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) **July 28, 2020 (July 22, 2020)**

**TWIN DISC, INCORPORATED**

(Exact name of registrant as specified in its charter)

| **WISCONSIN** | **001-7635** | **39-0667110** |
|---|---|---|
| (State or other jurisdiction of incorporation) | (Commission File Number) | (IRS Employer Identification No.) |

**1328 Racine Street Racine, Wisconsin 53403**

(Address of principal executive offices)

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

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

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock (No Par Value) | TWIN | The NASDAQ Stock Market LLC |

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

Emerging growth company ☐

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

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**Item 1.01 Entry into a Material Definitive Agreement.**

On July 22 2020, Twin Disc, Incorporated (the "Company") entered into an Amendment No. 5 to Credit Agreement (the "Fifth Amendment") that amends the Credit Agreement dated as of June 29, 2018, as amended (the "Credit Agreement") between the Company and BMO Harris Bank, N.A. (the "Bank"). Capitalized terms in this Current Report that are not otherwise defined herein are defined in the Credit Agreement, as amended.

Pursuant to the Credit Agreement, as in effect prior to the Fifth Amendment, the Bank made a Term Loan to the Company in the principal amount of $20,000,000, and the Company may, from time to time prior to the maturity date, enter into Revolving Loans in amounts not to exceed, in the aggregate, $50,000,000 (the "Revolving Credit Commitment"). The Credit Agreement also allows the Company to obtain Letters of Credit from the Bank, which if drawn upon by the beneficiary thereof and paid by the Bank, would become Revolving Loans. Loans under the Credit Agreement are designated either as "LIBOR Loans," which accrue interest at a Monthly Reset LIBOR Rate plus an Applicable Margin, or "Eurodollar Loans," which accrue interest at an Adjusted LIBOR Rate plus an Applicable Margin. Amounts drawn on a Letter of Credit that are not timely reimbursed to the Bank bear interest at a Base Rate plus an Applicable Margin. The Company also pays a commitment fee on the average daily Unused Revolving Credit Commitment equal to an Applicable Margin.

The Fifth Amendment, which is effective June 30, 2020, reduced the Bank's Revolving Credit Commitment from $50,000,000 to $45,000,000. The Fifth Amendment also gives the Company the option to make interest-only payments on the Term Loan for quarterly payments occurring on September 30, 2020 and December 31, 2020, and limits the Company's Capital Expenditures for the fiscal year ending June 30, 2021 to $10,000,000.

The Fifth Amendment provides the Company with relief from its Total Funded Debt to EBITDA ratio financial covenant under the Credit Agreement through (and including) the earlier of June 30, 2021 or a date selected by the Company. During the financial covenant relief period:

- The "Applicable Margin" to be applied to Revolving Loans, the Term Loan, and the Commitment/Facility Fee will be increased to 3.25%, 3.875%, and 0.20%, respectively.

- The Company may not make certain restricted payments (specifically, cash dividends, distributions, purchases, redemptions or other acquisitions of or with respect to shares of its common stock or other common equity interests).

- The Company must maintain liquidity (as defined in the Fifth Amendment) of at least $15,000,000.

- The Company must maintain minimum EBITDA of at least (1) $1,000,000 for the fiscal quarter ending June 30, 2020 and the two fiscal quarters ending on or about September 30, 2020; (2) $2,500,000 for the three fiscal quarters ending on or about December 31, 2020; (3) $6,000,000 for the four fiscal quarters ending on or about March 31, 2021; and (4) $10,000,000 for the four fiscal quarters ending June 30, 2021.

For purposes of the minimum EBITDA covenant and the Total Funded Debt to EBITDA ratio, the Fifth Amendment clarified that EBITDA shall exclude any gain that is realized on the forgiveness of the Small Business Administration Paycheck Protection Program loan that the Company previously received.

The Fifth Amendment also changed the definition of "LIBOR" (used in calculating interest on Eurodollar Loans), "Monthly Reset LIBOR Rate" (used in calculating interest on LIBOR Loans), and "LIBOR Quoted Rate" (used in the definition of "Base Rate," which is used in calculating interest on Letters of Credit that are drawn upon and not timely reimbursed). In each case, the LIBOR component of the definition was revised to establish a floor of 1.00%.

The Company also entered into a Deposit Account Control Agreement with the Bank, reflecting the Bank's security interest in deposit accounts the Company maintains with the Bank. Under the Fifth Amendment, the Bank may not provide a notice of exclusive control of a deposit account (thereby obtaining exclusive control of the account) prior to the occurrence or existence of a Default or an Event of Default under the Credit Agreement or otherwise upon the occurrence or existence of an event or condition that would, but for the passage of time or the giving of notice, constitute a Default or an Event of Default under the Credit Agreement.

The above description of the Fifth Amendment is qualified in its entirety by reference to the Fifth Amendment, the Second Amended and Restated Revolving Note, and the form of Deposit Account Control Agreement, copies of which are filed as Exhibits 1.1, 1.2, and 1.3 to this Current Report on Form 8-K and incorporated herein by reference.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits.

| EXHIBIT NUMBER | DESCRIPTION |
|---|---|
| 1.1 | Amendment No. 5 to June 29, 2018 Credit Agreement between Twin Disc, Incorporated and BMO Harris Bank, N.A. |
| 1.2 | Second Amended and Restated Revolving Note between Twin Disc, Incorporated and BMO Harris Bank, N.A. |
| 1.3 | Form of Deposit Account Control Agreement between Twin Disc, Incorporated and BMO Harris Bank, N.A. |

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

Date: July 28, 2020

Twin Disc, Incorporated

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

**Exhibit 1.1**

# AMENDMENT NO. 5 TO CREDIT AGREEMENT

THIS AMENDMENT NO. 5 TO CREDIT AGREEMENT is executed on July 22, 2020 (the "Execution Date"), but effective as of the Fifth Amendment Effective Date (as defined below), by and between Twin Disc, Incorporated, a Wisconsin corporation ("Borrower"), and BMO Harris Bank N.A., a national banking association ("Bank").

In consideration of the mutual covenants, conditions and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is hereby agreed that:

## ARTICLE I
## DEFINITIONS

When used herein, the following terms shall have the following meanings specified:

1.1 "Amendment" shall mean this Amendment No. 5 to Credit Agreement.

1.2 "Credit Agreement" shall mean the Credit Agreement dated as of June 29, 2018 by and between Borrower and Bank, as amended.

1.3 Other Capitalized Terms. All capitalized terms used in this Amendment and not specifically defined herein shall have the definitions assigned to such terms in the Credit Agreement.

## ARTICLE II
## AMENDMENTS

2.1 Amendments. The Credit Agreement is hereby amended as follows:

2.1.1 Section 1.1 – Definitions. The following definitions in Section 1.1 of the Credit Agreement are added or amended and restated, as applicable, as follows:

***"Base Rate"*** means, for any day, the rate per annum equal to the greatest of: (a) the rate of interest announced or otherwise established by Bank from time to time as its prime commercial rate as in effect on such day, with any change in the Base Rate resulting from a change in said prime commercial rate to be effective as of the date of the relevant change in said prime commercial rate (it being acknowledged and agreed that such rate may not be Bank's best or lowest rate), (b) the sum of (i) the rate determined by Bank to be the average (rounded upward, if necessary, to the next higher 1/100 of 1%) of the rates per annum quoted to Bank at approximately 10:00 a.m. (or as soon thereafter as is practicable) on such day (or, if such day is not a Business Day, on the immediately preceding Business Day) by two or more Federal funds brokers selected by Bank for sale to Bank at face value of Federal funds in the secondary market in an amount equal or comparable to the principal amount for which such rate is being determined, plus (ii) 1/2 of 1%, and (c) the LIBOR Quoted Rate for such day plus 1.00%. As used herein, the term "***LIBOR Quoted Rate***" means, for any day, the rate per annum equal to the quotient of (i) the rate per annum (rounded upwards, if necessary, to the next higher one hundred thousandth of a percentage point) for deposits in U.S. Dollars for a one-month interest period as reported on the applicable Bloomberg screen page (or such other commercially available source providing such quotations as may be designated by the Bank from time to time) as of 11:00 a.m. (London, England time) on such day (or, if such day is not a Business Day, on the immediately preceding Business Day) *divided by* (ii) one (1) minus the Eurodollar Reserve Percentage; *provided* that if the LIBOR Quoted Rate as so determined would be less than one percent (1.00%), the LIBOR Quoted Rate will be deemed to be one percent (1.00%) for the purposes of any Borrowing of Revolving Loans under this Agreement.

***"EBITDA"*** means, with reference to any period for any Person, Net Income of such Person for such period plus all amounts deducted in arriving at such Net Income amount in respect of (a) Interest Expense for such period, (b) federal, state, and local income taxes for such period, (c) depreciation of fixed assets and amortization of intangible assets for such period, (d) restructuring charges for such period, (e) impairment charges for such period, (f) non-cash stock compensation for such period, (g) fair market value work-in-process adjustments for such period, (h) one-time, non-recurring reasonable and documented non-capitalized transaction expenses and closing fees related to this Agreement (or any amendments thereto) and the Acquisition, as reviewed and reasonably approved by Bank, incurred during such period (*provided*, that such transaction expenses included under this clause (h) shall not exceed $2,000,000 in the aggregate), and (i) extraordinary expenses related to an isolated product performance issue on one of Borrower's oil and gas transmission models (*provided*, that such expenses included under this clause (i) shall not exceed $3,900,000 in the aggregate); *provided*, that, for the avoidance of doubt, any gain on the forgiveness of the SBA PPP Loan that is realized during such period shall be excluded from EBITDA.

***"Fifth Amendment Effective Date"*** means June 30, 2020.

***"Financial Covenant Relief Period"*** means the period commencing on (and including) the Fifth Amendment Effective Date and ending on (and including) the earlier of (a) June 30, 2021, or (b) the date elected by Borrower in a written notice delivered to Bank pursuant hereto.

***"LIBOR"*** means, for an Interest Period for a Borrowing of Eurodollar Loans, (a) the LIBOR Index Rate for such Interest Period, if such rate is available, and (b) if the LIBOR Index Rate cannot be determined, the arithmetic average of the rates of interest per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) at which deposits in U.S. Dollars in immediately available funds are offered to Bank at 11:00 a.m. (London, England time) two (2) Business Days before the beginning of such Interest Period by three (3) or more major banks in the interbank eurodollar market selected by Bank for delivery on the first day of and for a period equal to such Interest Period and in an amount equal or comparable to the principal amount of the Eurodollar Loan scheduled to be made as part of such Borrowing, *provided*, that if LIBOR as so determined would be less than one percent (1.00%), LIBOR will be deemed to be one percent (1.00%) for the purposes of any Borrowing of Revolving Loans under this Agreement.

***"Monthly Reset LIBOR Rate"*** means the one month ICE Benchmark Administration (ICE) LIBOR and reported on the applicable Bloomberg screen page (or such other commercially available source providing such quotation as may be designated by Bank from time to time) as reported on the relevant Change Date (or, if such Change Date is not a Business Day, on the immediately prior Business Day), unless such rate is no longer available or published, in which case such rate shall be at a comparable substitute index rate selected by Bank with notice to Borrower as set forth in Section 2.15 hereof; *provided* that that if the Monthly Reset LIBOR Rate as so determined would be less than one percent (1.00%), the Monthly Reset LIBOR Rate will be deemed to be one percent (1.00%) for the purposes of any Borrowing of Revolving Loans under this Agreement. Bank's internal records of applicable interest rates (including without limitation Bank's designation of any successor interest rate index in the rate index described above shall become temporarily unavailable or shall cease to exist) shall be determinative in the absence of manifest error.

***"Revolving Credit Commitment"*** means the obligation of Bank to make Revolving Loans and to issue Letters of Credit hereunder in an aggregate principal or face amount at any one time outstanding not to exceed $45,000,000 (inclusive of the Euro Sublimit and L/C Sublimit).

2.1.2 Section 1.1 – Applicable Margin. Notwithstanding anything contained in the Credit Agreement, at all times during the Financial Covenant Relief Period the Applicable Margin for all Loans, Reimbursement Obligations, and the commitment/facility fees and letter of credit fees payable under Section 2.11 shall be the rates per annum set forth in the table below. After the Financial Covenant Relief Period, the Applicable Margin shall again be determined in accordance with the provisions and pricing grid set forth in the definition of "***Applicable Margin***" contained in the Credit Agreement.

| Applicable Margin for (i) Revolving Loans and (ii) Letter of Credit Fee shall be: | Applicable Margin for Term Loans shall be: | Applicable Margin for Commitment/Facility Fee shall be: |
|---|---|---|
| 3.25% | 3.875% | 0.20% |

2.1.3 Section 2.7(a) – Interest-Only Period for Term Loan. Notwithstanding anything contained in the Credit Agreement, with respect to the Term Loan, commencing with the next applicable quarterly payment date for the Term Loan pursuant to Section 2.7(a) of the Credit Agreement occurring on September 30, 2020 and continuing through the quarterly payment date occurring on December 31, 2020 (such period, the "***Interest-Only Period***"), Borrower shall make payments equal to all then accrued and unpaid interest and shall not be required to make any regularly scheduled payment of principal during such Interest-Only Period and, to the extent not paid, such principal payments shall be deferred as provided in this Section 2.1.3. After the Interest-Only Period, Borrower shall resume making scheduled principal and interest payments in the amounts and at the times as otherwise provided in the Credit Agreement for such Loans, as may be modified by this Amendment. The aggregate amount of unpaid scheduled principal installments that would have been payable, if the Interest-Only Period were not in effect, will be determined by Bank (which determination shall be conclusive and binding for all purposes absent demonstrable error) and will be due and payable on the Term Loan Termination Date. BORROWER ACKNOWLEDGES AND AGREES THAT THE PROVISIONS OF THIS SECTION: (A) WILL INCREASE THE AMOUNT OF ANY BALLOON PAYMENT OTHERWISE DUE ON THE TERM LOAN TERMINATION DATE OR RESULT IN A BALLOON PAYMENT BEING DUE AND PAYABLE ON SUCH TERM LOAN TERMINATION DATE; (B) WILL RESULT IN AN INCREASE IN THE AMOUNT OF INTEREST THAT BORROWER IS REQUIRED TO PAY FOR SUCH LOANS, OVER THE AMOUNT OF INTEREST THAT BORROWER WOULD HAVE BEEN REQUIRED TO PAY BUT FOR THE PROVISIONS OF THIS SECTION 2.1.3; AND (C) MAY RESULT IN AN INCREASE IN THE AMOUNT OF EACH SCHEDULED PAYMENT.

2.1.4 Section 7.6(d) – Restricted Payments. Section 7.6(d) of the Credit Agreement is hereby amended and restated in its entirety as follows:

"(d) Borrower shall be permitted to make other Restricted Payments in the form of cash dividends, distributions, purchases, redemptions or other acquisitions of or with respect to shares of its common stock or other common equity interests in an aggregate amount in any fiscal year of Borrower not to exceed $3,000,000 if, at least ten (10) Business Days prior to each such Restricted Payment, Borrower has delivered a certificate to Bank demonstrating compliance with the requirements set forth herein; *provided*, that no such Restricted Payments shall be made by Borrower at any time during the Financial Covenant Relief Period."

2.1.5 Section 7.12 – Financial Covenants. Section 7.12 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"*Section 7.12 Financial Covenants*.

(a) *Total Funded Debt/EBITDA Ratio*. As of the last day of each fiscal quarter of Borrower, commencing with the fiscal quarter ending on or about December 31, 2019 and continuing for each successive fiscal quarter thereafter, Borrower shall not permit the Total Funded Debt/EBITDA Ratio to be: (i) greater than 4.00 to 1.00 for the fiscal quarter ending on or about December 31, 2019; (ii) greater than 5.00 to 1.00 for the fiscal quarter ending on or about March 31, 2020; (iii) greater than 4.00 to 1.00 for the fiscal quarter ending on or about June 30, 2020; (iv) greater than 3.50 to 1.00 for the fiscal quarter ending on or about September 30, 2020; and (v) greater than 3.00 to 1.00 for the fiscal quarter ending on or about December 31, 2020 and for each successive fiscal quarter thereafter; *provided*, that, Borrower shall not be required to observe or perform the Total Funded Debt/EBITDA Ratio covenant under this Section 7.12(a) during the Financial Covenant Relief Period. For the avoidance of doubt, for each financial covenant compliance period after the Financial Covenant Relief Period (if any), Borrower shall again be required to comply with the Total Funded Debt/EBITDA Ratio covenant under this Section 7.12(a).

(b) *Tangible Net Worth.* Borrower shall at all times maintain Tangible Net Worth of Borrower and its Subsidiaries determined on a consolidated basis in an amount not less than (i) $100,000,000 plus (ii) 50% of Net Income for each fiscal year of Borrower ending on June 30, 2019 and thereafter for which such Net Income is a positive amount (i.e., there shall be no reduction to the minimum amount of Tangible Net Worth required to be maintained hereunder for any fiscal year of Borrower in which Net Income is less than zero).

(c) *Capital Expenditures*. Borrower shall not, nor shall it permit any of its Subsidiaries to, incur Capital Expenditures in an amount in excess of $10,000,000 in the aggregate during the fiscal year of Borrower ending June 30, 2021.

(d) *Minimum Liquidity*. At all times during the Financial Covenant Relief Period, Borrower shall maintain Liquidity of not less than $15,000,000, to be tested monthly on the last day of each fiscal month of the Borrower (the last Friday of each month, except for June which is always June 30), commencing with the fiscal month ending July 31, 2020 and continuing monthly thereafter. For purposes of this Section 7.12(d), "***Liquidity***" means the combined value of: (i) cash (including, without limitation, marketable securities and investments held in BMO Harris Bank N.A. money market deposit accounts or any other account, whether held domestically or internationally), and (ii) the difference between (1) the lesser of (A) the Revolving Credit Commitment in effect at such time and (B) the Borrowing Base as then determined and computed, *minus* (2) the aggregate outstanding principal amount of Revolving Loans and L/C Obligations at such time.

(e) *Minimum EBITDA*. As of the last day of each fiscal quarter of Borrower ending during the relevant period set forth below (but only during the Financial Covenant Relief Period), Borrower shall maintain an EBITDA of not less than the following amounts for the relevant periods set forth below:

| **Period** | **EBITDA shall not be less than:** |
|---|---|
| Fiscal quarter ending on or about June 30, 2020 | $1,000,000 |
| Two (2) fiscal quarters ending on or about September 30, 2020 | $1,000,000 |
| Three (3) fiscal quarters ending on or about December 31, 2020 | $2,500,000 |
| Four (4) fiscal quarters ending on or about March 31, 2021 | $6,000,000 |
| Four (4) fiscal quarters ending on or about June 30, 2021 | $10,000,000" |

2.2 Miscellaneous Amendments. The Credit Agreement, the Loan Documents and all other agreements and instruments executed and delivered heretofore or hereafter pursuant to the Credit Agreement are amended hereby so that any reference therein to the Credit Agreement shall be deemed to be a reference to such agreements and instruments as amended by or pursuant to this Amendment.

## ARTICLE III
## REPRESENTATIONS AND WARRANTIES OF THE BORROWER

The Borrower hereby represents and warrants to the Bank that:

3.1 Credit Agreement. All of the representations and warranties made by the Borrower in the Credit Agreement are true and correct on the date of this Amendment. No Default or Event of Default under the Credit Agreement has occurred and is continuing as of the date of this Amendment.

3.2 Authorization; Enforceability. The making, execution and delivery of this Amendment and performance of and compliance with the terms of the Credit Agreement has been duly authorized by all necessary corporate action by the Borrower. This Amendment is the valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, moratorium and similar laws of general application affecting creditors' rights, and except as enforcement may be limited by general equitable principles.

3.3 Absence of Conflicting Obligations. The making, execution and delivery of this Amendment and performance of and compliance with the terms of the Credit Agreement, as amended, do not violate any presently existing provision of law or the articles or certificate of incorporation or bylaws of the Borrower or any agreement to which the Borrower is a party or by which it or any of its assets is bound.

## ARTICLE IV
## MISCELLANEOUS

4.1 Continuance of Credit Agreement. Except as specifically amended by this Amendment, the Credit Agreement shall remain in full force and effect.

4.2 Survival. All agreements, representations and warranties made in this Amendment or in any documents delivered pursuant to this Amendment shall survive the execution of this Amendment and the delivery of any such document.

4.3 Governing Law. This Amendment shall be governed by, and construed and interpreted in accordance with, the laws of the State of Wisconsin applicable to agreements made and wholly performed within such state.

4.4 Counterparts; Headings. This Amendment may be executed in several counterparts, each of which shall be deemed an original, but such counterparts shall together constitute but one and the same agreement. Article and section headings in this Amendment are inserted for convenience of reference only and shall not constitute a part hereof.

4.5 Severability. Any provision of this Amendment which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Amendment in such jurisdiction or affecting the validity or enforceability of any provision in any other jurisdiction.

4.6 Conditions. The effectiveness of this Amendment is subject to the Bank having received, on or before the Execution Date, each of the following, in form and substance satisfactory to the Bank and its counsel:

(i) this Amendment, duly executed by Borrower and Bank;

(ii) the Second Amended and Restated Revolving Note, duly executed by Borrower;

(iii) a certificate of the secretary of the Borrower certifying: (A) the adoption and continuing effect of resolutions of the Board of Directors of the Borrower authorizing the execution and delivery of this Amendment and the documents to be executed and delivered in connection with this Amendment; (B) that the Articles of Incorporation of the Borrower have not been amended since the date of the last delivery of such Articles of Incorporation to Bank on or about June 29, 2018; and (C) that the Bylaws of the Borrower have not been amended since the date of the last delivery of such Bylaws to Bank on or about June 29, 2018;

(iv) deposit account control agreements for all depository accounts, collection accounts, disbursement accounts and other accounts maintained with BMO Harris Bank N.A., duly executed by Borrower and Bank (in its capacity as Bank and Secured Party thereunder);

(v) a non-refundable amendment fee equal to 10 basis points on the total Commitments as of the Fifth Amendment Effective Date, which shall be deemed fully earned upon receipt thereof by the Bank; and

(vi) such additional supporting documents and materials as Bank may reasonably request.

4.7 Course of Dealing. The Borrower acknowledges that neither previous waivers, extensions, and amendments granted to the Borrower by the Bank nor the amendments granted herein create any course of dealing or expectation with respect to any further waivers, extensions, or amendments and further acknowledges that the Bank has no obligation whatsoever to grant any additional waivers, extensions, amendments, or forbearance. As additional consideration to the Borrower for entering into this Amendment and paying the amendment fee referenced above, the Bank hereby agrees to waive and forever release the Borrower from any and all Events of Defaults, if any, under the Credit Agreement as a result of a violation of Section 7.12(a) that occurred (or otherwise would have occurred but for this Amendment) prior to the Fifth Amendment Effective Date.

4.8 No Defenses. The Borrower acknowledges it has no defenses, rights of setoff, or rights of recoupment to the enforceability or payment of any of its obligations under the Credit Agreement as amended hereby.

4.9 Expenses and Attorneys' Fees. The Borrower shall pay reasonable fees and expenses (including attorney's fees) incurred by the Bank in connection with the preparation, execution, and delivery of this Amendment.

4.10 DACA Notice of Exclusive Control Limitation. The Bank acknowledges that, per the terms of each deposit account control agreement referenced in Section 4.6(iv) above, or any other account control agreement requested by the Bank as permitted herein, the Bank has the ability to provide a "Notice of Exclusive Control" that, once received by the institution maintaining the applicable account, will restrict the Borrower's ability to access and use the funds in such account. As additional consideration for the Borrower agreeing to enter into this Amendment and provide such deposit account control agreements to the Bank, the parties hereto agree that the Bank shall not provide or deliver a "Notice of Exclusive Control" (or any notice with similar effect) under the terms of a deposit account control agreement prior to the occurrence or existence of a Default or an Event of Default under the Credit Agreement or otherwise upon the occurrence or existence of an event or condition that would, but for the passage of time or the giving of notice, constitute a Default or an Event of Default under the Credit Agreement.

**[SIGNATURES ON NEXT PAGE FOLLOWING]**

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the day and year first written above.

*"Borrower"*

**TWIN DISC, INCORPORATED**

By: _____
Name: Jeffrey S. Knutson
Title: Vice President – Finance and Chief Financial Officer

*"Bank"*

**BMO HARRIS BANK N.A.**

By:_____
Name: Mark Czarnecki
Title: Senior Vice President

**Exhibit 1.2**

**Second Amended and Restated Revolving Note**

U.S. $45,000,000 June 30, 2020

For Value Received, the undersigned, Twin Disc, Incorporated, a Wisconsin corporation (*"Borrower"*), hereby promises to pay to BMO Harris Bank N.A. (*"Bank"*) at the principal office of the Bank located in Milwaukee, Wisconsin (or such other location as Bank may designate to Borrower), in immediately available funds, the principal sum of Forty Five Million and No/100 Dollars ($45,000,000) or, if less, the aggregate unpaid principal amount of all Revolving Loans made by Bank to Borrower pursuant to the Credit Agreement (as defined below), together with interest on the principal amount of each Revolving Loan from time to time outstanding hereunder at the rates, and payable in the manner and on the dates, specified in the Credit Agreement.

This Second Amended and Restated Revolving Note (this *"Note"*) is one of the Revolving Notes referred to in the Credit Agreement dated as of June 29, 2018, between Borrower and Bank (as extended, renewed, amended or restated from time to time, the *"Credit Agreement"*), and this Note and the holder hereof are entitled to all the benefits and security provided for thereby or referred to therein, to which Credit Agreement reference is hereby made for a statement thereof. All defined terms used in this Note, except terms otherwise defined herein, shall have the same meaning as in the Credit Agreement. This Note shall be governed by and construed in accordance with the internal laws of the State of Wisconsin.

Voluntary prepayments may be made hereon, certain prepayments are required to be made hereon, and this Note may be declared due prior to the expressed maturity hereof, all in the events, on the terms and in the manner as provided for in the Credit Agreement.

Borrower hereby waives demand, presentment, protest or notice of any kind hereunder.

This Note is an amendment and restatement of that certain Amended and Restated Revolving Credit Note dated as of June 29, 2018, issued by Borrower and payable to the order of the Bank, in the principal amount of $50,000,000 (the *"Original Note"*), and this Note is a continuation of the indebtedness evidenced by the Original Note. This Note is not intended as and shall not be construed as a repayment, novation or refinancing of the Original Note, or the indebtedness evidenced thereby.

[Signature Page Follows]

TWIN DISC, INCORPORATED

By: _____
Name: Jeffrey Knutson
Title: Vice President – Finance and Chief Financial Officer

**Exhibit 1.3**


**DEPOSIT ACCOUNT CONTROL AGREEMENT**
Dated as of July 22, 2020

BMO Harris Bank N.A.
111 West Monroe Street, 9C
Chicago, IL 60603

Attention: **Documentation Analysis and Control**

Re: **Twin Disc, Incorporated** (*"Customer"*)
Deposit Accounts at BMO Harris Bank N.A. (in its capacity as depositary bank, *"Bank"*) Numbers: (each, an *"Assigned Account"* and collectively, the *"Assigned Accounts"*)
Subject to Security Interest In Favor of: **BMO Harris Bank N.A.** (in its capacity as secured party, *"Secured Party"*)

Secured Party and Customer hereby notify Bank that Customer has granted to Secured Party, and by signing below Customer hereby reaffirms that it grants to Secured Party, a continuing security interest in the Assigned Accounts and all funds now or hereafter on deposit therein. The parties hereto agree as follows:

**1. Control; Agreements of Bank.**

This Agreement establishes Secured Party's control over the Assigned Accounts, and Bank agrees that it will comply with instructions originated by Secured Party directing the disposition of funds in the Assigned Accounts in accordance with the terms hereof without further consent by Customer. Bank may follow such instructions even if doing so results in the dishonoring by Bank of checks and other items (including electronic payments such as ACH) (*"Items"*) presented for payment from any Assigned Account or Bank otherwise not complying with any instruction from Customer directing the disposition of any funds in any Assigned Account.

Bank hereby agrees and confirms to Secured Party that (a) the records of Bank with respect to the Assigned Accounts will be marked to reflect the security interest in favor of Secured Party, (b) Bank has not received written notice of any other lien that is currently outstanding in respect of any Assigned Account, (c) Bank shall not have or assert any right of offset against or lien or interest in any amounts at any time credited to the Assigned Accounts,

except as provided in Section 3(a) of this Agreement, and (d) Bank shall furnish to Secured Party a copy of each regular monthly statement for the Assigned Accounts.

Customer represents and warrants to Secured Party and Bank that, as of the date hereof, it has not assigned or granted a security interest in any Assigned Account or any funds deposited therein, except to Secured Party and Bank.

**2. Customer Access to Assigned Accounts; Notice of Exclusive Control.**

Until Bank receives a written notice from Secured Party substantially in the form of Exhibit A hereto (a *"Notice of Exclusive Control"*) and such Notice of Exclusive Control becomes effective as provided herein, Customer shall have authority to direct disposition of funds in the Assigned Accounts and engage in transactions with respect to the Assigned Accounts. Secured Party agrees that unless and until a Notice of Exclusive Control becomes effective as provided herein, Bank may, without notice to or the consent of Secured Party, honor withdrawal, payment, transfer, or other instructions originated by Customer concerning the disposition of Funds in any Assigned Account. A Notice of Exclusive Control shall be effective when actually received by an officer of Bank's Documentation Analysis and Control, 111 West Monroe Street, Chicago, Illinois, 60603, and Bank has had reasonable time to act thereon, but no later than the opening of business on the second Business Day (as defined below) following receipt. A "Business Day" is any day other than a Saturday, Sunday or other day on which Bank is or is authorized or required by law to be closed.


Upon the Effectiveness of a Notice of Exclusive Control, (i) Bank shall not permit any funds to be transferred or withdrawn by Customer from any Assigned Account except with the prior written consent of Secured Party, (ii) Secured Party shall have exclusive authority to direct the disposition of funds in the Assigned Accounts and engage in transactions with respect to the Assigned Accounts (and Customer hereby irrevocably authorizes and directs Bank to comply solely with requests of Secured Party with respect thereto without any further consent by Customer), and (iii) all available funds in the Assigned Accounts will be transferred electronically by Bank on a daily basis in accordance with the following instructions (unless other instructions are received in writing by Bank from Secured Party, and verified to Bank's satisfaction):

Name of Receiving Bank: BMO Harris Bank N.A.
ABA No:
Receiving Account No:
Name of Recipient: Twin Disc, Incorporated

Bank shall be fully protected in acting on any order, direction, or instruction by Secured Party respecting any Assigned Account and the funds on deposit therein without making any inquiry whatsoever as to Secured Party's right or authority to give such order, direction, or instruction, or as to the application of any funds by Secured Party.

**3. Limited Liability of Bank; Indemnity.**

(a) Customer shall be, and at all times remain, liable to Bank to pay all fees and charges due in connection with the Assigned Accounts and to reimburse Bank for any deposited Item that is returned for any reason unpaid, or paid and later returned, or the subject of a breach of warranty claim (and for any associated interest or earnings credit) (collectively the *"Charges"*). Bank is hereby authorized and directed to debit such Charges (i.e., obtain payment or reimbursement) against funds of Customer on deposit in any Assigned Account or any other accounts maintained by Customer at Bank. Customer shall be, and at all times remain, liable to Bank for payment of any and all Charges which remain unpaid after offset by Bank against funds then on deposit in any Assigned Account and any other accounts of Customer maintained at Bank.

(b) Bank shall have no liability to either Customer or Secured Party, or their respective successors and assigns, for any liability, loss, expense, claim, cost, or damage (collectively, "*Loss*") that either or both may claim to have suffered or incurred, either directly or indirectly, by reason of this Agreement, or any transaction or service contemplated by the provisions hereof, other than those Losses that resulted directly from Bank's acts or omissions constituting reckless disregard or willful misconduct as determined by a court of competent jurisdiction in a final non-appealable order. In no event shall Bank be liable to Customer or Secured Party, or their respective successors and assigns, for any special, indirect, punitive, or consequential damages, or loss of profits, even if Bank had been informed of the possibility that such damage or loss might arise. Bank's obligations hereunder shall

be that of a depository bank, and nothing in this Agreement shall create custodial or bailee obligations of Bank or otherwise create any agency, fiduciary, joint venture or partnership relationship among any of Bank, Customer and Secured Party.

(c) Bank shall be entitled to rely, and shall be fully protected in relying, upon any notice, direction or instruction reasonably believed by Bank to be genuine and correct and to have been signed, sent, or made by the proper person.

(d) Bank may consult with legal counsel and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel or experts.


(e) Customer shall indemnify and defend Bank and hold Bank harmless from and against any and all Losses (including reasonable attorneys' fees and disbursements) that Bank suffers or incurs as a result of, or in any way arising out of or relating to this Agreement, other than those Losses that resulted directly from Bank's acts or omissions constituting reckless disregard or willful misconduct as determined by a court of competent jurisdiction in a final non-appealable order.

(f) Bank shall not be liable for any delays or failure or interruption of any performance of service contemplated by this Agreement if caused directly or indirectly by equipment or communication systems failure, fire or other casualty, strikes, acts of God, civil disturbance, action of governmental authorities or other causes or circumstances beyond the reasonable control of Bank.

**4. Termination.**

This Agreement may be terminated at any time by Secured Party or Bank upon written notice to each of the other parties. Upon such termination, funds in the Assigned Accounts shall remain subject to any rights and interests of the parties hereto under other agreements and applicable law. No notice of termination given by Customer shall be effective until consented to by Secured Party in writing. Section 3 of this Agreement shall survive termination.

**5. Notices.**

All notices and other communications relating to this Agreement shall be in writing unless otherwise expressly stated. Notices to Bank shall be addressed to BMO Harris Bank N.A., 111 West Monroe Street, Chicago, Illinois 60603, Attention: Documentation Analysis and Control, or at such other address as Bank may specify in writing. Notices to Secured Party or Customer shall be addressed as indicated on the signature page of this Agreement, or to such other address as such party may specify for itself in writing. Any notice or communication to Bank will be effective when Bank has actually received, and has had a reasonable time to act on, any such notice. Any notice or communication to Customer or Secured Party will be effective either on the date it is actually received or three days after it was mailed by first class certified or registered mail, return receipt requested, whichever is earlier.

**6. Miscellaneous.**

(a) No provision of this Agreement may be changed except by a writing signed by Bank, Secured Party, and Customer, nor may compliance with any provision be waived, by course of dealing or otherwise, except by a writing signed by the party or parties sought to be charged with such waiver. This Agreement shall apply only to the Assigned Accounts.

(b) No party's failure or delay in exercising any right or remedy under this Agreement will operate as a waiver of such right or remedy, and no single or

partial exercise by a party of any right or remedy under this Agreement will preclude any additional or further exercise of such right or remedy or the exercise of any other right. If a provision of this Agreement is held to be invalid, illegal, or unenforceable, the validity, legality, or enforceability of the other provisions of this Agreement will not be affected or impaired by such holding.

(c) This Agreement shall be binding upon and inure to the benefit of the parties to this Agreement and their respective legal representatives, successors and assigns.

(d) This Agreement shall be governed by and construed in accordance with the laws of the State of Wisconsin.

(e) EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT.

(f) The parties hereto hereby agree that (i) Bank is a “bank” within the meaning of Section 9-102(a)(8) of the Wisconsin Uniform Commercial Code (the “*UCC*”) that maintains the Assigned Accounts, (ii) each Assigned Account is a “deposit account” within the meaning of Section 9-102(a)(29) of the UCC and (iii) the “jurisdiction” of Bank for purposes of Section 9-304(b) of the UCC is the State of Wisconsin. This Agreement is “an agreement between the bank and its customer governing the deposit account” within the meaning of Section 9-304(b) of the UCC.


(g) This Agreement (including, without limitation, the designation of Bank's jurisdiction for purposes of the UCC) controls in the event of any conflict between this Agreement and any other document or written or oral statement. This Agreement supersedes all prior understandings, writings, proposals, representations and communications, oral or written, of any party relating to the subject matter hereof.

(h) This Agreement may be executed in counterparts; all such counterparts shall constitute but one and the same agreement. Delivery of an executed counterpart of a signature page of this Agreement by telecopy or other electronic imaging means shall be effective as delivery of a manually executed counterpart of this Agreement.

**[THIS SECTION INTENTIONALLY LEFT BLANK]**


Secured Party: BMO Harris Bank N.A

By: _____
Its: _____

Address for Notices to Secured Party:

_____

_____

Customer: Twin Disc, Incorporated

By: _____
Its: _____

Address for Notices to Customer:

_____

_____

Accepted and agreed this 22nd day of July, 2020

**BMO Harris Bank N.A.**

**X**
By: _____

Name:
Title: TPS Documentation Specialist


**EXHIBIT A**

**[FORM OF NOTICE OF EXCLUSIVE CONTROL]**

BMO Harris Bank N.A.
111 West Monroe Street
P.O. Box 755
Chicago, IL 60690
Attention: Documentation Analysis and Control

Re: Deposit Account Control Agreement, dated as of July 22, 2020, between BMO Harris Bank N.A., Twin Disc, Incorporated and BMO Harris Bank N.A. (*"Secured Party"*)

Ladies and Gentlemen:

Reference is made to the Agreement identified above. This letter constitutes the "Notice of Exclusive Control" to Bank from Secured Party as provided for in the Agreement. Accordingly, you are hereby authorized and directed to (i) permit transfers and withdrawals from the account only as permitted by the Agreement and (ii) transfer any and all funds on deposit in the Assigned Account in accordance with the terms of the Agreement.

Very truly yours,

BMO Harris Bank N.A.

By: _____
Its: _____