

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 2, 2017

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

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 or Rule 12b-2 of the Securities Exchange Act of 1934.

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.

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 2, 2017, the Compensation and Executive Development Committee (the “Committee”) of the Board of Directors of Twin Disc, Incorporated (the “Company”) (i) approved the base salaries of, and (ii) approved the targets for fiscal 2018 bonuses for, the Company’s principal executive officer, principal financial officer, and certain of the Company’s other “named executive officers” (as used in Instruction 4 to Item 5.02 of Form 8-K). The base salaries and target bonuses for the named executive officers were set as follows:

Name and Position	Base Salary	Target Bonus as % of Base Salary
John H. Batten President and Chief Executive Officer	\$500,000	75%
Jeffrey S. Knutson Vice President – Finance, Chief Financial Officer, Treasurer, and Secretary	\$324,500	50%
Malcolm F. Moore Executive Vice President, Chief Operating Officer	\$397,500	50%
Dean J. Bratel Vice President - Sales and Applied Technology	\$281,000	50%
Denise L. Wilcox Vice President – Human Resources	\$237,000	40%

The above base salaries represent an increase of 2.2% for Mr. Bratel and 3% for Mr. Knutson and Ms. Wilcox, which increases are effective the first pay period that includes October 1, 2017. The base salaries of Messrs. Batten and Moore were not changed.

In each case, the target incentive bonus is based on the FY 2018 Corporate Incentive Plan (“CIP”), which the Committee adopted and approved on August 2, 2017. The CIP establishes the target bonuses for the named executive officers 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 an incentive payment under the CIP exceed 200% of the target. An incentive payment to a named executive officer under the CIP may be increased or decreased by up to 20%, at the discretion of the Chief Executive Officer (except that an increase or decrease of the CIP payment to the CEO shall be at the discretion of the Committee).

On August 2, 2017, the Committee also issued performance stock awards to named executive officers of the Company under the Twin Disc, Incorporated 2010 Long-Term Incentive Compensation Plan (as amended and restated, the "2010 LTI Plan"). A target number of 39,478 performance shares were awarded to the named executive officers (subject to adjustment as described below), allocated as follows: Mr. Batten, 19,259 performance shares; Mr. Knutson, 8,117 performance shares; Mr. Bratel, 7,379 performance shares; and Ms. Wilcox 4,723 performance shares. 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, 2020: (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 the named executive officers pursuant to this award is 59,219. 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 2, 2017, the Committee also issued restricted stock grants to named executive officers of the Company under the 2010 LTI Plan. A total of 46,463 shares of restricted stock were granted to the named executive officers, allocated as follows: Mr. Batten, 19,259 shares of restricted stock; Mr. Knutson, 8,117 shares of restricted stock; Mr. Moore, 6,985 shares of restricted stock; Mr. Bratel, 7,379 shares of restricted stock; and Ms. Wilcox, 4,723 shares of restricted stock. The restricted stock for most of the named executive officers will vest in three years, provided the named executive officer remains employed as of such vesting date. Mr. Moore's restricted stock will vest in one year, provided he remains employed as of such date. The restricted stock will fully vest if the named executive officer terminates employment due to death or disability, or if the named executive officer is involuntarily terminated without cause or terminates employment for good reason following a change in control of the Company. A copy of the form of the Restricted Stock 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.

Item 9.01 Financial Statements and Exhibits

(c) Exhibits

EXHIBIT NUMBER	DESCRIPTION
10.1	Form of Performance Stock Award Grant Agreement for award of performance shares on August 2, 2017
10.2	Form of Restricted Stock Grant Agreement for restricted stock grants on August 2, 2017

SIGNATURE

Pursuant to the requirements of section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: August 8, 2017

Twin Disc, Incorporated

/s/ JEFFREY S. KNUTSON
Jeffrey S. Knutson
Vice President – Finance,
Chief Financial Officer,
Treasurer, and Secretary

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 2nd day of August, 2017, to memorialize an award of performance stock of even date herewith.

WHEREAS, the Company adopted a Long-Term Incentive Compensation Plan in 2010 (the "Plan"), which was amended and restated on July 31, 2015, 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 2, 2017, 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 Employee a performance stock award effective August 2, 2017. 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 sales revenue, economic profit, and/or relative total shareholder return objectives (the "Performance Objectives") stated below for the three fiscal year period ending June 30, 2020 (the "Performance Period"):

	Average Return on Invested Capital (a/k/a Average Return on Total Capital) (40% Weight)	Average Sales Revenue (30% Weight)	Average Annual Earnings Per Share (30% Weight)
Maximum (150% payout)	XX%	\$XXX	\$XXX
Target (100% payout)	XX%	\$XXX	\$XXX
Threshold (50% payout)	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, 2020.

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. 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. 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, 2017, through the Employee's last day of employment, and the denominator of which is the number of days from July 1, 2017, through June 30, 2020. 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. 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, 2020 by a fraction, the numerator of which is the number of days from July 1, 2017, through the Employee's last day of employment, and the denominator of which is the number of days from July 1, 2017, through June 30, 2020. 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, 2020).

7. Termination Following Change in Control. Notwithstanding Sections 4, 5 and 6 above, 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 6. 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 6:

(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 inconsistent 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 Employee's base salary as in effect on the date hereof or as the same shall be increased from time to time ("Base Salary");
- (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
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(iv) if the shareholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result 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 shareholders of the Company approve a plan of complete liquidation of the Company or an agreement for 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. 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 GRANT AGREEMENT

THIS AGREEMENT, by and between TWIN DISC, INCORPORATED (the "Company") and _____ (the "Employee") is dated this 2nd day of August, 2017.

WHEREAS, the Company adopted a Long-Term Incentive Compensation Plan in 2010 (the "Plan"), which was amended and restated on July 31, 2015, whereby the Compensation and Executive Development Committee of the Board of Directors (the "Committee") is authorized to award shares of common stock of the Company to officers and key employees carrying restrictions such as a prohibition against disposition and establishing a substantial risk of forfeiture; and

WHEREAS, the Committee has determined it to be in its best interests of the Company to provide the Employee with an inducement to acquire or increase his 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. Stock 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 _____ shares of the common stock of the Company, subject to the terms and conditions and restrictions set forth below.

If at any time while this Agreement is in effect (or shares of common stock granted hereunder shall be or remain unvested while Employee's employment continues and has not yet terminated or ceased for any reason), there shall be any increase or decrease in the number of issued and outstanding shares of the Company through the declaration of a stock dividend or through any recapitalization resulting in a stock split-up, combination or exchange of such shares, then the Committee shall make any adjustments it deems fair and appropriate (in view of such change) in the number of shares of common stock then subject to this Agreement. If any such adjustment shall result in a fractional share, such fraction shall be disregarded.

2. Fair Market Value. The fair market value of the shares granted was Sixteen Dollars and Ninety-Four Cents (\$16.94) per share on the date of grant.

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. Transferability. For a period of _____ (__) year(s) and from the date of grant the shares granted shall not be subject to sale, assignment, pledge or other transfer of disposition by the Employee, except as provided in Sections 6 or 7, or except by reason of an exchange or conversion of such shares because of merger, consolidation, reorganization or other corporate action. Any shares into which the granted shares may be converted or for which the granted shares may be exchanged in a merger, consolidation, reorganization or other corporate action shall be subject to the same transferability restrictions as the granted shares.

On the _____ anniversary of the date of grant, one hundred percent (100%) of the shares granted shall become freely transferable.

5. Forfeitability. Except as provided in Section 6 of this Agreement, if the employment of the Employee shall terminate prior to the expiration of _____ (__) year(s) from the date of grant other than by reason of death or permanent disability, the shares granted (or any shares into which they may have been converted or for which they may have been exchanged) shall be forfeited. If the Employee continues to be employed on the third anniversary of the date of grant, the shares shall become non-forfeitable.

6. Termination Following Change in Control. Notwithstanding Sections 4 and 5 of this Agreement, 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 transferability provisions and the forfeitability provisions shall immediately cease to apply. 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 6. 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 6:

- (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 Employee's base salary as in effect on the date hereof or as the same shall be increased from time to time ("Base Salary");
 - (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) if the shareholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result 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 shareholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all the Company's assets.
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(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.

7. Death/Disability. Upon the death or permanent disability of the Employee while employed by the Company the transferability provisions and the forfeitability provisions shall cease to apply. Whether the Employee shall be considered permanently disabled for purposes of this Plan shall be conclusively determined by the Committee.

8. Rights of Shareholder. Upon the date of issuance of certificates for shares granted, the Employee shall otherwise have all the rights of a shareholder including the right to receive dividends and to vote shares. Cash and stock dividends shall be payable to the Employee as they are paid by the Company, even if the restrictions on the shares to which such dividends relate have not yet lapsed. The certificates representing such shares shall be held by the Company for account of the Employee, and shall be delivered to the Employee as and when the shares represented thereby become non-forfeitable.

9. Section 83(b) Election. The Employee acknowledges that: (1) the stock granted pursuant to the Plan and this Agreement is restricted property for purposes of Section 83(b) of the Internal Revenue Code and that the shares granted are subject to a substantial risk of forfeiture as therein defined until the year in which such shares are no longer subject to a substantial risk of forfeiture; and (2) that the Employee may make an election to include the fair market value of the shares in income in the year of the grant in which case no income is included in the year the shares are no longer subject to a substantial risk of forfeiture. Responsibility for determining whether or not to make such an election and compliance with the necessary requirements is the sole responsibility of the Employee.

10. Restrictions on Transfer. The Employee agrees for himself and his heirs, legatees and legal representatives, with respect to all shares granted hereunder (or any securities issued in lieu of or in substitution or exchange therefore) that such shares will not be sold or transferred except pursuant to an effective registration statement under the Securities Act of 1933, as amended, or until the Company is provided with an opinion of counsel that a proposed sale or transfer will not violate the Securities Act of 1933, as amended. The Employee represents that such shares are being acquired for the Employee's own account and for purposes of investment, and not with a view to, or for sale in connection with, the distribution of such shares, nor with any present intention of distributing such shares.

11. 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]