

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 1, 2018**

TWIN DISC, INCORPORATED

(Exact name of registrant as specified in its charter)

WISCONSIN
(State or other jurisdiction
of incorporation)

001-7635
(Commission
File Number)

39-0667110
(IRS Employer
Identification No.)

1328 Racine Street Racine, Wisconsin 53403

(Address of principal executive offices)

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

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

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

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

Emerging growth company

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

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

2018 LONG-TERM INCENTIVE PLAN

On August 1, 2018, the Board of Directors (the "Board") of Twin Disc, Incorporated (the "Company") approved a new long-term incentive plan, entitled the Twin Disc, Incorporated 2018 Long-Term Incentive Compensation Plan (the "2018 LTI Plan"). Benefits under the 2018 LTI Plan may be granted, awarded or paid in any one or a combination of stock options, stock appreciation rights, restricted stock awards, restricted stock units, cash-settled restricted stock units, performance stock awards, performance stock unit awards, performance unit awards, and dividend equivalent awards. There is reserved for issuance under the Plan an aggregate of 850,000 shares of the Company's common stock, which may be authorized and unissued shares or shares reacquired by the Company in the open market or a combination of both. The aggregate amount is subject to proportionate adjustments for stock dividends, stock splits and similar changes.

The Compensation and Executive Development Committee of the Board (the "Committee") will administer the 2018 LTI Plan. The Committee has the discretionary authority to prescribe, amend and rescind rules and regulations relating to the 2018 LTI Plan, to select the eligible employees who shall receive awards under the 2018 LTI Plan, to grant awards under the 2018 LTI Plan and determine the terms and conditions of such awards, and to interpret the 2018 LTI Plan and/or any agreement entered into under the 2018 LTI Plan.

The 2018 LTI Plan became effective immediately upon approval by the Board. However, the Company intends to submit the 2018 LTI Plan to the Company's shareholders for approval at the next annual meeting of shareholders, and all awards made under the 2018 LTI Plan will be null and void if the shareholders do not approve the 2018 LTI Plan before August 1, 2019. Pursuant to rules of the NASDAQ Stock Market, awards granted under the 2018 LTI Plan are designed so that no equity may be issued prior to shareholder approval of the 2018 LTI Plan. The 2018 LTI Plan is intended to replace the Twin Disc, Incorporated 2010 Long-Term Incentive Compensation Plan (as amended), and if the 2018 LTI Plan is approved by the Company's shareholders, no new awards will be made under the 2010 LTI Plan.

Statements about the 2018 LTI Plan are qualified by and subject to the actual provisions of the 2018 LTI Plan, which is attached hereto as Exhibit 10.1 and incorporated herein by reference.

SALARY AND INCENTIVE COMPENSATION

At its meeting on August 1, 2018, the Committee (i) approved the base salaries of, and (ii) approved the targets for fiscal 2019 bonuses for, the Company's principal financial officer, and certain of the Company's other "named executive officers" (as used in Instruction 4 to Item 5.02 of Form 8-K). The Committee did not finalize decisions regarding the fiscal 2019 compensation of the Company's principal executive officer, but is expected to do so in the near future. 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
Jeffrey S. Knutson Vice President – Finance, Chief Financial Officer, Treasurer, and Secretary	\$340,000	50%
Malcolm F. Moore Executive Vice President, Chief Operating Officer	\$397,500	50%
Dean J. Bratel, Vice President - Sales and Applied Technology	\$296,000	50%

The above base salaries represent an increase of 4.8% for Mr. Knutson and 5.3% for Mr. Bratel, which increases are effective the first pay period that includes October 1, 2018. The base salary of Mr. Moore was not changed.

In each case, the target incentive bonus is based on the FY 2019 Corporate Incentive Plan ("CIP"), which the Committee adopted and approved on August 1, 2018. The CIP establishes the target bonuses for the named executive officers based on the following factors and relative weights for each factor: (i) EBITDA (40%); sales revenue (20%); trade working capital as a percentage of sales (20%); and strategic objectives (individual achievement) (20%). In no event will an incentive payment under the CIP exceed 200% of the target. An incentive payment to a named executive officer under the CIP may be increased or decreased by up to 20%, at the discretion of the Chief Executive Officer (except that an increase or decrease of the CIP payment to the CEO shall be at the discretion of the Committee).

On August 1, 2018, the Committee also issued performance stock awards to named executive officers of the Company under the 2018 LTI Plan. A target number of 10,947 performance shares were awarded to the named executive officers (subject to adjustment as described below), allocated as follows: Mr. Knutson, 6,060 performance shares; and Mr. Bratel, 4,887 performance shares. The performance shares will be paid out based on the following performance objectives and relative weights for each objective for the three fiscal year period ending June 30, 2021: (i) average return on invested capital (also known as return on total capital) (40%), (ii) average sales revenue (30%), and (iii) average earnings per share (30%). With respect to each performance objective, a value shall be determined as a percentage of the target based on the attainment of the performance objective for the performance period. If the Company does not obtain the threshold for that performance objective, such percentage shall be 0%. If the Company obtains the threshold for that performance objective, the percentage shall be 50%. If the Company equals or exceeds the maximum for that performance objective, the percentage shall be 150%. Outcomes between the threshold and target will be interpolated linearly between the amount of threshold award and the amount of the target award applicable to that performance objective, and outcomes between target and maximum will be interpolated linearly between the amount of the target award and the amount of the maximum award applicable to that performance objective. The percentage for each performance objective will be multiplied by the weight accorded to that performance objective, and the sum of the weighted percentages for each of performance objectives will be multiplied by the target number of performance shares awarded. The maximum number of performance shares that can be earned by the named executive officers pursuant to this award is

16,421. All awards of performance shares are contingent upon the approval of the 2018 LTI Plan by the Company's shareholders prior to August 1, 2019, and the awards shall be null and void if such shareholder approval is not obtained. A copy of the form of the Performance Stock Award Grant Agreement is attached hereto as Exhibit 10.2 and is incorporated herein by reference.

On August 1, 2018, the Committee also issued restricted stock units to named executive officers of the Company under the 2018 LTI Plan. Each restricted stock unit represents the right to receive one share of common stock of the Company if and when the restricted stock unit vests. A total of 10,947 restricted stock units were granted to the named executive officers, allocated as follows: Mr. Knutson, 6,060 restricted stock units; and Mr. Bratel, 4,887 restricted stock units. The restricted stock units will vest in three years, provided the named executive officer remains employed as of such vesting date. Subject to obtaining shareholder approval of the 2018 LTI Plan, the restricted stock units will fully vest if the named executive officer terminates employment due to death or disability, or if, following a change in control of the Company, the named executive officer is involuntarily terminated without cause or terminates employment for good reason. In conjunction with the restricted stock unit awards, the Committee also granted dividend equivalent awards. If and when a named executive officer's restricted stock units vest, the named executive officer shall receive a payment equal to the cash dividends that would have been paid during the restricted period on the shares of stock represented by the restricted stock units (plus interest), as well as any stock dividends that would have been issued during the restricted period on the shares of stock represented by the restricted stock units. All awards of restricted stock units and dividend equivalent awards are contingent upon the approval of the 2018 LTI Plan by the Company's shareholders prior to August 1, 2019, and the awards shall be null and void if such shareholder approval is not obtained. A copy of the form of the Restricted Stock Unit Grant Agreement is attached hereto as Exhibit 10.3 and is incorporated herein by reference.

CHANGE IN CONTROL SEVERANCE AGREEMENT

On August 1, 2018, the Committee also approved revised Change in Control Severance Agreements to replace similar agreements that it previously entered into with the 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, 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) define "Change in Control" to provide that a change in control occurs upon the consummation of a merger, consolidation, liquidation, or sale of substantially all of the Company's assets, rather than upon shareholder approval of such an event; and (2) add a requirement that employees who are resigning for good reason give notice and an opportunity for the Company to cure the condition that constitutes good reason for resignation.

The new Change in Control Severance Agreements were signed by the executives of the Company effective August 3, 2018. The form of the new Change in Control Severance Agreement entered into with Mr. Batten is attached hereto as Exhibit 10.4. The form of the new Change in Control Severance Agreement entered into with Mr. Knutson and Mr. Moore is attached hereto as Exhibit 10.5. The form of the new Change in Control Severance Agreement entered into with Mr. Bratel (as well as with other executive officers of the Company) is attached hereto as Exhibit 10.6.

DIRECTOR RESIGNATION

On August 2, 2018, Michael C. Smiley, a member of the Board, informed the Company that he is resigning from the Board. Mr. Smiley's resignation was effective August 2, 2018. Concurrent with Mr. Smiley's resignation, the Board reduced the number of directors on the Board from eight to seven in accordance with the Company's Bylaws.

FORWARD LOOKING STATEMENTS

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

Item 9.01 Financial Statements and Exhibits

(c) Exhibits.

EXHIBIT NUMBER	DESCRIPTION
10.1	Twin Disc, Incorporated 2018 Long-Term Incentive Compensation Plan
10.2	Form of Performance Stock Award Grant Agreement for performance stock grants on August 1, 2018
10.3	Form of Restricted Stock Unit Grant Agreement for restricted stock unit grants on August 1, 2018
10.4	Form of Change in Control Severance Agreement between the Company and Mr. Batten effective August 3, 2018
10.5	Form of Change in Control Severance Agreement between the Company and Messrs. Knutson and Moore effective August 3, 2018
10.6	Form of Change in Control Severance Agreement between the Company and Mr. Bratel effective August 3, 2018

SIGNATURE

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, thereunto duly authorized.

Date: August 6, 2018

Twin Disc, Incorporated

/s/ Jeffrey S. Knutson

Jeffrey S. Knutson

Vice President-Finance, Chief Financial
Officer, Treasurer & Secretary

TWIN DISC, INCORPORATED

2018 LONG-TERM INCENTIVE COMPENSATION PLAN

ARTICLE I

PURPOSE

1.1 Purpose. The purpose of the Twin Disc, Incorporated 2018 Long-Term Incentive Compensation Plan (the "Plan") is to promote the overall financial objectives of Twin Disc, Incorporated (the "Company") and its majority owned subsidiaries ("Subsidiaries") by providing opportunities for the officers and key employees selected to participate in the Plan (each a "Participant") to acquire Common Stock of the Company ("Common Stock"), and to receive Common Stock or cash bonuses upon attainment of specified financial goals of the Company or its Subsidiaries. The Plan gives the Compensation and Executive Development Committee of the Company's Board of Directors, or such other committee as the Board of Directors shall designate (the "Committee"), the authority and discretion to award stock options, stock appreciation rights, restricted stock awards, restricted stock unit awards, cash-settled restricted stock unit awards, performance stock awards, performance stock unit awards, performance unit awards and/or dividend equivalent awards (collectively, "Awards") to eligible employees of the Company.

ARTICLE II

EFFECTIVE DATE AND TERM

2.1 Effective Date. The Plan shall become effective on the date that it is approved by the Company's Board of Directors (the "Effective Date"), provided that shareholders of the Company's Common Stock approve the Plan by a majority of votes cast at a meeting of such shareholders before the first anniversary of the Effective Date. No shares shall be issued under the Plan prior to such shareholder approval. Notwithstanding any terms of the Plan to the contrary:

- (a) Options issued under the Plan prior to such shareholder approval shall not be exercisable unless and until such shareholder approval occurs;
 - (b) SARs issued under the Plan that would be settled in shares of Common Stock shall not be exercisable unless and until such shareholder approval occurs;
 - (c) If an event occurs prior to such shareholder approval that would otherwise result in issuance of shares prior to such shareholder approval (including, for example, termination of a Participant's employment due to death or disability), such shares shall not be issued unless and until such shareholder approval occurs; and such shares shall be issued no later than 2 ½ months after the date of such shareholder approval occurs (or, if later, the first day of the seventh month following the Participant's termination of employment for reasons other than death). If the shareholders do not approve the Plan before the first anniversary of the Effective Date, any Awards made under the Plan shall be null and void.
-

2.2 Term. No Award may be granted more than ten years after the Effective Date.

2.3 Post-Term Activity. Awards granted within the term of the Plan as set forth in Section 2.2, subject to the all other terms and conditions of the Plan and the agreement(s) governing the grant of the Awards, may be exercised, paid out, or modified more than ten years after the adoption of the Plan. Restrictions on Restricted Stock, Restricted Stock Units, and Cash-Settled Restricted Stock Units may lapse more than ten (10) years after the Effective Date.

ARTICLE III

STOCK SUBJECT TO PLAN

3.1 Maximum Number. The maximum number of shares of Common Stock that may be issued pursuant to Awards under the Plan from and after the Effective Date is 850,000, subject to the adjustments provided in Article XI, below. Such shares may be newly-issued shares, authorized but unissued shares or shares reacquired by the Company on the open market or otherwise. Because Cash-Settled Restricted Stock Units and Performance Stock Units are payable only in cash, the number of such Cash-Settled Restricted Stock Units and Performance Stock Units shall not count against the 850,000 maximum described in this paragraph.

3.2 Availability of Shares for Award. Shares of Common Stock that are subject to issuance pursuant to an Award may thereafter be subject to a new Award:

- (a) if the prior Award to which such shares were subject lapses, expires or terminates without the issuance of such shares; or
- (b) shares issued pursuant to an Award are reacquired by the Company pursuant to rights reserved by the Company upon the issuance of such shares; provided, that shares reacquired by the Company may only be subject to new Awards if the Participant received no benefit of ownership from the shares.

Notwithstanding the foregoing, shares of Common Stock that are received by the Company in connection with the exercise of an Award, including shares tendered in payment of a Stock Option's or an SAR's exercise price or shares tendered to the Company for the satisfaction of any tax liability or the satisfaction of a tax withholding obligation, may not be made subject to issuance pursuant to a later Award. In the event that only net shares are issued upon exercise of a Stock Option, upon the exercise of a SAR settled in shares of Common Stock, or upon the issuance of shares of Common Stock following the lapse of restrictions on Restricted Stock Units or the satisfaction of performance goals with respect to Performance Stock, the gross number of shares associated with such Award shall be counted against the 850,000 maximum described in Section 3.1. In no event will shares that are repurchased on the open market using stock option exercise proceeds be added back to the Plan.

ARTICLE IV

ADMINISTRATION

4.1 General Administration. The Committee shall supervise and administer the Plan. The Committee shall have discretionary authority to determine all issues with respect to the interpretation of the Plan and Awards granted under the Plan, and with respect to all Plan administration issues.

4.2 Powers of the Committee. Subject to the terms of the Plan and applicable law (including but not limited to the Sarbanes-Oxley Act of 2002, as amended), the Committee shall have the authority, in its discretion: (i) to prescribe, amend and rescind rules and regulations relating to the Plan; (ii) to select the eligible employees who shall receive Awards under the Plan; (iii) to grant Awards under the Plan and to determine the terms and conditions of such Awards, including without limitation the authority to determine the number of shares subject to issuance with respect to any Award, the vesting or exercise schedule of any Award, and the specific performance goals that shall cause an Award to vest or become payable; (iv) to determine the terms and conditions of the respective agreements (which need not be identical) pursuant to which Awards are granted, and (with the consent of the holder thereof) to modify or amend any Award; (v) to authorize any person to execute on behalf of the Company any instrument required to effectuate the grant of any Award; (vi) to determine the exercise price per share of options granted under the Plan; (vii) to determine the permissible methods of Award exercise and payment, including cashless exercise arrangements; (viii) to decide whether a Stock Appreciation Right Award shall be settled in cash or Common Stock; (ix) to determine the remaining number of shares of Common Stock available for issuance under the Plan; (x) to appoint and compensate agents, counsel, auditors or other specialists to aid it in the discharge of its duties; (xi) to interpret the Plan and/or any agreement entered into under the Plan; and (xii) to make all other determinations necessary or advisable for the administration of the Plan.

4.3 Committee. The Committee shall consist of at least three directors, each of whom shall be a "non-employee director" as that term is defined in Rule 16b-3(b)(3) promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 (the "Exchange Act"). A majority of the members of the Committee shall constitute a quorum at any meeting thereof (including telephone conference), and all determinations of the Committee shall be made by a majority of the members present, or by a writing by a majority of the members of the entire Committee without notice or meeting.

4.4 Minimum Vesting. Notwithstanding any other provision of the Plan to the contrary, and subject to acceleration as described in Sections 8.1, 8.2, and 9.1, no Awards granted under the Plan shall have a vesting, restricted or performance period (as applicable) of less than one year from the date of grant; provided, however, that Awards that result in the issuance of an aggregate of five percent (5%) of the shares of Common Stock available pursuant to Section 3.1 may be granted to any one or more Participants without regard to such minimum vesting, restricted or performance provisions.

4.5 Compliance with Code Section 409A. All Awards under this Plan shall be structured in a manner to comply with the requirements of Code Section 409A, or to be exempt from the application of Code Section 409A.

ARTICLE V

ELIGIBILITY

5.1 Eligibility. An Award may be granted under the Plan to those key employees (including officers) of the Company or its present or future Subsidiaries who, in the opinion of the Committee, are mainly responsible for the success and future growth of the Company and/or any of its Subsidiaries.

ARTICLE VI

AWARDS

6.1 Types of Awards. Awards under the Plan may be granted in any one or a combination of the following:

(a) Stock Options. An Option shall entitle the Participant to receive shares of Common Stock upon exercise of such Option, subject to the Participant's satisfaction in full of any conditions, restrictions or limitations imposed in accordance with the Plan or the agreement between the Company and the Participant governing the award of such Option. The agreement governing the award of an option shall designate whether such option is intended to be an incentive stock option or a non-qualified stock option, and to the extent that any stock option is not designated as an incentive stock option (or even if so designated does not qualify as an incentive stock option), it shall constitute a non-qualified stock option. The maximum number of Options that may be granted to any Participant during any fiscal year of the Company is 100,000, subject to the adjustments provided in Article XI, below.

(i) Exercise Price. The exercise price per share of the Common Stock purchasable under an Option shall be determined by the Committee, but shall not be less than the fair market value per share of Common Stock on the date the option is granted (or, if the Option is intended to qualify as an incentive stock option, not less than 110% of the such fair market value if the option is granted to an individual who owns or is deemed to own stock possessing more than 10% of the combined voting power of all classes of stock or the Company, a corporation which is the parent of the Company or and subsidiary of the Company (each as defined in Section 424 of the Code) (a "10% Shareholder")). For this and all other purposes under the Plan, the fair market value shall be the mean between the highest and lowest quoted selling prices per share of Common Stock on the NASDAQ Stock Market on the date of grant; provided, that if the Common Stock ceases to be listed on the NASDAQ Stock Market, the Committee shall designate an alternative method of determining the fair market value of the Common Stock.

(ii) Option Period. An Option shall be exercisable at such time and subject to such terms and conditions as shall be determined by the Committee. An option that is intended to qualify as an incentive stock option shall not be exercisable more than ten years after the date it is granted (or five years after the date it is granted, if granted to a 10% Shareholder).

(iii) No Repricings or Repurchases of Underwater Options Permitted. Except in connection with a transaction or event described in Article XI, the terms of outstanding Options may not be amended to reduce the exercise price of the outstanding Options or cancel the outstanding Options in exchange for cash, other awards or Options or SARs with an exercise price that is less than the exercise price of the original Options without stockholder approval.

(b) Stock Appreciation Rights. A Stock Appreciation Right shall entitle the Participant to surrender to the Company the Stock Appreciation Right and to be paid therefor the amount described in Section 6.1(b)(i)(3) or 6.1(b)(ii) below, subject to the Participant's satisfaction in full of any conditions, restrictions or limitations imposed in accordance with the Plan or the agreement between the Company and the Participant governing the award of such Stock Appreciation Right. Stock Appreciation Rights may be granted in conjunction with all or part of any Stock Option under this Plan ("Tandem SAR's"), or may be granted on a stand-alone basis ("Stand Alone SAR's"). The maximum number of Stock Appreciation Rights that may be granted to any Participant during any fiscal year of the Company is 100,000, subject to the adjustments provided in Article XI, below.

(i) Tandem SAR's.

(1) Grant. Tandem SAR's may be granted in connection with non-qualified or incentive stock options, but may only be granted at the time of grant of such associated Options.

(2) Term. A Tandem SAR shall have the same term as the Stock Option to which it relates and shall be exercisable only at such time or times and to the extent the related Stock Option would be exercisable.

(3) Exercise. Upon the exercise of a Tandem SAR, the Participant shall be entitled to receive an amount in cash equal in value to the excess of the fair market value per share of Common Stock on the date of exercise over the exercise price per share of Common Stock as specified in the agreement governing the Tandem SAR, multiplied by the number of shares in respect to which the Tandem SAR is exercised. The exercise of Tandem SAR's shall require the cancellation of a corresponding number of Stock Options to which the Tandem SAR's relate, and the exercise of Stock Options shall require the cancellation of a corresponding number of Tandem SAR's to which the Stock Options relate.

(4) Expiration or Termination. A Tandem SAR shall expire or terminate at such time as the Stock Option to which it relates expires or terminates, unless otherwise provided in the agreement governing the grant of the Tandem SAR.

(ii) Stand Alone SAR's. A Stand Alone SAR may be granted at such time and for such term as the Committee shall determine, and shall be exercisable at such time as specified in the agreement governing the grant of the Stand Alone SAR. Upon exercise of a Stand Alone SAR, the Participant shall be entitled to receive, in cash, Common Stock, or a combination of both (as determined by the Committee), an amount equal to the fair market value per share of Common Stock over an exercise price specified in the agreement governing the grant of the Stand Alone SAR (which exercise price shall not be less than the fair market value per share of Common Stock on the date the Stand Alone SAR is awarded), multiplied by the number of shares in respect to which the Stand Alone SAR is exercised.

(iii) No Repricings or Repurchases of Underwater SARs Permitted. Except in connection with a transaction or event described in Article XI, the terms of outstanding SARs may not be amended to reduce the exercise price of the outstanding SARs or cancel the outstanding SARs in exchange for cash, other awards or Options or SARs with an exercise price that is less than the exercise price of the original SARs without stockholder approval.

(c) Restricted Stock Awards. Restricted Stock consists of shares of Common Stock that are transferred or sold to the Participant, but which carry restrictions such as a prohibition against disposition or an option to repurchase in the event of employment termination. The minimum restriction on shares of Restricted Stock shall be one year of continued service by the Participant, although the Committee may impose longer service requirements and/or additional restrictions. Until such restrictions lapse, the Participant may not sell, assign, pledge or otherwise transfer, whether voluntarily or involuntarily, the Restricted Stock. A sale of Restricted Stock to a Participant shall be at such price as the Committee determines, which price may be substantially below the fair market value of the Common Stock at the date of grant.

(i) Lapse of Restrictions. The Committee shall establish the conditions under which the restrictions applicable to shares of Restricted Stock shall lapse. Lapse of the restrictions may be conditioned upon continued employment of the Participant for a specified period of time, satisfaction of performance goals of the Company or a Subsidiary, or any other factors as the Committee deems appropriate.

(ii) Rights of Holder of Restricted Stock. Except for the restrictions on transfer and/or the Company's option to repurchase the Restricted Shares, the Participant shall have, with respect to shares of Restricted Stock, all of the rights of a shareholder of Common Stock, including, if applicable, the right to vote the shares and the right to receive any cash or stock dividends. Notwithstanding the foregoing, cash or stock dividends on shares of Restricted Stock shall be automatically deferred, and shall be paid to the Participant only if, when and to the extent the underlying shares of Restricted Stock vest. Cash or stock dividends payable with respect to shares of Restricted Stock that are forfeited shall also be forfeited. Cash or stock dividends payable under this paragraph shall be paid as soon as practicable after the restrictions on the shares of Restricted Stock to which such dividends relate lapse (but no later than the 15th day of the third month of calendar year after the calendar year in which such restrictions lapse). Cash dividends shall be paid with an appropriate rate of interest, as determined by the Committee. The Committee shall not have the discretion to override the provisions of this Section 6.1(c)(ii).

(iii) Certificates. The Company may require that the certificates evidencing shares of Restricted Stock be held by the Company until the restrictions thereon have lapsed. If and when such restrictions lapse, certificates for such shares shall be delivered to the Participant. Such shares may have further restrictions on transfer if they have not been registered under the Exchange Act, but shall no longer be subject to a substantial risk of forfeiture.

(d) Restricted Stock Unit Awards. Restricted Stock Units consist of the right to receive a specified number of shares of Common Stock upon the lapse of a substantial risk of forfeiture. The minimum restriction on Restricted Stock Units shall be one year of continued service by the Participant, although the Committee may impose longer service requirements and/or additional restrictions. There is no purchase or exercise price associated with Restricted Stock Units or with the shares issued in settlement of the award. Participants have no voting rights or rights to receive cash dividends with respect to Restricted Stock Units until shares of Common Stock are issued in settlement of such awards. However, the Committee may grant restricted stock units that entitle the holders to receive Dividend Equivalent Awards, as described in Section 6.1(i) below.

(i) Lapse of Restrictions. The Committee shall establish the conditions under which the restrictions applicable to Restricted Stock Units shall lapse. Lapse of the restrictions may be conditioned upon continued employment of the Participant for a specified period of time, satisfaction of performance goals of the Company or a Subsidiary, or any other factors as the Committee deems appropriate.

(ii) Timing of Payments. Shares of Common Stock due under Restricted Stock Units shall be issued as soon as practicable after the applicable restrictions lapse, but no later than the 15th day of the third month of the calendar year after the calendar year in which such restrictions lapse. Such shares may have further restrictions on transfer if they have not been registered under the Exchange Act, but shall no longer be subject to a substantial risk of forfeiture.

(e) Cash-Settled Restricted Stock Unit Awards. Cash-Settled Restricted Stock Units consist of the right to receive a cash payment upon the lapse of a substantial risk of forfeiture. The minimum restriction on Cash-Settled Restricted Stock Units shall be one year of continued service by the Participant, although the Committee may impose longer service requirements and/or additional restrictions. The cash payment for each Cash-Settled Restricted Stock Unit that vests upon the lapse of the substantial risk of forfeiture shall be equal to the fair market value of a share of Common Stock as of the date the substantial risk of forfeiture lapses.

(i) Lapse of Restrictions. The Committee shall establish the conditions under which the restrictions applicable to Cash-Settled Restricted Stock Units shall lapse. Lapse of the restrictions may be conditioned upon continued employment of the Participant for a specified period of time, satisfaction of performance goals of the Company or a Subsidiary, or any other factors as the Committee deems appropriate.

(ii) Timing of Payments. Payments of amounts due under Cash-Settled Restricted Stock Units shall be made as soon as practicable after the applicable restrictions lapse, but no later than the 15th day of the third month of the calendar year after the calendar year in which such restrictions lapse.

(f) Performance Stock Awards. Performance Stock Awards are artificial shares that are contingently granted to a Participant, which entitle the Participant to actual shares of Common Stock, if predetermined objectives are met. Because the payment of a Performance Stock Award is based on a predetermined number of shares of Common Stock, the value of the award may increase or decrease depending on the fair market value of the Common Stock after the date of grant. The maximum number of shares of Performance Stock that may be granted to any Participant during any fiscal year of the Company is 100,000, subject to the adjustments provided in Article XI, below.

(i) Performance Goals. The Committee shall establish one or more performance goals with respect to each grant of a Performance Stock Award. The performance goals may be tailored to meet specific objectives. Payment or vesting a Performance Stock Award may be based upon one or more of the following criteria, as determined by the Committee, or upon such other business criteria as the Committee shall determine in its sole discretion: gross revenues, sales, net asset turnover, earnings per share, cash flow, cash flow from operations, return on investment in excess of cost of capital (i.e., net operating profit after taxes minus the Company's capital charge), net operating profit after taxes as a percentage of the Company's capital charge, operating profit or income, EBITDA as a percent of sales, debt to EBITDA ratios (including but not limited to the ratio of total funded debt to four quarter EBITDA, as defined in loan covenants of the Company), net income, operating income, net income margin, return on net assets, return on total sales, return on common equity, return on total capital, or total shareholder return. The Committee may establish targets under one or more of the foregoing performance goals based on single year or multi year periods. In addition, performance goals may relate to attainment of specified objectives by the Participant or by the Company or an affiliate, including a division or a department of the Company or an affiliate, or upon any other factors or criteria as the Committee shall determine.

(ii) Certification of Satisfaction of Performance Goals. Following the completion of a period for which performance goals have been established, the Committee shall certify the extent to which such goals have been achieved. Such certification shall occur, and any applicable transfer of shares of Common Stock shall be made, as soon as practicable following the completion of the performance period, but no later than the 15th day of the third month of the calendar year after the calendar year in which such period ends.

(g) Performance Stock Unit Awards. A Performance Stock Unit shall entitle the Participant to receive a cash payment equal to the fair market value of a share of Common Stock of the Company as of the Vesting Date, if predetermined objectives are met. The "Vesting Date" shall be the last day of the performance period for which a performance goal is established. The maximum number of Performance Stock Units that may be granted to any Participant during any fiscal year of the Company is 200,000, subject to the adjustments provided in Article XI, below.

(i) Performance Goals. The Committee shall establish one or more performance goals with respect to each grant of a Performance Stock Unit. The performance goals may be tailored to meet specific objectives. Payment or vesting a Performance Stock Unit Award may be based upon one or more of the following criteria, as determined by the Committee, or upon such other business criteria as the Committee shall determine in its sole discretion: gross revenues, sales, net asset turnover, earnings per share, cash flow, cash flow from operations, return on investment in excess of cost of capital (i.e., net operating profit after taxes minus the Company's capital charge), net operating profit after taxes as a percentage of the Company's capital charge, operating profit or income, EBITDA as a percent of sales, debt to EBITDA ratios (including but not limited to the ratio of total funded debt to four quarter EBITDA, as defined in loan covenants of the Company), net income, operating income, net income margin, return on net assets, return on total sales, return on common equity, return on total capital, or total shareholder return. The Committee may establish targets under one or more of the foregoing performance goals based on single year or multi year periods. In addition, performance goals may relate to attainment of specified objectives by the Participant or by the Company or an affiliate, including a division or a department of the Company or an affiliate, or upon any other factors or criteria as the Committee shall determine.

(ii) Certification of Satisfaction of Performance Goals. Following the completion of a period for which performance goals have been established, the Committee shall certify the extent to which such goals have been achieved. Such certification shall occur, and any applicable payments shall be made, as soon as practicable following the completion of the performance period, but no later than the 15th day of the third month of the calendar year after the calendar year in which such period ends.

(h) Performance Unit Awards. Performance Unit Awards entitle the participant to cash payments (or, at the election of the Committee, their equivalent in shares of Common Stock), if predetermined objectives are met. Because the payment of a Performance Unit Award is based on a predetermined cash amount, the value of each unit remains constant and does not fluctuate with changes in the market value of the Common Stock. The maximum amount that may be paid to any Participant in any fiscal year of the Company pursuant to an award of Performance Units shall be \$500,000.00.

(i) Performance Goals. The Committee shall establish one or more performance goals with respect to each grant of a Performance Unit Award. The performance goals may be tailored to meet specific objectives. Payment or vesting a Performance Unit Award may be based upon one or more of the following criteria, as determined by the Committee, or upon such other business criteria as the Committee shall determine in its sole discretion: gross revenues, sales, net asset turnover, earnings per share, cash flow, cash flow from operations, return on investment in excess of cost of capital (i.e., net operating profit after taxes minus the Company's capital charge), net operating profit after taxes as a percentage of the Company's capital charge, operating profit or income, EBITDA as a percent of sales, debt to EBITDA ratios (including but not limited to the ratio of total funded debt to four quarter EBITDA, as defined in loan covenants of the Company), net income, operating income, net income margin, return on net assets, return on total sales, return on common equity, return on total capital, or total shareholder return. The Committee may establish targets under one or more of the foregoing performance goals based on single year or multi year periods. In addition, performance goals may relate to attainment of specified objectives by the participant or by the Company or an affiliate, including a division or a department of the Company or an affiliate, or upon any other factors or criteria as the Committee shall determine.

(ii) Certification of Satisfaction of Performance Goals. Following the completion of a period for which performance goals have been established, the Committee shall certify the extent to which such goals have been achieved. Such certification shall occur, and any applicable payments shall be made, as soon as practicable following the completion of the performance period, but no later than the 15th day of the third month of the calendar year after the calendar year in which such period ends.

(i) Dividend Equivalent Awards. Dividend Equivalent Awards entitle the Participant to receive payment having a value equal to the dividends that would be payable with respect to a specified number of shares of Common Stock during a specified period, if the Participant owned that number of shares of Common Stock. Dividend Equivalent Awards may be granted on a free-standing basis or in connection with another Award, except that Dividend Equivalent Awards may not be granted with respect to Options or SARs. Any Dividend Equivalent Awards relating to an underlying Award shall be paid only if, when and to the extent such underlying Award vests, and the value of a Dividend Equivalent Award payable with respect to an underlying Award that does not vest shall be forfeited. Payments of amounts due under a stand-alone Dividend Equivalent Award shall be made as soon as practicable after the applicable restrictions lapse or the vesting conditions are satisfied, but no later than the 15th day of the third month of the calendar year after the calendar year in which such restrictions lapse or such vesting conditions are satisfied.

6.2 Written Agreements. Each Award granted under the Plan shall be evidenced by a written agreement, the form of which shall be consistent with the terms and conditions of the Plan and applicable law, which shall be signed by an officer of the Company and the Participant. Until such agreement has been entered into between the Company and the Participant, the Participant shall have no rights in any Award approved by the Committee.

ARTICLE VII

PAYMENT FOR AWARDS

7.1 General. Payments required, if any, upon a Participant's exercise of an Award under the Plan may be made in the form of: (i) cash; (ii) Company stock; (iii) a combination of cash and Company stock; or (iv) such other forms or means that the Committee shall determine in its discretion and in such manner as is consistent with the Plan's purpose and the Code, the Exchange Act, or other applicable laws or regulations.

ARTICLE VIII

EFFECT OF TERMINATION OF EMPLOYMENT ON BENEFITS

8.1 Termination by Reason of Death. Unless otherwise provided in an agreement governing the grant of an Award or as determined by the Committee, if a Participant incurs termination of employment due to death:

- (a) Any unexpired and unexercised Options and/or Stock Appreciation Rights held by such Participant shall thereafter be fully exercisable (whether or not such Options or Stock Appreciation Rights were fully vested at the time of the Participant's death) by the deceased Participant's estate or by a person who acquired the right to exercise the Option or Stock Appreciation Right by bequest or inheritance for a period of one year immediately following the date of death, or until the expiration of the Option or Stock Appreciation Right if shorter.
 - (b) Any restrictions on shares of Restricted Stock shall lapse and the Participant's designated beneficiary (or in the absence of such beneficiary, the Participant's estate) shall be fully vested in the Restricted Stock.
 - (c) Any restrictions on Restricted Stock Units shall lapse, and the Participant's designated beneficiary (or in the absence of such beneficiary, the Participant's estate) shall be issued the number of shares of Common Stock represented by such Restricted Stock Units. Such shares shall be issued as soon as practicable following the Participant's death, but no later than the 15th day of the third month of the calendar year after the calendar year in which the Participant's death occurs.
-

(d) Any restrictions on Cash-Settled Restricted Stock Units shall lapse, and the Participant's designated beneficiary (or in the absence of such beneficiary, the Participant's estate) shall receive a cash payment for each Cash-Settled Restricted Stock Unit equal to the fair market value per share of Common Stock on the NASDAQ Stock Market as of the date of the Participant's death. Such payment shall be made as soon as practicable following the Participant's death, but no later than the 15th day of the third month of the calendar year after the calendar year in which the Participant's death occurs.

(e) The Participant's designated beneficiary (or in the absence of such beneficiary, the Participant's estate) shall receive a prorated payout of any Performance Stock Awards, Performance Stock Unit Awards and Performance Unit Awards. The prorated payout shall be based upon the length of time that the Participant held such Awards prior to his or her death relative to the period for which performance is measured, and shall be determined as if the maximum performance objective had been attained. Such payment shall be made as soon as practicable following the Participant's death, but no later than the 15th day of the third month of the calendar year after the calendar year in which the Participant's death occurs.

(f) Dividend Equivalent Awards that are unvested or subject to restrictions shall immediately vest and such restrictions shall lapse, and the Participant's designated beneficiary (or in the absence of such beneficiary, the Participant's estate) shall receive a cash payment equal to the amount of dividend equivalents credited to the Participant. Such payment shall be made as soon as practicable following the Participant's death, but no later than the 15th day of the third month of the calendar year after the calendar year in which the Participant's death occurs.

8.2 Termination by Reason of Disability. Unless otherwise provided in an agreement governing the grant of an Award or as determined by the Committee, if a Participant incurs termination of employment due to disability:

(a) Any unexpired and unexercised Options and/or Stock Appreciation Rights held by such Participant shall thereafter be fully exercisable (whether or not such Options or Stock Appreciation Rights were fully vested at the time the Participant became disabled) for a period of three years (except for incentive stock options, in which case the period shall be one year) immediately following the date of such termination of employment, or until the expiration of the Option or Stock Appreciation Right if shorter. The Participant's death at any time following such termination due to disability shall not affect the foregoing. In the event of termination due to disability, if an incentive stock option is exercised more than one year after such termination of employment (or such other time period as may apply under Section 422 of the Code), such Option shall thereafter be treated as a non-qualified stock option.

- (b) Any restrictions on shares of Restricted Stock shall lapse and the Participant shall be fully vested in the Restricted Stock.
- (c) Any restrictions on Restricted Stock Units shall lapse, and the Participant shall be issued the number of shares of Common Stock represented by such Restricted Stock Units.
- (d) Any restrictions on Cash-Settled Restricted Stock Units shall lapse, and the Participant shall receive a cash payment for each Cash-Settled Restricted Stock Unit equal to the fair market value per share of Common Stock on the NASDAQ Stock Market as of the date of the Participant's termination of employment.
- (e) The Participant shall receive a prorated payout of any Performance Stock Awards, Performance Stock Unit Awards and Performance Unit Awards. The prorated payout shall be based upon the length of time that the Participant held such Awards prior to his or her termination of employment due to disability relative to the period for which performance is measured, and shall be determined as if the maximum performance objective had been attained. Such payment shall be made on the earlier of (i) the first day of the seventh month following the date of the Participant's termination of employment due to disability, or (ii) the date of the Participant's death.
- (f) Any Dividend Equivalent Awards that are unvested or subject to restrictions shall immediately vest and such restrictions shall lapse, and the Participant shall receive a cash payment equal to the amount of dividend equivalents credited to the Participant.

Unless otherwise defined in the agreement governing the grant of an Award, "disability" shall mean a mental or physical illness or injury that entitles the Participant to receive benefits under the long term disability plan of the Company or a Subsidiary, or if the Participant is not covered by such a plan, a mental or physical illness that renders a Participant totally and permanently incapable of performing the Participant's duties for the Company or a Subsidiary. Notwithstanding the foregoing, a "disability" shall not qualify under the Plan if it is the result of: (i) a willfully self-inflicted injury or willfully self-induced sickness; or (ii) an injury or disease contracted, suffered or incurred, while participating in a criminal offense. The determination of disability shall be made by the Committee. The determination of disability for purposes of the Plan shall not be construed as an admission of disability for any other purpose.

8.3 Voluntary Termination Before Retirement or Termination for Cause. Unless otherwise provided in an agreement governing the grant of an Award or as determined by the Committee, if a Participant voluntarily terminates his or her employment before retirement or is terminated for cause:

- (a) Any unexpired and unexercised Options and/or Stock Appreciation Rights held by such Participant shall immediately terminate. The death or disability of the Participant after such a termination of employment shall not renew the exercisability of any Option or Stock Appreciation Right.
- (b) All shares of Restricted Stock still subject to restriction shall be forfeited by the Participant, except the Committee shall have the discretion in whole or in part to waive any or all remaining restrictions with respect to any or all of such Participant's shares of Restricted Stock.
- (c) All Restricted Stock Units, Cash-Settled Restricted Stock Units, and Dividend Equivalent Awards still subject to restriction or vesting conditions shall be forfeited by the Participant, except the Committee shall have the discretion in whole or in part to waive any or all remaining restrictions with respect to any or all of such Participant's Restricted Stock Units, Cash-Settled Restricted Stock Units, and/or Dividend Equivalent Awards.
- (d) All Performance Stock Awards, Performance Stock Unit Awards and Performance Unit Awards shall be forfeited by the Participant to the Company.

Unless otherwise defined in the agreement governing the grant of an Award, "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 or (ii) the Participant's act or omission constituting gross misconduct with respect to the Company or a Subsidiary in any material respect.

8.4 Other Termination. Unless otherwise provided in an agreement governing the grant of an Award or as determined by the Committee, if a Participant's employment terminates for any reason (including retirement) other than the reasons listed in Section 8.1 through 8.3 above:

- (a) Any unexpired and unexercised Options and/or Stock Appreciation Rights held by such Participant shall thereupon terminate, except that any such Option or Stock Appreciation Right, to the extent vested on the date of the Participant's termination, may be exercised by the Participant for a period of three years (except for incentive stock options, in which case the period shall be (3) three months) immediately following the date of such termination of employment, or until the expiration of the Option or Stock Appreciation Right if shorter. The death or disability of the Participant after such a termination of employment shall not extend the time permitted to exercise an Option or Stock Appreciation Right.
-

- (b) All shares of Restricted Stock still subject to restriction shall be forfeited by the Participant, except the Committee shall have the discretion in whole or in part to waive any or all remaining restrictions with respect to any or all of such Participant's shares of Restricted Stock.
- (c) All Restricted Stock Units, Cash-Settled Restricted Stock Units, and Dividend Equivalent Awards still subject to restriction or vesting conditions shall be forfeited by the Participant, except the Committee shall have the discretion in whole or in part to waive any or all remaining restrictions with respect to any or all of such Participant's Restricted Stock Units, Cash-Settled Restricted Stock Units, and/or Dividend Equivalent Awards.
- (d) The Participant shall receive a prorated payout of any Performance Stock Awards, Performance Stock Unit Awards and Performance Unit Awards if and when the performance goals are achieved. The prorated payout shall be based upon the length of time that the Participant held such Awards prior to his or her termination of employment relative to the period for which performance is measured, and the extent to which the performance goals are achieved as certified by the Committee. Such payment shall be made as soon as practicable following the completion of the of the period for which performance goals have been established, but no later than the 15th day of the third month of the calendar year after the calendar year in which such period ends.

Unless otherwise defined in the agreement governing the grant of an Award, "retirement" shall mean the Participant's termination of employment after attaining either age 65, or age 60 with the accrual of 10 years of service.

ARTICLE IX

TERMINATION FOLLOWING CHANGE IN CONTROL

9.1 General. Unless otherwise provided in an agreement governing the grant of an Award or as determined by the Committee, and notwithstanding any provision of this Plan to the contrary, if an event constituting a Change in Control of the Company occurs and a Participant either terminates employment for Good Reason or is involuntarily terminated by the Company without cause after the Change in Control:

- (a) outstanding Options awarded to the Participant that are not yet fully exercisable shall immediately become exercisable in full, and in lieu of shares of Common Stock issuable upon the exercise of Options, the Participant shall receive an amount in cash for each such Option equal to (i) the higher of the closing price of shares of Common Stock reported on the NASDAQ Stock Market on the date of termination of employment or the highest per share price for shares of Common Stock actually paid in connection with any Change in Control of the Company, over (ii) the per share exercise price of such Option. Such payment shall be made on the earlier of (i) the first day of the seventh month following the date of the Participant's termination of employment, or (ii) the date of the Participant's death;
-

- (b) outstanding Stock Appreciation Rights (whether Tandem SARs or Stand Alone SARs) awarded to the Participant that are not yet fully exercisable shall immediately become exercisable in full, and the Participant shall receive an amount in cash for each such Stock Appreciation Right equal to (i) the higher of the closing price of shares of Common Stock reported on the NASDAQ Stock Market on the date of termination of employment or the highest per share price for shares of Common Stock actually paid in connection with any Change in Control of the Company, over (ii) the per share exercise price of such Stock Appreciation Right. Such payment shall be made on the earlier of (i) the first day of the seventh month following the date of the Participant's termination of employment, or (ii) the date of the Participant's death;
 - (c) the transferability provisions and the forfeitability provisions relating to Restricted Stock shall immediately cease to apply;
 - (d) the forfeitability provisions relating to Restricted Stock Units shall immediately cease to apply, and the Participant shall be issued the number of shares of Common Stock represented by such Restricted Stock Units.
 - (e) the forfeitability provisions relating to Cash-Settled Restricted Stock Units shall immediately cease to apply, and a cash payment shall be made based on the fair market value of the Company's Common Stock on the date of the Participant's termination of employment. Such payment shall be made on the earlier of (i) the first day of the seventh month following the date of the Participant's termination of employment, or (ii) the date of the Participant's death;
 - (f) Performance Stock Awards granted hereunder shall immediately vest and shares of Common Stock 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 Participant's termination of employment, or (ii) the date of the Participant's death; and
 - (g) Performance Stock Units granted hereunder shall immediately vest and a cash payment shall be made as if the maximum performance objective had been fully achieved. Such cash payment shall be equal to the maximum number of performance stock units granted to the Participant multiplied by the fair market value of the Company's common stock as the Participant's termination of employment. Such payment shall be made on the earlier of (i) the first day of the seventh month following the date of the Participant's termination of employment, or (ii) the date of the Participant's death;
-

- (h) Performance Unit Awards granted hereunder shall immediately vest and a cash payment shall be made as if the maximum performance objective had been fully achieved. Such payment shall be made on the earlier of (i) the first day of the seventh month following the date of the Participant's termination of employment, or (ii) the date of the Participant's death' and
- (i) Dividend Equivalent Awards granted hereunder shall immediately vest and a cash payment shall be made equal to the amount of dividend equivalents credited to the Participant. Such payment shall be made on the earlier of (i) the first day of the seventh month following the date of the Participant's termination of employment, or (ii) the date of the Participant's death.

9.2 Non-Waiver. The Participant'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 Article IX. The Participant's right to terminate his or her employment pursuant to this Section 9.2 shall not be affected by his or her incapacity due to physical or mental illness.

9.3 Definitions and Additional Rules. For purposes of this Article IX:

- (a) "Good Reason" shall mean, without the Participant'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 Participant'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 Participant must provide services; or
 - (iv) a material change in or termination of the Company's benefit plans or programs or the Participant's participation in such plans or programs (outside of a good faith, across-the-board reduction of general application) in a manner that effectively reduces their aggregate value.
 - (b) "Change in Control of the Company" shall be deemed to occur in any of the following circumstances:
-

- (i) if there occurs a change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act") whether or not the Company is then subject to such reporting requirement;
- (ii) if any "person" (as defined in Sections 13(d) and 14(d) of the Exchange Act) other than John Batten or any member of his family (the "Batten Family"), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing thirty percent (30%) or more of the combined voting power of the Company's then outstanding securities;
- (iii) if during any period of two (2) consecutive years (not including any period prior to the execution of this Agreement) there shall cease to be a majority of the Board comprised as follows: individuals who at the beginning of such period constitute the Board and any new director(s) whose election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved; or
- (iv) upon the consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation that results in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 80% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the consummation of complete liquidation of the Company or the sale or disposition by the Company of all or substantially all the Company's assets.

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

- (i) Termination of employment must occur within two years following the existence of a condition that would constitute Good Reason hereunder; and
 - (ii) The Participant 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 Participant's subsequent voluntary termination of employment shall not constitute termination for Good Reason based upon the prior existence of such condition.
-

ARTICLE X

NONTRANSFERABILITY

10.1 General. Unless otherwise provided in an agreement governing the grant of an Award, a Participant's rights shall be exercisable during the Participant's lifetime only by the Participant, and no Award may be sold, transferred, pledged, assigned or otherwise alienated or hypothecated; provided, that Options and Stock Appreciation Rights are transferable by will or pursuant to the laws of descent and distribution.

ARTICLE XI

ADJUSTMENT PROVISIONS

11.1 Changes in Capitalization. If the Company shall at any time change the number of issued shares of Common Stock without new consideration to the Company (by stock dividends, stock splits, split-up, spin-off, or similar transactions):

- (a) the total number of shares reserved for issuance under this Plan, the number of shares covered by or subject to each outstanding Award, the number of outstanding Cash-Settled Restricted Stock Units and the number of outstanding Performance Stock Units, shall be adjusted so that the aggregate consideration payable to the Company, if any, and the value of each such Award shall not be changed; and
- (b) the maximum number of Options, Stock Appreciation Rights, Performance Stock Units and shares of Performance Stock that may be granted to any Participant in any fiscal year of the Company shall be proportionately adjusted to reflect the increase or decrease in the issued shares of Common Stock.

11.2 Reorganization, Sale, etc. Awards granted hereunder may also contain provisions for their continuation, acceleration, immediate vesting, or for other equitable adjustments after changes in the Common Stock resulting from the consummation of a reorganization, sale, merger, consolidation, dissolution, liquidation or similar circumstances.

11.3 Substitutions and Assumptions. If the Company acquires an entity which has issued and outstanding stock options or other rights, the Company may substitute stock options or rights for options or rights of such entity, including options or other rights to acquire stock at less than 100% of the fair market price of the stock at grant. The number and kind of such stock options and other rights shall be determined by the Committee and the total number of shares reserved for issuance under this Plan shall be appropriately adjusted consistent with such determination and in such manner as the Committee may deem equitable to prevent substantial dilution or enlargement of the Awards granted to, or available for, present or future Participants of this Plan. The number of shares reserved for issuance pursuant to Article III may be increased by the corresponding number of options or other benefits assumed, and, in the case of a substitution, by the net increase in the number of shares subject to options or other benefits before and after the substitution.

ARTICLE XII

AMENDMENT AND TERMINATION OF PLAN AND CLAWBACKS OF AWARDS

12.1 Amendment and Termination of Plan. The Board, without further approval of the Company's shareholders, may amend the Plan from time to time or terminate the Plan at any time, provided that:

- (a) no action authorized by this Article shall reduce the amount of any existing Award or change the terms and conditions thereof without the Participant's consent; and
- (b) no amendment of the Plan shall, without the approval of the Company's shareholders, (i) increase the total number of shares of Common Stock that may be issued under the Plan or increase the amount or type of Awards that may be granted under the Plan; (ii) change the minimum purchase price, if any, of shares of Common Stock that may be made subject to Awards under the Plan; (iii) modify the requirements as to eligibility for an Award under the Plan; (iv) extend the term of the Plan; or (v) constitute a material revision of the Plan under the listing standards of the NASDAQ Stock Market (or such other listing standards then applicable to the Company).

12.2 Clawback of Awards. To the extent required by applicable law or the listing standards of the NASDAQ Stock Market (or such other listing standards then applicable to the Company), including but not limited to Section 304 of the Sarbanes-Oxley Act of 2002, Awards and amounts paid or payable with respect to Awards shall be subject to clawback as determined by the Committee, which clawback may include forfeitures, repurchase, reimbursement and/or recoupment of Awards and amounts paid or payable pursuant to or with respect to Awards, in each instance in accordance with applicable law or listing standards. All Awards granted under this Plan, any property (including shares of Common Stock) received in connection with any exercise or vesting of any Awards, and any proceeds received from the disposition of any such property, shall be subject to such applicable law or listing standards, as well as any clawback policy adopted, and amended from time to time, by the Committee. The Committee shall have discretion with respect to any clawback to determine whether the Company shall effect such recovery:

- (a) by seeking repayment from the Participant;
 - (b) by reducing amounts that would otherwise be payable to the Participant under any compensatory plan, program or arrangement maintained by the Company or any subsidiary or affiliate of the Company (subject to applicable law and the terms and conditions of the applicable plan, program or arrangement);
-

(c) by withholding payment of future increases in compensation (including the payment of any discretionary bonus amounts) or grants of compensatory awards that would have otherwise been made in accordance with the Company's applicable compensation practices; or

(d) by any combination of the above.

ARTICLE XIII

MISCELLANEOUS

13.1 Unfunded Status of Plan. It is intended that the Plan constitute an "unfunded" plan for incentive and deferred compensation. The Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Common Stock or make payments; provides, however, that unless the Committee otherwise determines, the existence of such trusts or other arrangements is consistent with the "unfunded" status of the Plan.

13.2 Withholding Taxes. No later than the date as of which an amount first becomes includible in the gross income of the Participant for federal income tax purposes with respect to any Award or with respect to any exercise of any Option or Stock Appreciation Right granted under the Plan, the Participant shall pay to the Company, or make arrangements satisfactory to the Company or other entity identified by the Committee regarding the payment of any federal, state, local or foreign taxes of any kind required by law to be withheld. Such withholding obligations may be settled with Common Stock, including Common Stock that is part of the Award or that is received upon the exercise of the Award that gives rise to the withholding requirement. The obligations of the Company under the Plan shall be conditional upon such payment or arrangements, and the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to the Participant. If the Participant disposes of shares of Common Stock acquired pursuant to an incentive stock option in any transaction considered to be a disqualifying transaction under the Code, the Participant must give written notice of such transfer and the Company shall have the right to deduct any taxes required by law to be withheld from any amounts otherwise payable to the Participant.

13.3 No Guaranty of Employment. Nothing herein shall be construed to constitute a contract of employment between the Company or Subsidiary and the Participant. Except as may be provided in a written contract, the Company or Subsidiary and each of the Participants continue to have the right to terminate the employment relationship at any time for any reason.

13.4 Controlling Law. The Plan and all Awards made and actions taken hereunder shall be governed by and construed in accordance with the laws of the State of Wisconsin (other than its law respecting choice of law). The Plan shall be construed to comply with all applicable law and to avoid liability to the Company or a Subsidiary, including, without limitation, liability under Section 16(b) of the Exchange Act.

13.5 Headings. The headings contained in the Plan are for reference purposes only, and shall not affect the meaning or interpretation of the Plan.

13.6 Severability. If any provision of the Plan shall for any reason be held to be invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision hereby, and this Plan shall be construed as if such invalid or unenforceable provision were omitted.

13.7 Successors and Assigns. This Plan shall inure to the benefit of and be binding upon each successor and assign of the Company. All obligations imposed upon a Participant, and all rights granted to the Company hereunder, shall be binding upon the Participant's heirs, legal representatives and successors.

13.8 Entire Agreement. This Plan and any agreements governing the grant of Awards hereunder to any Participant constitute the entire agreement with respect to the subject matter hereof with respect to such Participant, provided that in the event of any inconsistency between the Plan and any such agreement(s), the terms and conditions of the Plan shall control.

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 1st day of August, 2018, to memorialize an award of performance stock of even date herewith.

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

WHEREAS, effective August 1, 2018, the Committee made an award of performance stock to the Employee as an inducement to achieve the below described performance objectives.

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

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

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

For purposes of the above table:

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

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

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

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

- (a) With respect to each Performance Objective, a value shall be determined as a percentage of the target based on the attainment of the Performance Objective for the Performance Period. If the Company does not obtain the threshold for that Performance Objective, such percentage shall be 0%. If the Company equals or exceeds the maximum for that Performance Objective, the percentage shall be 150%. With respect to each of the Performance Objectives, outcomes between the threshold and target will be interpolated linearly between the amount of threshold award and the amount of the target award applicable to that Performance Objective, and outcomes between target and maximum will be interpolated linearly between the amount of the target award and the amount of the maximum award applicable to that Performance Objective.

- (b) The percentage for each Performance Objective shall be multiplied by the weight accorded to that Performance Objective as reflected in the above table.
- (c) The weighted percentages for each of Performance Objectives as determined above shall be added together, and the resulting sum shall be multiplied by the target number of Shares awarded under this Agreement. Any fractional share of the Company resulting from such multiplication shall be rounded up to a whole share of the Company. The resulting figure shall be the number of shares issued to the Employee.

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

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

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

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

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

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

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

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

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

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

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

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

TWIN DISC, INCORPORATED

By: _____
Its: _____

EMPLOYEE:

[NAME]

RESTRICTED STOCK UNIT GRANT AGREEMENT

THIS RESTRICTED STOCK UNIT GRANT AGREEMENT (the "Agreement"), by and between TWIN DISC, INCORPORATED (the "Company") and _____ (the "Employee"), is dated this 1st day of August, 2018 to memorialize an award of restricted stock units of even date herewith.

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

WHEREAS, effective August 1, 2018 (the "Grant Date"), the Committee made an award of restricted stock units to the Employee as an inducement to remain employed by the Company and increase the Employee's equity interest in the Company.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

TWIN DISC, INCORPORATED

By: _____

Its: _____

EMPLOYEE:

[NAME]

CHANGE IN CONTROL SEVERANCE AGREEMENT

THIS AGREEMENT is executed and entered into as of this 3rd day of August, 2018, 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, 2018; provided, however, that commencing on November 1, 2018, 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;

(b) if during any period of two (2) consecutive years (not including any period prior to the execution of this Agreement) there shall cease to be a majority of the Board comprised as follows: individuals who at the beginning of such period constitute the Board and any new director(s) whose election by the Board or nomination for election by the Corporation's shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved; or

(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 upon (i) the willful and continued failure by Employee to substantially perform his duties with the Corporation (other than any such failure resulting from termination for Good Reason) after a demand for substantial performance is delivered to Employee that specifically identifies the manner in which the Corporation believes that Employee has not substantially performed his duties, and Employee has failed to resume substantial performance of his duties on a continuous basis within fourteen (14) days of receiving such demand, (ii) the willful engaging by Employee in conduct which is demonstrably and materially injurious to the Corporation, monetarily or otherwise or (iii) Employee's conviction of a felony or conviction of a misdemeanor which materially impairs Employee's ability substantially to perform his duties with the Corporation or (iv) commission of an act of fraud or material dishonesty involving the Corporation. For purposes of this Subsection 3(b), no act or failure to act, on Employee's part shall be deemed "willful" unless done, or omitted to be done, by Employee not in good faith and without reasonable belief that his action or omission was in the best interest 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 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) the failure by the Corporation to continue in effect the Corporate Incentive Plan, Long Term Incentive Compensation Plan, or The Accelerator 401(k) Savings Plan (unless any such plan is replaced by a substantially comparable plan, policy, practice or arrangement in terms of the amount of benefits provided) or the failure by the Corporation to continue Employee's participation therein on substantially the same basis, both in terms of the amount of benefits provided and the level of Employee's participation relative to other participants, as existed as of the date hereof;

(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) 2.5;

(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 2010 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]

CHANGE IN CONTROL SEVERANCE AGREEMENT

THIS AGREEMENT is executed and entered into as of this 3rd day of August, 2018, 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, 2018; provided, however, that commencing on November 1, 2018, 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;

(b) if during any period of two (2) consecutive years (not including any period prior to the execution of this Agreement) there shall cease to be a majority of the Board comprised as follows: individuals who at the beginning of such period constitute the Board and any new director(s) whose election by the Board or nomination for election by the Corporation's shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved; or

(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 upon (i) the willful and continued failure by Employee to substantially perform his duties with the Corporation (other than any such failure resulting from termination for Good Reason) after a demand for substantial performance is delivered to Employee that specifically identifies the manner in which the Corporation believes that Employee has not substantially performed his duties, and Employee has failed to resume substantial performance of his duties on a continuous basis within fourteen (14) days of receiving such demand, (ii) the willful engaging by Employee in conduct which is demonstrably and materially injurious to the Corporation, monetarily or otherwise or (iii) Employee's conviction of a felony or conviction of a misdemeanor which materially impairs Employee's ability substantially to perform his duties with the Corporation or (iv) commission of an act of fraud or material dishonesty involving the Corporation. For purposes of this Subsection 3(b), no act or failure to act, on Employee's part shall be deemed "willful" unless done, or omitted to be done, by Employee not in good faith and without reasonable belief that his action or omission was in the best interest 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 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) the failure by the Corporation to continue in effect the Corporate Incentive Plan, Long Term Incentive Compensation Plan, or The Accelerator 401(k) Savings Plan (unless any such plan is replaced by a substantially comparable plan, policy, practice or arrangement in terms of the amount of benefits provided) or the failure by the Corporation to continue Employee's participation therein on substantially the same basis, both in terms of the amount of benefits provided and the level of Employee's participation relative to other participants, as existed as of the date hereof;

(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) 2.0;

(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 2010 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]

CHANGE IN CONTROL SEVERANCE AGREEMENT

THIS AGREEMENT is executed and entered into as of this 3rd day of August, 2018, 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, 2018; provided, however, that commencing on November 1, 2018, 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;

(b) if during any period of two (2) consecutive years (not including any period prior to the execution of this Agreement) there shall cease to be a majority of the Board comprised as follows: individuals who at the beginning of such period constitute the Board and any new director(s) whose election by the Board or nomination for election by the Corporation's shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved; or

(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 upon (i) the willful and continued failure by Employee to substantially perform his duties with the Corporation (other than any such failure resulting from termination for Good Reason) after a demand for substantial performance is delivered to Employee that specifically identifies the manner in which the Corporation believes that Employee has not substantially performed his duties, and Employee has failed to resume substantial performance of his duties on a continuous basis within fourteen (14) days of receiving such demand, (ii) the willful engaging by Employee in conduct which is demonstrably and materially injurious to the Corporation, monetarily or otherwise or (iii) Employee's conviction of a felony or conviction of a misdemeanor which materially impairs Employee's ability substantially to perform his duties with the Corporation or (iv) commission of an act of fraud or material dishonesty involving the Corporation. For purposes of this Subsection 3(b), no act or failure to act, on Employee's part shall be deemed "willful" unless done, or omitted to be done, by Employee not in good faith and without reasonable belief that his action or omission was in the best interest 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 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) the failure by the Corporation to continue in effect the Corporate Incentive Plan, Long Term Incentive Compensation Plan, or The Accelerator 401(k) Savings Plan (unless any such plan is replaced by a substantially comparable plan, policy, practice or arrangement in terms of the amount of benefits provided) or the failure by the Corporation to continue Employee's participation therein on substantially the same basis, both in terms of the amount of benefits provided and the level of Employee's participation relative to other participants, as existed as of the date hereof;

(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) 1.5;

(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 2010 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]