October 31, 2023	\$ (17,985)	\$ (2,219)	\$ (20,204)
Other comprehensive income (loss) before reclassifications	516	(622)	(106)
Reclassifications	—	619	619
Balance, April 30, 2024	<u>\$ (17,469)</u>	<u>\$ (2,222)</u>	<u>\$ (19,691)</u>

4. EQUITY INCENTIVE PLAN

In March 2016, we adopted the Hurco Companies, Inc. 2016 Equity Incentive Plan (as amended, the "2016 Equity Plan"), which allows us to grant awards of stock options, stock appreciation rights, restricted stock, stock units and other stock-based awards. The 2016 Equity Plan replaced the Hurco Companies, Inc. 2008 Equity Incentive Plan (the "2008 Equity Plan") and is the only active plan under which equity awards may be made by us to our employees and non-employee directors. No further awards will be made under our 2008 Equity Plan. The total number of shares of our common stock that may be issued pursuant to awards under the 2016 Equity Plan was initially 856,048, which included 386,048 shares that remained available for future grants under the 2008 Equity Plan as of March 10, 2016, the date our shareholders approved the 2016 Equity Plan. On March 10, 2022, our shareholders approved the Amended and Restated Hurco Companies, Inc. 2016 Equity Incentive Plan, which, among other items, increased the aggregate number of shares that may be issued under the 2016 Equity Plan by 850,000 shares.

The Compensation Committee of our Board of Directors has the authority to determine the officers, directors, and key employees who will be granted awards under the 2016 Equity Plan; 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 restricted shares and performance stock units under the 2016 Equity Plan that are currently outstanding. We previously granted stock options under the 2008 Equity Plan. No stock options remained outstanding as of **January 31, 2024** **April 30, 2024**. The market value of a share of our common stock, for purposes of the 2016 Equity 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.

On March 14, 2024, the Compensation Committee granted a total of 22,878 shares of time-based restricted stock to our non-employee directors. The restricted shares vest 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 shares was based on the closing sales price of our common stock on the grant date, which was \$20.98 per share.

On January 4, 2024, the Compensation Committee approved a long-term incentive compensation arrangement for our executive officers in the form of time-based restricted shares and performance stock units ("PSUs") under the 2016 Equity Plan, which will be payable in shares of our common stock if earned and vested. The awards were approximately 25% time-based vesting and approximately 75% performance-based vesting. The three-year performance period for the PSUs is fiscal year 2024 through fiscal year 2026.

On that date, the Compensation Committee granted a total of 36,574 shares of time-based restricted stock 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, which was \$21.53 per share.

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On January 4, 2024, the Compensation Committee also granted a total target number of 58,520 PSUs to our executive officers designated as "PSU – NI". These PSUs were weighted as approximately 40% of the overall 2024 executive long-term incentive compensation arrangement and will vest and be paid based upon the achievement of pre-established goals related to our average net income over the three-year period of fiscal 2024-2026. Participants will have the ability to earn between 50% of the target number of the PSUs – NI for achieving threshold performance and 200% of the target number of the PSUs – NI for achieving maximum performance. The grant date fair value of the PSUs – NI was based on the closing sales price of our common stock on the grant date, which was \$21.53 per PSU.

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On January 4, 2024, the Compensation Committee also granted a total target number of 51,205 PSUs to our executive officers designated as "PSU – FCF". These PSUs were weighted as approximately 35% of the overall 2024 executive long-term incentive compensation arrangement and will vest and be paid based upon the achievement of pre-established goals related to our average free cash flow over the three-year period of fiscal 2024-2026. Participants will have the ability to earn between 50% of the target number of the PSUs – FCF for achieving threshold performance and 200% of the target number of the PSUs – FCF for achieving maximum performance. The grant date fair value of the PSUs – FCF was based on the closing sales price of our common stock on the grant date, which was \$21.53 per PSU.

On November 8, 2023, the Compensation Committee granted a total of 16,673 shares of time-based restricted stock to our non-executive employees. 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, which was \$19.78 per share.

A reconciliation of our restricted stock and PSU activity and related information for the three-month period ended January 31, 2024 April 30, 2024 is as follows:

	Weighted Average Grant			Weighted Average Grant		
	Number of Shares	Date Fair Value		Number of Shares	Date Fair Value	
Unvested at October 31, 2023	318,317	\$ 28.27		318,317	\$ 28.27	
Shares or units granted	162,972	21.35		185,850	21.31	
Shares or units vested	(43,895)	27.92		(61,121)	27.90	
Shares or units cancelled	(50,375)	27.97		(50,375)	27.97	
Shares withheld	(14,579)	27.77		(14,579)	27.77	
Unvested at January 31, 2024	372,440	\$ 25.35				
Unvested at April 30, 2024				378,092	\$ 24.97	

During the first three months of fiscal 2024 and 2023, we recorded approximately \$0.6 million \$0.8 million and \$0.8 million \$1.5 million, respectively, of stock-based compensation expense, related to grants under the 2016 Equity Plan. As of January 31, 2024 April 30, 2024, there was an estimated \$5.8 million \$3.7 million of total unrecognized stock-based compensation cost that we expect to recognize by the end of the first quarter of fiscal year 2027.

5. EARNINGS PER SHARE

Per share results have been computed based on the average number of common shares outstanding over the period in question. The computation of basic and diluted net income (loss) per share is determined using net income (loss) applicable to common shareholders as the numerator and the number of shares outstanding as the denominator as follows (in thousands, except per share amounts):

	Three Months Ended				Three Months Ended				Six Months Ended			
	January 31,				April 30,				April 30,			
	2024		2023		2024		2023		2024		2023	
	Basic	Diluted	Basic	Diluted	Basic	Diluted	Basic	Diluted	Basic	Diluted	Basic	Diluted

Net (loss) income	\$ (1,648)	\$ (1,648)	\$ 1,330	\$ 1,330	\$ (3,922)	\$ (3,922)	\$ 377	\$ 377	\$ (5,570)	\$ (5,570)	\$ 1,707	\$ 1,707
Undistributed earnings allocated to participating shares	—	—	(18)	(18)	—	—	(5)	(5)	—	—	(24)	(24)
Net (loss) income applicable to common shareholders	\$ (1,648)	\$ (1,648)	\$ 1,312	\$ 1,312	\$ (3,922)	\$ (3,922)	\$ 372	\$ 372	\$ (5,570)	\$ (5,570)	\$ 1,683	\$ 1,683
Weighted average shares outstanding	6,483	6,483	6,583	6,583	6,518	6,518	6,486	6,486	6,500	6,500	6,536	6,536
Stock options and contingently issuable securities	—	—	—	39	—	—	—	—	30	—	—	34
(Loss) income per share	\$ 6,483	\$ 6,483	\$ 6,583	\$ 6,622	\$ 6,518	\$ 6,518	\$ 6,486	\$ 6,486	\$ 6,500	\$ 6,500	\$ 6,536	\$ 6,570

6. ACCOUNTS RECEIVABLE

Accounts receivable is net of provision for credit losses of \$1.5 million as of each of April 30, 2024 and October 31, 2023.

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6. ACCOUNTS RECEIVABLE

Accounts receivable are net of provision for credit losses of \$1.4 million and \$1.5 million as of January 31, 2024 and October 31, 2023, respectively.

7. INVENTORIES

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

	January 31,		October 31,		April 30,	October 31,
	2024	2023	2024	2023	2024	2023
Purchased parts and sub-assemblies, net	\$ 38,534	\$ 37,161	\$ 38,778	\$ 37,161		
Work-in-process	14,689	16,217	15,628	16,217		
Finished goods	111,821	104,574	109,400	104,574		
Inventories, net	<u>\$ 165,044</u>	<u>\$ 157,952</u>	<u>\$ 163,806</u>	<u>\$ 157,952</u>		

8. LEASES

Our lease portfolio includes leased production and assembly facilities, warehouses and distribution centers, office space, vehicles, material handling equipment utilized in our production and assembly facilities, laptops and other information technology equipment, as well as other miscellaneous leased equipment. Most of the leased production and assembly facilities have lease terms ranging from two to five years, although the terms and conditions of our leases can vary significantly from lease to lease. We have assessed the specific terms and conditions of each lease to determine the amount of the lease payments and the length of the lease term, which includes the minimum period over which lease payments are required plus any renewal options that are both within our control to exercise and reasonably certain of being exercised upon lease commencement. In determining whether or not a renewal option is reasonably certain of being exercised, we assessed all relevant factors to determine if sufficient incentives exist as of lease commencement to conclude renewal is reasonably certain. There are no material residual value guarantees provided by us, nor any restrictions or covenants imposed by the leases to which we are a party. In determining the lease liability, we utilize our incremental borrowing rate to discount the future lease payments over the lease term to present value.

We record a right-of-use asset and lease liability on our Condensed Consolidated Balance Sheets for all leases that, at the commencement date, have a lease term of more than 12 months and are classified as operating leases.

We recorded total operating lease **expense** **expenses** of \$1.5 million and \$1.3 million for each of the three months ended **January 31, 2024** **April 30, 2024** and 2023, **respectively** and \$2.8 million and \$2.6 million for the six months ended **April 30, 2024** and 2023, **respectively**, which **is** **are** classified within Cost of sales and service and Selling, general and administrative expenses within the Condensed Consolidated Statements of Operations. Operating lease expense includes short-term leases and variable lease payments **which** that are immaterial. There have been no lease costs capitalized on the Condensed Consolidated Balance Sheets as of **January 31, 2024** **April 30, 2024**.

The following table summarizes supplemental cash flow information and non-cash activity related to operating leases for the three **and** **six** months ended **January 31, 2024** **April 30, 2024** and 2023 (in thousands):

	Three Months Ended		Three Months Ended		Three Months Ended		Six Months Ended	
	January 31, 2024	January 31, 2023	April 30, 2024	April 30, 2023	2024	2023	2024	2023
Operating cash flow information:								
Cash paid for amounts included in the measurement of lease liabilities	\$ 1,219	\$ 1,240	\$ 1,079	\$ 1,271	\$ 2,298	\$ 2,522	\$ 2,602	\$ 2,722
Non-cash information:								
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 1,865	\$ 1,699	\$ 737	\$ 673	\$ 2,602	\$ 2,722	\$ 2,602	\$ 2,722

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The following table summarizes the maturities of undiscounted cash flows of lease commitments reconciled to the total lease liability as of **January 31, 2024** **April 30, 2024** (in thousands):

Remainder of 2024	\$ 3,350	\$ 2,239
2025	3,094	3,272
2026	2,190	2,409
2027	1,783	1,916
2028	1,591	1,637
2029 and thereafter	1,310	1,319
Total	13,318	12,792
Less: Imputed interest	(939)	(945)
Present value of operating lease liabilities	\$ 12,379	\$ 11,847

As of **January 31, 2024** **April 30, 2024**, the weighted-average remaining term of our lease portfolio was approximately **4.2** **4.3** years and the weighted-average discount rate was approximately **3.9%** **3.5%**.

9. SEGMENT INFORMATION

We operate in a single segment: industrial automation equipment. We design, manufacture, and sell computerized (i.e., CNC) machine tools, consisting primarily of vertical machining centers (mills) and turning centers (lathes), to companies in the metal cutting industry through a worldwide sales, service, and distribution network. Although most of our computer control systems and software products are proprietary, they predominantly use industry standard personal computer components. Our computer control systems and software products are primarily sold as integral components of our computerized machine tool products. We also provide machine tool components, automation integration equipment and solutions for job shops, software options, control upgrades, accessories and replacement parts for our products, as well as customer service, training, and applications support.

The following table sets forth sales and service fees by product group and services for the first fiscal quarter **three** **and** **six** months ended **January 31, 2024** **April 30, 2024** and 2023 (dollars in (in thousands):

	Three months ended January 31,		Three Months Ended April 30,		Six Months Ended April 30,				
	2024		2023		2024		2023		
	\$	35,772	\$	45,417	\$	35,213	\$	43,929	
Computerized Machine Tools							\$	70,985	
Computer Control Systems and Software †		583		524		586		614	
Service Parts			6,643		6,691		7,211		7,244
Service Fees				2,061		2,050		2,162	
Total	\$	45,059	\$	54,682	\$	45,172	\$	53,819	
							\$	90,231	
							\$	108,501	

† Amounts shown do not include computer control systems and software sold as an integrated component of computerized machine tools.

10. GUARANTEES AND PRODUCT WARRANTIES

From time to time, our subsidiaries guarantee third party payment obligations in connection with the sale of machines to customers that use financing. We follow FASB guidance for accounting for guarantees (codified in ASC 460, *Guarantees*). As of January 31, 2024 April 30, 2024, we had nine outstanding third party payment guarantees totaling approximately \$1.0 million \$0.9 million. The terms of these guarantees are consistent with the underlying customer financing terms. Upon shipment of a machine, the customer assumes the risk of ownership. The customer does not obtain title, however, until it has paid for the machine. A retention of title clause allows us to recover the machine if the customer defaults on the financing. We accrue liabilities under these guarantees at fair value, which amounts are insignificant.

We provide warranties on our products with respect to defects in material and workmanship. The terms of these warranties are generally one year for machines and shorter periods for service parts. We recognize a reserve with respect to this obligation at the time of product sale, with subsequent warranty claims recorded against the reserve. The amount of the warranty reserve is determined based on historical trend experience and any known warranty issues that could cause future warranty costs to differ from historical experience. A reconciliation of the changes in our warranty reserve is as follows (in thousands):

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A reconciliation of the changes in our warranty reserve is as follows (in thousands):

	Three Months Ended		Six Months Ended	
	January 31,		April 30,	
	2024	2023	2024	2023
Balance, beginning of period	\$ 1,294	\$ 1,426	\$ 1,294	\$ 1,426
Provision for warranties during the period	607	590	1,165	1,417
Charges to the reserve	(698)	(674)	(1,342)	(1,475)
Impact of foreign currency translation	24	65	4	67
Balance, end of period	\$ 1,227	\$ 1,407	\$ 1,121	\$ 1,435

The year-over-year decrease in our warranty reserve was primarily due to a lower volume of machines subject to warranty as machine sales sales levels decreased.

11. DEBT AGREEMENTS

On December 31, 2018, we and our subsidiary Hurco B.V. entered into a credit agreement with Bank of America, N.A., as the lender, which was subsequently amended on each of March 13, 2020, December 23, 2020, December 17, 2021, January 4, 2023, and December 19, 2023 (as amended, the "2018 Credit Agreement"). The 2018 Credit Agreement provides for an unsecured revolving credit and letter of credit facility in a maximum aggregate amount of \$40.0 million. The 2018 Credit Agreement provides that the maximum amount of outstanding letters of credit at any one time may not exceed \$10.0 million, the maximum amount of outstanding loans made to our subsidiary Hurco B.V. at any one time may not exceed \$20.0 million, and the maximum amount of all

outstanding loans denominated in alternative currencies at any one time may not exceed \$20.0 million. Under the 2018 Credit Agreement, we and Hurco B.V. are borrowers, and certain of our other subsidiaries are guarantors. The scheduled maturity date of the 2018 Credit Agreement is December 31, 2025.

Borrowings under the 2018 Credit Agreement bear interest at floating rates based on, at our option, either (i) a rate based upon the secured overnight financing rate ("SOFR"), the Sterling Overnight Index Average Reference Rate, the Euro Interbank Offering Rate, or another alternative currency-based rate approved by the lender, depending on the term of the loan and the currency in which such loan is denominated, plus 1.00% per annum, or (ii) a base rate (which is the highest of (a) the federal funds rate plus 0.50%, (b) the prime rate or (c) the one month SOFR-based rate plus 1.00%), plus 0.00% per annum. Outstanding letters of credit will carry an annual rate of 1.00%.

The 2018 Credit Agreement contains customary affirmative and negative covenants and events of default, including covenants (1) restricting us from making certain investments, loans, advances and acquisitions (but permitting us to make investments in subsidiaries of up to \$10.0 million); (2) restricting us from making certain payments, including (a) cash dividends, except that we may pay cash dividends as long as immediately before and after giving effect to such payment, the sum of the unused amount of the commitments under the 2018 Credit Agreement plus our cash on hand is not less than \$10.0 million, and as long as we are not in default before and after giving effect to such dividend payments and (b) payments made to repurchase shares of our common stock, except that we may repurchase shares of our common stock as long as we are not in default before and after giving effect to such repurchases and the aggregate amount of payments made by us for all such repurchases during any fiscal year does not exceed \$25.0 million; (3) requiring that we maintain a minimum working capital of \$125.0 million; and (4) requiring that we maintain a minimum tangible net worth of \$176.5 million. We may use the proceeds from advances under the 2018 Credit Agreement for general corporate purposes.

In March 2019, our wholly-owned subsidiaries in Taiwan (Hurco Manufacturing Limited ("HML")) and China (Ningbo Hurco Machine Tool, Ltd. ("NHML")) closed on uncommitted revolving credit facilities with maximum aggregate amounts of 150 million New Taiwan Dollars and 32.5 million Chinese Yuan, respectively. As uncommitted facilities, both the Taiwan and China credit facilities are subject to review and termination by the respective underlying lending institution from time to time. In February and December 2023, NHML and HML, respectively, renewed the above-referenced credit facilities on substantially similar terms and identical maximum aggregate limits.

As of **January 31, 2024** **April 30, 2024**, our existing credit facilities consisted of a €1.5 million revolving credit facility in Germany, the 150 million New Taiwan Dollars Taiwan credit facility, the 32.5 million Chinese Yuan China credit facility, and the \$40.0 million revolving credit facility under the 2018 Credit Agreement.

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As of **January 31, 2024** **April 30, 2024**, there were no borrowings under any of our credit facilities and there was approximately **\$51.0 million** **\$50.7 million** of available borrowing capacity thereunder. There were also no borrowings under any of our credit facilities as of October 31, 2023.

12. INCOME TAXES

Our provision for income taxes and effective tax rate is affected by the geographical composition of pre-tax income which includes jurisdictions with differing tax rates, conditional reduced tax rates, and other events that are not consistent from period to period, such as changes in income tax laws.

We recorded an income tax benefit during the first **three six** months of fiscal 2024 of \$0.6 million compared to income tax expense of **\$0.6 million** **\$0.9 million** for the same period in 2023. Our effective tax rate for the first **three six** months of fiscal 2024 was **27% 9%**, compared to **31% 35%** in the corresponding prior year period. The year-over-year decrease in the effective tax rate was primarily due to changes in geographic mix of income and loss that includes jurisdictions with differing tax rates, **and** a discrete item related to stock compensation. **compensation, and the impact of valuation allowances on an overall lower level of income before taxes.**

Our unrecognized tax benefits were **\$0.2 million** **\$189,000** as of **each April 30, 2024** and **\$182,000** as of **January 31, 2024** and **October 31, 2023**, and in each case included accrued interest.

We recognize accrued interest and penalties related to unrecognized tax benefits as components of income tax expense. As of **January 31, 2024** **April 30, 2024**, the gross amount of interest accrued, reported in Accrued expenses, was approximately **\$47,000**, **\$51,000**, which did not include the federal tax benefit

of interest deductions.

We file U.S. federal and state income tax returns, as well as tax returns in several foreign jurisdictions. The statutes of limitations with respect to unrecognized tax benefits will expire between August 2024 and August 2025.

13. FINANCIAL INSTRUMENTS

FASB fair value guidance establishes a three-tier fair value hierarchy, which categorizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs, such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exist, therefore requiring an entity to develop its own assumptions.

The carrying amounts for cash and cash equivalents approximate their fair values due to the short maturity of these instruments, and such instruments meet the Level 1 criteria of the three-tier fair value hierarchy discussed above. The carrying amount of short-term debt approximates fair value due to the variable rate of the interest and the short-term nature of the instrument.

In accordance with this guidance, the following table represents the fair value hierarchy for our financial assets and liabilities measured at fair value as of **January 31, 2024** **April 30, 2024** and October 31, 2023 (in thousands):

	Assets				Liabilities				Assets				Liabilities			
	January 31, 2024	October 31, 2023	January 31, 2024	October 31, 2023	April 30, 2024	October 31, 2023	January 31, 2024	October 31, 2023	April 30, 2024	October 31, 2023	January 31, 2024	October 31, 2023	April 30, 2024	October 31, 2023	January 31, 2024	October 31, 2023
<u>Level 1</u>																
Mutual Funds	\$ 2,577	\$ 2,217	\$ —	\$ —	\$ 2,648	\$ 2,217	\$ —	\$ —	\$ 365	\$ 740	\$ 2,578	\$ 1,821	\$ 365	\$ 740	\$ 2,578	\$ 1,821
<u>Level 2</u>																
Derivatives	\$ 768	\$ 740	\$ 820	\$ 1,821	\$ 365	\$ 740	\$ 2,578	\$ 1,821	\$ 365	\$ 740	\$ 2,578	\$ 1,821	\$ 365	\$ 740	\$ 2,578	\$ 1,821

Included in Level 1 assets are mutual fund investments under a nonqualified deferred compensation plan. We estimate the fair value of these investments on a recurring basis using market prices that are readily available.

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Included in Level 2 fair value measurements are derivative assets and liabilities related to gains and losses on foreign currency forward exchange contracts entered into with a third party. We estimate the fair value of these derivatives on a recurring basis using foreign currency exchange rates obtained from active markets. Derivative instruments are reported in the accompanying Condensed Consolidated Financial Statements at fair value. We have derivative financial instruments in the form of foreign currency forward exchange contracts as described in Note 3 of Notes to the Condensed Consolidated Financial Statements. The U.S. dollar equivalent notional amounts of these contracts were **\$99.3 million** **\$90.0 million** and **\$97.8 million** at **January 31, 2024** **April 30, 2024** and October 31, 2023, respectively.

The fair value of our foreign currency forward exchange contracts and the related currency positions are subject to offsetting market risk resulting from foreign currency exchange rate volatility. The counterparties to the forward exchange contracts are substantial and creditworthy financial institutions. We do not consider either the risk of counterparties' non-performance or the economic consequences of counterparties' non-performance to be material risks.

14. CONTINGENCIES AND LITIGATION

From time to time, we are involved in various claims and lawsuits arising in the normal course of business. Pursuant to applicable accounting rules, we accrue the minimum liability for each known claim when the estimated outcome is a range of possible loss and no one amount within that range is more likely than another. We maintain insurance policies for such matters, and we record insurance recoveries when we determine such recovery to be probable. We do not expect any of these claims, individually or in the aggregate, to have a material adverse effect on our consolidated financial position or results of operations. We believe that the ultimate resolution of claims for any losses will not exceed our insurance policy coverages.

15. NEW ACCOUNTING PRONOUNCEMENTS

New Accounting Pronouncements:

In December 2023, the FASB issued **ASU Accounting Standards Update ("ASU")** No. 2023-09, Income Taxes (Topic 740): Improvements to income tax disclosures, which aims to improve disclosures and presentation requirements to the transparency of the income tax disclosures by requiring consistent categories and greater disaggregation of information in the rate reconciliation and income taxes paid disaggregated by jurisdiction. The amendments will be effective for our fiscal year 2026, with the option to early adopt at any time prior to the effective date. We are currently assessing the impact this new accounting guidance will have on our consolidated financial statements and disclosures.

There have been no other significant changes in the Company's critical accounting policies and estimates during the **three** **six** months ended **January 31, 2024** **April 30, 2024**.

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") contains information intended to help provide an understanding of our financial condition and other related matters, including our liquidity, capital resources, and results of operations. The MD&A is provided as a supplement to, and should be read in conjunction with, our unaudited financial statements and the notes accompanying our unaudited financial statements appearing elsewhere in this report, as well as our audited financial statements, the accompanying notes and the MD&A included in our Annual Report on Form 10-K for the year ended October 31, 2023.

EXECUTIVE OVERVIEW

Hurco Companies, Inc. is an international, industrial technology company operating in a single segment. We design, manufacture, and sell computerized (i.e., CNC) machine tools, consisting primarily of vertical machining centers (mills) and turning centers (lathes), to companies in the metal cutting industry through a worldwide sales, service, and distribution network. Although most of our computer control systems and software products are proprietary, they predominantly use industry standard personal computer components. Our computer control systems and software products are primarily sold as integral components of our computerized machine tool products. We also provide machine tool components, automation integration equipment and solutions for job shops, software options, control upgrades, accessories, and replacement parts for our products, as well as customer service, **and** training, and applications support.

The following overview is intended to provide a brief explanation of the principal factors that have contributed to our recent financial performance. This overview is intended to be read in conjunction with the more detailed information included in our financial statements that appear elsewhere in this report.

The market for machine tools is international in scope. We have both significant foreign sales and significant foreign manufacturing operations. During the first **three** **six** months of fiscal 2024, approximately **50%** **51%** of our revenues were attributable to customers in Europe, where we typically sell more of our higher-performance, higher-priced VMX series machines. Additionally, approximately **13%** **12%** of our revenues were attributable to customers in the Asia Pacific region, where we encounter greater pricing pressures. We operate in a cyclical industry where sales and order trends often change periodically and can vary from region to region.

Sales During a year of global uncertainty and **service fees** lower sales volumes, we turn our attention to adjusting overhead expenses and operating expenses to minimize the impact of the lower volumes of sales on operating income. Additionally, we adjust and manage inventories (excluding the impact of foreign currency) and use that cashflow to manage our capital allocation strategies to continue investing in new technologies, product development and necessary capital expenditures to maximize cashflows without incurring any significant indebtedness as we continue to seek new acquisitions and other growth opportunities. The cyclical nature of our business requires that we exercise discipline in managing through unexpected changes in the **first quarter** markets and industries in which we operate. Our long history of **fiscal 2024** decreased by **18%** compared to the **first quarter** of **fiscal 2023**. This reduction in sales occurred primarily in the **Americas** profitability and the **Europe** regions strength of our balance sheet provide us with stability to manage through these business cycles and was partially offset by an increase in sales in **rely** on our experience to make measured decisions for the **Asia Pacific** region. Sales and service fees in the **first quarter** sales in **fiscal 2023** benefitted from a particularly strong **fiscal 2022** year-end backlog. Orders in the **first quarter** long-term success of **fiscal 2024**

decreased by 6% from the same period in fiscal 2023, reflecting a decrease in orders in Europe, partially offset by increases in orders in the Americas and the Asia Pacific regions. **our business.**

We have three brands of CNC machine tools in our product portfolio: Hurco is the technology innovation brand for customers who want to increase productivity and profitability by selecting a brand with the latest software and motion technology. Milltronics is the value-based brand for shops that want easy-to-use machines at competitive prices. The Takumi brand is for customers that need very high speed, high efficiency performance, such as that required in the production, die and mold, aerospace, and medical industries. Takumi machines are equipped with industry standard controls instead of the proprietary controls found on Hurco and Milltronics machines. These three brands of CNC machine tools are responsible for the vast majority of our revenue. However, we have added other non-Hurco branded products to our product portfolio that have contributed product diversity and market penetration opportunity. These non-Hurco branded products are sold by our wholly-owned distributors and are comprised primarily of other general-purpose vertical milling centers and lathes, laser cutting machines, waterjet cutting machines, CNC grinders, compact horizontal machines, metal cutting saws and CNC swill lathes. ProCobots LLC is our wholly-owned subsidiary that provides automation solutions. In addition, through our wholly-owned subsidiary in Italy, LCM Precision Technology S.r.l. ("LCM"), we produce high value machine tool components and accessories.

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We principally sell our products through approximately 180 independent agents and distributors throughout the Americas, Europe, and Asia. Although some distributors carry competitive products, we are the primary line for the majority of our distributors globally. We also have our own direct sales and service organizations in China, the Czech Republic, France, Germany, India, Italy, the Netherlands, Poland, Singapore, Taiwan, the United Kingdom, and certain parts of the United States, which are among the world's principal machine tool consuming markets. The vast majority of our machine tools are manufactured and assembled to our specifications primarily by our wholly-owned subsidiary in Taiwan, HML. Machine castings to support HML's production are manufactured at our wholly-owned subsidiary in Ningbo, China, NHML. Components to support our SRT line of five-axis machining centers, such as the direct drive spindle, swivel head, and rotary table, are manufactured by our wholly-owned subsidiary in Italy, LCM.

Our sales to foreign customers are denominated, and payments by those customers are made, in the prevailing currencies in the countries in which those customers are located (primarily the Euro, Pound Sterling, and Chinese Yuan). Our product costs are incurred and paid primarily in the New Taiwan Dollar and the U.S. dollar. Changes in currency exchange rates may have a material effect on our operating results and consolidated financial statements as reported under U.S. Generally Accepted Accounting Principles. For example, when the U.S. dollar weakens in value relative to a foreign currency, sales made, and expenses incurred, in that currency when translated to U.S. dollars for reporting in our financial statements, are higher than would be the case when the U.S. dollar is stronger. In the comparison of our period-to-period results, we discuss the effect of currency translation on those results, which reflect translation to U.S. dollars at exchange rates prevailing during the period covered by those financial statements.

Our high levels of foreign manufacturing and sales also expose us to cash flow risks due to fluctuating currency exchange rates. We seek to mitigate those risks through the use of derivative instruments – principally foreign currency forward exchange contracts.

RESULTS OF OPERATIONS

Three Months Ended January 31, 2024 April 30, 2024 Compared to Three Months Ended January 31, 2023 April 30, 2023

Sales and Service Fees. Sales and service fees for the **first** **second** quarter of fiscal year 2024 were **\$45.1 million** **\$45.2 million**, a decrease of **\$9.6 million** **\$8.6 million**, or **18%** **16%**, compared to the corresponding prior year period, and included a favorable currency impact of **\$0.8 million** **\$0.1 million**, or less than 1%, when translating foreign sales to U.S. dollars for financial reporting purposes.

Sales and Service Fees by Geographic Region

The following table sets forth sales and service fees by geographic region for the **first** **second** fiscal quarter ended **January 31, 2024 April 30, 2024** and 2023 (dollars in thousands):

Three Months Ended January 31,	Three Months Ended April 30,
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	2024		2023		\$ Change	% Change	2024		2023		\$ Change	% Change
Americas	\$ 16,650	37 %	\$ 22,013	40 %	\$ (5,363)	(24)%	\$16,947	38 %	\$18,324	34 %	\$ (1,377)	(8)%
Europe	22,750	50 %	28,592	52 %	(5,842)	(20)%	22,720	50 %	29,991	56 %	(7,271)	(24)%
Asia Pacific	5,659	13 %	4,077	8 %	1,582	39 %	5,505	12 %	5,504	10 %	1	0 %
Total	\$ 45,059	100 %	\$ 54,682	100 %	\$ (9,623)	(18)%	\$45,172	100 %	\$53,819	100 %	\$ (8,647)	(16)%

Sales in the Americas for the first second quarter of fiscal year 2024 decreased by 8%, compared to the corresponding period in fiscal year 2023, primarily due to decreased shipments of Hurco machines. The decrease in sales of Hurco machines was primarily attributable to decreased shipments of VM machines, partially offset by increased sales of higher-performing VMX and 5-axis machines.

European sales for the second quarter of fiscal year 2024 decreased by 24%, compared to the corresponding period in fiscal year 2023, and included a favorable currency impact of less than 1%, when translating foreign sales to U.S. dollars for financial reporting purposes. The year-over-year decrease in European sales was primarily due attributable to a decreased volume of shipments of Hurco Milltronics, and Takumi machines. The decrease machines in sales was mostly attributable to decreased shipments of VM Germany, the United Kingdom, and toolroom machines, Italy, as well as lathes, a decreased volume of shipments of electro-mechanical components and accessories manufactured by our wholly-owned subsidiary, LCM, partially offset by an increased volume of shipments of Hurco machines in France.

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Asian Pacific sales for the first second quarter of fiscal year 2024 decreased by 20%, were relatively unchanged compared to the corresponding period in fiscal prior year 2023, period, and included a favorable an unfavorable currency impact of 3%, when translating foreign sales to U.S. dollars for financial reporting purposes. The decrease in European sales for the first quarter of fiscal year 2024 was primarily attributable to a decreased volume of shipments of higher performance Hurco VMX machines and lathes in Germany, Italy, and the United Kingdom, a decreased volume of shipments of Milltronics machines in the European region, as well as a lower volume of sales of accessories manufactured by our wholly owned subsidiary LCM.

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Asian Pacific sales for the first second quarter of fiscal year 2024 increased sales of higher-performance VMX and 5-axis Hurco and Takumi machines in India, almost fully offset by 39%, compared to the corresponding period reductions in fiscal year 2023, and included an unfavorable currency impact of 2%, when translating foreign sales to U.S. dollars for financial reporting purposes. The increase in Asian Pacific sales primarily resulted from a higher volume of shipments of Hurco and Takumi machines in China India, and Taiwan Southeast Asia.

Sales and Service Fees by Product Category

The following table sets forth sales and service fees by product group and services for the first second fiscal quarter ended January 31, 2024 April 30, 2024 and 2023 (dollars in thousands):

	Three Months Ended					
	January 31,					
	2024		2023		\$ Change	% Change
Computerized Machine Tools	\$ 35,772	79 %	\$ 45,417	83 %	\$ (9,645)	(21)%
Computer Control Systems and Software †	583	1 %	524	1 %	59	11 %
Service Parts	6,643	15 %	6,691	12 %	(48)	(1)%

Service Fees	2,061	5 %	2,050	4 %	11	1 %
Total	\$ 45,059	100 %	\$ 54,682	100 %	\$ (9,623)	(18)%

	Three Months Ended					
	April 30,					
	2024		2023		\$ Change	% Change
Computerized Machine Tools	\$ 35,213	78 %	\$ 43,929	82 %	\$ (8,716)	(20)%
Computer Control Systems and Software †	586	1 %	614	1 %	(28)	(5)%
Service Parts	7,211	16 %	7,244	13 %	(33)	0%
Service Fees	2,162	5 %	2,032	4 %	130	6 %
Total	\$ 45,172	100 %	\$ 53,819	100 %	\$ (8,647)	(16)%

† Amounts shown do not include computer control systems and software sold as an integrated component of computerized machine tools.

Sales of computerized machine tools for the first second quarter of fiscal year 2024 decreased by 21% 20%, compared to the corresponding prior year period, primarily due to a decreased volume of shipments of Hurco Milltronics and Takumi machines in the Americas, Germany, Italy and the United Kingdom, the Americas, China, and Italy, and included a favorable currency impact of less than 1% when translating foreign sales to U.S. dollars for financial reporting purposes. Sales of computer control systems and software for the first second quarter of fiscal year 2024 increased decreased by 11% 5%, compared to the corresponding prior year period, due mainly to increased decreased aftermarket control systems and software sales in the Americas and France, and included a favorable currency impact of 1% when translating foreign sales to U.S. dollars for financial reporting purposes. Sales of service parts United Kingdom. Service fees for the first second quarter of fiscal year 2024 decreased increased by 1% 6%, compared to the corresponding prior year period, primarily due to decreases increased aftermarket services performed in service parts sales in the Americas and the United Kingdom partially offset by an increase in service parts sales in Germany, and included a favorable currency impact of 1% when translating foreign sales to U.S. dollars for financial reporting purposes. Service fees for the first quarter of fiscal year 2024 increased by 1%, compared to the corresponding prior year period, primarily due to the favorable currency impact when translating foreign sales to U.S. dollars for financial reporting purposes. France.

Orders. Orders for the first second quarter of fiscal year 2024 were \$50.2 million \$44.2 million, a decrease of \$3.0 million \$16.0 million, or 6% 27%, compared to the corresponding period in fiscal year 2023, and included a favorable currency impact of \$0.8 million \$0.1 million, or less than 1%, when translating foreign orders to U.S. dollars.

The following table sets forth new orders booked by geographic region for the first second fiscal quarter quarter ended January 31, 2024 April 30, 2024 and 2023 (dollars in thousands):

	Three Months Ended				Three Months Ended			
	January 31,				April 30,			
	2024	2023	\$ Change	% Change	2024	2023	\$ Change	% Change
Americas	\$ 20,796	41 %	\$ 19,687	37 %	\$ 1,109	6 %	\$ 17,069	39 %
Europe	23,535	47 %	29,886	56 %	(6,351)	(21)%	23,873	54 %
Asia Pacific	5,887	12 %	3,657	7 %	2,230	61 %	3,250	7 %
Total	\$ 50,218	100 %	\$ 53,230	100 %	\$ (3,012)	(6)%	\$ 44,192	100 %
					\$ 60,223	100 %	\$ (16,031)	(27)%

Orders in the Americas for the first second quarter of fiscal year 2024 increased decreased by 6% 23%, compared to the corresponding period in fiscal year 2023, 2023. The decrease in orders was primarily due to increased decreased customer demand for Hurco VM machines, partially offset by increased orders of higher-performing VMX and Milltronics machines, particularly higher-performance VMX 5-axis machines.

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European orders for the first second quarter of fiscal year 2024 decreased by 21% 28%, compared to the corresponding prior year period, and included a favorable currency impact of 3% less than 1%, when translating foreign orders to U.S. dollars. The decrease in orders was driven primarily by decreased customer demand for Hurco and Takumi machines in Germany, Italy, and the United Kingdom. The Kingdom, and Italy, as well as decreased demand for

electro-mechanical components and accessories manufactured by LCM, partially offset by increased customer demand for Hurco demand was primarily attributable to reduced orders of VM machines higher-performance VMX machines, and lathes. in France.

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Asian Pacific orders for the first second quarter of fiscal year 2024 increased decreased by 61% 35%, compared to the corresponding prior year period, and included an unfavorable currency impact of 3% 2%, when translating foreign orders to U.S. dollars. The increase decrease in Asian Pacific orders was driven primarily by an increase in decreased customer demand for Hurco and Takumi machines in China, India, and Taiwan. Southeast Asia.

Gross Profit. Gross profit for the first second quarter of fiscal year 2024 was \$9.7 million \$8.0 million, or 22% 18% of sales, compared to \$12.7 million \$12.6 million, or 23% of sales, for the corresponding prior year period. The year-over-year decrease in gross profit as a percentage of sales was primarily due to the lower volume of sales of higher-performance vertical milling machines in the Americas and Europe where we typically sell more Europe. Additionally, the second quarter of our higher-performance VMX series fiscal 2024 included decreases in average net selling prices for certain machines, designed to penetrate key markets and lathes. Additionally, reduce inventories. The decreases in both sales volume and pricing unfavorably impacted gross profit was negatively impacted by the allocation in dollars and as a percentage of sales, reducing our leverage of fixed costs, over in comparison to the same period in the prior year.

Operating Expenses. Selling, general, and administrative expenses for the second quarter of fiscal year 2024 were \$11.5 million, or 25% of sales, compared to \$11.6 million, or 22% of sales, in the corresponding fiscal year 2023 period, and included an unfavorable currency impact of less than \$0.1 million, when translating foreign expenses to U.S. dollars for financial reporting purposes. Selling, general, and administrative expenses as a percentage of sales increased due to the lower volume of sales year-over-year.

Operating Income/Loss. Operating loss for the second quarter of fiscal year 2024 was \$3.4 million, compared to operating income of \$1.0 million for the corresponding period in fiscal year 2023. The change was primarily due to a lower volume of sales of vertical milling machines and the negative impact of fixed costs on lower sales and production volumes.

Other (Expense) Income,Net. Other expense, net for the second quarter of fiscal year 2024 was \$0.5 million compared to \$0.4 million for the corresponding period in fiscal year 2023, due mainly to a reduction in equity in income of affiliates in the second quarter of fiscal year 2024 compared to the same period in fiscal year 2023.

Income Taxes. The effective tax rate for the second quarter of fiscal year 2024 was (1%), compared to 44% for the corresponding prior year period. The year-over-year decrease in the effective tax rate was primarily due to changes in geographic mix of income and loss that includes jurisdictions with differing tax rates, a discrete item related to stock compensation and the impact of valuation allowances on an overall lower level of income before taxes.

Six Months Ended April 30, 2024 Compared to Six Months Ended April 30, 2023

Sales and Service Fees. Sales and service fees for the first six months of fiscal year 2024 were \$90.2 million, a decrease of \$18.3 million, or 17%, compared to the corresponding prior year period, and included a favorable currency impact of \$0.8 million, or less than 1%, when translating foreign sales to U.S. dollars for financial reporting purposes.

Sales and Service Fees by Geographic Region

The following table sets forth sales and service fees by geographic region for the six months ended April 30, 2024 and 2023 (dollars in thousands):

	Six Months Ended				
	April 30,				
	2024	2023	\$ Change	% Change	
Americas	\$ 33,597	37 %	\$ 40,337	37 %	\$ (6,740) (17)%
Europe	45,470	51 %	58,583	54 %	(13,113) (22)%
Asia Pacific	11,164	12 %	9,581	9 %	1,583 17 %
Total	\$ 90,231	100 %	\$ 108,501	100 %	\$ (18,270) (17)%

Sales in the Americas for the first six months of fiscal year 2024 decreased by 17%, compared to the corresponding period in fiscal year 2023, primarily due to decreased shipments of Hurco machines. The decrease in sales of Hurco machines was primarily attributable to decreased shipments of VM machines, partially offset by increased sales of higher-performing VMX and 5-axis machines.

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European sales for the first six months of fiscal year 2024 decreased by 22%, compared to the corresponding period in fiscal year 2023, and included a favorable currency impact of 2%, when translating foreign sales to U.S. dollars for financial reporting purposes. The year-over-year decrease in European sales was primarily attributable to a decreased volume of shipments of Hurco and Takumi machines in Germany, the United Kingdom, and Italy, as well as decreased volume of shipments of electro-mechanical components and accessories manufactured by our wholly-owned subsidiary, LCM, partially offset by an increased volume of shipments of Hurco machines in France.

Asian Pacific sales for the first six months of fiscal year 2024 increased by 17%, compared to the corresponding prior year period, and included an unfavorable currency impact of 2%, when translating foreign sales to U.S. dollars for financial reporting purposes. The year-over-year increase in Asian Pacific sales was primarily attributable to increased sales of higher-performance VMX and 5-axis Hurco and Takumi machines in India, partially offset by reductions in shipments of Hurco and Takumi machines in China and Southeast Asia.

Sales and Service Fees by Product Category

The following table sets forth sales and service fees by product group and services for the six months ended April 30, 2024 and 2023 (dollars in thousands):

	Six Months Ended					
	April 30,					
	2024		2023		\$ Change	% Change
Computerized Machine Tools	\$ 70,985	79 %	\$ 89,346	82 %	\$ (18,361)	(21)%
Computer Control Systems and Software †	1,169	1 %	1,138	1 %	31	3 %
Service Parts	13,854	15 %	13,935	13 %	(81)	(1)%
Service Fees	4,223	5 %	4,082	4 %	141	3 %
Total	\$ 90,231	100 %	\$ 108,501	100 %	\$ (18,270)	(17)%

†Amounts shown do not include computer control systems and software sold as an integrated component of computerized machine tools.

Sales of computerized machine tools for the first six months of fiscal year 2024 decreased by 21%, compared to the corresponding prior year period, primarily due to a decreased volume of shipments of Hurco and Takumi machines in Germany, the Americas, Italy, and the United Kingdom, and included a favorable currency impact of less than 1% when translating foreign sales to U.S. dollars for financial reporting purposes. Sales of computer control systems and software for the first six months of fiscal year 2024 increased by 3%, compared to the corresponding prior year period, due mainly to increased aftermarket software sales in France. Service fees for the first six months of fiscal year 2024 increased by 3%, compared to the corresponding prior year period, primarily due to increased aftermarket services performed in the United Kingdom and France.

Orders. Orders for the first six months of fiscal year 2024 were \$94.4 million, a decrease of \$19.0 million, or 17%, compared to the corresponding period in fiscal year 2023, and included a favorable currency impact of \$0.9 million, or less than 1%, when translating foreign orders to U.S. dollars.

The following table sets forth new orders booked by geographic region for the six months ended April 30, 2024 and 2023 (dollars in thousands):

	Six Months Ended					
	April 30,					
	2024		2023		\$ Change	% Change
Americas	\$ 37,865	40 %	\$ 41,941	37 %	\$ (4,076)	(10)%
Europe	47,408	50 %	62,880	55 %	(15,472)	(25)%
Asia Pacific	9,137	10 %	8,632	8 %	505	6 %

Total	\$ 94,410	100 %	\$ 113,453	100 %	\$ (19,043)	(17)%
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Orders in the Americas for the first six months of fiscal year 2024 decreased by 10%, compared to the corresponding period in fiscal year 2023. The decrease in orders was primarily due to decreased customer demand for Hurco VM machines, partially offset by increased orders of higher-performing VMX and 5-axis machines.

European orders for the first six months of fiscal year 2024 decreased by 25%, compared to the corresponding prior year period, and included a favorable currency impact of 2%, when translating foreign orders to U.S. dollars. The year-over-year decrease was mainly due to decreased customer demand for Hurco machines across the European region where our customers are located and for electro-mechanical components and accessories manufactured by LCM.

Asian Pacific orders for the first six months of fiscal year 2024 increased by 6%, compared to the corresponding prior year period, and included an unfavorable currency impact of 2%, when translating foreign orders to U.S. dollars. The year-over-year increase in Asian Pacific orders was driven primarily by increased customer demand for Hurco machines in China and India, partially offset by decreased demand for Takumi machines in China.

Gross Profit. Gross profit for the first six months of fiscal year 2024 was \$17.7 million, or 20% of sales, compared to \$25.3 million, or 23% of sales, for the corresponding prior year period. The year-over-year decrease in gross profit as a percentage of sales was primarily due to the lower volume of sales of higher-performance vertical milling machines in the Americas and Europe. Additionally, the second quarter of fiscal 2024 included changes in average net selling prices for certain machines to penetrate key markets and reduce inventories. Both the change in sales volume and pricing unfavorably impacted gross profit in dollars and as a percentage of sales, reducing our leverage of fixed costs, in comparison to the same period in prior year.

Operating Expenses. Selling, general, and administrative expenses for the first ~~quarter~~ six months of fiscal year 2024 were \$11.5 million \$23.0 million, or 26% ~~25%~~ of sales, compared to \$11.5 million \$23.1 million, or 21% of sales, in the corresponding fiscal year 2023 period, and included an unfavorable currency impact of \$0.2 million, when translating foreign expenses to U.S. dollars for financial reporting purposes. Selling, general, and administrative expenses as a percentage of sales increased ~~in the first quarter of fiscal year 2024 compared to the first quarter of fiscal year 2023~~ due to the lower volume of sales year-over-year.

Operating Income/Loss. Operating loss for the first ~~quarter~~ six months of fiscal year 2024 was \$1.8 million \$5.3 million, compared to operating income of \$1.2 million \$2.2 million for the corresponding period in fiscal year 2023. The change was primarily due to ~~a~~ lower volume of sales of vertical milling machines and the negative impact of fixed costs on lower sales and production volumes.

Other (Expense) Income, Net. Other expense, net for the first ~~quarter~~ six months of fiscal year 2024 was \$0.5 million \$1.0 million compared to other income, net of \$0.6 million \$0.3 million for the corresponding period in fiscal year 2023, due mainly to an increase in foreign currency exchange loss in the first ~~quarter~~ six months of fiscal year 2024 compared to the same period in fiscal year 2023.

Income Taxes. The effective tax rate for the first ~~quarter~~ six months of fiscal year 2024 was 27% ~~9%~~, compared to 31% ~~in~~ 35% for the corresponding prior year period. The year-over-year decrease in the effective tax rate was primarily due to changes in geographic mix of income and loss that includes jurisdictions with differing tax rates, ~~and~~ a discrete item related to stock ~~compensation~~, compensation and the impact of valuation allowances on an overall lower level of income before taxes.

LIQUIDITY AND CAPITAL RESOURCES

At ~~January 31, 2024~~ April 30, 2024, we had cash and cash equivalents of \$37.9 million \$37.5 million, compared to \$41.8 million at October 31, 2023. Approximately 22% ~~19%~~ of the \$37.9 million \$37.5 million of cash and cash equivalents was denominated in U.S. dollars. The balance was attributable to our foreign operations and is held in the local currencies of our various foreign entities, subject to fluctuations in currency exchange rates. We do not believe that the indefinite reinvestment of these funds offshore impairs our ability to meet our domestic working capital needs.

Working capital was \$196.3 million \$187.6 million at January 31, 2024 April 30, 2024, compared to \$193.3 million at October 31, 2023. The increase decrease in working capital was primarily driven by decreases in accounts receivable, net and cash and cash equivalents, partially offset by increases in inventories, net and prepaid and other assets and decreases in accounts payable and accrued payroll and employee benefits and accounts payable, partially offset by decreases in cash and cash equivalents and accounts receivable, net, benefits.

Capital expenditures of \$0.8 million \$1.3 million during the first three six months of fiscal year 2024 were primarily for capital improvements in existing facilities and software development costs. We funded these expenditures with cash on hand.

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On January 6, 2023, we announced a share repurchase program in an aggregate amount of up to \$25.0 million. Repurchases under the program may be made in the open market or through privately negotiated transactions from time to time through November 10, 2024, subject to applicable laws, regulations, and contractual provisions. The program may be amended, suspended, or discontinued at any time and does not commit us to repurchase any shares of our common stock. During the first three six months of fiscal year 2024, no shares were repurchased under that program, and \$23.2 million was remaining remained available under the program as of January 31, 2024 April 30, 2024.

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During the three six months ended January 31, 2024 April 30, 2024, we paid cash dividends to our shareholders of \$1.0 million \$2.1 million. Future dividends are subject to approval of our Board of Directors and will depend upon many factors, including our results of operations, financial condition, capital requirements, regulatory and contractual restrictions, our business strategy and other factors deemed relevant by our Board of Directors from time to time.

On December 31, 2018, we and our subsidiary Hurco B.V. entered into the 2018 Credit Agreement with Bank of America, N.A., as the lender, which was subsequently amended on each of March 13, 2020, December 23, 2020, December 17, 2021, January 4, 2023 and December 19, 2023. The 2018 Credit Agreement provides for an unsecured revolving credit and letter of credit facility in a maximum aggregate amount of \$40.0 million. The 2018 Credit Agreement provides that the maximum amount of outstanding letters of credit at any one time may not exceed \$10.0 million, the maximum amount of outstanding loans made to our subsidiary Hurco B.V. at any one time may not exceed \$20.0 million, and the maximum amount of all outstanding loans denominated in alternative currencies at any one time may not exceed \$20.0 million. Under the 2018 Credit Agreement, we and Hurco B.V. are borrowers, and certain of our other subsidiaries are guarantors. The scheduled maturity date of the 2018 Credit Agreement is December 31, 2025.

Borrowings under the 2018 Credit Agreement bear interest at floating rates based on, at our option, either (i) a rate based upon the SOFR, the Sterling Overnight Index Average Reference Rate, the Euro Interbank Offering Rate, or another alternative currency-based rate approved by the lender, depending on the term of the loan and the currency in which such loan is denominated, plus 1.00% per annum, or (ii) a base rate (which is the highest of (a) the federal funds rate plus 0.50%, (b) the prime rate or (c) the one month SOFR-based rate plus 1.00%), plus 0.00% per annum. Outstanding letters of credit will carry an annual rate of 1.00%.

The 2018 Credit Agreement contains customary affirmative and negative covenants and events of default, including covenants (1) restricting us from making certain investments, loans, advances and acquisitions (but permitting us to make investments in subsidiaries of up to \$10.0 million); (2) restricting us from making certain payments, including (a) cash dividends, except that we may pay cash dividends as long as immediately before and after giving effect to such payment, the sum of the unused amount of the commitments under the 2018 Credit Agreement plus our cash on hand is not less than \$10.0 million, and as long as we are not in default before and after giving effect to such dividend payments and (b) payments made to repurchase shares of our common stock, except that we may repurchase shares of our common stock as long as we are not in default before and after giving effect to such repurchases and the aggregate amount of payments made by us for all such repurchases during any fiscal year does not exceed \$25.0 million; (3) requiring that we maintain a

minimum working capital of \$125.0 million; and (4) requiring that we maintain a minimum tangible net worth of \$176.5 million. We may use the proceeds from advances under the 2018 Credit Agreement for general corporate purposes.

In March 2019, our wholly-owned subsidiaries in Taiwan, HML, and China, NHML, closed on uncommitted revolving credit facilities with maximum aggregate amounts of 150 million New Taiwan Dollars and 32.5 million Chinese Yuan, respectively. As uncommitted facilities, both the Taiwan and China credit facilities are subject to review and termination by the respective underlying lending institution from time to time. In February and December 2023, NHML and HML, respectively, renewed the above-referenced credit facilities on substantially similar terms and identical maximum aggregate limits.

As of **January 31, 2024** **April 30, 2024**, our existing credit facilities consisted of a €1.5 million revolving credit facility in Germany, the 150 million New Taiwan Dollars Taiwan credit facility, the 32.5 million Chinese Yuan China credit facility and the \$40.0 million revolving credit facility under the 2018 Credit Agreement. We had no debt or borrowings under any of our credit facilities at **January 31, 2024** **April 30, 2024**.

At **January 31, 2024** **April 30, 2024**, we had an aggregate of approximately **\$51.0 million** **\$50.7 million** available for borrowing under our credit facilities and were in compliance with all covenants relating thereto.

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We have an international cash pooling strategy that generally provides access to available cash deposits and credit facilities when needed in the U.S., Europe or Asia Pacific. We believe our access to cash pooling and our borrowing capacity under our credit facilities provide adequate liquidity to fund our global operations over the next twelve months and beyond, and allow us to remain committed to our strategic plan of product innovation, acquisitions, targeted penetration of developing markets, **payment of dividends** and **our stock repurchase** **a balanced capital allocation** program.

We continue to receive and review information on businesses and assets for potential acquisition, including intellectual property assets that are available for purchase.

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CRITICAL ACCOUNTING ESTIMATES

Our MD&A is based upon our condensed consolidated financial statements, which have been prepared in accordance with U.S. Generally Accepted Accounting Principles. The preparation of financial statements in conformity with those accounting principles requires us to make judgments and estimates that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Those judgments and estimates have a significant effect on the financial statements because they result primarily from the need to make estimates about the effects of matters that are inherently uncertain. Actual results could differ from those estimates. Our critical accounting estimates, which are described in our Annual Report on Form 10-K for the fiscal year ended October 31, 2023, are frequently evaluated as our judgment and estimates are based upon historical experience and on various other assumptions that we believe to be reasonable under the circumstances. During the first **three** **six** months of fiscal year 2024, there were no material changes to our critical accounting estimates as described in the MD&A included in our Annual Report on Form 10-K for the **fiscal** year ended October 31, 2023.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

There have been no material changes related to our contractual obligations and commitments from the information provided in our Annual Report on Form 10-K for the fiscal year ended October 31, 2023.

OFF BALANCE SHEET ARRANGEMENTS

From time to time, our subsidiaries guarantee third party payment obligations in connection with the sale of machines to customers that use financing. We follow FASB guidance for accounting for guarantees (codified in ASC 460). As of **January 31, 2024** **April 30, 2024**, we had nine outstanding third party payment guarantees totaling approximately **\$1.0 million** **\$0.9 million**. The terms of these guarantees are consistent with the underlying customer financing terms. Upon shipment of a machine, the customer assumes the risk of ownership. The customer does not obtain title, however, until the customer has paid for the machine. A retention of title clause allows us to recover the machine if the customer defaults on the financing. We accrue liabilities under these guarantees at fair value, which amounts are insignificant.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements made in this report constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the statements.

These risks, uncertainties and other factors include, but are not limited to:

- The cyclical nature of the machine tool industry;
- Uncertain economic conditions, which may adversely affect overall demand, in the Americas, Europe and Asia Pacific markets;
- The risks of our international operations;
- Governmental actions, initiatives and regulations, including import and export restrictions, duties and tariffs and changes to tax laws;
- The effects of changes in currency exchange rates;
- Competition with larger companies that have greater financial resources;
- Our dependence on new product development;
- The need and/or ability to protect our intellectual property assets;
- The limited number of our manufacturing and supply chain sources;
- Increases in the prices of raw materials, especially steel and iron products;
- The effect of the loss of members of senior management and key personnel;

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- Our ability to integrate acquisitions;
- Acquisitions that could disrupt our operations and affect operating results;
- Failure to comply with data privacy and security regulations;
- Breaches of our network and system security measures;
- Possible obsolescence of our technology and the need to make technological advances;
- Impairment of our assets;
- Negative or unforeseen tax consequences;
- Uncertainty concerning our ability to use tax loss carryforwards;

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- Changes in the SOFR rate; and
- The impact of the COVID-19 pandemic and other public health epidemics and pandemics on the global economy, our business and operations, our employees and the business, operations and economies of our customers and suppliers.

We discuss these and other important risks and uncertainties that may affect our future operations in Part I, Item 1A – Risk Factors in our most recent Annual Report on Form 10-K and may update that discussion in Part II, Item 1A – Risk Factors in this report or in a Quarterly Report on Form 10-Q we file hereafter.

Readers are cautioned not to place undue reliance on these forward-looking statements. While we believe the assumptions on which the forward-looking statements are based are reasonable, there can be no assurance that these forward-looking statements will prove to be accurate. We expressly disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. This cautionary statement is applicable to all forward-looking statements contained in this report.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Interest on borrowings under our bank credit agreements are tied to prevailing domestic and foreign interest rates. At January 31, 2024 April 30, 2024, we had no borrowings outstanding under any of our credit facilities.

Foreign Currency Exchange Risk

In the first ~~three~~ six months of fiscal year 2024, we derived approximately 63% of our revenues from customers located outside of the Americas, where we invoiced and received payments in several foreign currencies. All of our computerized machine tools and computer control systems, as well as certain proprietary service parts, are sourced by our U.S.-based engineering and manufacturing division and re-invoiced to our foreign sales and service subsidiaries, primarily in their functional currencies.

Our products are sourced from foreign suppliers or built to our specifications by either our wholly-owned subsidiaries in Taiwan, the U.S., Italy, and China or an affiliated contract manufacturer in Taiwan. Our purchases are predominantly in foreign currencies and in some cases our arrangements with these suppliers include foreign currency risk sharing agreements, which reduce (but do not eliminate) the effects of currency fluctuations on product costs. The predominant portion of the exchange rate risk associated with our product purchases relates to the New Taiwan Dollar and the Euro.

We enter into foreign currency forward exchange contracts from time to time to hedge the cash flow risk related to forecasted inter-company sales and purchases denominated in, or based on, foreign currencies (primarily the Euro, Pound Sterling, and New Taiwan Dollar). We also enter into foreign currency forward exchange contracts to protect against the effects of foreign currency fluctuations on inter-company receivables, payables, and loans denominated in foreign currencies. We do not speculate in the financial markets and, therefore, do not enter into these contracts for trading purposes.

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Forward contracts for the sale or purchase of foreign currencies as of January 31, 2024 April 30, 2024, which are designated as cash flow hedges under FASB guidance related to accounting for derivative instruments and hedging activities, were as follows (in thousands, except weighted average forward rates):

Forward Contracts	Contract Amount at						Contract Amount at					
	Notional Amount in Foreign Currency		Weighted Avg. Forward Rate		Forward Rates in U.S. Dollars		Notional Amount in Foreign Currency		Weighted Avg. Forward Rate		Forward Rates in U.S. Dollars	
	Contract Date	January 31, 2024	Maturity Dates	Contract Date	April 30, 2024	Maturity Dates	Contract Date	April 30, 2024	Maturity Dates	Contract Date	April 30, 2024	Maturity Dates
<u>Sale Contracts:</u>												
Euro	10,900	1.0900	11,881	11,900	Feb 2024 - Jan 2025		8,100	1.0913	8,840	8,716	May 2024 - Apr 2025	
Sterling	4,450	1.2464	5,546	5,660	Feb 2024 - Jan 2025		3,500	1.2516	4,381	4,382	May 2024 - Apr 2025	
<u>Purchase Contracts:</u>												
New Taiwan Dollar	620,000	30.3653 *	20,418	20,250	Feb 2024 - Jan 2025		540,000	30.5355 *	17,684	16,778	May 2024 - Apr 2025	

* New Taiwan Dollars per U.S. dollar

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Forward contracts for the sale or purchase of foreign currencies as of **January 31, 2024** **April 30, 2024**, which were entered into to protect against the effects of foreign currency fluctuations on receivables and payables denominated in foreign currencies and are not designated as hedges under FASB guidance, were as follows (in thousands, except weighted average forward rates):

Forward Contracts	Contract Amount at					Contract Amount at				
	Notional Amount in Foreign Currency	Weighted Avg. Forward Rate	Forward Rates in U.S. Dollars			Notional Amount in Foreign Currency	Weighted Avg. Forward Rate	Forward Rates in U.S. Dollars		
			Contract Date	January 31, 2024	Maturity Dates			Contract Date	April 30, 2024	Maturity Dates
<u>Sale Contracts:</u>										
Euro	15,944	1.0965	17,482	17,335	Feb 2024 - Oct 2024	13,507	1.0862	14,670	14,516	May 2024 - Oct 2024
Sterling	289	1.2645	365	367	Feb 2024	1,149	1.2512	1,438	1,437	May 2024
<u>Purchase Contracts:</u>										
New Taiwan Dollar	1,256,226	31.1269 *	40,358	40,456	Feb 2024 - Jun 2024	1,234,395	31.0723 *	39,727	38,128	May 2024 - Sep 2024

* New Taiwan Dollars per U.S. dollar

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 FASB guidance related to the accounting for derivative 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 income (loss), net of tax, in the same manner as the underlying hedged net assets. This forward contract matures in November 2024. As of **January 31, 2024** **April 30, 2024**, we had a realized gain of \$1.2 million and an immaterial amount of unrealized loss, gain, net of tax, recorded as cumulative translation adjustments in Accumulated other comprehensive loss related to the hedging of our net investment in Euro-denominated assets. Forward contracts for the sale or purchase of foreign currencies as of **January 31, 2024** **April 30, 2024**, which are designated as net investment hedges under this guidance were as follows (in thousands, except weighted average forward rates):

Forward Contracts	Contract Amount at					Contract Amount at				
	Notional Amount in Foreign Currency	Weighted Avg. Forward Rate	Forward Rates in U.S. Dollars			Notional Amount in Foreign Currency	Weighted Avg. Forward Rate	Forward Rates in U.S. Dollars		
			Contract Date	January 31, 2024	Maturity Date			Contract Date	April 30, 2024	Maturity Date
<u>Sale Contracts:</u>										
Euro	3,000	1.0823	3,247	3,292	Nov 2024	3,000	1.0823	3,247	3,232	Nov 2024

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Item 4. CONTROLS AND PROCEDURES

We conducted an evaluation under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of **January 31, 2024** **April 30, 2024**, pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based upon that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of the evaluation date.

There were no changes in our internal control over financial reporting during the three months ended **January 31, 2024** **April 30, 2024** that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II - OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

From time to time, we are involved in various claims and lawsuits arising in the normal course of business. Pursuant to applicable accounting rules, we accrue the minimum liability for each known claim when the estimated outcome is a range of possible loss and no one amount within that range is more likely than another. We maintain insurance policies for such matters, and we record insurance recoveries when we determine such recovery to be probable. We do not expect any of these claims, individually or in the aggregate, to have a material adverse effect on our consolidated financial position or results of operations. We believe that the ultimate resolution of claims for any losses will not exceed our insurance policy coverages.

Item 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed in Part I, Item 1A – Risk Factors in our Annual Report on Form 10-K for the year ended October 31, 2023.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

We did not repurchase any shares of our common stock in the **first** **second** quarter of fiscal 2024.

Item 5. OTHER INFORMATION

During the period covered by this report, the Audit Committee of our Board of Directors engaged our independent registered public accounting firm to perform non-audit, tax planning services. This disclosure is made pursuant to Section 10A(i)(2) of the Exchange Act, as added by Section 202 of the Sarbanes-Oxley Act of 2002.

During the three months ended **January 31, 2024** **April 30, 2024**, none of our directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted, modified or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) of the Exchange Act or any non-Rule 10b5-1 trading arrangement (as defined in the Securities and Exchange Commission's rules).

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Item 6. EXHIBITS

EXHIBIT INDEX

3.1 [Amended and Restated Articles of Incorporation of the Registrant, incorporated by reference to Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended January 31, 1997 as amended effective March 15, 2024.](#)

3.2 [Amended and Restated By-Laws of the Registrant as amended through March 12, 2021, incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on March 12, 2021 March 15, 2024.](#)

10.1 [Fifth Amendment to Credit Agreement, dated as of December 19, 2023, to the Credit Agreement, dated as of December 31, 2018, among Hurco Companies, Inc. and Hurco B.V., as the Borrowers, certain subsidiaries party thereto, as the Guarantors, and Bank of America, N.A., as the Lender, incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed December 22, 2023.](#)

31.1 [Certification by the Chief Executive Officer pursuant to Rule 13a-14\(a\) under the Securities Exchange Act of 1934, as amended.](#)

31.2 [Certification by the Chief Financial Officer pursuant to Rule 13a-14\(a\) under the Securities Exchange Act of 1934, as amended.](#)

32.1 [Certification by the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)

32.2 [Certification by the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)

101 The following information from the Registrant's Quarterly Report on Form 10-Q for the quarter ended **January 31, 2024** **April 30, 2024**, formatted in Inline XBRL: (i) Condensed Consolidated Statements of Operations; (ii) Condensed Consolidated Statements of Comprehensive Income (Loss); (iii) Condensed Consolidated Balance Sheets; (iv) Condensed Consolidated Statements of Cash Flows; (v) Condensed Consolidated Statements of Changes in Shareholders' Equity; **and** (vi) Notes to Condensed Consolidated Financial Statements; and (vii) information regarding trading arrangements set forth in Part II, Item 5.

104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HURCO COMPANIES, INC.

By: /s/ Sonja K. McClelland

Sonja K. McClelland

Executive Vice President, Treasurer & Chief Financial Officer

March 8, June 7, 2024

AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
HURCO COMPANIES, INC.

Hurco Companies, Inc. (the "Corporation"), a corporation existing pursuant to the provisions of the Indiana Business Corporation Law, as amended, hereby amends and restates its Amended and Restated Articles of Incorporation in their entirety in accordance with Indiana Code 23-1-38-7. These Amended and Restated Articles of Incorporation shall supersede and take the place of the existing Amended and Restated Articles of Incorporation of the Corporation that were amended through June 2, 1997. These Amended and Restated Articles of Incorporation (these "Articles of Incorporation") are dated March 15, 2024, and hereby read in their entirety as follows:

ARTICLE I.

Name

The name of the Corporation is HURCO COMPANIES, INC.

ARTICLE II.

Purposes

The purposes for which the Corporation is organized are to engage in, either alone or as a partner, joint venturer or otherwise, the invention, design, manufacture, production, sale and lease of products and equipment of all types to be used in the metal working industry, and to engage in and transact any and all other lawful business for which corporations may be incorporated under the Indiana Business Corporation Law, as the same may, from time to time, be amended (the "Corporation Law").

ARTICLE III.

Term of Existence

The period during which the Corporation shall continue is perpetual.

ARTICLE IV.

Number of Shares

The total number of shares which the Corporation shall have authority to issue is 13,500,000 consisting of 12,500,000 shares of Common Stock, no par value (the "Common Stock"), and 1,000,000 shares of Preferred Stock, no par value (the "Preferred Stock").

ARTICLE V.

Terms of Authorized Shares

Section 1. Designation. The authorized shares of the Corporation shall be divided into two (2) classes, as follows:

- (i) 12,500,000 shares of Common Stock. The shares of Common Stock shall be identical with each other in all respects.
- (ii) 1,000,000 shares of Preferred Stock, which shares may hereafter be issued in one or more series as provided in Section 2.

Section 2. Rights, Privileges, Limitations and Restrictions of Preferred Stock. Except as otherwise provided in these Articles, the Board of Directors is vested with authority to determine and state the designation and the relative preferences, limitations, voting rights, if any, and other rights of each series of Preferred Stock by the adoption and filing in accordance with the Corporation Law, before the issuance of any shares of such series of Preferred Stock, of an amendment or amendments to these Articles of Incorporation, as the same may, from time to time, be amended, determining the terms of such series of Preferred Stock. All shares of Preferred Stock of the same series shall be identical with each other in all respects. Without limiting the generality of the foregoing, the Board of Directors shall have the authority to determine the following:

- (i) The designation of such series, the number of shares which shall initially constitute such series and the stated value thereof if different from the par value thereof;
- (ii) Whether the shares of such series shall have voting rights, in addition to any voting rights provided by law, and, if so, the terms of such voting rights, which may be special, conditional or limited or no voting rights except as required by law;
- (iii) The rate or rates and the time or times at which dividends and other distributions on the shares of such series shall be paid, the relationship or priority of such dividends to those payable on Common Stock or to other series of Preferred Stock, and whether or not any such dividends shall be cumulative;
- (iv) The amount payable on the shares of such series in the event of the voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, and the relative priorities, if any, to be accorded such payments in liquidation;
- (v) The terms and conditions upon which either the Corporation may exercise a right to redeem shares of such series or upon which the holder of such shares may exercise a right to require redemption of such shareholder's Preferred Stock, including any premiums or penalties applicable to exercise of such rights;
- (vi) Whether or not a sinking fund shall be created for the redemption of the shares of such series, and the terms and conditions of any such fund;
- (vii) Rights, if any, to convert any shares of such series, either into shares of Common Stock or into other series of Preferred Stock and the prices, premiums or penalties, ratios and other terms applicable to any such conversion;
- (viii) Restrictions on acquisition, rights of first refusal or other limitations on transfer as may be applicable to such series, including any series intended to be offered to a special class or group; and
- (ix) Any other relative rights, preferences, limitations, qualifications or restrictions on such series of Preferred Stock, including rights and remedies in the event of default in connection with dividends, other distributions or redemptions.

Section 3. Liquidation Rights. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of the shares of Common Stock shall be entitled, after payment or provision for payment of the debts and other liabilities of the Corporation and any preferential amounts to be distributed to holders of the Preferred Stock and any other class or series of stock then outstanding having a priority over the Common Stock, in the event of voluntary or involuntary liquidation, dissolution or winding up, to share ratably in the remaining net assets of the Corporation.

Section 4. Issuance of Shares. The Board of Directors has authority to authorize and direct the issuance by the Corporation of shares of Preferred Stock and Common Stock at such times, in such amounts, to such persons, for such considerations

and upon such terms and conditions as it may, from time to time, determine upon, subject only to the restrictions, limitations, conditions and requirements imposed by the Corporation Law, other applicable law and these Articles of Incorporation, as the same may, from time to time, be amended.

Section 5. Distributions Upon Shares. The Board of Directors has authority to authorize and direct the payment of dividends and the making of other distributions by the Corporation in respect of the issued and outstanding shares of Preferred Stock and Common Stock (i) at such times, in such amount and forms, from such sources and upon such terms and conditions as it may, from time to time, determine upon, subject only to the restrictions, limitations, conditions and requirements imposed by the Corporation Law, other applicable law and these Articles of Incorporation, as the same may, from time to time, be amended; and (ii) in shares of the same class or series or in shares of any other class or series without obtaining the affirmative vote or the written consent of the holders of the shares of the class or series in which the payment or distribution is to be made.

Section 6. Acquisition of Shares. The Board of Directors has authority to authorize and direct the acquisition by the Corporation of the issued and outstanding shares of Preferred Stock and Common Stock at such times, in such amounts, from such persons, for such consideration, from such sources, and upon such terms and conditions as it may, from time to time, determine upon, subject only to the restrictions, limitations, conditions and requirements imposed by the Corporation Law, other applicable law and these Articles of Incorporation, as the same may, from time to time, be amended.

Section 7. No Pre-emptive Rights. The holders of the Common Stock and the holders of any series of the Preferred Stock shall have no pre-emptive rights to subscribe to or purchase any shares of Common Stock, Preferred Stock, or other securities of the Corporation.

Section 8. Record Ownership of Shares or Rights. The Corporation, to the extent permitted by law, shall be entitled to treat the person in whose name any share or right of the Corporation is registered on the books of the Corporation as the owner thereof for all purposes, and shall not be bound to recognize any equitable or any other claim to, or interest in, such share or right on the part of any other person, whether or not the Corporation shall have notice thereof.

ARTICLE VI.

Voting Rights of Shares

The shares of the Corporation shall have the following voting rights.

Section 1. Common Stock. Except as otherwise provided by the Corporation Law or by these Articles, the record holder of each authorized, issued and outstanding share of Common Stock shall be entitled to one (1) vote for each such share on all matters submitted to shareholders for a vote.

Section 2. Preferred Stock. Except as specifically provided in the Corporation Law, holders of outstanding shares of Preferred Stock of any series shall have such voting rights, if any, as provided in the amendment or amendments to these Articles of Incorporation determining the terms of such series of Preferred Stock.

ARTICLE VII.

Directors

Section 1. Number. The number of directors may be fixed from time to time by the By-Laws of the Corporation at any number not less than three (3). In the absence of a by-law fixing the number of directors, the number shall be nine (9).

Section 2. Qualification. Directors shall be American citizens and may, but need not be, shareholders of the Corporation.

Section 3. Staggered Terms. If there are nine (9) or more directors, the By-Laws of the Corporation may provide for staggering their terms by dividing the total number of directors into two (2) or three (3) groups, with each group containing one-half (1/2) or one-third (1/3) of the total, as near as may be.

Section 4. Removal of Directors. At any meeting of shareholders of the Corporation called for the purpose of removing directors, the shareholders may remove any director for cause, by a majority vote of shares entitled to vote, and may remove any director without cause by a seventy-five percent (75%) vote of shares entitled to vote. Record holders of outstanding shares of Common Stock and Preferred Stock of the Corporation may only vote in respect to the removal of directors elected by said class of stock.

ARTICLE VIII.

Provisions for Regulation of Business and Conduct of Affairs of Corporation

Section 1. Meetings of Shareholders. Meetings of the shareholders of the Corporation shall be held at such place, within or without the State of Indiana, as may be specified in the By-Laws of the Corporation or in the respective notices or waivers of notice thereof. Any action required or permitted to be taken at a meeting of the shareholders may be taken without a meeting if a consent in writing setting forth the action so taken is signed by all of the shareholders entitled to vote with respect thereto and such written consent is filed with the minutes of the proceedings of the shareholders.

Section 2. Meetings of Directors. Meetings of the directors of the Corporation shall be held at such place, within or without the State of Indiana, as may be specified in the By-Laws of the Corporation or in the respective notices, or waivers of notice, thereof. Any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if a consent in writing setting forth the action so taken is signed by all members of the Board or of such committee, as the case may be, and such written consent is filed with the minutes of the proceedings of such Board or committee.

Section 3. By-Laws. Except as otherwise expressly provided by the Corporation Law or these Articles of Incorporation, the By-Laws of the Corporation may from time to time be amended or repealed, or new By-Laws may be adopted, by either (i) the Board of Directors if such amendment, repeal or adoption is approved by the affirmative vote of at least a majority of the entire Board of Directors; or (ii) the affirmative vote, at a meeting of the shareholders of the Corporation for which the meeting notice designates that making, amending or repealing provisions of the By-Laws is to be considered, of at least a majority of the votes entitled to be cast by the holders of the outstanding shares of all classes of stock of the Corporation entitled to vote generally in the election of directors, considered for purposes of this Article VIII, Section 3 as a single voting group.

Section 4. Special Transactions. The affirmative vote of the holders of not less than three-fourths (3/4) of all outstanding shares of Common Stock of this Corporation shall be required for the approval of any proposal that (1) this Corporation merge or consolidate with any other corporation or entity if such other corporation or entity or any of its affiliates, singly or in the aggregate, are directly or indirectly the beneficial owners of more than five percent (5%) of the total outstanding shares of Common Stock of this Corporation (such other corporation or entity being herein referred to as the "Related Corporation"); or that (2) this Corporation sell or exchange all or substantially all of its assets or business to or with such Related Corporation; or that (3) this Corporation issue or deliver any stock or other securities of its issue in exchange or payment for any properties or assets of such Related Corporation or securities issued by such Related Corporation; or (4) involves a merger of any affiliate of this Corporation with or into such Related Corporation or any of its affiliates, and to effect such transaction the approval of shareholders of this Corporation is required by law; or (5) this Corporation be merged or consolidated into a subsidiary which does not have in its Articles of Incorporation the provisions contained in this Section 7; provided, however, that the foregoing shall not apply to any such merger, consolidation, sale or exchange, or issuance or delivery of stock or other securities which was (i) approved by resolution of the Board of Directors adopted by the affirmative vote of not less than two-thirds (2/3) of the then authorized number of directors; or (ii) approved by resolution of the Board of Directors prior to the acquisition of the beneficial ownership of more than five percent (5%) of the total voting power of all outstanding shares of the voting stock of the Corporation by such Related Corporation and its affiliates.

For the purposes hereof, an "affiliate" is any person (including a corporation, partnership, trust, estate or individual) who directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified; "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract or otherwise; and in computing the percentage of outstanding Common Stock beneficially owned by any person the shares outstanding and the shares owned shall be determined as of the record date fixed to determine the stockholders entitled to vote or express consent with respect to such proposal. The shareholder vote, if any, required for mergers, consolidation, sales or exchanges of assets or issuances of stock or other securities not expressly provided for in this Article, shall be such as may be required by the Corporation Law.

Section 5. Amendment of Articles of Incorporation. The Corporation reserves the right to increase or decrease the number of its authorized shares, or any class or series thereof, and to reclassify the same, and to amend, alter, change or repeal any provisions contained in these Articles of Incorporation or in any amendment hereto, or to add any provision to the Articles of Incorporation or to any amendment hereto, in the manner now or hereafter prescribed or permitted by the Corporation Law or any other applicable laws, and all rights and powers conferred upon shareholders in these Articles of Incorporation, or any amendment hereto, are granted subject to this reservation. Notwithstanding the foregoing, however, Article VII and Sections 3 and 4 of Article VIII hereof may not be amended or appealed in any respect unless such repeal or amendment is approved by the affirmative vote of three-fourths (3/4) of the outstanding shares of Common Stock.

AMENDED AND RESTATED

BY-LAWS

OF

HURCO COMPANIES, INC.

AS AMENDED THROUGH MARCH 15, 2024

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BY-LAWS

OF

HURCO COMPANIES, INC.

ARTICLE I

Identification

Section 1. Name. The name of the Corporation is HURCO COMPANIES, INC. (hereinafter referred to as the "Corporation").

Section 2. Registered Office and Registered Agent. The street address of the Registered Office of the Corporation is One Technology Way, Indianapolis, Indiana 46268; and the name of its Registered Agent located at such office is Sonja McClelland.

Section 3. Principal Office. The address of the Principal Office of the Corporation is One Technology Way, Indianapolis, Indiana 46268. The Principal Office of the Corporation shall be the principal executive offices of the Corporation, and such Principal Office may be changed from time to time by the Board of Directors in the manner provided by law and need not be the same as the Registered Office of the Corporation.

Section 4. Other Offices. The Corporation may also have offices at such other places or locations, within or without the State of Indiana, as the Board of Directors may determine or the business of the Corporation may require.

Section 5. Seal. The Corporation need not use a seal. If one is used, it shall be circular in form and mounted upon a metal die suitable for impressing the same upon paper. About the upper periphery of the seal shall appear the words "HURCO COMPANIES, INC." and about the lower periphery thereof the word "Indiana". In the center of the seal shall appear the word "Seal". The seal may be altered by the Board of Directors at its pleasure and may be used by causing it or a facsimile thereof to be impressed, affixed, printed or otherwise reproduced.

Section 6. Fiscal Year. The fiscal year of the Corporation shall begin at the beginning of the first day of November in each year and end at the close of the last day of October next succeeding.

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ARTICLE II

Shareholders

Section 1. Place of Meetings and Participation in Meetings by Remote Communication. All meetings of shareholders of the Corporation shall be held at such place, if any, within or without the State of Indiana, as may be determined by the Chief Executive Officer, the President or Board of Directors and specified in the notices or waivers of notice thereof or proxies to represent shareholders at such meetings. The Board of Directors, acting in its sole discretion, may establish guidelines and procedures in accordance with applicable provisions of the Indiana Business Corporation Law, as then in effect and as amended from time to time, and any other applicable law for the participation by shareholders in a meeting of shareholders by means of remote communication, and may determine that any meeting of shareholders will not be held at any place but will instead be held solely by means of remote communication. Shareholders complying with such procedures and guidelines and otherwise entitled to vote at a meeting of shareholders shall be deemed present in person and entitled to vote at the meeting of shareholders, whether such meeting is to be held at a designated place or solely by means of remote communication.

Section 2. Annual Meetings. An annual meeting of shareholders shall be held each year on such date and at such time as may be determined by the Chief Executive Officer, the President or Board of Directors. The failure to hold an annual meeting at the designated time shall not affect the validity of any corporate action. Any and all business of any nature or character may be transacted, and action may be taken thereon, at any annual meeting, except as otherwise provided by law or by these By-laws.

Section 3. Special Meetings. A special meeting of shareholders shall be held: (a) on call of the Board of Directors, the Chief Executive Officer or the President; or (b) if the holders of a majority of all the votes entitled to be cast on any issue proposed to be considered at the proposed special meeting sign, date and deliver to the Secretary one (1) or more written demands for the meeting describing the purpose or purposes for which it is to be held. At any special meeting of the shareholders, only business within the purpose or purposes described in the notice of the meeting may be conducted.

Section 4. Notice of Meeting. Written or electronic notice stating the date, time and place, if any, of a meeting, the means of remote communication, if any, by which shareholders may be deemed to be present in person and vote at such meeting, and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be given by the Corporation to each shareholder of record of the Corporation entitled to vote at the meeting, at such address as appears upon the records of the Corporation, no fewer than ten (10) days nor more than sixty (60) days, before the meeting date. If mailed, such notice shall be effective when mailed if correctly addressed to the shareholder's address shown in the Corporation's current record of shareholders.

Section 5. Waiver of Notice. A shareholder may waive any notice required by law, the Articles of Incorporation or these By-laws before or after the date and time stated in the notice. The waiver by the shareholder entitled to the notice must be in writing and be delivered to the Corporation for inclusion in the minutes or filing with the corporate records. A shareholder's attendance at a meeting, in person or by proxy, or participation in a meeting by remote communication in accordance with the Indiana Business Corporation Law, as then in effect and as amended from time to time, and these By-laws: (a) waives objection to lack of notice or defective notice of the meeting, unless the shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting; and (b) waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the shareholder objects to considering the matter when it is presented.

Section 6. Voting at Meetings.

(a) **Voting Rights.** At each meeting of the shareholders, each outstanding share, regardless of class, is entitled to one (1) vote on each matter voted on at such meeting, except to the extent cumulative voting is allowed by the Articles of Incorporation. Only shares are entitled to vote.

(b) **Record Date.** The record date for purposes of determining shareholders entitled to vote at any meeting shall be ten (10) days prior to the date of such meeting or such different date not more than seventy (70) days prior to such meeting as may be fixed by the Board of Directors.

(c) **Proxies.**

(1) A shareholder may vote the shareholder's shares in person or by proxy.

(2) A shareholder may appoint a proxy to vote or otherwise act for the shareholder by executing in writing an appointment form, either personally or by the shareholder's attorney-in-fact. For purposes of this Section, a proxy appointed by telegram, telex, telecopy or other document transmitted electronically for or by a shareholder shall be deemed "executed in writing" by the shareholder.

(3) An appointment of a proxy is effective when received by the Secretary or other officer or agent authorized to tabulate votes. An appointment is valid for eleven (11) months, unless a longer period is expressly provided in the appointment form.

(4) An appointment of a proxy is revocable by the shareholder, unless the appointment form conspicuously states that is irrevocable and the appointment is coupled with an interest.

(5) Any shareholder directly or indirectly soliciting proxies from other shareholders must use a proxy card color other than white, which shall be reserved for the exclusive use by the Board of Directors.

(d) **Quorum.** At all meetings of shareholders, a majority of the votes entitled to be cast on a particular matter constitutes a quorum on that matter. If a quorum exists, action on a matter (other than the election of directors) is approved if the votes cast favoring the action exceed the votes cast opposing the action, unless the Articles of Incorporation or law require a greater number of affirmative votes.

(e) **Adjournments.** Any meeting of shareholders, including both annual and special meetings and any adjournments thereof, may be adjourned to a different date, time or place. Notice need not be given of the new date, time or place, if any, if the new date, time or place and the means of remote communication, if any, by which shareholders may be deemed to be present in person and vote at such meeting are announced at the meeting before adjournment, even though less than a quorum is present. At any such adjourned meeting at which a quorum is present, in person or by proxy, any business may be transacted which might have been transacted at the meeting as originally notified or called.

Section 7. List of Shareholders.

(a) After a record date has been fixed for a meeting of shareholders, the Secretary shall prepare or cause to be prepared an alphabetical list of the names of the shareholders of the Corporation who are entitled to vote at such meeting. The list shall show the address of and number of shares held by each shareholder.

(b) The shareholders' list must be available for inspection by any shareholder entitled to vote at the meeting, beginning five (5) business days before the date of the meeting for which the list was prepared and continuing through the meeting, at the Corporation's principal office or at a place identified in the meeting notice in the city where the meeting will be held. Subject to the restrictions of applicable law, a shareholder, or the shareholder's agent or attorney authorized in writing, is entitled on written demand to inspect and to copy the list during regular business hours and at the shareholder's expense, during the period it is available for inspection.

(c) The Corporation shall make the shareholders' list available at the meeting, and any shareholder, or the shareholder's agent or attorney authorized in writing, is entitled to inspect the list at any time during the meeting or any adjournment. If the meeting is held solely by means of remote communication, the list shall be open to examination by any shareholder at any time during the meeting on a reasonably accessible electronic network, and information required to access this list shall be provided with the notice of the meeting.

Section 8. Notice of Shareholder Business. At an annual meeting of the shareholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (c) otherwise properly brought before the meeting by a shareholder. For business to be properly brought before an annual meeting by a shareholder, the shareholder must have the legal right and authority to make the proposal for consideration at the meeting and the shareholder must have given timely notice in writing to the Secretary of the Corporation. To be timely, a shareholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation, not less than 60 days prior to the meeting; provided, however, that in the event that less than 70 days' notice or prior public disclosure of the date of the meeting is given or made to shareholders, notice by the shareholder to be timely must be so received not later than the close of business on the 10th day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made. A shareholder's notice to the Secretary shall set forth as to each matter the shareholder proposes to bring before the annual meeting (a) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (b) the name and record address of the shareholder(s) proposing such business, (c) the class and shares or number of the Corporation's capital stock which are beneficially owned by such shareholder(s), and (d) any material interest of such shareholder(s) in such business. Notwithstanding anything in these By-Laws to the contrary, no business shall be conducted at an annual meeting except in accordance with the procedures set forth in this Section 8. The Chairman of an annual meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting and in accordance with the provisions of this Section 8, and if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted. At any special meeting of the shareholders, only such business shall be conducted as shall have been brought before the meeting by or at the direction of the Board of Directors.

Section 9. Notice of Shareholder Nominees. Only persons who are nominated in accordance with the procedures set forth in this Section 9 shall be eligible for election as Directors. Nominations of persons for election to the Board of Directors may be made at a meeting of shareholders by or at the direction of the Board of Directors, by any nominating committee or person appointed by the Board of Directors or by any shareholder of the Corporation entitled to vote for the election of Directors at the meeting who complies with the notice procedures set forth in this Section 9. Such nominations, other than those made by or at the direction of the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely, a shareholder's notice shall be delivered to or mailed and received at the principal executive offices of the Corporation not less than 60 days prior to the meeting; provided, however, that in the event that less than 70 days' notice or prior public disclosure of the date of the meeting is given or made to shareholders, notice by the shareholders to be timely must be so received not later than the close of business on the 10th day following the date on which such notice of the date of the meeting was mailed or such public disclosure was made. Such shareholder's notice shall set forth (a) as to each person whom the shareholder proposes to nominate for election or re-election as a Director, (i) the name, age, business address and residence address of such person; (ii) the principal occupation or employment of such person, (iii) the class and number of shares of capital stock of the Corporation which are beneficially owned by such person, and (iv) any other information relating to such person that is required to be disclosed in solicitations of proxies for election of Directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange act of 1934, as

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amended (the "Exchange Act") (including without limitation such person's written consent to being named in any proxy materials as a nominee and to serving as a Director if elected); and (b) as to the shareholder giving the notice (i) the name and record address of such shareholder and (ii) the class and number of shares of capital stock of the Corporation which are beneficially owned by such shareholder. A shareholder who intends to solicit proxies in support of Director nominees other than the Corporation's Director nominees and who has delivered a notice of nomination pursuant to this Section 9 shall promptly certify to the Corporation, and notify the Corporation in writing, that it has complied with or will comply with the requirements of Rule 14a-19 under the Exchange Act, and upon request of the Corporation, shall, not later than five business days prior to the date of the applicable meeting of shareholders, deliver to the Corporation reasonable evidence of such compliance. No person shall be eligible for election as a Director of the Corporation unless nominated in accordance with the procedures set forth in this Section 9. Notwithstanding the foregoing provisions of this Section 9, a shareholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder (including Rule 14a-19) with respect to the matters set forth in this Section 9.

The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not so declared in accordance with the procedures prescribed by these By-Laws, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded. Unless otherwise required by law, if any shareholder (A) provides notice pursuant to Rule 14a-19 under the Exchange Act and (B) subsequently (1) notifies the Corporation that such shareholder no longer intends to solicit proxies in support of Director nominees other than the Corporation's Director nominees in accordance with Rule 14a-19, (2) fails to comply with the requirements of Rule 14a-19, or (3) fails to provide reasonable evidence sufficient to satisfy the Corporation that such requirements have been met, then such shareholder's nominations shall be deemed null and void and the Corporation shall disregard any proxies or votes solicited for any Director nominee proposed by such shareholder.

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ARTICLE III

Directors

Section 1. Duties. The business, property and affairs of the Corporation shall be managed and controlled by the Board of Directors and, subject to such restrictions, if any, as may be imposed by law, the Articles of Incorporation or by these By-laws, the Board of Directors may, and are fully authorized to, do all such lawful acts and things as may be done by the Corporation which are not directed or required to be exercised or done by the shareholders. Directors need not be residents of the State of Indiana or shareholders of the Corporation.

Section 2. Number of Directors. The Board of Directors shall consist of nine (9) members, which number may be increased or reduced from time to time by resolution adopted by not less than a majority of the Directors then in office; provided that no reduction in number shall have the effect of shortening the term of any incumbent Director.

Section 3. Election and Term. Except as otherwise provided in Section 5 of this Article, the directors shall be elected each year at the annual meeting of the shareholders, or at any special meeting of the shareholders. Each such director shall hold office, unless he is removed in accordance with the provisions of these By-laws or he resigns or dies or becomes so incapacitated he can no longer perform any of his duties as a director, for the term for which he is elected and until his successor shall have been elected and qualified. Each director shall qualify by accepting his election to office either expressly or by acting as a director. The shareholders or directors may remove any director, with or without cause, and elect a successor at a meeting called expressly for such purpose.

Each director shall be elected by a plurality of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present. If, as of the record date for such meeting, the number of director nominees to be considered at the meeting does not exceed the number of directors to be elected, then if a nominee for director who is an incumbent director does not receive more "for" votes than "withhold" votes with respect to his or her election, such director shall promptly tender his or her resignation to the Board of Directors, subject to acceptance by the Board of Directors. The Nominating and Governance Committee shall make a recommendation to the Board of Directors on whether to accept or reject the tendered resignation, or whether other action should be taken. The Board of Directors, taking into account the recommendation of the Nominating and Governance Committee, shall, within 90 days of the certification of the shareholder director election at issue, determine the appropriate responsive action with respect to the tendered resignation. Promptly after the Board of Directors takes action on a resignation tendered under this Section, the Corporation shall issue a press release regarding the Board of Directors' response thereto. The Nominating and Governance Committee, in making its recommendation, and the Board of Directors, in making its decision, may each consider any factors or other recommendations that it considers relevant and appropriate. The incumbent director who tenders his or her resignation shall not participate in the Nominating and Governance Committee's recommendation, or the Board of Director's decision, with respect to that director. If the resignation is not accepted, such director shall continue to serve until the next annual meeting of shareholders and until his or her successor has been elected and qualified, or unless he or she is removed or he or she resigns or dies or becomes so incapacitated he or she can no longer perform any of his or her duties as a director. If the resignation is accepted, the Board of Directors may decide to fill any resulting vacancy or decrease the number of directors.

Section 4. Resignation. Any director may resign at any time by delivering written notice to the Board of Directors, the Chief Executive Officer, the President, or the Secretary of the Corporation. A resignation is effective when the notice is delivered unless the notice specifies a later effective date and except for resignations tendered under Section 3 of this Article. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation and except for resignations tendered pursuant to Section 3 of this Article.

Section 5. Vacancies. Vacancies occurring in the membership of the Board of Directors caused by resignation, death or other incapacity, or increase in the number of directors shall be filled by a majority vote of the remaining members of the Board, and each director so elected shall serve until the next meeting of the shareholders, or until a successor shall have been duly elected and qualified.

Section 6. Annual Meetings. The Board of Directors shall meet annually, without notice, immediately following, and at the same place as, the annual meeting of the shareholders.

Section 7. Regular Meetings. Regular meetings shall be held at such times and places, either within or without the State of Indiana, as may be determined by the Chairman of the Board, the Chief Executive Officer, the President or a majority of the Board of Directors.

Section 8. Special Meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board, the Chief Executive Officer, the President or by two (2) or more members of the Board of Directors, at any place within or without the State of Indiana, upon twenty-four (24) hours' notice, specifying the time, place and general purposes of the meeting, given to each director personally, by telephone, telegraph, teletype, or other form of wire or wireless communication; or notice may be given by mail if mailed at least three (3) days before such meeting.

Section 9. Notice. The Secretary or an Assistant Secretary shall give notice of each special meeting, and of the date, time and place of the particular meeting, in person or by mail, or by telephone, telegraph, teletype, or other form of wire or wireless communication, and in the event of the absence of the Secretary or an Assistant Secretary or the failure, inability, refusal or omission on the part of the Secretary or an Assistant Secretary so to do, any other officer of the Corporation may give said notice.

Section 10. Waiver of Notice. A director may waive any notice required by law, the Articles of Incorporation, or these By-laws before or after the date and time stated in the notice. Except as otherwise provided in this Section, the waiver by the director must be in writing, signed by the director entitled to the notice, and included in the minutes or filed with the corporate records. A director's attendance at or participation in a meeting waives any required notice to the director of the meeting unless the director at the beginning of the meeting (or promptly upon the director's arrival) objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

Section 11. Business to be Transacted. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or any waiver of notice of such meeting. Any and all business of any nature or character whatsoever may be transacted and action may be taken thereon at any meeting, regular or special, of the Board of Directors.

Section 12. Quorum — Adjournment if Quorum is Not Present. A majority of the number of directors fixed by, or in the manner provided in, the Articles of Incorporation or these By-laws shall constitute a quorum for the transaction of any and all business, unless a greater number is required by law or Articles of Incorporation or these By-laws. At any meeting, regular or special, of the Board of Directors, if there be less than a quorum present, a majority of those present, or if only one director be present, then such director, may adjourn the meeting from time to time without notice until the transaction of any and all business submitted or proposed to be submitted to such meeting or any adjournment thereof shall have been completed. In the event of such adjournment, written, telegraphic or telephonic announcement of the time and place at which the meeting will reconvene must be provided to all directors. The act of the majority of the directors present at any meeting of the Board of Directors at which a quorum is present shall constitute the act of the Board of Directors, unless the act of a greater number is required by law or the Articles of Incorporation or these By-laws.

Section 13. Presumption of Assent. A director of the Corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent or abstention shall be entered in the minutes of the meeting or unless he shall file his written dissent or abstention to such action with the presiding officer of the meeting before the adjournment thereof or to the Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent or abstain shall not apply to a director who voted in favor of such action.

Section 14. Action by Written Consent. Any action required or permitted to be taken at a meeting of the Board of Directors or any committee thereof may be taken without a meeting if the action is taken by all the members of the Board of Directors or committee, as the case may be. The action must be evidenced by one or more written consents describing the action taken, signed by each director or

committee member, and included in the minutes or filed with the corporate records reflecting the action taken. Such action is effective when the last director or committee member signs the consent, unless the consent specifies a different prior or subsequent effective date. Such consent shall have the same force and effect as a unanimous vote at a meeting, and may be described as such in any document or instrument.

Section 15. Committees. The Board of Directors, by resolution adopted by a majority of the Board of Directors, may designate from among its members an executive committee and one or more other committees, each of which, to the extent provided in such resolution or in the Articles of Incorporation or in these By-laws of the Corporation, shall have and may exercise such authority of the Board of Directors as shall be expressly delegated by the Board from time to time; except that no such committee shall have the authority of the Board of Directors in reference to (a) amending the Articles of Incorporation; (b) approving a plan of merger even if the plan does not require shareholder approval; (c) authorizing dividends or distributions, except a committee may authorize or approve a reacquisition of shares, if done according to a formula or method prescribed by the Board of Directors; (d) approving or proposing to shareholders action that requires shareholder approval; (e) amending, altering or repealing the By-laws of the Corporation or adopting new By-laws for the Corporation; (f) filling vacancies in the Board of Directors or in any of its committees; or (g) electing or removing officers or members of any such committee. A majority of all the members of any such committee may determine its action and fix the time and place of its meetings, unless the Board of Directors shall otherwise provide. The Board of Directors shall have power at any time to change the number and members of any such committee, to fill vacancies and to discharge any such committee. The designation of such committee and the delegation thereto of authority shall not alone constitute compliance by the Board of Directors, or any member thereof, with the standard of conduct imposed upon it or him by the Indiana Business Corporation Law, as the same may, from time to time, be amended.

Section 16. Meeting by Telephone or Similar Communication Equipment. Any or all directors may participate in and hold a regular or special meeting of the Board of Directors or any committee thereof by, or through the use of, any means of conference telephone or other similar communications equipment by which all directors participating in the meeting may simultaneously hear each other during the meeting. Participation in a meeting pursuant to this Section shall constitute presence in person at such meeting, except where a director participates in the meeting for the express purpose of objecting to holding the meeting or transacting business at the meeting on the ground that the meeting is not lawfully called or convened.

Section 17. Chairman of the Board. The Chairman of the Board, who may be an officer of the Corporation or may be a non-executive Chairman of the Board as determined by the Board of Directors, shall, if present, preside at all meetings of the shareholders and the Board of Directors and shall have such powers and perform such duties as are assigned to him or her by the Board of Directors. The Chairman of the Board shall be elected by the Board of Directors and shall be a member of the Board of Directors.

ARTICLE IV

Officers

Section 1. Principal Officers. The officers of the Corporation shall be chosen by the Board of Directors and shall consist of a Chief Executive Officer, a President, a Treasurer and a Secretary. There may also be one or more Vice Presidents, a Controller, and such other officers or assistant officers as the Board shall from time to time create and so elect. Any two (2) or more offices may be held by the same person.

Section 2. Election and Terms. Each officer shall be elected by the Board of Directors at the annual meeting thereof and shall hold office until the next annual meeting of the Board or until his or her successor shall have been elected and qualified or until his or her death,

resignation or removal. The election of an officer shall not of itself create contract rights.

Section 3. Resignation and Removal. An officer may resign at any time by delivering notice to the Board of Directors, its Chairman, the Chief Executive Officer or the Secretary of the Corporation. A resignation is effective when the notice is delivered unless the notice specifies a later effective date. If an officer's resignation is made effective at a later date and the Corporation accepts the future effective date, the Board of Directors may fill the pending vacancy before the effective date, if the Board of Directors provides that the successor does not take office until the effective date. The acceptance of a resignation shall not be necessary to make it effective, unless expressly provided in the resignation. An officer's resignation does not affect the Corporation's contract rights, if any, with the officer. Any officer may be removed at any time, with or without cause, by vote of a majority of the whole Board. Such removal shall not affect the contract rights, if any, of the officer so removed.

Section 4. Vacancies. Whenever any vacancy shall occur in any office by death, resignation, increase in the number of officers of the Corporation, or otherwise, the same shall be filled by the Board of Directors, and the officer so elected shall hold office until the next annual meeting of the Board or until his or her successor shall have been elected and qualified.

Section 5. Powers and Duties of Officers. The officers so chosen shall perform the duties and exercise the powers expressly conferred or provided for in these By-laws, as well as the usual duties and powers incident to such office, respectively, and such other duties and powers as may be assigned to them by the Board of Directors, the Chief Executive Officer or the President.

Section 6. Chief Executive Officer. The Chief Executive Officer shall have charge of and supervision and authority over all of the affairs, business and operations of the Corporation in the ordinary course of its business, with all such duties, powers and authority with respect to such affairs, business and operations as may be reasonably incident to such responsibilities. He shall have general supervision of and direct all officers, agents and employees of the Corporation and shall see that all orders and resolutions of the Board are carried into effect. He shall have the authority to sign all deeds, bonds, mortgages, contracts, notes and other instruments on behalf of the Corporation (except in cases where the signing and execution thereof shall be expressly delegated by the Board or by these By-laws, or by law to some other officer or agent of the Corporation). The Chief Executive Officer shall have such other duties as the Board may from time to time prescribe.

Section 7. The President. The President shall exercise the powers and perform the duties which ordinarily appertain to such office and shall manage and operate the business and affairs of the Corporation in conformity with the policies established by, or delegation from, the Board of Directors and the Chief Executive Officer. He shall have the authority to sign all deeds, mortgages, bonds, contracts, notes and other instruments on behalf of the Corporation (except in cases where the signing and execution thereof shall be expressly delegated by the Board or by these By-laws or by law to some other officer or agent of the Corporation).

Section 8. Vice Presidents. The Vice Presidents shall assist the President and shall perform such duties as may be assigned to them by the Board of Directors, the Chief Executive Officer or the President.

Section 9. Secretary. The Secretary shall (a) record all the proceedings of the meetings of the shareholders and Board of Directors in books to be kept for such purposes; (b) cause all notices to be duly given in accordance with the provisions of these Bylaws and as required by statute; (c) be custodian of the seal of the Corporation, and cause such seal to be affixed to all certificates representing shares of the Corporation prior to the issuance thereof and to all instruments the execution of which on behalf of the Corporation under its seal shall have been duly authorized in accordance with these Bylaws; (d) sign certificates representing shares of the Corporation the issuance of which shall have been authorized by the Board of Directors; and (e) in general, perform all duties incident to the office of Secretary and such other duties as are given to the Secretary by these Bylaws or as may be assigned to him or her by the Chairman of the Board, the Chief Executive Officer, the President or the Board of Directors.

Section 10. Treasurer. The Treasurer shall have custody of all the funds and securities of the Corporation which come into his hands. When necessary or proper, he may endorse on behalf of the Corporation, for collection, checks, notes and other obligations, and shall deposit the same to the credit of the Corporation in such banks or depositories as shall be selected or designated by or in the manner prescribed by the Board of Directors. He may sign all receipts and vouchers for payments made to the Corporation, either alone or jointly with such officer as may be designated by the Board of Directors. Whenever required by the Board of Directors, he shall render a statement of his cash account. He shall enter or cause to be entered, punctually and regularly, on the books of the Corporation, to be kept by him or under his supervision or direction for that purpose, full and accurate accounts of all moneys received and paid out by, for or on account of the Corporation. He shall at all reasonable times exhibit his books and accounts and other financial records to any director of the Corporation during business hours. He shall have such other powers and duties as may be conferred upon or assigned to him by the Board of Directors. The Treasurer shall perform all acts incident to the position of Treasurer, subject always to the control of the Board of Directors. He shall, if required by the Board of Directors, give such bond for the faithful discharge of his duties in such form and amount as the Board of Directors may require.

Section 11. The Controller. The Controller shall keep full and accurate accounts of all assets, liabilities, commitments, receipts, disbursements, and other financial transactions of the Corporation and its subsidiaries in books belonging to the Corporation; shall cause audits of such books and records to be made at regular intervals as required by law and in accordance with guidelines established by the Audit Committee of the Board of Directors; shall see that all expenditures are made in accordance with procedures duly established, from time to time by the Corporation; shall prepare financial statements for the Corporation and its subsidiaries at regular intervals as required by law or at the request of the Board of Directors, the Chairman, the Chief Executive Officer, the President or the Vice President, Finance; and, in general shall perform all the duties ordinarily connected with the office of Controller and such other duties as, from time to time, may be assigned to him by the Board of Directors, the Chairman, the Chief Executive Officer, the President or the Vice President, Finance.

Section 12. Assistant Secretaries. The Assistant Secretaries shall assist the Secretary in the performance of his or her duties. In the absence of the Secretary, any Assistant Secretary shall exercise the powers and perform the duties of the Secretary. The Assistant Secretaries shall exercise such other powers and perform such other duties as may from time to time be assigned to them by the Board, the Chief Executive Officer, the President, or the Secretary.

Section 13. Assistant Treasurers. The Assistant Treasurers shall assist the Treasurer in the performance of his or her duties. Any Assistant Treasurer shall, in the absence or disability of the Treasurer, exercise the powers and perform the duties of the Treasurer. The Assistant Treasurers shall exercise such other duties as may from time to time be assigned to them by the Board, the Chief Executive Officer, the President, or the Treasurer.

Section 14. Delegation of Authority. In case of the absence of any officer of the Corporation, or for any reason that the Board may deem sufficient, a majority of the entire Board may transfer or delegate the powers or duties of any officer to any other officer or officers for such length of time as the Board may determine.

Section 15. Securities of Other Corporations. The Chief Executive Officer, the President or any Vice President or Secretary or Treasurer of the Corporation shall have power and authority to transfer, endorse for transfer, vote, consent or take any other action with respect to any securities of another issuer which may be held or owned by the Corporation and to make, execute and deliver any waiver, proxy or consent with respect to any such securities.

Section 1. Services. No director of this Corporation who is not an officer or employee of this Corporation shall be required to devote his time or any particular portion of his time or render services or any particular services exclusively to this Corporation. Every director of this Corporation shall be entirely free to engage, participate and invest in any and all such businesses, enterprises and activities, either similar or dissimilar to the business, enterprise and activities of this Corporation, without breach of duty to this Corporation or to its shareholders and without accountability or liability to this Corporation or to its shareholders.

Every director of this Corporation shall be entirely free to act for, serve and represent any other corporation, any entity or any person, in any capacity, and be or become a director or officer, or both, of any other corporation or any entity, irrespective of whether or not the business, purposes, enterprises and activities, or any of them thereof, be similar or dissimilar to the business, purposes, enterprises and activities, or any of them, of this Corporation, without breach of duty to this Corporation or to its shareholders and without accountability or liability of any character or description to this Corporation or to its shareholders.

Section 2. General Limitation of Liability. A director shall, based on facts then known to the director, discharge the duties as a director, including the director's duties as a member of a committee, in good faith, with the care an ordinarily prudent person in a like position would exercise under similar circumstances, and in a manner the director reasonably believes to be in the best interests of the Corporation. A director is not liable to the Corporation for any action taken as a director, or any failure to take any action, unless: (a) the director has breached or failed to perform the duties of the director's office in accordance with the standard of care set forth above; and (b) the breach or failure to perform constitutes willful misconduct or recklessness.

Section 3. Reliance on Corporate Records and Other Information. Any person acting as a director of the Corporation shall be fully protected, and shall be deemed to have complied with the standard of care set forth in Section 2 of this Article, in relying in good faith upon any information, opinions, reports or statements, including financial statements and other financial data, if prepared or presented by (a) one or more officers or employees of the Corporation whom such person reasonably believes to be reliable and competent in the matters presented; (b) legal counsel, public accountants, or other persons as to matters such person reasonably believes are within the person's professional or expert competence; or (c) a committee of the Board of Directors of which such person is not a member, if such person reasonably believes the committee merits confidence; provided, however, that such person shall not be considered to be acting in good faith if such person has knowledge concerning the matter in question that would cause such reliance to be unwarranted.

Section 4. Interest of Directors in Contracts. Any contract or other transaction between the Corporation and (a) any director, or (b) any corporation, unincorporated association, business trust, estate, partnership, trust, joint venture, individual or other legal entity (1) in which any director has a material financial interest or is a general partner, or (2) of which any director is a director, officer, or trustee, shall be valid for all purposes, if the material facts of the contract or transaction and the director's interest were disclosed or known to the Board of Directors, a committee of the Board of Directors with authority to act thereon, or the shareholders entitled to vote thereon, and the Board of Directors, such committee or such shareholders authorized, approved or ratified the contract or transaction. Such a contract or transaction is authorized, approved or ratified: (i) by the Board of Directors or such committee, if it receives the affirmative vote of a majority of the directors who have no interest in the contract or transaction, notwithstanding the fact that such majority may not constitute a quorum or a majority of the directors present at the meeting, and notwithstanding the presence or vote of any director who does have such an interest; provided, however, that no such contract or transaction may be authorized, approved or ratified by a single director; and (ii) by such shareholders, if it receives the vote of a majority of the shares entitled to be counted, in which vote

shares owned by or voted under the control of any director who, or of any corporation, unincorporated association, business trust, estate, partnership, trust, joint venture, individual or other legal entity that, has an interest in the contract or transaction may be counted; provided, however, that a majority of such shares, whether or not present, shall constitute a quorum for the purpose of authorizing, approving or ratifying such a contract or transaction. This Section shall not be construed to require authorization, ratification or approval by the shareholder of any such contract or transaction, or to invalidate any such contract or transaction that is fair to the Corporation or would otherwise be valid under the common and statutory law applicable thereto.

ARTICLE VI

Indemnification

Section 1. Indemnification Against Underlying Liability. The Corporation shall, to the fullest extent to which it is empowered to do so by the Corporation Law, or any other applicable law, as from time to time in effect, indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative and whether formal or informal, by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or who, while serving as such director, officer, employee or agent of the Corporation, is or was serving at the request of the Corporation as a director, officer, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust or other enterprise (collectively, "Agent") against expenses (including attorneys' fees), judgments, fines, penalties, court costs and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit, or proceeding by judgment, order, settlement (whether with or without court approval), conviction or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the Agent did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his conduct was unlawful. If several claims, issues or matters are involved, an Agent may be entitled to indemnification as to some matters even though he is not entitled as to other matters.

Section 2. Successful Defense. To the extent that an Agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 1 of this Article VI, or in defense of any claim, issue or matter therein, the Corporation shall indemnify such person against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

Section 3. Determination of Conduct. Subject to any rights under any contract between the Corporation and any Agent, any indemnification against underlying liability provided for in Section 1 of this Article VI (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the Agent is proper in the circumstances because he has met the applicable standard of conduct set forth in said Section. Such determination shall be made (1) by the Board of Directors by a majority vote of a quorum consisting of directors not at the time parties to such action, suit or proceeding; (2) if such an independent quorum cannot be obtained, by majority vote of a committee duly designated by the full Board of Directors (in which designation directors who are parties may participate), consisting solely of one or more directors not at the time parties to the action, suit or proceeding; (3) by special legal counsel (A) selected by the independent quorum of the Board of Directors (or the independent committee thereof if no such quorum can be obtained), or (B) if no such independent quorum or committee thereof can be obtained, selected by majority vote of the full Board of Directors (in which selection directors who are parties may participate); or (4) by the shareholders, but shares owned by or voted under the control of directors who are at the time parties to such action, suit or proceeding may not be voted on the determination. Notwithstanding the foregoing, an Agent shall be able to contest any determination that the Agent has not met the applicable standard of conduct by petitioning a court of appropriate jurisdiction.

Section 4. Definition of Good Faith. For purposes of any determination under Section 1 of this Article VI, a person shall be deemed to have acted in good faith and to have otherwise met the applicable standard of conduct set forth in Section 1 if his action is based on information, opinions, reports, or statements, including financial statements and other financial data, if prepared or presented by (1) one or more officers or employees of the Corporation or another enterprise whom he reasonably believes to be reliable and competent in the matters presented; (2) legal counsel, public accountants, appraisers or other persons as to matters he reasonably believes are within the person's professional or expert competence; or (3) a committee of the Board of Directors of the Corporation or another enterprise of which the person is not a member if he reasonably believes the committee merits confidence. The provisions of this Section 4 shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standards of conduct set forth in Section 1 of this Article VI.

Section 5. Payment of Expenses in Advance. Expenses incurred in connection with any civil, criminal, administrative or investigative action, suit or proceeding by an Agent who may be entitled to indemnification pursuant to Section 1 of this Article VI shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of a written affirmation by the Agent of his good faith belief that he has met the applicable standard of conduct set forth in Section 1 of this Article VI and upon receipt of a written undertaking by or on behalf of the Agent to repay such amount if it is ultimately determined that he is not entitled to be indemnified by the Corporation as authorized in this Article VI. Notwithstanding the foregoing, such expenses shall not be advanced if the Corporation conducts the determination of conduct procedure referred to in Section 3 of this Article VI and it is determined from the facts then known that the Agent will be precluded from indemnification against underlying liability because he has failed to meet the applicable standard of conduct set forth in Section 1 of this Article VI. The full Board of Directors (including directors who are parties) may authorize the Corporation to implement the determination of conduct procedure, but such procedure is not required for the advancement of expenses. The full Board of Directors (including directors who are parties) may authorize the Corporation to assume the Agent's defense where appropriate, rather than to advance expenses for such defense.

Section 6. Indemnity Not Exclusive. The indemnification against underlying liability, and advancement of expenses provided by, or granted pursuant to, this Article VI shall not be deemed exclusive of, and shall be subject to, any other rights to which those seeking indemnification or advancement of expenses may be entitled under the Corporation's Articles of Incorporation, these Bylaws, any resolution of the Board of Directors or shareholders, any other authorization, whenever adopted, after notice, by a majority vote of all voting shares then outstanding, or any contract, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be an Agent, and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 7. Vested Right to Indemnification. The right of any individual to indemnification under this Article shall vest at the time of occurrence or performance of any event, act or omission giving rise to any action, suit or proceeding of the nature referred to in Section 1 of this Article VI and, once vested, shall not later be impaired as a result of any amendment, repeal, alteration or other modification of any or all of these provisions. Notwithstanding the foregoing, the indemnification afforded under this Article shall be applicable to all alleged prior acts or omissions of any individual seeking indemnification hereunder, regardless of the fact that such alleged acts or omissions may have occurred prior to the adoption of this Article. To the extent such prior acts or omissions cannot be deemed to be covered by this Article VI, the right of any individual to indemnification shall be governed by the indemnification provisions in effect at the time of such prior acts or omissions.

Section 8. Insurance. The Corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was an Agent of the Corporation against any liability asserted against him or incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of this Article VI.

Section 9. Additional Definitions. For purposes of this Article VI references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to any employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries. A person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and

beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article VI.

Section 10. Payments a Business Expense. Any payments made to any indemnified party under this Article or under any other right to indemnification shall be deemed to be an ordinary and necessary business expense of the Corporation, and payment thereof shall not subject any person responsible for the payment, or the Board of Directors, to any action for corporate waste or to any similar action.

ARTICLE VII

Shares

Section 1. Share Certificates. The certificate for shares of the Corporation shall be in such form as shall be approved by the Board of Directors. Each share certificate shall state on its face the name and state of organization of the Corporation, the name of the person to whom the certificate is issued, and the number and class of shares the certificate represents. Share certificates shall be consecutively numbered and shall be entered in the books of the Corporation as they are issued. Every certificate for shares of the Corporation shall be signed (either manually or in facsimile) by, or in the name of, the Corporation by the Chief Executive Officer, the President or a Vice President and either the Secretary or an Assistant Secretary of the Corporation, with the seal of the Corporation, if any, or a facsimile thereof impressed or printed thereon. If the person who signed (either manually or in facsimile) a share certificate no longer holds office when the certificate is issued, the certificate is nevertheless valid.

Section 2. Transfer of Shares. Except as otherwise provided by law, transfers of shares of the capital stock of the Corporation, whether part paid or fully paid, shall be made only on the books of the Corporation by the owner thereof in person or by duly authorized attorney, on payment of all taxes thereon and surrender for cancellation of the certificate or certificates for such shares (except as hereinafter provided in the case of loss, destruction or mutilation of certificate) properly endorsed by the holder thereof or accompanied by the proper evidence of succession, assignment or authority to transfer, and delivered to the Secretary or an Assistant Secretary. All such transfers shall be made in accordance with the relevant provisions of Indiana Code §§26-1-8-101 *et seq.*

Section 3. Transfer Agent. The Board of Directors shall have power to appoint one or more transfer agents and registrars for the transfer and registration of certificates of stock of the Corporation, and may require that such certificates shall be countersigned and registered by one or more of such transfer agents and registrars.

Section 4. Registered Holders. The Corporation shall be entitled to treat the person in whose name any share of stock or any warrant, right or option is registered as the owner thereof for all purposes and shall not be bound to recognize any equitable or other claim to, or interest in, such share, warrant, right or option on the part of any other person, whether or not the Corporation shall have notice thereof, save as may be expressly provided otherwise by the laws of the State of Indiana, the Articles of Incorporation of the Corporation or these By-laws. In no event shall any transferee of shares of the Corporation become a shareholder of the Corporation until express notice of the transfer shall have been received by the Corporation.

Section 5. Lost, Destroyed and Mutilated Certificates. The holder of any share certificate of the Corporation shall immediately notify the Corporation of any loss, destruction or mutilation of the certificate, and the Board may, in its discretion, cause to be issued to such holder of shares a new certificate or certificates of shares of capital stock, upon the surrender of the mutilated certificate, or, in case of loss or

destruction, upon the furnishing of an affidavit or satisfactory proof of such loss or destruction. The Board may, in its discretion, require the owner of the lost or destroyed certificate or such owner's legal representative to give the Corporation a bond in such sum and in such form, and with such surety or sureties as it may direct, to indemnify the Corporation, its transfer agents and registrars, if any, against any claim that may be made against them or any of them with respect to the certificate or certificates alleged to have been lost or destroyed, but the Board may, in its discretion, refuse to issue a new certificate or new certificates, save upon the order of a court having jurisdiction in such matters.

Section 6. Consideration for Shares. The Corporation may issue shares for such consideration received or to be received as the Board of Directors determines to be adequate. That determination by the Board of Directors is conclusive insofar as the adequacy of consideration for the issuance of shares relates to whether the shares are validly issued, fully paid and nonassessable. When the Corporation receives the consideration for which the Board of Directors authorized the issuance of shares, the shares issued therefor are fully paid and nonassessable.

Section 7. Payment for Shares. The Board of Directors may authorize shares to be issued for consideration consisting of any tangible or intangible property or benefit to the Corporation, including cash, promissory notes, services performed, contracts for services to be performed, or other securities of the Corporation. If shares are authorized to be issued for promissory notes or for promises to render services in the future, the Corporation must report in writing to the shareholders the number of shares authorized to be so issued before or with the notice of the next shareholders' meeting.

Section 8. Distributions to Shareholders. The Board of Directors may authorize and the Corporation may make distributions to the shareholders subject to any restrictions set forth in the Articles of Incorporation of the Corporation and any limitations in the Indiana Business Corporation Law, as amended.

Section 9. Regulations. The Board of Directors shall have power and authority to make all such rules and regulations as they may deem expedient concerning the issue, transfer and registration or the replacement of certificates for shares of the Corporation.

ARTICLE VIII

Corporate Books and Reports

Section 1. Place of Keeping Corporate Books and Records. Except as expressly provided otherwise in this Article, the books of account, records, documents and papers of the Corporation shall be kept at any place or places, within or without the State of Indiana, as directed by the Board of Directors. In the absence of a direction, the books of account, records, documents and papers shall be kept at the principal office of the Corporation.

Section 2. Place of Keeping Certain Corporate Books and Records. The Corporation shall keep a copy of the following records at its principal office:

(1) Its Articles or restated Articles of Incorporation and all amendments to them currently in effect;

(2) Its By-laws or restated By-laws and all amendments to them currently in effect;

(3)Resolutions adopted by the Board of Directors with respect to one or more classes or series of shares and fixing their relative rights, preferences and limitations, if shares issued pursuant to those resolutions are outstanding;

(4)The minutes of all shareholders' meetings and records of all action taken by shareholders without a meeting, for the past three (3) years;

(5)All written communications to shareholders generally within the past three (3) years, including financial statements furnished to shareholders;

(6)A list of the names and business addresses of its current directors and officers; and

(7)The Corporation's most recent annual report.

Section 3. Permanent Records. The Corporation shall keep as permanent records minutes of all meetings of its shareholders and Board of Directors, a record of all actions taken by the shareholders or Board of Directors without a meeting, and a record of all actions taken by a committee of the Board of Directors in place of the Board of Directors on behalf of the Corporation. The Corporation shall also maintain appropriate accounting records.

Section 4. Shareholder Records. The Corporation shall maintain a record of its shareholders, in a form that permits preparation of a list of the names and addresses of all shareholders, in alphabetical order by class of shares showing the number and class of shares held by each.

Section 5. Shareholder Rights of Inspection. The records designated in Section 2 of this Article may be inspected and copied by shareholders of record, during regular business hours at the Corporation's principal office, provided that the shareholder gives the Corporation written notice of the shareholder's demand at least five (5) business days before the date on which the shareholder wishes to inspect and copy. A shareholder's agent or attorney, if authorized in writing, has the same inspection and copying rights as the shareholder represented. The Corporation may impose a reasonable charge, covering the costs of labor and material, for copies of any documents provided to the shareholder.

Section 6. Additional Rights of Inspection. Shareholder rights enumerated in Section 5 of this Article may also apply to the following corporate records, provided that the notice requirements of Section 5 are met, the shareholder's demand is made in good faith and for a proper purpose, the shareholder describes with reasonable particularity the shareholder's purpose and the records the shareholder desires to inspect, and the records are directly connected with the shareholder's purpose: excerpts from minutes of any meeting of the Board of Directors, records of any action of a committee of the Board of Directors while acting in place of the Board of Directors on behalf of the Corporation, minutes of any meeting of the shareholders, and records of action taken by the shareholders or Board of Directors without a meeting, to the extent not subject to inspection under Section 5 of this Article, as well as accounting records of the Corporation and the record of shareholders. Such inspection and copying is to be done during regular business hours at a reasonable location specified by the Corporation. The Corporation may impose a reasonable charge, covering the costs of labor and material, for copies of any documents provided to the shareholder.

ARTICLE IX

Miscellaneous

Section 1. Notice and Waiver of Notice. Subject to the specific and express notice requirements set forth in other provisions of these By-laws, the Articles of Incorporation, and the Indiana Business Corporation Law, as the same may, from time to time, be amended, notice may be communicated to any shareholder or director in person, by telephone, telegraph, teletype, or other form of wire or wireless communication, or by mail. If the foregoing forms of personal notice are deemed to be impracticable, notice may be communicated in a newspaper of general circulation in the area where published or by radio, television, or other form of public broadcast communication. Subject to Section 4 of ARTICLE II of these By-laws, written notice is effective at the earliest of the following: (a) when received; (b) if correctly addressed to the address listed in the most current records of the Corporation, five days after its mailing, as evidenced by the postmark or private carrier receipt; or (c) if sent by registered or certified United States mail, return receipt requested, on the date shown on the return receipt which is signed by or on behalf of the addressee. Oral notice is effective when communicated. A written waiver of notice, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be equivalent to the giving of such notice.

Section 2. Depositories. Funds of the Corporation not otherwise employed shall be deposited in such banks or other depositories as the Board of Directors, the Chief Executive Officer, the President or the Treasurer may select or approve.

Section 3. Signing of Checks, Notes, etc. In addition to and cumulative of, but in no way limiting or restricting, any other provision of these By-laws which confers any authority relative thereto, all checks, drafts and other orders for the payment of money out of funds of the Corporation and all notes and other evidence of indebtedness of the Corporation may be signed on behalf of the Corporation, in such manner, and by such officer or person as shall be determined or designated by the Board of Directors; provided, however, that if, when, after and as authorized or provided for by the Board of Directors, the signature of any such officer or person may be a facsimile or engraved or printed, and shall have the same force and effect and bind the Corporation as though such officer or person had signed the same personally; and, in the event of the death, disability, removal or resignation of any such officer or person, if the Board of Directors shall so determine or provide, as though and with the same effect as if such death, disability, removal or resignation had not occurred.

Section 4. Gender and Number. Wherever used or appearing in these By-laws, pronouns of the masculine gender shall include the female gender and the neuter gender, and the singular shall include the plural wherever appropriate.

Section 5. Laws. Wherever used or appearing in these By-laws, the words "law" or "laws" shall mean and refer to laws of the State of Indiana, to the extent only that such are expressly applicable, except where otherwise expressly stated or the context requires that such words not be so limited.

Section 6. Headings. The headings of the Articles and Sections of these By-laws are inserted for convenience of reference only and shall not be deemed to be a part thereof or used in the construction or interpretation thereof.

ARTICLE X

Amendments

Except as otherwise expressly provided by the Indiana Business Corporation Law or the Articles of Incorporation, these By-Laws may from time to time be amended or repealed, or new By-Laws may be adopted, by either (a) the Board of Directors if such amendment, repeal or adoption is approved by the affirmative vote of at

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least a majority of the entire Board of Directors; or (b) the affirmative vote, at a meeting of the shareholders of the Corporation for which the meeting notice designates that making, amending or repealing provisions of the By-Laws is to be considered, of at least a majority of the votes entitled to be cast by the holders of the outstanding shares of all classes of stock of the Corporation entitled to vote generally in the election of directors, considered for purposes of this Article X as a single voting group.

ARTICLE XI

Other Provisions

Section 1. The Indiana Business Corporation Law. Except as otherwise expressly provided herein, the provisions of the Indiana Business Corporation Law, as the same may, from time to time be amended, applicable to any of the matters not herein specifically covered by these By-laws, are hereby incorporated by reference in and made a part of these By-laws.

Section 2. Mandatory Classified Board Structure. The provisions of IC 23-1-33-6 (c) shall not apply to the Corporation.

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Exhibit 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Gregory Volovic, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hurco Companies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures [as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)] and internal control over financial reporting [as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)] for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Gregory Volovic

Gregory Volovic
Chief Executive Officer
March 8, June 7, 2024

Exhibit 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Sonja K. McClelland, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hurco Companies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures [as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)] and internal control over financial reporting [as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)] for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Sonja K. McClelland

Sonja K. McClelland

Executive Vice President, Treasurer & Chief Financial Officer

March 8, June 7, 2024

Exhibit 32.1

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Hurco Companies, Inc. (the "Company") on Form 10-Q for the period ended **January 31, 2024** **April 30, 2024** as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certifies, pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Gregory Volovic

Gregory Volovic

Chief Executive Officer

March 8, June 7, 2024

Exhibit 32.2

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Hurco Companies, Inc. (the "Company") on Form 10-Q for the period ended **January 31, 2024** **April 30, 2024**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certifies, pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Sonja K. McClelland

Sonja K. McClelland

Executive Vice President, Treasurer & Chief Financial Officer

March 8, June 7, 2024

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