

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 24, 2008

Twin Disc, Incorporated

(exact name of registrant as specified in its charter)

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

1328 Racine Street Racine, Wisconsin 53403

(Address of principal executive offices)

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

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

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

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

At its meeting on July 24, 2008, the Compensation Committee of the Board of Directors of Twin Disc, Incorporated (the "Company") (i) increased the base salaries and (ii) approved the targets for fiscal 2009 bonuses, for the Company's principal executive officer, principal financial officer, and certain of the Company's "named executive officers" (as used in Instruction 4 to Item 5.02 of Form 8-K), as follows:

| Name and Position  | New Base Salary | Target Bonus as<br>% of Base Salary |
|--|-----------------|-------------------------------------|
| Michael E. Batten<br>Chairman and Chief<br>Executive Officer                                     | \$546,000       | 70%                                 |
| John H. Batten<br>President and Chief<br>Operating Officer                                       | \$300,000       | 50%                                 |
| Christopher J. Eperjesy<br>Vice President - Finance,<br>Chief Financial Officer<br>and Treasurer | \$286,000       | 50%                                 |
| James E. Feiertag<br>Executive Vice President  | \$286,000       | 50%                                 |
| H. Claude Fabry<br>Vice President  | \$264,179       | 40%                                 |

The above increases in base salary are effective October 1, 2008, except that the increase in Mr. John Batten's base salary is retroactive to July 1, 2008, the effective date of his promotion to President of the Company. A portion of Mr. Fabry's compensation is denominated in Euro, which has been translated at the July 24, 2008 exchange rate of 1.57531.

In each case, the target incentive bonus is based on the FY 2009 Corporate Incentive Plan, which the Committee adopted and approved on July 24, 2008. The Corporate Incentive Plan establishes the target bonuses for the named executive officers based on the following factors and relative weights for each factor: corporate economic profit (70%), reduction in inventory (15%) and sales growth (15%).

On July 24, 2008, the Compensation Committee also issued performance stock awards to named executive officers of the Company under the 2004 Long Term Incentive Compensation Plan. A target number of 44,500 performance shares were awarded to the named executive officers effective July 24, 2008, subject to adjustment as described below. The performance shares will be paid out if the Company achieves certain economic profit objectives (measured as the difference between the cumulative net operating profit after taxes and the cumulative capital charge) for the cumulative three fiscal year period ending June 30, 2011. If the Company achieves the maximum 3-year cumulative economic profit goal, a recipient will earn a maximum number of performance shares. If the Company achieves the target 3-year cumulative economic profit goal, a recipient will earn the target number of performance shares. If the Company achieves the threshold 3-year cumulative economic profit goal, a recipient will earn a threshold number of performance shares. No performance shares will be earned for performance below the 3-year cumulative economic

profit threshold and no additional performance shares will be earned for performance exceeding the 3-year cumulative economic profit maximum. In the event that the Company's economic profit is between the achievement levels set forth, the percentage of performance shares awarded shall be determined by interpolation. The maximum number of performance shares that can be earned by the named executive officers pursuant to this award is 53,400. A copy of the form of the Performance Stock Award Grant Agreement is attached hereto as Exhibit 10.1 and is incorporated herein by reference.

At its meeting on July 24, 2008, the Compensation Committee also issued performance stock unit awards to named executive officers of the Company under the Twin Disc, Incorporated, 2004 Long Term Incentive Compensation Plan. A target number of 78,500 performance stock units were awarded to the named executive officers effective July 24, 2008, subject to adjustment as described below. The performance stock units will be paid out if the Company achieves certain economic profit objectives (measured as the difference between the cumulative net operating profit after taxes and the cumulative capital charge) for the cumulative three fiscal year period ending June 30, 2011. If the Company achieves the maximum 3-year cumulative economic profit goal, a recipient will earn a maximum number of performance stock units. If the Company achieves the target 3-year cumulative economic profit goal, a recipient will earn the target number of performance stock units. If the Company achieves the threshold 3-year cumulative economic profit goal, a recipient will earn a threshold number of performance stock units. No performance stock units will be earned for performance below the 3-year cumulative economic profit threshold and no additional performance stock units will be earned for performance exceeding the 3-year cumulative economic profit maximum. In the event that the Company's economic profit is between the achievement levels set forth, the percentage of performance stock units awarded shall be determined by interpolation. The maximum number of performance stock units that can be earned by the named executive officers pursuant to this award is 94,200. A copy of the form of the Performance Stock Unit Award Grant Agreement is attached hereto as Exhibit 10.2 and incorporated herein by reference.

On July 24, 2008, the Compensation Committee also issued restricted stock grants to named executive officers of the Company under the 2004 Long Term Incentive Compensation Plan. A total of 7,500 shares of restricted stock were awarded to the named executive officers effective July 24, 2008. The shares will vest in three years, provided the named executive officer remains employed as of such vesting date. The restricted stock will fully vest if the named executive officer terminates employment due to death or disability, or following a change in control of the Company. A copy of the form of the Restricted Stock Grant Agreement is attached hereto as Exhibit 10.3 and is incorporated herein by reference.

The following table shows the awards granted to the named executive officers under the 2004 Long Term Incentive Compensation Plan:

| Name        | Performance Shares<br>(Target) | Performance Stock<br>Units (Target) | Shares of<br>Restricted Stock |
|-------------|--------------------------------|-------------------------------------|-------------------------------|
| M. Batten   | 0                              | 58,000                              | 0                             |
| J. Batten   | 17,000                         | 8,000                               | 2,500                         |
| C. Eperjesy | 11,000                         | 5,000                               | 2,500                         |
| J. Feiertag | 11,000                         | 5,000                               | 2,500                         |
| H.C. Fabry  | 5,500                          | 2,500                               | 0                             |

Also on July 24, 2008, 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 10.4 and is incorporated herein by reference.

#### 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 Grant Agreement for performance shares awarded by Compensation Committee on July 24, 2008               |
| 10.2           | Form of Performance Stock Unit Award Grant Agreement for performance stock units awarded by the Compensation Committee on July 24, 2008 |
| 10.3           | Form of Restricted Stock Grant Agreement for Restricted Stock awarded by the Compensation Committee on July 24, 2008                    |
| 10.4           | Twin Disc, Incorporated, Supplemental Retirement Plan, as amended and restated on July 24, 2008   |

#### 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: July 30, 2008

Twin Disc, Inc.  
 /s/ THOMAS E. VALENTYN  
 Thomas E. Valentyn  
 General Counsel & Secretary

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 24<sup>th</sup> day of July, 2008, to memorialize an award of performance stock of even date herewith.

WHEREAS, the Company adopted a Long Term Incentive Compensation Plan in 2004, as amended in 2006 (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, effective July 24, 2008, the Committee made an award of performance stock to the Employee as an inducement to achieve the below described performance 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 24, 2008. Such performance stock award shall entitle the Employee to receive the number of shares of the Company's common stock (the "Shares") awarded pursuant to the table below if the Company achieves the economic profit objective stated below (the "Performance Objective"):

|           | Cumulative Economic Profit | Number of Shares |
|-----------|----------------------------|------------------|
| Maximum   | \$XX                       | XXXX             |
| Target    | \$XX                       | XXXX             |
| Threshold | \$XX                       | XXXX             |

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The Performance Objective is the amount of the Company's economic profit (measured as the difference between the Company's cumulative net operating profit after taxes and the Company's cumulative capital charge) for the cumulative three fiscal year period ending June 30, 2011, as specified in the table above. If the Company achieves the maximum Performance Objective as specified on the table above, the Employee will earn the maximum number of Shares. If the Company achieves the target Performance Objective as specified on the table above, the Employee will receive the target number of Shares. If the Company achieves the threshold Performance Objective stated above, the Employee will earn the threshold number of Shares. No Shares will be earned for performance below the 3-year cumulative economic profit threshold and no additional Shares will be earned for performance exceeding the 3-year cumulative economic profit maximum. In the event that the Company's economic profit is between the achievement levels set forth in the above table, the number of Shares awarded shall be determined by interpolation. Any fractional share of the Company resulting from such interpolation shall be rounded up to a whole share of the Company. The Committee shall certify whether and to what extent such Performance Objective is satisfied before any Shares are awarded. Such certification, and the issuance of Shares pursuant to such certification, shall be made within 2½ months after June 30, 2011.

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 the Employee is terminated for cause, the performance stock granted to the Employee shall be

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forfeited. The Committee shall conclusively determine whether the Employee was terminated for cause for purposes of this performance stock award.

4. Termination of Employment due to Death or Disability. If prior to attaining the Performance Objective the Employee terminates employment due to death or disability, a prorated portion of the performance stock granted shall immediately vest, and the Company shall deliver shares of Company stock underlying such prorated awards as if the maximum Performance Objective had been fully achieved. Such payment shall be made no later than 2-1/2 months after the Employee's termination of employment due to death or disability. 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, 2008, through the Employee's last day of employment, and the denominator of which is the number of days from July 1, 2008, through June 30, 2011. Any fractional share of the Company resulting from such a prorated award shall be rounded up to a whole share of the Company. The Committee shall conclusively determine whether the Employee shall be considered permanently disabled for purposes of this performance stock award.

5. Other Termination of Employment Other than Change of Control of Company. If prior to attaining the Performance Objective the Employee 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 6, the performance stock granted to the Employee shall be paid on a prorated basis if and when the Performance Objective is achieved. 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, 2008, through the Employee's last day of employment, and the denominator of which is the

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number of days from July 1, 2008, through June 30, 2011. Any fractional share of the Company resulting from such a prorated award shall be rounded up to a whole share of the Company. Shares of the Company underlying such prorated award shall be issued in the ordinary course after the determination by the Committee that the Performance Objective has been achieved (and no later than 2½ months after June 30, 2011).

6. Termination Following Change in Control. Notwithstanding Sections 3, 4 and 5 above, if an event constituting a Change in Control of the Company occurs and the Employee thereafter either terminates employment for Good Reason or is involuntarily terminated by the Company without cause, then the performance stock granted hereunder shall immediately vest and Shares of the Company underlying the award shall be delivered as if the maximum Performance Objective had been fully achieved. The delivery of such Shares shall occur within 2½ months following Employee's termination of employment. Employee's continued employment with the Company, for whatever duration, following a Change in Control of the Company shall not constitute a waiver of his or her rights with respect to this Section 6. Employee's right to terminate his or her employment pursuant to this Subsection shall not be affected by his or her incapacity due to physical or mental illness. For purposes of this Section 6:

(a) "Good Reason" shall mean any of the following, without the Employee's written consent:

- (i) the assignment to Employee of duties, responsibilities or status that constitute a material diminution from his or her present duties, responsibilities and status or a material diminution in the nature or status of Employee's duties and responsibilities from those in effect as of the date hereof;
- (ii) a material reduction by the Company of Employee's base salary from his or her base salary in effect prior to the event constituting a Change in Control of the Company;

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- (iii) a material change in the geographic location at which the Employee must provide services; or
  - (iv) a material change in or termination of the Company's benefit plans or programs or the Employee's participation in such plans or programs (outside of a good faith, across-the-board reduction of general application) in a manner that effectively reduces their aggregate value.
- (b) "Change in Control of the Company" shall be deemed to occur in any of the following circumstances:
- (i) if there occurs a change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act") whether or not the Company is then subject to such reporting requirement;
  - (ii) if any "person" (as defined in Sections 13(d) and 14(d) of the Exchange Act) other than 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;
  - (iii) if during any period of two (2) consecutive years (not including any period prior to the execution of this Agreement) there shall cease to be a majority of the Board comprised as follows: individuals who at the beginning of such period constitute the Board and any new director(s) whose election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved; or
  - (iv) 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.

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

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

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:

\_\_\_\_\_

[NAME]

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# PERFORMANCE STOCK UNIT AWARD GRANT AGREEMENT

THIS PERFORMANCE STOCK UNIT AWARD GRANT AGREEMENT (the "Agreement"), by and between TWIN DISC, INCORPORATED (the "Company") and \_\_\_\_\_ (the "Employee") is dated as of the 24<sup>th</sup> day of July, 2008, to memorialize an award of performance stock units of even date herewith.

WHEREAS, the Company adopted a Long Term Incentive Compensation Plan in 2004, as amended in 2006 (the "Plan"), whereby the Compensation Committee of the Board of Directors (the "Committee") is authorized to grant awards of various types to certain key employees of the Company; and WHEREAS the Company amended the Plan on January 20, 2006, to authorize the award of performance stock units, which entitle an employee of the Company receiving such an award to a cash payment equal to the value of the common stock of the Company if the Company achieves a predetermined performance objective; and WHEREAS, effective July 24, 2008, the Committee made an award of performance stock units to the Employee as an inducement to achieve the below described performance 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 Unit 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 an award of performance stock units effective July 24, 2008. Such performance stock units entitle the Employee to receive a cash payment equal to the product of the number of units awarded pursuant to the table below, multiplied by the fair market value of

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the Company's common stock as of June 30, 2011, if the Company achieves the economic profit objective stated below (the "Performance Objective"):

|           | Cumulative Economic Profit | Number of Performance<br>Stock Units |
|-----------|----------------------------|--------------------------------------|
| Maximum   | \$XX                       | XXXX                                 |
| Target    | \$XX                       | XXXX                                 |
| Threshold | \$XX                       | XXXX                                 |

The Performance Objective is the amount of the Company's economic profit (measured as the difference between the Company's cumulative net operating profit after taxes and the Company's cumulative capital charge) for the cumulative three fiscal year period ending June 30, 2011, as specified in the table above. If the Company achieves the maximum Performance Objective as specified on the table above, the Employee will earn the maximum number of performance stock units. If the Company achieves the target Performance Objective as specified on the table above, the Employee will receive the target number of performance stock units. If the Company achieves the threshold Performance Objective stated above, the Employee will earn the threshold number of performance stock units. No performance stock units will be earned for performance below the 3-year cumulative economic profit threshold and no additional performance stock units will be earned for performance exceeding the 3-year cumulative economic profit maximum. In the event that the Company's economic profit is between the achievement levels set forth in the above table, the number of performance stock units awarded shall be determined by interpolation. The Committee shall certify whether and to what extent such Performance Objective is satisfied before any payment pursuant to a performance stock unit is made. Such certification, and payments pursuant to such certification, shall be made within 2½ months after June 30, 2011.

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

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3. Voluntary Termination of Employment Prior to Retirement/Termination for Cause. If prior to attaining the Performance Objective the 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 the Employee is terminated for cause, the performance stock units granted to the Employee shall be forfeited. The Committee shall conclusively determine whether the Employee was terminated for cause for purposes of this performance stock unit award.

4. Termination of Employment due to Death or Disability. If prior to attaining the Performance Objective the Employee terminates employment due to death or disability, a prorated portion of the performance stock units granted shall immediately vest, and the Company shall make a cash payment pursuant to such prorated awards as if the maximum Performance Objective had been fully achieved. In such event, the calculation of the cash payment due to the Employee shall be based on the fair market value of the Company's common stock as of the effective date of the Employee's termination of employment. Such payment shall be made no later than 2½ months after the Employee's termination of employment due to death or disability. The prorated award shall be determined by multiplying the full cash payment due pursuant to the vesting of the award by a fraction, the numerator of which is the number of days from July 1, 2008, through the Employee's last day of employment, and the denominator of which is the number of days from July 1, 2008, through June 30, 2011. The Committee shall conclusively determine whether the Employee shall be considered permanently disabled for purposes of this performance stock unit award.

5. Other Termination of Employment Other than Change of Control of Company. If prior to attaining the Performance Objective the Employee voluntarily terminates employment after becoming eligible for normal or early retirement under the Company's defined benefit

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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 6, the performance stock units granted to the Employee shall be paid on a prorated basis if and when the Performance Objective is achieved. The prorated award shall be determined by multiplying the full cash payment due pursuant to the vesting of the award by a fraction, the numerator of which is the number of days from July 1, 2008, through the Employee's last day of employment, and the denominator of which is the number of days from July 1, 2008, through June 30, 2011. Such prorated award shall be paid in the ordinary course after the determination by the Committee that the Performance Objective has been achieved (and no later than 2½ months after June 30, 2011).

6. Termination Following Change in Control. Notwithstanding Sections 3, 4 and 5 above, if an event constituting a Change in Control of the Company occurs and the Employee thereafter either terminates employment for Good Reason or is involuntarily terminated by the Company without cause, then all performance stock units granted hereunder shall immediately vest and a cash payment shall be made as if the maximum Performance Objective had been fully achieved. Such cash payment shall be equal to the maximum number of performance stock units granted to the Employee multiplied by the fair market value of the Company's common stock as the Employee's termination of employment. Such payment shall be made within 2½ months following Employee's termination of employment. Employee's continued employment with the Company, for

whatever duration, following a Change in Control of the Company shall not constitute a waiver of his or her rights with respect to this Section 6. Employee's right to terminate his or her employment pursuant to this Subsection shall not be affected by his or her incapacity due to physical or mental illness. For purposes of this Section 6:

(a) "Good Reason" shall mean any of the following, without the Employee's written consent:

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- (i) the assignment to Employee of duties, responsibilities or status that constitute a material diminution from his or her present duties, responsibilities and status or a material diminution in the nature or status of Employee's duties and responsibilities from those in effect as of the date hereof;
  - (ii) a material reduction by the Company of Employee's base salary from his or her base salary in effect prior to the event constituting a Change of Control of the Company;
  - (iii) a material change in the geographic location at which the Employee must provide services; or
  - (iv) a material change in or termination of the Company's benefit plans or programs or the Employee's participation in such plans or programs (outside of a good faith, across-the-board reduction of general application) in a manner that effectively reduces their aggregate value.

(b) "Change in Control of the Company" shall be deemed to occur in any of the following circumstances:

- (i) if there occurs a change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act") whether or not the Company is then subject to such reporting requirement;
- (ii) if any "person" (as defined in Sections 13(d) and 14(d) of the Exchange Act) other than 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;
- (iii) if during any period of two (2) consecutive years (not including any period prior to the execution of this Agreement) there shall cease to be a majority of the Board comprised as follows: individuals who at the beginning of such period constitute the Board and any new director(s) whose election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved; or
- (iv) 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

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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.

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

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

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:

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## RESTRICTED STOCK GRANT AGREEMENT

THIS AGREEMENT, by and between TWIN DISC, INCORPORATED (the "Company") and \_\_\_\_\_ (the "Employee") is dated this 24<sup>th</sup> day of July 2008.

WHEREAS, the Company adopted a Long Term Incentive Compensation Plan in 2004, as amended in 2006 (the "Plan"), whereby the Compensation Committee of the Board of Directors (the "Committee") is authorized to award shares of common stock of the Company to officers and key employees carrying restrictions such as a prohibition against disposition and establishing a substantial risk of forfeiture; and WHEREAS, the Committee has determined it to be in its best interests of the Company to provide the Employee with an inducement to acquire or increase his equity interest in the Company.

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

1. Stock Grant. Subject to the terms of the Plan, a copy of which has been provided to the Employee and is incorporated herein by reference, the Company grants to the Employee \_\_\_\_\_ shares of the common stock of the Company, subject to the terms and conditions and restrictions set forth below.

If at any time while this Agreement is in effect (or shares of common stock granted hereunder shall be or remain unvested while Employee's employment continues and has not yet terminated or ceased for any reason), there shall be any increase or decrease in the number of issued and outstanding shares of the Company through the declaration of a stock dividend or through any recapitalization resulting in a stock split-up, combination or exchange of such

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shares, then the Committee shall make any adjustments it deems fair and appropriate (in view of such change) in the number of shares of common stock then subject to this Agreement. If any such adjustment shall result in a fractional share, such fraction shall be disregarded.

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. Transferability. For a period of three (3) years from the date of grant the shares granted shall not be subject to sale, assignment, pledge or other transfer of disposition by the Employee, except as provided in Sections 5 or 6, or except by reason of an exchange or conversion of such shares because of merger, consolidation, reorganization or other corporate action. Any shares into which the granted shares may be converted or for which the granted shares may be exchanged in a merger, consolidation, reorganization or other corporate action shall be subject to the same transferability restrictions as the granted shares.

On the third anniversary of the date of grant, one hundred percent (100%) of the shares

granted shall become freely transferable.

4. Forfeitability. Except as provided in Section 5 of this Agreement, if the employment of the Employee shall terminate prior to the expiration of three (3) years from the date of grant other than by reason of death or permanent disability, the shares granted (or any shares into which they may have been converted or for which they may have been exchanged) shall be forfeited. If the Employee continues to be employed on the third anniversary of the date of grant, the shares shall become non-forfeitable.

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5. Termination Following Change in Control. Notwithstanding Sections 3 and 4 of this Agreement, if an event constituting a Change in Control of the Company occurs and the Employee thereafter either terminates employment for Good Reason or is involuntarily terminated by the Company without cause, the transferability provisions and the forfeitability provisions shall immediately cease to apply. Employee's continued employment with the Company, for whatever duration, following a Change in Control of the Company shall not constitute a waiver of his or her rights with respect to this Section 5. Employee's right to terminate his or her employment pursuant to this Subsection shall not be affected by his or her incapacity due to physical or mental illness. For purposes of this Section 5:

(a) "Good Reason" shall mean any of the following, without the Employee's written consent:

- (i) the assignment to Employee of duties, responsibilities or status that constitute a material diminution from his or her present duties, responsibilities and status or a material diminution in the nature or status of Employee's duties and responsibilities from those in effect as of the date hereof;
- (ii) a material reduction by the Company of Employee's base salary from his or her base salary in effect prior to the event constituting a Change in Control of the Company;
- (iii) a material change in the geographic location at which the Employee must provide services; or
- (iv) a material change in or termination of the Company's benefit plans or programs or the Employee's participation in such plans or programs (outside of a good faith, across-the-board reduction of general application) in a manner that effectively reduces their aggregate value.

(b) "Change in Control of the Company" shall be deemed to occur in any of the following circumstances:

- (i) if there occurs a change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the

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"Exchange Act") whether or not the Company is then subject to such reporting requirement;

- (ii) if any "person" (as defined in Sections 13(d) and 14(d) of the Exchange Act) other than 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;
- (iii) if during any period of two (2) consecutive years (not including any period prior to the execution of this Agreement) there shall cease to be a majority of the Board comprised as follows: individuals who at the beginning of such period constitute the Board and any new director(s) whose election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved; or
- (iv) 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.

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

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

6. Death/Disability. Upon the death or permanent disability of the Employee while employed by the Company the transferability provisions and the forfeitability provisions shall cease to apply. Whether the Employee shall be considered permanently disabled for purposes of this Plan shall be conclusively determined by the Committee.

7. Rights of Shareholder. Upon the date of issuance of certificates for shares granted, the Employee shall otherwise have all the rights of a shareholder including the right to receive dividends and to vote shares. Cash and stock dividends shall be payable to the Employee as they are paid by the Company, even if the restrictions on the shares to which such dividends relate have not yet lapsed. The certificates representing such shares shall be held by the Company for account of the Employee, and shall be delivered to the Employee as and when the shares represented thereby become non-forfeitable.

8. Section 83(b) Election. The Employee acknowledges that: (1) the stock granted pursuant to the Plan and this Agreement is restricted property for purposes of Section 83(b) of the Internal Revenue Code and that the shares granted are subject to a substantial risk of forfeiture as therein defined until the year in which such shares are no longer subject to a substantial risk of forfeiture; and (2) that the Employee may make an election to include the fair market value of the shares in income in the year of the grant in which case no income is included in the year the shares are no longer subject to a substantial risk of forfeiture. Responsibility for determining whether or not to make such an election and compliance with the necessary requirements is the sole responsibility of the Employee.

9. Restrictions on Transfer. The Employee agrees for himself and his heirs, legatees and legal representatives, with respect to all shares granted hereunder (or any securities issued in lieu of or in substitution or exchange therefore) that such shares will not be sold or transferred

except pursuant to an effective registration statement under the Securities Act of 1933, as amended, or until the Company is provided with an opinion of counsel that a proposed sale or transfer will not violate the Securities Act of 1993, as amended. The Employee represents that such shares are being acquired for the Employee's own account and for purposes of investment, and not with a view to, or for sale in connection with, the distribution of such shares, nor with any present intention of distributing such shares.

10. 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:

\_\_\_\_\_  
[NAME]



**TWIN DISC, INCORPORATED**  
**SUPPLEMENTAL RETIREMENT PLAN**

(As Amended and Restated Effective July 24, 2008)

July 24 2008

**TWIN DISC, INCORPORATED**  
**SUPPLEMENTAL RETIREMENT PLAN**  
(as amended and restated effective July 24 2008)

**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.

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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.

Effective July 24, 2008, the Committee amended and restated the Plan to comply with the final regulations issued under Section 409A of the Internal Revenue Code.

**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 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.

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- 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" or "Retire" means a Participant's Separation from Service on or after one of the retirement dates specified in Section 2.1.
  - 1.15 "Separation from Service" means a termination of employment with the Company and all affiliates within the meaning of Section 409A(a)(2)(A) of the Internal Revenue Code and the default rules set forth in Treasury Regulation section 1.409A-1(h)
  - 1.16 "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.
  - 1.17 "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.

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**SECTION II - ELIGIBILITY FOR BENEFITS**

- 2.1 Each Participant is eligible to Retire and receive a benefit under this Plan beginning on or after 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 experiences a Separation from Service before one of the Retirement dates listed in Section 2.1, his benefit shall be forfeited. Notwithstanding the foregoing, if a Participant has a Separation from Service before one of the Retirement dates listed in Section 2.1 due to becoming Disabled, he shall vest in his benefits under this Plan and shall be paid his benefits

under this Plan only as described in Section 3.4 below.

- 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.

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### 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 With respect to a Participant who experiences a Separation from Service due to becoming Disabled before reaching his Early Retirement Date or Normal Retirement Date:
- (a) Subject to subsection (b), such Participant shall vest in his benefits under the Plan on the date that he would have attained his Early Retirement Date or Normal Retirement Date (or, if later, on the first day of the seventh month following the month in which he became Disabled). The period of time that such Participant is Disabled shall be counted in determining whether and when the Participant would have attained his Early Retirement Date or Normal Retirement Date. Such Participant's 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 that would have accumulated had the Participant remained employed by the Company from the date he became Disabled until the earlier of the date he would have attained his Early Retirement Date or Normal Retirement Date.
- (b) Notwithstanding subsection (a), should a Participant who experiences a Separation from Service due to becoming Disabled before attaining his Early Retirement Date or Normal Retirement Date cease to be Disabled before vesting in his benefits under subsection (a) and refuse an offer by the Company to return to active employment with the Company in a position that is substantially comparable to the position he held when he became Disabled, his benefit under the Plan shall be forfeited.

#### 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:

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- (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, 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 3.6 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.

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### 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.

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### 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.

## Schedule for Michael E. 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(b) 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.

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## TWIN DISC, INCORPORATED, SUPPLEMENTAL RETIREMENT PLAN AS AMENDED AND RESTATED EFFECTIVE JULY 24, 2008

## Schedule for James E. Feiertag

Eligibility: This Schedule covers retirement benefits for James 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

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## TWIN DISC, INCORPORATED, SUPPLEMENTAL RETIREMENT PLAN AS AMENDED AND RESTATED EFFECTIVE JULY 24, 2008

## 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

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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

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

Schedule for Dean J. Bratel

Eligibility: This Schedule covers retirement benefits for Dean 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