

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

Purpose

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

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

Committee Membership

The Committee shall consist of at least three directors. The members shall meet the independence and experience requirements specified by the corporate governance rules of the Nasdaq Stock Market, Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and applicable SEC rules. In addition, at least one member of the Audit Committee shall be an "audit committee financial expert" as defined by the SEC.

Committee members shall not simultaneously serve on the audit committees of more than three other public companies unless the Board has determined that service on the audit committees of the other public companies will not impair that director's ability to effectively serve on the Committee.

The members and the Chair of the Committee shall be appointed by the Board. Committee members may be removed or replaced by the Board at any time.

Meetings

The Committee shall meet as often as it determines necessary, but not less frequently than quarterly. The Committee shall meet periodically with management, the independent auditor and the individual responsible for the Company's internal audit function (the "Compliance Manager") in separate executive sessions. The Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or advisors to, the Committee.

Committee Authority and Responsibilities

The Committee shall be directly responsible for the appointment, determination of compensation, retention, and oversight of the work of the independent auditor, as required by Section 10A(m)(2) of the Exchange Act. The Committee shall pre-approve all auditing services and permitted non-audit services, including the fees and terms thereof. The independent auditor shall report directly to the Committee.

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

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

The Committee shall make regular reports to the Board. The Committee shall review and reassess the adequacy of this Charter periodically and recommend any proposed changes to the Board for approval. The Committee shall also:

Financial Statement and Disclosure Matters

1. Review and discuss with management and the independent auditor the annual audited financial statements, including disclosures made in management's discussion and analysis, and recommend to the Board whether the audited financial statements should be included in the Company's Form 10-K.
2. Review and discuss with management and the independent auditor the Company's quarterly financial statements prior to the filing of its Form 10-Q, including the results of the independent auditor's reviews of the quarterly financial statements.
3. In connection with such quarterly reviews and annual audit, discuss with management and the independent auditor major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies.
4. Discuss with the independent auditor the matters required to be discussed by applicable accounting requirements relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.

5. Review and discuss annual reports from the independent auditor on:
 - a. changes in critical accounting policies and practices used;
 - b. all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor;
 - c. management's disposition of significant audit adjustments as identified by the external auditor;
 - d. any proposed changes by regulatory authorities in accounting standards or financial disclosures that could materially affect the Company's financial statements; and
 - e. other material written communications between the independent auditor and management, such as any management letter with respect to internal control deficiencies.
6. Discuss with management and the independent auditor, the Company's earnings press releases prior to issuance, including the use of any "pro forma" or "adjusted" non-GAAP information.
7. Discuss with management and the independent auditor the effect of any material off-balance sheet structures on the Company's financial statements.
8. Discuss with management and the Internal Audit Department at least annually the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.
9. Review disclosures made to the Committee by the Company's CEO and CFO during their certification process for the Form 10-K and Forms 10-Q about any significant deficiencies in the design or operation of disclosure controls and internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the company's disclosure controls and internal controls.
10. As contemplated by the Company's Code of Business Conduct and Ethics, review and approve all related-person transactions or potential conflicts of interest in which any director, director nominee, executive officer, or significant shareholder of the Company, or any of their immediate family members, has a direct or indirect material interest. A related person or potential conflict of interest transaction shall not be approved unless it is in, or not inconsistent with, the best interests of the Company and, where applicable, the terms of such transaction are at least as favorable to the Company as could be obtained from an unrelated third party.

Oversight of the Company's Relationship with the Independent Auditor

11. Review and evaluate the lead partner of the independent auditor team.
12. Obtain annually, to the extent made available, and review a report from the independent auditor regarding (a) the independent auditor's internal quality-control procedures; (b) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm; and (c) any steps taken to deal with any such issues.
13. Ensure receipt from the independent auditor of a formal written statement delineating all relationships between the independent auditor and the Company, consistent with the Public Company Accounting Oversight Board requirements, and actively engage in a dialogue with the independent auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditor. The Committee shall take, or recommend that the full Board take, appropriate action to oversee the independence of the independent auditor.
14. Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit every five years or as otherwise required by Section 10A(j) of the Exchange Act.
15. Ensure that the Company's Chief Executive Officer, Chief Financial Officer, Corporate Controller, or other principal accounting officer did not participate in the audit of the Company in any capacity as an employee of the independent auditing firm within one year preceding the appointment of such firm for any audit.
16. Meet with the independent auditor prior to the audit to discuss the planning, scope, and staffing of the audit.

Oversight of the Company's Internal Audit Department

17. Review and approve the annual internal audit plan submitted by the Company's Internal Audit Department.
18. Meet at least twice annually with the Company's Compliance Manager, without members of management present.
19. Provide the members of the Internal Audit Department with free and unrestricted access to the Committee.
20. Review and discuss the reports and other information provided to it by the Internal Audit Department, as set forth in the Internal Audit Charter.
21. Review with the Company's CFO the staffing, budget and compensation of the Internal Audit Department.

Compliance Oversight Responsibilities

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

Limitation of Audit Committee's Role

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