

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

**FORM 8-K**

Current Report Pursuant to Section 13 or 15(d) of  
The Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported) **August 24, 2018**

**TWIN DISC, INCORPORATED**

(Exact name of registrant as specified in its charter)

**WISCONSIN**  
(State or other jurisdiction  
of incorporation)

**001-7635**  
(Commission  
File Number)

**39-0667110**  
(IRS Employer  
Identification No.)

**1328 Racine Street Racine, Wisconsin 53403**

(Address of principal executive offices)

Registrant's telephone number, including area code: **(262)638-4000**

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

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**Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

At its meeting on August 24, 2018, the Compensation and Executive Development Committee (the “Committee”) of the Board of Directors of Twin Disc, Incorporated (the “Company”) approved the base salary and the target bonus for fiscal 2019 of the Company’s principal executive officer, John H. Batten. Mr. Batten’s base salary and target bonus were set as follows:

Name and Position	Base Salary	Target Bonus as % of Base Salary
John H. Batten President and Chief Executive Officer	\$600,000	75%

The base salary represents a 20% increase for Mr. Batten, as the Committee determined that his base salary was below the market median. The increase is effective the first pay period that included October 1, 2018.

The target incentive bonus is based on the FY 2019 Corporate Incentive Plan (“CIP”). The CIP establishes the target bonus based on the following factors and relative weights for each factor: (i) EBITDA (40%); sales revenue (20%); trade working capital as a percentage of sales (20%); and strategic objectives (individual achievement) (20%). In no event will the incentive payment under the CIP exceed 200% of the target. The incentive payment to Mr. Batten under the CIP may be increased or decreased by up to 20%, at the discretion of the Committee.

On August 24, 2018, the Committee also awarded a target number of 18,476 performance stock awards to Mr. Batten under the Twin Disc, Incorporated 2018 Long-Term Incentive Compensation Plan (the “2018 LTI Plan”). The performance shares will be paid out based on the following performance objectives and relative weights for each objective for the three fiscal year period ending June 30, 2021: (i) average return on invested capital (also known as return on total capital) (40%), (ii) average sales revenue (30%), and (iii) average earnings per share (30%). With respect to each performance objective, a value shall be determined as a percentage of the target based on the attainment of the performance objective for the performance period. If the Company does not obtain the threshold for that performance objective, such percentage shall be 0%. If the Company obtains the threshold for that performance objective, the percentage shall be 50%. If the Company equals or exceeds the maximum for that performance objective, the percentage shall be 150%. Outcomes between the threshold and target will be interpolated linearly between the amount of threshold award and the amount of the target award applicable to that performance objective, and outcomes between target and maximum will be interpolated linearly between the amount of the target award and the amount of the maximum award applicable to that performance objective. The percentage for each performance objective will be multiplied by the weight accorded to that performance objective, and the sum of the weighted percentages for each of performance objectives will be multiplied by the target number of performance shares awarded. The maximum number of performance shares that can be earned by Mr. Batten pursuant to this award is 27,714. All awards of performance shares are contingent upon the approval of the 2018 LTI Plan by the Company’s shareholders prior to August 1, 2019, and the awards shall be null and void if such shareholder approval is not obtained. A copy of the form of the Performance Stock Award Grant Agreement is attached hereto as Exhibit 10.1 and is incorporated herein by reference.

On August 24, 2018, the Committee also issued 18,476 restricted stock units to Mr. Batten under the 2018 LTI Plan. Each restricted stock unit represents the right to receive one share of common stock of the Company if and when the restricted stock unit vests. The restricted stock units will vest in three years, provided Mr. Batten remains employed as of such vesting date. Subject to obtaining shareholder approval of the 2018 LTI Plan, the restricted stock units will fully vest if Mr. Batten terminates employment due to death or disability, or if, following a change in control of the Company, Mr. Batten is involuntarily terminated without cause or terminates employment for good reason. In conjunction with the restricted stock unit awards, the Committee also granted dividend equivalent awards. If and when Mr. Batten’s restricted stock units vest, he shall receive a payment equal to the cash dividends that would have been paid during the restricted period on the shares of stock represented by the restricted stock units (plus interest), as well as any stock dividends that would have been issued during the restricted period on the shares of stock represented by the restricted stock units. All awards of restricted stock units and dividend equivalent awards are contingent upon the approval of the 2018 LTI Plan by the Company’s shareholders prior to August 1, 2019, and the awards shall be null and void if such shareholder approval is not obtained. A copy of the form of the Restricted Stock Unit Grant Agreement is attached hereto as Exhibit 10.2 and is incorporated herein by reference.

**FORWARD LOOKING STATEMENTS**

The disclosures in this report on Form 8-K and in the documents incorporated herein by reference contain or may contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. The words “believes,” “expects,” “intends,” “plans,” “anticipates,” “hopes,” “likely,” “will,” and similar expressions identify such forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company (or entities in which the Company has interests), or industry results, to differ materially from future results, performance or achievements expressed or implied by such forward-looking statements. Certain factors that could cause the Company’s actual future results to differ materially from those discussed are noted in connection with such statements, but other unanticipated factors could arise. Readers are cautioned not to place undue reliance on these forward-looking statements which reflect management’s view only as of the date of this Form 8-K. The Company undertakes no obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, conditions or circumstances.



**PERFORMANCE STOCK AWARD GRANT AGREEMENT**

THIS PERFORMANCE STOCK AWARD GRANT AGREEMENT (the "Agreement"), by and between TWIN DISC, INCORPORATED (the "Company") and \_\_\_\_\_ (the "Employee") is dated this 24<sup>th</sup> day of August, 2018, to memorialize an award of performance stock of even date herewith.

WHEREAS, the Company adopted a Long-Term Incentive Compensation Plan in 2018 (the "Plan"), whereby the Compensation and Executive Development Committee of the Board of Directors (the "Committee") is authorized to grant performance stock awards that entitle an employee of the Company receiving such award to shares of common stock of the Company if the Company achieves certain predetermined performance objectives; and

WHEREAS, effective August 24, 2018, the Committee made an award of performance stock to the Employee as an inducement to achieve the below described performance objectives.

NOW, THEREFORE, in consideration of the premises and of the covenants and agreements herein set forth, the parties hereto agree as follows:

1. Performance Stock Award Grant. Subject to the terms of the Plan, a copy of which has been provided to the Employee and is incorporated herein by reference, the Company has granted the Employee a performance stock award effective August 24, 2018. Such performance stock award shall entitle the Employee to receive a number of shares of the Company's common stock (the "Shares") if the Company achieves the average return on invested capital, average sales revenue, and average annual earnings per share (the "Performance Objectives") stated below for the three fiscal year period ending June 30, 2021 (the "Performance Period"):

	<b>Average Return on Invested Capital (a/k/a Return on Total Capital) (40% Weight)</b>	<b>Average Sales Revenue (30% Weight)</b>	<b>Average Annual Earnings Per Share (30% Weight)</b>
<b>Maximum (150% payout)</b>	XX%	\$XXX	\$XXX
<b>Target (100% payout)</b>	XX%	\$XXX	\$XXX
<b>Threshold (50% payout)</b>	XX%	\$XXX	\$XXX

For purposes of the above table:

"Average Return on Invested Capital" (also known as Average Return on Total Capital) is the average amount of "Return on Invested Capital" for the three fiscal years of the Performance Period. Return on Invested Capital is measured as NOPAT divided by Invested Capital, where NOPAT equals earnings from operations, less tax, calculated using the actual reported effective tax rate, and Invested Capital equals long-term debt plus shareholders equity.

"Average Sales Revenue" is the average of the amount reported as annual "Net Sales" in the Company's financial statements for the three fiscal years of the Performance Period.

"Average Earnings Per Share" is the average of the amount reported as "Diluted earnings per share attributable to Twin Disc common shareholders" for the three fiscal years of the Performance Period.

2. Target Shares Awarded; Adjustments. The target number of Shares awarded under this Agreement is \_\_\_\_\_ Shares. The actual number of Shares that will be issued upon attainment of one or more of the Performance Objectives shall be determined as follows after the end of the Performance Period:

- (a) With respect to each Performance Objective, a value shall be determined as a percentage of the target based on the attainment of the Performance Objective for the Performance Period. If the Company does not obtain the threshold for that Performance Objective, such percentage shall be 0%. If the Company equals or exceeds the maximum for that Performance Objective, the percentage shall be 150%. With respect to each of the Performance Objectives, outcomes between the threshold and target will be interpolated linearly between the amount of threshold award and the amount of the target award applicable to that Performance Objective, and outcomes between target and maximum will be interpolated linearly between the amount of the target award and the amount of the maximum award applicable to that Performance Objective.
- (b) The percentage for each Performance Objective shall be multiplied by the weight accorded to that Performance Objective as reflected in the above table.
- (c) The weighted percentages for each of Performance Objectives as determined above shall be added together, and the resulting sum shall be multiplied by the target number of Shares awarded under this Agreement. Any fractional share of the Company resulting from such multiplication shall be rounded up to a whole share of the Company. The resulting figure shall be the number of shares issued to the Employee.

The Committee shall certify whether and to what extent each Performance Objective is satisfied before any Shares are awarded. Such certification, and the issuance of Shares pursuant to such certification, shall be made within 2½ months after June 30, 2021.

3. Price Paid by Employee. The price to be paid by the Employee for the Shares granted shall be     No     Dollars (\$0.00) per share.

4. Voluntary Termination of Employment Prior to Retirement/Termination for Cause. If, prior to attaining the Performance Objective, the Employee voluntarily terminates employment prior to attaining age 65 (or prior to attaining age 60 with the accrual of 10 years of employment with the Company and its subsidiaries) or the employment of the Employee is terminated for cause, the performance stock granted to the Employee shall be forfeited. The Committee shall conclusively determine whether the Employee was terminated for cause for purposes of this performance stock award.

5. Termination of Employment due to Death or Disability. Subject to Section 8 below, if, prior to attaining the Performance Objectives, the Employee terminates employment due to death or disability, a prorated portion of the performance stock granted shall immediately vest, and the Company

shall deliver shares of Company stock underlying such prorated awards as if the maximum Performance Objectives had been fully achieved. Subject to Section 8 below, the delivery of such shares shall occur (i) no later than 2½ months after the Employee's termination of employment due to death; or (ii) on the earlier of (A) the first day of the seventh month following the date of the Employee's termination of employment due to disability or (B) the date of the Employee's death. The prorated award shall be determined by multiplying the maximum number of shares underlying the award by a fraction, the numerator of which is the number of days from July 1, 2018, through the Employee's last day of employment, and the denominator of which is the number of days from July 1, 2018, through June 30, 2021. Any fractional share of the Company resulting from such a prorated award shall be rounded up to a whole share of the Company. The Committee shall conclusively determine whether the Employee shall be considered permanently disabled for purposes of this performance stock award.

6. Other Termination of Employment Other than Change of Control of Company. Subject to Section 8 below, if, prior to attaining the Performance Objectives, the Employee voluntarily terminates employment after attaining age 65 (or after attaining age 60 with the accrual of 10 years of employment with the Company and its subsidiaries), or is terminated for any reason other than for cause or following a Change in Control of the Company as described in Section 7, the performance stock granted to the Employee shall be paid on a prorated basis if and when one or more of the Performance Objectives are achieved. The prorated award shall be determined by multiplying the number of shares that would have been issued had the Employee remained employed through June 30, 2021 by a fraction, the numerator of which is the number of days from July 1, 2018, through the Employee's last day of employment, and the denominator of which is the number of days from July 1, 2018, through June 30, 2021. Any fractional share of the Company resulting from such a prorated award shall be rounded up to a whole share of the Company. Shares of the Company underlying such prorated award shall be issued in the ordinary course after the determination by the Committee that one or more of the Performance Objectives has been achieved (and no later than 2½ months after June 30, 2021).

7. Termination Following Change in Control. Notwithstanding Sections 4, 5 and 6 above, and subject to Section 8 below, if an event constituting a Change in Control of the Company occurs and the Employee thereafter either terminates employment for Good Reason or is involuntarily terminated by the Company without cause, then the performance stock granted hereunder shall immediately vest and Shares of the Company underlying the award shall be delivered as if the maximum Performance Objectives had been fully achieved. The delivery of such shares shall occur on the earlier of (i) the first day of the seventh month following the date of the Employee's termination of employment, or (ii) the date of the Employee's death. Employee's continued employment with the Company, for whatever duration, following a Change in Control of the Company shall not constitute a waiver of his or her rights with respect to this Section 7. Employee's right to terminate his or her employment pursuant to this Subsection shall not be affected by his or her incapacity due to physical or mental illness. For purposes of this Section 7:

- (a) "Good Reason" shall mean, without the Employee's written consent, the occurrence after a Change in Control of the Company of any one or more of the following:
  - (i) the assignment to the Participant of duties, responsibilities or status that constitute a material diminution in the Participant's duties, responsibilities, or status or a material reduction or alteration in the nature or status of the Participant's duties and responsibilities;
  - (ii) a material reduction by the Company in the Employee's annual base salary as in effect immediately prior to the Change in Control of the Company or as the same shall be increased after the Change in Control of the Company;
  - (iii) a material change in the geographic location at which the Employee must provide services; or
  - (iv) a material change in or termination of the Company's benefit plans or programs or the Employee's participation in such plans or programs (outside of a good faith, across-the-board reduction of general application) in a manner that effectively reduces their aggregate value.
- (b) "Change in Control of the Company" shall be deemed to occur in any of the following circumstances:
  - (i) if there occurs a change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act") whether or not the Company is then subject to such reporting requirement;
  - (ii) if any "person" (as defined in Sections 13(d) and 14(d) of the Exchange Act) other than John Batten or any member of his family (the "Batten Family"), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing thirty percent (30%) or more of the combined voting power of the Company's then outstanding securities;
  - (iii) if during any period of two (2) consecutive years (not including any period prior to the execution of this Agreement) there shall cease to be a majority of the Board comprised as follows: individuals who at the beginning of such period constitute the Board and any new director(s) whose election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved; or
  - (iv) upon the consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation that results in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 80% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the consummation of complete liquidation of the Company or the sale or disposition by the Company of all or substantially all the Company's assets.
- (c) To constitute a termination for Good Reason hereunder:
  - (i) Termination of employment must occur within two years following the existence of a condition that would constitute Good Reason hereunder; and
  - (ii) Employee must provide notice to the Company of the existence of a condition that would constitute Good Reason within 90 days following the initial existence of such condition. The Company shall be provided a provided a period

of 30 days following such notice during which it may remedy the condition. If the condition is remedied, the Employee's subsequent voluntary termination of employment shall not constitute termination for Good Reason based upon the prior existence of such condition.

8. Award Subject to Shareholder Approval of Plan. Notwithstanding any provision of this Agreement to the contrary:

- (a) If the shareholders of the Company do not approve the Plan before August 1, 2019, any and all awards reflected in this Agreement shall be null and void.
- (b) If an event occurs prior to such shareholder approval that would otherwise result in issuance of shares prior to such shareholder approval (including, for example, termination of the Employee's employment due to death or disability), such shares shall not be issued unless and until such shareholder approval occurs; and such shares shall be issued no later than 2 ½ months after the date of such shareholder approval occurs (or, if later, the first day of the seventh month following the Employee's termination of employment for reasons other than death).

9. Employment Status. Neither this Agreement nor the Plan imposes on the Company any obligation to continue the employment of the Employee.

TWIN DISC, INCORPORATED

By: \_\_\_\_\_  
Its: \_\_\_\_\_

EMPLOYEE:

\_\_\_\_\_  
[NAME]

## RESTRICTED STOCK UNIT GRANT AGREEMENT

THIS RESTRICTED STOCK UNIT GRANT AGREEMENT (the "Agreement"), by and between TWIN DISC, INCORPORATED (the "Company") and \_\_\_\_\_ (the "Employee"), is dated this 24<sup>th</sup> day of August, 2018 to memorialize an award of restricted stock units of even date herewith.

WHEREAS, the Company adopted a Long-Term Incentive Compensation Plan in 2018 (the "Plan"), whereby the Compensation and Executive Development Committee of the Board of Directors (the "Committee") is authorized to grant restricted stock units that entitle an employee of the Company receiving such award to shares of common stock of the Company if the employee remains employed by the Company through a specific date; and

WHEREAS, effective August 24, 2018 (the "Grant Date"), the Committee made an award of restricted stock units to the Employee as an inducement to remain employed by the Company and increase the Employee's equity interest in the Company.

NOW, THEREFORE, in consideration of the premises and of the covenants and agreements herein set forth, the parties hereto agree as follows:

1. Restricted Stock Unit Grant. Subject to the terms of the Plan, a copy of which has been provided to the Employee and is incorporated herein by reference, the Company grants to the Employee \_\_\_\_\_ restricted stock units ("RSUs"). Each RSU represents the right to receive one share of common stock of the Company (each a "Share"), subject to the terms and conditions and restrictions set forth in this Agreement and the Plan.

2. Price Paid by Employee. The price to be paid by the Employee for the RSUs granted shall be \_\_\_\_\_ Dollars (\$0.00) per share.

3. Transferability. Until such time as the RSUs are settled by the issuance of Shares in accordance with this Agreement and the Plan, neither the RSUs nor any rights relating thereto may be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Employee. Any attempt to assign, pledge, attach, sell or otherwise transfer or encumber the RSUs or the rights relating thereto shall be wholly ineffective.

4. Vesting. Subject to Section 9 below, if the Employee continues to be employed by the Company on the third anniversary of the Grant Date, the RSUs granted hereby shall vest in their entirety, and the Employee shall be issued the number of Shares represented by such RSUs. Such Shares shall be issued as soon as practicable following such vesting date, but no later than the 15<sup>th</sup> day of the third month of the calendar year after the calendar year in which the RSUs vest.

5. Termination of Employment for Reasons Other than Death or Disability. Subject to Section 7 below, if the Employee's employment with the Company is terminated for any reason other than death or disability prior to the third anniversary of the Grant Date, the RSUs granted hereby shall be forfeited.

6. Termination of Employment due to Death or Disability. Subject to Section 9 below, if, prior to the third anniversary of the Grant Date, the Employee terminates employment due to death or disability, the RSUs granted hereby shall vest and the Employee (or the Employee's beneficiary) shall be issued the number of Shares represented by such RSUs. Subject to Section 9 below, the delivery of such Shares shall occur (i) no later than 2½ months after the Employee's termination of employment due to death; or (ii) on the earlier of (A) the first day of the seventh month following the date of the Employee's termination of employment due to disability or (B) the date of the Employee's death. The Committee shall conclusively determine whether the Employee shall be considered permanently disabled for purposes of this restricted stock unit award.

7. Termination Following Change in Control. Notwithstanding Sections 4, 5 and 6 of this Agreement, and subject to Section 9 below, if an event constituting a Change in Control of the Company occurs and the Employee thereafter either terminates employment for Good Reason or is involuntarily terminated by the Company without cause, the RSUs granted hereunder shall immediately vest and Shares represented by such RSUs shall be delivered. Subject to Section 9 below, the delivery of such Shares shall occur on the earlier of (i) the first day of the seventh month following the date of the Employee's termination of employment, or (ii) the date of the Employee's death. Employee's continued employment with the Company, for whatever duration, following a Change in Control of the Company shall not constitute a waiver of his or her rights with respect to this Section 7. Employee's right to terminate his or her employment pursuant to this Subsection shall not be affected by his or her incapacity due to physical or mental illness. For purposes of this Section 7:

(a) "Good Reason" shall mean any of the following, without the Employee's written consent:

- (i) the assignment to Employee of duties, responsibilities or status that constitute a material diminution from his or her present duties, responsibilities and status or a material diminution in the nature or status of Employee's duties and responsibilities from those in effect as of the date hereof;
- (ii) a material reduction by the Company in the Employee's annual base salary as in effect immediately prior to the Change in Control of the Company or as the same shall be increased after the Change in Control of the Company;
- (iii) a material change in the geographic location at which the Employee must provide services; or
- (iv) a material change in or termination of the Company's benefit plans or programs or the Employee's participation in such plans or programs (outside of a good faith, across-the-board reduction of general application) in a manner that effectively reduces their aggregate value.

(b) "Change in Control of the Company" shall be deemed to occur in any of the following circumstances:

- (i) if there occurs a change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act") whether or not the Company is then subject to such reporting requirement;
- (ii) if any "person" (as defined in Sections 13(d) and 14(d) of the Exchange Act) other than John Batten or any member of

his family (the "Batten Family"), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing thirty percent (30%) or more of the combined voting power of the Company's then outstanding securities;

- (iii) if during any period of two (2) consecutive years (not including any period prior to the execution of this Agreement) there shall cease to be a majority of the Board comprised as follows: individuals who at the beginning of such period constitute the Board and any new director(s) whose election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved; or
- (iv) upon the consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation that results in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 80% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the consummation of complete liquidation of the Company or the sale or disposition by the Company of all or substantially all the Company's assets.

(c) To constitute a termination for Good Reason hereunder:

- (i) Termination of employment must occur within two years following the existence of a condition that would constitute Good Reason hereunder; and
- (ii) Employee must provide notice to the Company of the existence of a condition that would constitute Good Reason within 90 days following the initial existence of such condition. The Company shall be provided a provided a period of 30 days following such notice during which it may remedy the condition. If the condition is remedied, the Employee's subsequent voluntary termination of employment shall not constitute termination for Good Reason based upon the prior existence of such condition.

8. Dividend Equivalents. If, prior to the date the RSUs awarded to the Employee are settled by the issuance of Shares, the Company declares a cash or stock dividend with respect to shares of common stock of the Company, then, on the payment date of the dividend, the Employee shall be credited with dividend equivalents in an amount equal to the dividends that would have been paid to the Employee if one share of common stock of the Company had been issued on the Grant Date for each RSU granted to the Employee as set forth in this Agreement. Such dividend equivalents shall be credited to a separate account (the "Account") maintained for the Employee on the books and records of the Company. Such Account shall be maintained solely for purposes of calculating dividend equivalents due to the Employee, and the Company shall not be obligated to set aside any funds in the Account. Cash dividends credited to the Employee's Account shall not be adjusted for interest. The dividend equivalents, if any, credited to the Employee's Account shall be distributed (and, with respect to stock dividends, shares of common stock of the Company shall be issued), only if, when and to the extent the original RSUs to which they relate vest and are settled, and if the RSUs to which dividend equivalents relate are forfeited, such dividend equivalents shall also be forfeited.

9. Award Subject to Shareholder Approval of Plan. Notwithstanding any provision of this Agreement to the contrary:

- (a) If the shareholders of the Company do not approve the Plan before August 1, 2019, any and all awards reflected in this Agreement shall be null and void.
- (b) If an event occurs prior to such shareholder approval that would otherwise result in issuance of Shares prior to such shareholder approval (including, for example, termination of the Employee's employment due to death or disability), such Shares shall not be issued unless and until such shareholder approval occurs; and such shares shall be issued no later than 2 ½ months after the date of such shareholder approval occurs (or, if later, the first day of the seventh month following the Employee's termination of employment for reasons other than death).

10. Employment Status. Neither this Agreement nor the Plan imposes on the Company any obligation to continue the employment of the Employee.

TWIN DISC, INCORPORATED

By: \_\_\_\_\_  
Its: \_\_\_\_\_

EMPLOYEE:

\_\_\_\_\_  
[NAME]