

TWIN DISC INC  
Form DEF 14A  
September 18, 2015

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant  ]

Filed by a Party Other than the Registrant  ]

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Section 240.14a-2.

Twin Disc, Incorporated  
(Name of Registrant as Specified In Its Charter)

\_\_\_\_\_  
(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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1) Title of each class of securities to which transaction applies:

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1) Amount previously paid:

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2) Form, Schedule or Registration Statement No.:

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3) Filing Party:

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4) Date Filed:

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TWIN DISC, INCORPORATED  
1328 Racine Street, Racine, Wisconsin 53403

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS – OCTOBER 23, 2015

NOTICE IS HEREBY GIVEN TO THE SHAREHOLDERS OF TWIN DISC, INCORPORATED

The Annual Meeting of Shareholders of Twin Disc, Incorporated, a Wisconsin corporation (the “Corporation”), will be held at 2:00 P.M. (Central Time) on Friday, October 23, 2015, at the Corporate Offices, 1328 Racine Street, Racine, Wisconsin 53403 (the “Annual Meeting”) for the following purposes:

1. To elect two Directors to serve until the Annual Meeting of Shareholders in 2018.
2. To consider an advisory vote to approve the compensation of the Corporation’s Named Executive Officers.
3. To ratify the appointment of PricewaterhouseCoopers LLP, an independent registered public accounting firm, as our independent auditors for the fiscal year ending June 30, 2016.
4. Approval of the Amended and Restated Twin Disc, Incorporated 2010 Long-Term Incentive Compensation Plan for purposes of Section 162(m) of the Internal Revenue Code.
5. To transact any other business that may properly come before the Annual Meeting.

Only holders of record of shares of common stock of the Corporation at the close of business on August 28, 2015, shall be entitled to vote at the Annual Meeting.

A proxy appointment card and our proxy statement are enclosed with this notice. The proxy card shows the form in which your shares are registered and affords you the opportunity to direct the voting of those shares, even if you are unable to attend the Annual Meeting in person. Please review these proxy materials and follow the applicable instructions.

Jeffrey S. Knutson  
Secretary

Important Notice Regarding the Availability of Proxy Materials for the  
Shareholder Meeting to be Held on October 23, 2015

Pursuant to rules of the Securities and Exchange Commission, we are providing access to our proxy materials both by mailing to you this full set, including the proxy card, on or about September 21, 2015, and by notifying you of the availability of our proxy materials on the Internet. These proxy materials and our 2015 annual report on Form 10-K are available at <http://ir.twindisc.com/proxy.cfm>

**YOUR VOTE IS IMPORTANT! WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING OF SHAREHOLDERS IN PERSON, WE ASK YOU TO PLEASE TAKE ADVANTAGE OF ONE OF THE THREE OPTIONS YOU HAVE FOR VOTING YOUR SHARES: (1) YOU MAY SIGN AND RETURN YOUR PROXY APPOINTMENT IN THE ENCLOSED ENVELOPE; (2) YOU MAY DIRECT YOUR VOTE VIA THE INTERNET; OR (3) YOU MAY DIRECT YOUR VOTE BY TELEPHONE. THE APPLICABLE INSTRUCTIONS AND DEADLINES FOR EACH OPTION ARE STATED ON THE PROXY CARD AND IN THE PROXY STATEMENT. IF YOUR PROXY APPOINTMENT / VOTING INSTRUCTIONS ARE NOT RECEIVED BEFORE**

THE APPLICABLE DEADLINE, THE PROXY WILL BE RULED INVALID. AFTER SUBMITTING YOUR VOTING INSTRUCTIONS, SHOULD YOU FIND IT CONVENIENT TO ATTEND THE MEETING, YOU MAY REVOKE YOUR PRIOR INSTRUCTIONS AND VOTE IN PERSON.

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2015 Proxy Statement  
TWIN DISC, INCORPORATED  
September 18, 2015

DATE, TIME AND PLACE OF MEETING

This proxy statement is furnished in connection with the solicitation by the Board of Directors of the Corporation of proxies for use at the Annual Meeting of Shareholders to be held at 2:00 P.M. (Central Time), at the Corporate Offices, 1328 Racine Street, Racine, Wisconsin 53403 on Friday, October 23, 2015, or any adjournment thereof. Holders of common stock of record at the close of business on August 28, 2015, are entitled to vote at the Annual Meeting and each shareholder shall have one vote for each share of common stock registered in the shareholder's name. Shares represented by a signed proxy appointment or electronic proxy vote will be voted in the manner specified in the form of proxy or, if no specification is made, in a manner consistent with the Board of Directors' recommendation for each of the proposals mentioned therein. The presence of a majority of the outstanding shares of common stock of the Corporation, either in person or represented by a signed proxy appointment or electronic proxy vote, will constitute a quorum at the Annual Meeting. The Corporation intends to mail this proxy statement to shareholders on or about September 18, 2015.

PROXY APPOINTMENT AND REVOCATION

Shareholders may vote by delivery, either in person, by mail or by messenger, of the enclosed proxy appointment form. Appointment forms must be received by the Secretary not less than 48 hours prior to the date of the meeting. The proxy appointment form must be signed in handwriting. The signature must be sufficiently legible to allow the inspector to distinguish it as representing the name of the registered shareholder, or must be accompanied by a rubber stamp facsimile or hand-printed name, including the shareholder's surname and either the shareholder's first or middle name as represented on the corporate records and any titles, offices or words indicating agency which appear in the corporate records. **PROXY APPOINTMENT FORMS NOT MEETING THE ABOVE REQUIREMENTS WILL BE RULED INVALID.**

Shareholders may also vote via the Internet by accessing [www.investorvote.com/twin](http://www.investorvote.com/twin) or by telephone at 1-800-652-8683. The telephone and Internet voting procedures are designed to authenticate the shareholder's identity, to allow the shareholder to give voting instructions and to confirm that such instructions have been properly recorded. Shareholders may vote via the Internet or by telephone up to 11:59 PM Eastern Time on Thursday, October 22, 2015. Shareholders that vote via the Internet should understand that there might be costs associated with electronic access that they must bear, such as usage charges from Internet access providers and telecommunications companies.

The person giving the proxy may revoke it before it is exercised, either in person, by mail or by messenger, by submitting a later dated proxy appointment form to the Secretary at least 48 hours prior to the date of the Annual Meeting. If the proxy was voted via the Internet or by telephone, the person may revoke the proxy by entering a new vote via the Internet or telephone prior to the time that Internet and telephone voting closes. The person giving the proxy may also revoke it by openly stating the revocation at the Annual Meeting, by voting at the Annual Meeting in person, or by delivering a signed written statement revoking the proxy to the Secretary prior to the date of the Annual Meeting. **ANY ATTEMPTED REVOCATIONS NOT MEETING THE ABOVE REQUIREMENTS WILL BE RULED INVALID.**

RECORD DATE

The record date with respect to this solicitation is August 28, 2015. On that date, there were outstanding 11,323,394 shares of common stock of the Corporation entitled to vote at the Annual Meeting. There also are 200,000 shares of no-par preferred stock authorized, of which 150,000 shares have been designated Series A Junior Preferred Stock, but none are outstanding.

#### SHAREHOLDER PROPOSALS FOR 2016

If a shareholder wishes to present a proposal for consideration for inclusion in the Notice of the Meeting and Proxy Statement for the 2016 Annual Meeting of Shareholders, the proposal must be received at the Corporation's principal executive offices no later than May 21, 2016. Shareholder proposals received later than July 20, 2016 will be considered untimely, and will not be considered at the Corporation's 2016 Annual Meeting. Any such proposal must comply with the requirements of Section (14)(a) of the Corporation's Restated Bylaws.

If a shareholder wishes to nominate a person for election to the Board of Directors of the Corporation, such nomination shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely for the 2016 Annual Meeting, such notice must be delivered to or mailed and received at the principal executive offices of the Corporation no later than July 20, 2016. Any such notice must comply with the requirements of Section (14)(b) of the Corporation's Restated Bylaws.

#### PERSONS MAKING THE SOLICITATION

The proxy is being solicited by the Corporation's Board of Directors and will be voted in favor of the Directors' recommendations on each and all matters properly brought before the Annual Meeting, unless the undersigned shareholder specifically instructs the holder or holders of the proxy to the contrary.

#### VOTES REQUIRED FOR PROPOSALS AND HOW VOTES WILL BE COUNTED

With respect to the election of Directors (Proposal No. 1), votes may be cast in favor or withheld. Votes that are withheld will have no legal effect and will not be counted as votes cast in the election of Directors. Assuming a quorum is present, Directors shall be elected by a plurality of votes cast by the shares entitled to vote at the Annual Meeting (i.e., the individuals with the largest number of votes cast in favor of their election will be elected as Directors, up to the maximum number of Directors to be chosen in the election). In the event two (2) or more persons tie for the last vacancy to be filled, a run-off vote shall be taken from among the candidates receiving the tie vote. Broker non-votes, as defined below, will be counted for purposes of determining a quorum, but will not be counted as votes cast in the election of Directors.

With respect to the advisory vote on the compensation of the Corporation's Named Executive Officers (Proposal No. 2), votes may be cast "For" or "Against" the resolution. Votes "For" must exceed votes "Against" in order for the resolution on compensation of the Named Executive Officers to be considered approved by the shareholders. This vote is not binding on the Corporation. The Compensation and Executive Development Committee of the Board of Directors will take the results of the vote into consideration in addressing future compensation policies and practices.

With respect to the ratification of the appointment of independent auditors (Proposal No. 3), votes may be cast "For" or "Against." The appointment will be ratified if a majority of the shares present and entitled to vote on the matter are voted "For" ratification. If the appointment of the independent auditors is not ratified, the Audit Committee will reconsider such appointment.

With respect to the approval of the Amended and Restated Twin Disc, Incorporated 2010 Long-Term Incentive Compensation Plan ("the Plan") (Proposal No. 4), votes may be cast "For" or "Against." The affirmative vote of a majority

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of votes cast at the annual meeting (assuming a quorum is present) shall be required for the approval of the Plan. Broker non-votes, as defined below, will not be counted as votes cast in connection with this proposal, and will have no effect on the outcome of the approval of the Plan.

Abstentions may be specified on all proposals submitted to shareholders, other than for the election of Directors. Abstentions will be counted for purposes of determining the presence or absence of a quorum for the transaction of business at the Annual Meeting, but will not be counted as votes cast with respect to any of the proposals.

Brokers who hold shares in street name for customers may vote their shares with respect to certain matters without specific instructions from the beneficial owners of the shares. However, brokers who hold shares in street name are not permitted to vote on certain other matters without specific instructions from the beneficial owners. A “broker non-vote” occurs on an item submitted for shareholder approval when the broker does not have the authority to vote on the item in the absence of instructions from the beneficial owner and the broker does not in fact receive such instructions. A broker non-vote is treated as “present” for purposes of determining a quorum, has the effect of a vote against a particular proposal when a majority of the issued and outstanding shares is required for approval of the proposal, and has no effect when a majority of the shares present in person or by proxy and entitled to vote or a plurality or majority of the votes cast is required for approval.

Brokers and other nominees may vote on the ratification of the appointment of PricewaterhouseCoopers LLP as our independent auditors for the fiscal year ending June 30, 2016 (Proposal No. 3) without specific instructions from beneficial owners. Therefore, no broker non-votes are expected to exist in connection with this proposal. However, brokers or other nominees may not vote on the election of Directors to serve until the Annual Meeting of Shareholders in 2018 (Proposal No. 1), on the advisory vote on Named Executive Officer compensation (Proposal No. 2) or on the Approval of the Amended and Restated Twin Disc, Incorporated 2010 Long-Term Incentive Compensation Plan (Proposal No. 4) without specific instructions from the beneficial owners of the shares. Therefore, an undetermined number of broker non-votes may occur on Proposals No. 1, 2 and 4.

### PRINCIPAL SHAREHOLDERS, DIRECTORS AND EXECUTIVE OFFICERS

#### PRINCIPAL SHAREHOLDERS

Based upon the records of the Corporation, filings with the Securities and Exchange Commission as of August 21, 2015 and additional information obtained by the Corporation, the following table sets forth the persons or group of persons having beneficial ownership (as defined by the Securities and Exchange Commission) of more than 5% of the issued and outstanding common stock of the Corporation.

Name	Address	Nature of Beneficial Ownership	Amount Owned	Percent of Class
John H. Batten	704 Waters Edge Rd.	Power to vote	2,486,226	22.0%
	Racine, WI	Beneficial	(1) 152,900	1.3%
GAMCO Investors, Inc.	One Corporate Center Rye, NY	Power to vote & dispose of stock	1,537,500 (2)	13.6%

- (1) Held as trustee under various trusts and as guardian for non-immediate family member.
  - (2) Represents shares held by various entities which are directly or indirectly controlled by Mario J. Gabelli and for which he acts as chief investment officer.
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## DIRECTORS AND EXECUTIVE OFFICERS

Based upon the records of the Corporation, filings with the Securities and Exchange Commission as of August 21, 2015 and additional information obtained by the Corporation, the following table sets forth the number of shares of common stock of the Corporation beneficially owned by each of the Directors of the Corporation, each of the executive officers named in the Summary Compensation Table and the number of shares beneficially owned by all Directors and executive officers of the Corporation as a group.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)	Percent of Class
John H. Batten	2,639,126 (2)	23.3%
Jeffrey S. Knutson	36,442 (3)	*
Dean J. Bratel	36,229 (4)	*
Denise L. Wilcox	28,923 (5)	*
Michael B. Gee	5,825 (6)	*
Michael Doar	22,099 (7)	*
Janet P. Giesselman	1,278 (7)	*
David B. Rayburn	35,173 (7)	*
Michael C. Smiley	12,299 (7)	*
Harold M. Stratton II	22,099 (7)	*
David R. Zimmer	19,949 (7)	*
All Directors and Executive Officers as a group (13 persons)	2,902,469 (7)	25.6%

\* Denotes ownership of less than one percent of shares outstanding.

(1) Shares listed include any shares owned by a spouse, minor children and immediate relatives who share the same household as a Director or officer. Inclusion of any such shares is not to be considered an admission of beneficial ownership.

(2) Includes 2,486,226 shares held by Mr. Batten as trustee under various family trusts and as guardian for non-immediate family member. Also includes restricted stock grants of 11,498 shares that vest in fiscal 2017, 10,736 shares that vest in fiscal 2018, and 20,519 shares that vest in fiscal 2019.

(3) Includes restricted stock grants of 4,168 shares that vest in fiscal 2017, 5,478 shares that vest in fiscal 2018, and 8,648 shares that vest in fiscal 2019.

(4) Includes restricted stock grants of 5,052 shares that vest in fiscal 2017, 4,113 shares that vest in fiscal 2018, and 7,862 shares that vest in fiscal 2019.

(5) Includes restricted stock grants of 3,497 shares that vest in fiscal 2017, 2,633 shares that vest in fiscal 2018, and 5,032 shares that vest in fiscal 2019.

(6) Includes restricted stock grants of 1,000 that vest in fiscal 2018, and 3,931 that vest in fiscal 2019

(7) Shares subject to currently exercisable stock options included in the above are as follows: Mr. Doar 2,400, Mr. Rayburn 6,000, Mr. Stratton 6,000 and all Directors and executive officers as a group 19,200. Also included above are unvested restricted shares as follows: Mr. Doar 2,942, Ms. Giesselman 1,278, Mr. Rayburn 2,942, Mr. Smiley 2,942, Mr. Stratton 2,942 and Mr. Zimmer 2,942.



## PROPOSAL 1: ELECTION OF DIRECTORS

The Board of Directors has nominated the following persons to serve as Directors for the Corporation, each for a term to expire at the Annual Meeting of Shareholders following the fiscal year ending June 30, 2018. Shares of common stock represented by properly executed proxy appointments in the accompanying form or electronic proxy vote will be voted for the two nominees listed unless authority to do so is withheld.

Name and Current Age	Principal Occupation and Other P u b l i c C o m p a n y Directorships Held Within Past Five Years	Skills and Qualifications	Served as Director C o n t i n u o u s l y Since
David B. Rayburn . Age 67	Retired President and Chief Executive Officer, Modine Manufacturing Company, Racine, Wisconsin  (A manufacturer of heat exchange equipment) Also, Director Lindsay Corporation (a provider of irrigation and water management systems).	As a former CEO of a public company, Mr. Rayburn has experience and skill sets in strategic planning, financial oversight, compensation policy and practices as well as organizational structure. In addition, Mr. Rayburn's background includes international business, mergers and acquisitions, engineering and manufacturing in an industry related to the Corporation.	July 2000
Janet P. Giesselman Age 61	Retired President and General Manager of Dow Oil & Gas, a business unit of The Dow Chemical Company, Midland, Michigan Also, Director Ag Growth International (A global provider Of grain handling and storage Equipment) and Director Omnova Solutions (A global provider of emulsion polymers,	Ms. Giesselman is a retired senior executive of a global public company. Her background includes strategic planning, financial oversight, sales, marketing, start ups, mergers and acquisitions and globa regulatory expertise. Ms. Giesselman has extensive international experience and a broad background in the oil and	June 2015

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specialty chemicals and gas and the agricultural  
decorative and functional sectors.  
surfaces).

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE IN FAVOR OF ELECTING THE  
NOMINEES LISTED ABOVE AS DIRECTORS. UNLESS YOU INDICATE OTHERWISE ON YOUR PROXY,  
YOUR SHARES WILL BE VOTED "FOR" THE ELECTION OF EACH OF THESE NOMINEES AS DIRECTORS.

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The Directors whose terms are continuing, and the classes to which they have been elected, are set forth below. Each Director whose term is continuing was elected to his present term of office by a vote of shareholders at a meeting for which proxies were solicited.

Name and Current Age	Principal Occupation and Other P u b l i c C o m p a n y Directorships Held Within Past Five Years	Skills and Qualifications	Served as Director  C o n t i n u o u s l y Since
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CONTINUING DIRECTORS WHOSE TERMS EXPIRE IN 2016:

John H. Batten . . . . . Age 50	President and Chief Executive Officer, Twin Disc, Incorporated  since July 2013;  formerly Chief Operating Officer since July 2008,  and Executive Vice President since October 2004.	Mr. Batten is a sitting President and CEO of a public company. His skill sets include strategic and operational planning, financial oversight, and organizational development as well as extensive domestic and international experience in en- gineered products and a complex manufacturing environment.	December 2002
Harold M. Stratton II.  Age 67	Chairman of the Board and retired Chief Executive Officer S t r a t t e c S e c u r i t y Corporation, Milwaukee, Wisconsin (A leading manufacturer of m e c h a n i c a l a n d electro-mechan- ical locks, latches, power opening/closing systems and related security/access control products for global	Mr. Stratton is Board Chairman and retired CEO of a public company. He is skilled in strategic planning, financial oversight, compensation and organizational matters.  In addition, he has experience in international markets and in an industry involving complex	July 2004

automotive manufacturers) manufacturing and products with high engineering content.

Michael C. Smiley . . . Age 56	Chief Financial Officer, Zebra Technologies Corp., Lincolnshire, Illinois  (A global provider of enterprise asset intelligence solutions to identify, track, and manage the deployment of critical assets for improved business efficiency)	Mr. Smiley is a sitting CFO of a public company. His competencies include strategic planning, financial oversight, mergers and acquisitions, extensive domestic and international experience in complex manufacturing and engineered and technology products.	April 2010
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Name and Current Age	Principal Occupation and Other P u b l i c C o m p a n y Directorships Held Within Past Five Years	Skills and Qualifications	S e r v e d a s Director Continuously Since
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CONTINUING DIRECTORS WHOSE TERMS EXPIRE IN 2017:

Michael Doar . . . . . Age 60	Chairman and Chief Executive Officer,  Hurco Companies, Inc. Indianapolis, Indiana (A global manufacturer  of machine tools)	Mr. Doar is a sitting CEO of a public company. His experience includes strategic planning, financial oversight, compensation and organizational competencies. His career in the capital goods industry has exposed him to complex manufacturing and engineering solutions on a global basis.	October 2008
David R. Zimmer. . . . . Age 69	Retired Managing Partner,  Stonebridge Equity LLC, Troy, Michigan, (A merger, acquisition and value consulting firm); Formerly Chief Executive Officer, Twitchell Corporation, Dothan, AL (A privately held  manufacturer and marketer of highly engineered synthetic yarns, fabrics, extrusions, and coatings); Also Director, Detrex Corp. and Strattec Security Corp.	Mr. Zimmer is a former CEO of a public company and has also held a CFO position in a public company. His skill sets include strategic planning, financial oversight, compensation, and organizational development.  His career includes international business in complex manufacturing related industries, as well as  mergers and acquisitions. extensive international experience in manufacturing and engineering related industries.	July 1995





**PROPOSAL 2: ADVISORY VOTE ON THE COMPENSATION OF  
THE CORPORATION'S NAMED EXECUTIVE OFFICERS**

As required by Section 14A of the Securities Exchange Act of 1934 (as amended), the Board of Directors is holding a separate, non-binding advisory vote seeking approval of the compensation of the Corporation's Named Executive Officers, as disclosed in the "Executive Compensation" portion of this Proxy Statement. This proposal, commonly known as "Say on Pay," gives you the opportunity to indicate your support or lack of support for the Corporation's fiscal 2015 compensation practices and programs for the Named Executive Officers by voting on the following resolution:

RESOLVED, that the compensation paid to the Corporation's Named Executive Officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby APPROVED.

As described in the "Compensation Discussion and Analysis" section of this Proxy Statement, and in particular the "Executive Summary" portion of the Compensation Discussion and Analysis, the Corporation has established a compensation program that is designed to attract and retain key employees, and reward those employees for the short-term and long-term performance of the Corporation.

A significant portion of the potential compensation of the Corporation's Named Executive Officers is directly linked to the Corporation's performance and the creation of shareholder value, and payments under the Corporation's incentive programs have correlated to the Corporation's actual performance. For example, consistent with the Corporation's achievements against targeted profitability, sales growth and inventory levels over the past fiscal year, each of the Named Executive Officers received an annual incentive under the Corporate Incentive Plan equal to 89.4% of their target bonus amount. However, long-term performance stock and performance stock unit awards that were granted in 2012 subject to a three-year profitability objective expired unvested in 2015, based on the cumulative profitability of the Corporation over the past three fiscal years.

The Corporation also maintains compensation practices that are aligned with sound governance practices. For example, the Corporation's agreements with its Named Executive Officers are designed to avoid excess parachute payments under Section 280G of the Internal Revenue Code, and thus do not provide for excise tax gross-ups for excess parachute payments. In addition, the Corporation's change in control severance agreements with its Named Executive Officers contain "double trigger" provisions (i.e., both a change in control and an involuntary termination or resignation for good reason) in order for outstanding equity awards to vest and be paid.

This shareholder vote is advisory, and therefore not binding on the Corporation. However, the Board of Directors and its Compensation and Executive Development Committee will take the results of the vote into consideration in addressing future compensation policies and practices.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE IN FAVOR OF THE RESOLUTION TO APPROVE THE COMPENSATION PAID TO THE CORPORATION'S NAMED EXECUTIVE OFFICERS. UNLESS YOU INDICATE OTHERWISE ON YOUR PROXY, YOUR SHARES WILL BE VOTED "FOR" THE RESOLUTION TO APPROVE THE COMPENSATION PAID TO THE CORPORATION'S NAMED EXECUTIVE OFFICERS.**

**PROPOSAL 3: RATIFICATION OF APPOINTMENT OF  
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee has selected PricewaterhouseCoopers LLP (“PricewaterhouseCoopers”) as our independent registered public accounting firm for the fiscal year ending June 30, 2016, including service to our consolidated subsidiaries. PricewaterhouseCoopers has acted in this capacity since 1928. A representative of PricewaterhouseCoopers will be present at the Annual Meeting, will be given the opportunity to make a statement if he or she so desires, and will be available to respond to appropriate questions. Stockholder ratification of the selection of PricewaterhouseCoopers as our independent registered public accounting firm is not required. However, the Audit Committee deems it good corporate governance to submit the selection of PricewaterhouseCoopers to the stockholders for ratification.

**Fees to Independent Registered Public Accounting Firm**

**Audit Fees**

Aggregate fees billed for professional services rendered by PricewaterhouseCoopers in connection with (i) the audit of the Corporation’s consolidated financial statements as of and for the years ended June 30, 2015 and June 30, 2014, including statutory audits of the financial statements of the Corporation’s affiliates, and (ii) the reviews of the Corporation’s quarterly financial statements were \$1,208,250 and \$1,282,000, respectively.

**Audit-Related Fees**

Aggregate fees billed for professional services rendered by PricewaterhouseCoopers for assurance and services reasonably related to the performance of the audit or review of the Corporation’s financial statements not included in audit fees above were \$128,100 and \$34,000 for the years ended June 30, 2015 and 2014, respectively.

**Tax Fees**

In addition to the other fees described above, aggregate fees of \$115,100 and \$221,700 were billed by PricewaterhouseCoopers during the years ended June 30, 2015 and 2014, respectively, pertaining to tax compliance, tax advice, and tax planning. Included in this amount are fees for tax compliance services of \$115,100 and \$221,700 during the years ended June 30, 2015 and 2014, respectively.

**All Other Fees**

During the years ended June 30, 2015 and 2014, \$0 and \$33,000 were billed by PricewaterhouseCoopers for products and services other than those listed above. The fiscal 2014 fees related to advisory services regarding the Company’s evaluation of actuarial service providers.

The Audit Committee has determined that the provision of services rendered above that were not related to its audit of the Corporation’s financial statements were at all times compatible with maintaining PricewaterhouseCoopers’ independence.

**Pre-Approval Policies and Procedures**

The Audit Committee annually pre-approves known or anticipated audit and non-audit services and fees. Additional non-audit services and fees not included in the annual pre-approval are submitted to a designated committee member for approval before the work is performed. For the year ended June 30, 2015, 100% of audit-related, tax and other fees were pre-approved.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE TO RATIFY THE SELECTION OF  
PRICEWATERHOUSECOOPERS LLP AS OUR INDEPENDENT AUDITORS FOR THE FISCAL YEAR**

ENDING JUNE 30, 2016. UNLESS YOU INDICATE OTHERWISE, YOUR PROXY WILL BE VOTED "FOR" RATIFICATION.

PROPOSAL 4: APPROVAL OF AMENDED AND RESTATED TWIN DISC, INCORPORATED 2010 LONG-TERM INCENTIVE COMPENSATION PLAN FOR PURPOSES OF SECTION 162(m) OF THE INTERNAL REVENUE CODE

In accordance with Section 162(m) of the Internal Revenue Code (the "Code"), the Board of Directors is seeking re-approval of the performance goals under the Amended and Restated Twin Disc, Incorporated 2010 Long-Term Incentive Compensation Plan (the "Plan"). Section 162(m) of the Code limits the tax deductibility of compensation in excess of \$1 million paid by a publicly traded corporation to the corporation's chief executive officer and the three highest compensated officers (other than the chief executive officer and chief financial officer), unless the compensation qualifies as "performance-based compensation" under Section 162(m) of the Code. One of the requirements for compensation under the Plan to qualify as performance-based compensation under Section 162(m) of the Code is that the Corporation's shareholders must approve the material terms of the performance goals at least once every five years. The performance goals under the Plan were last approved by the Corporation's shareholders in 2010, so the Plan must be re-approved this year to preserve the Corporation's ability to maximize the deduction for performance-based compensation under Section 162(m) of the Code.

It is the judgment of the Board of Directors that the long-term incentive grants made under the Plan and the Corporation's previous long-term incentive plans have been effective and useful in attracting, retaining and motivating officers and other key employees of the Corporation, as well as in encouraging them to increase their stock ownership in the Corporation. The Board of Directors believes that it is in the best interests of the Corporation to continue to maintain the Plan, and that the shareholders approve the performance goals to maximize deductibility of awards under the Plan.

This proposal is being presented to shareholders solely to address the periodic re-approval requirements of Section 162(m) of the Code. Shareholders are not being asked to approve any increase in the number of shares available for issuance under the Plan, an extension of the term of the Plan, or any amendments to the Plan.

On July 31, 2015, the Board of Directors approved amendments to and restated the Plan. The amendments to the Plan provide the following:

- The following shares will not be added back to the shares available for issuance under the Plan: (1) shares tendered in payment of the exercise price for a stock option or stock appreciation right; (2) shares not issued upon a net exercise of a stock option; and (3) shares that are repurchased on the open market using stock option exercise proceeds.
- Except for certain corporate events (e.g., stock splits), repricings of stock options and stock appreciation rights and repurchases of underwater stock options and stock appreciation rights are expressly prohibited, unless approved by the Corporation's shareholders.
- The exercise of discretion to increase payments under awards that are intended to qualify as performance-based compensation under Section 162(m) of the Code is expressly prohibited. If payments of such awards are accelerated after the attainment of the performance goal, the payments will be discounted to present value.
- All awards under the Plan are subject to any applicable clawback laws, clawback provisions of the listing standards of the NASDAQ Stock Market, and any clawback policy adopted, and amended from time to time, by the

Compensation and Executive Development Committee of the Board of Directors. The Corporation is given several mechanisms to enforce its clawback rights.

Because these amendments make the Plan more favorable to shareholders and are not considered “material amendments” under the listing standards of the NASDAQ Stock Market (in that they do not increase the number of shares available for issuance, increase benefits to participants, expand the class of participants eligible to participate in the Plan, or expand the types of options or awards under the Plan), the amendments are not subject to shareholder approval. In other words, even if the Corporation’s shareholders do not re-approve the material terms of the performance goals under the Plan, the above amendments will remain in place.

A summary of the material features of the Plan and the federal income tax consequences of the Plan follows. Statements about the Plan are qualified by and subject to the actual provisions of the Plan, which is attached as Appendix A.

## Material Features of the Plan

### Administration

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

### Eligibility

The Plan is designed to benefit key employees (including officers) of the Corporation and its subsidiaries who, in the opinion of the Committee, are mainly responsible for the success and future growth of the Corporation and/or any of its subsidiaries. It is not possible at this time to determine who may be selected to receive options and/or other benefits under the Plan or the amount of common stock to be optioned or awarded to any person. It is expected, however, that the Committee will make these determinations on the basis of the person's responsibilities and present and potential contributions to the Corporation’s success, and that among those who may qualify as recipients of options and/or related benefits will be officers and other key employees of the Corporation and its majority-owned subsidiaries. There are currently approximately 20 employees that the Corporation anticipates will receive awards under the Plan.

### Awards Available Under the Plan

Benefits under the Plan (“Benefits”) may be granted, awarded or paid in any one or a combination of stock options, stock appreciation rights, restricted stock awards, cash-settled restricted stock units, performance stock awards, performance stock unit awards and performance unit awards. The aggregate number of shares of the Corporation’s common stock reserved for issuance under the Plan remains unchanged at 650,000 shares (minus shares already issued from the inception of the Plan), which may be authorized and unissued shares or shares reacquired by the Corporation 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.

**Stock Options.** Stock options consist of options (either incentive stock options or non-qualified stock options) to purchase shares of the Corporation’s common stock. The Committee establishes the time(s) at which options may be exercised and whether all of the options may be exercisable at one time or in increments over time. The option price or procedure for setting the option price is set by the Committee at the time of granting of an option. The purchase

price of option shares may be paid in cash, common stock of the Corporation, a combination of both, or such other legal and appropriate forms or means as the Committee may determine. A maximum of 50,000 options may be granted to a participant during any fiscal year. In the event of stock dividends, splits and similar capital changes, the Plan provides for appropriate adjustments in the number and option prices of shares subject to outstanding options.

For incentive stock options, the option price may not be less than the fair market value of the Corporation's stock on the date of grant; however, if the recipient owns more than 10% of the Corporation's stock, the option price must be at least 110% of the fair market value on the date of grant. Incentive stock options must be exercised within ten years after the date of grant unless the recipient of the option owns more than 10% of the Corporation's stock, in which case they must be exercised within five years of the date of grant. Under certain circumstances, extensions or other modifications of outstanding options may result in disqualification of an option as an incentive option.

For non-qualified options, the option price may not be less than the fair market value of the Corporation's stock on the date of grant. The option holder must also pay the Corporation, at the time of exercise, the amount of federal, state and local withholding taxes required to be withheld by the Corporation. These taxes may be settled in cash or with common stock of the Corporation, including stock that is part of the award or that is received upon exercise of the stock option that gives rise to the withholding requirement.

Except for certain corporate events (e.g., stock splits), repricings of options and repurchases of underwater options are expressly prohibited, unless approved by the Corporation's shareholders.

**Stock Appreciation Rights.** Stock appreciation rights may be granted under the Plan with respect to options granted concurrently or previously under the Plan ("Tandem SARs") or on a stand-alone basis ("Stand Alone SARs"). A maximum of 50,000 stock appreciation rights may be granted to a participant during any fiscal year.

Each Tandem SAR permits the holder to receive the difference between the market price (on the date of exercise) of the shares to which it relates and the option price thereof. A Tandem SAR will be exercisable at the time and to the extent the option to which it relates is exercisable. Holders of Tandem SARs will be permitted to exercise the right or the related option, but not both. Upon exercise of a Tandem SAR, rights will be paid in cash. Any exercise will reduce the shares issuable under the Plan under which the related option was granted by the number of shares with respect to which the right is exercised.

Each Stand Alone SAR permits the holder to receive the difference between the market price (on the date of exercise) of the shares to which it relates and the exercise price of such shares (i.e., the value specified in the agreement governing the grant of the Stand Alone SAR). The exercise price may not be less than the fair market value of the Corporation's stock on the date of grant. Upon exercise, rights will be paid in common stock of the Corporation or cash, or a combination of both, as determined by the Committee.

Except for certain corporate events (e.g., stock splits), repricings of SARs and repurchases of underwater SARs are expressly prohibited, unless approved by the Corporation's shareholders.

**Restricted Stock.** Restricted stock becomes vested only if earned by the recipient by remaining in the employment of the Corporation, subject to certain exceptions. The minimum restriction on shares of restricted stock is one year of continued service by the participant, but the Committee may impose longer service requirements and/or additional restrictions. Restricted stock may also be subject to vesting in installments. Until the restrictions lapse, the holder of restricted stock may not sell, assign, pledge or otherwise transfer the restricted stock.

**Cash-Settled Restricted Stock Units.** A cash-settled restricted stock unit entitles the participant to a cash payment equal to the fair market value of a share of the common stock of the Corporation 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. Other restrictions may include continued employment by the participant for a longer period of time,

satisfaction of performance goals, or any other factors that the Committee deems relevant.

**Performance Stock Awards.** Performance stock awards provide for artificial shares, contingently granted, and entitle the participant to actual shares of common stock at the time of payment if predetermined performance goals are achieved. A maximum of 100,000 shares of performance stock may be granted to a participant during any fiscal year.

**Performance Stock Units.** A performance stock unit entitles the participant to receive a cash payment equal to the fair market value of a share of common stock of the Corporation if predetermined performance goals are achieved. The vesting date will be the last day of the performance period in which a performance goal is met. A maximum of 200,000 performance stock units may be granted to a participant during any fiscal year.

**Performance Units.** A performance unit entitles the participant to receive a specified cash payment in the event the Corporation achieves predetermined objectives. The Plan restricts the maximum amount that may be paid to a participant in any fiscal year pursuant to an award of performance units to \$500,000.

#### Material Terms of the Performance Goals

Section 162(m) of the Internal Revenue Code generally does not allow a publicly held company to take a tax deduction for compensation of more than \$1 million paid in any year to its chief executive officer or its three most highly paid executive officers (other than the chief executive officer and the chief financial officer). However, payments that are “performance-based,” as defined in Code Section 162(m), are not subject to this limitation. One of the requirements for compensation to be performance-based is that the company must obtain shareholder approval of the material terms of the performance goals for such compensation. The material terms that the shareholders approve provide the framework within which the actual performance goals are set by the Committee from time to time. Accordingly, the Board of Directors is requesting shareholder approval of the material terms of the performance goals for those types of awards.

For employees who are subject to Section 162(m) of the Code, the performance goals for compensation that is intended to qualify as performance-based compensation under that section may be established by the Committee, in its discretion, based on one or more of the following measures:

- 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 Corporation’s capital charge)
- net operating profit after taxes as a percentage of the Corporation’s capital charge
- operating profit or income
- 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 Corporation)
- Fnet income
- operating income
- net income margin
- return on net assets
- return on total sales
- return on common equity
- return on total capital
- total shareholder return

· EBITDA as a percent of sales

The Committee may establish targets under one or more of these performance goals based on single year or multi-year periods; on a Corporation-wide basis or with respect to one or more subsidiaries, business units, divisions or departments of the Corporation; in absolute terms, relative to the performance of one or more similarly situated companies, or relative to the performance of an index covering a peer group of companies; and with or without regard to changes in accounting or extraordinary, unusual or non-recurring items.

#### Non-transferability

Unless otherwise provided in an agreement governing the grant of an award, a participant's rights shall be exercisable during lifetime only by the participant, and no award may be sold, transferred or assigned, except that options and stock appreciation rights are transferable by will and pursuant to the laws of descent and distribution.

#### Effect of Termination of Employment

Unless otherwise provided in an agreement governing the grant of an award or as determined by the Committee, if a participant's employment is terminated due to death or disability: (i) all options and stock appreciation rights shall immediately vest and will be fully exercisable for a period specified by the Plan; (ii) restrictions on shares of restricted stock shall lapse; (iii) restrictions on cash-settled restricted stock units shall lapse and the participant (or their designated beneficiary) will receive a cash payment equal to the fair market value of the Corporation's common stock as of the date of termination for each such unit; and (iv) the participant (or their designated beneficiary) shall receive a prorated payout of any performance stock awards, performance stock unit awards and performance unit awards.

Unless otherwise provided in an agreement governing the grant of an award or as determined by the Committee, if a participant voluntarily terminates employment before retirement or is terminated for cause: (i) all unexpired and unexercised options and stock appreciation rights shall immediately terminate; (ii) all shares of restricted stock still subject to restriction shall be forfeited (except that the Board or the Committee may waive such forfeiture); (iii) all cash-settled restricted stock units still subject to restriction shall be forfeited (except that the Committee may waive such forfeiture); and (iv) all performance stock awards, performance stock unit awards and performance unit awards shall be forfeited by the participant.

Unless otherwise provided in an agreement governing the grant of an award or as determined by the Committee, if a participant terminates employment for any other reason than those described above: (i) unexpired and unexercised options and stock appreciation rights shall terminate, except that vested options or stock appreciation rights may be exercised by the participant for three years (three months for incentive stock options) after the participant's termination (or until the expiration of the option or stock appreciation right if shorter); (ii) shares of restricted stock still subject to restriction shall be forfeited (except that the Committee may waive such forfeiture); (iii) all cash-settled restricted stock units still subject to restriction shall be forfeited (except that the Committee may waive such forfeiture); and (iv) 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.

#### Amendment

The Board of Directors may amend, alter or discontinue the Plan. However, no such change may impair the rights of any participant under any Benefit without the participant's consent, and no amendment shall, without the approval of the Corporation'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 option that may be granted under the Plan; (ii) change the minimum purchase price, if any, of shares of common stock that may be subject to options under the Plan; (iii) modify the eligibility

requirements 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 other applicable listing standards).

#### Clawbacks

All awards under the Plan are subject to any applicable clawback laws, clawback provisions of the listing standards of NASDAQ, and 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 (i) by seeking repayment from the participant; (ii) by reducing amounts that would otherwise be payable to the participant under any compensatory plan, program or arrangement maintained by the Corporation or any subsidiary or affiliate of the Corporation (subject to applicable law and the terms and conditions of the applicable plan, program or arrangement); (iii) 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 Corporation's applicable compensation practices; or (iv) by any combination of the above.

#### Effective Date

The Plan became effective on October 15, 2010, the date it was originally approved by the shareholders. The amended and restated version of the Plan (which amended the Plan to incorporate provisions more favorable to shareholders, as detailed earlier), became effective July 31, 2015. No stock options or other Benefits included in the Plan may be granted after October 15, 2020.

#### Federal Income Tax Consequences

The following discussion of the principal U.S. federal income tax consequences of the Amended and Restated Twin Disc, Incorporated, 2010 Long-Term Incentive Compensation Plan is based on statutory authority and judicial and administrative interpretations as of the date of this Proxy Statement, which are subject to change at any time (possibly with retroactive effect) and may vary in individual circumstances. It is designed to provide a general understanding of the Corporation's interpretation of the U.S. federal income tax consequences for individuals who are U.S. citizens or residents. State, local and other tax consequences are not addressed below.

**Stock Options.** The grant of a stock option does not produce taxable income to the employee or a tax deduction to the Corporation or any subsidiary. Upon exercise of a non-qualified option, the excess of the fair market value of the common stock acquired over the option price is (a) taxable to the employee as ordinary income and (b) deductible by the employer (assuming withholding, if required). The tax basis for the common stock acquired is the option price plus that taxable excess.

Upon exercise of an incentive option, the excess of the fair market value of the common stock acquired over the option price will be an item of tax preference to the employee (unless the employee disposes of the common stock in that same year). If the common stock is held by the employee for at least two years after the date of grant and one year after the date of exercise of the option (i) the employee does not realize any income as a result of exercising the option, (ii) the tax basis of the common stock received is the option price, and (iii) the Corporation is not entitled to any tax deduction by reason of the exercise. Any gain realized on the ultimate sale of the common stock that is held for the appropriate period is treated as gain resulting from the disposition of a capital asset. If the employee does not hold the common stock for at least two years after the date of a grant and one year after the date of exercise, the excess of the fair market value of the common stock at the time of exercise of the option (or the proceeds of disposition, if less) over the option price will, in the year of disposition, be (a) taxable to the employee as ordinary income and (b) deductible by the Corporation (assuming withholding, if required). The tax basis for the common stock received will be the option price plus that taxable excess. The gain realized on the sale of the common stock over the tax basis will be treated as gain resulting from the disposition of a capital asset.



**Stock Appreciation Rights.** No income will be recognized by the recipient of a stock appreciation right until shares representing the amount of the appreciation or the tax equivalent, if so elected, are transferred to the recipient pursuant to the exercise of the right. The amount of such income will be equal to the fair market value of such shares on the exercise date (or the cash equivalent), and will be ordinary income. Subject to the applicable provisions of the Code, the Corporation will be entitled to a deduction at the same time and in the same amount.

**Restricted Stock.** The grant of a restricted stock award will not result in taxable income to the employee on the date of the grant, unless the employee makes a timely election under Section 83(b) of the Code to include in income the fair market value of the restricted shares as of the date of such transfer. At the time the substantial risk of forfeiture terminates with respect to a restricted stock award, the then fair market value of the stock will constitute ordinary income to the employee, and the Corporation will then be entitled to a deduction in the same amount. To the extent that dividends are payable during the restricted period under the award agreement, any such dividends will be taxable to the employee at ordinary income tax rates and will be deductible by the Corporation unless the employee has elected to be taxed on the fair market value of the restricted shares upon transfer, in which case they will thereafter be taxable to the employee as dividends and will not be deductible by the Corporation.

**Cash-Settled Restricted Stock Units.** The grant of cash-settled restricted stock units will not ordinarily result in taxable income to the employee on the date of grant. At the time the substantial risk of forfeiture terminates with respect to such award, any cash received will constitute ordinary income to the employee, and the Corporation will then be entitled to a deduction in the same amount.

**Performance Stock Awards, Performance Stock Unit Awards and Performance Unit Awards.** The grant of a performance stock, performance stock unit or performance unit award generally will result in taxable income to the employee on the earlier of actual receipt of compensation pursuant to the award or when compensation is credited to the employee's account, or set apart, or otherwise made available. Subject to the applicable provisions of the Code, including but not limited to Section 162(m) of the Code, a deduction for federal income tax purposes will be allowable to the Corporation in an amount equal to the compensation realized by the employee.

#### Vote Required

The Plan will be adopted if approved by the affirmative vote of the holders of at least a majority of the outstanding shares of the Corporation's common stock that are represented at the annual meeting (either in person or by proxy) and are voted in connection with the adoption of the Plan.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR APPROVAL OF THE AMENDED AND RESTATED TWIN DISC, INCORPORATED 2010 LONG-TERM INCENTIVE COMPENSATION PLAN. UNLESS YOU INDICATE OTHERWISE ON YOUR PROXY, YOUR SHARES WILL BE VOTED "FOR" THIS PROPOSAL.

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## CORPORATE GOVERNANCE

The Corporation's business is conducted under the direction of the Board of Directors, pursuant to the laws of the State of Wisconsin and our Restated Bylaws. Members of the Board of Directors are kept informed of the Corporation's business through discussions with the President and Chief Executive Officer and with key members of management, by reviewing materials provided to them, and by participating in meetings of the Board of Directors and its committees.

The Corporation has reviewed its corporate governance policies and practices, particularly in light of the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, and rule changes made or proposed by the Securities and Exchange Commission and the NASDAQ Stock Market. We believe that our current policies and practices meet all applicable requirements. Our updated corporate governance policies, including updated charters for committees of the Board, are made available to our shareholders on our website, [www.twindisc.com](http://www.twindisc.com), and/or through appropriate mailings.

### Board Independence

The Corporation requires, as set forth in its Guidelines for Corporate Governance, that a majority of the Board members be independent outside Directors. "Independent Director," as used here, means a person other than an officer or employee of the Corporation or its subsidiaries or any other individual having a relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a Director. At a minimum, to qualify as "independent," a Director must so qualify under governing rules, regulations and standards, including those issued by the SEC and the NASDAQ Stock Market. The Nominating and Governance Committee of the Board assesses independence on an ongoing basis, and the Directors are responsible for bringing to the attention of the Nominating and Governance Committee any changes to their status that may affect independence. In addition, the Directors are required to complete, on at least an annual basis, a questionnaire prepared by the Corporation that is designed to elicit information that relates to the independence assessment. A majority of the current Board of Directors are independent Directors.

The Board has determined that the following Directors are independent within the meaning of SEC regulations, the listing standards of the NASDAQ Stock Market and the Corporation's Guidelines for Corporate Governance: Messrs. Doar, Rayburn, Smiley, Stratton and Zimmer, and Ms. Giesselman. In addition, the Board has determined that Mr. Malcolm Moore was an independent director at all times prior to his resignation from the Board on June 30, 2015.

### Board Leadership Structure

Prior to his death on May 6, 2015, Michael E. Batten, the former Chief Executive Officer and the father of then and current Chief Executive Officer Mr. J. Batten, served as Chairman of the Board of Directors. The Board of Directors viewed these divided roles as in the best interests of the Corporation, as Mr. J. Batten's long tenure with the Corporation prepared him well to assume the leadership responsibilities of Chief Executive Officer, and the Board continued to have the historical knowledge and guidance that Mr. M. Batten was able to provide.

Following Mr. M. Batten's death, the Board of Directors decided to name Mr. Rayburn, an independent outside director of the Corporation, as Chairman of the Board. The Board determined that this leadership structure is

appropriate in light of evolving standards of corporate governance, which place a strong value on having an independent director serve as Chairman, and also in light of Mr. Rayburn's long tenure on the Board and high standing in the Wisconsin business community.

### Board's Role in Risk Oversight

The Corporation's Board of Directors is ultimately responsible for overseeing the Corporation's approach to business risks that it faces. The Board receives regular reports from the Corporation's management regarding significant developments in the industries and markets in which the Corporation competes, as well as information regarding the Corporation's financial performance, capital needs and liquidity. With the assistance of management, the Board regularly identifies the risks that are most significant to the Corporation. The Board's agendas are planned so that each of these risks, the potential exposure they create, management's efforts to manage those risks and other mitigating activities, are discussed at least annually. Risk management is also an integral part of the Corporation's annual strategic planning process, and risks identified through that process are also reviewed and discussed by the full Board.

Various committees of the Board also have roles in the oversight of risk management. In particular, the Audit Committee focuses on financial risk, including the Corporation's internal controls regarding finance, accounting, legal compliance and ethical behavior. The Compensation and Executive Development Committee evaluates risks that may be created by the Corporation's compensation policies and practices, and also annually reviews the adequacy and status of the Corporation's management succession plans. The Finance Committee regularly reviews and evaluates the Corporation's risk management insurance portfolio and overall financial management of the Corporation. The Pension Committee reviews and evaluates risks associated with the Corporation's qualified and nonqualified retirement plans, including funding status, investment risk, asset allocation and projected liabilities.

### Guidelines for Business Conduct and Ethics

Our Guidelines for Business Conduct and Ethics (the "Guidelines") summarize the compliance and ethical standards and expectations we have for all our employees, officers and Directors with respect to their conduct in furtherance of the Corporation's business. The Guidelines, which are available on the Corporation's website, [www.twindisc.com](http://www.twindisc.com), contain procedures for reporting suspected violations of the provisions contained in the Guidelines, including procedures for the reporting of questionable accounting or auditing matters, or other concerns regarding accounting, internal accounting controls or auditing matters. These materials are also available in print to any shareholder upon request. If we make any substantive amendment to the Guidelines, we will disclose the nature of such amendment on our website at [www.twindisc.com](http://www.twindisc.com) or in a current report on Form 8-K. In addition, if a waiver from the Guidelines is granted to an executive officer or Director, we will disclose the nature of such waiver on our website at [www.twindisc.com](http://www.twindisc.com) or in a current report on Form 8-K.

### Anti-Hedging and Pledging Policies

Under our Insider Trading Policy, all executive officers, directors and employees of the Corporation are prohibited from trading in options, warrants, puts and calls or other similar instruments on securities of the Corporation or engaging in short sales of securities of the Corporation. In addition, we amended our Insider Trading Policy in July

2015 to further prohibit all executive officers, directors and employees of the Corporation from engaging in any hedging or monetization transactions involving securities of the Corporation, and to prohibit directors and executive officers from holding securities of the Corporation in a margin account or pledging securities of the Corporation as collateral for a loan. Our updated Insider Trading Policy is available on our website, [www.twindisc.com](http://www.twindisc.com)

#### Review, Approval or Ratification of Transactions with Related Persons

Our Guidelines also specifically require that all employees, officers and Directors refrain from business activities, including personal investments, which conflict with the proper discharge of their responsibilities to the Corporation or impair their ability to exercise independent judgment with respect to transactions in which they are involved on behalf of the Corporation. The Guidelines include policies on the review and approval of significant transactions between the Corporation and its officers or employees, and their relatives or businesses.

At the end of each fiscal year, each Director and officer must respond to a questionnaire that requires him or her to identify any transaction or relationship that occurred during the year or any proposed transaction that involves the Corporation (or any subsidiary or affiliate of the Corporation) and that individual, their immediate family and any entity with which they or such immediate family member are associated. All responses to the questionnaires are reviewed by the Corporation's internal auditing department and shared with the CEO and Audit Committee, as appropriate. Based upon such review, there were no related party transactions with respect to persons who were Directors or officers during fiscal 2015 requiring disclosure under the rules of the Securities and Exchange Commission.

#### DIRECTOR COMMITTEES AND ATTENDANCE

##### Meetings of the Board of Directors and Board Committees; Attendance

The Corporation's Board of Directors met eight times during the year ended June 30, 2015. Among incumbent Directors, there were four excused absences from these meetings. The Audit Committee met five times during the year. The Pension Committee met two times during the year. The Nominating and Governance Committee met two times during the year. The Compensation and Executive Development Committee met three times during the year. The Finance Committee met two times during the year. Each incumbent Director attended at least 75% of the aggregate of the total number of meetings of the Board of Directors and of the Committees on which the Director served.

##### Director Committee Functions

##### Audit Committee

The Corporation has a separately-designated Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The charter of the Audit Committee is available on the Corporation's website, [www.twindisc.com](http://www.twindisc.com). It was most recently reviewed on April 24, 2015.

All of the members of the Audit Committee are independent within the me