

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, 2005

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

Item 1.01 Entry into Material Definitive Agreements

At its meeting on July 28, 2005, the Compensation Committee of the Board of Directors of Twin Disc, Incorporated (the "Company") increased the base salary of the executive officers of the Company who will be the "named executive officers" for purposes of the Company's proxy statement for the 2005 annual meeting of shareholders. That base salaries of the named executive officers for 2005, effective October 1, 2005, are as follows:

Michael E. Batten	Chairman, Chief Executive Officer	\$434,000
Michael H. Joyce	President - Chief Operating Officer	\$314,000
Christopher J. Eperjesy	Vice President and Chief Financial Officer	\$245,000
James E. Feiertag	Executive Vice President	\$245,000
John H. Batten	Executive Vice President	\$190,000

On July 28, 2005, the Compensation Committee also issued performance stock awards to various employees of the Company, including executive officers. A total of 32,850 performance shares were awarded, with 28,800 of those performance shares being awarded to executive officers of the Company. The stock will be awarded if the Company achieves a specified consolidated gross revenue objective in the fiscal year ending June 30, 2008. A copy of the form of the Performance Stock Award agreements is attached hereto as Exhibit 10.1 and is incorporated herein by reference.

At its July 28, 2005, meeting, the Compensation Committee also approved a Corporate Incentive Plan for various executive officers of the Company. The Corporate Incentive Plan may result in cash bonuses of up to a certain percentage of base salary to executive officers for the fiscal year that will end on June 30, 2006, based on the following factors and relative weights for each factor: corporate economic profit (70%), reduction in cost of quality (15%) and sales growth (15%).

Also on July 28, 2005, the Compensation Committee amended and restated the Twin Disc, Incorporated, Supplemental Retirement Plan (the "SRP"). The purpose of the amendment was to bring the SRP into compliance with section 409A of the Internal Revenue Code, which was enacted in late 2004 as part of the American Jobs Creation Act. A copy of the amended SRP is attached hereto as Exhibit 10.1 and is incorporated herein by reference.

Also on July 28, 2005, the Compensation Committee approved the participation of the following executive officers in the SRP: John H. Batten, Executive Vice President; Dean Bratel, Vice President of Engineering; Christopher J. Eperjesy, Vice President - Finance, Treasurer, and Chief Financial Officer; James Feiertag, Executive Vice President; and Denise L.

Wilcox, Vice President of Human Resources. A copy of the SRP benefits schedule for each of these participants is included in Exhibit 10.1.

On July 29, 2005, the Company entered into Change in Control Severance Agreements with the following executive officers: John H. Batten; Dean Bratel; H. Claude Fabry, Vice President of Global Distribution; James Feiertag, and Denise L. Wilcox. In addition, the Company entered into Indemnity Agreements with the following executive officers: Dean J. Bratel and Denise L. Wilcox. A copy of the form of Change in Control Severance Agreement entered into with Mr. Batten, Mr. Bratel, Mr. Feiertag and Ms. Wilcox is attached hereto as Exhibit 10.2 and is incorporated herein by reference. A copy of the Change in Control Agreement entered into with Mr. Fabry is attached hereto as Exhibit 10.3 and is incorporated herein by reference. A copy of the form of Indemnity Agreement is attached hereto as Exhibit 10.4 and is incorporated herein by reference.

On July 29, 2005, the Company also replaced its existing Change in Control Severance Agreements that it previously entered into with Messrs. Eperjesy and Timm, as well as with Michael E. Batten, Chief Executive Officer, and Michael H. Joyce, President and Chief Operating Officer, solely to comply with the newly enacted section 409A of the Internal Revenue Code. The form of the new Change in Control Severance Agreements entered into with Messrs. Eperjesy and Timm is the same as attached hereto as Exhibit 10.2. The form of the new Change in Control Severance Agreements entered into with Messrs. Batten and Joyce is attached hereto as Exhibit 10.5 and is incorporated herein by reference.

The disclosure contained in Item 5.02 is incorporated herein by reference.

Item 2.02 Results of Operations and Financial Condition

The Company has reported its fiscal 2005 4th quarter and annual financial results. The Company's press release dated August 2, 2005 announcing the results is attached hereto as Exhibit 99.1 and is incorporated herein in its entirety by reference.

The information set forth in this Item 2.02 of Form 8-K, including Exhibit 99.1, is furnished pursuant to Item 2.02 and shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall such information be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 5.02 Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers

On July 29, 2005, the Company entered into a letter agreement with Mr. Fred H. Timm, Chief Accounting Officer, Vice President, Administration, and Secretary of the Company, confirming Mr. Timm's retirement effective October 1, 2005, and providing for Mr. Timm's transition and severance benefits. In order to receive such benefits, Mr. Timm will be required to sign a Waiver and Release Agreement shortly after his retirement. A copy of the letter agreement and the Waiver and Release Agreement is attached hereto as Exhibit 10.6 and is incorporated herein by reference. Because the letter agreement requires Mr. Timm to sign and keep in place the Waiver and Release Agreement, there is the possibility that the severance benefits set forth therein may be subsequently forfeited.

Item 7.01 Regulation FD Disclosure

The information set forth under Item 2.02 of this report is incorporated herein by reference solely for the purposes of this Item 7.01.

The information set forth in this Item 7.01 of Form 8-K is furnished pursuant to Item 7.01 and shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall such information be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

FORWARD LOOKING STATEMENTS

The disclosures in this report on Form 8-K and in the documents incorporated herein by reference contain or may contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The words "believes," "expects," "intends," "plans," "anticipates," "hopes," "likely," "will," and similar expressions identify such

forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company (or entities in which the Company has interests), or industry results, to differ materially from future results, performance or achievements expressed or implied by such forward-looking statements. Certain factors that could cause the Company's actual future results to differ materially from those discussed are noted in connection with such statements, but other unanticipated factors could arise. Readers are cautioned not to place undue reliance on these forward-looking statements which reflect management's view only as of the date of this Form 8-K. The Company undertakes no obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, conditions or circumstances.

Item 9.01 Financial Statements and Exhibits

(c) Exhibits.

EXHIBIT NUMBER DESCRIPTION

- 10.1 Form of Performance Stock Award Agreement for performance shares awarded by Compensation Committee on July 28, 2005.
- 10.2 Twin Disc, Incorporated, Supplemental Retirement Plan, as amended and restated on July 28, 2005
- 10.3 Form of Change in Control Severance Agreement entered into between Twin Disc, Incorporated, and John H. Batten, Dean Bratel, Denise L. Wilcox, Christopher J. Eperjesy, James Feiertag and Fred H. Timm
- 10.4 Form of Change in Control Severance Agreement entered into between Twin Disc, Incorporated, and H. Claude Fabry
- 10.5 Form of Indemnity Agreement entered into between Twin Disc, Incorporated, and its executive officers
- 10.6 Form of Change in Control Severance Agreement entered into between Twin Disc, Incorporated, and Michael E. Batten and Michael H. Joyce
- 10.7 Letter Agreement between Twin Disc, Incorporated and Fred H. Timm, dated July 29, 2005, and related Waiver and Release Agreement
- 99.1 Press Release announcing 4th quarter 2005 financial results.

=====

SIGNATURE

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

Date: August 2, 2005

Twin Disc, Inc.

/s/ Fred H. Timm

Fred H. Timm
Chief Accounting Officer

TWIN DISC, INCORPORATED

SUPPLEMENTAL RETIREMENT PLAN

(As Amended and Restated Effective July 28, 2005)

July 28, 2005

TWIN DISC, INCORPORATED

SUPPLEMENTAL RETIREMENT PLAN

(as amended and restated effective July 28, 2005)

PREAMBLE

Effective January 1, 1984, the Company adopted the Twin Disc, Incorporated Supplemental Retirement Plan to ensure the payment of a competitive level of retirement income in order to retain and motivate selected executives. The Plan was amended effective January 1, 1985 for executives named to the Plan on or after January 1, 1985. Effective as of January 1, 1998, the Plan was amended and restated to, among other things, change the formula for calculating the amount of benefits payable to executives who were participants in the Plan as of December 31, 1997 but who had not yet terminated employment as of such date.

The rights and benefits, if any, of a Participant who terminated employment prior to January 1, 1998, shall be determined in accordance with the provisions of the Plan as in effect on the date his employment terminated.

Effective July 28, 2005, the Committee amended and restated the Plan to comply with section 409A of the Internal Revenue Code by eliminating elections among distribution options and imposing a uniform method of distributing Plan benefits for all Participants. All amounts deferred under the Plan as of July 28, 2005, but not yet paid to Participants, whether or not earned and vested (within the meaning of IRS Notice 2005-1) as of December 31, 2004, shall be subject to the revised provisions of the Plan as stated herein. Between December 31, 2004, and July 28, 2005, no Participant retired and no Participant made an election to receive an optional form of distribution under the Plan provisions as in effect prior to July 28, 2005.

SECTION I - DEFINITIONS

1.1 "Actuarial Equivalent" means equality in value of the aggregate amounts expected to be received under different forms of payment, based on the 1983 Group Annuity Mortality Table (male table only), with interest at 8.0%.

1.2 "Average Annual Earnings" means the average compensation used in benefit calculations, determined in accordance with the Schedule applicable to such Participant.

1.3 "Basic Plan" means the Twin Disc, Incorporated Retirement Plan for Salaried Employees (amended and restated effective January 1, 1997), as amended from time to time.

1.4 "Basic Qualified Plan Benefit" means twelve times the amount defined in Section 1.2 ("Accrued Benefit") of the Basic Plan.

1.5 "Committee" means the Compensation Committee of the Board of Directors of the Company, which has been given complete and discretionary authority by the Board of Directors to administer and interpret this Plan.

1.6 "Company" means Twin Disc, Incorporated.

1.7 "Disabled" means that a Participant ceases to be an Employee because he is receiving monthly disability income benefits under the Company's long term disability plan.

1.8 "Earnings" means total compensation used in the calculation of Average Annual Earnings, which is determined in accordance with the Schedule applicable

to such Participant.

1.9 "Employee" means any person in the employ of the Company.

1.10 "Participant" means an Employee of the Company designated as a Participant by the Committee. An Employee shall become a Participant in the Plan as of the date he is individually selected by, and specifically named in the resolutions of, the Committee for inclusion in the Plan. A Participant shall cease to be an active Participant in this Plan and he shall not be entitled to receive benefits hereunder if he ceases to be an Employee of the Company for any reason other than Early Retirement or disability as defined in Section 3.4 prior to his sixty-fifth (65th) birthday.

1.11 "Plan" means the Company's Supplemental Retirement Plan as stated herein.

1.12 "Plan Year" means the twelve (12) consecutive month period ending June 30.

1.13 "Prior Plan" means the Twin Disc, Incorporated Supplemental Retirement Plan in effect immediately prior to January 1, 1998.

1.14 "Retirement" means the termination of a Participant's employment with the Company on one of the retirement dates specified in Section 2.1.

1.15 "Service" means the aggregate of all periods of employment of an Employee by the Company, including full and partial years, calculated from his date of employment. Service will include the period of time, if any, during which a Participant received disability income benefits under the Company's long term disability plan.

1.16 "Surviving Spouse" means an individual who is a surviving spouse of a Participant as defined under the Basic Plan.

The masculine gender, where appearing in the Plan will be deemed to include the feminine gender, and the singular may include the plural, unless the context clearly indicates the contrary.

SECTION II - ELIGIBILITY FOR BENEFITS

2.1 Each Participant is eligible to retire and receive a benefit under this Plan beginning on one of the following dates:

(a) "Normal Retirement Date," which is the first day of the month coinciding with or next following a Participant's sixty-fifth (65th) birthday with at least five (5) years of Service.

(b) "Early Retirement Date," which is the first day of any month following the month in which the Participant reaches the age and Service requirement set forth in the attached Schedule for each Participant.

(c) "Postponed Retirement Date," which is the first day of the month following the Participant's Normal Retirement Date in which the Participant terminates employment with the Company.

2.2 If a Participant should become Disabled, he shall be entitled to receive retirement benefits after cessation of his disability income benefits, as described in Section 3.4 of the Plan.

2.3 Anything herein to the contrary notwithstanding, if any Participant (including a Participant that has terminated employment with the Company) engages in competition with the Company (without prior authorization given by the Committee in writing) or is discharged for cause, or performs acts of willful malfeasance or gross negligence in a matter of material importance to the Company, all rights to any benefits payable under this Plan thereafter (whether payable to such Participant or such Participant's Surviving Spouse) shall, at the discretion of the Committee, be forfeited and the Company will have no further obligation hereunder to such Participant or Surviving Spouse.

SECTION III - AMOUNT AND FORM OF RETIREMENT BENEFIT

Amount of Benefit

3.1 The annual benefit payable at a Normal Retirement Date will equal the amount determined in accordance with the Schedule applicable to such Participant.

3.2 The annual benefit payable at an Early Retirement Date will equal the benefit determined in accordance with the Schedule applicable to such Participant.

3.3 The annual benefit payable at a Postponed Retirement Date will be equal to the benefit determined in accordance with Section 3.1 as of the Participant's Postponed Retirement Date.

3.4 A Participant who becomes Disabled shall receive no benefits under this Plan while he is entitled to receive disability income benefits under the Company's long term disability plan. If payment of disability income ceases before the Participant has attained either his Early Retirement Date or his Normal Retirement Date and if he does not then return to active employment with the Company he shall not be entitled to receive any benefits under the Plan. If the Participant does not return to active employment but payment of disability income ceases on or after the Participant has attained his Early Retirement Date or Normal Retirement Date, he shall be entitled to retire on an Early or Normal Retirement Date, as the case may be. In either case his Retirement Benefit shall be calculated and paid as described in Section 3.1 or 3.2 of the Plan, whichever may be applicable, based on Average Annual Earnings calculated at the time of his initial disablement and Service calculated including the period of time he was receiving benefits under the Company's long term disability plan plus the elimination period, if any.

Form of Benefit

3.5 The benefit determined under this Plan in accordance with Section 3.1, 3.2 or 3.3 is calculated in the form of a single life annuity, stated in terms of benefits for the life of the Participant with no benefits payable to any beneficiary.

Any benefits payable under this Plan will automatically be paid in a Two Payment Deferred Lump Sum Form, under which two equal payments will be made to the Participant (or his Surviving Spouse or named beneficiary if the Participant dies prior to all of the payments being made), with the first payment to be made on the February 1 following the calendar year of Retirement, and the second payment to be made on February 1 of the following year. The two payments shall be the Actuarial Equivalent of the annual benefit calculated under the single life annuity form. Notwithstanding the foregoing:

(a) If each of the two lump sum payments described herein would otherwise exceed \$500,000, each such payment shall be limited to \$500,000, with the unpaid balance following the second such payment increasing at 8% per year beginning on the date of the second such payment, and additional payments (also limited to \$500,000 each) will be made on each subsequent February 1 until the balance is paid; and

(b) If the commencement of benefits is based upon a Participant's separation from service, and the Participant at the time of such separation was a "key employee" as defined under section 409A of the Internal Revenue Code, the first payment to or with respect to such Participant shall be no earlier than the date that is six months after the date of the Participant's separation from service (or, if earlier, the date of death of the Participant).

Additional Basic Plan Benefit

3.6 Upon Retirement, a Participant who elects to receive any or all of their monthly benefits from the Basic Plan immediately in the form of a Joint and Survivor Annuity for Married Participant (Section 5.1(b) of the Basic Plan) will receive an additional benefit from this Plan. This benefit is intended to make-up for the reduction in monthly Basic Plan benefits due to Joint and Survivor coverage and is equal to the difference, if any, between the monthly Basic Plan benefit payable immediately in the single life form and the monthly Basic Plan benefit payable immediately in the Joint and Survivor Annuity for Married Participant form. In the event the Participant elects to receive all or a part of the Basic Plan benefit as a single life annuity or as a lump sum, the additional benefit calculated in this Section 3.7 will not be based on the portion of the Basic Plan benefit that is paid in a form other than the Joint and Survivor Annuity for Married Participant.

The benefit determined under this Section 3.7 is calculated in the form

of a single life temporary annuity, stated in terms of benefits for the shorter of the life of the Participant or 120 monthly payments. The Actuarial

Equivalent of such benefit shall be added to, and paid in the form of, the Two Payment Deferred Lump Sum described in Section 3.5 above. The \$500,000 limit on any given payment described in Section 3.5 shall apply to the combined benefit determined under Section 3.1, 3.2 or 3.3 and this Section 3.6.

No additional benefit under this Section 3.6 shall be paid if the Participant does not elect to receive Basic Plan benefits commencing at the same time as any other benefits payable under this Plan.

SECTION IV - PAYMENT OF RETIREMENT BENEFITS

4.1 No benefits are payable under this Plan if a Participant terminates employment for any reason other than Retirement, disability or death.

SECTION V - DEATH BENEFITS PAYABLE

5.1 If a Participant should die after attaining either his Early Retirement Date or his Normal Retirement Date and before Retirement, the Surviving Spouse will receive, in the form of a lump sum, a benefit equal to the Participant's benefit determined in accordance with Section III as if the Participant had retired and commenced receiving a benefit on the first of the month following the date of his death. If the lump sum is equal to or less than \$500,000, the lump sum will be paid in a single payment. In the event that the lump sum is in excess of \$500,000, then the first payment will be limited to \$500,000, with the unpaid balance increasing with interest at 8% per year, and additional payments (also limited to no more than \$500,000) made on each twelve month anniversary of the first payment until the balance is paid. If the Surviving Spouse dies after the first payment but prior to the time when the balance has been fully discharged, a named beneficiary shall receive the subsequent payment(s) at the same time and in the same amount as if the Surviving Spouse was alive to receive the payments.

5.2 The initial payment under this Section V will be paid within 60 days following the month in which the Participant dies. If additional payments are required, each such payment will be made on the date which follows the prior payment by twelve months.

5.3 If a Participant should die prior to attaining his Early Retirement Date or his Normal Retirement Date, no benefits will be payable from this Plan. If a Participant should die without a Surviving Spouse, no benefit under this Section V is payable.

SECTION VI - MISCELLANEOUS

6.1 The Committee may, in its sole discretion, terminate, suspend or amend this Plan at any time or from time to time, in whole or in part. However, no amendment or suspension of the Plan will affect any of the following:

(a) a retired Participant's right or the right of such retired Participant's Surviving Spouse to continue to receive a benefit in accordance with the terms of the Plan as in effect on the date such Participant commenced to receive a benefit under the Plan; and

(b) the right of any Participant not covered under Section 6.1(a) above to receive benefits that have been earned (with the amount of earned benefit determined in accordance with Section 3 based on Earnings and Service as of the date of the amendment or suspension) payable on the date they would have been paid if the Plan had not been amended or suspended, all in accordance with the Plan in effect on the date of such amendment or suspension.

In the event the Plan is terminated, any earned benefits (whether or not in pay status) will be non-forfeitable. The Company shall pay the Actuarial Equivalent of the annual benefit earned to date in the Two Payment Deferred Lump Sum form described in Section 3.5, with the first such payment made on the February 1 of the year following the later of the year that the Participant separates from service or the year that the Participant reaches (or would have reached) his or her Early Retirement Date. The terms and restrictions of Section 3.5 shall apply to such payments, including the \$500,000 maximum that may be paid at any one time, and the six month delay for distributions to key employees triggered by a separation from service.

6.2 Nothing contained herein will confer upon any Participant the right to be retained in the service of the Company, nor will it interfere with the right of the Company to discharge or otherwise deal with Participants without regard to the existence of this Plan.

6.3 This Plan is unfunded, and the Company will make Plan benefit payments solely on a current disbursement basis from its general assets.

6.4 To the maximum extent permitted by law, no benefit under this Plan shall be assignable or subject in any manner to alienation, sale, transfer, claims of creditors, pledge, attachment or encumbrances of any kind.

6.5 The Committee, in its sole discretion, may adopt rules, regulations, and interpretations to assist it in the administration of the Plan. The Committee shall have complete and discretionary authority to determine eligibility, the amount of benefits payable under the Plan, and to make other interpretations, including factual determinations under the plan.

6.6 Each Participant shall receive a copy of this Plan, and the Committee will make available for inspection by any Participant a copy of the rules and regulations used by the Committee in administering the Plan. Notwithstanding the immediately preceding sentence, to the extent any Participants are named in Schedules to this Plan only those Participants shall receive a copy of such Schedule.

6.7 This Plan is established under, and will be construed according to, the laws of the State of Wisconsin, except to the extent preempted by ERISA or other federal law.

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

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

Special procedures apply if a claim is based upon an assertion that the Participant is Disabled. If a claim of disability is wholly or partially denied, the Committee must furnish the claimant with a written notice of this denial no later than 45 days after the receipt of the claim. However, the Committee may request up to two extensions of up to 30 days each to process the claim by providing notice of the extension within the original 45 day period or within the initial 30 day extension period (whichever applies). Each notice must state the special circumstances requiring the extension of time, the standards on which entitlement to benefits based on disability are based, and the date by which the Committee expects to render a decision on the claim.

If additional information is needed to process the claim, the claimant will be given at least 45 days to provide such information.

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

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

No person or entity claiming Plan benefits may bring legal action against the Committee or its members, the Company, any affiliate of the Company, the Board of Directors of the Company or its members, or any employee of the Company based upon the Plan before exhausting the claim and appeal procedures set forth in the preceding paragraphs of this Section 6.8. No person or entity claiming benefits under the Plan may commence legal action with respect to the Plan more than 120 days after receiving notice of the Committee's final decision on the claim appeal of such person or entity.

TWIN DISC, INCORPORATED SUPPLEMENTAL RETIREMENT PLAN
AS AMENDED AND RESTATED JULY 28, 2005

Schedule for Michael Batten

Eligibility: This Schedule covers retirement benefits for Michael Batten.

1.2 Average Annual Earnings: The average of a Participant's Earnings for the five consecutive calendar years in which the Participant's Earnings were the highest during the last fifteen calendar years prior to a Participant's Retirement.

1.8 Earnings: Regular base salary from the Company plus the annual incentive bonus paid in any calendar year.

2.1 The "Early Retirement Date" is the first day of any month following the month in which the Participant attains age 55 and completes ten (10) years of Service.

Amount of Benefit:

3.1 The annual retirement benefit payable at a Normal Retirement Date will equal (a) less (b), where:

(a) 2.0% times Service (such Service not to exceed 25 years) times Average Annual Earnings

(b) Basic Qualified Plan Benefit

3.2 The annual benefit payable at the Early Retirement Date will equal the benefit determined in Section 3.1 (based on Service and Average Annual Earnings at date of termination), with the result reduced by 0.55% per month that the Early Retirement Date precedes the Participant's Normal Retirement Date.

TWIN DISC, INCORPORATED SUPPLEMENTAL RETIREMENT PLAN
AS AMENDED AND RESTATED JULY 28, 2005

Schedule for Michael Joyce

Eligibility: This Schedule covers retirement benefits for Michael Joyce.

1.2 Average Annual Earnings: The average of a Participant's Earnings for the five consecutive calendar years in which the Participant's Earnings were the highest during the last fifteen calendar years prior to a Participant's Retirement.

1.8 Earnings: Regular base salary from the Company plus the annual incentive bonus paid in any calendar year.

2.1 The "Early Retirement Date" is the first day of any month following the month in which the Participant attains age 60 and completes ten (10) years of Service.

Amount of Benefit:

3.1 The annual retirement benefit payable at a Normal Retirement Date will equal (a) less (b), where:

(a) the greater of (i) 2.0% times Service (such Service not to exceed 25 years) times Average Annual Earnings and (ii) 40% times Average Annual Earnings

(b) Basic Qualified Plan Benefit

3.2 The annual benefit payable at the Early Retirement Date will equal the benefit determined in Section 3.1 (based on Service and Average Annual Earnings at date of termination). If the Participant has attained age 62, the annual benefit payable is unreduced. If the Participant has not yet attained age 62, the result is reduced by 0.55% per month that the Early Retirement Date precedes the Participant's Normal Retirement Date.

In addition, a letter agreement dated December 18, 1990, provides other minimum benefits to Mr. Joyce if he is involuntarily terminated prior to attaining his Early Retirement Date under this Plan. In the event Mr. Joyce continues in employment with the Company to at least age 60, the benefits he will receive from this Plan will never be less than the minimum benefit described in the following sentences. The minimum benefit, calculated as payable at age 65 for the lesser of ten years or the life of the participant, is equal to 60% of the average of the Participant's regular base salary for the five consecutive calendar years in which the Participant's salary was the highest during the last ten calendar years prior to attainment of age 60 less the Basic Qualified Plan Benefit earned at age 60. In the event Mr. Joyce retires prior to age 65, this minimum benefit shall be reduced by 0.55% for each month that his age at Retirement was less than 65. In the event that any benefit is paid or payable under the letter agreement dated December 18, 1990, no benefits will be payable to Mr. Joyce under this Plan.

TWIN DISC, INCORPORATED SUPPLEMENTAL RETIREMENT PLAN
AS AMENDED AND RESTATED JULY 28, 2005

Schedule for Fred H. Timm , Jr.

Eligibility: This Schedule covers retirement benefits for Fred H. Timm , Jr. effective for his retirement on or after January 1, 1998.

1.2 Average Annual Earnings: The average of a Participant's Earnings for the five consecutive calendar years in which the Participant's Earnings were the highest during the last fifteen calendar years prior to a Participant's Retirement.

1.8 Earnings: Regular base salary from the Company. Earnings are limited to an annual compensation limit of \$200,000, as adjusted by the Internal Revenue Commissioner for increases in the cost of living in accordance with Code Section 401(a)(17)(B).

2.1 The "Early Retirement Date" is the first day of any month following the month in which the Participant attains age 60 and completes ten (10) years of Service.

Amount of Benefit:

3.1 The annual retirement benefit payable at a Normal Retirement Date will equal (a) plus (b) minus (c), where:

(a) equals \$26,493, (which amount shown is payable in the Ten-Year Temporary Form) reduced to reflect the conversion of the form of benefit from the Ten-Year Temporary Form to the Single Life Annuity Form using the Actuarial Equivalent factors

(b) equals the Prior Plan Qualified Benefit Emulator

(c) equals the Basic Qualified Plan Benefit.

(d) Definitions

(i) the Prior Plan Qualified Benefit Emulator is equal to the amount determined by the following formula:

[a plus b minus c] times d divided by e, where

a. is 2.08% of Average Annual Earnings times Projected Service (where Projected Service is limited to 25 years)

b. is 0.52% of Average Annual Earnings times Projected Service in excess of 25 years

c. is 0.26% of the Covered Compensation times Projected Service (where Projected Service is not in excess of 35 years).

d. is Service as defined in Section 1.15 of the Plan

e. is Projected Service as defined below.

(ii) Projected Service is the total Service a Participant would have if his employment with the Company continued until his Normal Retirement Date.

(iii) Covered Compensation is the average (without indexing) of the Social Security Taxable Wage Bases for each calendar year during the 35-year period ending with the last day of the calendar year in which the Participant attains (or will attain) Social Security Retirement Age. In determining a Participant's Covered Compensation for a calendar year, the Social Security Taxable Wage Bases for any calendar year shall be the Social Security Wage Bases in effect as of the beginning of the calendar year for which the calculation is being made. A Participant's Covered Compensation for a calendar year beginning after the 35-year period described above shall be the Covered Compensation for the calendar year during which the Participant attained his Social Security Retirement Age. A Participant's Covered Compensation shall be automatically adjusted for each calendar year.

(iv) Social Security Retirement Age is age 65 if a Participant's year of birth is before 1938, age 66 if a Participant's year of birth is after 1937 but before 1955, and age 67 if a Participant's year of birth is after 1954.

(v) Social Security Taxable Wage Base is the amount of wages from which Social Security Taxes are required to be withheld in accordance with Section 230 of the Social Security Act (42 U. S. C. Section 430).

3.2 The annual benefit payable at the Early Retirement Date will equal the benefit determined in Section 3.1 (based on Service and Average Annual Earnings at date of termination), with the result reduced by 0.55% per month that the Early Retirement Date precedes the Participant's Normal Retirement Date.

TWIN DISC, INCORPORATED, SUPPLEMENTAL RETIREMENT PLAN
AS AMENDED AND RESTATED EFFECTIVE JULY 28, 2005

Schedule for James E. Feiertag

Eligibility: This Schedule covers retirement benefits for James E. Feiertag.

1.8 Earnings. Regular base salary from the Company plus the annual incentive bonus paid in any calendar year.

2.1(b) The "Early Retirement Date" is the first day of any month following the month in which the Participant attains age sixty (60) and completes ten (10) years of Service.

Amounts of Benefit

3.1 The annual retirement benefit payable at Normal Retirement Date will equal (a) less (b), where:

(a) Basic Qualified Plan Benefit determined without regard to the IRC Section 401(a)(17) earnings limits defined in Section 1.12 of the Basic Plan.

(b) Basic Qualified Plan Benefit

3.2 The annual retirement benefit payable at an Early Retirement Date will equal (a) less (b), where:

(a) Basic Qualified Plan Benefit determined without regard to the IRC Section 401(a)(17) earnings limits defined in Section 1.12 of the Basic Plan.

(b) Basic Qualified Plan Benefit

TWIN DISC, INCORPORATED, SUPPLEMENTAL RETIREMENT PLAN
AS AMENDED AND RESTATED EFFECTIVE JULY 28, 2005

Schedule for Christopher J. Eperjesy

Eligibility: This Schedule covers retirement benefits for
Christopher J. Eperjesy

1.8 Earnings. Regular base salary from the Company plus the annual incentive bonus paid in any calendar year.

2.1(b) The "Early Retirement Date" is the first day of any month following the month in which the Participant attains age sixty (60) and completes ten (10) years of Service.

Amounts of Benefit

3.1 The annual retirement benefit payable at Normal Retirement Date will equal (a) less (b), where:

(a) Basic Qualified Plan Benefit determined without regard to the IRC Section 401(a)(17) earnings limits defined in Section 1.12 of the Basic Plan.

(b) Basic Qualified Plan Benefit

3.2 The annual retirement benefit payable at an Early Retirement Date will equal (a) less (b), where:

(a) Basic Qualified Plan Benefit determined without regard to the IRC Section 401(a)(17) earnings limits defined in Section 1.12 of the Basic Plan.

(b) Basic Qualified Plan Benefit

TWIN DISC, INCORPORATED, SUPPLEMENTAL RETIREMENT PLAN
AS AMENDED AND RESTATED EFFECTIVE JULY 28, 2005

Schedule for John H. Batten

Eligibility: This Schedule covers retirement benefits for John H. Batten

1.8 Earnings. Regular base salary from the Company plus the annual incentive bonus paid in any calendar year.

2.1(b) The "Early Retirement Date" is the first day of any month following the

month in which the Participant attains age sixty (60) and completes ten (10) years of Service.

Amounts of Benefit

3.1 The annual retirement benefit payable at Normal Retirement Date will equal (a) less (b), where:

(a) Basic Qualified Plan Benefit determined without regard to the IRC Section 401(a)(17) earnings limits defined in Section 1.12 of the Basic Plan.

(b) Basic Qualified Plan Benefit

3.2 The annual retirement benefit payable at an Early Retirement Date will equal (a) less (b), where:

(a) Basic Qualified Plan Benefit determined without regard to the IRC Section 401(a)(17) earnings limits defined in Section 1.12 of the Basic Plan.

(b) Basic Qualified Plan Benefit

TWIN DISC, INCORPORATED, SUPPLEMENTAL RETIREMENT PLAN
AS AMENDED AND RESTATED EFFECTIVE JULY 28, 2005

Schedule for Denise L. Wilcox

Eligibility: This Schedule covers retirement benefits for Denise L. Wilcox

1.8 Earnings. Regular base salary from the Company plus the annual incentive bonus paid in any calendar year.

2.1(b) The "Early Retirement Date" is the first day of any month following the month in which the Participant attains age sixty (60) and completes ten (10) years of Service.

Amounts of Benefit

3.1 The annual retirement benefit payable at Normal Retirement Date will equal (a) less (b), where:

(a) Basic Qualified Plan Benefit determined without regard to the IRC Section 401(a)(17) earnings limits defined in Section 1.12 of the Basic Plan.

(b) Basic Qualified Plan Benefit

3.2 The annual retirement benefit payable at an Early Retirement Date will equal (a) less (b), where:

(a) Basic Qualified Plan Benefit determined without regard to the IRC Section 401(a)(17) earnings limits defined in Section 1.12 of the Basic Plan.

(b) Basic Qualified Plan Benefit

TWIN DISC, INCORPORATED, SUPPLEMENTAL RETIREMENT PLAN
AS AMENDED AND RESTATED EFFECTIVE JULY 28, 2005

Schedule for Dean J. Bratel

Eligibility: This Schedule covers retirement benefits for Dean J. Bratel

1.8 Earnings. Regular base salary from the Company plus the annual incentive bonus paid in any calendar year.

2.1(b) The "Early Retirement Date" is the first day of any month following the month in which the Participant attains age sixty (60) and completes ten (10) years of Service.

Amounts of Benefit

3.1 The annual retirement benefit payable at Normal Retirement Date will equal (a) less (b), where:

(a) Basic Qualified Plan Benefit determined without regard to the IRC Section 401(a)(17) earnings limits defined in Section 1.12 of the Basic Plan.

(b) Basic Qualified Plan Benefit

3.2 The annual retirement benefit payable at an Early Retirement Date will equal (a) less (b), where:

(a) Basic Qualified Plan Benefit determined without regard to the IRC Section 401(a)(17) earnings limits defined in Section 1.12 of the Basic Plan.

(b) Basic Qualified Plan Benefit

CHANGE OF CONTROL SEVERANCE AGREEMENT

THIS AGREEMENT is executed and entered into as of this ___ day of July, 2005, by and between Twin Disc, Incorporated, a Wisconsin corporation, with its principal offices located at 1328 Racine Street, Racine, Wisconsin ("Corporation"), and _____ ("Employee").

WITNESSETH:

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

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

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

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

WHEREAS, the Corporation previously entered into a Change in Control Severance Agreement with Employee, but due to the enactment of section 409A of the Internal Revenue Code, the Corporation and Employee desire to terminate that agreement and replace it with the existing Agreement.

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

1. Term of Agreement; Replacement of Prior Agreement. This Agreement shall commence as of the date hereof and shall continue in effect until November 1st, 2005; provided, however, that commencing on November 1, 2005, and each November 1st thereafter, the term of this Agreement shall automatically be extended for one additional year unless, not later than August 1 of that year, the Corporation shall have given notice that it does not wish to extend this Agreement; provided, further, if a Change in Control (as defined in Section 2 below) of the Corporation shall have occurred during the original or extended term of this Agreement, this Agreement shall continue in effect for a period of twenty-four (24) months beyond the month in which such Change in Control of the Corporation occurred.

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

2. Change in Control of the Corporation.

(a) No benefits shall be payable hereunder unless there shall have been a Change in Control of the Corporation, as set forth below. For purposes of this Agreement, a "Change in Control of the Corporation" shall mean a change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act") whether or not the Corporation is then subject to such reporting requirement; provided that without limitation, such a change in control shall be deemed to have occurred if:

(i) any "person" (as defined in Sections 13(d) and 14(d) of the Exchange Act) other than Michael Batten or any member of his family (the "Batten Family"), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly,

of securities of the Corporation representing thirty percent (30%) or more of the combined voting power of the Corporation's then outstanding securities;

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

(iii) the shareholders of the Corporation approve a merger or consolidation of the Corporation with any other corporation, other than a merger or consolidation which would result in the voting securities of the Corporation outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 80% of the combined voting power of the voting securities of the Corporation or such surviving entity outstanding immediately after such merger or consolidation, or the shareholders of the Corporation approve a plan of complete liquidation of the Corporation or an agreement for the sale or disposition by the Corporation of all or substantially all the Corporation's assets.

(b) For purposes of this Agreement a "Potential Change in Control of the Corporation" shall be deemed to have occurred if (i) the Corporation enters into an agreement, the consummation of which would result in the occurrence of a Change in Control of the Corporation, (ii) any person (including the Corporation) publicly announces an intention to take or to consider taking actions which if consummated would constitute a Change in Control of the Corporation, (iii) any person, other than a member of the Batten Family or a trustee or other fiduciary holding securities under an employee benefit plan of the Corporation or a corporation owned, directly or indirectly, by the shareholders of the Corporation in substantially the same proportions as their ownership of stock of the Corporation, who is or becomes the beneficial owner, directly or indirectly, of securities of the Corporation representing 9.5% or more of the combined voting power of the Corporation's then outstanding securities, increases his beneficial ownership of such securities by 5% or more over the percentage so owned by such person on the date hereof; or (iv) the Board adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control of the Corporation has occurred. Employee agrees that, subject to the terms and conditions of this Agreement, in the event of a Potential Change in Control of the Corporation, Employee shall not terminate his employment with the Corporation until the earliest of (i) a date which is six (6) months from the occurrence of such Potential Change in Control of the Corporation, (ii) the termination by Employee of his employment by reason of Disability or Retirement (at Employee's normal retirement age), as defined in Subsection 3(a) hereof, or (iii) the occurrence of a Change in Control of the Corporation.

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

(a) Disability; Retirement. If, as a result of Employee's incapacity due to physical or mental illness, Employee shall have been absent from the full-time performance of his duties with the Corporation for six (6) consecutive months, and within thirty (30) days after written notice of termination is given, Employee shall not have returned to the full-time performance of his duties, the Corporation may terminate Employee's employment for "Disability." Termination by the Corporation or by Employee of Employee's employment by reason of "Retirement" shall mean termination on or after Employee's "Normal Retirement Date" as defined in Section 4.1 of Twin Disc Incorporated Supplemental Retirement Plan, Approved June 21, 1984 and Amended July 28, 2005 (the "Supplemental Retirement Plans"), as applicable to Employee, as of the date hereof, or in accordance with any retirement arrangement established with Employee's consent, with respect to Employee.

(b) Cause. Termination by the Corporation of Employee's employment for "Cause" shall mean termination upon (i) the willful and continued failure by Employee to substantially perform his duties with the Corporation (other than any such failure resulting from termination for Good Reason) after a demand for substantial performance is delivered to Employee that specifically identifies the manner in which the Corporation believes that Employee has not substantially performed his duties, and Employee has failed to resume substantial performance of his duties on a continuous basis within fourteen (14) days of receiving such demand, (ii) the willful engaging by Employee in conduct which is demonstrably and materially injurious to the Corporation, monetarily or otherwise or (iii) Employee's conviction of a felony or conviction of a misdemeanor which materially impairs Employee's ability substantially to perform his duties with the Corporation or (iv) commission of an act of fraud or material dishonesty involving the Corporation. For purposes of this Subsection, no act or failure to act, on Employee's part shall be deemed "willful" unless done, or omitted to be done, by Employee not in good faith and without reasonable belief that his action or omission was in the best interest of the Corporation.

(c) Good Reason. Employee shall be entitled to terminate his employment for Good Reason. For purposes of this Agreement, "Good Reason" shall mean, without Employee's express written consent, the occurrence after a Change in Control of the Corporation of any one or more of the following:

(i) the assignment to Employee of duties, responsibilities or status inconsistent with his present duties, responsibilities and status as _____ of the Corporation or a reduction or alteration in the nature or status of Employee's duties and responsibilities from those in effect as of the date hereof;

(ii) a reduction by the Corporation in Employee's base salary as in effect on the date hereof or as the same shall be increased from time to time ("Base Salary");

(iii) the Corporation's requiring Employee to be based at an office location other than in southeastern Wisconsin;

(iv) the failure by the Corporation to continue in effect the Corporation's Salaried Retirement Plan, Supplemental Retirement Plan, Choice Plan (Cafeteria plan under section 125 for qualified group insurance benefits), Incentive Bonus Program, The Accelerator 401(k) Savings Plan, Executive Life Insurance Program, Travel Accident Insurance, Qualified and Non-Qualified Stock Option Plans or any other of the Corporation's employee benefit plans, policies, practices or arrangements in which Employee participates or the failure by the Corporation to continue Employee's participation therein on substantially the same basis, both in terms of the amount of benefits provided and the level of Employee's participation relative to other participants, as existed as of the date hereof;

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

(vi) any purported termination by the Corporation of Employee's employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Subsection (d) below, and for purposes of this Agreement, no such purported termination shall be effective. Employee's right to terminate his employment pursuant to this Subsection shall not be affected by his incapacity due to physical or mental illness. Employee's continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason hereunder.

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

(e) Date of Termination. "Date of Termination" shall mean the date specified in the Notice of Termination where required or in any other case the date upon which Employee ceases to perform services to the Corporation; provided that if within thirty (30) days after any Notice of

Termination one party notifies the other party that a dispute exists concerning the termination, the Date of Termination shall be the date finally determined to be the Date of Termination, either by mutual written agreement of the parties or by the final nonappealable determination of a court of competent jurisdiction.

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

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

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

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

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

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

(B) the Corporation shall pay as severance benefits to Employee, not later than the date specified in Subsection (g) below, a lump sum severance payment equal to the product of (i) the sum of (I) Employee's annual Base Salary in effect immediately prior to the occurrence of the circumstances giving rise to such termination, and (II) the most recent annual bonus awarded to Employee; times (ii) the lesser of (I) 1.50 or (II) the number of whole and fractional years occurring between Employee's Date of Termination and his Normal Retirement Date as set forth in the Supplemental Retirement Plans;

(C) in lieu of shares of common stock of the Corporation ("Option Shares") issuable upon exercise of outstanding options ("Options"), if any, granted to Employee under the Corporation's 1988 Incentive Stock Option Plan and 1988 Non-Qualified Stock Option Plan, the 1998 Incentive Compensation Plan, and the 2004 Stock Incentive Plan, together with any additional, substitute or successor option program or plan as may be in effect from time to time, (which Options shall be canceled upon the making of the payment referred to below), Employee shall receive an amount in cash equal to the product of (i) the higher of the closing price of shares reported on the NASDAQ Stock Market on the Date of Termination or the highest per share price for Option Shares actually paid in connection with any Change in Control of the Corporation, over the per share exercise price of each Option held by Employee, times (ii) the number of Option Shares covered by each such Option;

(D) for a twenty-four (24) month period after such termination, the Corporation will arrange to provide Employee, at the Corporation's expense, with benefits under the Corporation's applicable employee fringe benefit plans, which benefits shall be the same or substantially similar to the benefits Employee was receiving immediately prior to the Notice of Termination; but in no event shall Employee be provided the benefits described herein after his Normal Retirement Date; and provided further that benefits otherwise

receivable by Employee pursuant to this Subsection (D) shall be reduced to the extent comparable benefits are actually received by Employee during the twenty-four (24) month period following Employee's termination and any such benefits actually received by Employee shall be reported to the Corporation.

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

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

(g) The payments provided for in Subsection (d) above shall be made no later than the tenth (10th) day following the Date of Termination; provided; however, that if the amounts of such payments cannot be finally determined on or before such day, the Corporation shall pay to Employee on such day an estimate as determined in good faith by the Corporation of the

minimum amount of such payments and shall pay the remainder of such payments (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code) as soon as the amount thereof can be determined but in no event later than the thirtieth (30th) day after the Date of Termination; and provided further that if Employee is a "Key Employee" as defined in Section 409A of the Internal Revenue Code, as amended, such payments, to the extent they constitute deferred compensation under Section 409A pursuant to guidance issued by the Internal Revenue Service, shall be made on the date which is 6 months after the date of Termination of Employment. In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by the Corporation to Employee payable on the tenth (10th) day after demand by the Corporation (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code).

(h) The Corporation shall also pay to Employee all legal fees and expenses incurred by Employee as a result of such termination of employment (including all such fees and expenses, if any, incurred in contesting or disputing any such termination or in seeking to obtain or enforce any right or benefit provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of Section 4999 of the Code to any payment or benefit provided hereunder).

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

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

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

5. Successors; Binding Agreement.

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

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

6. Administration of Agreement; Claims Procedures.

(a) This Agreement shall be administered by the Compensation Committee

of the Corporation's Board of Directors, which has been given complete and discretionary authority by the Board of Directors to administer and interpret this Plan.

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

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

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

If the Committee determines that the Employee terminated employment due to disability, and the Employee wishes to submit the claim for a hearing and review, the Employee must file the claim for review no later than 180 days after receiving written notification of the denial of his claim for benefits. The Employee may submit written documents and other information relating to the claim. The review will be conducted by an appropriate named fiduciary of this Agreement who is neither the person who denied the initial claim nor a subordinate of that person, and no deference will be given to the initial decision of the claim. If the claim is based on a medical judgment, the person conducting the review will consult with an appropriate health care professional (but not the same professional who was consulted in connection with the original denial of the claim, or his or her subordinate), and will, upon the request of the Employee, provide the Employee with the names of all medical or vocational experts whose advice was obtained in connection with the

original denial of the claim. A hearing on the claim will be conducted within 45 days. At the hearing, or prior to the hearing upon 5 business days' written notice to the Committee, the Employee may review all pertinent documents relating to the denial of the claim. If the review of the claim is denied, the Employee will be provided with written notice of this denial within 45 days after the Committee's receipt of the written claim for review. There may be times when this 45 day period may be extended. This extension may only be made, however, where there are special circumstances that are communicated to the Employee in writing within the 45 day period. If the decision on review is not furnished to the Employee within the time limitations described above, the claim shall be deemed denied on review.

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

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

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

(a) If to the Corporation:
Twin Disc, Incorporated
1328 Racine Street
Racine, Wisconsin 53403

(b) If to Employee:

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

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

10. Compliance with Code Section 409A Notwithstanding anything in this Severance Agreement to the contrary, to the extent any payments paid or payable to Employee are subject to Section 409A of the Internal Revenue Code, as amended, all such payments shall comply with Code Section 409A and any related regulations or guidance.

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

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

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

TWIN DISC, INCORPORATED

By:

Attest:

EMPLOYEE:

July 29, 2005

Mr. Fred Timm
Vice President, Administration
And Secretary
Twin Disc, Incorporated
1328 Racine Street
Racine, WI 53403

Dear Fred:

This letter will confirm our discussion regarding your anticipated retirement. In exchange for your continued employment through September 30, 2005 and your retirement effective October 1, 2005, we have agreed to provide you with a one-time retirement bonus of \$310,000. This bonus will be paid on the first salaried payroll following January 1, 2006. The payment of this bonus cannot be accelerated for any reason.

If you agree to this proposal, please sign and date your acceptance below. Return a signed copy of this letter to me, confirming your acceptance. In addition, I ask that you sign the attached waiver and release, on or within twenty-one days after your retirement, returning a signed copy to Denise Wilcox, Vice President of Human Resources. You are encouraged to consult with an attorney, at your own expense, prior to signing the waiver and release.

Please note that the above bonus amount is contingent upon your retirement effective October 1, 2005 and your signing and not later revoking the attached waiver and release.

Fred, I want to thank you for your years of dedicated service. I wish you all the best for an enjoyable retirement.

Sincerely,

TWIN DISC, INCORPORATED

Michael E. Batten
Chairman, Chief Executive Officer

Proposal Accepted by:

TWIN DISC, INC.

WAIVER AND RELEASE AGREEMENT

(1) In consideration for the retirement bonus to be provided to me under the terms of Michael E. Batten's July 29, 2005 letter to me I, on behalf of myself and my heirs, executors, administrators, attorneys and assigns, hereby waive, release and forever discharge TWIN DISC INCORPORATED together with the Company's subsidiaries, divisions and affiliates, whether direct or indirect, its and their joint ventures and joint venturers (including their respective directors, officers, employees, shareholders, partners and agents, past, present, and future), and each of its and their respective successors and assigns (hereinafter collectively referred to as "Releasees"), from any and all known or unknown actions, causes of action, claims or liabilities of any kind which have been or could be asserted against the Releasees arising out of or related to my employment with and/or separation from employment with the Company and/or any of the other Releasees up to and including the date of this Waiver and Release Agreement, including but not limited to:

(a) claims, actions, causes of action or liabilities arising under Title VII of the Civil Rights Act, as amended, the Age Discrimination in Employment Act, as amended ("ADEA"), the Employee Retirement Income Security Act, as amended, the Rehabilitation Act, as amended, the Americans with Disabilities Act, as amended, the Family and Medical Leave Act, as amended, and/or any other federal, state, municipal, or local employment discrimination statutes or ordinances (including, but not limited to, claims based on age, sex, attainment of benefit plan rights, race, religion, national origin, marital status, sexual orientation, ancestry, harassment, parental status, handicap, disability, retaliation, and veteran status); and/or

(b) claims, actions, causes of action or liabilities arising under any other federal, state, municipal, or local statute, law, ordinance or regulation; and/or

(c) any other claim whatsoever including, but not limited to, claims for severance pay, claims based upon breach of contract, wrongful termination, defamation, intentional infliction of emotional distress, tort, personal injury, invasion of privacy, violation of public policy, negligence and/or any other common law, statutory or other claim whatsoever arising out of or relating to my employment with and/or separation from employment with the Company and/or any of the other Releasees,

but excluding the filing of an administrative charge of discrimination, any claims which I may make under state workers' compensation or unemployment laws, and/or any claims which by law I cannot waive.

(2) I also agree never to sue any of the Releasees or become party to a lawsuit on the basis of any claim of any type whatsoever arising out of or related to my employment with and/or separation from employment with the Company and/or any of the other Releasees, except that I may bring a lawsuit to challenge this Waiver and Release Agreement under the ADEA.

(3) I further acknowledge and agree that if I breach the provisions of paragraph (2) above, then (a) the Company shall be entitled to apply for and receive an injunction to restrain any violation of paragraph (2) above, (b) the Company shall not be obligated to continue payment of my retirement bonus, (c) I shall be obligated to pay to the Company its costs and expenses in enforcing this Waiver and Release Agreement and defending against such lawsuit (including court costs, expenses and reasonable legal fees), and (d) as an alternative to (c), at the Company's option, I shall be obligated upon demand to repay to the Company all but \$500 of the retirement bonus. I further agree that the foregoing covenants in this paragraph (3) shall not affect the validity of this Waiver and Release Agreement and shall not be deemed to be a penalty nor a forfeiture.

(4) I further waive my right to any monetary recovery should any federal, state, or local administrative agency pursue any claims on my behalf arising out of or related to my employment with and/or separation from employment with the Company and/or any of the other Releasees.

(5) I further waive, release, and discharge Releasees from any reinstatement rights which I have or could have and I acknowledge that I have not suffered any on-the-job injury for which I have not already filed a claim.

(6) I further agree that if I breach the Confidentiality provisions of the July 29, 2005 letter, then (a) the Company shall be entitled to apply for and receive an injunction to restrain such breach, (b) the Company shall not be

obligated to continue payment of the retirement bonus, and (c) I shall be obligated to pay to the Company its costs and expenses in enforcing the Confidentiality provisions of the July 29, 2005 letter (including court costs, expenses and reasonable legal fees).

(7) I acknowledge that I have been given at least twenty-one (21) days to consider this Waiver and Release Agreement thoroughly and I acknowledge that I have been advised in writing to consult with an attorney before signing this Waiver and Release Agreement.

(8) I understand that I may revoke this Waiver and Release Agreement within seven (7) days after its signing and that any revocation must be made in writing and submitted within such seven day period to the Company's Vice President, Human Resources. I further understand that if I revoke this Waiver and Release Agreement, I shall not receive the retirement bonus.

(9) I also understand that the retirement bonus which I will receive in exchange for signing and not later revoking this Waiver and Release Agreement are in addition to anything of value to which I already am entitled.

(10) I FURTHER UNDERSTAND THAT THIS WAIVER AND RELEASE AGREEMENT INCLUDES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS TO DATE.

(11) I acknowledge and agree that if any provision of this Waiver and Release Agreement is found, held or deemed by a court of competent jurisdiction to be void, unlawful or unenforceable under any applicable statute or controlling law, the remainder of this Waiver and Release Agreement shall continue in full force and effect.

(12) This Waiver and Release Agreement in all respects shall be interpreted, enforced and governed under applicable federal law and in the event reference shall be made to State law, the internal laws of the State of Wisconsin shall apply.

(13) I further acknowledge and agree that I have carefully read and fully understand all of the provisions of this Waiver and Release Agreement and that I voluntarily enter into this Waiver and Release Agreement by signing below.

Fred H. Timm

(Date)

PLEASE RETURN TO:

Denise L. Wilcox
Vice President, Human Resources
Twin Disc, Incorporated
1328 Racine Street
Racine, Wisconsin 53403

PERFORMANCE STOCK AWARD GRANT AGREEMENT

THIS PERFORMANCE STOCK AWARD GRANT AGREEMENT (the "Agreement"), by and between TWIN DISC, INCORPORATED (the "Company") and _____ (the "Employee") is dated this 28th day of July, 2005, to memorialize an award of performance stock of even date therewith.

WHEREAS, the Company adopted an Stock Incentive Plan in 2004 (the "Plan") whereby the Compensation Committee of the Board of Directors (the "Committee") is authorized to grant performance stock awards that entitle an employee of the Company receiving such award to shares of common stock of the Company if the Company achieves a predetermined performance objective; and

WHEREAS, the Committee has determined it to be in its best interests of the Company to grant the Employee a performance stock award as an inducement to achieve the below described objective.

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

1. Performance Stock Award Grant. Subject to the terms of the Plan, a copy of which has been provided to the Employee and is incorporated herein by reference, the Company has granted Employee a performance stock award effective July 28, 2005. Such performance stock award shall entitle the Employee to receive _____ shares of the Company's common stock (the "Shares") if the Company achieves Two Hundred Fifty Million (\$250,000,000) in consolidated annual revenue in the fiscal year beginning on July 1, 2007 and ending on June 30, 2008 (the "Performance Objective"), subject to the terms and conditions and restrictions set forth below.

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

3. Voluntary Termination of Employment Prior to Retirement/Termination for Cause. If prior to attaining the Performance Objective an Employee voluntarily terminates employment prior to the Employee becoming eligible for normal or early retirement under the Company's defined benefit pension plan covering the Employee or the employment of an Employee is terminated for cause, the performance stock awards granted to such Employee shall be forfeited. The Committee shall conclusively determine whether an Employee was terminated for cause for purposes of this performance stock award.

4. Death/Disability/Other Termination of Employment Other than Change of Control of Company. If prior to attaining the Performance Objective an Employee dies, becomes permanently disabled, voluntarily terminates employment after becoming eligible for normal or early retirement under the Company's defined benefit pension plan covering the Employee, or is terminated for any reason other than for cause or following a Change in Control of the Company as described in Section 5 (each a "Qualifying Event"), the performance stock awards granted to such Employee shall be paid on a prorated basis if and when the Performance Objective is achieved. Such prorated performance stock awards shall be subject to the following terms and conditions:

(a) The prorated award shall be determined by multiplying the number of shares underlying the award by a fraction, the numerator of which is the number of days from July 1, 2004, through the Employee's last day of employment, and the denominator of which is the number of days from July 1, 2004, through June 30, 2007. Any fractional share of the Company resulting from such a prorated award shall be rounded up to a whole share of the Company.

(b) Except as otherwise provided in Section 4(c), shares of the Company underlying such prorated awards shall be delivered in the ordinary course after the determination by the Committee that the Performance Objective has been achieved (and no later than 2-1/2 months after June 30, 2007).

(c) The Committee has the authority in its sole discretion to immediately vest the prorated portion of the performance stock awards granted hereunder of an Employee who experiences a Qualifying Event and deliver shares of Company stock underlying such prorated awards as if the Performance Objective had been fully achieved.

(d) The Committee shall conclusively determine whether an Employee shall be considered permanently disabled for purposes of this performance stock award.

5. Change of Control. Notwithstanding Sections 3 and 4 above, if an event constituting a Change in Control of the Company occurs and the Employee thereafter terminates employment for any reason, then the performance stock

award granted hereunder shall immediately vest and the Shares of the Company underlying the award shall be delivered as if the Performance Objective had

been fully achieved, regardless of whether termination of employment is by the Employee, the Company or otherwise. Employee's continued employment with the Company, for whatever duration, following a Change in Control of the Company shall not constitute a waiver of the Employee's rights with respect to this Section 5.

For purposes of this Section 5, a "Change in Control of the Company" shall be deemed to occur in any of the following circumstances:

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

6. No Rights of Shareholder. Until the Performance Objective is met, the performance stock award grant shall not entitle the Employee any rights of a shareholder, including the right to receive dividends or to vote the Shares. In the event that the Performance Objective is met, the Shares of the Company shall be issued to the Employee whose performance stock award has not been forfeited, and a certificate representing the Shares shall be delivered to the Employee.

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

TWIN DISC, INCORPORATED

By:

Its:

EMPLOYEE:

CHANGE OF CONTROL SEVERANCE AGREEMENT

THIS AGREEMENT is executed and entered into as of this ___ day of July, 2005, by and between Twin Disc, Incorporated, a Wisconsin corporation, with its principal offices located at 1328 Racine Street, Racine, Wisconsin ("Corporation"), and H. Claude Fabry ("Employee").

WITNESSETH:

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

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

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

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

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

1. Term of Agreement. This Agreement shall commence as of the date hereof and shall continue in effect until November 1st, 2005; provided, however, that commencing on November 1, 2005, and each November 1st thereafter, the term of this Agreement shall automatically be extended for one additional year unless, not later than August 1 of that year, the Corporation shall have given notice that it does not wish to extend this Agreement; provided, further, if a Change in Control (as defined in Section 2 below) of the Corporation shall have occurred during the original or extended term of this Agreement, this Agreement shall continue in effect for a period of twenty-four (24) months beyond the month in which such Change in Control of the Corporation occurred.

2. Change in Control of the Corporation.

(a) No benefits shall be payable hereunder unless there shall have been a Change in Control of the Corporation, as set forth below. For purposes of this Agreement, a "Change in Control of the Corporation" shall mean a change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act") whether or not the Corporation is then subject to such reporting requirement; provided that without limitation, such a change in control shall be deemed to have occurred if:

(i) any "person" (as defined in Sections 13(d) and 14(d) of the Exchange Act) other than Michael Batten or any member of his family (the "Batten Family"), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing thirty percent (30%) or more of the combined voting power of the Corporation's then outstanding securities;

(ii) during any period of two (2) consecutive years (not including any period prior to the execution of this Agreement) there shall cease to be a majority of the Board comprised as follows: individuals who at the beginning of such period constitute the Board and any new director(s) whose election by the Board or nomination for election by the Corporation's shareholders was approved by a vote of at least

two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved; or

(iii) the shareholders of the Corporation approve a merger or consolidation of the Corporation with any other corporation, other than a merger or consolidation which would result in the voting securities of the Corporation outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 80% of the combined voting power of the voting securities of the Corporation or such surviving entity outstanding immediately after such merger or consolidation, or the shareholders of the Corporation approve a plan of complete liquidation of the Corporation or an agreement for the sale or disposition by the Corporation of all or substantially all the Corporation's assets.

(b) For purposes of this Agreement a "Potential Change in Control of the Corporation" shall be deemed to have occurred if (i) the Corporation enters into an agreement, the consummation of which would result in the occurrence of a Change in Control of the Corporation, (ii) any person (including the Corporation) publicly announces an intention to take or to consider taking actions which if consummated would constitute a Change in Control of the Corporation, (iii) any person, other than a member of the Batten Family or a trustee or other fiduciary holding securities under an employee benefit plan of the Corporation or a corporation owned, directly or indirectly, by the shareholders of the Corporation in substantially the same proportions as their ownership of stock of the Corporation, who is or becomes the beneficial owner, directly or indirectly, of securities of the Corporation representing 9.5% or more of the combined voting power of the Corporation's then outstanding securities, increases his beneficial ownership of such securities by 5% or more over the percentage so owned by such person on the date hereof; or (iv) the Board adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control of the Corporation has occurred. Employee agrees that, subject to the terms and conditions of this Agreement, in the event of a Potential Change in Control of the Corporation, Employee shall not terminate his employment with the Corporation until the earliest of (i) a date which is six (6) months from the occurrence of such Potential Change in Control of the Corporation, (ii) the termination by Employee of his employment by reason of Disability or Retirement (at Employee's normal retirement age), as defined in Subsection 3(a) hereof, or (iii) the occurrence of a Change in Control of the Corporation.

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

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

(b) Cause. Termination by the Corporation of Employee's employment for "Cause" shall mean termination upon (i) the willful and continued failure by Employee to substantially perform his duties with the Corporation (other than any such failure resulting from termination for Good Reason) after a demand for substantial performance is delivered to Employee that specifically identifies the manner in which the Corporation believes that Employee has not substantially performed his duties, and Employee has failed to resume substantial performance of his duties on a continuous basis within fourteen (14) days of receiving such demand, (ii) the willful engaging by Employee in conduct which is demonstrably and materially injurious to the Corporation, monetarily or otherwise or (iii) Employee's conviction of a felony or conviction of a misdemeanor which materially impairs Employee's ability substantially to perform his duties with the Corporation or (iv) commission of an act of fraud or material dishonesty

involving the Corporation. For purposes of this Subsection, no act or failure to act, on Employee's part shall be deemed "willful" unless done, or omitted to be done, by Employee not in good faith and without reasonable belief that his action or omission was in the best interest of the Corporation.

(c) Good Reason. Employee shall be entitled to terminate his employment for Good Reason. For purposes of this Agreement, "Good Reason" shall mean, without Employee's express written consent, the occurrence after a Change in Control of the Corporation of any one or more of the following:

(i) the assignment to Employee of duties, responsibilities or status inconsistent with his present duties, responsibilities and status as Vice President of Global Distribution of the Corporation or a reduction or alteration in the nature or status of Employee's duties and responsibilities from those in effect as of the date hereof;

(ii) a reduction by the Corporation in Employee's base salary as in effect on the date hereof or as the same shall be increased from time to time ("Base Salary") (other than a reduction in Base Salary due solely to the effect of currency exchange rates);

(iii) the Corporation's requiring Employee to be based at an office location other than in Southeastern Wisconsin or Nivelles, Belgium;

(iv) the failure by the Corporation to continue in effect the Corporation's retirement plan for Belgian employees, Incentive Bonus Program, The Accelerator 401(k) Savings Plan, Travel Accident Insurance, Qualified and Non-Qualified Stock Option Plans or any other of the Corporation's employee benefit plans, policies, practices or arrangements in which Employee participates or the failure by the Corporation to continue Employee's participation therein on substantially the same basis, both in terms of the amount of benefits provided and the level of Employee's participation relative to other participants, as existed as of the date hereof;

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

(vi) any purported termination by the Corporation of Employee's employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Subsection (d) below, and for purposes of this Agreement, no such purported termination shall be effective. Employee's right to terminate his employment pursuant to this Subsection shall not be affected by his incapacity due to physical or mental illness. Employee's continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason hereunder.

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

(e) Date of Termination. "Date of Termination" shall mean the date specified in the Notice of Termination where required or in any other case the date upon which Employee ceases to perform services to the Corporation; provided that if within thirty (30) days after any Notice of Termination one party notifies the other party that a dispute exists concerning the termination, the Date of Termination shall be the date finally determined to be the Date of Termination, either by mutual written agreement of the parties or by the final nonappealable determination of a court of competent jurisdiction.

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

(a) During any period that Employee fails to perform his full-time duties with the Corporation as a result of incapacity due to disability as that term is defined in Section 3(a) herein, Employee shall continue to receive his Base Salary at the rate in effect at the commencement of any such period, until Employee's employment is terminated pursuant to

Subsection 3(a) hereof. Thereafter, Employee's benefits shall be determined in accordance with the Corporation's retirement, insurance and other applicable programs and plans then in effect.

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

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

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

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

(B) the Corporation shall pay as severance benefits to Employee, not later than the date specified in Subsection (g) below, a lump sum severance payment equal to the product of (i) the sum of (I) Employee's annual Base Salary in effect immediately prior to the occurrence of the circumstances giving rise to such termination, and (II) the most recent annual bonus awarded to Employee; times (ii) the lesser of (I) 1.50 or (II) the number of whole and fractional years occurring between Employee's Date of Termination and his Normal Retirement Date as previously defined;

(C) in lieu of shares of common stock of the Corporation ("Option Shares") issuable upon exercise of outstanding options ("Options"), if any, granted to Employee under the Corporation's 1988 Incentive Stock Option Plan and 1988 Non-Qualified Stock Option Plan, the 1998 Incentive Compensation Plan, and the 2004 Stock Incentive Plan, together with any additional, substitute or successor option program or plan as may be in effect from time to time, (which Options shall be canceled upon the making of the payment referred to below), Employee shall receive an amount in cash equal to the product of (i) the higher of the closing price of shares reported on the NASDAQ Stock Market on the Date of Termination or the highest per share price for Option Shares actually paid in connection with any Change in Control of the Corporation, over the per share exercise price of each Option held by Employee, times (ii) the number of Option Shares covered by each such Option;

(D) for a twenty-four (24) month period after such termination, the Corporation will arrange to provide Employee, at the Corporation's expense, with benefits under the Corporation's applicable employee fringe benefit plans, which benefits shall be the same or substantially similar to the benefits Employee was receiving immediately prior to the Notice of Termination; but in no event shall Employee be provided the benefits described herein after his Normal Retirement Date; and provided further that benefits otherwise receivable by Employee pursuant to this Subsection (D) shall be reduced to the extent comparable benefits are actually received by Employee during the twenty-four (24) month period following Employee's termination and any such benefits actually received by Employee shall be reported to the Corporation.

(e) in the event that Employee becomes entitled to the Severance Payments, if it is determined that any of the Severance Payments will be subject to the tax (the "Excise Tax") imposed by Section 4999 of the Internal Revenue Code of 1986 ("Code") (or any similar tax that may hereafter be imposed), the Severance Payments to which Employee is entitled hereunder shall be reduced to the extent necessary to avoid the imposition of any Excise Tax upon such Severance Payments. In the event Severance Payments shall have previously been made to Employee which are or would be subject to the Excise Tax, Employee shall immediately repay to the Corporation that portion of the Severance Payments determined to be

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

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

(g) The payments provided for in Subsection (d) above shall be made no later than the tenth (10th) day following the Date of Termination; provided; however, that if the amounts of such payments cannot be finally determined on or before such day, the Corporation shall pay to Employee on such day an estimate as determined in good faith by the Corporation of the minimum amount of such payments and shall pay the remainder of such payments (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code) as soon as the amount thereof can be determined but in no event later than the thirtieth (30th) day after the Date of Termination; and provided further that if Employee is a "Key Employee" as defined in Section 409A of the Internal Revenue Code, as amended, such payments, to the extent they constitute deferred compensation under Section 409A pursuant to guidance issued by the Internal Revenue Service, shall be made on the date which is 6 months after the date of Termination of Employment. In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by the Corporation to Employee payable on the tenth (10th) day after demand by the Corporation (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code).

(h) The Corporation shall also pay to Employee all legal fees and

expenses incurred by Employee as a result of such termination of employment (including all such fees and expenses, if any, incurred in contesting or disputing any such termination or in seeking to obtain or enforce any right or benefit provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of Section 4999 of the Code to any payment or benefit provided hereunder).

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

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

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

5. Successors; Binding Agreement.

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

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

6. Administration of Agreement; Claims Procedures.

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

(b) The Committee shall notify Employee in writing, within 90 days of his written application for benefits, of his eligibility or ineligibility for benefits under this Agreement. If the Committee determines that Employee is not eligible for benefits or full benefits, the notice shall set forth (a) the specific reasons for such denial, (b) a specific reference to the provisions of this Agreement on which the denial is based, (c) a description of any additional information or material necessary for the Employee to perfect his claim, and a description of why it is needed, (d) an explanation of this Agreement's claims review procedure and other appropriate information as to the steps to be taken if the Employee wishes to have the claim reviewed (including the applicable time limits, a statement that the Employee is entitled to receive upon

request, free of charge, access to and copies of all documents and other information relevant to the claim, and a statement regarding the Employee's right to bring a civil action if the Employee's review is denied), and (e) in the case of claims where the Committee determines that the Employee's termination of employment was due to disability, copies of or the right to request free of charge any internal rule, guideline or protocol that was relied upon in denying the claim. If the Committee determines that there are special circumstances requiring additional time to make a decision, the Committee shall notify the Employee of the special circumstances and of the date by which a decision is expected to be made, and may extend the time for up to an additional 90-day period.

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

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

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

If the review of a claim is denied, the Committee will provide the Employee with a notice containing the specific reasons for the denial, a reference to this Agreement provisions on which the denial is based, a statement that the Employee is entitled to receive upon request, free of charge, access to and copies of all documents and other information relevant to

the claim, a statement of the Employee's right to bring a civil action under federal law, and, in the case of claims based on disability, copies of or the right to request free of charge any internal rule, guideline or protocol that was relied upon in denying the claim.

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

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

(a) If to the Corporation:
Twin Disc, Incorporated
1328 Racine Street
Racine, Wisconsin 53403

(b) If to Employee:

H. Claude Fabry
Twin Disc Incorporated
1328 Racine Street
Racine, Wisconsin 53403

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

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

10. Compliance with Code Section 409A Notwithstanding anything in this Severance Agreement to the contrary, to the extent any payments paid or payable to Employee are subject to Section 409A of the Internal Revenue Code, as amended, all such payments shall comply with Code Section 409A and any related regulations or guidance.

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

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

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

TWIN DISC, INCORPORATED

By:

Attest:

EMPLOYEE:

H. Claude Fabry

INDEMNITY AGREEMENT

This Agreement, by and between Twin Disc, Incorporated, a corporation organized under the laws of the State of Wisconsin (the "Company"), and (Name), an officer of the Company ("Indemnitee"), is dated as of (Date).

WHEREAS, the Company considers it to be in its best interests and the best interests of its shareholders that Indemnitee serve the Company as an officer; and

WHEREAS, the Company wishes to encourage Indemnitee to serve the Company and, in connection therewith, to freely take and recommend such actions as Indemnitee shall consider to be in the best interests of the Company;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Indemnification. Pursuant to the terms of this Agreement, the Company shall indemnify and hold Indemnitee harmless, to the fullest extent permitted by law, from and against any of the following which are actually incurred by Indemnitee:

a. All reasonable costs and expenses, including attorney's fees, court costs, interest, and disbursements ("Expenses"), incurred in the investigation, settlement, defense, and/or appeal of any actual or threatened proceeding, whether civil, criminal, or administrative, and whether based on foreign, federal, state or local law, no matter by whom brought ("Action"), to which Indemnitee is made or threatened to be made a party, or otherwise involved in, by reason of at any time being an officer of the Company or any subsidiary or affiliate thereof, or serving any benefit plan of the Company, or serving, upon written request of the Company pursuant to a resolution of its board of directors, any other organization or entity.

b. All judgments, fines, penalties or amounts paid or awarded in resolution of any Action, including any amounts paid in settlement of any Action, and including excise taxes assessed with respect to any employee benefit plan ("Liabilities").

2. Procedure for Indemnification.

a. Notice to Company. If any claim or Action is commenced against or involving any Indemnitee or, to the knowledge of Indemnitee, threatened to be commenced, Indemnitee shall promptly notify the Company thereof.

b. Approval of Indemnification. Upon the final disposition of an Action, or of any part of an Action, to the extent that Indemnitee or, if the Company assumed the defense pursuant to Paragraph 2c, the Company, is successful on the merits in defending the Action or partial Action, the Company shall, within sixty (60) days of a written request by Indemnitee, itemizing the Expenses and providing reasonable documentation thereof, reimburse Indemnitee for all Expenses and/or Liabilities. "Success on the merits" shall be deemed to include any settlements of claims for amounts which independent counsel advises the Company are comparable to or less than the anticipated aggregate costs of defending an Action based on such claim. To the extent that Indemnitee or, if the Company assumed the defense, the Company, is not successful on the merits or otherwise in defending the Action, Indemnitee shall be indemnified against Expenses and/or Liabilities unless it is found that Indemnitee breached or failed to perform a duty owed by Indemnitee to the Company and that such breach or failure to perform constituted (i) a willful failure to deal fairly with the Company or its shareholders in connection with a matter in which Indemnitee had a material conflict of interest, (ii) a violation of the criminal law, unless Indemnitee had reasonable cause to believe that her conduct was lawful or had no reasonable cause to believe her conduct was unlawful, (iii) a transaction from which Indemnitee derived an improper personal benefit, or (iv) willful misconduct. Such finding shall be made by one of the following, which may be designated by Indemnitee: (i) a quorum of the Company's directors who are not at the time parties to the Action, or if such a quorum cannot be obtained, by majority vote of a committee duly appointed by the board of directors and consisting solely of two (2) or more directors not at the time parties to the Action; (ii) the Company's shareholders who are not at the time parties to the Action; (iii) independent legal counsel, or (iv) a panel of three (3) arbitrators, with one to be selected by Indemnitee, one to be selected by the directors or committee members described in (i) hereof,

and the third to be selected by the other two. It shall be presumed that the Indemnitee has acted with the requisite intent and/or knowledge for indemnification, and the burden of proving that Indemnitee did not shall be on the Company.

c. Conduct of Defense. So long as there is no conflict of interest between Indemnitee and the Company, the Company shall have the right to assume the defense of any Action. In such an event, legal expenses paid by the Company which are attributable to the defense of Indemnitee shall be deemed to have been advanced to Indemnitee, and the Company shall be entitled to the assurances of repayment provided in Paragraph 3 of this Agreement.

d. Consent to Settlements. The Company shall not be liable pursuant to this Agreement for Expenses incurred in connection with or as a result of the settlement of an Action which is effected without its written consent.

3. Advancement of Expenses. The Company shall advance Expenses prior to final resolution of an Action upon request and upon receipt of a written statement by Indemnitee of her good faith belief that Indemnitee did not breach or fail to perform her duties to the Company, and of adequate assurances by Indemnitee that such Expenses will be repaid to the Company if it is determined that Indemnitee was not entitled to indemnification pursuant to paragraph 2b of this Agreement.

4. Expenses to Enforce. In the event that the Company fails to indemnify Indemnitee pursuant to this Agreement, any expenses reasonably incurred by Indemnitee in successfully enforcing this Agreement shall be reimbursed by the Company.

5. Witness Expenses. Upon request, the Company shall pay or reimburse any and all Expenses reasonably incurred by Indemnitee in connection with her appearance as a witness in any Action involving the Company in which Indemnitee has not been named or threatened to be named as a party.

6. Insurance. The Company may purchase and maintain insurance on behalf of Indemnitee for any liability arising out of Indemnitee's status as an officer of the Company or in any of the other capacities described in Paragraph 1a, regardless of whether the Company would otherwise have the power to indemnify Indemnitee against such liability. The Company will have no obligation to Indemnitee pursuant to this Agreement for any sums for which payment is actually made under any insurance policy, whether or not maintained by the Company, except with respect to any excess beyond the amount of payment under such insurance policy.

7. Non-exclusivity of Agreement. The indemnification provided by this Agreement shall not be exclusive of any other rights to indemnification to which Indemnitee may be entitled by law, other agreement, vote of shareholders or directors, court order, or otherwise.

8. Other Indemnification. With respect to any Expenses and/or Liabilities incurred in connection with or arising from Indemnitee serving at the Company's request any other organization or entity, the indemnification provided by this Agreement shall be deemed excess, rather than primary, and Indemnitee must proceed to obtain all such indemnification provided by such other organization, insurer or entity prior to enforcing this Agreement. Upon request, Indemnitee shall provide the Company with copies of indemnification agreements or with such other information as the Company may request about any insurance or indemnification provided by such other entity, organization or insurer.

9. Partial Invalidity. If this Agreement or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, the Company shall nevertheless indemnify Indemnitee as to Expenses and Liabilities to the full extent permitted by any applicable portion of this Agreement that shall not have been invalidated.

10. Notice. Any notice required or permitted hereunder shall be sent to the Company at:

Twin Disc Incorporated
1328 Racine Street
Racine, WI 53403
Attn: _____

and to Indemnitee at:

(Name)
Twin Disc, Inc.

1328 Racine Street
Racine, WI 53403

11. Counterparts. This Agreement may be executed in any number of counterparts, which together shall constitute an original.

12. Modification. This Agreement represents the complete understanding of the parties with respect to its subject matter, and supersedes any prior written or oral understandings, agreements, or communications. It may only be modified by a writing signed by Indemnatee and the Company.

13. Assignment. This Agreement may not be assigned in whole or in part by either party without the consent of the other. In any event, an assignment shall not release the assignor from any liabilities hereunder.

14. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Wisconsin.

15. Consent to Jurisdiction. The Company and Indemnatee each irrevocably consent to the jurisdiction of the courts of the State of Wisconsin for all purposes in connection with any action or proceeding which arises out of or relates to this Agreement, and agree that any action instituted under this Agreement shall be brought only in the state courts of the State of Wisconsin.

16. Successors. This Agreement shall inure to the benefit of the heirs and personal representatives of Indemnatee, and shall be binding upon any successor to the Company, including, without limitation, any successor by way of merger or consolidation.

TWIN DISC, INCORPORATED

By _____

Its _____

(Name)

RACINE, WISCONSIN-August 2, 2005-Twin Disc, Inc. (NASDAQ: TWIN), today announced improved financial results for the fiscal 2005 fourth quarter and full year ended June 30, 2005. Sales in fiscal 2005 were the highest in the Company's 87-year history and net income was the highest since fiscal 1998.

Net sales for the fourth quarter of fiscal 2005 increased 8.4 percent to \$61,923,000 from \$57,146,000 for the same period last year as a result of good industry trends, especially from the Company's oil and military customers. The Company's Rolla operation, which was acquired at the end of fiscal 2004, contributed approximately \$1,400,000 to sales.

Profitability in the quarter continued to improve from the implementation of cost reduction programs, a better product mix and selective price increases, which absorbed higher steel, energy and shipping costs. The gross margin in the fiscal 2005 fourth quarter improved to 27.7 percent from 26.6 percent in the same period a year ago. For the fiscal 2005 fourth quarter, net income was \$3,141,000, or \$1.08 per diluted share, compared with last year's restated net income of \$2,867,000, or \$1.00 per diluted share. Operating income was reduced by a \$2,076,000 charge relating to the restructuring of the Company's Belgium operation. During the fourth quarter of fiscal 2005, the Company undertook certain business restructuring activities which will allow them to utilize previously un-benefited foreign tax credits. These restructuring activities resulted in a \$1,700,000 tax benefit during the fourth quarter.

Net sales for the 2005 full year increased 17.4 percent to \$218,472,000 compared with last year's \$186,089,000. For the year, the Company's Rolla operation contributed over \$6,100,000 to sales. The gross margin for fiscal 2005 increased slightly to 26.3 percent compared with 25.9 percent last year. Net income for 2005 increased 22.5 percent to \$6,910,000, or \$2.38 per diluted share compared with a restated \$5,643,000, or \$1.98 per diluted share last year.

Michael E. Batten, Chairman and Chief Executive Officer, said, "We were very pleased that the sales and earnings expansion that started in the second half of fiscal 2003, continued throughout this year. Sales throughout all of our business segments were strong.

"We are pleased with these improving results as we build a stronger mix of business, which should better position us to continue to face the cyclical challenges of our business. We are a stronger company today as we have continually focused on enhancing shareholders' value by increasing the returns on our assets and using the talents of our people. The restructuring of our Belgium operation is expected to provide annual future benefits ranging from \$500,000 to \$1,000,000. Although we continue to be affected by inflated prices for raw materials, especially oil and steel, we have programs in place to help cushion these rising costs.

"We made significant strides in strengthening our balance sheet throughout 2005 because of strong asset management and these financial improvements. At year end, we had \$11,614,000 in cash, which increased almost \$2,500,000 since June 30, 2004 despite spending almost \$12,000,000 for capital expenditures and contributing nearly \$8,000,000 to fund the Company's pension plan. As a result of an on-going reduction program, inventory as a percentage of sales decreased 400 basis points to 22.2 percent. In addition, we have now purchased 38,246 shares of our common stock for \$827,000, at an average price of \$21.62, since reactivating our stock purchase plan on April 20, 2005."

Mr. Batten concluded, "Our backlog of orders to be shipped over the next six months, at the end of our fiscal year, which excludes Rolla, was \$62,000,000. This backlog was 25.4 percent higher than it was at June 30, 2004 and 102.5 percent higher than at June 30, 2003. Beginning in the first quarter of fiscal 2006, we will include Rolla's backlog in our total figures. In total, we are encouraged by our marketing activities and incoming order rates and are optimistic that our momentum will position us in 2006 to achieve higher sales, net income and earnings per share."

Christopher J. Eperjesy, Vice President - Finance/Treasurer and Chief Financial Officer, stated, "At June 30, 2005, shareholders' equity increased to \$66,899,000, or \$23.01 per diluted share - up 13.9 percent, from last year's restated \$58,716,000. Our accounts receivable and inventories were flat compared with the same period last year, while our sales grew significantly over 2004. Total debt, at year-end, declined slightly to \$21,329,000 from last year's \$21,438,000. With our strong cash position and balance sheet, we are positioned to continue our capital investment programs for machinery and systems to further improve our efficiencies, and to make an accretive acquisition when the opportunity occurs."

Twin Disc, Inc., designs, manufactures and internationally distributes heavy-duty off-highway power transmission equipment for the construction, industrial, government, marine, agricultural and energy and natural resources markets.

This press release may contain statements that are forward looking as defined by the Securities and Exchange Commission in its rules, regulations and releases. The Company intends that such forward-looking statements be subject to the safe harbors created thereby. All forward-looking statements are based on current expectations regarding important risk factors including those identified in the Company's most recent periodic report and other filings with the Securities and Exchange Commission. Accordingly, actual results may differ materially from those expressed in the forward-looking statements, and the making of such statements should not be regarded as a representation by the Company or any other person that the results expressed therein will be achieved.

--Financial Results Follow--

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except per-share data; unaudited)

	June 30, 2005 ----	June 30, 2004* ----
ASSETS		
Current assets:		
Cash and cash equivalents	\$11,614	\$ 9,127
Trade accounts receivable, net	37,751	37,091
Inventories, net	48,481	48,777
Deferred income taxes	7,064	4,216
Other	3,485	3,111
	-----	-----
Total current assets	108,395	102,322
Property, plant and equipment, net	40,331	33,222
Goodwill	12,854	12,717
Deferred income taxes	14,600	16,955
Other assets	9,115	9,406
	-----	-----
	\$185,295	\$174,622
	-----	-----
	-----	-----
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Notes payable	\$3,522	\$1,607
Current maturities on long-term debt	2,849	3,018
Accounts payable/Bank Overdraft	21,746	17,241
Accrued liabilities	30,593	27,262
	-----	-----
Total current liabilities	58,710	49,128
Long-term debt	14,958	16,813
Accrued retirement benefits	44,137	49,456
	-----	-----
	117,805	115,397
Minority interest	591	509
Shareholders' equity:		
Common stock	11,653	11,653
Retained earnings	89,316	84,428
Unearned Compensation	(203)	(304)
Accumulated other comprehensive loss	(17,567)	(20,301)
	-----	-----
	83,199	75,476
Less treasury stock, at cost	16,300	16,760
	-----	-----
Total shareholders' equity	66,899	58,716
	-----	-----
	\$185,295	\$174,622
	-----	-----
	-----	-----

*As restated

CHANGE OF CONTROL SEVERANCE AGREEMENT

THIS AGREEMENT is executed and entered into as of this ___ day of July, 2005, by and between Twin Disc, Incorporated, a Wisconsin corporation, with its principal offices located at 1328 Racine Street, Racine, Wisconsin ("Corporation"), and _____ ("Employee").

WITNESSETH:

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

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

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

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

WHEREAS, the Corporation previously entered into a Change in Control Severance Agreement with Employee, but due to the enactment of section 409A of the Internal Revenue Code, the Corporation and Employee desire to terminate that agreement and replace it with the existing Agreement.

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

1. Term of Agreement; Replacement of Prior Agreement. This Agreement shall commence as of the date hereof and shall continue in effect until November 1st, 2005; provided, however, that commencing on November 1, 2005, and each November 1st thereafter, the term of this Agreement shall automatically be extended for one additional year unless, not later than August 1 of that year, the Corporation shall have given notice that it does not wish to extend this Agreement; provided, further, if a Change in Control (as defined in Section 2 below) of the Corporation shall have occurred during the original or extended term of this Agreement, this Agreement shall continue in effect for a period of twenty-four (24) months beyond the month in which such Change in Control of the Corporation occurred.

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

2. Change in Control of the Corporation.

(a) No benefits shall be payable hereunder unless there shall have been a Change in Control of the Corporation, as set forth below. For purposes of this Agreement, a "Change in Control of the Corporation" shall mean a change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act") whether or not the Corporation is then subject to such reporting requirement; provided that without limitation, such a change in control shall be deemed to have occurred if:

(i) any "person" (as defined in Sections 13(d) and 14(d) of the Exchange Act) other than Michael Batten or any member of his family (the "Batten Family"), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing thirty percent (30%) or more

of the combined voting power of the Corporation's then outstanding securities;

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

(iii) the shareholders of the Corporation approve a merger or consolidation of the Corporation with any other corporation, other than a merger or consolidation which would result in the voting securities of the Corporation outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 80% of the combined voting power of the voting securities of the Corporation or such surviving entity outstanding immediately after such merger or consolidation, or the shareholders of the Corporation approve a plan of complete liquidation of the Corporation or an agreement for the sale or disposition by the Corporation of all or substantially all the Corporation's assets.

(b) For purposes of this Agreement a "Potential Change in Control of the Corporation" shall be deemed to have occurred if (i) the Corporation enters into an agreement, the consummation of which would result in the occurrence of a Change in Control of the Corporation, (ii) any person (including the Corporation) publicly announces an intention to take or to consider taking actions which if consummated would constitute a Change in Control of the Corporation, (iii) any person, other than a member of the Batten Family or a trustee or other fiduciary holding securities under an employee benefit plan of the Corporation or a corporation owned, directly or indirectly, by the shareholders of the Corporation in substantially the same proportions as their ownership of stock of the Corporation, who is or becomes the beneficial owner, directly or indirectly, of securities of the Corporation representing 9.5% or more of the combined voting power of the Corporation's then outstanding securities, increases his beneficial ownership of such securities by 5% or more over the percentage so owned by such person on the date hereof; or (iv) the Board adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control of the Corporation has occurred. Employee agrees that, subject to the terms and conditions of this Agreement, in the event of a Potential Change in Control of the Corporation, Employee shall not terminate his employment with the Corporation until the earliest of (i) a date which is six (6) months from the occurrence of such Potential Change in Control of the Corporation, (ii) the termination by Employee of his employment by reason of Disability or Retirement (at Employee's normal retirement age), as defined in Subsection 3(a) hereof, or (iii) the occurrence of a Change in Control of the Corporation.

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

(a) Disability; Retirement. If, as a result of Employee's incapacity due to physical or mental illness, Employee shall have been absent from the full-time performance of his duties with the Corporation for six (6) consecutive months, and within thirty (30) days after written notice of termination is given, Employee shall not have returned to the full-time performance of his duties, the Corporation may terminate Employee's employment for "Disability." Termination by the Corporation or by Employee of Employee's employment by reason of "Retirement" shall mean termination on or after Employee's "Normal Retirement Date" as defined in Section 4.1 of Twin Disc Incorporated Supplemental Retirement Plan, Approved June 21, 1984 and Amended July 28, 2005 (the "Supplemental Retirement Plans"), as applicable to Employee, as of the date hereof, or in accordance with any retirement arrangement established with Employee's consent, with respect to Employee.

(b) Cause. Termination by the Corporation of Employee's employment for

"Cause" shall mean termination upon (i) the willful and continued failure by Employee to substantially perform his duties with the Corporation (other than any such failure resulting from termination for Good Reason) after a demand for substantial performance is delivered to Employee that specifically identifies the manner in which the Corporation believes that Employee has not substantially performed his duties, and Employee has failed to resume substantial performance of his duties on a continuous basis within fourteen (14) days of receiving such demand, (ii) the willful engaging by Employee in conduct which is demonstrably and materially injurious to the Corporation, monetarily or otherwise or (iii) Employee's conviction of a felony or conviction of a misdemeanor which materially impairs Employee's ability substantially to perform his duties with the Corporation or (iv) commission of an act of fraud or material dishonesty involving the Corporation. For purposes of this Subsection, no act or failure to act, on Employee's part shall be deemed "willful" unless done, or omitted to be done, by Employee not in good faith and without reasonable belief that his action or omission was in the best interest of the Corporation.

(c) Good Reason. Employee shall be entitled to terminate his employment for Good Reason. For purposes of this Agreement, "Good Reason" shall mean, without Employee's express written consent, the occurrence after a Change in Control of the Corporation of any one or more of the following:

(i) the assignment to Employee of duties, responsibilities or status inconsistent with his present duties, responsibilities and status as _____ of the Corporation or a reduction or alteration in the nature or status of Employee's duties and responsibilities from those in effect as of the date hereof;

(ii) a reduction by the Corporation in Employee's base salary as in effect on the date hereof or as the same shall be increased from time to time ("Base Salary");

(iii) the Corporation's requiring Employee to be based at an office location other than in southeastern Wisconsin;

(iv) the failure by the Corporation to continue in effect the Corporation's Salaried Retirement Plan, Supplemental Retirement Plan, Choice Plan (Cafeteria plan under section 125 for qualified group insurance benefits), Incentive Bonus Program, The Accelerator 401(k) Savings Plan, Executive Life Insurance Program, Travel Accident Insurance, Qualified and Non-Qualified Stock Option Plans or any other of the Corporation's employee benefit plans, policies, practices or arrangements in which Employee participates or the failure by the Corporation to continue Employee's participation therein on substantially the same basis, both in terms of the amount of benefits provided and the level of Employee's participation relative to other participants, as existed as of the date hereof;

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

(vi) any purported termination by the Corporation of Employee's employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Subsection (d) below, and for purposes of this Agreement, no such purported termination shall be effective. Employee's right to terminate his employment pursuant to this Subsection shall not be affected by his incapacity due to physical or mental illness. Employee's continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason hereunder.

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

(e) Date of Termination. "Date of Termination" shall mean the date specified in the Notice of Termination where required or in any other case the date upon which Employee ceases to perform services to the Corporation; provided that if within thirty (30) days after any Notice of Termination one party notifies the other party that a dispute exists concerning the termination, the Date of Termination shall be the date

finally determined to be the Date of Termination, either by mutual written agreement of the parties or by the final nonappealable determination of a court of competent jurisdiction.

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

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

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

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

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

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

(B) the Corporation shall pay as severance benefits to Employee, not later than the date specified in Subsection (g) below, a lump sum severance payment equal to the product of (i) the sum of (I) Employee's annual Base Salary in effect immediately prior to the occurrence of the circumstances giving rise to such termination, and (II) the most recent annual bonus awarded to Employee; times (ii) the lesser of (I) 2.50 or (II) the number of whole and fractional years occurring between Employee's Date of Termination and his Normal Retirement Date as set forth in the Supplemental Retirement Plans;

(C) in lieu of shares of common stock of the Corporation ("Option Shares") issuable upon exercise of outstanding options ("Options"), if any, granted to Employee under the Corporation's 1988 Incentive Stock Option Plan and 1988 Non-Qualified Stock Option Plan, the 1998 Incentive Compensation Plan, and the 2004 Stock Incentive Plan, together with any additional, substitute or successor option program or plan as may be in effect from time to time, (which Options shall be canceled upon the making of the payment referred to below), Employee shall receive an amount in cash equal to the product of (i) the higher of the closing price of shares reported on the NASDAQ Stock Market on the Date of Termination or the highest per share price for Option Shares actually paid in connection with any Change in Control of the Corporation, over the per share exercise price of each Option held by Employee, times (ii) the number of Option Shares covered by each such Option;

(D) for a twenty-four (24) month period after such termination, the Corporation will arrange to provide Employee, at the Corporation's expense, with benefits under the Corporation's applicable employee fringe benefit plans, which benefits shall be the same or substantially similar to the benefits Employee was receiving immediately prior to the Notice of Termination; but in no event shall Employee be provided the benefits described herein after his Normal Retirement Date; and provided further that benefits otherwise receivable by Employee pursuant to this Subsection (D) shall be reduced to the extent comparable benefits are actually received by Employee during the

twenty-four (24) month period following Employee's termination and any such benefits actually received by Employee shall be reported to the Corporation.

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

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

(g) The payments provided for in Subsection (d) above shall be made no later than the tenth (10th) day following the Date of Termination; provided; however, that if the amounts of such payments cannot be finally determined on or before such day, the Corporation shall pay to Employee on such day an estimate as determined in good faith by the Corporation of the minimum amount of such payments and shall pay the remainder of such payments (together with interest at the rate provided in Section 1274(b)

(2)(B) of the Code) as soon as the amount thereof can be determined but in no event later than the thirtieth (30th) day after the Date of Termination; and provided further that if Employee is a "Key Employee" as defined in Section 409A of the Internal Revenue Code, as amended, such payments, to the extent they constitute deferred compensation under Section 409A pursuant to guidance issued by the Internal Revenue Service, shall be made on the date which is 6 months after the date of Termination of Employment. In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by the Corporation to Employee payable on the tenth (10th) day after demand by the Corporation (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code).

(h) The Corporation shall also pay to Employee all legal fees and expenses incurred by Employee as a result of such termination of employment (including all such fees and expenses, if any, incurred in contesting or disputing any such termination or in seeking to obtain or enforce any right or benefit provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of Section 4999 of the Code to any payment or benefit provided hereunder).

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

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

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

5. Successors; Binding Agreement.

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

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

6. Administration of Agreement; Claims Procedures.

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

interpret this Plan.

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

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

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

If the Committee determines that the Employee terminated employment due to disability, and the Employee wishes to submit the claim for a hearing and review, the Employee must file the claim for review no later than 180 days after receiving written notification of the denial of his claim for benefits. The Employee may submit written documents and other information relating to the claim. The review will be conducted by an appropriate named fiduciary of this Agreement who is neither the person who denied the initial claim nor a subordinate of that person, and no deference will be given to the initial decision of the claim. If the claim is based on a medical judgment, the person conducting the review will consult with an appropriate health care professional (but not the same professional who was consulted in connection with the original denial of the claim, or his or her subordinate), and will, upon the request of the Employee, provide the Employee with the names of all medical or vocational experts whose advice was obtained in connection with the original denial of the claim. A hearing on the claim will be conducted within 45 days. At the hearing, or prior to the hearing upon 5 business days' written notice to

the Committee, the Employee may review all pertinent documents relating to the denial of the claim. If the review of the claim is denied, the Employee will be provided with written notice of this denial within 45 days after the Committee's receipt of the written claim for review. There may be times when this 45 day period may be extended. This extension may only be made, however, where there are special circumstances that are communicated to the Employee in writing within the 45 day period. If the decision on review is not furnished to the Employee within the time limitations described above, the claim shall be deemed denied on review.

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

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

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

(a) If to the Corporation:
Twin Disc, Incorporated
1328 Racine Street
Racine, Wisconsin 53403

(b) If to Employee:

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

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

10. Compliance with Code Section 409A Notwithstanding anything in this Severance Agreement to the contrary, to the extent any payments paid or payable to Employee are subject to Section 409A of the Internal Revenue Code, as amended, all such payments shall comply with Code Section 409A and any related regulations or guidance.

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

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

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

TWIN DISC, INCORPORATED

By:

Attest:

EMPLOYEE:

(Name)
