

Edgar Filing: TWIN DISC INC - Form 8-K

At its meeting on July 26, 2012, the Compensation Committee of the Board of Directors of Twin Disc, Incorporated (the "Company") (i) approved the base salaries of, and (ii) approved the targets for fiscal 2013 bonuses for, the Company's principal executive officer, principal financial officer, and certain of the Company's "named executive officers" (as used in Instruction 4 to Item 5.02 of Form 8-K), as follows:

Name and Position	Base Salary	Target Bonus as % of Base Salary
Michael E. Batten Chairman and Chief Executive Officer	\$600,000	70%
John H. Batten President and Chief Operating Officer	\$363,000	50%
Christopher J. Eperjesy Vice President – Finance, Chief Financial Officer and Treasurer	\$315,250	50%
James E. Feiertag Executive Vice President	\$312,500	50%
H. Claude Fabry Vice President, International Distribution	\$242,787	40%

The above increases in base salary are effective the first pay period beginning on or after October 1, 2012. A portion of Mr. Fabry's base salary is denominated in Euro, which has been translated at the July 26, 2012 exchange rate of 1€/1.21068\$.

In each case, the target incentive bonus is based on the FY 2013 Corporate Incentive Plan ("CIP"), which the Committee adopted and approved on July 26, 2012. The CIP establishes the target bonuses for the named executive officers based on the following factors and relative weights for each factor: corporate economic profit (70%), inventory turns (15%) and sales growth (15%). 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 Committee.

On July 26, 2012, the Compensation Committee also issued performance stock awards to named executive officers of the Company under the Company's 2010 Long-Term Incentive Compensation Plan (the "Plan"). A target number of 17,515 performance shares were awarded to the named executive officers (subject to adjustment as described below), allocated as follows: Mr. J. Batten, 7,066 performance shares; Mr. Eperjesy, 5,337 performance shares; and Mr. Feiertag, 5,112 performance shares. The performance shares will be paid out if the Company achieves certain economic profit objectives (measured as the difference between the cumulative net operating profit after taxes and the cumulative capital charge) for the cumulative three fiscal year period ending June 30, 2015. If the Company achieves the maximum 3-year cumulative economic profit goal, a recipient will earn a maximum number of performance shares. If the Company achieves the target 3-year cumulative economic profit goal, a recipient will earn the target number of performance shares. If the Company achieves the threshold 3-year cumulative economic profit goal, a

recipient will earn a threshold number of performance shares. No performance shares will be earned for performance below the 3-year cumulative economic profit threshold and no additional performance shares will be earned for performance exceeding the 3-year cumulative economic profit maximum. In the event that the Company's economic profit is between the achievement levels set forth, the percentage of performance shares awarded shall be determined by interpolation. The maximum number of performance shares that can be earned by the named executive officers pursuant to this award is 21,020. A copy of the form of the Performance Stock Award Grant Agreement is attached hereto as Exhibit 10.1 and is incorporated herein by reference.

At its July 26, 2012 meeting, the Compensation Committee also issued performance stock units to named executive officers of the Company under the Plan. A target number of 23,961 performance stock units were awarded to the named executive officers (subject to adjustment as described below), allocated as follows: Mr. M. Batten, 16,455 performance stock units; Mr. J. Batten, 3,028 performance stock units; Mr. Eperjesy, 2,287 performance stock units; and Mr. Feiertag, 2,191 performance stock units. The performance stock units will be paid out if the Company achieves certain economic profit objectives (measured as the difference between the cumulative net operating profit after taxes and the cumulative capital charge) for the cumulative three fiscal year period ending June 30, 2015. If the Company achieves the maximum 3-year cumulative economic profit goal, a recipient will earn a maximum number of performance stock units. If the Company achieves the target 3-year cumulative economic profit goal, a recipient will earn the target number of performance stock units. If the Company achieves the threshold 3-year cumulative economic profit goal, a recipient will earn a threshold number of performance stock units. No performance stock units will be earned for performance below the 3-year cumulative economic profit threshold and no additional performance stock units will be earned for performance exceeding the 3-year cumulative economic profit maximum. In the event that the Company's economic profit is between the achievement levels set forth, the percentage of performance stock units awarded shall be determined by interpolation. The maximum number of performance stock units that can be earned by the named executive officers pursuant to this award is 28,753. A copy of the form of the Performance Stock Unit Award Grant Agreement is attached hereto as Exhibit 10.2 and incorporated herein by reference.

At its July 26, 2012 meeting, the Compensation Committee also issued restricted stock grants to named executive officers of the Company under the Plan. A total of 47,776 shares of restricted stock were granted to the named executive officers, allocated as follows: Mr. M. Batten, 16,455 shares of restricted stock; Mr. J. Batten, 12,594 shares of restricted stock; Mr. Eperjesy, 10,425 shares of restricted stock; and Mr. Feiertag, 8,302 shares of restricted stock. The shares will vest in three years, provided the named executive officer remains employed as of such vesting date. The restricted stock will fully vest if the named executive officer terminates employment due to death or disability, or following a change in control of the Company. A copy of the form of the Restricted Stock Grant Agreement is attached hereto as Exhibit 10.3 and is incorporated herein by reference.

Effective August 1, 2012, Twin Disc International S.A. ("Twinsa"), a subsidiary of the Company, via its Board of Directors, entered into a new Management Agreement (the "Agreement") with H. Claude Fabry. The Agreement replaces the October 1, 2009, management agreement between Twinsa and Mr. Fabry, which was scheduled to expire on September 30, 2012. Under the Agreement, Twinsa will pay to Mr. Fabry an annualized fee of 156,121 Euro (the "Fee"), which will increase to an annualized fee of 160,432 Euro as of the first pay period beginning on or after October 1, 2012. The Agreement provides for a term that expires June 30, 2013, and establishes other mutually agreed benefits and conditions in accordance with Belgian law.

Mr. Fabry will also continue to serve as Vice President of International Distribution for the Company. The remainder of his total annual base compensation (which, net of the Fee, is currently \$47,254 U.S. Dollars, using the July 26, 2012, exchange rate 1€/1.21068\$) will be paid for these services.

A copy of the Agreement is filed herewith as Exhibit 10.4 and is incorporated herein by reference.

FORWARD LOOKING STATEMENTS

