



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 26, 2012**

TWIN DISC, INCORPORATED

(exact name of registrant as specified in its charter)

WISCONSIN
(State or other jurisdiction
of incorporation)

001-7635
(Commission
File Number)

39-0667110
(IRS Employer
Identification No.)

1328 Racine Street

Racine, Wisconsin 53403

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

Name and Position	Base Salary	Target Bonus as % of Base Salary
Michael E. Batten Chairman and Chief Executive Officer	\$600,000	70%
John H. Batten President and Chief Operating Officer	\$363,000	50%
Christopher J. Eperjesy Vice President – Finance, Chief Financial Officer and Treasurer	\$315,250	50%

James E. Feiertag
Executive Vice President

\$312,500

50%

H. Claude Fabry
Vice President,
International Distribution

\$242,787

40%

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

In each case, the target incentive bonus is based on the FY 2013 Corporate Incentive Plan ("CIP"), which the Committee adopted and approved on July 26, 2012. The CIP establishes the target bonuses for the named executive officers based on the following factors and relative weights for each factor: corporate economic profit (70%), inventory turns (15%) and sales growth (15%). In no event will an incentive payment under the CIP exceed 200% of the target. An incentive payment to a named executive officer under the CIP may be increased or decreased by up to 20%, at the discretion of the Committee.

On July 26, 2012, the Compensation Committee also issued performance stock awards to named executive officers of the Company under the Company's 2010 Long-Term Incentive Compensation Plan (the "Plan"). A target number of 17,515 performance shares were awarded to the named executive officers (subject to adjustment as described below), allocated as follows: Mr. J. Batten, 7,066 performance shares; Mr. Eperjesy, 5,337 performance shares; and Mr. Feiertag, 5,112 performance shares. The performance shares will be paid out if the Company achieves certain economic profit objectives (measured as the difference between the cumulative net operating profit after taxes and the cumulative capital charge) for the cumulative three fiscal year period ending June 30, 2015. If the Company achieves the maximum 3-year cumulative economic profit goal, a recipient will earn a maximum number of performance shares. If the Company achieves the target 3-year cumulative economic profit goal, a recipient will earn the target number of performance shares. If the Company achieves the threshold 3-year cumulative economic profit goal, a recipient will earn a threshold number of performance shares. No performance shares will be earned for performance below the 3-year cumulative economic profit threshold and no additional performance shares will be earned for performance exceeding the 3-year cumulative economic profit maximum. In the event that the Company's economic profit is between the achievement levels set forth, the percentage of performance shares awarded shall be determined by interpolation. The maximum number of performance shares that can be earned by the named executive officers pursuant to this award is 21,020. A copy of the form of the Performance Stock Award Grant Agreement is attached hereto as Exhibit 10.1 and is incorporated herein by reference.

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

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

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

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

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

FORWARD LOOKING STATEMENTS

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.

EXHIBIT NUMBER	DESCRIPTION
10.1	Form of Performance Stock Award Grant Agreement for targeted award of performance shares on July 26, 2012
10.2	Form of Performance Stock Unit Award Grant Agreement for targeted award of performance stock units on July 26, 2012
10.3	Form of Restricted Stock Grant Agreement for restricted stock grants on July 26, 2012
10.4	Management Agreement between Twin Disc International S.A. and H. Claude Fabry

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 1, 2012

Twin Disc, Incorporated

/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 26th day of July, 2012, to memorialize an award of performance stock of even date herewith.

WHEREAS, the Company adopted a Long-Term Incentive Compensation Plan in 2010, 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 26, 2012, 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 26, 2012. 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

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, 2015, 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, 2015.

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, the Employee voluntarily terminates employment prior to attaining age 65 (or prior to attaining age 60 with the accrual of 10 years of service with the Company and its subsidiaries) or the employment of the Employee is terminated for cause, the performance stock 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 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. The delivery of such shares shall occur (i) no later than 2½ months after the Employee's termination of employment due to death; or (ii) on the earlier of (A) the first day of the seventh month following the date of the Employee's termination of employment due to disability or (B) the date of the Employee's death. 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, 2012, through the Employee's last day of employment, and the denominator of which is the number of days from July 1, 2012, through June 30, 2015. 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 attaining age 65 (or after attaining age 60 with the accrual of 10 years of service with the Company and its subsidiaries), 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, 2012, through the Employee's last day of employment, and the denominator of which is the number of days from July 1, 2012, through June 30, 2015. 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, 2015).

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 on the earlier of (i) the first day of the seventh month following the date of the Employee's termination of employment, or (ii) the date of the Employee's death. 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 inconsistent 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 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) 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.
- (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 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 imposes on the Company any obligation to continue the employment of the Employee.

TWIN DISC, INCORPORATED

By: _____
Its: _____

EMPLOYEE:

[NAME]

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 26th day of July, 2012, to memorialize an award of performance stock units of even date herewith.

WHEREAS, the Company adopted a Long-Term Incentive Compensation Plan in 2010, whereby the Compensation Committee of the Board of Directors (the "Committee") is authorized to grant awards 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 26, 2012, 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 26, 2012. 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 the Company's common stock as of June 30, 2015 (i.e., the mean of the high and low selling prices of the Company's common stock on June 30, 2015), if the Company achieves the economic profit objective stated below (the "Performance Objective"):

	Cumulative Economic Profit	Number of Performance 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, 2015, 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, 2015.

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.

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 attaining age 65 (or prior to attaining age 60 with the accrual of 10 years of service with the Company and its subsidiaries) 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 (i) no later than 2½ months after the Employee's termination of employment due to death; or (ii) on the earlier of (A) the first day of the seventh month following the date of the Employee's termination of employment due to disability or (B) the date of the Employee's death. 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, 2012, through the Employee's last day of employment, and the denominator of which is the number of days from July 1, 2012, through June 30, 2015. 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 attaining age 65 (or after attaining age 60 with the accrual of 10 years of service with the Company and its subsidiaries), 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, 2012, through the Employee's last day of employment, and the denominator of which is the number of days from July 1, 2012, through June 30, 2015. 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, 2015).

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 on the earlier of (i) the first day

of the seventh month following the date of the Employee's termination of employment, or (ii) the date of the Employee's death. 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 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) 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.
- (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 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 imposes on the Company any obligation to continue the employment of the Employee.

TWIN DISC, INCORPORATED

By: _____
Its: _____

EMPLOYEE:

[NAME]

RESTRICTED STOCK GRANT AGREEMENT

THIS AGREEMENT, by and between TWIN DISC, INCORPORATED (the "Company") and _____ (the "Employee") is dated this 26th day of July, 2012.

WHEREAS, the Company adopted a Long-Term Incentive Compensation Plan in 2010, 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 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. Fair Market Value. The fair market value of the shares granted was Twenty Dollars and Sixty Six Cents (\$20.66) per share on the date of grant.

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

4. 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 6 or 7, 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.

5. Forfeitability. Except as provided in Section 6 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.

6. Termination Following Change in Control. Notwithstanding Sections 4 and 5 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 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 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) 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.

(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 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. 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.

8. 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.

9. 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.

10. 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.

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

TWIN DISC, INCORPORATED

By: _____
Its: _____

EMPLOYEE:

[NAME]

MANAGEMENT AGREEMENT

This agreement is entered into as of August 1, 2012 by and between **Twin Disc International S.A.**, a limited liability company duly organized and existing under the laws of the Kingdom of Belgium, with its registered office at 54 Chaussée de Namur, 1400 Nivelles, Belgium (Enterprisenummer 0400 358 293 – RMP Nivelles) (the “Company”) and **Mr. Henri Claude FABRY**, a Belgian citizen, residing at Avenue du Parc 88, 4053 Embourg, Belgium (the “Manager”).

WITNESSETH:

WHEREAS, on October 1st 2009 the Company and the Manager entered into a management agreement, with an initial term expiring on September 30, 2012;

WHEREAS the Company’s parent, TWIN DISC Inc. (the “Parent Company”) fully supports the Manager’s extension of appointment as member of the Management Committee;

WHEREAS parties wish however to adapt in mutual agreement the modalities of the management agreement dated October 1, 2009;

WHEREAS an entire new agreement is negotiated and concluded between Parties, replacing entirely the management agreement dated October 1, 2009;

NOW, THEREFORE, in consideration of the mutual promises, undertakings and covenants set forth hereinafter, the parties hereto mutually agree as follows:

Article 1. Appointment

The Company hereby agrees to extend via its Board of Directors (hereafter ‘the Board’) the Manager’s appointment as a member of its Management Committee and the Manager hereby agrees to perform the functions and carry out the duties and responsibilities as member of the Company’s Management Committee on the terms and conditions set forth hereinafter.

The above tasks may during the course of this agreement be limited or extended by the Company statutes.

All the services provided by the Manager on behalf of the Company will fall under the scope of his mandate as member of the Management Committee and thus under this Agreement.

Article 2. Conditions

The Manager’s services hereunder shall be performed at the offices of the Company in Nivelles (Belgium), or elsewhere depending on the necessary travel requirements of his position and duties hereunder.

The Manager will perform the duties under this Agreement with full commitment and to the best of its abilities, in accordance with prevailing professional standards and with the by-laws of the Company.

The Manager is free to provide services to other clients, except where this conflicts with the interests of the Company. The Company on the other hand may, at its discretion, use the services of other Managers who render similar services to the Company.

Parties agree explicitly that the Manager shall perform his services under this Management agreement as an independent contractor and in full liberty, especially but not limited to the organization of the work and the working time, as well as the manner of performance of the services is concerned. The Manager will only be liable for the final product of its Services in execution of this Management agreement and shall not be under the hierarchic supervision of the Company.

The Company will refrain from exercising any employer’s authority over the Manager. The Manager will not act as, nor consider himself as an employee of the Company, the relationship with the Company not being based on an employment contract. Considering that the Manager is an independent contractor, he is solely and exclusively responsible for all social security obligations related to the fees and/or any other amounts paid in virtue of this Management agreement.

The Manager shall hold the Company harmless from and indemnify the Company for any claim or damages resulting from or relating to the performance of the Services, or failure to comply with the obligation relating to taxes and social security.

Article 3. Term

This Agreement shall be effective for an 11 (ELEVEN) months term beginning as of August 1st, 2012 and automatically expiring on the close of business on June 30, 2013, (the “Term”).

The Parties hereby agree that this agreement shall not be subject to any automatic renewal, and that the contractual relationship ends without any further action required, on the close of business on June 30, 2013.

Article 4. Compensation

The Manager shall receive the following compensation and allowances for services rendered to the Company.

- (a) For the services as defined in article 1 of the present Agreement, the Company shall pay to the Manager a gross annual fee of 156,121 EUR (One hundred fifty-six thousand one hundred twenty-one EUROS) (hereafter referred to as "the Fee". Effective October 1st 2012 the Fee shall be increased to 160,430 EUR (One hundred sixty thousand four hundred thirty EUROS). Where the Fee does not refer to a full calendar year, the Fee will be prorated. The Fee shall be paid in monthly installments within 5 days after the end of each month.

Given the tax status of "bedrijfsleider", the payment will be done after deduction of the withholding tax. The Manager will be responsible for the payment of his social security contributions with the social insurance fund (social verzekeringfonds / caisse d'assurance social).

- (b) In addition to the Fee set forth in subsection (a) above, during the Agreement, the Manager shall be eligible to participate in the Twin Disc Corporate Incentive Plan. Such participation is discretionary and subject to an annual appointment by the Parent Company Chairman and CEO and approval by the Parent Company's Board Compensation Committee.
- (c) The Manager is also eligible to receive meal checks of 7 EUR for each workday.

Article 5. Expenses; Fringe Benefits

5.1. Expenses. The Company agrees to pay or to reimburse the Manager for all reasonable, ordinary and necessary documented business or entertainment expenses incurred during the Term in the performance of his services hereunder in accordance with the policy of the Company as from time to time in effect. The Manager, as a condition precedent to obtaining such payment or reimbursement, shall provide to the Company any and all statements, bills or receipts evidencing the travel or out-of-pocket expenses for which the Manager seeks payment or reimbursement, and any other information or materials, as the Company may from time to time reasonably require.

5.2. Benefit Plans. During the Term, the Manager and, to the extent eligible, his dependents, shall be entitled to participate in and receive all benefits under any healthcare benefit plans and/or pension plan made available generally to the Company's directors and managers, subject, however, to the generally applicable eligibility requirements and other provisions of the various plans and programs in effect from time to time.

5.3. Company car. During the Term, the Manager will have the right to use a Company car, in accordance with the Company's car policy.

Article 6. Covenants

6.1 During the course of this Agreement as well as after its termination, the Manager shall not use and shall not disclose to anyone, except as may be required by the execution of its obligations under this Agreement, any confidential information it may become aware of during the course of this Agreement.

Such information includes but is not limited to:

- all drawings, formulae, specifications, books, software, instruction manuals, daily reports, minutes of meetings, journals and accounts, business, trade and manufacturing secrets, oral or written data, whether concerning the business methods, processes, techniques or equipment of the Company, its parent company, subsidiaries or branch offices; and
- the identity of the clients, suppliers, distributors and service providers of the Company, its parent company, subsidiaries or branch offices and any other information relating to such clients, suppliers, distributors and service providers.

The Manager agrees that these restrictions shall apply whether or not any such information is marked "confidential." Confidential Information does not include information which (i) becomes generally available to the public other than by breach of this provision by the Manager or (ii) the Manager learns from a third party who is not under an obligation of confidence to the Company or a client of the Company or (iii) the Company has waived the Manager's duty of confidentiality.

The Manager further agrees that all memoranda, disks, files, notes, records or other documents, whether in electronic form or hard copy (collectively, the "Material") compiled by him or made available to him during his Term with the Company (whether or not the Material contains Confidential Information) shall be the property of the Company and shall be delivered to the Company on the termination of the Manager's employment with the Company or at any other time upon request. Except in connection with services rendered on behalf of the Company, the Manager agrees that he will not make or retain copies or excerpts of the Material.

6.2 Non-Competition/Non-Solicitation. During the Term and for a period of twelve (12) months after the termination of this Agreement, the Manager will refrain from rendering services relating to the manufacturing and sale of marine transmissions and off-road transmissions and related service or support or to become employed by or enter into any contractual relations with anyone other than Company or any of its affiliates. The present obligation to refrain from competing with the Company or any of its affiliates shall be limited to Europe, the US and Asia.

6.3 Intellectual Property. During the Term, the Manager will disclose to the Company all ideas, inventions and business plans developed by him during such period which relate directly or indirectly to the business of the Company and its subsidiaries, including without limitation, any design, logo,

slogan, advertising campaign or any process, operation, product or improvement. The Manager agrees that all patents, licenses, copyrights, trade names, trademarks, service marks, planning, marketing and/or creative policies, advertising campaigns, media campaigns, and budgets, practices, concepts, strategies, and methods of operations, financial or business projections, designs, logos, slogans and business plans developed or created by the Manager in the course of this Agreement hereunder, either individually or in collaboration with others, will be deemed works for hire and the sole and absolute property of the Company. The Manager agrees, that at the Company's request and expense, he will take all steps necessary to secure the rights thereto to the Company by patent, copyright or otherwise.

Article 7. Termination

7.1 In conformity with article 3, this Agreement will automatically expire on the close of business on June 30, 2013. The Parties hereby agree that this agreement shall not be subject to any automatic renewal, and that the contractual relationship ends without any further action required, on the close of business on June 30, 2013.

7.2 If one of the Parties wishes to terminate the Agreement before June 30, 2013, he must respect a 3 months' notice period by prior written notification as set forth in Article 8.7 below.

If the notice period is not respected by the Company, an indemnity equal to the fees earned during the not – respected notice period (Fee at the date of termination and as mentioned in article 4.a) will be due.

7.3 The Company may terminate this Agreement without any prior notice or payment of any indemnity, in the following, not limited, cases:

- a) any serious breach of the Agreement by the Manager;
- b) if the Manager is unable to perform the Services during a period of more than 2 consecutive months;
- c) Serious misconduct or a serious fault committed by the Manager;

7.4 Upon termination of this Agreement, the Manager will immediately or within 10 days after the Company's request hereto return to the Company all materials and property belonging to the Company or obtained through performance of services for the Company, e.g. but not limited to documents in whatever form containing important, sensitive or confidential information with regard to the Company or its affiliated companies or their current or planned activities. In case of violation of the above, the Company may claim compensation from the Manager for any damages caused

Article 8. General Provisions

8.1 Entire Agreement – As of August 1, 2012, this Agreement nullifies and supersedes all prior agreements, including the Management Agreement dated October 1st 2009 and the amendments thereof, and contains the entire agreement between the parties relating to the subject matter hereof. No modification, alteration or amendment of this Agreement and no waiver of any provision hereof may be made unless such modification, alteration, amendment, or waiver is set forth in writing signed by the parties hereto.

8.2 Governing Law – Competent Court This Agreement shall be construed in accordance with and governed by the laws of the Kingdom of Belgium. All disputes arising out of or in connection with this Agreement will be brought before the courts of Nivelles.

8.3 Enforceability - The failure of any party at any time to require performance by another party of any provision hereunder shall in no way affect the right of that party thereafter to enforce the same, nor shall it affect any other party's right to enforce the same, or to enforce any of the other provisions in this Agreement; nor shall the waiver by any party of the breach of any provision hereof be taken or held to be a waiver of any subsequent breach of such provision or as a waiver of the provision itself.

8.4 Assignment - This Agreement is a personal contract and the Manager's rights and obligations hereunder may not be sold, transferred, or assigned by the Manager. The rights and obligations of the Company hereunder shall be binding upon and run in favor of the successors and assigns of the Company.

8.5 Modification - This Agreement may not be orally canceled, changed, modified or amended, and no cancellation, change, modification or amendment shall be effective or binding, unless in writing and signed by the Board or a Representative thereof and the Company.

8.6 Severability; Survival - In the event any provision or portion of this Agreement is determined to be invalid or unenforceable for any reason, in whole or in part, the remaining provisions of this Agreement shall nevertheless be binding upon the parties with the same effect as though the invalid or unenforceable part had been severed and deleted. The respective rights and obligations of the parties hereunder shall survive the termination of this Agreement to the extent necessary to the intended preservation of such rights and obligations.

8.7 Notice - Any notice, request, instruction or other document to be given hereunder by any party hereto to another party shall be in writing and shall be deemed effective (i) when delivered in person; (ii) when sent by registered mail, or (iii) when sent by overnight courier to the recipient to the addresses listed at the end of this agreement.

Any party may change the address to which notices are to be sent by giving notice of such change of address to the other party in the manner herein provided for giving notice.

8.8 No Conflict – The Manager represents and warrants that he is not subject to any agreement, instrument, order, judgment or decree of any kind, or

any other restrictive agreement of any character, which would prevent him from entering into this Agreement or which would be breached by the Manager upon his performance of his duties pursuant to this Agreement.

8.9 Headings - The headings contained in this Agreement are for reference purposes only, and shall not affect the meaning or interpretation of this Agreement.

Done in Nivelles, on 1 August 2012, in two originals. Each party acknowledges receipt of its own original.

The Manager

The Company

Mr. Henri Claude FABRY
Avenue du Parc 88 President, COO
4053 EMBOURG

John H. Batten

The parties precede their signature with the words "read and approved" and initial each of the preceding pages.
