

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 8, 2022 (August 3, 2022)**

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))

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)	TWIN	The NASDAQ Stock Market LLC

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.

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

APPOINTMENT OF NEW DIRECTOR

On August 4, 2022, the Board of Directors (the “Board”) of Twin Disc, Incorporated (the “Company”) increased the size of the Board from eight to nine, and appointed Kevin Olsen as a member of the Board to fill the vacancy created by the expansion of the Board. Mr. Olsen is in the class of directors whose terms will expire in 2022, and the Board intends to nominate him for reelection to the Board at the 2022 Annual Meeting of Shareholders. Mr. Olsen was also appointed to serve on the following committees of the Board: (1) Audit Committee and (2) Nominating and Governance Committee. A copy of the press release regarding Mr. Olsen’s appointment to the Board is attached hereto as Exhibit 99.1.

Mr. Olsen is eligible to participate in the Twin Disc, Incorporated 2020 Stock Incentive Plan for Non-Employee Directors and will be paid an annual retainer comprised of both cash and restricted shares of the Company’s common stock. Mr. Olsen will be paid a pro-rated portion (pro-rated as of August 4, 2022) of the annual director retainer of \$140,000, which shall be comprised of 48% cash and 52% restricted shares. The cash portion of Mr. Olsen’s retainer will be paid quarterly, while the restricted stock portion of his retainer was calculated as of August 4, 2022 and awarded as of August 8, 2022. Mr. Olsen’s shares of restricted stock will vest as of the Company’s 2022 Annual Meeting of Shareholders, provided he continues to serve on the Company’s Board of Directors as of such date.

There is no arrangement or understanding between Mr. Olsen and any other person pursuant to which Mr. Olsen was appointed as a member of the Board. There are no transactions in which Mr. Olsen has an interest requiring disclosure under Item 404(a) of Regulation S-K.

RESIGNATION OF DIRECTOR

On August 4, 2022, David B. Rayburn announced his intention to retire from the Board, effective after the Company’s 2022 Annual Meeting of Shareholders. The Board intends to appoint Michael C. Smiley as the new Chairman of the Board after Mr. Rayburn’s retirement. In addition, Harold M. Stratton II will not be nominated for another term to the Company’s Board, and his term on the Board will end as of the Company’s 2022 Annual Meeting of Shareholders.

SALARY AND INCENTIVE COMPENSATION

At its meeting on August 3, 2022, the Compensation and Executive Development Committee of Board (the “Committee”) (i) approved the base salaries of, and (ii) approved the targets for fiscal 2023 bonuses for, the Company’s principal executive officer and principal financial officer, who are the “named executive officers” of the Company (as used in Instruction 4 to Item 5.02 of Form 8-K). The base salaries and target bonuses for such 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	\$ 655,200	85%
Jeffrey S. Knutson Vice President – Finance, Chief Financial Officer, Treasurer, and Secretary	\$ 385,875	55%

The above base salaries represent an increase of 4% for Mr. Batten and 5% for Mr. Knutson, which increases are effective the first pay period that includes October 1, 2022.

In each case, the target incentive bonus is based on the FY 2023 Corporate Incentive Plan (“CIP”), which the Committee adopted and approved on August 3, 2022. The CIP establishes the target bonuses for the named executive officers based on the following factors and relative weights for each factor: (i) net sales (20%); EBITDA as a percentage of net sales (20%); inventory as a percentage of net sales (20%); corporate growth (10%); capital allocation (10%); and individual performance (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 3, 2022, the Committee also awarded restricted stock grants to its named executive officers under the Twin Disc, Incorporated 2021 Long-Term Incentive Compensation Plan (the “2021 LTI Plan”). A total of 48,251 shares of restricted stock were granted to Mr. Batten, and a total of 23,691 shares of restricted stock were granted to Mr. Knutson. The restricted stock will vest in three years, provided the named executive officer remains employed as of such vesting date. A copy of the form of the Restricted Stock Grant Agreement is attached hereto as Exhibit 10.1 and is incorporated herein by reference.

On August 3, 2022, the Committee also awarded a target number of 72,376 restricted stock units to Mr. Batten under the 2021 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, subject to adjustment as described below. The restricted stock units will vest in three years, provided the named executive officer remains employed as of such vesting date, and further provided the Company meets certain performance objectives for the three fiscal year period ending June 30, 2025. The performance objectives and relative weights for each objective are: (i) average return on invested capital (also known as return on total capital) (50%), and (ii) cumulative EBITDA (50%). 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 200%. 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 restricted stock units awarded. The maximum number of shares that can be earned by the named executive officers pursuant to this award is 144,752. 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.

On August 3, 2022, the Committee also awarded a target number of 35,537 shares of performance stock to Mr. Knutson under the 2021 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, 2025: (i) average return on invested capital (also known as return on total capital) (50%), and (ii) cumulative EBITDA (50%). 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 200%. 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 71,074. A copy of the form of the Performance Stock Award Grant Agreement is attached hereto as Exhibit 10.3 and is incorporated herein by reference.

CHANGE IN CONTROL SEVERANCE AGREEMENT

On August 3, 2022, the Committee also approved revised Change in Control Severance Agreements to replace similar agreements that it previously entered into with the named executive officers of the Company. The new agreements provide that if the executive experiences an involuntary termination (or resigns for good reason, as defined) within two years following a change in control of the Company, the executive will receive a severance payment equal to (a) a specified multiple (2.5 for Mr. Batten and 2.0 for Mr. Knutson), times (b) the sum of (i) the executive's annual base salary in effect immediately prior to the date of termination (or, if employment terminates for good reason due to a reduction in base salary, the executive's annual base salary in effect immediately prior to the reduction,) plus (ii) a bonus component, equal to the greater of: (A) the annual bonus awarded to the executive under the Company's annual Corporate Incentive Plan ("CIP") for the fiscal year immediately preceding the fiscal year in which the date of termination occurs (or, if no annual bonus was received for such fiscal year, the average of the annual bonuses awarded to the executive under the CIP for the three fiscal years immediately preceding the fiscal year in which the date of termination occurs), or (B) the executive's target annual bonus under the CIP for the fiscal year in which the date of termination occurs. The new Change in Control Severance Agreements differ from the agreements they are replacing in that the new agreements (1) revise the definition of "Change in Control" to align with the 2021 LTI Plan, by excluding certain acquisitions by the Batten Family directly from the Company is determining whether a change in control occurs, and modifying how Board turnover constitutes a change in control; and (2) change the definition of termination for "Cause" to align with the 2021 LTI Plan.

The new Change in Control Severance Agreements were signed by the executives of the Company effective August 3, 2022. The form of the new Change in Control Severance Agreement is attached hereto as Exhibit 10.4.

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.

(d) Exhibits.

EXHIBIT NUMBER	DESCRIPTION
10.1	Form of Restricted Stock Grant Agreement for restricted stock grants on August 3, 2022
10.2	Form of Restricted Stock Unit Grant Agreement for restricted stock unit grants on August 3, 2022
10.3	Form of Performance Stock Award Grant Agreement for performance stock grants on August 3, 2022
10.4	Form of Change in Control Severance Agreement between the Company and Messrs. Batten and Knutson effective August 3, 2022
99.1	Press release issued by the Company on August 8, 2022 regarding the appointment of Kevin Olsen as a member of the Company's Board of Directors
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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

Date: August 8, 2022

Twin Disc, Incorporated
/s/ Jeffrey S. Knutson
Jeffrey S. Knutson
Vice President-Finance, Chief Financial
Officer, Treasurer & Secretary

RESTRICTED STOCK GRANT AGREEMENT

THIS AGREEMENT, by and between TWIN DISC, INCORPORATED (the "Company") and _____ (the "Employee") is dated this 3rd day of August, 2022.

WHEREAS, the Company adopted a Long-Term Incentive Compensation Plan in 2021 (the "Plan"), 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 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 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.
2. Fair Market Value. The fair market value of the shares granted was Five Dollars and Seventy-Seven Cents (\$8.29) 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. Prior to the date specified below, 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 third 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 three (3) years 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 any other provisions in 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;
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- (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, except that any acquisition of securities of the Company directly from the Company (excluding any acquisition resulting from the exercise of a conversion or exchange privilege in respect of outstanding convertible or exchangeable securities unless such outstanding convertible or exchangeable securities were acquired directly from the Company) shall not constitute a Change in Control of the Company;
 - (iii) if at any time after August 4, 2021 (the "Effective Date" of the Plan), individuals who as of the Effective Date constitute the Board of Directors (as of the Effective Date, the "Incumbent Board") shall cease to constitute a majority of the Board of Directors; provided however, that any person becoming a director after the Effective Date whose appointment or nomination for election to the Board of Directors was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be, for purposes of this Plan, considered as though such person were a member of the Incumbent Board; and provided further, that no such individual whose initial assumption of office occurs as a result of an actual or threatened election contest which was (or, if threatened, would have been) subject to Exchange Act Rule 14a-12(c) shall be deemed to have been a member of the Incumbent Board; 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
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- (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 vote shares and receive cash and stock dividends. Notwithstanding the foregoing, cash or stock dividends on shares granted shall be automatically deferred, and shall be paid to the Employee only if, when and to the extent the shares vest. Cash or stock dividends payable with respect to shares that are forfeited shall also be forfeited. 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]

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 3rd day of August, 2022 to memorialize an award of restricted stock units of even date herewith.

WHEREAS, the Company adopted a Long-Term Incentive Compensation Plan in 2021 (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 3, 2022 (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 a target number of _____ restricted stock units (“RSUs”). Each RSU represents the right to receive one share of common stock of the Company (each a “Share”), subject to adjustment as described below, and further 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 No 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 Sections 6, 7 and 8, the RSUs granted hereby shall vest, in whole or in part, to the extent both of the following conditions are satisfied:

a. **Continued Service.** The Employee must continue to be employed by the Company on the third anniversary of the Grant Date.

b. **Company Performance.** The Company must achieve the average return on invested capital and cumulative EBITDA (the “Performance Objectives”) stated below for the three fiscal year period ending June 30, 2025 (the “Performance Period”):

	Average Return on Invested Capital (a/k/a Return on Total Capital) (50% Weight)	Cumulative EBITDA (50% Weight)
Maximum (200% payout)	XX%	\$XXX
Target (100% payout)	XX%	\$XXX
Threshold (50% payout)	XX%	\$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.

“Cumulative EBITDA” is the sum of net earnings, adding back provision for income taxes, interest expense, depreciation and amortization expenses.

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:

- (i) 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 200%. 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.
- (ii) The percentage for each Performance Objective shall be multiplied by the weight accorded to that Performance Objective as reflected in the above table.
- (iii) 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, 2025.

5. Termination of Employment for Reasons Other than Death or Disability. Subject to Sections 6, 7 and 8 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. If, prior to the third anniversary of the Grant Date, the Employee terminates employment due to death or disability, a prorated portion of the RSUs 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, 2022, through the Employee’s last day of employment, and the denominator of which is the number of days from July 1, 2022, through June 30, 2025. 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 award.

7. 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 8, the RSUs 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, 2025 by a fraction, the numerator of which is the number of days from July 1, 2022, through the Employee's last day of employment, and the denominator of which is the number of days from July 1, 2022, through June 30, 2025. 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, 2025).

8. Termination Following Change in Control. Notwithstanding any other provisions in 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 RSUs granted hereunder shall immediately vest and Shares represented by such RSUs 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 8. 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 8:

- (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, except that any acquisition of securities of the Company directly from the Company (excluding any acquisition resulting from the exercise of a conversion or exchange privilege in respect of outstanding convertible or exchangeable securities unless such outstanding convertible or exchangeable securities were acquired directly from the Company) shall not constitute a Change in Control of the Company;
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- (iii) if at any time after August 4, 2021 (the “Effective Date” of the Plan), individuals who as of the Effective Date constitute the Board of Directors (as of the Effective Date, the “Incumbent Board”) shall cease to constitute a majority of the Board of Directors; provided however, that any person becoming a director after the Effective Date whose appointment or nomination for election to the Board of Directors was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be, for purposes of this Plan, considered as though such person were a member of the Incumbent Board; and provided further, that no such individual whose initial assumption of office occurs as a result of an actual or threatened election contest which was (or, if threatened, would have been) subject to Exchange Act Rule 14a-12(c) shall be deemed to have been a member of the Incumbent Board; 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.

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]

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 3rd day of August, 2022, to memorialize an award of performance stock of even date herewith.

WHEREAS, the Company adopted a Long-Term Incentive Compensation Plan in 2021 (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 3, 2022, 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 3, 2022. 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 and cumulative EBITDA (the “Performance Objectives”) stated below for the three fiscal year period ending June 30, 2025 (the “Performance Period”):

	Average Return on Invested Capital (a/k/a Return on Total Capital) (50% Weight)	Cumulative EBITDA (50% Weight)
Maximum (200% payout)	XX%	\$XXX
Target (100% payout)	XX%	\$XXX
Threshold (50% payout)	XX%	\$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.

“Cumulative EBITDA” is the sum of net earnings, adding back provision for income taxes, interest expense, depreciation and amortization expenses.

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 200%. 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, 2025.

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. For this purpose, "termination for cause" shall mean termination because of (i) any act or failure to act deemed to constitute cause under the Company's established practices policies or guidelines applicable to the Participant (ii) the Participant's act or omission constituting gross misconduct with respect to the Company or a Subsidiary in any material respect; or (iii) the Participant's failure to perform his or her employment responsibilities in a satisfactory manner. 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, 2022, through the Employee's last day of employment, and the denominator of which is the number of days from July 1, 2022, through June 30, 2025. 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, 2025 by a fraction, the numerator of which is the number of days from July 1, 2022, through the Employee's last day of employment, and the denominator of which is the number of days from July 1, 2022, through June 30, 2025. 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, 2025).

7. Termination Following Change in Control. Notwithstanding any provisions in 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, 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, except that any acquisition of securities of the Company directly from the Company (excluding any acquisition resulting from the exercise of a conversion or exchange privilege in respect of outstanding convertible or exchangeable securities unless such outstanding convertible or exchangeable securities were acquired directly from the Company) shall not constitute a Change in Control of the Company;
 - (iii) if at any time after August 4, 2021 (the "Effective Date" of the Plan), individuals who as of the Effective Date constitute the Board of Directors (as of the Effective Date, the "Incumbent Board") shall cease to constitute a majority of the Board of Directors; provided however, that any person becoming a director after the Effective Date whose appointment or nomination for election to the Board of Directors was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be, for purposes of this Plan, considered as though such person were a member of the Incumbent Board; and provided further, that no such individual whose initial assumption of office occurs as a result of an actual or threatened election contest which was (or, if threatened, would have been) subject to Exchange Act Rule 14a-12(c) shall be deemed to have been a member of the Incumbent Board; or
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(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. 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]

CHANGE IN CONTROL SEVERANCE AGREEMENT

THIS AGREEMENT is executed and entered into as of the 3rd day of August, 2022 (the "Effective Date"), by and between Twin Disc, Incorporated, a Wisconsin corporation, with its principal offices located at 1328 Racine Street, Racine, Wisconsin ("Corporation"), and _____ ("Employee").

WITNESSETH:

WHEREAS, the Board of Directors of the Corporation is aware of the uncertainties created by the current business environment in which tender offers for publicly-held corporations are increasingly frequent, is aware that the possibility of a change in control of the Corporation raises questions and uncertainties, and is aware that these questions and uncertainties are cause for legitimate concern among key Corporation employees about their future with the Corporation; and

WHEREAS, the Board of Directors of the Corporation recognizes that the efforts of those employees identified by the Board as key management employees have contributed and will continue to contribute to the growth and success of the Corporation; and

WHEREAS, the Board of Directors of the Corporation is concerned that the uncertainties associated with the current business environment may adversely affect the morale of key management employees of the Corporation, undermine the confidence of such key management employees in the ability of the Corporation to remain a viable and competitive entity and jeopardize the ability of the Corporation to attract and retain the services of key management employees in the future; and

WHEREAS, the Board of Directors of the Corporation believes that in the best interests of the Corporation, it is essential that key management employees, including Employee, be retained and that the Corporation be in a position to rely on their ongoing dedication and commitment to render services to the Corporation, irrespective of whether the Corporation is or may be acquired or merged with or into another corporation.

NOW, THEREFORE, in consideration of, and as a specific inducement for, the continued services of Employee, the parties hereto agree as follows:

1. Term of Agreement; Replacement of Prior Agreement. This Agreement shall commence as of the date hereof and shall continue in effect until November 1st, 2022; provided, however, that commencing on November 1, 2022, and each November 1st thereafter, the term of this Agreement shall automatically be extended for one additional year unless, not later than August 1 of that year, the Corporation shall have given notice that it does not wish to extend this Agreement; provided, further, if a Change in Control (as defined in Section 2 below) of the Corporation shall have occurred during the original or extended term of this Agreement, this Agreement shall continue in effect for a period of twenty-four (24) months beyond the month in which such Change in Control of the Corporation occurred.

The prior Change in Control Severance Agreement entered into between the Corporation and Employee, dated as of _____, is hereby terminated and replaced with this Agreement.

2. Change in Control of the Corporation. No benefits shall be payable hereunder unless there shall have been a Change in Control of the Corporation, as set forth below. For purposes of this Agreement, a "Change in Control of the Corporation" shall mean 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 Corporation is then subject to such reporting requirement; provided that without limitation, such a change in control shall be deemed to have occurred in any of the following circumstances:

(a) if any "person" (as defined in Sections 13(d) and 14(d) of the Exchange Act) other than John H. 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 Corporation representing thirty percent (30%) or more of the combined voting power of the Corporation's then outstanding securities, except that any acquisition of securities of the Corporation directly from the Corporation (excluding any acquisition resulting from the exercise of a conversion or exchange privilege in respect of outstanding convertible or exchangeable securities unless such outstanding convertible or exchangeable securities were acquired directly from the Corporation) shall not constitute a Change in Control of the Corporation;

(b) if at any time after the Effective Date and during the initial or extended term of this Agreement, individuals who as of the Effective Date constitute the Board of Directors (as of the Effective Date, the "Incumbent Board") shall cease to constitute a majority of the Board of Directors; provided however, that any person becoming a director after the Effective Date whose appointment or nomination for election to the Board of Directors was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be, for purposes of this Plan, considered as though such person were a member of the Incumbent Board; and provided further, that no such individual whose initial assumption of office occurs as a result of an actual or threatened election contest which was (or, if threatened, would have been) subject to Exchange Act Rule 14a-12(c) shall be deemed to have been a member of the Incumbent Board; or

(c) upon the consummation of a merger or consolidation of the Corporation with any other corporation, other than a merger or consolidation that results in the voting securities of the Corporation 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 Corporation or such surviving entity outstanding immediately after such merger or consolidation, or the consummation of complete liquidation of the Corporation or the sale or disposition by the Corporation of all or substantially all the Corporation's assets.

3. Termination Following a Change in Control of the Corporation. If any of the events described in Section 2 hereof constituting a Change in Control of the Corporation shall have occurred, Employee shall be entitled to the benefits provided in Subsection 4(d) hereof immediately upon a termination of his employment which occurs during the term of this Agreement unless such termination is (i) due to Employee's death, Disability or Retirement as those terms are defined in Subsection 3(a) below, (ii) by the Corporation for Cause, as that term is defined in Subsection 3(b) below, or (iii) by Employee other than for Good Reason, as that term is defined in Subsection 3(c) below.

(a) Disability; Retirement. If, as a result of Employee's incapacity due to physical or mental illness, Employee shall have been absent from the full-time performance of his duties with the Corporation for six (6) consecutive months, and within thirty (30) days after written notice of termination is given, Employee shall not have returned to the full-time performance of his duties, the Corporation may terminate Employee's employment for "Disability." Termination by the Corporation or by Employee of Employee's employment by reason of "Retirement" shall mean termination on or after Employee's attainment of age 65.

(b) Cause. Termination by the Corporation of Employee's employment for "Cause" shall mean termination because of (i) any act or failure to act deemed to constitute cause under the Corporation's established practices or guidelines applicable to Employee, or (ii) Employee's act or omission constituting gross misconduct with respect to the Corporation or a subsidiary of the Corporation.

(c) Good Reason. Employee shall be entitled to terminate his employment for Good Reason.

(i) For purposes of this Agreement, "Good Reason" shall mean, without Employee's express written consent, the occurrence after a Change in Control of the Corporation of any one or more of the following:

(A) the assignment to Employee of duties, responsibilities or status that constitute a material diminution from his or her present duties, responsibilities and status as _____ of the Corporation or a material reduction or alteration in the nature or status of Employee's duties and responsibilities from those in effect as of the date hereof;

(B) a material reduction by the Corporation in Employee's annual base salary as in effect immediately prior to the Change in Control of the Corporation or as the same shall be increased after the Change in Control of the Corporation ("Base Salary");

(C) a material change in the geographic location at which the Employee must provide services;

(D) a material change or termination of the Corporation'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;

(E) the failure of the Corporation to obtain a satisfactory agreement from any successor to the Corporation to assume and agree to perform this Agreement as contemplated in Section 5 hereof; or

(F) any purported termination by the Corporation of Employee's employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Subsection 4(d) below, and for purposes of this Agreement, no such purported termination shall be effective.

(ii) To constitute a termination for Good Reason hereunder, Employee must provide notice to the Corporation of the existence of a condition that would constitute Good Reason within 90 days following the initial existence of such condition. The Corporation shall be 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. Employee's continued employment during such 90 and 30 day periods shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason hereunder.

(iii) Employee's right to terminate his employment pursuant to this Subsection 3(c) shall not be affected by his incapacity due to physical or mental illness.

(d) Notice of Termination. Any termination by the Corporation for Cause or by Employee for Good Reason shall be communicated by Notice of Termination to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a written notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Employee's employment under the provision so indicated.

(e) Date of Termination. "Date of Termination" shall mean the date as of which Employee's expected services permanently decrease to no more than 20 percent of the average level of bona fide services performed over the immediately-preceding 36-month period.

4. Compensation Upon Termination or During Disability. Following a Change in Control of the Corporation, as defined in Section 2 hereof, upon termination of Employee's employment or during a period of disability Employee shall be entitled to the following benefits:

(a) During any period that Employee fails to perform his full-time duties with the Corporation as a result of incapacity due to Disability as that term is defined in Subsection 3(a) herein, Employee shall continue to receive his Base Salary at the rate in effect at the commencement of any such period, until Employee's employment is terminated pursuant to Subsection 3(a) hereof. Thereafter, Employee's benefits shall be determined in accordance with the Corporation's retirement, insurance and other applicable programs and plans then in effect.

(b) If Employee's employment shall be terminated by the Corporation for Cause or by Employee other than for Good Reason, the Corporation shall pay Employee his full Base Salary through the Date of Termination at the rate in effect at the time Notice of Termination is given or on the Date of Termination if no Notice of Termination is required hereunder, plus all other amounts to which Employee is entitled under any compensation plan of the Corporation at the time such payments are due, and the Corporation shall have no further obligations to Employee under this Agreement.

(c) If Employee's employment terminates by reason of his Retirement or by reason of his death, then Employee's benefits shall be determined in accordance with the Corporation's Supplemental Retirement Plans, and its retirement, survivor's benefits, insurance, and/or such other applicable programs and plans then in effect.

(d) If Employee's employment by the Corporation shall be terminated by the Corporation other than for Cause, Retirement or Disability, or by Employee for Good Reason, Employee shall be entitled to the benefits (the "Severance Payments") provided below:

(i) the Corporation shall pay Employee his full Base Salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, or the Date of Termination where no Notice of Termination is required hereunder;

(ii) the Corporation shall pay as severance benefits to Employee, on the date specified in Subsection 4(g) below, a lump sum severance payment equal to the product of

(A) the sum of (I) Employee's annual Base Salary in effect immediately prior to the Date of Termination (or, if Employee's employment terminates for Good Reason based on a reduction in Base Salary, the Employee's annual Base Salary as in effect immediately prior to such reduction), and (II) the greater of (x) the annual bonus awarded to Employee under the Corporation's Corporate Incentive Plan for the fiscal year immediately preceding the fiscal year in which the Date of Termination occurs (or, if no annual bonus was received for such fiscal year, the average of the annual bonuses awarded to Employee under the Corporation's Corporate Incentive Plan for the three fiscal years immediately preceding the fiscal year in which the Date of Termination occurs), or (y) the Employee's target annual bonus under the Corporation's Corporate Incentive Plan for the fiscal year in which the Date of Termination occurs; times

(B) _____;

(iii) in lieu of shares of common stock of the Corporation ("Option Shares") issuable upon exercise of outstanding options ("Options"), if any, granted to Employee under the Corporation's 2021 Long-Term Incentive Compensation Plan, together with any additional, substitute or successor option program or plan as may be in effect from time to time, (which Options shall be canceled upon the making of the payment referred to below), Employee shall receive, on the date specified in Subsection 4(g) below, an amount in cash equal to the product of (i) the higher of the closing price of shares reported on the NASDAQ Stock Market on the Date of Termination or the highest per share price for Option Shares actually paid in connection with any Change in Control of the Corporation, over the per share exercise price of each Option held by Employee, times (ii) the number of Option Shares covered by each such Option;

(iv) for a twenty-four (24) month period after such termination, the Corporation will arrange to provide Employee, at the Corporation's expense, with benefits under the Corporation's applicable employee fringe benefit plans, which benefits shall be the same or substantially similar to the benefits Employee was receiving immediately prior to the Notice of Termination; but in no event shall Employee be provided the benefits described herein after the first day of the month after Employee attains age 65; and provided further that benefits otherwise receivable by Employee pursuant to this Subsection (iv) shall be reduced to the extent comparable benefits are actually received by Employee during the twenty-four (24) month period following Employee's termination and any such benefits actually received by Employee shall be reported to the Corporation. In the event the Corporation's contributions for coverage under the fringe benefit plans would be treated as deferred compensation under Section 409A of the Code and contributions during the six (6) months following Employee's Date of Termination would cause Employee to be subject to an additional tax under Section 409A of the Code, Employee shall pay the entire cost of coverage during such six-month period and the Corporation shall reimburse Employee for the amount that the Corporation would have paid during such period on the first date that the Corporation may make such payment without causing an additional tax to be paid by Employee under Section 409A of the Code. In addition, to the extent that any such fringe benefit plan provides for reimbursement of any expenses or the provision of any in-kind benefits that are subject to Section 409A of the Code, (i) the amount of such expenses eligible for reimbursement, or in-kind benefits to be provided, during any one calendar year shall not affect the amount of such expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year (provided, that, this clause (i) will not be violated with regard to expenses reimbursed under any arrangement covered by Section 105(b) of the Code solely because such expenses are subject to a limit related to the period the arrangement is in effect); (ii) reimbursement of any such expense shall be made by no later than December 31 of the year following the calendar year in which such expense is incurred; and (iii) Employee's right to receive such reimbursements or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

(e) In the event that Employee becomes entitled to the Severance Payments, if it is determined that any of the Severance Payments will be subject to the tax (the "Excise Tax") imposed by Section 4999 of the Internal Revenue Code of 1986 ("Code") (or any similar tax that may hereafter be imposed), the Severance Payments to which Employee is entitled hereunder shall be reduced to the extent necessary to avoid the imposition of any Excise Tax upon such Severance Payments. In the event Severance Payments shall have previously been made to Employee which are or would be subject to the Excise Tax, Employee shall immediately repay to the Corporation that portion of the Severance Payments determined to be subject to such Excise Tax. For purposes of determining whether any of the Severance Payments will be subject to the Excise Tax and the amount of such Excise Tax, (i) any other payments or benefits received or to be received by Employee in connection with a Change in Control of the Corporation or Employee's termination of employment (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Corporation, any person whose actions result in a Change in Control of the Corporation or any person affiliated with the Corporation or such person) shall be treated as "parachute payments" within the meaning of Section 280G(b)(2) of the Code, and all "excess parachute payments" within the meaning of Section 280G(b)(1) shall be treated as subject to the Excise Tax, unless in the opinion of tax counsel selected by the Corporation's independent auditors and acceptable to Employee such other payments or benefits (in whole or in part) do not constitute parachute payments, or such excess parachute payments (in whole or in part) represent reasonable compensation for services actually rendered within the meaning of Section 280G(b)(4) of the Code in excess of the base amount within the meaning of Section 280G(b)(3) of the Code, or are otherwise not subject to the Excise Tax, (ii) the amount of the Severance Payments which shall be treated as subject to the Excise Tax shall be equal to the lesser of (A) the total amount of the Severance Payments or (B) the amount of excess parachute payments within the meaning of Section 280G(b)(1) (after applying clause (i) above), and (iii) the value of any non-cash benefits or any deferred payment or benefits shall be determined by the Corporation's independent auditors in accordance with the principles of Sections 280G(d)(3) and (4) of the Code. In the event that the Excise Tax is subsequently determined to be less than the amount taken into account hereunder at the time of termination of Employee's employment, the Corporation shall repay to the Employee at the time that the amount of such reduction in Excise Tax is finally determined, the portion of the Severance Payments previously repaid by Employee to the Corporation hereunder attributable to such reduction plus interest on the amount of such repayment at the rate provided in Section 1274(b)(2)(B) of the Code. In the event that the Excise Tax is determined to exceed the amount taken into account hereunder at the time of the termination of Employee's employment, Employee shall repay to the Corporation such further excess portion of the Severance Payments as would be subject to the Excise Tax (plus any interest payable with respect to such excess) at the time that the amount of such excess is finally determined.

(f) In the event the amount of Severance Payments that Employee would be entitled to receive hereunder, following a Change in Control of the Corporation, upon termination of Employee's employment, would, under any applicable provision of law, render the validity, legality or enforceability of this Agreement and the Severance Payments made hereunder contingent upon this Agreement having first been approved by the affirmative vote of a majority of the aggregate outstanding voting securities of the Corporation, (i) the Severance Payments due Employee hereunder shall be reduced to the extent necessary to avoid rendering this Agreement subject, under any applicable provision of law, to prior shareholder approval as specified above; or (ii) if Severance Payments have previously been made to Employee hereunder, the amount of which Severance Payments would render this Agreement subject to prior shareholder approval, as specified above, as a condition precedent to its validity, legality or enforceability, Employee shall immediately repay to the Corporation that portion of the Severance Payments which served to render this Agreement subject to said prior shareholder approval.

(g) The payments provided for in Subsection (d) (ii) and (iii) above, together with interest on such amounts from the Date of Termination until the date such amounts are paid at the rate provided in Section 1274(b)(2)(B) of the Code, shall be made on the date that is 6 months after the Date of Termination; provided, that if a bona fide dispute exists regarding Employee's right to payment on such date, payments (if any) shall be made in accordance with the provisions of Treasury Regulation 1.409A-3(g), which generally requires that (1) Employee accept the portion of the payment that the Corporation is willing to pay (unless such acceptance would result in a relinquishment of Employee's claim to payment of the remaining amount); (2) Employee make good faith efforts to collect the remaining portion of the payment; and (3) any further payment is made no later than the end of the first taxable year of Employee in which: (i) Employee and the Corporation settle the dispute, (ii) the Corporation concedes the disputed amount is payable; or (iii) the Corporation is required to make such payment pursuant to a final and nonappealable judgment or other binding decision.

(h) The Corporation shall also pay to Employee all legal fees and expenses incurred by Employee as a result of such termination of employment (including all such fees and expenses, if any, incurred in contesting or disputing any such termination or in seeking to obtain or enforce any right or benefit provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of Section 4999 of the Code to any payment or benefit provided hereunder). No such payments shall be made prior to the date which is 6 months after the Date of Termination. On the date that is 6 months after the Date of Termination, the Corporation shall make a lump sum payment of all legal fees and expenses (if any) that accrued during such six month period, along with interest on such amounts from the date incurred by Employee to the date of payment at the rate provided in Section 1274(b)(2)(B) of the Code.

(i) Employee shall not be required to mitigate the amount of any payment provided for in this Section 4 by seeking other employment or otherwise, nor shall the amount of any payment provided for in this Section 4 be reduced by any compensation earned by Employee as the result of employment by another employer after the Date of Termination, or otherwise.

(j) The Severance Payments to be paid pursuant to Subsection (d) above are not intended as stipulated or liquidated damages for breach of any promise of a term of employment, no such promise being made herein, but are payments which shall be fully earned as of the Date of Termination, and shall be compensation for: Employee's continued services rendered to the Corporation after the date hereof and prior to such Date of Termination; the foregoing of other possibly more secure employment; consequential losses which may result from such termination, including, but not limited to, permanent injury to reputation, loss of career development opportunities, and emotional stress; and actual losses which may result from such termination including, but not limited to, lost wages and expenses of securing other employment.

(k) The Corporation shall have no obligation to provide or cause to be provided to Employee the benefits described in this Agreement if the Corporation or Employee shall terminate Employee's employment prior to a Change of Control. This Agreement is not and nothing contained herein shall be deemed to create a contract of employment between the Employee and the Corporation.

5. Successors; Binding Agreement.

(a) The Corporation shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Corporation or of any division or subsidiary thereof employing Employee to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Corporation would be required to perform it if no such succession had taken place. Failure of the Corporation to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle Employee to terminate employment and receive compensation from the Corporation in the same amount and on the same terms as Employee would be entitled hereunder if Employee terminated his employment for Good Reason.

(b) This Agreement shall inure to the benefit of and be enforceable by Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If Employee should die while any amount would still be payable to him hereunder if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Employee's devisee, legatee or other designees or, if there is no such designee, to Employee's estate.

6. Administration of Agreement; Claims Procedures.

(a) This Agreement shall be administered by the Compensation and Executive Development Committee of the Corporation's Board of Directors, which has been given complete and discretionary authority by the Board of Directors to administer and interpret this Plan.

(b) The Committee shall notify Employee in writing, within 90 days of his written application for benefits, of his eligibility or ineligibility for benefits under this Agreement. If the Committee determines that Employee is not eligible for benefits or full benefits, the notice shall set forth (a) the specific reasons for such denial, (b) a specific reference to the provisions of this Agreement on which the denial is based, (c) a description of any additional information or material necessary for the Employee to perfect his claim, and a description of why it is needed, (d) an explanation of this Agreement's claims review procedure and other appropriate information as to the steps to be taken if the Employee wishes to have the claim reviewed (including the applicable time limits, a statement that the Employee is entitled to receive upon request, free of charge, access to and copies of all documents and other information relevant to the claim, and a statement regarding the Employee's right to bring a civil action if the Employee's review is denied), and (e) in the case of claims where the Committee determines that the Employee's termination of employment was due to disability, copies of or the right to request free of charge any internal rule, guideline or protocol that was relied upon in denying the claim. If the Committee determines that there are special circumstances requiring additional time to make a decision, the Committee shall notify the Employee of the special circumstances and of the date by which a decision is expected to be made, and may extend the time for up to an additional 90-day period.

If the Committee determines that Employee is ineligible for benefits, or if the Employee believes that he is entitled to greater or different benefits, the Employee shall have the opportunity to have such claim reviewed by the Committee by filing a petition for review with the Committee within 60 days after receipt of the notice issued by the Committee. Said petition shall state the specific reasons why the Employee believes that he is entitled to benefits, greater benefits, or different benefits. Within 60 days after receipt by the Committee of said petition, the Committee shall afford the Employee (and counsel, if any) an opportunity to present his position to the committee orally or in writing, and the Employee (or counsel, if any) an opportunity to present his position to the Committee orally or in writing, and the Employee (or counsel) shall have the right to review the pertinent documents. Within the 60-day period, the Committee shall notify the Employee of its decision in writing. The Committee's written notice to the Employee shall set forth specifically the basis of the Committee's decision and the specific provisions of this Agreement on which the decision is based and shall be written in a manner calculated to be understood by the Employee. If, because of the need for a hearing, the 60-day period is not sufficient, the decision may be deferred for up to another 60-day period at the election of the Committee, but notice of this deferral shall be given to the Employee. In the event of the death of Employee, the same procedure shall be applicable to the Employee's beneficiaries.

Special procedures apply if a claim or claim denial is based upon an assertion that the Employee is disabled. In such cases, the Committee must furnish the Employee with a written notice of this denial no later than 45 days after the receipt of the claim. However, the Committee may request up to two extensions of up to 30 days each to process the claim by providing notice of the extension within the original 45 day period or within the initial 30 day extension period (whichever applies). Each notice must state the special circumstances requiring the extension of time, the standards on which the determination of disability are based, and the date by which the Committee expects to render a decision on the claim. If additional information is needed to process the claim, the Employee will be given at least 45 days to provide such information.

If the Committee determines that the Employee terminated employment due to disability, and the Employee wishes to submit the claim for a hearing and review, the Employee must file the claim for review no later than 180 days after receiving written notification of the denial of his claim for benefits. The Employee may submit written documents and other information relating to the claim. The review will be conducted by an appropriate named fiduciary of this Agreement who is neither the person who denied the initial claim nor a subordinate of that person, and no deference will be given to the initial decision of the claim. If the claim is based on a medical judgment, the person conducting the review will consult with an appropriate health care professional (but not the same professional who was consulted in connection with the original denial of the claim, or his or her subordinate), and will, upon the request of the Employee, provide the Employee with the names of all medical or vocational experts whose advice was obtained in connection with the original denial of the claim. A hearing on the claim will be conducted within 45 days. At the hearing, or prior to the hearing upon 5 business days' written notice to the Committee, the Employee may review all pertinent documents relating to the denial of the claim. If the review of the claim is denied, the Employee will be provided with written notice of this denial within 45 days after the Committee's receipt of the written claim for review. There may be times when this 45 day period may be extended. This extension may only be made, however, where there are special circumstances that are communicated to the Employee in writing within the 45 day period. If the decision on review is not furnished to the Employee within the time limitations described above, the claim shall be deemed denied on review.

If the review of a claim is denied, the Committee will provide the Employee with a notice containing the specific reasons for the denial, a reference to this Agreement provisions on which the denial is based, a statement that the Employee is entitled to receive upon request, free of charge, access to and copies of all documents and other information relevant to the claim, a statement of the Employee's right to bring a civil action under federal law, and, in the case of claims based on disability, copies of or the right to request free of charge any internal rule, guideline or protocol that was relied upon in denying the claim.

No person or entity claiming Plan benefits may bring legal action against the Committee or its members, the Corporation, any affiliate of the Corporation, the Board of Directors of the Corporation or its members, or any employee of the Corporation based upon this Agreement before exhausting the claim and appeal procedures set forth in the preceding paragraphs of this Section 6. No person or entity claiming benefits under this Agreement may commence legal action with respect to this Agreement more than 120 days after receiving notice of the Committee's final decision on the claim appeal of such person or entity.

7. Notice. For the purposes of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below:

- (a) If to the Corporation:

Twin Disc, Incorporated
1328 Racine Street
Racine, Wisconsin 53403

Attention: Corporate Secretary

- (b) If to Employee:

Twin Disc, Incorporated
1328 Racine Street
Racine, Wisconsin 53403

8. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by Employee and such officer as may be specifically designated by the Board. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Wisconsin.

9. Validity. The invalidity or unenforceability of any provision of this shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

10. Compliance with Code Section 409A. Notwithstanding anything in this Agreement to the contrary, to the extent any payments paid or payable to Employee are subject to Section 409A of the Code, as amended, (a) this Agreement shall be interpreted in a manner that complies with Code Section 409A and any related regulations or guidance, and (b) all such payments shall comply with Code Section 409A and any related regulations or guidance.

11. Interpretation. All terms used herein in the singular shall be construed to include the plural and all terms used herein in the masculine gender shall be construed to include the feminine gender as may be required by the context in which the terms are used.

12. Entire Agreement. This Agreement sets forth the entire agreement and understanding of the parties hereto with respect to the matters covered hereby.

IN WITNESS WHEREOF, the parties have executed this Agreement in the City and County of Racine, Wisconsin, effective as of the date first set forth above.

TWIN DISC, INCORPORATED

By: _____

Attest: _____

EMPLOYEE:

[NAME]



NEWS RELEASE

**Corporate Offices:
1328 Racine Street
Racine, WI 53403**

TWIN DISC APPOINTS KEVIN OLSEN TO ITS BOARD OF DIRECTORS

RACINE, Wis., August 8, 2022 – Twin Disc, Inc. (NASDAQ: TWIN) a global leader in power transmission technology for marine, land-based and oil & gas applications, has appointed Kevin Olsen to its Board of Directors.

Mr. Olsen is currently the President and Chief Executive Officer of Dorman Products, Inc. (NASDAQ: DORM) and also serves as a member of Dorman's Board of Directors. Mr. Olsen previously served as Dorman's Chief Financial Officer from 2016 to 2018. Dorman Products, Inc. is a leading supplier of replacement parts and fasteners for passenger cars and light-, medium-, and heavy-duty vehicles in the motor vehicle aftermarket industry. Prior to Dorman, Mr. Olsen held a variety of senior leadership positions at companies such as Colfax, Crane Co., Netshape Technologies, Inc. and Danaher Corporation. Prior thereto, Mr. Olsen performed public accounting work at PricewaterhouseCoopers LLP.

"We are pleased to welcome Kevin to our Board of Directors and are confident that his background and experience will benefit Twin Disc and its shareholders," said John H. Batten, Chief Executive Officer. "His experience in executive leadership and financial management with large organizations, will be a tremendous asset for Twin Disc."

About Twin Disc

Twin Disc, Inc. designs, manufactures and sells marine and heavy-duty off-highway power transmission equipment. Products offered include marine transmissions, azimuth drives, surface drives, propellers, and boat management systems, as well as power-shift transmissions, hydraulic torque converters, power take-offs, industrial clutches, and control systems. The Company sells its products to customers primarily in the pleasure craft, commercial and military marine markets, as well as in the energy and natural resources, government, and industrial markets. The Company's worldwide sales to both domestic and foreign customers are transacted through a direct sales force and a distributor network. For more information, please visit www.twindisc.com.

Contact: Jeffrey S. Knutson
(262) 638-4242

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