UNITED STATES
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) **June 29, 2018**

TWIN DISC, INCORPORATED

(Exact name of registrant as specified in its charter)

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

1328 Racine Street **Racine, Wisconsin 53403**

(Address of principal executive offices)

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

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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 1.01 Entry into a Material Definitive Agreement

On June 29, 2018, 2018, Twin Disc, Incorporated (the "Company") entered into a Credit Agreement (the "Credit Agreement") with BMO Harris Bank N.A. ("BMO") that provides for the assignment and assumption of the existing loans between the Company and Bank of Montreal, and subsequent amendments into a term loan (the "Term Loan") and revolving credit loans (each a "Revolving Loan" and, collectively, the "Revolving Loans," and, together with the Term Loan, the "Loans"). Pursuant to the Credit Agreement, BMO shall make the Term Loan to the Company in a principal amount not to exceed $35,000,000.00, and the Company may, from time to time prior to the maturity date, enter into Revolving Loans in amounts not to exceed, in the aggregate, $50,000,000.00 (the "Revolving Credit Commitment"). The Credit Agreement also allows the Company to obtain Letters of Credit from BMO, which if drawn upon by the beneficiary thereof and paid by BMO, would become Revolving Loans.

The Credit Agreement provides that the Company may elect that the Term Loan and each Revolving Loan to be either "LIBOR Loans" or "Eurodollar Loans." LIBOR Loans will bear interest at an annual rate equal to the sum of a specified margin (the "Applicable Margin," determined by the Company's total funded debt to EBITDA ratio) plus the Monthly Reset LIBOR Rate from time to time in effect. Eurodollar Loans will bear interest at an annual rate equal to the sum of the Applicable Margin plus the Adjusted LIBOR applicable for such Interest Period. The Adjusted LIBOR will be calculated as follows:

$$\text{Adjusted LIBOR} = \frac{\text{LIBOR}}{1 - \text{Eurodollar Reserve Percentage}}$$

In calculating the Eurodollar Rate, the Eurodollar Reserve Percentage is equal to the maximum reserve percentage at which reserves are imposed by the Board of Governors of the Federal Reserve System on "eurocurrency liabilities," as defined in such Board's Regulation D.

The Credit Agreement also provides for the issuance of Letters of Credit upon request of the Company. Letters of Credit that are drawn upon and not timely reimbursed by the Company will bear interest at an annual rate equal to the sum of the Applicable Margin plus the Base Rate in effect from time to time. The Base Rate is the greatest of: (1) the rate of interest announced or otherwise established by BMO as its prime commercial rate with possible relevant changes to such rate; (2) the sum of (a) the rate determined by BMO to be the average of the annual rates quoted to BMO by two or more Federal funds brokers selected by BMO for sale to BMO at face value of Federal funds in the secondary market in an amount equal or comparable to the principal amount for which such rate is being determined, plus (b)1/2 of 1%; and (3) the LIBOR Quoted Rate for such day plus 1.00%.

In addition to the monthly interest payments and any mandatory principal payments required by the Credit Agreement (if applicable), the Company will be responsible for paying a quarterly Revolving Credit Commitment Fee and quarterly Letter of Credit Fees. The Revolving Credit Commitment Fee will be paid at an annual rate equal to the Applicable Margin on the average daily unused portion of the Revolving Credit Commitment. The Letter of Credit Fee shall be paid at the Applicable Margin for Revolving Loans that are Eurodollar Loans on the daily average face amount of Letters of Credit outstanding during the preceding calendar quarter. The Company may prepay the Loans (or any one of the Loans), subject to certain limitations.

Borrowings under the Credit Agreement are secured by substantially all of the Company's personal property, including accounts receivable, inventory, machinery and equipment, and intellectual property, and the personal property of Mill-Log Equipment Co., Inc. ("Mill-Log"), a wholly-owned domestic subsidiary of the Company. The Company has also pledged 100% of its equity interests in certain domestic subsidiaries and 65% of its equity interests in certain foreign subsidiaries. To effect these security interests, the Company and Mill-Log entered into various amendment and assignment agreements that consent to the assignment to BMO of certain agreements previously entered into between the Company and Mill-Log with Bank of Montreal in connection with an April 22, 2016 credit agreement between the Company and Bank of Montreal, and further amended such agreements pursuant to the terms of the Credit Agreement. Specifically, the Company amended and agreed to the assignment to BMO of a Security Agreement, IP Security Agreement, and Pledge Agreement, and Mill-Log amended and agreed to the assignment to BMO of a Guaranty Agreement and Guarantor Security Agreement. The Company also amended and assigned to BMO a Negative Pledge Agreement that it has previously entered into with Bank of Montreal, pursuant to which it agreed not to sell, lease or otherwise encumber real estate that it owns except as permitted by the Credit Agreement and the Negative Pledge Agreement. The Company also entered into a Collateral Assignment of Rights under Purchase Agreement for its acquisition of Veth Propulsion Holding, B.V., described in Item 2.01 below.

Upon the occurrence of an Event of Default, BMO may take the following actions upon written notice to the Company: (1) terminate its remaining obligations under the Credit Agreement; (2) declare all amounts outstanding under the Credit Agreement to be immediately due and payable; and (3) demand the Company to immediately Cash Collateralize L/C Obligations in an amount equal to 105% of the aggregate L/C Obligations or a greater amount if BMO determines a greater amount is necessary. If such Event of Default is due to the Company's bankruptcy, BMO may take the three actions listed above without notice to the Company.

A copy of the Credit Agreement is attached to this report as Exhibit 10.1 and is incorporated herein by reference. A copy of the Amendment and Assignment of Revolving Loan Note between Bank of Montreal and BMOis attached to this report as Exhibit 10.2 and is incorporated herein by reference. Copies of the Assignment of and Amendment to Security Agreement, Assignment of and Amendment to IP Security Agreement, Assignment of and Amendment to Pledge Agreement, Assignment of and Amendment to Guaranty Agreement, Assignment of and Amendment to Guarantor Security Agreement, and Assignment of and Amendment to Negative Pledge Agreement (the "Assigned and Amended Agreements"), as well as the Collateral Assignment of Rights under Purchase Agreement (together, with the Amended and Assigned Agreements, the "Ancillary Agreements") are attached to this report as Exhibits 10.3, 10.4, 10.5, 10.6, 10.7, 10.8 and 10.9, and are hereby incorporated herein by reference. The above descriptions of the Credit Agreement and the Ancillary Agreements are qualified in their entirety by reference to the Exhibits attached hereto. Terms used herein and not otherwise defined shall have the meanings assigned to them by the Credit Agreement.

Item 2.01 Completion of Acquisition or Disposition of Assets.

On July 2, 2018, Twin Disc NL Holding, B.V. ("Twin Disc NL"), a wholly-owned subsidiary of the Company, completed its previously announced acquisition of all shares of capital stock of Veth Propulsion Holding, B.V. ("Veth Propulsion Holding") pursuant to that certain Share Purchase Agreement (the "Purchase Agreement"), dated June 13, 2018, with Het Komt Vast Goed, B.V. Veth Propulsion Holding holds all of the shares of capital stock of Exploitatiemaatschappij Veth B.V., Veth Diesel B.V., Veth Electra B.V., Veth Propulsion B.V. and Veth Thrusters B.V. (the "Veth Subsidiaries").

The Veth Subsidiaries, based in the Netherlands, are global manufacturers of highly-engineered auxiliary propulsions and propulsion machinery for maritime vessels, including rudder propellers, bow thrusters, generator sets and engine service and repair. They have a strong presence in key European maritime markets, with deep and long-standing relationships with growing customers.

Pursuant to the Purchase Agreement, Twin Disc NL paid €52,103,792 at closing, which included a base payment of €49,700,000 plus adjustments for net cash and working capital. Twin Disc NL will also pay an additional earn-out amount if the EBITDA of Veth Propulsion Holding (as defined in the Purchase Agreement) for fiscal 2018 exceeds €6,450,000. No earn-out will be owed if the EBITDA of Veth Propulsion Holding for fiscal 2018 falls below €6,450,000 and the maximum earn-out amount of €3,300,000 will be paid if the EBITDA of Veth Propulsion Holding for fiscal 2018 exceeds €6,800,000. The earn-out will be paid in the form of Company stock.

The foregoing description of the of the Purchase Agreement and the transactions contemplated thereby does not purport to be complete and is subject to, and qualified in its entirety by, the full text of the Purchase Agreement (including the exhibits thereto), a copy of which is filed as Exhibit 2.1 to the Company's Current Report Amendment No. 1 on Form 8-K/A filed June 13, 2018, which is incorporated into this Item 2.01 by reference herein.

Item 9.01 Financial Statements and Exhibits

(a) Financial Statements of Business Acquired.

The financial statements required by Item 9.01(a) are not being filed with this Current Report on Form 8-K. Such financial statements will be filed by an amendment to this Current Report on Form 8-K not later than 71 calendar days after the date on which this Current Report on Form 8-K is required to be filed.

(b) Pro Forma Financial Information.

The pro forma information required by Item 9.01(b) is not being filed with this Current Report on Form 8-K. Such pro forma financial information will be filed by an amendment to this Current Report on Form 8-K not later than 71 calendar days after the date on which this Current Report on Form 8-K is required to be filed.

(c) Exhibits.

EXHIBIT NUMBER	DESCRIPTION
2.1	Share Purchase Agreement Between Twin Disc NL Holding, B.V. and Het Komt Vast Goed, B.V., dated June 13, 2018 (Incorporated by reference to Exhibit 2.1 of the Company's Form 8-K/A dated June 13, 2018). File No. 001-07635.
10.1	Credit Agreement Between Twin Disc, Incorporated and BMO Harris Bank N.A., dated June 29, 2018.
10.2	Amendment and Assignment of Revolving Loan Note between Bank of Montreal and BMO Harris Bank, N.A., dated June 29, 2018.
10.3	Assignment of and Amendment to Security Agreement By and Among Bank of Montreal, BMO Harris Bank, N.A., and Twin Disc, Incorporated, dated June 29, 2018.
10.4	Assignment of and Amendment to IP Security Agreement By and Among Bank of Montreal, BMO Harris Bank, N.A., and Twin Disc, Incorporated, dated June 29, 2018.
10.5	Assignment of and Amendment to Pledge Agreement By and Among Bank of Montreal, BMO Harris Bank, N.A., Twin Disc, Incorporated, and Mill-Log Equipment Co., Inc., dated June 29, 2018.
10.6	Assignment of and Amendment to the Guaranty Agreement By and Among Bank of Montreal, BMO Harris Bank, N.A., and Mill-Log Equipment Co., Inc., dated June 29, 2018.
10.7	Assignment of and Amendment to Guarantor Security Agreement By and Among Bank of Montreal, BMO Harris Bank, N.A., and Mill-Log Equipment Co., Inc., dated June 29, 2018.
10.8	Assignment of and Amendment to Negative Pledge Agreement By and Among Twin Disc, Incorporated, Bank of Montreal, and BMO Harris Bank N.A., dated June 29, 2018.
10.9	Collateral Assignment of Rights under Purchase Agreement from Twin Disc, Incorporated and Twin Disc NL Holding, B.V. in favor of BMO Harris Bank N.A., dated July 2, 2018.

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 3, 2018

Twin Disc, Incorporated

/s/ Jeffrey S. Knutson
Jeffrey S. Knutson
Vice President-Finance, Chief Financial Officer, Treasurer & Secretary

Exhibit 10.1

Credit Agreement

dated as of June 29, 2018,

between

Twin Disc, Incorporated,

and

BMO Harris Bank N.A.

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CREDIT AGREEMENT

This Credit Agreement is entered into as of June 29, 2018, by and between Twin Disc, Incorporated, a Wisconsin corporation ("*Borrower*"), and BMO Harris Bank N.A., a national banking association ("*Bank*"). All capitalized terms used herein without definition shall have the meanings ascribed thereto in Section 1.1.

PRELIMINARY STATEMENTS

A. Borrower and Bank of Montreal, an Affiliate of the Bank, previously entered into that certain Credit Agreement, dated as of April 22, 2016 (the "*2016 Credit Agreement*"), whereby Bank of Montreal extended credit facilities to Borrower.

B. Borrower has requested, and Bank has agreed, to refinance the credit facilities extended by Bank of Montreal under the 2016 Credit Agreement and finance additional credit facilities, all on the terms and conditions of this Agreement.

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

SECTION 1. DEFINITIONS; INTERPRETATION.

Section 1.1 Definitions. The following terms when used herein shall have the following meanings:

"Account Debtor" means any Person obligated to make payment on any Receivable.

"Acquisition" means the acquisition by Twin Disc NL Holdings, B.V. (***"Purchaser"***), a Subsidiary of Borrower, of all of the outstanding share capital of Veth Propulsion Holding, B.V. (the ***"Target"***) from Het Komt Vast Goed, B.V. (***"Seller"***), pursuant to the Purchase Documents.

"Adjusted LIBOR" means, for any Borrowing of Eurodollar Loans, a rate per annum determined in accordance with the following formula:

$$\text{Adjusted LIBOR} = \frac{\text{LIBOR}}{\text{1 - Eurodollar Reserve Percentage}}$$

"Affiliate" means any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, another Person. A Person shall be deemed to control another Person for purposes of this definition if such Person possesses, directly or indirectly, the power to direct, or cause the direction of, the management and policies of the other Person, whether through the ownership of voting securities, common directors, trustees or officers, by contract or otherwise; *provided* that, in any event for purposes of this definition, any Person that owns, directly or indirectly, 5% or more of the securities having the ordinary voting power for the election of directors or governing body of a corporation or 5% or more of the partnership or other ownership interest of any other Person (other than as a limited partner of such other Person) will be deemed to control such corporation or other Person.

"Agreement" means this Credit Agreement, as the same may be amended, restated, supplemented, or otherwise modified from time to time pursuant to the terms hereof.

"Agreement as to Liens and Encumbrances" means the Agreement as to Liens and Encumbrances referenced in Exhibit B of the Negative Pledge Agreement, dated as of April 22, 2016, between Borrower and Bank of Montreal, as assigned to Bank pursuant to, and amended by, the Assignment of and Amendment to Agreement as to Liens and Encumbrances, dated as of the date hereof, among Borrower, Bank and Bank of Montreal, and as the same may hereafter be amended, modified, supplemented or restated from time to time.

"Applicable Margin" means, with respect to Loans, Reimbursement Obligations, and the commitment/facility fees and letter of credit fees payable under Section 2.11, until the first Pricing Date, the rates per annum shown opposite Level I below, and thereafter from one Pricing Date to the next the Applicable Margin means the rates per annum determined in accordance with the following schedule:

Level	Total Funded Debt/EBITDA Ratio for Such Pricing Date	Applicable Margin for (i) Revolving Loans and (ii) Letter of Credit Fee shall be:	Applicable Margin for Term Loans shall be:	Applicable Margin for Commitment/ Facility Fee shall be:
I	Greater than or equal to 2.50 to 1.0	2.25%	3.00%	0.15%
II	Less than 2.50 to 1.0, but greater than or equal to 1.50 to 1.0	1.75%	3.00%	0.15%
III	Less than 1.50 to 1.0	1.25%	3.00%	0.10%

For purposes hereof, the term "Pricing Date" means, for any fiscal quarter of Borrower ending on or after December 31, 2018, the date on which Bank is in receipt of Borrower's most recent financial statements (and, in the case of the year-end financial statements, audit report) for the fiscal quarter then ended, pursuant to Section 6.5. The Applicable Margin shall be established based on the Total Funded Debt/EBITDA Ratio for the most recently completed fiscal quarter and the Applicable Margin established on a Pricing Date shall remain in effect until the next Pricing Date. If Borrower has not delivered its financial statements by the date such financial statements (and, in the case of the year-end financial statements, audit report) are required to be delivered under Section 6.5, until such financial statements and audit report are delivered, the Applicable Margin shall be the highest Applicable Margin (i.e., Level I shall apply). If Borrower subsequently delivers such financial statements before the next Pricing Date, the Applicable Margin established by such late delivered financial statements shall take effect from the date of delivery until the next Pricing Date. In all other circumstances, the Applicable Margin established by such financial statements shall be in effect from the Pricing Date that occurs immediately after the end of the fiscal quarter covered by such financial statements until the next Pricing Date. Each determination of the Applicable Margin made by Bank in accordance with the foregoing shall be conclusive and binding on Borrower absent manifest error. Notwithstanding the foregoing, Bank may, in its discretion, increase the Applicable Margin on any type of Loan by two percent (2%) per annum during the existence of an Event of Default.

"Application" is defined in Section 2.3(b).

"Assumed Indebtedness" means Indebtedness of a Person which is (a) in existence at the time such Person becomes a Subsidiary of Borrower or (b) is assumed in connection with an investment in or acquisition of such Person, and in each case, has not been incurred or created by such Person in connection with, or in anticipation or contemplation of, such Person becoming a Subsidiary of Borrower.

"Authorized Representative" means those persons shown on the list of officers provided by Borrower pursuant to Section 4.1 or on any update of any such list provided by Borrower to Bank, or any further or different officers of Borrower so named by any Authorized Representative of Borrower in a written notice to Bank.

"Availability" means the lesser of: (a) the Revolving Credit Commitment minus the aggregate outstanding principal amount of Revolving Loans and L/C Obligations; and (b) the Borrowing Base minus the aggregate outstanding principal amount of Revolving Loans and L/C Obligations.

"Bank" is defined in the introductory paragraph of this Agreement.

"Base Rate" means, for any day, the rate per annum equal to the greatest of: (a) the rate of interest announced or otherwise established by Bank from time to time as its prime commercial rate as in effect on such day, with any change in the Base Rate resulting from a change in said prime commercial rate to be effective as of the date of the relevant change in said prime commercial rate (it being acknowledged and agreed that such rate may not be Bank's best or lowest rate), (b) the sum of (i) the rate determined by Bank to be the average (rounded upward, if necessary, to the next higher 1/100 of 1%) of the rates per annum quoted to Bank at approximately 10:00 a.m. (or as soon thereafter as is practicable) on such day (or, if such day is not a Business Day, on the immediately preceding Business Day) by two or more Federal funds brokers selected by Bank for sale to Bank at face value of Federal funds in the secondary market in an amount equal or comparable to the principal amount for which such rate is being determined, plus (ii) 1/2 of 1%, and (c) the LIBOR Quoted Rate for such day plus 1.00%. As used herein, the term "***LIBOR Quoted Rate***" means, for any day, the rate per annum equal to the quotient of (i) the rate per annum (rounded upwards, if necessary, to the next higher one hundred thousandth of a percentage point) for deposits in U.S. Dollars for a one-month interest period as reported on the applicable Bloomberg screen page (or such other commercially available source providing such quotations as may be designated by the Bank from time to time) as of 11:00 a.m. (London, England time) on such day (or, if such day is not a Business Day, on the immediately preceding Business Day) divided by (ii) one (1) minus the Eurodollar Reserve Percentage, provided that in no event shall the "LIBOR Quoted Rate" be less than 0.00%.

"Borrower" is defined in the introductory paragraph of this Agreement.

"Borrowing" means the total of Loans of a single type advanced, continued for an additional Interest Period, or converted from a different type into such type by Bank on a single date and, in the case of Eurodollar Loans, for a single Interest Period. A Borrowing is "advanced" on the day Bank advances funds comprising such Borrowing to Borrower, is "continued" on the date a new Interest Period for the same type of Loans commences for such Borrowing, and is "converted" when such Borrowing is changed from one type of Loans to the other, all as determined pursuant to Section 2.6.

"Borrowing Base" means, as of any time it is to be determined, the sum of:

(a) 85% of the then outstanding unpaid amount of Eligible Receivables; plus

(b) the lesser of (i) $35,000,000 and (ii) 50% of the value (computed at the lower of market or cost using the last-in/first-out method of inventory valuation applied in accordance with GAAP) of Eligible Inventory;

provided that (i) Bank shall have the right upon five (5) Business Days' notice to Borrower to reduce the advance rates against Eligible Receivables and Eligible Inventory in its reasonable discretion based on results from any field audit or appraisal of the Collateral and (ii) the Borrowing Base shall be computed only as against and on so much of such Collateral as is included on the Borrowing Base Certificates furnished from time to time by Borrower pursuant to this Agreement and, if required by Bank pursuant to any of the terms hereof or any Collateral Document, as verified by such other evidence reasonably required to be furnished to Bank pursuant hereto or pursuant to any such Collateral Document.

"Borrowing Base Certificate" means the certificate in the form of Exhibit B hereto, or in such other form acceptable to Bank, to be delivered to Bank pursuant to Sections 4.2 and 6.5.

"Business Day" means any day (other than a Saturday or Sunday) on which banks are not authorized or required to close in Milwaukee, Wisconsin. If the applicable Business Day relates to the determination of the Monthly Reset LIBOR Rate or the LIBOR Index Rate, then Business Day means any day on which banks on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London, England.

"Capital Expenditures" means, with respect to any Person for any period, the aggregate amount of all expenditures (whether paid in cash or accrued as a liability) by such Person during that period for the acquisition or leasing (pursuant to a Capital Lease) of fixed or capital assets or additions to property, plant, or equipment (including replacements, capitalized repairs, and improvements) which should be capitalized on the balance sheet of such Person in accordance with GAAP.

"Capital Lease" means any lease of Property which in accordance with GAAP is required to be capitalized on the balance sheet of the lessee.

"Capitalized Lease Obligation" means, for any Person, the amount of the liability shown on the balance sheet of such Person in respect of a Capital Lease determined in accordance with GAAP.

"Cash Collateralize" means to pledge and deposit with or deliver to Bank, as collateral for L/C Obligations, cash to be held in a Collateral Account, or, if Bank shall agree in its sole discretion, other credit support, in each case pursuant to documentation in form and substance satisfactory to Bank, in an amount equal to 105% of the aggregate L/C Obligations (or such greater amount as Bank may determine is necessary to pay the face amount thereof plus all fees and expenses expected to accrue with respect to all outstanding Letters of Credit through the expiration date of such Letters of Credit).

"CERCLA" means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. §§9601 et seq., and any future amendments.

"Change Date" means, initially the first day of the first calendar month following the Closing Date and, thereafter, the first day of every calendar month occurring after the date thereof until the next Change Date.

"Change in Law" means the occurrence, after the date of this Agreement, of any of the following: (i) the adoption or taking effect of any law, rule, regulation or treaty, (ii) any change in any law, rule, regulation or treaty or in the administration, interpretation or application thereof by any Governmental Authority or (iii) the making or issuance of any request, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

"Change of Control" means an event or series of events by which:

(a) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act, but excluding any employee benefit plan of Borrower or its Subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) becomes the "beneficial owner" (as defined in Rules 13d-4 and 13d-6 under the Exchange Act, except that a person or group shall be deemed to have "beneficial ownership" of all securities that such person or group has the right to acquire (such right, an "option right"), whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of 50% or more of the equity interests of Borrower on a fully-diluted basis (and taking into account all such equity interests that such person or group has the right to acquire pursuant to any option right); or

(b) during any period of 27 consecutive months, a majority of the members of the board of directors or other equivalent governing body of Borrower cease to be composed of individuals (i) who were members of that board or equivalent governing body on the first day of such period, (ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (iii) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body; or

(c) Borrower shall fail to own and control, beneficially and of record (directly or indirectly), the percentage of issued and outstanding equity interests of each of its Subsidiaries as set forth on Schedule 5.2, except where such failure is the result of a transaction permitted under the Loan Documents.

"Closing Date" means the date of this Agreement or such later Business Day upon which each condition described in Section 4.1 shall be satisfied or waived in a manner acceptable to Bank in its discretion.

"Code" means the Internal Revenue Code of 1986, as amended, and any successor statute thereto.

"Collateral" means all properties, rights, interests, and privileges from time to time subject to the Liens granted to Bank, or any security trustee therefor, by the Collateral Documents.

"Collateral Account" means a separate collateral account maintained with, held in the name of, and subject to the exclusive dominion and control of, Bank for the purpose of holding assets as security for, and for application by Bank (to the extent available) to, the reimbursement of any payment under any Letter of Credit then or thereafter made by Bank, and to the payment of the unpaid balance of other Obligations.

"Collateral Assignment of Rights under Purchase Agreement" means the Collateral Assignment of Rights under the Purchase Agreement by Borrower and Purchaser in favor of Bank and consented to by Seller, as amended, supplemented, modified or extended from time to time.

"Collateral Documents" means the Security Agreement, the IP Security Agreement, the Guarantor Security Agreement, the Perfection Certificate, the Negative Pledge Agreement, the Agreement as to Liens and Encumbrances, the Pledge Agreement, the Collateral Assignment of Rights under the Purchase Agreement, the Landlord Waivers and all other mortgages, deeds of trust, security agreements, pledge agreements, assignments, financing statements and other documents as shall from time to time secure or relate to the Obligations, the Hedging Liability or any part thereof.

"Commitments" means the Revolving Credit Commitment and the Term Loan Commitments.

"Commodity Exchange Act" means the Commodity Exchange Act (7 U.S.C. § 1 et seq.).

"Controlled Group" means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with Borrower, are treated as a single employer under Section 414 of the Code.

"Credit Event" means the advancing of any Loan, or the issuance of, or extension of the expiration date or increase in the amount of, any Letter of Credit.

"Default" means any event or condition the occurrence of which would, with the passage of time or the giving of notice, or both, constitute an Event of Default.

"Disposition" means the sale, lease, conveyance or other disposition of Property, other than sales or other dispositions expressly permitted under Sections 7.4(a), 7.4(b), 7.4(f), 7.4(h) or 7.4(j).

"Dollar Equivalent" means, on any date of determination, (a) with respect to any amount in U.S. Dollars, such amount and (b) with respect to any amount in Euros, the equivalent in U.S. Dollars of such amount, determined by Bank using the Exchange Rate with respect to Euros at the time in effect for such amount.

"Domestic Subsidiary" means a Subsidiary that is neither a Foreign Subsidiary nor Twin Disc (Far East) Ltd.

"EBITDA" means, with reference to any period for any Person, Net Income of such Person for such period plus all amounts deducted in arriving at such Net Income amount in respect of (a) Interest Expense for such period, (b) federal, state, and local income taxes for such period, (c) depreciation of fixed assets and amortization of intangible assets for such period, (d) restructuring charges for such period, (e) impairment charges for such period, (f) non-cash stock compensation for such period, (g) fair market value work-in-process adjustments for such period, and (h) one-time, non-recurring reasonable and documented non-capitalized transaction expenses and closing fees related to this Agreement and the Acquisition, as reviewed and reasonably approved by Bank, incurred during such period (*provided*, that such transaction expenses included under this clause (h) shall not exceed $2,000,000 in the aggregate).

"Eligible Inventory" means any raw materials or finished goods inventory of Borrower (other than packaging, crating and supplies inventory but specifically including sub-assembly inventory) which:

(a) is an asset of such Person to which it has good and marketable title, is freely assignable, and is subject to a perfected, first priority Lien in favor of Bank free and clear of any other Liens except as permitted by Section 7.2;

(b) is located in the United States of America at a Permitted Collateral Location as set forth in (and as defined in) the Security Agreement and, in the case of any location not owned by such Person, which is at all times subject to a lien waiver agreement from such landlord or other third party to the extent required by, and in form and substance satisfactory to, Bank;

(c) is not so identified to a contract to sell that it constitutes a Receivable;

(d) is not obsolete or slow moving, and is of good and merchantable quality free from any defects which might adversely affect the market value thereof;

(e) is not covered by a warehouse receipt or similar document;

(f) in the case of finished goods inventory, was produced pursuant to binding and existing purchase orders therefor to which such Person has title;

(g) is not otherwise deemed to be ineligible in the reasonable judgment of Bank (it being acknowledged and agreed that with five (5) Business Days prior written notice any inventory or categories thereof of Borrower may be deemed ineligible by Bank acting in is reasonable judgment); and

(h) if in transit, is between locations of Loan Parties or between locations of a Loan Party (or Loan Parties) and processors or vendors (excluding work-in-process) in the ordinary course of business.

"Eligible Receivables" means any Receivable of Borrower which:

(a) arises out of the sale of finished goods inventory delivered to and accepted by, or out of the rendition of services fully performed and accepted by, the Account Debtor on such Receivable, does not represent a pre-billed Receivable or a progress billing, and is net of any deposits made by or for the account of the relevant Account Debtor;

(b) is payable in U.S. Dollars and the Account Debtor on such Receivable is located within the United States of America or Canada or, if such right has arisen out of the sale of such goods shipped to, or out of the rendition of services to, an Account Debtor located in any other country, such right is either (i) secured by a valid and irrevocable transferable letter of credit issued by a lender reasonably acceptable to Bank for the full amount thereof or (ii) secured by an insurance policy on terms, and issued by EXIM Bank or another insurer, satisfactory to Bank (which in any event shall insure not less than ninety percent (90%) of the face amount of such Receivable and shall be subject to such deductions as are acceptable to Bank), and in each case which has been assigned or transferred to Bank in a manner acceptable to Bank;

(c) is the valid, binding and legally enforceable obligation of the Account Debtor obligated thereon and such Account Debtor is not (i) a Subsidiary or an Affiliate of Borrower, (ii) a shareholder, director, officer or employee of Borrower or any Subsidiary, (iii) the United States of America or Canada, or any state, province, or political subdivision thereof, or any department, agency or instrumentality of any of the foregoing, unless the Assignment of Claims Act or any similar state, provincial, or local statute, as the case may be, is complied with to the satisfaction of Bank, (iv) a debtor under any proceeding under the United States Bankruptcy Code, as amended, or any other comparable bankruptcy or insolvency law, or (v) an assignor for the benefit of creditors;

(d) is not evidenced by an instrument or chattel paper unless the same has been endorsed and delivered to Bank;

(e) is an asset of such Person to which it has good and marketable title, is freely assignable, and is subject to a perfected, first priority Lien in favor of Bank free and clear of any other Liens except as permitted by Section 7.2;

(f) is not owing from an Account Debtor who is also a creditor or supplier of such Person, and is not subject to any offset, counterclaim or other defense with respect thereto;

(g) no surety bond was required or given in connection with said Receivable or the contract or purchase order out of which the same arose;

(h) is evidenced by an invoice to the Account Debtor dated not more than five (5) Business Days subsequent to the shipment date of the relevant inventory or completion of performance of the relevant services and is issued on ordinary trade terms requiring payment within 60 days of invoice date;

(i) is not unpaid more than 90 days after the original invoice date or 60 days after the original due date, whichever comes first;

(j) is not owed by an Account Debtor who is obligated on Receivables more than 25% of the aggregate unpaid balance of which have been past due for longer than the relevant period specified in subsection (i) above unless Bank has approved the continued eligibility thereof;

(k) would not cause the total Eligible Receivables owing from the Account Debtor and its Affiliates to exceed 25% of all Receivables;

(l) does not arise from a sale on a bill and hold, guaranteed sale, sale or return, sale on approval, consignment or any other repurchase or return basis; and

(m) is not otherwise deemed to be ineligible in the reasonable judgment of Bank (it being acknowledged and agreed that with five (5) Business Days prior written notice any Receivable of Borrower may be deemed ineligible by Bank acting in its reasonable judgment).

"Environmental Claim" means any investigation, notice, violation, demand, allegation, action, suit, injunction, judgment, order, consent decree, penalty, fine, lien, proceeding or claim (whether administrative, judicial or private in nature) arising (a) pursuant to, or in connection with an actual or alleged violation of, any Environmental Law, (b) in connection with any Hazardous Material, (c) from any abatement, removal, remedial, corrective or response action in connection with a Hazardous Material, Environmental Law or order of a Governmental Authority or (d) from any actual or alleged damage, injury, threat or harm to health, safety, natural resources or the environment.

"Environmental Law" means any current or future Legal Requirement pertaining to (a) the protection of health, safety and the indoor or outdoor environment, (b) the conservation, management or use of natural resources and wildlife, (c) the protection or use of surface water or groundwater, (d) the management, manufacture, possession, presence, use, generation, transportation, treatment, storage, disposal, Release, threatened Release, abatement, removal, remediation or handling of, or exposure to, any Hazardous Material or (e) pollution (including any Release to air, land, surface water or groundwater), and any amendment, rule, regulation, order or directive issued thereunder.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute thereto.

"Euro" and "€" means the lawful currency of the European Union.

"Euro Sublimit" means the amount in Euros equal to the Dollar Equivalent of $25,000,000.

"Eurodollar Loan" means a Loan bearing interest at the rate specified in Section 2.4(b).

"Eurodollar Reserve Percentage" means the maximum reserve percentage, expressed as a decimal, at which reserves (including any emergency, marginal, special, and supplemental reserves) are imposed by the Board of Governors of the Federal Reserve System (or any successor) on "eurocurrency liabilities", as defined in such Board's Regulation D (or any successor thereto), subject to any amendments of such reserve requirement by such Board or its successor, taking into account any transitional adjustments thereto. For purposes of this definition, the relevant Loans shall be deemed to be "eurocurrency liabilities" as defined in Regulation D without benefit or credit for any prorations, exemptions or offsets under Regulation D. The Eurodollar Reserve Percentage shall be adjusted automatically on and as of the effective date of any change in any such reserve percentage.

"Event of Default" means any event or condition identified as such in Section 8.1.

"Event of Loss" means, with respect to any Property, any of the following: (a) any loss, destruction or damage of such Property or (b) any condemnation, seizure, or taking, by exercise of the power of eminent domain or otherwise, of such Property, or confiscation of such Property or the requisition of the use of such Property.

"Exchange Rate" means on any day, for purposes of determining the Dollar Equivalent of any currency other than U.S. Dollars, the rate at which such other currency may be exchanged into U.S. Dollars at the time of determination on such day as set forth on the Reuters WRLD Page for such currency. In the event that such rate does not appear on any Reuters WRLD Page, the Exchange Rate shall be determined by reference to such other publicly available service for displaying exchange rates as may be agreed upon by Bank and Borrower or, in the absence of such an agreement, such Exchange Rate shall instead be the arithmetic average of the spot rates of exchange of Borrower in the market where its foreign currency exchange operations in respect of such currency are then being conducted, at or about such time as Bank shall elect after determining that such rates shall be the basis for determining the Exchange Rate, on such day for the purchase of U.S. Dollars for delivery two (2) Business Days later; *provided* that if at the time of any such determination, for any reason, no such spot rate is being quoted, Bank may use any reasonable method it deems appropriate to determine such rate, and such determination shall be conclusive absent manifest error.

"Excluded Swap Obligation" means any Swap Obligation of any Borrower or any Subsidiary (other than the direct counterparty of such Swap Obligation) if, and to the extent that, all or a portion of the Guaranty of such Borrower or Subsidiary of, or the grant by such Borrower or Subsidiary of a security interest to secure, such Swap Obligation (or any Guaranty thereof) is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of such Borrower's or Subsidiary's failure for any reason to constitute an "eligible contract participant" as defined in the Commodity Exchange Act at the time the Guaranty of such Borrower or Subsidiary or the grant of such security interest becomes effective with respect to such Swap Obligation. If a Swap Obligation arises under a master agreement governing more than one swap, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to swaps for which such Guaranty or security interest is or becomes illegal.

"Foreign Subsidiary" means each Subsidiary which (a) is organized under the laws of a jurisdiction other than the United States of America or any state thereof or the District of Columbia, (b) conducts substantially all of its business outside of the United States of America, and (c) has substantially all of its assets outside of the United States of America.

"Funding Date" means the actual date on which the Term Loan is made by the Bank, but in no event shall such date be later than the date that is 60 days after the Closing Date.

"GAAP" means generally accepted accounting principles set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the U.S. accounting profession), which are applicable to the circumstances as of the date of determination.

"Governmental Authority" means the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

"Guarantor" and "Guarantors" each is defined in Section 6.12(a).

"Guarantor Security Agreement" means that certain Guarantor Security Agreement, dated April 22, 2016, between Guarantor and Bank of Montreal, as assigned to Bank pursuant to, and amended by, the Assignment of and Amendment to Guarantor Security Agreement, dated as of the date hereof, among Borrower, Bank and Bank of Montreal, and as the same may hereafter be amended, modified, supplemented or restated from time to time.

"Guaranty" and "Guaranties" each is defined in Section 6.12(a), including, without limitation, that certain Guaranty, dated April 22, 2016, by Guarantor in favor of Bank of Montreal, as assigned to Bank pursuant to, and amended by, the Assignment of and Amendment to Guaranty Agreement, dated as of the date hereof, among Borrower, Bank and Bank of Montreal, and as the same may hereafter be amended, modified, supplemented or restated from time to time.

"Hazardous Material" means any substance, chemical, compound, product, solid, gas, liquid, waste, byproduct, pollutant, contaminant or material which is hazardous or toxic, and includes (a) asbestos, polychlorinated biphenyls and petroleum (including crude oil or any fraction thereof) and (b) any material classified or regulated as "hazardous" or "toxic" or words of like import pursuant to an Environmental Law.

"Hazardous Material Activity" means any activity, event or occurrence involving a Hazardous Material, including the manufacture, possession, presence, use, generation, transportation, treatment, storage, disposal, Release, threatened Release, abatement, removal, remediation, handling of or corrective or response action to any Hazardous Material.

"Hedging Liability" means the liability of any Borrower or any Guarantor to the Bank, or any Affiliates of the Bank, in respect of any interest rate, foreign currency, and/or commodity swap, exchange, cap, collar, floor, forward, future or option agreement, or any other similar interest rate, currency or commodity hedging arrangement, as such Borrower or such Guarantor, as the case may be, may from time to time enter into with the Bank or its Affiliates; provided, that Hedging Liability shall not include Excluded Swap Obligations.

"Indebtedness for Borrowed Money" means for any Person (without duplication) (a) all indebtedness created, assumed or incurred in any manner by such Person representing money borrowed (including by the issuance of debt securities), (b) all indebtedness for the deferred purchase price of property or services (other than trade accounts payable arising in the ordinary course of business), (c) all indebtedness secured by any Lien upon Property of such Person, whether or not such Person has assumed or become liable for the payment of such indebtedness, (d) all Capitalized Lease Obligations of such Person, (e) all obligations of such Person on or with respect to letters of credit, bankers' acceptances and other extensions of credit whether or not representing obligations for borrowed money, and (f) all Hedging Liability of such Persons.

"Interest Expense" means, with reference to any period, the sum of all interest charges (including imputed interest charges with respect to Capitalized Lease Obligations and all amortization of debt discount and expense) of Borrower and its Subsidiaries for such period determined on a consolidated basis in accordance with GAAP.

"Interest Payment Date" means (a) with respect to any Eurodollar Loan, the last day of each Interest Period with respect to such Eurodollar Loan and on the maturity date and, if the applicable Interest Period is longer than (3) three months, on each day occurring every three (3) months after the commencement of such Interest Period, and (b) with respect to any LIBOR Loan, the last day of every calendar month and on the maturity date.

"Interest Period" means, with respect to any Borrowing of Eurodollar Loans, the period commencing on the date such Borrowing of Eurodollar Loans is advanced, continued, or created by conversion and ending 1, 2, 3, or 6 months thereafter as selected by Borrower in its notice as provided herein; *provided* that:

i. no Interest Period shall extend beyond the final maturity date of the relevant Loans;

ii. no Interest Period with respect to any portion of the Term Loans shall extend beyond a date on which Borrower is required to make a scheduled payment of principal on the Term Loans unless the aggregate principal amount of Term Loans that are Eurodollar Loans with Interest Periods expiring on or before such date equals or exceeds the principal amount to be paid on the Term Loans on such payment date;

iii. whenever the last day of any Interest Period would otherwise be a day that is not a Business Day, the last day of such Interest Period shall be extended to the next succeeding Business Day, *provided* that, if such extension would cause the last day of an Interest Period for a Borrowing of Eurodollar Loans to occur in the following calendar month, the last day of such Interest Period shall be the immediately preceding Business Day; and

iv. for purposes of determining an Interest Period for a Borrowing of Eurodollar Loans, a month means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month; *provided* that if there is no numerically corresponding day in the month in which such an Interest Period is to end or if such an Interest Period begins on the last Business Day of a calendar month, then such Interest Period shall end on the last Business Day of the calendar month in which such Interest Period is to end.

"IP Security Agreement" means that certain Intellectual Property Security Agreement, dated April 22, 2016, between Borrower and Bank of Montreal, as assigned to Bank pursuant to, and amended by, the Assignment of and Amendment to IP Security Agreement, dated as of the date hereof, among Borrower, Bank and Bank of Montreal, and as the same may hereafter be amended, modified, supplemented or restated from time to time.

"L/C Obligations" means the aggregate undrawn face amounts of all outstanding Letters of Credit and all unpaid Reimbursement Obligations.

"L/C Sublimit" means $4,000,000, as reduced pursuant to the terms hereof.

"Landlord Waivers" means the landlord subordination agreements in form and substance satisfactory to Bank received from each lessor of real property to any Borrower with respect to real property leased by any Borrower.

"Legal Requirement" means any treaty, convention, statute, law, regulation, ordinance, license, permit, governmental approval, injunction, judgment, order, consent decree or other requirement of any Governmental Authority, whether federal, state, or local.

"Letter of Credit" is defined in Section 2.3(a).

"LIBOR" means, for an Interest Period for a Borrowing of Eurodollar Loans, (a) the LIBOR Index Rate for such Interest Period, if such rate is available, and (b) if the LIBOR Index Rate cannot be determined, the arithmetic average of the rates of interest per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) at which deposits in U.S. Dollars in immediately available funds are offered to Bank at 11:00 a.m. (London, England time) two (2) Business Days before the beginning of such Interest Period by three (3) or more major banks in the interbank eurodollar market selected by Bank for delivery on the first day of and for a period equal to such Interest Period and in an amount equal or comparable to the principal amount of the Eurodollar Loan scheduled to be made as part of such Borrowing, provided that in no event shall "LIBOR" be less than 0.00%.

"LIBOR Index Rate" means, for any Interest Period, the rate per annum (rounded upwards, if necessary, to the next higher one hundred thousandth of a percentage point) for deposits in U.S. Dollars for a period equal to such Interest Period, as reported on the applicable Bloomberg screen page or any successor thereto (or such other commercially available source providing such quotations as may be designated by the Bank from time to time) as of 11:00 a.m. (London, England time) on the day two (2) Business Days before the commencement of such Interest Period. Bank's internal records of applicable interest rates (including without limitation Bank's designation of any successor interest rate index in the rate index described above shall become temporarily unavailable or shall cease to exist) shall be determinative in the absence of manifest error.

"LIBOR Loans" means Revolving Loans accruing interest at the Monthly Reset LIBOR Rate.

"Lien" means any mortgage, lien, security interest, pledge, charge or encumbrance of any kind in respect of any Property, including the interests of a vendor or lessor under any conditional sale, Capital Lease or other title retention arrangement.

"Loan" means any Revolving Loan or Term Loan, whether outstanding as a LIBOR Loan or Eurodollar Loan or otherwise, each of which is a "type" of Loan hereunder.

"Loan Documents" means this Agreement, the Notes (if any), the Applications, the Collateral Documents, the Guaranties, and each other instrument or document to be delivered hereunder or thereunder or otherwise in connection therewith.

"Loan Party" and ***"Loan Parties"*** means, each and collectively, Borrower and each Guarantor.

"Material Adverse Effect" means (a) a material adverse change in, or material adverse effect upon, the operations, business, Property, condition (financial or otherwise) or prospects of Borrower or of Borrower and its Subsidiaries taken as a whole, (b) a material impairment of the ability of Borrower or any Subsidiary to perform its material obligations under any Loan Document or (c) a material adverse effect upon (i) the legality, validity, binding effect or enforceability against Borrower or any Subsidiary of any Loan Document or the rights and remedies of Bank thereunder or (ii) the perfection or priority of any Lien granted under any Collateral Document.

"Monthly Reset LIBOR Rate" means the one month ICE Benchmark Administration (ICE) LIBOR and reported on the applicable Bloomberg screen page (or such other commercially available source providing such quotation as may be designated by Bank from time to time) as reported on the relevant Change Date (or, if such Change Date is not a Business Day, on the immediately prior Business Day), unless such rate is no longer available or published, in which case such rate shall be at a comparable substitute index rate selected by Bank with notice to Borrower; *provided* that in no event shall the "***Monthly Reset LIBOR Rate***" be less than 0.00%. Bank's internal records of applicable interest rates (including without limitation Bank's designation of any successor interest rate index in the rate index described above shall become temporarily unavailable or shall cease to exist) shall be determinative in the absence of manifest error.

"Moody's" means Moody's Investors Service, Inc.

"Negative Pledge Agreement" means the Negative Pledge Agreement executed by Borrower on April 22, 2016, recorded as Document No. 2437708 with the Racine County Register of Deeds, in favor of Bank of Montreal, as assigned to Bank pursuant to, and amended by, the Assignment of and Amendment to Negative Pledge Agreement, dated as of the date hereof, among Borrower, Bank and Bank of Montreal, and as the same may hereafter be amended, modified, supplemented or restated from time to time.

"Net Cash Proceeds" means, as applicable, (a) with respect to any Disposition by a Person, cash and cash equivalent proceeds received by or for such Person's account, net of (i) reasonable direct costs relating to such Disposition and (ii) sale, use or other transactional taxes paid or payable by such Person as a direct result of such Disposition, (b) with respect to any Event of Loss of a Person, cash and cash equivalent proceeds received by or for such Person's account (whether as a result of payments made under any applicable insurance policy therefor or in connection with condemnation proceedings or otherwise), net of reasonable direct costs incurred in connection with the collection of such proceeds, awards or other payments, and (c) with respect to any offering of equity securities of a Person or the issuance of any Indebtedness for Borrowed Money by a Person, cash and cash equivalent proceeds received by or for such Person's account, net of reasonable legal, underwriting, and other fees and expenses incurred as a direct result thereof.

"Net Income" means, with reference to any period for any Person, the net income (or net loss) of such Person for such period computed on a consolidated basis in accordance with GAAP; *provided* that there shall be excluded from Net Income (a) the net income (or net loss) of such Person accrued prior to the date it becomes a Subsidiary of, or has merged into or consolidated with, Borrower or another Subsidiary, and (b) the net income (or net loss) of such Person (other than a Subsidiary) in which Borrower or any of its Subsidiaries has an equity interest in, except to the extent of the amount of dividends or other distributions actually paid to Borrower or any of its Subsidiaries during such period.

"Tangible Net Worth" means, for any Person and at any time the same is to be determined, the difference between total assets (excluding intangibles) and total liabilities of such Person, total assets (excluding intangibles) and total liabilities each to be determined in accordance with GAAP.

"Note" and ***"Notes"*** each is defined in Section 2.10(c).

"Obligations" means all obligations of Borrower to pay principal and interest on the Loans, all Reimbursement Obligations owing under the Applications, all fees and charges payable hereunder, and all other payment obligations of Borrower or any of its Subsidiaries arising under or in relation to any Loan Document, in each case whether now existing or hereafter arising, due or to become due, direct or indirect, absolute or contingent, and howsoever evidenced, held or acquired; *provided*, that the Obligations shall not include Excluded Swap Obligations.

"OFAC" means the United States Department of Treasury Office of Foreign Assets Control.

"OFAC Event" means the event specified in Section 6.9.

"OFAC Sanctions Programs" means all laws, regulations, and Executive Orders administered by OFAC, including the Bank Secrecy Act, anti-money laundering laws (including the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Pub. L. 107-56 (a/k/a the USA Patriot Act)), and all economic and trade sanction programs administered by OFAC, any and all similar United States federal laws, regulations or Executive Orders, and any similar laws, regulators or orders adopted by any State within the United States.

"OFAC SDN List" means the list of the Specially Designated Nationals and Blocked Persons maintained by OFAC.

"PBGC" means the Pension Benefit Guaranty Corporation or any Person succeeding to any or all of its functions under ERISA.

"Perfection Certificate" means that certain Perfection Certificate, dated April 22, 2016, delivered by Borrower in favor of Bank of Montreal, as assigned to Bank pursuant to, and amended by, the Assignment of and Amendment to Perfection Certificate, dated as of the date hereof, among Borrower, Bank and Bank of Montreal, and as the same may hereafter be amended, modified, supplemented or restated from time to time.

"Person" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization or any other entity or organization, including a government or agency or political subdivision thereof.

"Plan" means any employee pension benefit plan covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code that either (a) is maintained by a member of the Controlled Group for employees of a member of the Controlled Group or (b) is maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which a member of the Controlled Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions.

"Pledge Agreement" means that certain Pledge Agreement, dated April 22, 2016, among Borrower, Guarantors and Bank of Montreal, as assigned to Bank pursuant to, and amended by, the Assignment of and Amendment to Pledge Agreement, dated as of the date hereof, among Borrower, Bank and Bank of Montreal, and as the same may hereafter be amended, modified, supplemented or restated from time to time.

"Property" means, as to any Person, all types of real, personal, tangible, intangible or mixed property owned by such Person whether or not included in the most recent balance sheet of such Person and its subsidiaries under GAAP.

"Purchase Documents" means, collectively, that certain Share Purchase Agreement dated as of June 12, 2018, by and among Purchaser and Seller (the "***Purchase Agreement***"), together with all of the agreements, documents and material closing certificates executed and delivered in connection therewith.

"RCRA" means the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976 and Hazardous and Solid Waste Amendments of 1984, 42 U.S.C. §§ 6901 et seq., and any future amendments.

"Receivables" means all rights to the payment of a monetary obligation, now or hereafter owing to Borrower, evidenced by accounts, instruments, chattel paper, or general intangibles.

"Reimbursement Obligation" means the obligation of Borrower to reimburse Bank for all drawings under a Letter of Credit.

"Release" means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, migration, dumping, or disposing into the indoor or outdoor environment, including the abandonment or discarding of barrels, drums, containers, tanks or other receptacles containing or previously containing any Hazardous Material.

"Revolving Credit Commitment" means the obligation of Bank to make Revolving Loans and to issue Letters of Credit hereunder in an aggregate principal or face amount at any one time outstanding not to exceed $50,000,000 (inclusive of the Euro Sublimit and L/C Sublimit).

"Revolving Credit Termination Date" means June 30, 2023, or such earlier date on which the Revolving Credit Commitment is terminated in whole pursuant to Section 2.13, 8.2 or 8.3.

"Revolving Loan" is defined in Section 2.2 and, as so defined, includes LIBOR Loan or a Eurodollar Loan, each of which is a "type" of Revolving Loan hereunder.

"Revolving Note" is defined in Section 2.10(c).

"S&P" means Standard & Poor's Ratings Services Group, a division of The McGraw Hill Companies, Inc.

"Security Agreement" means that certain Security Agreement, dated April 22, 2016, between Borrower and Bank of Montreal, as assigned to Bank pursuant to, and amended by, the Assignment of and Amendment to Security Agreement, dated as of the date hereof, among Borrower, Bank and Bank of Montreal, and as the same may hereafter be amended, modified, supplemented or restated from time to time.

"Subordinated Debt" means Indebtedness for Borrowed Money which is subordinated in right of payment to the prior payment of the Obligations pursuant to subordination provisions approved in writing by Bank and is otherwise pursuant to documentation that is, which is in an amount that is, and which contains interest rates, payment terms, maturities, amortization schedules, covenants, defaults, remedies and other material terms that are, in each case, in form and substance satisfactory to Bank.

"Subsidiary" means, as to any particular parent corporation or organization, any other corporation or organization more than 50% of the outstanding Voting Stock of which is at the time directly or indirectly owned by such parent corporation or organization or by any one or more other entities which are themselves subsidiaries of such parent corporation or organization. Unless otherwise expressly noted herein, the term "Subsidiary" means a Subsidiary of Borrower or of any of its direct or indirect Subsidiaries.

"Swap Obligation" means, with respect to Borrower, any obligation to pay or perform under any agreement, contract or transaction that constitutes a "swap" within the meaning of Section 1a(47) of the Commodity Exchange Act.

"***Sweep to Loan Arrangement***" means a cash management arrangement established by Borrower with Bank, as depositary, pursuant to which Bank is authorized (a) to make advances of Revolving Loans hereunder, the proceeds of which are deposited by Bank into a designated account of Borrower maintained at the Bank, and (b) to accept as prepayments of Revolving Loans hereunder proceeds of excess targeted balances held in such designated account at the Bank, which cash management arrangement is subject to such agreement(s) and on such terms acceptable to Bank.

"Term Loan" is defined in Section 2.1(a) and, as so defined, includes LIBOR Loan or a Eurodollar Loan, each of which is a "type" of Term Loan hereunder.

"Term Loan Commitment" means the obligation of Bank to make the Term Loan on the Funding Date in the principal amount not to exceed $35,000,000.

"Term Loan Termination Date" means the first to occur of (i) the date that is 18 months after the Funding Date, (ii) February 28, 2020, or (iii) such earlier date on which the Term Loan Commitment is terminated in whole pursuant to Section 8.2 or 8.3.

"Term Note" is defined in Section 2.10(c).

"Total Funded Debt" means, at any time the same is to be determined for any Person, the sum (but without duplication) of (a) all Indebtedness for Borrowed Money of such Person at such time, and (b) all Indebtedness for Borrowed Money of any other Person which is directly or indirectly guaranteed by such Person or which such Person has agreed (contingently or otherwise) to purchase or otherwise acquire or in respect of which such Person has otherwise assured a creditor against loss.

"Total Funded Debt/EBITDA Ratio" means, as of any date, the ratio of Total Funded Debt of Borrower and its Subsidiaries as of such date to EBITDA of Borrower and its Subsidiaries for the period of four fiscal quarters then ended.

"Unfunded Vested Liabilities" means, for any Plan at any time, the amount (if any) by which the present value of all vested nonforfeitable accrued benefits under such Plan exceeds the fair market value of all Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the Controlled Group to the PBGC or the Plan under Title IV of ERISA.

"Unused Revolving Credit Commitment" means, at any time, the difference between the Revolving Credit Commitment then in effect and the aggregate outstanding principal amount of Revolving Loans and L/C Obligations.

"U.S. Dollars" and "$" each means the lawful currency of the United States of America.

"Voting Stock" of any Person means capital stock or other equity interests of any class or classes (however designated) having ordinary power for the election of directors or other similar governing body of such Person, other than stock or other equity interests having such power only by reason of the happening of a contingency.

"Welfare Plan" means a "welfare plan" as defined in Section 3(1) of ERISA.

"Wholly-owned Subsidiary" means a Subsidiary of which all of the issued and outstanding shares of capital stock (other than directors' qualifying shares as required by law) or other equity interests are owned by Borrower and/or one or more Wholly-owned Subsidiaries within the meaning of this definition.

Section 1.2 Interpretation. The foregoing definitions are equally applicable to both the singular and plural forms of the terms defined. The words "hereof", "herein", and "hereunder" and words of like import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." All references to time of day herein are references to Milwaukee, Wisconsin, time unless otherwise specifically provided. Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation or other accounting computation is required to be made for the purposes of this Agreement, it shall be done in accordance with GAAP except where such principles are inconsistent with the specific provisions of this Agreement.

Section 1.3 Change in Accounting Principles. If, after the date of this Agreement, there shall occur any change in GAAP from those used in the preparation of the financial statements referred to in Section 5.5 and such change shall result in a change in the method of calculation of any financial covenant, standard or term found in this Agreement, either the Borrower or the Bank may by notice to the other require that the Borrower and the Bank negotiate in good faith to amend such covenants, standards, and terms so as equitably to reflect such change in accounting principles, with the desired result being that the criteria for evaluating the financial condition of the Borrower and its Subsidiaries shall be the same as if such change had not been made. No delay by the Borrower or the Bank in requiring such negotiation shall limit their right to so require such a negotiation at any time after such a change in accounting principles. Until any such covenant, standard, or term is amended in accordance with this Section 1.3, financial covenants shall be computed and determined in accordance with GAAP in effect prior to such change in accounting principles. Without limiting the generality of the foregoing, the Borrower shall neither be deemed to be in compliance with any financial covenant hereunder nor out of compliance with any financial covenant hereunder if such state of compliance or noncompliance, as the case may be, would not exist but for the occurrence of a change in accounting principles after the date hereof.

SECTION 2. THE CREDIT FACILITIES.

Section 2.1 Term Loan Commitment. Subject to the terms and conditions hereof, Bank agrees to make a loan (the *"Term Loan"*) in U.S. Dollars to Borrower in the amount of the Term Loan Commitment. The Term Loan shall be advanced in a single Borrowing within sixty (60) days after the Closing Date, at which time the Term Loan Commitment shall expire. As provided in Section 2.6, Borrower may elect that the Term Loan be outstanding LIBOR Loans or Eurodollar Loans. No amount repaid or prepaid on the Term Loan may be borrowed again.

Section 2.2 Revolving Credit Commitment; Euro Sublimit. Subject to the terms and conditions hereof, Bank agrees to make a loan or loans (individually a *"Revolving Loan"* and collectively the *"Revolving Loans"*) in U.S. Dollars and Euros to Borrower from time to time on a revolving basis up to the amount of the Revolving Credit Commitment, subject to any reductions thereof pursuant to the terms hereof, before the Revolving Credit Termination Date. The Dollar Equivalent of the sum of the aggregate principal amount of Revolving Loans and L/C Obligations at any time outstanding shall not exceed the lesser of (i) the Revolving Credit Commitment in effect at such time and (ii) the Borrowing Base as then determined and computed. In addition to the foregoing, the Dollar Equivalent of the sum of the aggregate principal amount of Revolving Loans borrowed in Euros at any time outstanding shall not exceed the Euro Sublimit. Bank shall determine the Dollar Equivalent of any Borrowing denominated in Euros as of each date a Borrowing is requested by Borrower using the Exchange Rate for Euros in relation to U.S. Dollars that is in effect on the date of determination. As provided in Section 2.6, Borrower may elect that each Borrowing of Revolving Loans be either LIBOR Loans or Eurodollar Loans; *provided* that any Borrowing of Revolving Loans in Euros shall be Eurodollar Loans. Revolving Loans may be repaid and the principal amount thereof reborrowed before the Revolving Credit Termination Date, subject to the terms and conditions hereof.

Section 2.3 Letters of Credit.

(a) *General Terms*. Subject to the terms and conditions hereof, as part of the Revolving Credit Commitment, Bank shall issue standby and commercial letters of credit (each a *"Letter of Credit"*) for the account of Borrower in an aggregate undrawn face amount up to the L/C Sublimit. Each Letter of Credit shall constitute usage of the Revolving Credit Commitment. For purposes of this Agreement, a Letter of Credit shall be deemed outstanding as of any time in an amount equal to the maximum amount which could be drawn thereunder under any circumstances and over any period of time plus any unreimbursed drawings then outstanding with respect thereto. If and to the extent any Letter of Credit expires or otherwise terminates without having been drawn upon, the availability under the Revolving Credit Commitment shall to such extent be reinstated. Each Letter of Credit issued hereunder shall expire not later than the earlier of (i) 12 months from the date of issuance (or be cancelable not later than 12 months from the date of issuance and each renewal) and (ii) the Revolving Credit Termination Date. Each Letter of Credit issued hereunder shall be payable in U.S. Dollars, conform to the general requirements of Bank for the issuance of a standby or commercial letter of credit, as the case may be, as to form and substance, and be a letter of credit which Bank may lawfully issue.

(b) *Applications*. At the time Borrower requests a Letter of Credit to be issued (or prior to the first issuance of a Letter of Credit in the case of a continuing application), Borrower shall execute and deliver to Bank an application for such Letter of Credit in the form then customarily prescribed by Bank (individually an *"Application"* and collectively the *"Applications"*). Subject to the other provisions of this Section, the obligation of Borrower to reimburse Bank for drawings under a Letter of Credit shall be governed by the Application for such Letter of Credit. Notwithstanding anything contained in any Application to the contrary: (i) Borrower shall pay fees in connection with each Letter of Credit as set forth in Section 2.11, (ii) except as otherwise provided in Section 2.8, unless an Event of Default exists, Bank will not call for the funding by Borrower of any amount under a Letter of Credit before being presented with a drawing thereunder, and (iii) if Bank is not timely reimbursed for the amount of any drawing under a Letter of Credit on the date such drawing is paid, Borrower's obligation to reimburse Bank for the amount of such drawing shall bear interest (which Borrower hereby promises to pay) from and after the date such drawing is paid at a rate per annum equal to the sum of the Applicable Margin plus the Base Rate from time to time in effect (computed on the basis of a year of 365 or 366 days, as the case may be, and the actual number of days elapsed).

(c) *Obligations Absolute*. Borrower's obligation to reimburse L/C Obligations as provided in subsection (b) of this Section shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement and the relevant Application under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit or this Agreement, or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by Bank under a Letter of Credit against presentation of a draft or other document that does not strictly comply with the terms of such Letter of Credit, or (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of setoff against, Borrower's obligations hereunder. Bank shall have no liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of Bank; *provided* that the foregoing shall not be construed to excuse Bank from liability to Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by Borrower to the extent permitted by applicable law) suffered by Borrower that are caused by Bank's fraud, willful misconduct, recklessness or failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of bad faith, reckless disregard or willful misconduct on the part of Bank (as finally determined by a court of competent jurisdiction), Bank shall be deemed to have exercised care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, Bank may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

(d) *Manner of Requesting a Letter of Credit*. Borrower shall provide at least five (5) Business Days' advance written notice to Bank of each request for the issuance of a Letter of Credit, such notice in each case to be accompanied by an Application for such Letter of Credit properly completed and executed by Borrower and, in the case of an extension or amendment or an increase in the amount of a Letter of Credit, a written request therefor, in a form acceptable to Bank, in each case, together with the fees called for by this Agreement.

Section 2.4 Applicable Interest Rates.

(a) *LIBOR Loans*. Each LIBOR Loan shall bear interest (computed on the basis of a year of 360 days and the actual days elapsed) on the unpaid principal amount thereof from the date such Loan is advanced, or created by conversion from a Eurodollar Loan, until maturity (whether by acceleration or otherwise) at a rate per annum equal to the sum of the Applicable Margin plus the Monthly Reset LIBOR Rate from time to time in effect, payable by Borrower on each Interest Payment Date and at maturity (whether by acceleration or otherwise).

(b) *Eurodollar Loans*. Each Eurodollar Loan shall bear interest during each Interest Period it is outstanding (computed on the basis of a year of 360 days and actual days elapsed) on the unpaid principal amount thereof from the date such Loan is advanced or continued, or created by conversion from a LIBOR Loan, until maturity (whether by acceleration or otherwise) at a rate per annum equal to the sum of the Applicable Margin plus the Adjusted LIBOR applicable for such Interest Period, payable by Borrower on each Interest Payment Date and at maturity (whether by acceleration or otherwise).

(c) *Reserved.*

(d) *Rate Determinations*. Bank shall determine each interest rate applicable to the Loans and the Reimbursement Obligations hereunder, and its determination thereof shall be conclusive and binding except in the case of manifest error.

Section 2.5 Minimum Borrowing Amounts; Maximum Eurodollar Loans. Each Borrowing of Eurodollar Loans or LIBOR Loans advanced, continued or converted shall be in an amount equal to the Dollar Equivalent of $1,000,000 or such greater amount which is an integral multiple of $100,000. Without Bank's consent, there shall not be more than ten (10) Borrowings, in the aggregate, of Eurodollar Loans and LIBOR Loans outstanding hereunder at any one time.

Section 2.6 Manner of Borrowing Loans and Designating Applicable Interest Rates. (a) Notice to Bank. Borrower shall give notice to Bank by no later than 1:00 p.m.: (i) at least three (3) Business Days before the date on which Borrower requests Bank to advance a Borrowing of Eurodollar Loans, and (ii) on the date Borrower requests Bank to advance a Borrowing of LIBOR Loans. The Loans included in each Borrowing shall bear interest initially at the type of rate specified in such notice of a new Borrowing. Thereafter, subject to the terms and conditions hereof, Borrower may from time to time elect to change or continue the type of interest rate borne by each Borrowing or, subject to the minimum amount requirement for each outstanding Borrowing set forth in Section 2.5, a portion thereof, as follows: (i) if such Borrowing is of Eurodollar Loans, on the last day of the Interest Period applicable thereto, Borrower may continue part or all of such Borrowing as Eurodollar Loans or convert part or all of such Borrowing into LIBOR Loans, or (ii) if such Borrowing is of LIBOR Loans, on any Business Day, Borrower may convert all or part of such Borrowing into Eurodollar Loans for an Interest Period or Interest Periods specified by Borrower. Borrower shall give all such notices requesting the advance, continuation or conversion of a Borrowing to Bank by telephone, telecopy, or other telecommunication device acceptable to Bank (which notice shall be irrevocable once given and, if by telephone, shall be promptly confirmed in writing), in a form acceptable to Bank. Notice of the continuation of a Borrowing of Eurodollar Loans for an additional Interest Period or of the conversion of part or all of a Borrowing into Eurodollar Loans must be given by no later than 1:00 p.m. at least three (3) Business Days before the date of the requested continuation or conversion. All such notices concerning the advance, continuation or conversion of a Borrowing shall specify the date of the requested advance, continuation or conversion of a Borrowing (which shall be a Business Day), the amount of the requested Borrowing to be advanced, continued or converted, the type of Loans to comprise such new, continued or converted Borrowing and, if such Borrowing is to be comprised of Eurodollar Loans, the Interest Period applicable thereto. No Borrowing of Eurodollar Loans shall be advanced, continued, or created by conversion if any Default or Event of Default then exists. Borrower agrees that Bank may rely on any such telephonic, telecopy or other telecommunication notice given by any person Bank in good faith believes is an Authorized Representative without the necessity of independent investigation, and in the event any such notice by telephone conflicts with any written confirmation such telephonic notice shall govern if Bank has acted in reliance thereon.

(b) *Borrower's Failure to Notify*. If Borrower fails to give notice pursuant to Section 2.6(a) above of the continuation or conversion of any outstanding principal amount of a Borrowing of Eurodollar Loans before the last day of its then current Interest Period within the period required by Section 2.6(a) and such Borrowing is not prepaid in accordance with Section 2.8(a), such Borrowing shall automatically be converted into a Borrowing of LIBOR Loans. In the event Borrower fails to give notice pursuant to Section 2.6(a) above of a Borrowing equal to the amount of a Reimbursement Obligation and has not notified Bank by 12:00 noon on the day such Reimbursement Obligation becomes due that it intends to repay such Reimbursement Obligation through funds not borrowed under this Agreement, Borrower shall be deemed to have requested a Borrowing of LIBOR Loans under the Revolving Credit Commitment on such day in the amount of the Reimbursement Obligation then due, which Borrowing shall be applied to pay the Reimbursement Obligation then due.

Section 2.7 Maturity of Loans.

(a) *Scheduled Payments of Term Loans*. Borrower shall make principal payments on the Term Loan in two (2) installments as follows: (i) on or before March 31, 2019, any principal amount in excess of $25,000,000 as of such date, and (ii) on or before the Term Loan Termination Date, subject to Section 2.8(b), a final payment comprised of all principal and interest then outstanding on the Term Loan.

(b) *Revolving Loans*. Each Revolving Loan, both for principal and interest then outstanding, shall mature and be due and payable by Borrower on the Revolving Credit Termination Date.

Section 2.8 Prepayments.

(a) Optional Prepayments. Borrower may prepay the Loans in whole or in part (but, if in part, then: (i) if such Borrowing is of Eurodollar Loans or LIBOR Loans, in an amount not less than $1,000,000, and (ii) in each case, in an amount such that the minimum amount required for a Borrowing pursuant to Section 2.5 remains outstanding) any Borrowing of Eurodollar Loans at any time upon three (3) Business Days prior notice by Borrower to Bank, and any Borrowing of LIBOR Loans at any time upon notice delivered by Borrower to Bank no later than 10:00 a.m. on the date of prepayment (or, in any case, such shorter period of time then agreed to by Bank), such prepayment, in each case, to be made by the payment of the principal amount to be prepaid and, in the case of any Term Loans or Eurodollar Loans, accrued interest thereon to the date fixed for prepayment plus any amounts due Bank under Section 3.3; *provided*, that if there exists a Swap Obligation, Borrower shall have terminated such Swap Obligation with respect to the principal amount prepaid and shall have paid all swap breakage and other costs for which it is responsible under any agreement related to such Swap Obligation on account of such termination.

(b) *Mandatory Prepayments.*

(i) If Borrower or any Subsidiary shall at any time or from time to time make or agree to make a Disposition or shall suffer an Event of Loss with respect to any Property, then Borrower shall promptly notify Bank of such proposed Disposition or Event of Loss (including the amount of the estimated Net Cash Proceeds to be received by Borrower or such Subsidiary in respect thereof) and, promptly upon receipt by Borrower or such Subsidiary of the Net Cash Proceeds of such Disposition or Event of Loss, Borrower shall prepay the Obligations in an aggregate amount equal to 100% of the amount of all such Net Cash Proceeds; *provided* that (x) so long as no Default or Event of Default then exists, this subsection shall not require any such prepayment with respect to Net Cash Proceeds received on account of an Event of Loss so long as such Net Cash Proceeds are applied to replace or restore the relevant Property in accordance with the relevant Collateral Documents, (y) this subsection shall not require any such prepayment with respect to Net Cash Proceeds received on account of Dispositions during any fiscal year of Borrower not exceeding $250,000 in the aggregate so long as no Default or Event of Default then exists, and (z) in the case of any Disposition not covered by clause (y) above, so long as no Default or Event of Default then exists, if Borrower states in its notice of such event that Borrower or the relevant Subsidiary intends to reinvest, within 90 days of the applicable Disposition, the Net Cash Proceeds thereof in assets similar to the assets which were subject to such Disposition, then Borrower shall not be required to make a mandatory prepayment under this subsection in respect of such Net Cash Proceeds to the extent such Net Cash Proceeds are actually reinvested in such similar assets with such 90 day period. Promptly after the end of such 90 day period, Borrower shall notify Bank whether Borrower or such Subsidiary has reinvested such Net Cash Proceeds in such similar assets, and, to the extent such Net Cash Proceeds have not been so reinvested, Borrower shall promptly prepay the Obligations in the amount of such Net Cash Proceeds not so reinvested. The amount of each such prepayment shall be applied first to the outstanding Term Loans until paid in full and then to the Revolving Loans; *provided* that proceeds relating to Eligible Inventory and Eligible Receivables then included in the Borrowing Base shall first be applied to the Revolving Loans. If Bank so requests, all proceeds of such Disposition or Event of Loss shall be deposited with Bank (or its agent) and held by it in the Collateral Account to be disbursed to or at Borrower's direction for application to or reimbursement for the costs of replacing, rebuilding or restoring such Property.

(ii) If after the Closing Date Borrower or any Subsidiary shall issue new equity securities (whether common or preferred stock or otherwise), other than equity securities issued in connection with the exercise of employee stock options, Borrower shall promptly notify Bank of the estimated Net Cash Proceeds of such issuance to be received by or for the account of Borrower or such Subsidiary in respect thereof. Promptly upon receipt by Borrower or such Subsidiary of Net Cash Proceeds of such issuance, Borrower shall prepay the Obligations in an aggregate amount equal to 100% of the amount of such Net Cash Proceeds. The amount of each such prepayment shall be applied first to the outstanding Term Loans until paid in full and then to the Revolving Loans. Borrower acknowledges that its performance hereunder shall not limit the rights and remedies of Bank for any breach of Section 7.5 (Maintenance of Subsidiaries) or Section 8.1(i) (Change of Control) hereof or any other terms of the Loan Documents.

(iii) If after the Closing Date Borrower or any Subsidiary shall issue any Indebtedness for Borrowed Money, other than Indebtedness for Borrowed Money expressly permitted by Section 7.1, Borrower shall promptly notify Bank of the estimated Net Cash Proceeds of such issuance to be received by or for the account of Borrower or such Subsidiary in respect thereof. Promptly upon receipt by Borrower or such Subsidiary of Net Cash Proceeds of such issuance, Borrower shall prepay the Obligations in an aggregate amount equal to 100% of the amount of such Net Cash Proceeds. The amount of each such prepayment shall be applied first to the outstanding Term Loans until paid in full and then to the Revolving Loans. Borrower acknowledges that its performance hereunder shall not limit the rights and remedies of Bank for any breach of Section 7.1 or any other terms of the Loan Documents.

(iv) If after the Closing Date Borrower or any Subsidiary shall issue any Subordinated Debt, Borrower shall promptly notify Bank of the estimated Net Cash Proceeds of such issuance to be received by or for the account of Borrower or such Subsidiary in respect thereof. Promptly upon receipt by Borrower or such Subsidiary of Net Cash Proceeds of such issuance, Borrower shall prepay the Obligations in an aggregate amount equal to 100% of the amount of such Net Cash Proceeds. The amount of each such prepayment shall be applied first to the outstanding Term Loans until paid in full and then to the Revolving Loans. Borrower acknowledges that its performance hereunder shall not limit the rights and remedies of Bank for any breach of Section 7.1 or any other terms of the Loan Documents.

(v) Borrower shall, on each date the Revolving Credit Commitment is reduced pursuant to Section 2.13, prepay the Revolving Loans and, if necessary, Cash Collateralize the L/C Obligations by the amount, if any, necessary to reduce the sum of the aggregate principal amount of Revolving Loans and L/C Obligations then outstanding to the amount to which the Revolving Credit Commitment has been so reduced.

(vi) If at any time the sum of the unpaid principal balance of the Revolving Loans and the L/C Obligations then outstanding shall be in excess of the Borrowing Base as then determined and computed**,** Borrower shall immediately and without notice or demand pay over the amount of the excess to Bank as and for a mandatory prepayment on such Obligations, with each such prepayment first to be applied to the Revolving Loans until paid in full with any remaining balance to be applied to Cash Collateralize the L/C Obligations.

(vii) If at any time the Dollar Equivalent of the sum of the aggregate principal amount of the total Revolving Loans in Euros exceeds the Euro Sublimit, Borrower shall immediately and without notice or demand pay over the amount of the excess to Bank as and for a mandatory prepayment on such Obligations, with each such prepayment to be applied to the Revolving Loans until paid in full.

(viii) Unless Borrower otherwise directs, prepayments of Loans under this Section 2.8(b) shall be applied first to Borrowings of LIBOR Loans until payment in full thereof with any balance applied to Borrowings of Eurodollar Loans in the order in which their Interest Periods expire. Each prepayment of Loans under this Section 2.8(b) shall be made by the payment of the principal amount to be prepaid and, in the case of any Term Loans or Eurodollar Loans, accrued interest thereon to the date of prepayment together with any amounts due Bank under Section 3.3.

(c) Any amount of Revolving Loans paid or prepaid before the Revolving Credit Termination Date may, subject to the terms and conditions of this Agreement, be borrowed, repaid and borrowed again. No amount of the Term Loans paid or prepaid may be reborrowed, and, in the case of any partial prepayment, such prepayment shall be applied to the remaining amortization payments on the relevant Loans in the inverse order of maturity.

Section 2.9 Default Rate. Notwithstanding anything to the contrary contained herein, if any Loan or any part thereof is not paid when due (whether by lapse of time, acceleration, or otherwise), or at the election of Bank upon notice to Borrower during the existence of any other Event of Default, Borrower shall pay interest (after as well as before entry of judgment thereon to the extent permitted by law) on the principal amount of all Loans and Reimbursement Obligations, and letter of credit fees at a rate per annum equal to:

(a) for any LIBOR Loan, the sum of 2.0% plus the Applicable Margin plus the Monthly Reset LIBOR Rate from time to time in effect;

(b) for any Eurodollar Loan, the sum of 2.0% plus the rate of interest in effect thereon at the time of such default until the end of the Interest Period applicable thereto and, thereafter, at a rate per annum equal to the sum of 2.0% plus the Applicable Margin for LIBOR Loans plus the Monthly Reset LIBOR Rate from time to time in effect;

(c) for any Reimbursement Obligation, the sum of 2.0% plus the amounts due under Section 2.3 with respect to such Reimbursement Obligation; and

(d) for any Letter of Credit, the sum of 2.0% plus the letter of credit fee due under Section 2.11 with respect to such Letter of Credit.

Section 2.10 Evidence of Indebtedness. Bank shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of Borrower hereunder, including the amounts of principal and interest payable and paid to Bank from time to time hereunder.

(b) The entries maintained in the account(s) maintained pursuant to paragraph (a) above shall be prima facie evidence of the existence and amounts of the Obligations therein recorded; *provided*, that the failure of Bank to maintain such account(s) or any error therein shall not in any manner affect the obligation of Borrower to repay the Obligations in accordance with their terms.

(c) Bank may request that the Loans be evidenced by a promissory note or notes in the forms of Exhibit A-1 (in the case of its Term Loan and referred to herein as a *"Term Note"*), or Exhibit A-2 (in the case of its Revolving Loans and referred to herein as a *"Revolving Note"*), as applicable (the Term Notes and Revolving Notes being hereinafter referred to collectively as the *"Notes"* and individually as a *"Note"*). In such event, Borrower shall execute and deliver to Bank a Note payable to Bank or its registered assigns in the amount of the relevant Term Loan or Revolving Credit Commitment, as applicable.

Section 2.11 Fees. Revolving Credit Commitment Fee. Borrower shall pay to Bank a commitment fee at the rate per annum equal to the Applicable Margin (computed on the basis of a year of 365 or 366 days, as the case may be, and the actual number of days elapsed) on the average daily Unused Revolving Credit Commitment. Such commitment fee shall be payable quarterly in arrears on the last day of each March, June, September, and December in each year (commencing on the first such date occurring after the date hereof) and on the Revolving Credit Termination Date, unless the Revolving Credit Commitment is terminated in whole on an earlier date, in which event the commitment fee for the period to the date of such termination in whole shall be paid on the date of such termination.

(b) *Reserved*.

(c) *Letter of Credit Fees.* On the last day of each March, June, September, and December in each year (commencing on the first such date occurring after the date hereof) to and including, and on, the Revolving Credit Termination Date, Borrower shall pay to Bank a letter of credit fee at the Applicable Margin for Revolving Loans that are Eurodollar Loans on the daily average face amount of Letters of Credit outstanding during the preceding calendar quarter. In addition to such letter of credit fee, Borrower further agrees to pay to Bank issuance fees, for each issuance, equal to 0.125% per annum of the face amount of such Letter of Credit, and such processing, transaction and other fees and charges as Bank from time to time customarily imposes in connection with any issuance, amendment, cancellation, negotiation, and/or payment of letters of credit and drafts drawn thereunder.

(d) *Closing Fee.* Borrower shall pay to Bank on the date hereof a non-refundable closing fee in the amount of $175,000.

(e) *Audit Fees.* Borrower shall pay to Bank charges for audits of the Collateral performed by Bank or its agents or representatives in such amounts as Bank may from time to time request (Bank acknowledging and agreeing that such charges shall be computed in the same manner as it at the time customarily uses for the assessment of charges for similar collateral audits); *provided*, that in the absence of any Default and Event of Default, Borrower shall not be required to pay Bank for more than one (1) such audit per calendar year.

Section 2.12 Place and Application of Payments. All payments of principal, interest, fees, and all other Obligations payable under the Loan Documents shall be made to Bank at its office at 777 North Water Street, Milwaukee, Wisconsin (or at such other place as Bank may specify) no later than 1:00 p.m. on the date any such payment is due and payable. Payments received by Bank after 1:00 p.m. shall be deemed received as of the opening of business on the next Business Day. All such payments shall be made in lawful money of the United States of America, in immediately available funds at the place of payment, without set-off or counterclaim and without reduction for, and free from, any and all present or future taxes, levies, imposts, duties, fees, charges, deductions, withholdings, restrictions, and conditions of any nature imposed by any government or any political subdivision or taxing authority thereof (but excluding any taxes imposed on or measured by the net income of Bank). All payments shall be applied (i) first, towards payment of interest and fees then due hereunder and under the other Loan Documents, (ii) second, to the payment of principal on the Loans, unpaid Reimbursement Obligations, together with amounts to be held by Bank as collateral security for any outstanding L/C Obligations and Hedging Liability (provided that funds from, and proceeds of Collateral owned by, any Person directly or indirectly liable for a Swap Obligation and that was not an "eligible contract participant" as defined in the Commodity Exchange Act at the time such Swap Obligation was incurred may not be used to satisfy such Swap Obligation), and (iii) third, to the payment of all other unpaid Obligations and all other indebtedness, obligations, and liabilities of each Borrower and its Subsidiaries secured by the Loan Documents (provided that funds from, and proceeds of Collateral owned by, any Person directly or indirectly liable for a Swap Obligation and that was not an "eligible contract participant" as defined in the Commodity Exchange Act at the time such Swap Obligation was incurred may not be used to satisfy such Swap Obligation) to be allocated pro rata in accordance with the aggregate unpaid amounts owing to each holder thereof. Unless Borrower otherwise directs, principal payments shall be applied first to the relevant Monthly Reset LIBOR Rate portion until payment in full thereof, with any balance applied to the relevant Eurodollar portion in the order in which their Interest Periods expire. Borrower hereby irrevocably authorizes Bank to (a) charge from time to time any of Borrower's deposit accounts with Bank and/or (b) make Revolving Loans from time to time hereunder (and any such Revolving Loan may be made by Bank hereunder without regard to the provisions of Section 4 hereof), in each case for payment of any Obligation then due and payable (whether such Obligation is for interest then due on a Loan, a Reimbursement Obligation or otherwise); *provided* that Bank shall not be under any obligation to charge any such deposit account or make any such Revolving Loan under this Section, and Bank shall incur no liability to Borrower or any other Person for its failure to do so.

Section 2.13 Commitment Terminations. Optional Revolving Credit Terminations. Borrower shall have the right at any time and from time to time, upon five (5) Business Days prior written notice to Bank (or such shorter period of time agreed to by Bank), to reduce or terminate the Revolving Credit Commitment without premium or penalty and in whole or in part, any partial reduction or termination to be in an amount not less than $5,000,000; *provided* that the Revolving Credit Commitment may not be reduced to an amount less than the sum of the aggregate principal amount of Revolving Loans and L/C Obligations then outstanding. Any reduction or termination of the Revolving Credit Commitment below the L/C Sublimit then in effect shall reduce the L/C Sublimit by a like amount.

(b) *Mandatory Revolving Credit Termination.* If at any time Net Cash Proceeds or other amounts remain after the prepayment of the Term Loans in full pursuant to Section 2.8(b)(i), (ii), (iii), or (iv), the Revolving Credit Commitment shall be reduced by an amount equal to 100% of such excess.

(c) Any termination of the Commitments pursuant to this Section 2.13 may not be reinstated.

Section 2.14 Sweep to Loan Arrangement. Notwithstanding any provision herein to the contrary (including, without limitation, the provisions in Sections 2.5 and 2.8 above), so long as a Sweep to Loan Arrangement is in effect, and subject to the terms and conditions thereof, Revolving Loans may be advanced and prepaid hereunder notwithstanding any notice, minimum amount, or funding and payment location requirements hereunder for any advance of Revolving Loans or for any prepayment of any Revolving Loans. The making of any such Revolving Loans shall otherwise be subject to the other terms and conditions of this Agreement. All Revolving Loans advanced or prepaid pursuant to such Sweep to Loan Arrangement shall be LIBOR Loans. Bank shall have the right in its sole discretion to suspend or terminate the making and/or prepayment of Revolving Loans pursuant to such Sweep to Loan Arrangement with notice to Borrower (which may be provided on a same-day basis), whether or not any Default or Event of Default exists. Bank shall not be liable to Borrower or any other Person for any losses directly or indirectly resulting from events beyond Bank's reasonable control, including any interruption of communications or data processing services or legal restriction or for any special, indirect, consequential or punitive damages in connection with any Sweep to Loan Arrangement.

SECTION 3. CHANGE IN CIRCUMSTANCES.

Section 3.1 Withholding Taxes. Except as otherwise required by law, each payment by Borrower under this Agreement or the other Loan Documents shall be made without withholding for or on account of any present or future taxes (other than overall net income taxes on the recipient) imposed by or within the jurisdiction in which Borrower is domiciled, any jurisdiction from which Borrower makes any payment, or (in each case) any political subdivision or taxing authority thereof or therein. If any such withholding is so required, Borrower shall make the withholding, pay the amount withheld to the appropriate Governmental Authority before penalties attach thereto or interest accrues thereon, and forthwith pay such additional amount as may be necessary to ensure that the net amount actually received by Bank free and clear of such taxes (including such taxes on such additional amount) is equal to the amount that Bank would have received had such withholding not been made. If Bank pays any amount in respect of any such taxes, penalties or interest, Borrower shall reimburse Bank for that payment on demand in the currency in which such payment was made. If Borrower pays any such taxes, penalties or interest, it shall deliver official tax receipts evidencing that payment or certified copies thereof to Bank on or before the thirtieth day after payment.

Section 3.2 Documentary Taxes. Borrower agrees to pay on demand any documentary, stamp or similar taxes payable in respect of this Agreement or any other Loan Document, including interest and penalties, in the event any such taxes are assessed, irrespective of when such assessment is made and whether or not any credit is then in use or available hereunder.

Section 3.3 Funding Indemnity. If Bank shall incur any loss, cost or expense (including any loss, cost or expense incurred by reason of the liquidation or re-employment of deposits or other funds acquired by Bank to fund or maintain any Eurodollar Loan, LIBOR Loan or the relending or reinvesting of such deposits or amounts paid or prepaid to Bank) as a result of:

(i) any payment, prepayment or conversion of a Eurodollar Loan or LIBOR Loan on a date other than the last day of its Interest Period,

(ii) any failure (because of a failure to meet the conditions of Section 4 or otherwise) by Borrower to borrow or continue a Eurodollar Loan, or to convert a Loan into a Eurodollar Loan, on the date specified in a notice given pursuant to Section 2.6(a),

(iii) any failure by Borrower to make any payment of principal on any Eurodollar Loan or LIBOR Loan when due (whether by acceleration or otherwise), or

(iv) any acceleration of the maturity of a Eurodollar Loan or LIBOR Loan as a result of the occurrence of any Event of Default hereunder,

(v) then, upon the demand of Bank, Borrower shall pay to Bank such amount as will reimburse Bank for such loss, cost or expense. If Bank makes such a claim for compensation, it shall provide to Borrower a certificate setting forth the amount of such loss, cost or expense in reasonable detail and the amounts shown on such certificate shall be conclusive and binding on Borrower absent manifest error.

Section 3.4 Change of Law. Notwithstanding any other provisions of this Agreement or any other Loan Document, if at any time any Change in Law or regulation or in the interpretation thereof makes it unlawful for Bank to make or continue to maintain any Eurodollar Loans or LIBOR Loans, as applicable, or to perform its obligations as contemplated hereby, Bank shall promptly give notice thereof to Borrower and Bank's obligations to make or maintain such Eurodollar Loans or LIBOR Loans, as applicable, under this Agreement shall be suspended until it is no longer unlawful for Bank to make or maintain such Eurodollar Loans or LIBOR Loans, as applicable. Borrower shall prepay on demand the outstanding principal amount of any such affected Eurodollar Loans or LIBOR Loans, as applicable, together with all interest accrued thereon and all other amounts then due and payable to Bank under this Agreement; *provided*, subject to all of the terms and conditions of this Agreement, Borrower may then elect to borrow the principal amount of the affected Eurodollar Loans or LIBOR Loans, as applicable, as Loans bearing interest at the Base Rate plus or minus a margin to be agreed upon by Borrower and Bank which will cause the interest rate to approximate the interest rate in effect immediately prior to the occurrence of such event.

Section 3.5 Unavailability of Deposits or Inability to Ascertain, or Inadequacy of, LIBOR. If on or prior to the first day of any Interest Period for any Borrowing of Eurodollar Loans or LIBOR Loans (as applicable):

(a) Bank determines that deposits in U.S. Dollars (in the applicable amounts) are not being offered to it in the interbank eurodollar market for such Interest Period, or that by reason of circumstances affecting the interbank eurodollar market adequate and reasonable means do not exist for ascertaining the applicable LIBOR, or

(b) Bank determines that (i) LIBOR or the Monthly Reset LIBOR Rate, as applicable, as determined hereby will not adequately and fairly reflect the cost to Bank of funding their Eurodollar Loans or LIBOR Loans, as applicable, for such Interest Period or (ii) that the making or funding of Eurodollar Loans or LIBOR Loans, as applicable, become impracticable, then Bank shall forthwith give notice thereof to Borrower, whereupon until Bank notifies Borrower that the circumstances giving rise to such suspension no longer exist, the obligations of Bank to create, continue, or effect by conversion Eurodollar Loans or LIBOR Loans, as applicable, shall be suspended and the Loans shall thereafter bear interest at the Base Rate plus or minus a margin to be agreed upon by Borrower and Bank which will cause the interest rate to approximate the interest rate in effect immediately prior to the occurrence of such event.

Section 3.6 Increased Cost and Reduced Return.

(a) If, on or after the date hereof, any Change in Law:

(i) shall subject Bank (or its lending branch) to any tax, duty or other charge with respect to its Eurodollar Loans, LIBOR Loans, its Notes, its Letter(s) of Credit, any Reimbursement Obligations owed to it or its obligation to make Eurodollar Loans or LIBOR Loans or issue a Letter of Credit, or shall change the basis of taxation of payments to Bank (or its lending branch) of the principal of or interest on its Eurodollar Loans or Letter(s) of Credit, or any other amounts due under this Agreement or any other Loan Document in respect of its Eurodollar Loans, LIBOR Loans or Letter(s) of Credit, any Reimbursement Obligations owed to it, or its obligation to make Eurodollar Loans or LIBOR Loans or issue a Letter of Credit (except for changes in the rate of tax on the overall net income of Bank (or its lending branch) imposed by the jurisdiction in which Bank's principal executive office or lending branch is located); or

(ii) shall impose, modify or deem applicable any reserve, special deposit or similar requirement (including any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding with respect to any Eurodollar Loans any such requirement included in an applicable Eurodollar Reserve Percentage) against assets of, deposits with or for the account of, or credit extended by, Bank (or its lending branch) or shall impose on Bank (or its lending branch) or on the interbank market any other condition affecting its Eurodollar Loans, LIBOR Loans, its Notes, its Letter(s) of Credit, any Reimbursement Obligation owed to it, or its obligation to make Eurodollar Loans, LIBOR Loans, or to issue a Letter of Credit;

and the result of any of the foregoing is to increase the cost to Bank (or its lending branch) of making or maintaining any Eurodollar Loan or LIBOR Loan or issuing or maintaining a Letter of Credit, or to reduce the amount of any sum received or receivable by Bank (or its lending branch) under this Agreement or under any other Loan Document with respect thereto, by an amount deemed by Bank to be material, then, within 15 days after demand by Bank, Borrower shall be obligated to pay to Bank such additional amount or amounts as will compensate Bank for such increased cost or reduction.

(b) If, after the date hereof, Bank shall have determined that any Change in Law has had the effect of reducing the rate of return on Bank's capital as a consequence of its obligations hereunder to a level below that which Bank could have achieved but for such Change in Law (taking into consideration Bank's policies with respect to capital adequacy) by an amount deemed by Bank to be material, then from time to time, within 15 days after demand by Bank, Borrower shall pay to Bank such additional amount or amounts as will compensate Bank for such reduction.

(c) A certificate of Bank claiming compensation under this Section 3.6 and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive absent manifest error. In determining such amount, Bank may use any reasonable averaging and attribution methods.

Section 3.7 Lending Offices. Bank may, at its option, elect to make its Loans hereunder at the branch, office or affiliate specified on the appropriate signature page hereof for each type of Loan available hereunder or at such other of its branches, offices or affiliates as it may from time to time elect. To the extent reasonably possible, Bank shall designate an alternative branch or funding office with respect to its Eurodollar Loans to reduce any liability of Borrower to Bank under Section 3.6 or to avoid the unavailability of Eurodollar Loans under Section 3.5, so long as such designation is not otherwise disadvantageous to Bank.

Section 3.8 Discretion of Bank as to Manner of Funding. Notwithstanding any other provision of this Agreement, Bank shall be entitled to fund and maintain its funding of all or any part of its Loans in any manner it sees fit, it being understood, however, that for the purposes of this Agreement all determinations hereunder with respect to Eurodollar Loans shall be made as if Bank had actually funded and maintained each Eurodollar Loan through the purchase of deposits in the interbank eurodollar market having a maturity corresponding to such Loan's Interest Period, and, in the case of any Eurodollar Loan, bearing an interest rate equal to LIBOR for such Interest Period.

SECTION 4. CONDITIONS PRECEDENT.

Section 4.1 Initial Credit Event. The obligation of Bank to participate in any initial Credit Event hereunder is subject to satisfaction or waiver by Bank of the following conditions precedent:

(a) Bank shall have received each of the following, in each case (i) duly executed by all applicable parties, (ii) dated a date satisfactory to Bank and (iii) in form and substance satisfactory to Bank:

(i) this Agreement duly executed by Borrower and Bank;

(ii) duly executed Notes of Borrower dated the date hereof and otherwise in compliance with the provisions of Section 2.10;

(iii) the Assignment of and Amendment to Guaranty, the Assignment of and Amendment to Security Agreement, the Assignment of and Amendment to IP Security Agreement, the Assignment to and Amendment of Guarantor Security Agreement, the Assignment of and Amendment to Pledge Agreement, the Assignment of and Amendment to Perfection Certificate, the Collateral Assignment of Rights under Purchase Documents, the Assignment of and Amendment to Negative Pledge Agreement, the Assignment of and Amendment to Agreement as Liens and Encumbrances and each of the other Collateral Documents required by Bank, together with (i) UCC financing statements to be filed against Borrower and Guarantor, as debtor, in favor of Bank, as secured party, (ii) patent, trademark, and copyright collateral agreements to the extent requested by Bank, and (iii) deposit account, securities account, and commodity account control agreements to the extent requested by Bank;

(iv) copies of Borrower's and each Guarantor's articles of incorporation and bylaws (or comparable organizational documents) and any amendments thereto, certified in each instance by its Secretary or Assistant Secretary;

(v) copies of resolutions of Borrower's and each Guarantor's Board of Directors (or similar governing body) authorizing the execution, delivery and performance of this Agreement and the other Loan Documents to which it is a party and the consummation of the transactions contemplated hereby and thereby, together with specimen signatures of the persons authorized to execute such documents on Borrower's and each Subsidiary's behalf, all certified in each instance by its Secretary or Assistant Secretary;

(vi) such documents and certifications as Bank may reasonably require to evidence that Borrower and each Guarantor is validly existing, in good standing or active status (as applicable), and qualified to engage in business in its jurisdiction of organization and in any other jurisdiction in which the nature of Borrower's or such Guarantor's business requires such qualification;

(vii) a list of Borrower's Authorized Representatives;

(viii) a Borrowing Base Certificate in the form attached hereto as Exhibit B showing the computation of the Borrowing Base in reasonable detail as of the close of business on May 25, 2018;

(ix) financing statement, tax, and judgment lien search results against the Property of Borrower and each Guarantor, evidencing the absence of Liens on its Property except as permitted by Section 7.2;

(x) pay off and lien release or amendment letters from secured creditors of Borrower and each Guarantor setting forth, among other things, the total amount of indebtedness outstanding and owing to them (or outstanding letters of credit issued for the account of Borrower or any Guarantor) and containing an undertaking to cause to be delivered to Bank UCC amendment or termination statements and any other lien amendment or release instruments necessary to amend or release their Liens on the assets of Borrower and each Guarantor;

(xi) evidence reasonably satisfactory to Bank that all indebtedness to creditors referenced in the preceding paragraph has been (or concurrently with the initial Borrowing will be) paid in full, and that all agreements and instruments governing indebtedness and that all Liens securing such indebtedness have been (or concurrently with the initial Borrowing will be) terminated or amended.

(xii) a favorable written opinion of counsel to Borrower and each Guarantor;

(xiii) evidence satisfactory to Bank that all due diligence with respect to Borrower, each Guarantor and Target has been completed, including confirmatory third-party due diligence consisting of a third-party due diligence report, quality of earnings, a legal and tax review, an industry and technology review, inventory appraisal, management background checks, an insurance review, and customer and supplier calls, all conducted by firms acceptable to Bank;

(xiv) five-year projected financial statements for Borrower and a closing balance sheet for Borrower adjusted to give effect to the Acquisition in form and substance previously provided to Bank;

(xv) complete, signed copies of the Purchase Documents; and

(xvi) such other agreements, instruments, documents, certificates, and opinions as Bank may reasonably request.

(b) Bank shall have received the initial fees called for by Section 2.11, together with all other fees, costs and expenses required to be paid by Borrower at or before closing;

(c) the capital and organizational structure of Borrower and its Subsidiaries shall be satisfactory to Bank;

(d) after giving effect to each initial Credit Event, payment of all fees and expenses in connection therewith, and any payables stretched beyond their customary payment practices, Availability shall be at least $5,000,000.00; and

(e) after giving effect to each initial Credit Event, (i) Borrower's EBITDA for the most recently-ended twelve months ("*LTM*") through April 30, 2018 shall be at least $23,000,000 (inclusive of Target's verified EBITDA), and (ii) the Total Funded Debt/EBITDA Ratio is less than 3.00 to 1.00, each calculated based on LTM EBITDA through April 30, 2018.

Section 4.2 All Credit Events. The obligation of Bank to participate in any Credit Event (including any initial Credit Event) hereunder is subject to the following conditions precedent:

(a) each of the representations and warranties set forth herein and in the other Loan Documents shall be and remain true and correct in all respect (or in all material respect if such representation or warranty is not by its terms already qualified as to materiality) as of said time, except to the extent the same expressly relate to an earlier date, in which case such representations and warranties shall be and remain true and correct in all respect (or in all material respect if such representation or warranty is not by its terms already qualified as to materiality) as of such earlier date;

(b) no Default or Event of Default shall have occurred and be continuing or would occur as a result of such Credit Event;

(c) in the case of a Borrowing, Bank shall have received the notice required by Section 2.6; in the case of the issuance of any Letter of Credit, Bank shall have received a duly completed Application for such Letter of Credit together with any fees called for by Section 2.11; and, in the case of an extension or increase in the amount of a Letter of Credit, Bank shall have received a written request therefor in a form acceptable to Bank together with fees called for by Section 2.11;

(d) after giving effect to such Credit Event, the sum of the aggregate principal amount of Revolving Loans and L/C Obligations at any time outstanding shall not exceed the lesser of (i) the Revolving Credit Commitment in effect at such time and (ii) the Borrowing Base; and

(e) such Credit Event shall not violate any order, judgment or decree of any court or other authority or any provision of law or regulation applicable to Bank (including Regulation U of the Board of Governors of the Federal Reserve System) as then in effect.

Each request for a Borrowing hereunder and each request for the issuance of, increase in the amount of, or extension of the expiration date of, a Letter of Credit shall be deemed to be a representation and warranty by Borrower on the date on such Credit Event as to the facts specified in subsections (a) through (e) of this Section; *provided* that Bank may continue to make advances under the Revolving Credit Commitment, in the sole discretion of Bank, notwithstanding the failure of Borrower to satisfy one or more of the conditions set forth above and any such advances so made shall not be deemed a waiver of any Default or Event of Default or other condition set forth above that may then exist. Subject to the foregoing, prior to Bank making the Term Loan and additional advances hereunder for the purpose consummating the acquisition contemplated by the Purchase Documents, Bank shall have received confirmation from the Notary (as defined in the Purchase Agreement) or Borrower that all conditions precedent set forth in the Purchase Agreement have been satisfied by the parties thereto.

SECTION 5. REPRESENTATIONS AND WARRANTIES.

Borrower represents and warrants to Bank as follows:

Section 5.1 Organization and Qualification. Borrower is (a) duly organized, validly existing, and in active status as a corporation under the laws of the State of Wisconsin, (b) has full and adequate power to own its Property and conduct its business as now conducted, and (c) is duly licensed or qualified and in good standing in each jurisdiction in which the nature of the business conducted by it or the nature of the Property owned or leased by it requires such licensing or qualifying, except, with respect to this clause (c), where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

Section 5.2 Subsidiaries. Each Subsidiary (a) is duly organized, validly existing, and in good standing under the laws of the jurisdiction in which it is organized, (b) has full and adequate power to own its Property and conduct its business as now conducted, and (c) is duly licensed or qualified and in good standing in each jurisdiction in which the nature of the business conducted by it or the nature of the Property owned or leased by it requires such licensing or qualifying, except, with respect to this clause (c), where the failure to do so could not reasonably be expected to have a Material Adverse Effect. Schedule 5.2 hereto identifies each Subsidiary, the jurisdiction of its organization, the percentage of issued and outstanding shares of each class of its capital stock or other equity interests owned by Borrower and the other Subsidiaries and, if such percentage is not 100% (excluding directors' qualifying shares as required by law), a description of each class of its authorized capital stock and other equity interests and the number of shares of each class issued and outstanding. All of the outstanding shares of capital stock and other equity interests of each Subsidiary are validly issued and outstanding and fully paid and non-assessable and all such shares and other equity interests indicated on Schedule 5.2 as owned by Borrower or another Subsidiary are owned, beneficially and of record, by Borrower or such Subsidiary free and clear of all Liens other than the Liens granted in favor of Bank pursuant to the Collateral Documents. There are no outstanding commitments or other obligations of any Subsidiary to issue, and no options, warrants or other rights of any Person to acquire, any shares of any class of capital stock or other equity interests of any Subsidiary.

Section 5.3 Authority and Validity of Obligations. Borrower has full right and authority to enter into this Agreement and the other Loan Documents executed by it, to make the borrowings herein provided for, to grant to Bank the Liens described in the Collateral Documents executed by Borrower, and to perform all of its obligations hereunder and under the other Loan Documents executed by it. Each Subsidiary has full right and authority to enter into the Loan Documents executed by it, to guarantee the Obligations or Hedging Liability, to grant to Bank the Liens described in the Collateral Documents executed by such Person, and to perform all of its obligations under the Loan Documents executed by it. The Loan Documents delivered by Borrower and its Subsidiaries have been duly authorized, executed, and delivered by such Persons and constitute valid and binding obligations of Borrower and its Subsidiaries enforceable against them in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, fraudulent conveyance or similar laws affecting creditors' rights generally and general principles of equity (regardless of whether the application of such principles is considered in a proceeding in equity or at law); and this Agreement and the other Loan Documents do not, nor does the performance or observance by Borrower or any Subsidiary of any of the matters and things herein or therein provided for, (a) contravene or constitute a default under any provision of law or any judgment, injunction, order or decree binding upon Borrower or any Subsidiary or any provision of the organizational documents (e.g., charter, certificate or articles of incorporation and bylaws, certificate or articles of association and operating agreement, partnership agreement, or other similar organizational documents) of Borrower or any Subsidiary, (b) conflict with, contravene or constitute a default under any material indenture or agreement of or affecting Borrower or any Subsidiary or any of their Property, or (c) result in the creation or imposition of any Lien on any Property of Borrower or any Subsidiary other than the Liens granted in favor of Bank pursuant to the Collateral Documents.

Section 5.4 Margin Stock. Neither Borrower nor any Subsidiary is engaged, principally or as one of its important activities, in the business of purchasing or carrying margin stock or in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System), and no part of the proceeds of any Loan or any other extension of credit made hereunder will be used to purchase or carry any such margin stock or to extend credit to others for the purpose of purchasing or carrying any such margin stock. Margin stock (as hereinabove defined) constitutes less than 25% of the assets of Borrower and its Subsidiaries which are subject to any limitation on sale, pledge or other restriction hereunder.

Section 5.5 Financial Reports. The consolidated balance sheet of Borrower and its Subsidiaries as of June 30, 2017, and the related consolidated statements of income, retained earnings and cash flows of Borrower and its Subsidiaries for the fiscal year then ended, and accompanying notes thereto, which financial statements are accompanied by the audit report of an independent public accountant reasonably acceptable to Bank, and the unaudited interim consolidated balance sheet of Borrower and its Subsidiaries as at March 31, 2018, and the related consolidated statements of income, retained earnings and cash flows of Borrower and its Subsidiaries for the nine (9) months then ended, heretofore furnished to Bank, fairly present the consolidated financial condition of Borrower and its Subsidiaries as at said dates and the consolidated results of their operations and cash flows for the periods then ended in conformity with GAAP applied on a consistent basis. Neither Borrower nor any Subsidiary has contingent liabilities which are material to it other than as indicated on such financial statements or, with respect to future periods, on the financial statements furnished pursuant to Section 6.5.

Section 5.6 No Material Adverse Change. Since March 31, 2018, there has been no change in the condition (financial or otherwise) or business prospects of Borrower or any Subsidiary except those occurring in the ordinary course of business, none of which individually or in the aggregate could reasonably be expected to have a Material Adverse Effect.

Section 5.7 Full Disclosure. The statements and information furnished to Bank in connection with the negotiation of this Agreement and the other Loan Documents and the commitments by Bank to provide all or part of the financing contemplated hereby do not contain any untrue statements of a material fact or omit a material fact necessary to make the statements contained herein or therein not misleading, Bank acknowledging that as to any projections furnished to Bank, Borrower only represents that the same were prepared on the basis of information and estimates Borrower believed to be reasonable.

Section 5.8 Trademarks, Franchises, and Licenses. Borrower and Guarantors own, possess, or have the right to use all necessary patents, licenses, franchises, trademarks, trade names, trade styles, copyrights, trade secrets, know how, and confidential commercial and proprietary information to conduct their businesses as now conducted, without known conflict with any patent, license, franchise, trademark, trade name, trade style, copyright or other proprietary right of any other Person.

Section 5.9 Governmental Authority and Licensing. Borrower and its Subsidiaries have received all licenses, permits, and approvals of all Governmental Authorities, if any, necessary to conduct their businesses, in each case except where the failure to obtain or maintain the same could not reasonably be expected to have a Material Adverse Effect. No investigation or proceeding is pending or, to the knowledge of Borrower, threatened, before or by any Governmental Authority that could reasonably be expected to have a Material Adverse Effect.

Section 5.10 Good Title. Borrower and Guarantors have good and defensible title (or valid leasehold interests) to their assets as reflected on the most recent consolidated balance sheet of Borrower and its Subsidiaries furnished to Bank (except for sales of assets in the ordinary course of business), subject to no Liens other than such thereof as are permitted by Section 7.2.

Section 5.11 Litigation and Other Controversies. There is no litigation or governmental or arbitration proceeding or labor controversy pending, nor to the knowledge of Borrower threatened, against Borrower or any Guarantor or any of their Property which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

Section 5.12 Taxes. All tax returns required to be filed by Borrower or any Subsidiary in any jurisdiction have, in fact, been filed, and all taxes, assessments, fees, and other governmental charges upon Borrower or any Subsidiary or upon any of its Property, income or franchises, which are shown to be due and payable in such returns, have been paid, except such taxes, assessments, fees and governmental charges, if any, as are being contested in good faith and by appropriate proceedings which prevent enforcement of the matter under contest and as to which adequate reserves established in accordance with GAAP have been provided. Borrower does not know of any proposed additional tax assessment against it or its Subsidiaries for which adequate provisions in accordance with GAAP have not been made on their accounts. Adequate provisions in accordance with GAAP for taxes on the books of Borrower and each Subsidiary have been made for all open years, and for its current fiscal period.

Section 5.13 Approvals. No authorization, consent, license or exemption from, or filing or registration with, any court or Governmental Authority, nor any approval or consent of any other Person, is or will be necessary to the valid execution, delivery or performance by Borrower or any Guarantor of any Loan Document, except for such approvals which have been obtained prior to the date of this Agreement and remain in full force and effect.

Section 5.14 Affiliate Transactions. Neither Borrower nor any Subsidiary is a party to any contracts or agreements with any of its Affiliates (other than with Wholly-owned Subsidiaries) on terms and conditions which are less favorable to Borrower or such Subsidiary than would be usual and customary in similar contracts or agreements between Persons not affiliated with each other.

Section 5.15 Investment Company. Neither Borrower nor any Subsidiary is an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

Section 5.16 ERISA. Borrower and each other member of its Controlled Group has fulfilled its obligations under the minimum funding standards of and is in compliance in all material respects with ERISA and the Code to the extent applicable to it and has not incurred any liability to the PBGC or a Plan under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA. Neither Borrower nor any Subsidiary has any contingent liabilities with respect to any post-retirement benefits under a Welfare Plan, other than liability for continuation coverage described in article 6 of Title I of ERISA.

Section 5.17 Compliance with Laws.

(a) Borrower and its Subsidiaries are in compliance with the requirements of all federal, state and local laws, rules and regulations applicable to or pertaining to their Property or business operations (including the Occupational Safety and Health Act of 1970, the Americans with Disabilities Act of 1990, and laws and regulations establishing quality criteria and standards for air, water, land and toxic or hazardous wastes and substances), except for any such noncompliance that, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

(b) Without limiting the representations and warranties set forth in Section 5.17(a) above, except for such matters, individually or in the aggregate, which could not reasonably be expected to result in a Material Adverse Effect and except as set forth on Schedule 5.17(b), Borrower represents and warrants that: (i) Borrower and its Subsidiaries, and each of the Premises, comply in all material respects with all applicable Environmental Laws; (ii) Borrower and its Subsidiaries have obtained all governmental approvals required for their operations and each of the Premises by any applicable Environmental Law; (iii) Borrower and its Subsidiaries have not, and Borrower has no knowledge of any other Person who has, caused any Release, threatened Release or disposal of any Hazardous Material at, on, about, or off any of the Premises in any material quantity and, to the knowledge of Borrower, none of the Premises are adversely affected by any Release, threatened Release or disposal of a Hazardous Material originating or emanating from any other property; (iv) none of the Premises contain and have contained any: (1) underground storage tank, (2) material amounts of asbestos containing building material, (3) landfills or dumps, (4) hazardous waste management facility as defined pursuant to RCRA or any comparable state law, or (5) site on or nominated for the National Priority List promulgated pursuant to CERCLA or any state remedial priority list promulgated or published pursuant to any comparable state law; (v) Borrower and its Subsidiaries have not used a material quantity of any Hazardous Material and have conducted no Hazardous Material Activity at any of the Premises; (vi) Borrower and its Subsidiaries have no material liability for response or corrective action, natural resource damage or other harm pursuant to CERCLA, RCRA or any comparable state law; (vii) Borrower and its Subsidiaries are not subject to, have no notice or knowledge of and are not required to give any notice of any Environmental Claim involving Borrower or any Subsidiary or any of the Premises, and there are no conditions or occurrences at any of the Premises which could reasonably be anticipated to form the basis for an Environmental Claim against Borrower or any Subsidiary or such Premises; (viii) none of the Premises are subject to any, and Borrower has no knowledge of any imminent restriction on the ownership, occupancy, use or transferability of the Premises in connection with any (1) Environmental Law or (2) Release, threatened Release or disposal of a Hazardous Material; and (ix) there are no conditions or circumstances at any of the Premises which pose an unreasonable risk to the environment or the health or safety of Persons.

Section 5.18 OFAC. (a) Borrower is in compliance with the requirements of all OFAC Sanctions Programs applicable to it, (b) each Subsidiary of Borrower is in compliance with the requirements of all OFAC Sanctions Programs applicable to such Subsidiary, (c) Borrower has provided to Bank all information regarding Borrower and its Affiliates and Subsidiaries necessary for Bank to comply with all applicable OFAC Sanctions Programs, and (d) to the best of Borrower's knowledge, neither Borrower nor any of its Affiliates or Subsidiaries is, as of the date hereof, named on the current OFAC SDN List.

Section 5.19 Other Agreements. Neither Borrower nor any Guarantor is in default under the terms of any covenant, indenture or agreement of or affecting such Person or any of its Property, except for any such default that could not reasonably be expected to have a Material Adverse Effect.

Section 5.20 Solvency. Borrower and its Subsidiaries are solvent, able to pay their debts as they become due, and have sufficient capital to carry on their business and all businesses in which they are about to engage.

Section 5.21 No Default. No Default or Event of Default has occurred and is continuing.

Section 5.22 No Broker Fees. No broker's or finder's fee or commission will be payable with respect hereto or any of the transactions contemplated hereby; and Borrower hereby agrees to indemnify Bank against, and agree that they will hold Bank harmless from, any claim, demand, or liability for any such broker's or finder's fees alleged to have been incurred in connection herewith or therewith and any expenses (including reasonable attorneys' fees) arising in connection with any such claim, demand, or liability.

SECTION 6. AFFIRMATIVE COVENANTS.

So long as all or any portion of the Commitments remains outstanding or any Obligations hereunder remain outstanding, Borrower agrees that:

Section 6.1 Maintenance of Business. Borrower shall, and shall cause each Subsidiary to, preserve and maintain its existence, except as otherwise provided in Section 7.4(c)-(e). Borrower shall, and shall cause each Subsidiary to, preserve and keep in force and effect all licenses, permits, franchises, approvals, patents, trademarks, trade names, trade styles, copyrights, and other proprietary rights necessary to the proper conduct of its business, except where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

Section 6.2 Maintenance of Properties. Borrower shall, and shall cause each Subsidiary to, maintain, preserve, and keep its property, plant, and equipment in good repair, working order and condition (ordinary wear and tear excepted), and shall from time to time make all needful and proper repairs, renewals, replacements, additions, and betterments thereto so that at all times the efficiency thereof shall be fully preserved and maintained, in each case except where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

Section 6.3 Taxes and Assessments. Borrower shall duly pay and discharge, and shall cause each Subsidiary to duly pay and discharge, all taxes, rates, assessments, fees, and governmental charges upon or against it or its Property, in each case before the same become delinquent and before penalties accrue thereon, unless and to the extent that the same are being contested in good faith and by appropriate proceedings which prevent enforcement of the matter under contest and adequate reserves are provided therefor.

Section 6.4 Insurance. Borrower shall insure and keep insured, and shall cause each Subsidiary to insure and keep insured, with good and responsible insurance companies, all insurable Property owned by it which is of a character usually insured by Persons similarly situated and operating like Properties against loss or damage from such hazards and risks (including flood insurance (to the extent it can be obtained) with respect to any improvements on real Property consisting of building or parking facilities in an area designated by a governmental body as having special flood hazards), and in such amounts, as are insured by Persons similarly situated and operating like Properties, but in no event at any time in an amount less than the replacement value of the Collateral. Borrower shall also maintain, and shall cause each Subsidiary to maintain, insurance with respect to the business of Borrower and its Subsidiaries, covering commercial general liability, statutory worker's compensation and occupational disease, statutory structural work act liability, and business interruption and such other risks with good and responsible insurance companies, in such amounts and on such terms as Bank shall reasonably request, but in any event as and to the extent usually insured by Persons similarly situated and conducting similar businesses. Borrower shall in any event maintain insurance on the Collateral to the extent required by the Collateral Documents. All such policies of insurance shall contain satisfactory lender's loss payable endorsements, naming Bank as a loss payee, assignee or additional insured, as appropriate, as its interest may appear, and showing only such other loss payees, assignees and additional insureds as are satisfactory to Bank. Each policy of insurance or endorsement shall contain a clause requiring the insurer to make best efforts to give not less than 30 days' prior written notice to Bank in the event of cancellation of the policy for any reason whatsoever and a clause specifying that the interest of Bank shall not be impaired or invalidated by any act or neglect of Borrower, any of its Subsidiaries, or the owner of the premises or Property or by the occupation of the premises for purposes more hazardous than are permitted by said policy. Borrower shall deliver to Bank (a) on the date of this Agreement, and at such other times as Bank shall reasonably request, certificates evidencing the maintenance of insurance required hereunder, (b) prior to the termination of any such policies, certificates evidencing the renewal thereof, and (c) promptly following request by Bank, copies of all insurance policies of Borrower and its Subsidiaries. Borrower also agrees to deliver to Bank, promptly as rendered, true copies of all reports made in any reporting forms to insurance companies.

Section 6.5 Financial Reports. Borrower shall, and shall cause each Subsidiary to, maintain a standard system of accounting in accordance with GAAP and shall furnish to Bank and its duly authorized representatives such information respecting the business and financial condition of Borrower and each Subsidiary as Bank may reasonably request; and without any request, shall furnish to Bank:

(a) as soon as available, and in any event no later than 30 days after the last day of each calendar month, a Borrowing Base Certificate showing the computation of the Borrowing Base in reasonable detail as of the close of business on the last day of such month, together with an accounts receivable and accounts payable aging, prepared by Borrower and certified to by its chief financial officer or another officer of Borrower acceptable to Bank;

(b) as soon as available, and in any event no later than 40 days after the last day of each fiscal quarter of Borrower, including the fiscal quarter ending on the last day of the fiscal year of Borrower, a copy of the consolidated and consolidating balance sheet of Borrower and its Subsidiaries as of the last day of such period and the consolidated and consolidating statements of income, retained earnings, and cash flows of Borrower and its Subsidiaries for the fiscal quarter and the fiscal year-to-date period then ended, each in reasonable detail showing in comparative form the figures for the corresponding date and period in the previous fiscal year, prepared by Borrower in accordance with GAAP and certified to by its chief financial officer or such other officer acceptable to Bank;

(c) as soon as available, and in any event no later than 90 days after the last day of each fiscal year of Borrower, a copy of the consolidated and consolidating balance sheet of Borrower and its Subsidiaries as of the close of such period and the consolidated and consolidating statements of income, retained earnings, and cash flows of Borrower and the Subsidiaries for such period, and accompanying notes thereto, each in reasonable detail showing in comparative form the figures for the previous fiscal year, accompanied by an unqualified opinion thereon of a firm of independent public accountants of recognized national standing, selected by Borrower and satisfactory to Bank, to the effect that the financial statements have been prepared in accordance with GAAP and present fairly in accordance with GAAP the consolidated financial condition of Borrower and the Subsidiaries as of the close of such fiscal year and the results of their operations and cash flows for the fiscal year then ended and that an examination of such accounts in connection with such financial statements has been made in accordance with generally accepted auditing standards and, accordingly, such examination included such tests of the accounting records and such other auditing procedures as were considered necessary in the circumstances;

(d) as soon as available, and in any event no later than 45 days after the last day of each fiscal quarter of Borrower, including the fiscal quarter ending on the last day of the fiscal year of Borrower, a written certificate in the form attached hereto as Exhibit C signed by the chief financial officer of Borrower or another officer of Borrower acceptable to Bank to the effect that to the best of such officer's knowledge and belief no Default or Event of Default has occurred during the period covered by such statements or, if any such Default or Event of Default has occurred during such period, setting forth a description of such Default or Event of Default and specifying the action, if any, taken by Borrower or any Subsidiary to remedy the same. Such certificate shall also set forth the calculations supporting such statements in respect of Section 7.12 (Financial Covenants).

(e) with each of the financial statements delivered pursuant to subsection (c) above, the written statement of the accountants who certified the audit report thereby required that in the course of their audit they have obtained no knowledge of any Default or Event of Default, or, if such accountants have obtained knowledge of any such Default or Event of Default, they shall disclose in such statement the nature and period of the existence thereof;

(f) as soon as available, and in any event no later than 30 days prior to the end of each fiscal year of Borrower, a copy of Borrower's consolidated and consolidating business plan for the following fiscal year, such business plan to show Borrower's projected consolidated and consolidating revenues, expenses and balance sheet on a quarter by quarter/month by month basis, such business plan to be in reasonable detail prepared by Borrower and in form satisfactory to Bank (which shall include a summary of all assumptions made in preparing such business plan);

(g) as soon as available, but in any event within 30 days after the end of each calendar month from, (i) reconciliations of all Borrower's Accounts as shown on the month-end Borrowing Base Certificate for the immediately preceding month to Borrower's accounts receivable agings, to Borrower's general ledger and to Borrower's most recent financial statements, (ii) accounts payable agings, (iii) reconciliations of Borrower's Inventory as shown on Borrower's perpetual inventory, to Borrower's general ledger and to Borrower's financial statements and (iv) Inventory status reports, all with supporting materials as Bank shall reasonably request;

(h) promptly after receipt thereof, any additional written reports, management letters or other detailed information contained in writing concerning significant aspects of Borrower's or any Subsidiary's operations and financial affairs given to it by its independent public accountants;

(i) promptly after the sending or filing thereof, copies of each financial statement, report, notice or proxy statement sent by Borrower or any Subsidiary to its stockholders or other equity holders, and copies of each regular, periodic or special report, registration statement or prospectus (including all Form 10 K, Form 10 Q and Form 8 K reports) filed by Borrower or any Subsidiary with any securities exchange or the Securities and Exchange Commission or any successor agency;

(j) promptly after receipt thereof, a copy of each audit made by any regulatory agency of the books and records of Borrower or any Subsidiary or of notice of any material noncompliance with any applicable law, regulation or guideline relating to Borrower or any Subsidiary, or its business; and

(k) promptly after knowledge thereof shall have come to the attention of any responsible officer of Borrower, written notice of (i) any threatened or pending litigation or governmental or arbitration proceeding or labor controversy against Borrower or any Subsidiary or any of their Property which, if adversely determined, could reasonably be expected to have a Material Adverse Effect or (ii) the occurrence of any Default or Event of Default hereunder.

Section 6.6 Inspection. Borrower shall, and shall cause each Subsidiary to, permit Bank and its duly authorized representatives and agents to visit and inspect any of its Property, corporate books, and financial records, to examine and make copies of its books of accounts and other financial records, and to discuss its affairs, finances, and accounts with, and to be advised as to the same by, its officers, employees and independent public accountants (and by this provision Borrower hereby authorizes such accountants to discuss with Bank the finances and affairs of Borrower and its Subsidiaries) at such reasonable times and intervals as Bank may designate; *provided*, that in the absence of any Default and Event of Default, Bank shall not perform, or cause to be performed, more than one (1) such exam per calendar year.

Section 6.7 ERISA. Borrower shall, and shall cause each Subsidiary to, promptly pay and discharge all obligations and liabilities arising under ERISA of a character which if unpaid or unperformed could reasonably be expected to result in the imposition of a Lien against any of its Property. Borrower shall, and shall cause each Subsidiary to, promptly notify Bank of: (a) the occurrence of any reportable event (as defined in ERISA) with respect to a Plan, (b) receipt of any notice from the PBGC of its intention to seek termination of any Plan or appointment of a trustee therefor, (c) its intention to terminate or withdraw from any Plan, and (d) the occurrence of any event with respect to any Plan which would result in the incurrence by Borrower or any Subsidiary of any material liability, fine or penalty, or any material increase in the contingent liability of Borrower or any Subsidiary with respect to any post retirement Welfare Plan benefit.

Section 6.8 Compliance with Laws.

(a) Borrower shall, and shall cause each Subsidiary to, comply in all respects with the requirements of all federal, state, and local laws, rules, regulations, ordinances and orders applicable to or pertaining to its Property or business operations, except where any such non- compliance, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect or result in a Lien upon any of its Property.

(b) Without limiting the agreements set forth in Section 6.8(a) above, Borrower shall, and shall cause each Subsidiary to, at all times, do the following to the extent the failure to do so, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect: (i) comply in all material respects with, and maintain each of the Premises in compliance in all material respects with, all applicable Environmental Laws; (ii) require that each tenant and subtenant, if any, of any of the Premises or any part thereof comply in all material respects with all applicable Environmental Laws; (iii) obtain and maintain in full force and effect all material governmental approvals required by any applicable Environmental Law for operations at each of the Premises; (iv) cure any material violation by it or at any of the Premises of applicable Environmental Laws; (v) not allow the presence or operation at any of the Premises of any (1) landfill or dump or (2) hazardous waste management facility or solid waste disposal facility as defined pursuant to RCRA or any comparable state law; (vi) not manufacture, use, generate, transport, treat, store, release, dispose or handle any Hazardous Material at any of the Premises except in the ordinary course of its business and in *de minimis* amounts; (vii) within ten (10) Business Days notify Bank in writing of and provide any reasonably requested documents upon learning of any of the following in connection with Borrower or any Subsidiary or any of the Premises: (1) any material liability for response or corrective action, natural resource damage or other harm pursuant to CERCLA, RCRA or any comparable state law; (2) any material Environmental Claim; (3) any material violation of an Environmental Law or material Release, threatened Release or disposal of a Hazardous Material; (4) any restriction on the ownership, occupancy, use or transferability arising pursuant to any (x) Release, threatened Release or disposal of a Hazardous Material or (y) Environmental Law; or (5) any environmental, natural resource, health or safety condition, which could reasonably be expected to have a Material Adverse Effect; (viii) conduct at its expense any investigation, study, sampling, testing, abatement, cleanup, removal, remediation or other response action necessary to remove, remediate, clean up or abate any material Release, threatened Release or disposal of a Hazardous Material as required by any applicable Environmental Law, (ix) abide by and observe any restrictions on the use of the Premises imposed by any Governmental Authority as set forth in a deed or other instrument affecting Borrower's or any Subsidiary's interest therein; (x) promptly provide or otherwise make available to Bank any reasonably requested environmental record concerning the Premises which Borrower or any Subsidiary possesses or can reasonably obtain; and (xi) perform, satisfy, and implement any operation or maintenance actions required by any Governmental Authority or Environmental Law, or included in any no further action letter or covenant not to sue issued by any Governmental Authority under any Environmental Law.

Section 6.9 Compliance with OFAC Sanctions Programs.

(a) Borrower shall at all times comply with the requirements of all OFAC Sanctions Programs applicable to Borrower and shall cause each of its Subsidiaries to comply with the requirements of all OFAC Sanctions Programs applicable to such Subsidiary.

(b) Borrower shall provide Bank any information regarding Borrower, its Affiliates, and its Subsidiaries necessary for Bank to comply with all applicable OFAC Sanctions Programs; subject however, in the case of Affiliates, to Borrower's ability to provide information applicable to them.

(c) If Borrower obtains actual knowledge or receives any written notice that Borrower, any Affiliate or any Subsidiary is named on the then current OFAC SDN List (such occurrence, an "*OFAC Event*"), Borrower shall promptly (i) give written notice to Bank of such OFAC Event, and (ii) comply with all applicable laws with respect to such OFAC Event (regardless of whether the party included on the OFAC SDN List is located within the jurisdiction of the United States of America), including the OFAC Sanctions Programs, and Borrower hereby authorizes and consents to Bank taking any and all steps Bank deems necessary, in its sole discretion, to avoid violation of all applicable laws with respect to any such OFAC Event, including the requirements of the OFAC Sanctions Programs (including the freezing and/or blocking of assets and reporting such action to OFAC).

Section 6.10 Formation of Subsidiaries. Promptly upon the formation or acquisition of any Subsidiary (but in no event later than 30 days after such formation or acquisition), Borrower shall provide Bank notice thereof and timely comply with the requirements of Section 6.12 (at which time Schedule 5.2 shall be deemed amended to include reference to such Subsidiary). Except for Foreign Subsidiaries existing on the Closing Date and identified on Schedule 5.2, Borrower shall not, nor shall it permit any Subsidiary to, form or acquire any Foreign Subsidiary.

Section 6.11 Use of Proceeds; Margin Stock; Bank Accounts. Borrower shall use the credit extended under this Agreement solely to pay for the Acquisition (including reasonable costs and expenses related thereto), for Capital Expenditures, for its general working capital purposes, to refinance existing Indebtedness for Borrowed Money and for such other general corporate purposes as are consistent with all applicable laws. Neither Borrower nor any Subsidiary will engage, principally or as one of its important activities, in the business of purchasing or carrying margin stock or in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System), and no part of the proceeds of any Loan or any other extension of credit made hereunder will be used to purchase or carry any such margin stock or to extend credit to others for the purpose of purchasing or carrying any such margin stock. Borrower shall at all times maintain all of its deposit and operating accounts of any kind with the Bank or its Affiliates.

Section 6.12 Guaranties and Collateral.

(a) *Guaranties*. The payment and performance of the Obligations and Hedging Liability shall at all times be guaranteed by each direct and indirect Domestic Subsidiary of Borrower pursuant to one or more guaranty agreements in form and substance acceptable to Bank (as the same may be amended, restated, supplemented, or otherwise modified from time to time individually a *"Guaranty"* and collectively the *"Guaranties"* and each such Domestic Subsidiary executing and delivering a Guaranty being referred to herein as a *"Guarantor"* and collectively the *"Guarantors"*).

(b) *Collateral*. The Obligations and Hedging Liability shall be secured by valid, perfected, and enforceable Liens on all right, title, and interest of Borrower and each Guarantor in all of their accounts, chattel paper, instruments, documents, general intangibles, letter of credit rights, supporting obligations, deposit accounts, investment property, inventory, equipment, fixtures, commercial tort claims and certain other personal Property, whether now owned or hereafter acquired or arising, and all proceeds thereof; *provided*, that, unless otherwise required by Bank during the existence of any Event of Default, Liens on the Voting Stock of a Foreign Subsidiary, which, if granted, would cause a material adverse effect on Borrower's federal income tax liability, shall be limited to 65% of the total outstanding Voting Stock of such Foreign Subsidiary. Borrower acknowledges and agrees that the Liens on the Collateral shall be valid and perfected first priority Liens except as permitted by Section 7.2, subject, however, to the proviso appearing at the end of the preceding sentence, in each case pursuant to one or more Collateral Documents from such Persons, each in form and substance satisfactory to Bank.

(c) Reserved.

(d) Further Assurances. Borrower agrees that it shall, and shall cause each Subsidiary to, from time to time at the request of Bank, execute and deliver such documents and do such acts and things as Bank may reasonably request in order to provide for or perfect or protect Bank's Liens on the Collateral.

Section 6.13 Post-Closing Deliveries.

(a) *Stock Certificates.* Within 30 days after the Closing Date, Borrower will deliver (or cause Bank of Montreal to deliver) to Bank original stock certificates or other similar instruments or securities representing all of the issued and outstanding shares of capital stock or other equity interests in each of the entities being pledged as of the Closing Date which are currently held by Bank of Montreal, and (ii) stock powers for the Collateral consisting of the stock or other equity interest in each entity being pledged, executed in blank and undated, which are currently held by Bank of Montreal. If such stock certificates are not timely delivered to Bank as a result of a delay caused by Bank of Montreal, failure to timely deliver such certificates shall not be an Event of Default under this Agreement and the foregoing time period for delivery shall be extended as long as is necessary for Bank of Montreal to deliver such certificates.

(b) *Landlord Waivers*. Within 90 days after the Closing Date, Borrower will deliver (or cause the respective landlords to deliver) to Bank the Landlord Waivers (or consents to the assignment of existing Landlord Waivers) for the following: (i) 90895 Roberts Road, P.O. Box 8099, Coburg, OR 97408, from M L Coburg, LLC, (ii) 18547 East Valley Highway, Kent, WA 98032, from Hill Investment Company, and (iii) and other locations reasonably requested by Bank, or at which Borrower would otherwise be required to obtain a Landlord Waiver pursuant to the terms of this Agreement.

SECTION 7. NEGATIVE COVENANTS.

So long as all or any portion of the Commitments remains outstanding or any Obligations hereunder remain outstanding, Borrower agrees that, unless otherwise permitted by Bank in writing:

Section 7.1 Borrowings and Guaranties. Borrower shall not, nor shall it permit any Loan Party or Subsidiary to, issue, incur, assume, create or have outstanding any Indebtedness for Borrowed Money, or incur liabilities for interest rate, currency, or commodity cap, collar, swap, or similar hedging arrangements, or be or become liable as endorser, guarantor, surety or otherwise for any debt, obligation or undertaking of any other Person, or otherwise agree to provide funds for payment of the obligations of another, or supply funds thereto or invest therein or otherwise assure a creditor of another against loss, or apply for or become liable to the issuer of a letter of credit which supports an obligation of another, or subordinate any claim or demand it may have to the claim or demand of any other Person; *provided* that the foregoing shall not restrict nor operate to prevent:

(a) the Obligations of Borrower and its Subsidiaries owing to Bank under the Loan Documents and other indebtedness and obligations of such Persons owing to Bank;

(b) indebtedness outstanding on the date hereof and listed on Schedule 7.1(b), which Indebtedness exceeds $50,000 for any single obligation and, in the aggregate, obligations totaling $300,000 or more for any Loan Party;

(c) indebtedness at or below $50,000 for any single obligation and, in the aggregate, obligations totaling $300,000 or less for any Loan Party (such indebtedness does not include the indebtedness otherwise permitted in this Section 7.1);

(d) Guaranties of any Loan Party in respect of Indebtedness for Borrower Money otherwise permitted hereunder of any Loan Party; *provided*, that any Guaranty permitted hereunder that is subordinated to the Obligations shall be subordinated to the Obligations on substantially the same terms as such Subordinated Indebtedness;

(e) purchase money indebtedness and Capitalized Lease Obligations of the Loan Parties in an amount not to exceed $10,000,000 in the aggregate at any one time outstanding;

(f) the Hedging Liability of Borrower and its Subsidiaries, along with any other obligations of Borrower or any Subsidiary arising out of interest rate, foreign currency, and commodity hedging agreements entered into with financial institutions in connection with bona fide hedging activities in the ordinary course of business and not for speculative purposes;

(g) indebtedness arising in the ordinary course of business in connection with treasury management and commercial credit card, merchant card and purchase or procurement card services;

(h) endorsement of items for deposit or collection of commercial paper received in the ordinary course of business;

(i) Assumed Indebtedness of Borrower in an aggregate principal amount not to exceed $1,000,000 at any time outstanding;

(j) indebtedness with respect to the deferred purchase price for any acquisition permitted by Section 7.3 (including, for avoidance of doubt, the earn out contemplated under the Purchase Documents for the Acquisition); *provided*, that such indebtedness does not require the payment in cash of principal (other than in respect of working capital adjustments) prior to the Revolving Credit Termination Date, has a maturity which extends beyond the Revolving Credit Termination Date, and is subordinated to the Obligations on terms reasonably acceptable to Bank;

(k) indebtedness of Foreign Subsidiaries in an aggregate principal amount at any time outstanding not to exceed 5% of the total consolidated assets of Borrower and its Subsidiaries as of the end of the most recently ended fiscal year of Borrower;

(l) indebtedness from time to time owing by any Subsidiary to Borrower in the ordinary course of business;

(m) unsecured Indebtedness for Borrower Money of (A) any Loan Party owing to any other Loan Party or any Subsidiary that is not a Loan Party, (B) any Subsidiary that is not a Loan Party owing to any other Subsidiary that is not a Loan Party and (C) any Subsidiary that is not a Loan Party owing to any Loan Party; *provided* , that any such Indebtedness for Borrowed Money described in this clause which is owing to a Loan Party, shall (1) to the extent the aggregate principal amount thereof is in excess of $500,000.00, be evidenced by promissory notes in form and substance satisfactory to Bank and pledged to Bank on terms acceptable to it, (2) be permitted under Section 7.3(h)(iv) or (k), and (3) not be forgiven or otherwise discharged for any consideration other than payment in full in cash unless Bank otherwise consents; and

(n) other unsecured Indebtedness for Borrowed Money having a stated maturity date no earlier than 91 days following the Revolving Credit Termination Date and not exceeding $10,000,000 in the aggregate in any fiscal year of Borrower, if (i) (A) no Default has occurred and is continuing or would result from such Indebtedness for Borrowed Money, (B) such Indebtedness for Borrowed Money is evidenced by a subordination agreement in form and substance satisfactory to Bank and on terms acceptable to it; and (ii) at least ten (10) Business Days prior to each such incurrence, Borrower has delivered a certificate to Bank demonstrating compliance with (A) above.

Section 7.2 Liens. Borrower shall not, nor shall it permit any Subsidiary to, create, incur or permit to exist any Lien of any kind on any Property owned by any such Person; *provided* that the foregoing shall not apply to nor operate to prevent:

(a) Liens at or below $150,000 for any single Lien and, in the aggregate, Liens totaling $500,000 or less for any Loan Party (such Liens do not include Liens otherwise permitted in this Section 7.2);

(b) Liens existing on the date hereof and listed on Schedule 7.2(b), which Liens exceed $150,000 per Lien and, in the aggregate, exceed $500,000 per Loan Party, and any renewals or extensions thereof, *provided*, that (i) the property covered thereby is not changed, (ii) the amount secured or benefited thereby is not increased from the amount outstanding on the date of renewal or extension, (iii) the direct or any contingent obligor with respect thereto is not changed; and (iv) any renewal or extension of the obligations secured or benefited thereby is otherwise permitted under Section 7.1(b);

(c) Liens arising by statute in connection with worker's compensation, unemployment insurance, old age benefits, social security obligations, taxes, assessments, statutory obligations or other similar charges (other than Liens arising under ERISA), good faith cash deposits in connection with tenders, contracts or leases to which Borrower or any Subsidiary is a party or other cash deposits required to be made in the ordinary course of business; *provided* in each case that the obligation is not for borrowed money and that the obligation secured is not overdue or, if overdue, is being contested in good faith by appropriate proceedings which prevent enforcement of the matter under contest and adequate reserves have been established therefor;

(d) mechanics', workmen's, materialmen's, landlords', carriers' or other similar Liens arising in the ordinary course of business with respect to obligations which are not overdue for a period of more than 30 days or which are being contested in good faith by appropriate proceedings which prevent enforcement of the matter under contest;

(e) judgment liens and judicial attachment liens not constituting an Event of Default under Section 8.1(g) and the pledge of assets for the purpose of securing an appeal, stay or discharge in the course of any legal proceeding;

(f) Liens arising in the ordinary course of business on deposits to secure the performance of bids, trade contracts and leases (other than Indebtedness), statutory obligations, surety bonds (other than bonds related to judgments or litigation), performance bonds and other obligations of a like nature, in each case, incurred in the ordinary course of business;

(g) Liens on equipment of Borrower or any Subsidiary created solely for the purpose of securing indebtedness permitted by Section 7.1(e), representing or incurred to finance the purchase price of such Property; *provided* that no such Lien shall extend to or cover other Property of Borrower or such Subsidiary other than the respective Property so acquired, and the principal amount of indebtedness secured by any such Lien shall at no time exceed the purchase price of such Property, as reduced by repayments of principal thereon;

(h) any interest or title of a lessor under any operating lease;

(i) Liens securing Indebtedness permitted under Section 7.1(j); *provided*, that (i) such Liens do not at any time encumber any property other than the property financed by such Indebtedness for Borrowed Money and (ii) the Indebtedness for Borrowed Money secured thereby does not exceed the cost or fair market value, whichever is lower, of the property being acquired on the date of acquisition;

(j) Liens securing Assumed Indebtedness of the Loan Parties permitted pursuant to Section 7.1(i); *provided*, that (i) such Liens do not at any time encumber any property other than property of the Subsidiary acquired, or the property acquired, and proceeds thereof in connection with such Assumed Indebtedness and shall not attach to any assets of the Loan Parties theretofore existing or (except for any such proceeds) which arise after the date thereof and (ii) the Assumed Indebtedness and other secured Indebtedness of the Loan Parties secured by any such Lien does not exceed the fair market value of the property being acquired in connection with such Assumed Indebtedness;

(k) Liens on assets of Foreign Subsidiaries of Borrower securing Indebtedness for Borrowed Money of such Foreign Subsidiaries permitted pursuant to clause (k) of Section 7.1;

(l) easements, rights of way, restrictions, and other similar encumbrances against real property incurred in the ordinary course of business which, in the aggregate, are not substantial in amount and which do not materially detract from the value of the Property subject thereto or materially interfere with the ordinary conduct of the business of Borrower or any Subsidiary;

(m) Liens in favor of customs and revenue authorities imposed by Law to secure payment of customs duties in connection with the importation of goods and arising in the ordinary course of business which are not overdue for a period of more than 30 days or which are being contested in good faith by appropriate proceedings which prevent enforcement of the matter under contest;

(n) Special tool builders' or similar liens arising by operation of law; and

(o) Liens granted in favor of Bank pursuant to the Collateral Documents.

Section 7.3 Investments, Acquisitions, Loans and Advances. Borrower shall not, nor shall it permit any Subsidiary to, directly or indirectly, make, retain or have outstanding any investments (whether through purchase of stock or obligations or otherwise) in, or loans or advances to (other than for travel advances and other similar cash advances made to employees in the ordinary course of business), any other Person, or acquire all or any substantial part of the assets or business of any other Person or division thereof; *provided* that the foregoing shall not apply to nor operate to prevent:

(a) investments in direct obligations of the United States of America or of any agency or instrumentality thereof whose obligations constitute full faith and credit obligations of the United States of America, provided that any such obligations shall mature within one year of the date of issuance thereof;

(b) investments in commercial paper rated at least P-1 by Moody's and at least A-1 by S&P maturing within one year of the date of issuance thereof;

(c) investments in certificates of deposit issued by Bank or by any United States commercial bank having capital and surplus of not less than $100,000,000 which have a maturity of one year or less;

(d) investments in repurchase obligations with a term of not more than 7 days for underlying securities of the types described in subsection (a) above entered into with any bank meeting the qualifications specified in subsection (c) above, provided all such agreements require physical delivery of the securities securing such repurchase agreement, except those delivered through the Federal Reserve Book Entry System;

(e) investments in money market funds that invest solely, and which are restricted by their respective charters to invest solely, in investments of the type described in the immediately preceding subsections (a), (b), (c), and (d) above;

(f) loans and advances to officers, directors and employees of the Loan Parties and Subsidiaries made in the ordinary course of business in an aggregate amount at any one time outstanding not to exceed $100,000;

(g) investments consisting of extensions of credit in the nature of accounts receivable or notes receivable arising from the grant of trade credit in the ordinary course of business, and investments received in satisfaction or partial satisfaction thereof from financially troubled Account Debtors to the extent reasonably necessary in order to prevent or limit loss;

(h) Borrower's investments in its Subsidiaries outstanding on the date hereof, (ii) additional Investments by Borrower and its Subsidiaries in Loan Parties, (iii) additional Investments by Subsidiaries of Borrower that are not Loan Parties in other Subsidiaries that are not Loan Parties, and (iv) so long as no Default has occurred and is continuing or would result from such investment, additional investments by the Loan Parties in Subsidiaries that are not Loan Parties in an aggregate amount invested from the date hereof not to exceed $250,000;

(i) intercompany advances made from time to time from Borrower to any one or more Subsidiaries in the ordinary course of business;

(j) investments arising in connection with an acquisition permitted by this Section 7.3;

(k) other investments, loans, and advances in addition to those otherwise permitted by this Section 7.3 in an amount not to exceed $2,000,000 in the aggregate in any fiscal year of Borrower (as calculated to include any acquisitions permitted under this Section 7.3 during such fiscal year), so long as (i) when consummated, no Default has occurred and is continuing or would result from such Investment and (ii) at least ten (10) Business Days prior to each such investment, Borrower has delivered a certificate to Bank demonstrating compliance with (i) above; and

(l) Guaranties permitted by Section 7.1.

In determining the amount of investments, acquisitions, loans, and advances permitted under this Section 7.3, investments and acquisitions shall always be taken at the original cost thereof (regardless of any subsequent appreciation or depreciation therein), and loans and advances shall be taken at the principal amount thereof then remaining unpaid.

Section 7.4 Mergers, Consolidations and Sales. Borrower shall not, nor shall it permit any Subsidiary to, be a party to any merger or consolidation, or sell, transfer, lease or otherwise dispose of all or any part of its Property, including any disposition of Property as part of a sale and leaseback transaction, or in any event sell or discount (with or without recourse) any of its notes or accounts receivable; *provided* that this Section 7.4 shall not apply to nor operate to prevent:

(a) the sale or lease of inventory in the ordinary course of business;

(b) the sale, transfer, lease or other disposition of Property of Borrower and its Subsidiaries to one another in the ordinary course of its business;

(c) any Subsidiary of Borrower may merge or consolidate with or liquidate or dissolve into a Loan Party; *provided*, that, (i) the Loan Party shall be the continuing or surviving Person, and (ii) in the case of any merger of a Loan Party and a Subsidiary Guarantor, such Loan Party shall be the continuing or surviving Person;

(d) in connection with an acquisition permitted under Section 7.3, any Subsidiary of a Loan Party may merge with or into or consolidate with any other Person or permit any other Person to merge with or into or consolidate with it; *provided*, that, (i) the Person surviving such merger shall be a Wholly-Owned Subsidiary of a Loan Party and (ii) in the case of any such merger to which any Loan Party is a party, such Loan Party is the surviving Person;

(e) any Subsidiary that is not a Loan Party may merge into any other Subsidiary that is not a Loan Party; *provided*, that, when any Wholly-Owned Subsidiary is merging with another Subsidiary that is not wholly-owned, the Wholly-Owned Subsidiary shall be the continuing or surviving Person;

(f) the sale of delinquent notes or accounts receivable in the ordinary course of business for purposes of collection only (and not for the purpose of any bulk sale or securitization transaction);

(g) the sale, transfer or other disposition of any tangible personal property that, in the reasonable business judgment of Borrower or its Subsidiary, has become obsolete or worn out, and which is disposed of in the ordinary course of business, so long as (i) no Event of Default has occurred and is continuing at the time of such disposition, (ii) the aggregate fair market value or a book value, whichever is more, of such property does not exceed $500,000 in any twelve-month period and (iii) all proceeds thereof are applied in accordance with Section 2.8(b);

(h) dispositions that constitute (i) an investment permitted under Section 7.3, (ii) a Lien permitted under Section 7.2, (iii) a merger, dissolution, consolidation or liquidation permitted under this Section 7.4, or (iv) a Restricted Payment permitted under Section 7.6;

(i) dispositions that result from a casualty or condemnation in respect of such property or assets and is not otherwise an Event of Default so long as all proceeds thereof are applied in accordance with Section 2.8(b); and

(j) the sale, transfer, lease or other disposition of Property of Borrower or any Subsidiary (including any disposition of Property as part of a sale and leaseback transaction) aggregating for Borrower and its Subsidiaries, so long as (i) no Event of Default has occurred and is continuing at the time of such disposition and (ii) the fair market value of all such assets disposed of, whether individually or in a series of related transactions, does not exceed $500,000 in the aggregate in any fiscal year of Borrower.

Section 7.5 Maintenance of Subsidiaries. Borrower shall not assign, sell or transfer, nor shall it permit any Subsidiary to issue, assign, sell or transfer, any shares of capital stock or other equity interests of a Subsidiary; *provided* that the foregoing shall not operate to prevent (a) Liens on the capital stock or other equity interests of Subsidiaries granted to Bank pursuant to the Collateral Documents, (b) the issuance, sale, and transfer to any person of any shares of capital stock of a Subsidiary solely for the purpose of qualifying, and to the extent legally necessary to qualify, such person as a director of such Subsidiary, and (c) any transaction permitted by Section 7.4(c)-(e) above.

Section 7.6 Dividends and Certain Other Restricted Payments. Borrower shall not, nor shall it permit any Subsidiary to, (a) declare or pay any dividends on or make any other distributions in respect of any class or series of its capital stock or other equity interests (other than dividends or distributions payable solely in its capital stock or other equity interests), or (b) directly or indirectly purchase, redeem, or otherwise acquire or retire any of its capital stock or other equity interests or any warrants, options, or similar instruments to acquire the same (collectively referred to herein as *"Restricted Payments"*); *provided*, that in each case (except Section 7.6(a)) so long as no Default or Event of Default shall have occurred and be continuing (both before or as a result of the making of such Restricted Payment):

(a) each Subsidiary may make Restricted Payments, directly or indirectly, to Borrower;

(b) Borrower and each Subsidiary may declare and make dividend payments or other distributions payable solely in the common stock or other common equity interests of such Person;

(c) Borrower may repurchase shares tendered by employees to satisfy tax withholding obligations on awards of equity compensation, so long as such repurchases are completed in the ordinary course of business and do not exceed $2,000,000, in the aggregate, in any fiscal year of Borrower; and

(d) Borrower shall be permitted to make other Restricted Payments in the form of cash dividends, distributions, purchases, redemptions or other acquisitions of or with respect to shares of its common stock or other common equity interests in an aggregate amount in any fiscal year of Borrower not to exceed $3,000,000 if, at least ten (10) Business Days prior to each such Restricted Payment, Borrower has delivered a certificate to Bank demonstrating compliance with the requirements set forth herein.

Section 7.7 Burdensome Contracts With Affiliates. Borrower shall not, nor shall it permit any Subsidiary to, enter into any contract, agreement or business arrangement with any of its Affiliates (other than with Wholly-owned Subsidiaries) on terms and conditions which are less favorable to Borrower or such Subsidiary than would be usual and customary in similar contracts, agreements or business arrangements between Persons not affiliated with each other.

Section 7.8 No Changes in Fiscal Year. The fiscal year of Borrower ends on June 30 of each year; and Borrower shall not change its fiscal year from its present basis.

Section 7.9 Change in the Nature of Business. Borrower shall not, nor shall it permit any Subsidiary to, engage in any business or activity if as a result the general nature of the business of Borrower or any Subsidiary would be changed in any material respect from the general nature of the business engaged in by it as of the Closing Date.

Section 7.10 No Restrictions. Except pursuant to this Agreement and the other Loan Documents, Borrower shall not, nor shall it permit any Subsidiary to, directly or indirectly create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction of any kind on the ability of Borrower or any Subsidiary to: (a) pay dividends or make any other distribution on any Subsidiary's capital stock or other equity interests owned by Borrower or any other Subsidiary, (b) pay any indebtedness owed to Borrower or any other Subsidiary, (c) make loans or advances to Borrower or any other Subsidiary, (d) transfer any of its Property to Borrower or any other Subsidiary, or (e) guarantee the Obligations and/or grant Liens on its assets to Bank as required by the Loan Documents.

Section 7.11 Subordinated Debt. Borrower shall not, nor shall it permit any Subsidiary to, (a) amend or modify any of the terms or conditions relating to Subordinated Debt, (b) make any voluntary prepayment of Subordinated Debt or effect any voluntary redemption thereof, or (c) make any payment on account of Subordinated Debt which is prohibited under the terms of any instrument or agreement subordinating the same to the Obligations. Notwithstanding the foregoing, Borrower may agree to a decrease in the interest rate applicable thereto or to a deferral of repayment of any of the principal of or interest on the Subordinated Debt beyond the current due dates therefor.

Section 7.12 Financial Covenants.

(a) *Total Funded Debt/EBITDA Ratio*. As of the last day of each fiscal quarter of Borrower ending during the relevant period set forth below, Borrower shall not permit the Total Funded Debt/EBITDA Ratio to be greater than the corresponding ratio set forth opposite such period:

Period(s) Ending	Total Funded Debt/EBITDA Ratio shall not be greater than:
Fiscal quarter ending on or about 9/30/2018 – 9/30/2019	3.50 to 1.0
Fiscal quarters ending on or about 12/31/2019 – 9/30/2020	3.25 to 1.0
Fiscal quarters ending on or about 12/31/2020 and at all times thereafter	3.00 to 1.0

(b) *Tangible Net Worth.* Borrower shall at all times maintain Tangible Net Worth of Borrower and its Subsidiaries determined on a consolidated basis in an amount not less than (i) $70,000,000 plus (ii) 50% of Net Income for each fiscal year of Borrower ending on June 30, 2019 and thereafter for which such Net Income is a positive amount (i.e., there shall be no reduction to the minimum amount of Tangible Net Worth required to be maintained hereunder for any fiscal year of Borrower in which Net Income is less than zero).

SECTION 8. EVENTS OF DEFAULT AND REMEDIES.

Section 8.1 Events of Default. Any one or more of the following shall constitute an *"Event of Default"* hereunder:

(a) default in the payment when due of all or any part of any Obligation payable by Borrower hereunder or under any other Loan Document (whether at the stated maturity thereof or at any other time provided for in this Agreement), or default shall occur in the payment when due of any other indebtedness or obligation (whether direct, contingent or otherwise) of Borrower owing to Bank, and such default continues for three (3) days after such payment is due; provided that Borrower shall not have the benefit of using such 3-day cure period for any principal payments due and owing to Bank;

(b) default in the observance or performance of any covenant set forth in Sections 6.1, 6.4, 6.5, 6.6, 6.11, or Article 7 or any provision in any Loan Document dealing with the use, disposition or remittance of the proceeds of Collateral or requiring the maintenance of insurance thereon, and such default continues for five (5) Business Days; *provided*, that Borrower may only have the benefit of using such cure period three (3) times per fiscal year;

(c) default in the observance or performance of any other provision hereof or of any other Loan Document which is not remedied within thirty (30) days after the earlier of (i) the date on which such failure shall first become known to any officer of Borrower or (ii) written notice thereof is given to Borrower by Bank;

(d) any representation or warranty made herein or in any other Loan Document or in any certificate furnished to Bank pursuant hereto or thereto or in connection with any transaction contemplated hereby or thereby proves untrue in any respect (or in any material respect if such representation, warranty, certification or statement is not by its terms already qualified as to materiality) as of the date of the issuance or making or deemed making thereof;

(e) any event occurs or condition exists (other than those described in subsections (a) through (d) above) which is specified as an event of default under any of the other Loan Documents, or any of the Loan Documents shall for any reason not be or shall cease to be in full force and effect or is declared to be null and void, or any of the Collateral Documents shall for any reason fail to create a valid and perfected first priority Lien in favor of Bank in any Collateral purported to be covered thereby except as expressly permitted by the terms thereof and except as permitted by Section 7.2, or any Subsidiary takes any action for the purpose of terminating, repudiating or rescinding any Loan Document executed by it or any of its obligations thereunder;

(f) default shall occur under any Indebtedness for Borrowed Money issued, assumed or guaranteed by Borrower or any Subsidiary aggregating in excess of $500,000, or under any indenture, agreement or other instrument under which the same may be issued, and such default shall continue for a period of time sufficient to permit the acceleration of the maturity of any such Indebtedness for Borrowed Money (whether or not such maturity is in fact accelerated), or any such Indebtedness for Borrowed Money shall not be paid when due (whether by demand, lapse of time, acceleration or otherwise);

(g) any judgment or judgments, writ or writs or warrant or warrants of attachment, or any similar process or processes, shall be entered or filed against Borrower or any Subsidiary, or against any of its Property, in an aggregate amount in excess of $500,000 (except to the extent fully covered by insurance as to which the insurer has been notified of such judgment and has not denied coverage), and which remains undischarged, unvacated, unbonded or unstayed for a period of 30 days;

(h) Borrower or any Subsidiary, or any member of its Controlled Group, shall fail to pay when due an amount or amounts aggregating in excess of $500,000 which it shall have become liable to pay to the PBGC or to a Plan under Title IV of ERISA; or notice of intent to terminate a Plan or Plans having aggregate Unfunded Vested Liabilities in excess of $500,000 (collectively, a “Material Plan”) shall be filed under Title IV of ERISA by Borrower or any Subsidiary, or any other member of its Controlled Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any Material Plan or a proceeding shall be instituted by a fiduciary of any Material Plan against Borrower or any Subsidiary, or any member of its Controlled Group, to enforce Section 515 or 4219(c)(5) of ERISA and such proceeding shall not have been dismissed within 30 days thereafter; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated;

(i) any Change of Control shall occur;

(j) Borrower or any Subsidiary shall (i) have entered involuntarily against it an order for relief under the United States Bankruptcy Code, as amended, (ii) not pay, or admit in writing its inability to pay, its debts generally as they become due, (iii) make an assignment for the benefit of creditors, (iv) apply for, seek, consent to or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its Property, (v) institute any proceeding seeking to have entered against it an order for relief under the United States Bankruptcy Code, as amended, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (vi) take any corporate action in furtherance of any matter described in parts (i) through (v) above, or (vii) fail to contest in good faith any appointment or proceeding described in Section 8.1(k); or

(k) a custodian, receiver, trustee, examiner, liquidator or similar official shall be appointed for Borrower or any Subsidiary, or any substantial part of any of its Property, or a proceeding described in Section 8.1(j)(v) shall be instituted against Borrower or any Subsidiary, and such appointment continues undischarged or such proceeding continues undismissed or unstayed for a period of 60 days.

Section 8.2 Non Bankruptcy Defaults. When any Event of Default (other than those described in Section 8.1(j) or (k) with respect to Borrower) has occurred and is continuing, Bank may, by written notice to Borrower: (a) terminate the remaining Commitments and all other obligations of Bank hereunder on the date stated in such notice (which may be the date thereof); (b) declare the principal of and the accrued interest on all outstanding Loans to be forthwith due and payable and thereupon all outstanding Loans, including both principal and interest thereon, shall be and become immediately due and payable together with all other amounts payable under the Loan Documents without further demand, presentment, protest or notice of any kind; and (c) demand that Borrower immediately Cash Collateralize the L/C Obligations, and Borrower agrees to immediately make such payment and acknowledges and agrees that Bank would not have an adequate remedy at law for failure by Borrower to honor any such demand and that Bank shall have the right to require Borrower to specifically perform such undertaking whether or not any drawings or other demands for payment have been made under any Letter of Credit.

Section 8.3 Bankruptcy Defaults. When any Event of Default described in Section 8.1(j) or (k) with respect to Borrower has occurred and is continuing, then all outstanding Loans together with all other amounts payable under the Loan Documents shall immediately become due and payable without presentment, demand, protest or notice of any kind, the obligation of Bank to extend further credit pursuant to any of the terms hereof shall immediately terminate and Borrower shall immediately Cash Collateralize the L/C Obligations, Borrower acknowledging and agreeing that Bank would not have an adequate remedy at law for failure by Borrower to honor any such demand and that Bank shall have the right to require Borrower to specifically perform such undertaking whether or not any draws or other demands for payment have been made under any of the Letters of Credit.

Section 8.4 Collateral for Undrawn Letters of Credit. If the prepayment of the amount available for drawing under any or all outstanding Letters of Credit is required under Section 8.2 or Section 8.3 above, Borrower shall forthwith pay the amount required to be so prepaid. All such amounts prepaid shall be held by Bank in one or more separate collateral accounts (each such account, and the credit balances, properties, and any investments from time to time held therein, and any substitutions for such account, any certificate of deposit or other instrument evidencing any of the foregoing and all proceeds of and earnings on any of the foregoing being collectively called the *"Collateral Account"*) as security for, and for application by Bank (to the extent available) to, the reimbursement of any payment under any Letter of Credit then or thereafter made by Bank, and to the payment of the unpaid balance of all other Obligations (and to all Hedging Liability). The Collateral Account shall be held in the name of and subject to the exclusive dominion and control of Bank. If and when requested by Borrower, Bank shall invest funds held in the Collateral Account from time to time in direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America with a remaining maturity of one year or less, provided that Bank is irrevocably authorized to sell investments held in the Collateral Account when and as required to make payments out of the Collateral Account for application to amounts due and owing from Borrower to Bank; *provided, that* (i) if Borrower shall have made payment of all obligations required under Section 8.2 or 8.3, so long as no Letters of Credit, Commitments, Loans or other Obligations or Hedging Liability remain outstanding, at the request of Borrower, Bank shall release to Borrower any remaining amounts held in the Collateral Account.

SECTION 9. MISCELLANEOUS.

Section 9.1 No Waiver, Cumulative Remedies. No delay or failure on the part of Bank in the exercise of any power or right under any Loan Document shall operate as a waiver thereof or as an acquiescence in any default, nor shall any single or partial exercise of any power or right preclude any other or further exercise thereof or the exercise of any other power or right. The rights and remedies hereunder of Bank are cumulative to, and not exclusive of, any rights or remedies which Bank would otherwise have.

Section 9.2 Non-Business Days. If any payment hereunder becomes due and payable on a day which is not a Business Day, the due date of such payment shall be extended to the next succeeding Business Day on which date such payment shall be due and payable . In the case of any payment of principal falling due on a day which is not a Business Day, interest on such principal amount shall continue to accrue during such extension at the rate per annum then in effect, which accrued amount shall be due and payable on the next scheduled date for the payment of interest.

Section 9.3 Survival of Representations. All representations and warranties made herein or in any other Loan Document or in certificates given pursuant hereto or thereto shall survive the execution and delivery of this Agreement and the other Loan Documents, and shall continue in full force and effect with respect to the date as of which they were made as long as any credit is in use or available hereunder.

Section 9.4 Survival of Indemnity and Certain Other Provisions. All indemnity provisions and other provisions relative to reimbursement to Bank of amounts sufficient to protect the yield of Bank with respect to the Loans and Letters of Credit, including, but not limited to, Sections 3.3, 3.6, and 9.10, shall survive the payment and satisfaction of all Obligations and the termination of this Agreement and the other Loan Documents, and shall remain in force beyond the expiration of any applicable statute of limitations and payment or satisfaction in full of any single claim thereunder. All such indemnity and other provisions shall be binding upon the successors and assigns of Borrower and shall inure to the benefit of each applicable Indemnitee and its successors and assigns.

Section 9.5 Notices. Except as otherwise specified herein, all notices hereunder and under the other Loan Documents shall be in writing (including notice by electronic delivery) and shall be given to the relevant party at its mailing address or email address set forth below, or such other address as such party may hereafter specify by notice to the other given by courier, by United States certified or registered mail or by electronics means capable of creating a written record of such notice and its receipt. Notices under the Loan Documents shall be addressed:

to Borrower:

Twin Disc, Incorporated
1328 Racine Street
Racine, Wisconsin 53403
Attention: Chief Financial Officer and
Assistant Treasurer
Telephone: 262-638-4242
Email: knutson.jeff@twindisc.com

to Bank:

BMO Harris Bank N.A.
777 North Water Street
Milwaukee, Wisconsin 53202
Attention: Mark Czarnecki, SVP
Telephone: 414-765-7920
Email: mark.czarnecki@bmo.com

Each such notice, request or other communication shall be effective (i) if given via email, when such email is transmitted to the email address specified in this Section and a confirmation of such email has been received by the sender, (ii) if given by mail, 5 days after such communication is deposited in the mail, certified or registered with return receipt requested, addressed as aforesaid or (iii) if given by any other means, when delivered at the addresses specified in this Section; *provided* that any notice given pursuant to Section 2 shall be effective only upon receipt.

Section 9.6 Counterparts. This Agreement may be executed in any number of counterparts, and by the different parties hereto on separate counterpart signature pages, each of which shall constitute an original, and all such counterparts taken together shall be deemed to constitute one and the same instrument.

Section 9.7 Successors and Assigns. This Agreement shall be binding upon Borrower and its successors and assigns, and shall inure to the benefit of Bank and its successors and assigns, including any subsequent holder of any of the Obligations. Borrower may not assign any of its rights or obligations under any Loan Document without the written consent of Bank.

Section 9.8 Amendments, etc. No amendment, modification, termination or waiver of any provision of this Agreement or of any other Loan Document, nor consent to any departure by Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by Borrower and Bank. No notice to or demand on Borrower in any case shall entitle Borrower to any other or further notice or demand in similar or other circumstances.

Section 9.9 Headings. Article and Section headings used in this Agreement are for reference only and shall not affect the construction of this Agreement.

Section 9.10 Costs and Expenses; Indemnification. (a) Borrower agrees to pay all costs and expenses of Bank in connection with the preparation, negotiation, execution, delivery, and administration of the Loan Documents, including the reasonable fees and disbursements of counsel to Bank, in connection with the preparation and execution of the Loan Documents and in connection with the transactions contemplated hereby or thereby, and any amendment, waiver or consent related thereto, whether or not the transactions contemplated herein are consummated, together with any fees and charges suffered or incurred by Bank in connection with periodic environmental audits, fixed asset appraisals, title insurance policies, collateral filing fees and lien searches. Borrower agrees to pay to Bank all costs and expenses incurred or paid by Bank, including reasonable attorneys' fees and disbursements and court costs, in connection with any Default or Event of Default hereunder or in connection with the enforcement of any of the Loan Documents (including all such costs and expenses incurred in connection with any proceeding under the United States Bankruptcy Code involving Borrower or any Subsidiary as a debtor thereunder). Borrower further agrees to indemnify Bank, and any security trustee therefor, their respective Affiliates, and each of their respective directors, officers, employees, agents, advisors, and consultants (each such Person being called an "*Indemnitee*") against all losses, claims, damages, penalties, judgments, liabilities and expenses (including all reasonable fees and disbursements of counsel for any such Indemnitee and all reasonable expenses of litigation or preparation therefor, whether or not the Indemnitee is a party thereto, or any settlement arrangement arising from or relating to any such litigation) which any of them may pay or incur arising out of or relating to any Loan Document or any of the transactions contemplated thereby or the direct or indirect application or proposed application of the proceeds of any Loan or Letter of Credit, other than those which arise from the bad faith, reckless disregard or willful misconduct of the party claiming indemnification. Borrower, upon demand by Bank at any time, shall reimburse Bank for any legal or other expenses (including all reasonable fees and disbursements of counsel for any such Indemnitee) incurred in connection with investigating or defending against any of the foregoing (including any settlement costs relating to the foregoing) except if the same is directly due to the bad faith, reckless disregard or willful misconduct of the party to be indemnified. To the extent permitted by applicable law, Borrower shall not assert or cause any Subsidiary to assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or the other Loan Documents or any agreement or instrument contemplated hereby or thereby, the transactions contemplated hereby or thereby, any Loan or Letter of Credit or the use of the proceeds thereof.

(b) Borrower unconditionally agrees to forever indemnify, defend and hold harmless, and covenants not to sue for any claim for contribution against, each Indemnitee for any damages, costs, loss or expense, including, response, remedial or removal costs and all fees and disbursements of counsel for any such Indemnitee, arising out of any of the following: (i) any presence, release, threatened release or disposal of any hazardous or toxic substance or petroleum by Borrower or any Subsidiary or otherwise occurring on or with respect to its Property (whether owned or leased), (ii) the operation or violation of any Environmental Law, whether federal, state, or local, and any regulations promulgated thereunder, by Borrower or any Subsidiary or otherwise occurring on or with respect to its Property (whether owned or leased), (iii) any claim for personal injury or property damage in connection with Borrower or any Subsidiary or otherwise occurring on or with respect to its Property (whether owned or leased), and (iv) the inaccuracy or breach of any environmental representation, warranty or covenant by Borrower or any Subsidiary made herein or in any other Loan Document evidencing or securing any Obligations or setting forth terms and conditions applicable thereto or otherwise relating thereto, except for damages arising from the bad faith, reckless disregard or willful misconduct of the relevant Indemnitee.

Section 9.11 Set off. In addition to any rights now or hereafter granted under the Loan Documents or applicable law and not by way of limitation of any such rights, upon the occurrence of any Event of Default, Bank and each of its affiliates is hereby authorized by Borrower at any time or from time to time, without notice to Borrower, or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate and to apply any and all deposits (general or special, including, but not limited to, indebtedness evidenced by certificates of deposit, whether matured or unmatured, and in whatever currency denominated, but not including trust accounts) and any other indebtedness at any time held or owing by Bank or that affiliate, to or for the credit or the account of Borrower, whether or not matured, against and on account of the Obligations of Borrower to Bank under the Loan Documents, including, but not limited to, all claims of any nature or description arising out of or connected with the Loan Documents, irrespective of whether or not (a) Bank shall have made any demand hereunder or (b) the principal of or the interest on the Loans and other amounts due hereunder shall have become due and payable pursuant to Section 8 and although said obligations and liabilities, or any of them, may be contingent or unmatured.

Section 9.12 Entire Agreement. The Loan Documents constitute the entire understanding of the parties thereto with respect to the subject matter thereof and any prior agreements, whether written or oral, with respect thereto are superseded hereby.

Section 9.13 Governing Law. This Agreement and the other Loan Documents (except as otherwise specified therein), and any claim, controversy, dispute or cause of action (whether in contract, tort or otherwise) based upon, arising out of or relating to this Agreement or any Loan Document, and the rights and duties of the parties hereto, shall be governed by and construed and determined in accordance with the internal laws of the State of Wisconsin.

Section 9.14 Severability of Provisions. Any provision of any Loan Document that is unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such unenforceability without invalidating the remaining provisions hereof or affecting the enforceability of such provision in any other jurisdiction. All rights, remedies and powers provided in this Agreement and the other Loan Documents may be exercised only to the extent that the exercise thereof does not violate any applicable mandatory provisions of law, and all the provisions of this Agreement and other Loan Documents are intended to be subject to all applicable mandatory provisions of law which may be controlling and to be limited to the extent necessary so that they will not render this Agreement or the other Loan Documents invalid or unenforceable.

Section 9.15 Excess Interest. Notwithstanding any provision to the contrary contained herein or in any other Loan Document, no such provision shall require the payment or permit the collection of any amount of interest in excess of the maximum amount of interest permitted by applicable law to be charged for the use or detention, or the forbearance in the collection, of all or any portion of the Loans or other obligations outstanding under this Agreement or any other Loan Document (*"Excess Interest"*). If any Excess Interest is provided for, or is adjudicated to be provided for, herein or in any other Loan Document, then in such event (a) the provisions of this Section shall govern and control, (b) neither Borrower nor any guarantor or endorser shall be obligated to pay any Excess Interest, (c) any Excess Interest that Bank may have received hereunder shall, at the option of Bank, be (i) applied as a credit against the then outstanding principal amount of Obligations hereunder and accrued and unpaid interest thereon (not to exceed the maximum amount permitted by applicable law), (ii) refunded to Borrower, or (iii) any combination of the foregoing, (d) the interest rate payable hereunder or under any other Loan Document shall be automatically subject to reduction to the maximum lawful contract rate allowed under applicable usury laws (the *"Maximum Rate"*), and this Agreement and the other Loan Documents shall be deemed to have been, and shall be, reformed and modified to reflect such reduction in the relevant interest rate, and (e) neither Borrower nor any guarantor or endorser shall have any action against Bank for any damages whatsoever arising out of the payment or collection of any Excess Interest. Notwithstanding the foregoing, if for any period of time interest on any of the Obligations is calculated at the Maximum Rate rather than the applicable rate under this Agreement, and thereafter such applicable rate becomes less than the Maximum Rate, the rate of interest payable on the Obligations shall remain at the Maximum Rate until Bank have received the amount of interest which Bank would have received during such period on the Obligations had the rate of interest not been limited to the Maximum Rate during such period.

Section 9.16 Construction. The parties acknowledge and agree that the Loan Documents shall not be construed more favorably in favor of any party hereto based upon which party drafted the same, it being acknowledged that all parties hereto contributed substantially to the negotiation of the Loan Documents. The provisions of this Agreement relating to Subsidiaries shall only apply during such times as Borrower has one or more Subsidiaries. Nothing contained herein shall be deemed or construed to permit any act or omission which is prohibited by the terms of any Collateral Document, the covenants and agreements contained herein being in addition to and not in substitution for the covenants and agreements contained in the Collateral Documents.

Section 9.17 Submission to Jurisdiction; Waiver of Venue; Service of Process.

(a) BORROWER IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF WISCONSIN SITTING IN MILWAUKEE COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE EASTERN DISTRICT OF WISCONSIN, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR IN ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT BANK MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST BORROWER OR ITS PROPERTY IN THE COURTS OF ANY OTHER JURISDICTION.

(b) BORROWER IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN PARAGRAPH (a) OF THIS SECTION. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(c) EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 9.5. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

Section 9.18 Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 9.19 USA Patriot Act. Bank hereby notifies Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107 56 (signed into law October 26, 2001)) (the "*Act*"), it is required to obtain, verify, and record information that identifies Borrower, which information includes the name and address of Borrower and other information that will allow Bank to identify Borrower in accordance with the Act.

Section 9.20 Time is of the Essence. Time is of the essence of this Agreement and each of the other Loan Documents.

Section 9.21 Confidentiality. Bank agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors to the extent any such Person has a need to know such Information (it being understood that the Persons to whom such disclosure is made will first be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any suit, action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (A) any assignee of or participant in, or any prospective assignee of or participant in, any of its rights or obligations under this Agreement or (B) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to Borrower or any Subsidiary and its obligations, (g) with the prior written consent of Borrower, (h) to the extent such Information (A) becomes publicly available other than as a result of a breach of this Section or (B) becomes available to Bank or any of its Affiliates on a non-confidential basis from a source other than Borrower or any Subsidiary or any of their directors, officers, employees or agents, including accountants, legal counsel and other advisors, or (i) to rating agencies if requested or required by such agencies in connection with a rating relating to the Loans or Commitments hereunder; *provided* that only basic information about the pricing and structure of the transaction evidenced hereby may be disclosed pursuant to this subsection (i). For purposes of this Section, "Information" means all information received from Borrower or any of the Subsidiaries or from any other Person on behalf of Borrower or any Subsidiary relating to Borrower or any Subsidiary or any of their respective businesses, other than any such information that is available to Bank on a non-confidential basis prior to disclosure by Borrower or any of its Subsidiaries or from any other Person on behalf of Borrower or any of the Subsidiaries; *provided* that, in the case of information received from the Borrower or any Subsidiary, or on behalf of Borrower or any Subsidiary, after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

[Signature Pages to Follow]

This Credit Agreement is entered into between us for the uses and purposes hereinabove set forth as of the date first above written.

"Borrower"

TWIN DISC, INCORPORATED

By: _____
Name: Jeffrey S. Knutson
Title: Vice President – Finance and Chief Financial Officer

"Bank"

BMO HARRIS BANK N.A.

By: _____
Name: Mark Czarnecki
Title: Senior Vice President

Schedule 5.2

Subsidiaries

Name	Jurisdiction of Organization	Percentage Ownership	Owner
Twin Disc International, S.P.R.L.	Belgium	99.99%	157,573 ordinary shares and 10,835 preferred shares owned by Twin Disc, Inc.; 1 ordinary share owned by John H. Batten
Twin Disc S.r.l.	Italy	100%	Twin Disc International, S.P.R.L
Twin Disc (Pacific) Pty. Ltd.	Australia	100%	Twin Disc, Incorporated
Twin Disc (Far East) Ltd.	Delaware (operating in Singapore)	100%	Twin Disc, Incorporated
Twin Disc (Far East) Pte. Ltd	Singapore	100%	9,004,731 Shares owned by Twin Disc (Far East) Ltd.; 1 Share owned by Twin Disc, Inc.
Twin Disc Power Transmission (Shanghai) Co. Ltd.	China	100%	Twin Disc (Far East) Pte. Ltd.
Twin Disc Power Transmission Private Ltd.	India	100%	1,100,500 Shares owned by Twin Disc (Far East) Pte. Ltd.; 9,900 Shares owned by Twin Disc, Inc.; 100 Shares owned by Twin Disc International, S.P.R.L
Mill-Log Equipment Co., Inc.	United States (Oregon)	100%	Twin Disc, Incorporated
Mill-Log Wilson Equipment	Canada	100%	Mill-Log Equipment Co., Inc.

Twin Disc Nico Co., Ltd	Japan	66% 34%	Twin Disc, Incorporated Hitachi
Twin Disc Japan	Japan	100%	Twin Disc, Incorporated
Rolla SP Propellers SA	Switzerland	100%	Twin Disc International, S.P.R.L
Twin Disc NL Holdings B.V.	Netherlands	100%	Twin Disc, Incorporated
Exploitatiemaatschappij Veth B.V.*	Netherlands	100%	Twin Disc NL Holdings, B.V.
Veth Diesel, B.V.*	Netherlands	100%	Twin Disc NL Holdings, B.V.
Veth Electra, B.V.*	Netherlands	100%	Twin Disc NL Holdings, B.V.
Veth Propulsion, B.V.*	Netherlands	100%	Twin Disc NL Holdings, B.V.
Veth Thrusters, B.V.*	Netherlands	100%	Twin Disc NL Holdings, B.V.

* Upon completion of Acquisition

Schedule 5.17(b)

Compliance with Environmental Laws

None.

Schedule 7.1(b)

Borrowings and Guaranties

None.

Schedule 7.2(b)

Liens

None.

Exhibit A-1

Term Note

U.S. $35,000,000 July 2, 2018

For Value Received, the undersigned, Twin Disc, Incorporated, a Wisconsin corporation (*"Borrower"*), hereby promises to pay to BMO Harris Bank N.A. (*"Bank"*) at the principal office of Bank in Milwaukee, Wisconsin (or such other location as Bank may designate to Borrower), in immediately available funds, the principal sum of Thirty Five Million and No/100 Dollars ($35,000,000) or, if less, the aggregate unpaid principal amount of all Term Loans made or maintained by Bank to Borrower pursuant to the Credit Agreement (as defined below), in installments in the amounts called for by Section 2.7(a) of the Credit Agreement, together with interest on the principal amount of such Term Loan from time to time outstanding hereunder at the rates, and payable in the manner and on the dates, specified in the Credit Agreement.

This Term Note (this *"Note"*) is the Term Note referred to in the Credit Agreement dated as of June 29, 2018, between Borrower and Bank (as amended, restated, supplemented, or otherwise modified from time to time, the *"Credit Agreement"*), and this Note and the holder hereof are entitled to all the benefits and security provided for thereby or referred to therein, to which Credit Agreement reference is hereby made for a statement thereof. All defined terms used in this Note, except terms otherwise defined herein, shall have the same meaning as in the Credit Agreement. This Note shall be governed by and construed in accordance with the internal laws of the State of Wisconsin.

Voluntary prepayments may be made hereon, certain prepayments are required to be made hereon, and this Note may be declared due prior to the expressed maturity hereof, all in the events, on the terms and in the manner as provided for in the Credit Agreement.

Borrower hereby waives demand, presentment, protest or notice of any kind hereunder.

TWIN DISC, INCORPORATED

By _____
Name: Jeffrey Knutson
Title: Vice President – Finance and Chief Financial Officer

Exhibit A-2

Amended and Restated Revolving Note

U.S. $50,000,000 June 29, 2018

For Value Received, the undersigned, Twin Disc, Incorporated, a Wisconsin corporation (*"Borrower"*), hereby promises to pay to BMO Harris Bank N.A. (*"Bank"*) at the principal office of Bank in Milwaukee, Wisconsin (or such other location as Bank may designate to Borrower), in immediately available funds, the principal sum of Fifty Million and No/100 Dollars ($50,000,000) or, if less, the aggregate unpaid principal amount of all Revolving Loans made by Bank to Borrower pursuant to the Credit Agreement (as defined below), together with interest on the principal amount of each Revolving Loan from time to time outstanding hereunder at the rates, and payable in the manner and on the dates, specified in the Credit Agreement.

This Amended and Restated Revolving Note (this *"Note"*) is one of the Revolving Notes referred to in the Credit Agreement dated as of the date hereof, among Borrower and Bank (as extended, renewed, amended or restated from time to time, the *"Credit Agreement"*), and this Note and the holder hereof are entitled to all the benefits and security provided for thereby or referred to therein, to which Credit Agreement reference is hereby made for a statement thereof. All defined terms used in this Note, except terms otherwise defined herein, shall have the same meaning as in the Credit Agreement. This Note shall be governed by and construed in accordance with the internal laws of the State of Wisconsin.

Voluntary prepayments may be made hereon, certain prepayments are required to be made hereon, and this Note may be declared due prior to the expressed maturity hereof, all in the events, on the terms and in the manner as provided for in the Credit Agreement.

Borrower hereby waives demand, presentment, protest or notice of any kind hereunder.

This Note is an amendment and restatement of that certain Revolving Credit Note dated as of April 22, 2016, issued by Borrower and payable to the order of Bank of Montreal (*"BMO"*), in the principal amount of $40,000,000 (the *"Original Note"*), as the Original Note was assigned to Bank as of the date hereof pursuant to the Assignment and Assumption of Revolving Loan Note, among Borrower, Bank and BMO, and this Note is a continuation of the indebtedness evidenced by the Original Note. This Note is not intended as, and shall not be, construed as a repayment, novation or refinancing of, the Original Note or the indebtedness evidenced thereby.

TWIN DISC, INCORPORATED

By _____
Name: Jeffrey Knutson
Title: Vice President – Finance and Chief Financial Officer

Exhibit B

Borrowing Base Certificate

See attached.

BMO Harris Bank N.A. Twin Disc, Incorporated
Borrowing Base Certificate Report No. 1 5/31/2018

COLLATERAL ACTIVITY **US$**

ACCOUNTS RECEIVABLE:	Date	**Total A/R**
1 Beginning Accounts Receivable Balance	1-May-18	
2 GROSS SALES (INVOICES)		
3 Debit Memos/Others Adjustments		
4 Credit Memos/Other Adjustments		
5 TOTAL NET SALES (2+3+4)		
6 Gross Collections		
7 Non A/R Collections		
8 Discounts/Allowances		
9 TOTAL DEDUCTIONS (6+7+8)		0.00
10 Net Ending Balance	31-May-18	
11 Less: Ineligible Accounts	31-May-18	
12 Total Eligible Accounts Receivable		0.00
13 Accounts Receivable Advance Rate		85.0%
14 *A/R AVAILABLE*		***0.00***

INVENTORY:

DESCRIPTION	Date	**Finished Goods Inventory**	**Sub-Assembly Inventory**	**Raw Material Inventory**	**Mill Log Inventory**	**Work In Process Inventory**	**Total Inventory**
15 Total Inventory	31-May-18						
16 Less: Ineligible Inventory	31-May-18						
17 Total Eligible Inventory							
18 Inventory Advance Rates		50.0%	50.0%	50.0%	50.0%	0.0%	
19 *INVENTORY AVAILABLE*							
20 Inventory Sub-Limit							35,000,000.00

21 GROSS AVAILABILITY (14+ lesser of 19 or 20)

LOAN ACTIVITY:

22 Beginning Loan Balance	1-May-18		
23 Total Paydowns			0.00
24 Total Advances			0.00
25 Ending Loan Balance (28+29+30)	31-May-18	1-May-18	**0.00**

26 LETTER OF CREDIT BALANCE 0.00

27 AVAILABILITY REMAINING 0.00

Pursuant to, and in accordance with, the terms and provisions of the Credit and Security Agreement, dated as of June 29, 2018 (the "Agreement"), among BMO Harris Bank, N.A., and Twin Disc, Incorporated (as "Borrower"), is executing and delivering to BMO Harris Bank N.A. this Borrowing Base Certificate accompanied by supporting data. Borrower represents and warrants to BMO Harris Bank, N.A. that this Borrowing Base Certificate and such supporting data is true and correct, and is based on information contained in the Borrowers' own financial accounting records. Borrower, by the execution of this Borrowing Base Certificate, hereby ratifies, confirms and affirms all of the terms, conditions and provisions of the Agreement, and further certifies on this ____day of _____ , 20__, that the Borrowers are in compliance with said Agreement.

BORROWER: Twin Disc, Incorporated

Authorized Signer:_____

Exhibit C

Twin Disc, Incorporated

Compliance Certificate

To: BMO Harris Bank N.A.

This Compliance Certificate is furnished to BMO Harris Bank N.A. ("*Bank*") pursuant to that certain Credit Agreement dated as of June 29, 2018, between Twin Disc, Incorporated, a Wisconsin corporation ("*Borrower*"), and Bank (the "*Credit Agreement*"). Unless otherwise defined herein, the terms used in this Compliance Certificate have the meanings ascribed thereto in the Credit Agreement.

The Undersigned hereby certifies that:

1. I am the duly elected Vice President – Finance and Chief Financial Officer of Borrower;

2. I have reviewed the terms of the Credit Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of Borrower and its Subsidiaries during the accounting period covered by the attached financial statements;

3. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or the occurrence of any event which constitutes a Default or Event of Default during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate, except as set forth below;

4. The financial statements required by Section 6.5 of the Credit Agreement and being furnished to you concurrently with this certificate are, to the best of my knowledge, true, correct and complete as of the dates and for the periods covered thereby; and

5. The Attachment hereto sets forth financial data and computations evidencing Borrower's compliance with certain covenants of the Credit Agreement, all of which data and computations are, to the best of my knowledge, true, complete and correct and have been made in accordance with the relevant Sections of the Credit Agreement.

Described below are the exceptions, if any, to paragraph 3 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which Borrower has taken, is taking, or proposes to take with respect to each such condition or event:

_____

_____

_____

_____

The foregoing certifications, together with the computations set forth in the Attachment hereto and the financial statements delivered with this Certificate in support hereof, are made and delivered this _____ day of _____, ___.

TWIN DISC, INCORPORATED

By _____
Name: Jeffrey Knutson
Title: Vice President – Finance and Chief Financial Officer

Schedule I
to Compliance Certificate

Twin Disc, Incorporated

Compliance Calculations
for Credit Agreement dated as of June 29, 2018

Calculations as of _____, _____

A.	Total Funded Debt/EBITDA Ratio (Section 7.12(a))		
	1.	Total Funded Debt	$_____
	2.	Net Income for past 4 quarters	_____
	3.	Interest Expense for past 4 quarters	_____
	4.	Income taxes for past 4 quarters	_____
	5.	Depreciation and Amortization Expense for past 4 quarters	_____
	6.	Restructuring charges for past 4 quarters	_____
	7.	Impairment charges for past 4 quarters	_____
	8.	Non-cash stock compensation for past 4 quarters	_____
	9.	FMV WIP adjustments for past 4 quarters	_____
	10.	Sum of Lines A2, A3, A4, A5, A6, A7, A8 and A9 ("*EBITDA*")	_____
	11.	Ratio of Line A1 to A10	____:1.0
	12.	Line A11 ratio must not exceed	3.50:1.0
	13.	Borrower is in compliance (circle yes or no)	yes/no
B.	Net Worth (Section 7.12(b))		
	1.	Net Worth	$_____
	2.	Line B1 shall not be less than	$70,000,000
	3.	Borrower is in compliance (circle yes or no)	yes/no

ASSIGNMENT AND ASSUMPTION OF
REVOLVING LOAN NOTE

THIS ASSIGNMENT AND ASSUMPTION OF REVOLVING LOAN NOTE (this "*Assignment*"), is entered into as of June 29, 2018, by BANK OF MONTREAL ("*Assignor*"), in favor of BMO HARRIS BANK N.A. ("*Assignee*"), and is consented to by TWIN DISC, INCORPORATED, a Wisconsin corporation ("*Borrower*").

RECITALS:

A. Assignor holds a Revolving Loan Note, dated April 22, 2016, from Borrower in the principal amount of Forty Million Dollars ($40,000,000) (the "*Note*"), a copy of which is attached hereto as Exhibit A, which was executed and delivered to Bank pursuant to that certain Credit Agreement, dated April 22, 2016, by and among Borrower, Assignor and the lenders party thereto (the "*2016 Credit Agreement*");

B. Contemporaneously herewith, Assignee will refinance the credit facilities extended by Assignor to Borrower under the 2016 Credit Agreement, and finance additional credit facilities, pursuant to that certain Credit Agreement, dated as of the date hereof, by and between Assignee and Borrower (the "*2018 Credit Agreement*");

C. Assignor desires to assign to Assignee all of its right, title, benefits and obligations in, to and under the Note, and Assignee desires to accept such assignment.

NOW, THEREFORE, in consideration of the foregoing recitals which are incorporated herein and made a part hereof, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

AGREEMENT:

1. Assignment and Assumption. Assignor hereby assigns to Assignee, and Assignee hereby assumes from Assignor, all of Assignor's rights and obligations in, to and under the Note. The assignment set forth in this Section 1 shall be without recourse to or representation or warranty (except as expressly provided in this Assignment, in the other documents executed in connection with this Assignment, or in the Note, as assigned) by Assignor.

2. Assumption by Assignee. Assignee hereby assumes all of Assignor's rights, title, benefits and obligations in, to and under the Note.

3. No Termination. The parties hereto acknowledge and agree that notwithstanding any terms or conditions contained in the Note to the contrary, neither this Assignment, nor any other assignment, amendment or restatement of any other Loan Document (as defined in the 2016 Credit Agreement), shall trigger a termination of the Note.

4. No Novation. It is the intention of the parties hereto that this Assignment not constitute a novation of the obligations under the Note and that, from and after the date hereof, the Note shall be amended hereby and all references herein to "hereunder," "hereof," or words of like import and all references in any Loan Documents or any documents entered into in connection therewith to the "Note" or words of like import shall mean and be a reference to the Note as assigned hereby as and as hereafter amended, supplemented, restated or renewed.

5. Ratification. As hereby assigned, the Note and all representations and warranties provided therein are hereby ratified, approved and confirmed in all respects.

6. Conflict. In the event of a conflict between the terms and conditions of this Assignment and the terms and conditions of the Note, the terms and conditions of this Assignment shall control.

7. Counterparts. This Assignment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

8. Capitalized Terms. Capitalized terms used but not otherwise defined in this Assignment shall have the definitions given said terms in the 2018 Credit Agreement.

9. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Wisconsin without regard to its conflicts of law principles.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Assignment to be duly executed as of the date first above written.

ASSIGNOR:

BANK OF MONTREAL

By: _____
Jason Hoefler, Managing Director

ASSIGNEE:

BMO HARRIS BANK N.A.

By: _____
Mark Czarnecki, Senior Vice President

Consented to by BORROWER:

TWIN DISC, INCORPORATED

By: _____
Jeffrey S. Knutson, Vice President –
Finance and Chief Financial Officer

Exhibit A
Copy of Revolving Loan Note

See attached.

[Signature Page to Assignment and Assumption of Revolving Loan Note]

ASSIGNMENT OF AND AMENDMENT TO
SECURITY AGREEMENT

THIS ASSIGNMENT OF AND AMENDMENT TO SECURITY AGREEMENT (the "*Assignment*"), is made on June 29, 2018, by and among BANK OF MONTREAL ("*Assignor*"), BMO HARRIS BANK N.A. ("*Assignee*"), and TWIN DISC, INCORPORATED, a Wisconsin corporation ("*Debtor*").

RECITALS:

A. Pursuant to the Credit Agreement, dated April 22, 2016, by and among Debtor, Assignor and the lenders party thereto (the "*2016 Credit Agreement*"), Debtor and Assignor entered into that certain Security Agreement, dated as of April 22, 2016 (the "*Security Agreement*"), a copy of which is attached hereto as Exhibit A;

B. Contemporaneously herewith, Assignee will refinance the credit facilities extended by Assignor to Debtor under the 2016 Credit Agreement, and finance additional credit facilities, pursuant to that certain Credit Agreement, dated as of the date hereof, by and between Assignee and Debtor (the "*2018 Credit Agreement*");

C. Assignor now desires to assign its rights and obligations as Secured Party under the Security Agreement to Assignee, and Assignee desires to accept such assignment; and

D. The parties hereto also desire to amend the Security Agreement on the terms and conditions provided herein.

NOW, THEREFORE, in consideration of the foregoing recitals which are incorporated herein and made a part hereof, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

AGREEMENT:

1. Assignment and Assumption.

(a) Assignor hereby assigns to Assignee, and Assignee hereby assumes from Assignor, all of Assignor's rights and obligations as Secured Party under the Security Agreement. The assignment set forth in this Section 1(a) shall be without recourse to or representation or warranty (except as expressly provided in this Assignment, in the other documents executed in connection with this Assignment, or in the Security Agreement, as assigned and amended) by Assignor.

(b) Assignee shall become and be a party to the Security Agreement and succeed to all of the rights and be obligated to perform all of the obligations of Secured Party under the Security Agreement.

(c) In conjunction with the assignment hereunder, Assignor shall transfer and deliver to Assignee any and all Collateral, and/or evidence thereof, in Assignor's possession. Until such time as the Collateral in Assignor's possession is transferred to Assignee, Assignor shall hold such Collateral for the benefit of the Assignee.

2. Amendments. The Security Agreement is hereby amended as follows:

(a) Secured Party. The definition of "*Secured Party*" in the Security Agreement is hereby amended and restated to mean "BMO Harris Bank N.A., a national banking association."

(b) Credit Agreement. The definition of "*Credit Agreement*" in the Security Agreement is hereby amended and restated to mean "the Credit Agreement, dated as of June 29, 2018, by and between the Secured Party and the Debtor, as the same may hereafter be amended, restated, supplemented or otherwise modified."

3. No Termination. The parties hereto acknowledge and agree that notwithstanding any terms or conditions contained in the Security Agreement to the contrary, neither this Assignment, nor any other assignment, amendment or restatement of any other Loan Document (as defined in the 2016 Credit Agreement), shall trigger a termination of the Security Agreement.

4. No Novation. It is the intention of the parties hereto that this Assignment not constitute a novation of the obligations under the Security Agreement and that, from and after the date hereof, the Security Agreement shall be amended hereby and all references herein to "hereunder," "hereof," or words of like import and all references in any Loan Documents or any documents entered into in connection therewith to the "Security Agreement" or words of like import shall mean and be a reference to the Security Agreement as assigned and amended hereby as and as hereafter amended, supplemented, restated or renewed.

5. Ratification. As hereby assigned and amended, the Security Agreement and all representations and warranties provided therein are hereby ratified, approved and confirmed in all respects.

6. Conflict. In the event of a conflict between the terms and conditions of this Assignment and the terms and conditions of the Security Agreement, the terms and conditions of this Assignment shall control.

7. Counterparts. This Assignment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

8. Capitalized Terms. Capitalized terms used but not otherwise defined in this Assignment shall have the definitions given said terms in the Security Agreement.

[Signatures on following page]

IN WITNESS WHEREOF, the parties hereto have caused this Assignment to be duly executed as of the date first above written.

ASSIGNOR:

BANK OF MONTREAL

By: _____
Name:
Title:

ASSIGNEE:

BMO HARRIS BANK N.A.

By: _____
Mark Czarnecki, Senior Vice President

DEBTOR:

TWIN DISC, INCORPORATED

By: _____
Jeffrey S. Knutson, Vice President –
Finance and Chief Financial Officer

Exhibit A
Copy of Security Agreement

See attached.

Security Agreement

This Security Agreement (the *"Agreement"*) is dated as of April 22, 2016, between TWIN DISC, INCORPORATED, a Wisconsin corporation (the *"Debtor"*), and BANK OF MONTREAL, a Canadian chartered bank acting through its Chicago branch (the *"Administrative Agent"*), as "Administrative Agent" for the secured lenders under the "Credit Agreement," dated on even date herewith (the *"Secured Party"*).

PRELIMINARY STATEMENT

A. The Debtor has requested that the Secured Party extend credit or otherwise make financial accommodations available to or for the account of the Debtor.

B. As a condition to extending credit or otherwise making financial accommodations available to or for the account of the Debtor, the Secured Party requires, among other things, that the Debtor grant the Secured Party a security interest in the Debtor's personal property described herein subject to the terms and conditions hereof.

C. The Debtor has provided Secured Party a "Perfection Certificate" dated on even date herewith (the "*Perfection Certificate*") that is incorporated into this Agreement by reference.

Now, Therefore, in consideration of the benefits accruing to the Debtor, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Grant of Security Interest. The Debtor hereby grants to the Secured Party a lien on and security interest in, and acknowledges and agrees that the Secured Party has and shall continue to have a continuing lien on and security interest in, all of Debtor's right, title, and interest, whether now owned or existing or hereafter created, acquired, or arising, in and to all of the following:

(a) Accounts (including Health-Care-Insurance Receivables, if any);

(b) Chattel Paper;

(c) Instruments (including Promissory Notes);

(d) Documents;

(e) General Intangibles (including Payment Intangibles and Software, patents, trademarks, tradestyles, copyrights, and all other intellectual property rights, including all applications, registration, and licenses therefor, and all goodwill of the business connected therewith or represented thereby);

(f) Letter-of-Credit Rights;

(g) Supporting Obligations;

(h) Deposit Accounts;

(i) Investment Property (including certificated and uncertificated Securities, Securities Accounts, Security Entitlements, Commodity Accounts, and Commodity Contracts);

(j) Inventory;

(k) Equipment (including all software, whether or not the same constitutes embedded software, used in the operation thereof);

(l) Fixtures;

(m) Commercial Tort Claims (as described in the Perfection Certificate or on one or more supplements to this Agreement);

(n) Rights to merchandise and other Goods (including rights to returned or repossessed Goods and rights of stoppage in transit) which is represented by, arises from, or relates to any of the foregoing;

(o) Monies, personal property, and interests in personal property of the Debtor of any kind or description now held by the Secured Party or at any time hereafter transferred or delivered to, or coming into the possession, custody, or control of, the Secured Party, or any agent or affiliate of the Secured Party, whether expressly as collateral security or for any other purpose (whether for safekeeping, custody, collection or otherwise), and all dividends and distributions on or other rights in connection with any such property;

(p) Supporting evidence and documents relating to any of the above-described property, including, without limitation, computer programs, disks, tapes and related electronic data processing media, and all rights of the Debtor to retrieve the same from third parties, written applications, credit information, account cards, payment records, correspondence, delivery and installation certificates, invoice copies, delivery receipts, notes, and other evidences of indebtedness, insurance certificates and the like, together with all books of account, ledgers, and cabinets in which the same are reflected or maintained;

(q) Accessions and additions to, and substitutions and replacements of, any and all of the foregoing; and

(r) Proceeds and products of the foregoing, and all insurance of the foregoing and proceeds thereof;

all of the foregoing being herein sometimes referred to as the *"Collateral"*. All terms which are used in this Agreement which are defined in the Uniform Commercial Code of the State of Wisconsin as in effect from time to time (*"UCC"*) shall have the same meanings herein as such terms are defined in the UCC, unless this Agreement shall otherwise specifically provide. For purposes of this Agreement, the term *"Receivables"* means all rights to the payment of a monetary obligation, whether or not earned by performance, and whether evidenced by an Account, Chattel Paper, Instrument, General Intangible, or otherwise.

Section 2. Obligations Hereby Secured. The lien and security interest herein granted and provided for is made and given to secure, and shall secure, the payment and performance of (a) any and all indebtedness, obligations, and liabilities of whatsoever kind and nature of the Debtor to the Secured Party (whether arising before or after the filing of a petition in bankruptcy and including, without limitation, interest which but for the filing of a petition in bankruptcy would accrue on such obligations), whether direct or indirect, absolute or contingent, due or to become due, and whether now existing or hereafter arising and howsoever held, evidenced, or acquired, and whether several, joint or joint and several, and (b) any and all expenses and charges, legal or otherwise, suffered or incurred by the Secured Party in collecting or enforcing any of such indebtedness, obligations or liabilities or in realizing on or protecting or preserving any security therefor, including, without limitation, the lien and security interest granted hereby (all of the foregoing being hereinafter referred to collectively as the *"Obligations"*).

Notwithstanding the foregoing, the term "Obligations" shall not include, and the lien and security interest herein granted and provided for by Debtor does not secure, Excluded Swap Obligations. For purposes of this Agreement:

"Commodity Exchange Act" means the Commodity Exchange Act (7 U.S.C. § 1 et seq.).

"Excluded Swap Obligation" means any Swap Obligation of the Borrower if, and to the extent that, all or a portion of the guarantee of the undersigned of such Swap Obligation is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of the undersigned's failure for any reason to constitute an "eligible contract participant" as defined in the Commodity Exchange Act at the time this guaranty becomes effective with respect to such Swap Obligation. If a Swap Obligation arises under a master agreement governing more than one swap, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to swaps for which such guarantee is or becomes illegal.

"Swap Obligation" means any obligation of the Borrower to pay or perform under any agreement, contract or transaction that constitutes a "swap" within the meaning of Section 1a(47) of the Commodity Exchange Act.

Section 3. Covenants, Agreements, Representations and Warranties. The Debtor hereby covenants and agrees with, and represents and warrants to, the Secured Party that:

(a) The Debtor is a corporation duly organized and validly existing in good standing under the laws of the jurisdiction of its organization. The Debtor shall not change its jurisdiction of organization without the Secured Party's prior written consent. The Debtor is the sole and lawful owner of the Collateral, and has full right, power and authority to enter into this Security Agreement and to perform each and all of the matters and things herein provided for. The execution and delivery of this Security Agreement, and the observance and performance of each of the matters and things herein set forth, will not (i) contravene or constitute a default under any provision of law or any judgment, injunction, order or decree binding upon the Debtor or any provision of the Debtor's organizational documents (*e.g.*, charter, articles or certificate of incorporation and by-laws, articles or certificate of formation and limited liability company operating agreement, partnership agreement, or similar organizational documents) or any covenant, indenture or agreement of or affecting the Debtor or any of its property or (ii) result in the creation or imposition of any lien or encumbrance on any property of the Debtor except for the lien and security interest granted to the Secured Party hereunder. The Debtor's organizational registration number (if any) is 1T00778.

(b) The Debtor's chief executive office and principal place of business is at, and the Debtor keeps and shall keep all of its books and records relating to Receivables only at, 1328 Racine Street, Racine, Wisconsin 53403; and the Debtor has no other executive offices or places of business other than those listed in the Perfection Certificate. The Collateral is and shall remain in the Debtor's possession or control at the locations listed in the Perfection Certificate (collectively, the "*Permitted Collateral Locations*"), except for (i) Collateral which in the ordinary course of the Debtor's business is in transit between Permitted Collateral Locations and (ii) Collateral aggregating less than $50,000 in fair market value outstanding at any one time. If for any reason any Collateral is at any time kept or located at a location other than a Permitted Collateral Location, the Secured Party shall nevertheless have and retain a lien on and security interest therein. The Debtor owns and shall at all times own all Permitted Collateral Locations, except to the extent otherwise disclosed in the Perfection Certificate. The Debtor shall not move its chief executive office or maintain a place of business at a location other than those specified in the Perfection Certificate or permit the Collateral to be located at a location other than those specified in the Perfection Certificate, in each case without first providing the Secured Party 30 days' prior written notice of the Debtor's intent to do so; *provided* that the Debtor shall at all times maintain its chief executive office and, unless otherwise specifically agreed to in writing by the Secured Party, Permitted Collateral Locations in the United States of America and, with respect to any new chief executive office or place of business or location of Collateral, the Debtor shall have taken all action requested by the Secured Party to maintain the lien and security interest of the Secured Party in the Collateral at all times fully perfected and in full force and effect.

(c) The Debtor's legal name and jurisdiction of organization is correctly set forth in the first paragraph of this Agreement. The Debtor has not transacted business at any time during the immediately preceding five-year period, and does not currently transact business, under any other legal names or trade names other than the prior legal names and trade names (if any) set forth in the Perfection Certificate. The Debtor shall not change its legal name or transact business under any other trade name without first giving 30 days' prior written notice of its intent to do so to the Secured Party.

(d) The Collateral and every part thereof is and shall be free and clear of all security interests, liens (including, without limitation, mechanics', laborers' and statutory liens), attachments, levies, and encumbrances of every kind, nature and description, whether voluntary or involuntary, except for the lien and security interest of the Secured Party therein and as otherwise provided the in Perfection Certificate. The Debtor shall warrant and defend the Collateral against any claims and demands of all persons at any time claiming the same or any interest in the Collateral adverse to the Secured Party.

(e) The Debtor shall promptly pay when due all taxes, assessments and governmental charges and levies upon or against the Debtor or any of the Collateral, in each case before the same become delinquent and before penalties accrue thereon, unless and to the extent that the same are being contested in good faith by appropriate proceedings which prevent foreclosure or other realization upon any of the Collateral and preclude interference with the operation of the Debtor's business in the ordinary course, and the Debtor shall have established adequate reserves therefor.

(f) The Debtor shall not use, manufacture, sell, or distribute any Collateral in violation of any statute, ordinance, or other governmental requirement. The Debtor shall not waste or destroy the Collateral or any part thereof or be negligent in the care or use of any Collateral. The Debtor shall perform its obligations under any contract or other agreement constituting part of the Collateral, it being understood and agreed that the Secured Party has no responsibility to perform such obligations.

(g) Subject to Sections 4(b), 6(b), 6(c), and 7(c) hereof, the Debtor shall not, without the Secured Party's prior written consent, sell, assign, mortgage, lease or otherwise dispose of the Collateral or any interest therein.

(h) The Debtor shall at all times insure the Collateral consisting of tangible personal property against such risks and hazards as other persons similarly situated insure against, and including in any event loss or damage by fire, theft, burglary, pilferage, loss in transit and such other hazards as the Secured Party may specify. All insurance required hereby shall be maintained in amounts and under policies and with insurers acceptable to the Secured Party, and all such policies shall contain loss payable clauses naming the Secured Party as loss payee as its interest may appear (and, if the Secured Party requests, naming the Secured Party as an additional insured therein) in a form acceptable to the Secured Party. All premiums on such insurance shall be paid by the Debtor. Certificates of insurance evidencing compliance with the foregoing and, at the Secured Party's request, the policies of such insurance shall be delivered by the Debtor to the Secured Party. All insurance required hereby shall provide that any loss shall be payable to the Secured Party notwithstanding any act or negligence of the Debtor, shall provide that no cancellation thereof shall be effective until at least 30 days after receipt by the Debtor and the Secured Party of written notice thereof, and shall be satisfactory to the Secured Party in all other respects. In case of any material loss, damage to, or destruction of the Collateral or any part thereof, the Debtor shall promptly give written notice thereof to the Secured Party generally describing the nature and extent of such damage or destruction. In case of any loss, damage to or destruction of the Collateral or any part thereof, the Debtor, whether or not the insurance proceeds, if any, received on account of such damage or destruction shall be sufficient for that purpose, at the Debtor's cost and expense, shall promptly repair or replace the Collateral so lost, damaged, or destroyed. In the event the Debtor shall receive any proceeds of such insurance, the Debtor shall immediately pay over such proceeds to the Secured Party. The Debtor hereby authorizes the Secured Party, at the Secured Party's option, to adjust, compromise and settle any losses under any insurance afforded at any time during the existence of any Event of Default or any other event or condition which with the lapse of time or the giving of notice, or both, would constitute an Event of Default, and the Debtor does hereby irrevocably constitute the Secured Party, and each of its nominees, officers, agents, attorneys, and any other person whom the Secured Party may designate, as the Debtor's attorneys-in-fact, with full power and authority to effect such adjustment, compromise and/or settlement and to endorse any drafts drawn by an insurer of the Collateral or any part thereof and to do everything necessary to carry out such purposes and to receive and receipt for any unearned premiums due under policies of such insurance. Unless the Secured Party elects to adjust, compromise or settle losses as aforesaid, any adjustment, compromise and/or settlement of any losses under any insurance shall be made by the Debtor subject to final approval of the Secured Party (regardless of whether or not an Event of Default shall have occurred) in the case of losses exceeding $250,000.00. Net insurance proceeds received by the Secured Party under the provisions hereof or under any policy of insurance covering the Collateral or any part thereof shall be applied to the reduction of the Obligations (whether or not then due); *provided, however,* that the Secured Party may in its sole discretion release any or all such insurance proceeds to the Debtor. All insurance proceeds shall be subject to the lien and security interest of the Secured Party hereunder.

UNLESS THE DEBTOR PROVIDES THE SECURED PARTY WITH EVIDENCE OF THE INSURANCE COVERAGE REQUIRED BY THIS SECURITY AGREEMENT, THE SECURED PARTY MAY PURCHASE INSURANCE AT THE DEBTOR'S EXPENSE TO PROTECT THE SECURED PARTY'S INTERESTS IN THE COLLATERAL. THIS INSURANCE MAY, BUT NEED NOT, PROTECT THE DEBTOR'S INTERESTS IN THE COLLATERAL. THE COVERAGE PURCHASED BY THE SECURED PARTY MAY NOT PAY ANY CLAIMS THAT THE DEBTOR MAKES OR ANY CLAIM THAT IS MADE AGAINST THE DEBTOR IN CONNECTION WITH THE COLLATERAL. THE DEBTOR MAY LATER CANCEL ANY SUCH INSURANCE PURCHASED BY THE SECURED PARTY, BUT ONLY AFTER PROVIDING THE SECURED PARTY WITH EVIDENCE THAT THE DEBTOR HAS OBTAINED INSURANCE AS REQUIRED BY THIS SECURITY AGREEMENT. IF THE SECURED PARTY PURCHASES INSURANCE FOR THE COLLATERAL, THE DEBTOR WILL BE RESPONSIBLE FOR THE COSTS OF THAT INSURANCE, INCLUDING INTEREST AND ANY OTHER CHARGES THAT THE SECURED PARTY MAY IMPOSE IN CONNECTION WITH THE PLACEMENT OF THE INSURANCE, UNTIL THE EFFECTIVE DATE OF THE CANCELLATION OR EXPIRATION OF THE INSURANCE. THE COSTS OF THE INSURANCE MAY BE ADDED TO THE OBLIGATIONS SECURED HEREBY. THE COSTS OF THE INSURANCE MAY BE MORE THAN THE COST OF INSURANCE THE DEBTOR MAY BE ABLE TO OBTAIN ON ITS OWN.

(i) The Debtor shall at all times allow the Secured Party and its representatives free access to and right of inspection of the Collateral; *provided* that, unless the Secured Party believes in good faith an Event of Default, or any other event or condition which with the lapse of time or the giving of notice, or both, would constitute an Event of Default, exists, any such access or inspection shall only be required during the Debtor's normal business hours and upon at least 48 hours' advance written notice to the Debtor.

(j) If any Collateral is in the possession or control of any of the Debtor's agents or processors and the Secured Party so requests, the Debtor agrees to notify such agents or processors in writing of the Secured Party's security interest therein and instruct them to hold all such Collateral for the Secured Party's account and subject to the Secured Party's instructions. The Debtor shall, upon the request of the Secured Party, authorize and instruct all bailees and other parties, if any, at any time processing, labeling, packaging, holding, storing, shipping or transferring all or any part of the Collateral to permit the Secured Party and its representatives to examine and inspect any of the Collateral then in such party's possession and to verify from such party's own books and records any information concerning the Collateral or any part thereof which the Secured Party or its representatives may seek to verify. As to any premises not owned by the Debtor wherein any of the Collateral is located, the Debtor shall, at the Secured Party's request, cause each party having any right, title or interest in, or lien on, any of such premises to enter into an agreement (any such agreement to contain a legal description of such premises) whereby such party disclaims any right, title and interest in, and lien on, the Collateral and allows the removal of such Collateral by the Secured Party and is otherwise in form and substance acceptable to the Secured Party; *provided*, *however*, that no such agreement need be obtained with respect to any one location wherein the value of the Collateral as to which such agreement has not been obtained aggregates less than $50,000.00 at any one time.

(k) The Debtor agrees from time to time to deliver to the Secured Party such evidence of the existence, identity and location of the Collateral and of its availability as collateral security pursuant hereto (including, without limitation, schedules describing all Receivables created or acquired by the Debtor, copies of customer invoices or the equivalent and original shipping or delivery receipts for all merchandise and other goods sold or leased or services rendered, together with the Debtor's warranty of the genuineness thereof, and reports stating the book value of Inventory and Equipment by major category and location), in each case as the Secured Party may request. The Secured Party shall have the right to verify all or any part of the Collateral in any manner, and through any medium, which the Secured Party considers appropriate (including, without limitation, the verification of Collateral by use of a fictitious name), and the Debtor agrees to furnish all assistance and information, and perform any acts, which the Secured Party may require in connection therewith. The Debtor shall promptly notify the Secured Party of any Collateral which the Debtor has determined to have been rendered obsolete, stating the prior book value of such Collateral, its type and location.

(l) The Debtor shall comply with the terms and conditions of all leases, easements, right-of-way agreements and other similar agreements binding upon the Debtor or affecting the Collateral or any part thereof, and all orders, ordinances, laws and statutes of any city, state or other governmental entity, department, or agency having jurisdiction with respect to the premises wherein such Collateral is located or the conduct of business thereon.

(m) The Perfection Certificate contains a true, complete, and current listing of all patents, trademarks, tradestyles, copyrights, and other intellectual property rights (including all registrations and applications therefor) owned by the Debtor as of the date hereof that are registered with any governmental authority. The Debtor shall promptly notify the Secured Party in writing of any additional intellectual property rights acquired or arising after the date hereof, and shall submit to the Secured Party a supplement to the Perfection Certificate to reflect such additional rights (provided the Debtor's failure to do so shall not impair the Secured Party's security interest therein). The Debtor owns or possesses rights to use all franchises, licenses, patents, trademarks, trade names, tradestyles, copyrights, and rights with respect to the foregoing which are required to conduct its business. No event has occurred which permits, or after notice or lapse of time or both would permit, the revocation or termination of any such rights, and the Debtor is not liable to any person for infringement under applicable law with respect to any such rights as a result of its business operations.

(n) The Perfection Certificate contains a true, complete and current listing of all Commercial Tort Claims held by the Debtor as of the date hereof, each described by reference to the specific incident given rise to the claim. The Debtor agrees to execute and deliver to the Secured Party a supplement to this Agreement in the form attached hereto as Schedule A, or in such other form acceptable to the Secured Party, promptly upon becoming aware of any other Commercial Tort Claim held or maintained by the Debtor arising after the date hereof (provided the Debtor's failure to do so shall not impair the Secured Party's security interest therein).

(o) The Debtor agrees to execute and deliver to the Secured Party such further agreements, assignments, instruments, and documents and to do all such other things as the Secured Party may deem necessary or appropriate to assure the Secured Party its lien and security interest hereunder, including, without limitation, (i) such financing statements, and amendments thereof or supplements thereto, and such other instruments and documents as the Secured Party may from time to time require in order to comply with the UCC and any other applicable law, (ii) such agreements with respect to patents, trademarks, copyrights, and similar intellectual property rights as the Secured Party may from time to time require to comply with the filing requirements of the United States Patent and Trademark Office and the United States Copyright Office, and (iii) such control agreements with respect to Deposit Accounts, Investment Property, Letter-of-Credit Rights, and electronic Chattel Paper, and to cause the relevant depository institutions, financial intermediaries, and issuers to execute and deliver such control agreements, as the Secured Party may from time to time require. The Debtor hereby agrees that a photographic or other reproduction of this Security Agreement or any such financing statement is sufficient for filing as a financing statement by the Secured Party without notice thereof to the Debtor wherever the Secured Party in its sole discretion desires to file the same. The Debtor hereby authorizes the Secured Party to file any and all financing statements covering the Collateral or any part thereof as the Secured Party may require, including financing statements describing the Collateral as "all assets" or "all personal property" or words of like meaning. The Secured Party may order lien searches from time to time against the Debtor and the Collateral, and the Debtor shall promptly reimburse the Secured Party for all costs and expenses incurred in connection with such lien searches. In the event for any reason the law of any jurisdiction other than Wisconsin becomes or is applicable to the Collateral or any part thereof, or to any of the Obligations, the Debtor agrees to execute and deliver all such instruments and documents and to do all such other things as the Secured Party in its sole discretion deems necessary or appropriate to preserve, protect, and enforce the lien and security interest of the Secured Party under the law of such other jurisdiction. The Debtor agrees to mark its books and records to reflect the lien and security interest of the Secured Party in the Collateral.

(p) On failure of the Debtor to perform any of the covenants and agreements herein contained, the Secured Party may, at its option, perform the same and in so doing may expend such sums as the Secured Party may deem advisable in the performance thereof, including, without limitation, the payment of any insurance premiums, the payment of any taxes, liens and encumbrances, expenditures made in defending against any adverse claims, and all other expenditures which the Secured Party may be compelled to make by operation of law or which the Secured Party may make by agreement or otherwise for the protection of the security hereof. All such sums and amounts so expended shall be repayable by the Debtor immediately without notice or demand, shall constitute additional Obligations secured hereunder and shall bear interest from the date said amounts are expended at the rate per annum (computed on the basis of a 360-day year for the actual number of days elapsed) determined by adding 1.75% to the rate per annum from time to time announced or otherwise established by the Secured Party as its prime commercial rate with any change in such rate per annum as so determined by reason of a change in such prime commercial rate to be effective on the date of such change in said prime commercial rate (such rate per annum as so determined being hereinafter referred to as the *"Default Rate"*). No such performance of any covenant or agreement by the Secured Party on behalf of the Debtor, and no such advancement or expenditure therefor, shall relieve the Debtor of any default under the terms of this Security Agreement or in any way obligate the Secured Party to take any further or future action with respect thereto. The Secured Party, in making any payment hereby authorized, may do so according to any bill, statement or estimate procured from the appropriate public office or holder of the claim to be discharged without inquiry into the accuracy of such bill, statement or estimate or into the validity of any tax assessment, sale, forfeiture, tax lien or title or claim. The Secured Party, in performing any act hereunder, shall be the sole judge of whether the Debtor is required to perform same under the terms of this Security Agreement. The Secured Party is hereby authorized to charge any account of the Debtor maintained with the Secured Party for the amount of such sums and amounts so expended.

Section 4. Special Provisions Re: Receivables.

(a) As of the time any Receivable becomes subject to the security interest provided for hereby, and at all times thereafter, the Debtor shall be deemed to have warranted as to each and all of such Receivables that all warranties of the Debtor set forth in this Security Agreement are true and correct with respect to each such Receivable; that each Receivable and all papers and documents relating thereto are genuine and in all respects what they purport to be; that each Receivable is valid and subsisting; that no such Receivable is evidenced by any Instrument or Chattel Paper unless such Instrument or Chattel Paper has theretofore been endorsed by the Debtor and delivered to the Secured Party (except to the extent the Secured Party specifically requests the Debtor not to do so with respect to any such Instrument or Chattel Paper); that no surety bond was required or given in connection with such Receivable or the contracts or purchase orders out of which the same arose; that the amount of the Receivable represented as owing is the correct amount actually and unconditionally owing, except for normal cash discounts on normal trade terms in the ordinary course of business; and that the amount of such Receivable represented as owing is not disputed and is not subject to any set-offs, credits, deductions or countercharges other than those arising in the ordinary course of the Debtor's business which are disclosed to the Secured Party in writing promptly upon the Debtor becoming aware thereof. Without limiting the foregoing, if any Receivable arises out of a contract with the United States of America, or any state or political subdivision thereof, or any department, agency or instrumentality of any of the foregoing, the Debtor agrees to notify the Secured Party and execute whatever instruments and documents are required by the Secured Party in order that such Receivable shall be assigned to the Secured Party and that proper notice of such assignment shall be given under the federal Assignment of Claims Act (or any successor statute) or any similar state or local statute, as the case may be.

(b) Unless and until an Event of Default occurs which has not been waived in writing by the Secured Party, any merchandise or other goods which are returned by a customer or account debtor or otherwise recovered may be resold by the Debtor in the ordinary course of its business as presently conducted in accordance with Section 6(b) hereof; and, during the existence of any Event of Default, such merchandise and other goods shall be set aside at the request of the Secured Party and held by the Debtor as trustee for the Secured Party and shall remain part of the Secured Party's Collateral. Unless and until an Event of Default occurs which has not been waived in writing by the Secured Party, the Debtor may settle and adjust disputes and claims with its customers and account debtors, handle returns and recoveries and grant discounts, credits and allowances in the ordinary course of its business as presently conducted for amounts and on terms which the Debtor in good faith considers advisable; and, during the existence of any Event of Default which has not been waived in writing by the Secured Party, the Debtor shall notify the Secured Party promptly of all returns and recoveries and, on the Secured Party's request, deliver any such merchandise or other goods to the Secured Party. During the existence of any Event of Default which has not been waived in writing by the Secured Party, the Debtor shall also notify the Secured Party promptly of all disputes and claims and settle or adjust them at no expense to the Secured Party, but no discount, credit or allowance other than on normal trade terms in the ordinary course of business as presently conducted shall be granted to any customer or account debtor and no returns of merchandise or other goods shall be accepted by the Debtor without the Secured Party's consent. The Secured Party may, at all times during the existence of any Event of Default which has not been waived in writing by the Secured Party, settle or adjust disputes and claims directly with customers or account debtors for amounts and upon terms which the Secured Party considers advisable.

(c) Unless delivered to the Secured Party or its agent, all tangible Chattel Paper and Instruments shall contain a legend acceptable to the Secured Party indicating that such Chattel Paper or Instrument is subject to the security interest of the Secured Party contemplated by this Security Agreement.

Section 5. Collection of Receivables.

(a) Except as otherwise provided in this Security Agreement, the Debtor shall make collection of all Receivables and may use the same to carry on its business in accordance with sound business practice and otherwise subject to the terms hereof.

(b) Whether or not any Event of Default has occurred which has not been waived in writing by the Secured Party and whether or not the Secured Party has exercised any or all of its rights under other provisions of this Section 5, in the event the Secured Party requests the Debtor to do so:

(i) all Instruments and Chattel Paper at any time constituting part of the Receivables or any other Collateral (including any postdated checks) shall, upon receipt by the Debtor, be immediately endorsed to and deposited with the Secured Party; and/or

(ii) the Debtor shall instruct all customers and account debtors to remit all payments in respect of Receivables or any other Collateral to a lockbox or lockboxes under the sole custody and control of the Secured Party and which are maintained at post office(s) in Milwaukee, Wisconsin selected by the Secured Party.

(c) Upon the occurrence of any Event of Default which has not been waived in writing by the Secured Party or of any event or condition which with the lapse of time or the giving of notice, or both, would constitute an Event of Default, whether or not the Secured Party has exercised any or all of its rights under other provisions of this Section 5, the Secured Party or its designee may notify the Debtor's customers and account debtors at any time that Receivables or any other Collateral have been assigned to the Secured Party or of the Secured Party's security interest therein, and either in its own name, or the Debtor's name, or both, demand, collect (including, without limitation, through a lockbox analogous to that described in Section 5(b)(ii) hereof), receive, receipt for, sue for, compound and give acquittance for any or all amounts due or to become due on Receivables or any other Collateral, and in the Secured Party's discretion file any claim or take any other action or proceeding which the Secured Party may deem necessary or appropriate to protect or realize upon the security interest of the Secured Party in the Receivables or any other Collateral.

(d) Any proceeds of Receivables or other Collateral transmitted to or otherwise received by the Secured Party pursuant to any of the provisions of Sections 5(b) or 5(c) hereof may be handled and administered by the Secured Party in and through a remittance account at the Secured Party, and the Debtor acknowledges that the maintenance of such remittance account by the Secured Party is solely for the Secured Party's convenience and that the Debtor does not have any right, title or interest in such remittance account or any amounts at any time standing to the credit thereof. The Secured Party may, after the occurrence and during the continuation of any Event of Default which has not been waived in writing by the Secured Party or of any event or condition which with the lapse of time or the giving of notice, or both, would constitute an Event of Default, apply all or any part of any proceeds of Receivables or other Collateral received by it from any source to the payment of the Obligations (whether or not then due and payable), such applications to be made in such amounts, in such manner and order and at such intervals as the Secured Party may from time to time in its discretion determine, but not less often than once each week. The Secured Party need not apply or give credit for any item included in proceeds of Receivables or other Collateral until the Secured Party has received final payment therefor at its office in cash or final solvent credits current in Milwaukee, Wisconsin, acceptable to the Secured Party as such. However, if the Secured Party does give credit for any item prior to receiving final payment therefor and the Secured Party fails to receive such final payment or an item is charged back to the Secured Party for any reason, the Secured Party may at its election in either instance charge the amount of such item back against the remittance account or any account of the Debtor maintained with the Secured Party, together with interest thereon at the Default Rate. Concurrently with each transmission of any proceeds of Receivables or other Collateral to the remittance account, the Debtor shall furnish the Secured Party with a report in such form as the Secured Party shall require identifying the particular Receivable or other Collateral from which the same arises or relates. Unless and until an Event of Default or an event or condition which with the lapse of time or the giving of notice, or both, would constitute an Event of Default shall have occurred and be continuing and which has not been waived in writing by the Secured Party, the Secured Party will release proceeds of Collateral which the Secured Party has not applied to the Obligations as provided above from the remittance account from time to time promptly after receipt thereof. The Debtor hereby indemnifies the Secured Party from and against all liabilities, damages, losses, actions, claims, judgments, costs, expenses, charges and reasonable attorneys' fees suffered or incurred by the Secured Party because of the maintenance of the foregoing arrangements; *provided, however,* that the Debtor shall not be required to indemnify the Secured Party for any of the foregoing to the extent they arise solely from the gross negligence or willful misconduct of the Secured Party. The Secured Party shall have no liability or responsibility to the Debtor for accepting any check, draft or other order for payment of money bearing the legend "payment in full" or words of similar import or any other restrictive legend or endorsement whatsoever or be responsible for determining the correctness of any remittance.

Section 6. Special Provisions Re: Inventory and Equipment.

(a) The Debtor shall at its own cost and expense maintain, keep and preserve the Inventory in good and merchantable condition and keep and preserve the Equipment in good repair, working order and condition, ordinary wear and tear excepted, and, without limiting the foregoing, make all necessary and proper repairs, replacements and additions to the Equipment so that the efficiency thereof shall be fully preserved and maintained.

(b) The Debtor may, until an Event of Default has occurred and is continuing and which has not been waived in writing by the Secured Party and thereafter until otherwise notified by the Secured Party, use, consume and sell the Inventory in the ordinary course of its business, but a sale in the ordinary course of business shall not under any circumstance include any transfer or sale in satisfaction, partial or complete, of a debt owing by the Debtor.

(c) The Debtor may, until an Event of Default has occurred and is continuing and thereafter until otherwise notified by the Secured Party, sell obsolete, worn out or unusable Equipment which is concurrently replaced with similar Equipment at least equal in quality and condition to that sold and owned by the Debtor free of any lien, charge or encumbrance other than the security interest granted hereby.

(d) As of the time any Inventory or Equipment becomes subject to the security interest provided for hereby and at all times thereafter, the Debtor shall be deemed to have warranted as to any and all of such Inventory and Equipment that all warranties of the Debtor set forth in this Security Agreement are true and correct with respect to such Inventory and Equipment; that all of such Inventory and Equipment is located at a location set forth pursuant to Section 3(b) hereof; and that, in the case of Inventory, such Inventory is new and unused and in good and merchantable condition. The Debtor warrants and agrees that no Inventory is or will be consigned to any other person without the Secured Party's prior written consent.

(e) The Debtor shall at its own cost and expense cause the lien of the Secured Party in and to any portion of the Collateral subject to a certificate of title law to be duly noted on such certificate of title or to be otherwise filed in such manner as is prescribed by law in order to perfect such lien and shall cause all such certificates of title and evidences of lien to be deposited with the Secured Party.

(f) Except for Equipment from time to time located on the real estate described in the Perfection Certificate and as otherwise disclosed to the Secured Party in writing, none of the Equipment is or will be attached to real estate in such a manner that the same may become a fixture.

(g) If any of the Inventory is at any time evidenced by a document of title, such document shall be promptly delivered by the Debtor to the Secured Party except to the extent the Secured Party specifically requests the Debtor not to do so with respect to any such document.

Section 7. Special Provisions Re: Investment Property and Deposits.

(a) Unless and until an Event of Default has occurred and is continuing which has not been waived in writing by the Secured Party and thereafter until notified to the contrary by the Secured Party pursuant to Section 9(d) hereof:

(i) the Debtor shall be entitled to exercise all voting and/or consensual powers pertaining to the Investment Property or any part thereof, for all purposes not inconsistent with the terms of this Security Agreement or any other document evidencing or otherwise relating to any Obligations; and

(ii) the Debtor shall be entitled to receive and retain all cash dividends paid upon or in respect of the Investment Property.

(b) All Investment Property (including all securities, certificated or uncertificated, securities accounts, and commodity accounts) of the Debtor on the date hereof is listed and identified in the Perfection Certificate. The Debtor shall promptly notify the Secured Party of any other Investment Property acquired or maintained by the Debtor after the date hereof, and shall submit to the Secured Party a supplement to reflect such additional rights (provided the Debtor's failure to do so shall not impair the Secured Party's security interest therein). Certificates for all certificated securities now or at any time constituting Investment Property shall be promptly delivered by the Debtor to the Secured Party duly endorsed in blank for transfer or accompanied by an appropriate assignment or assignments or an appropriate undated stock power or powers, in every case sufficient to transfer title thereto including, without limitation, all stock received in respect of a stock dividend or resulting from a split-up, revision or reclassification of the Investment Property or any part thereof or received in addition to, in substitution of or in exchange for the Investment Property or any part thereof as a result of a merger, consolidation or otherwise. With respect to any uncertificated securities or any Investment Property held by a securities intermediary, commodity intermediary, or other financial intermediary of any kind, at the Secured Party's request, the Debtor shall execute and deliver, and shall cause any such issuer or intermediary to execute and deliver, an agreement among the Debtor, the Secured Party, and such issuer or intermediary in form and substance satisfactory to the Secured Party which provides, among other things, for the issuer's or intermediary's agreement that it shall comply with entitlement orders, and apply any value distributed on account of any such Investment Property, as directed by the Secured Party without further consent by the Debtor. The Secured Party may at any time**,** after the occurrence of an Event of Default or an event or condition which with the lapse of time or the giving of notice, or both, would constitute an Event of Default, cause to be transferred into its name or the name of its nominee or nominees all or any part of the Investment Property hereunder.

(c) Unless and until an Event of Default**,** or an event or condition which with the lapse of time or the giving of notice, or both, would constitute an Event of Default, has occurred and is continuing and which has not been waived in writing by the Secured Party, the Debtor may sell or otherwise dispose of any Investment Property, *provided that* the Debtor shall not sell or otherwise dispose of any capital stock of or other equity interests in any direct or indirect subsidiary without the prior written consent of the Secured Party. After the occurrence and during the continuation of any Event of Default which has not been waived in writing by the Secured Party or of any event or condition, which with the lapse of time or the giving of notice, or both, would constitute an Event of Default, the Debtor shall not sell all or any part of the Investment Property without the prior written consent of the Secured Party.

(d) The Debtor represents that on the date of this Security Agreement, none of the Investment Property consists of margin stock (as such term is defined in Regulation U of the Board of Governors of the Federal Reserve System) except to the extent the Debtor has delivered to the Secured Party a duly executed and completed Form U-1 with respect to such stock. If at any time the Investment Property or any part thereof consists of margin stock, the Debtor shall promptly so notify the Secured Party and deliver to the Secured Party a duly executed and completed Form U-1 and such other instruments and documents reasonably requested by the Secured Party in form and substance satisfactory to the Secured Party.

(e) Notwithstanding anything to the contrary contained herein, in the event any Investment Property is subject to the terms of a separate security agreement in favor of the Secured Party, the terms of such separate security agreement shall govern and control unless otherwise agreed to in writing by the Secured Party.

(f) All Deposit Accounts of the Debtor on the date hereof are listed and identified (by account number and depository institution) in the Perfection Certificate. The Debtor shall promptly notify the Secured Party of any other Deposit Account opened or maintained by the Debtor after the date hereof, and shall submit to the Secured Party a supplement to reflect such additional accounts (provided the Debtor's failure to do so shall not impair the Secured Party's security interest therein). With respect to any Deposit Account maintained by a depository institution other than the Secured Party, and as a condition to the establishment and maintenance of any such Deposit Account, the Debtor, the depository institution, and the Secured Party shall execute and deliver an account control agreement in form and substance satisfactory to the Secured Party which provides, among other things, for the depository institution's agreement that it will comply with instructions originated by the Secured Party directing the disposition of the funds in the Deposit Account without further consent by such Debtor.

Section 8. Power of Attorney. In addition to any other powers of attorney contained herein, the Debtor hereby appoints the Secured Party, its nominee, and any other person whom the Secured Party may designate, as the Debtor's attorney-in-fact, with full power and authority upon the occurrence and during the continuation of any Event of Default which has not been waived in writing by the Secured Party to sign the Debtor's name on verifications of Receivables and other Collateral; to send requests for verification of Collateral to the Debtor's customers, account debtors and other obligors; to endorse the Debtor's name on any checks, notes, acceptances, money orders, drafts and any other forms of payment or security that may come into the Secured Party's possession or on any assignments, stock powers, or other instruments of transfer relating to the Collateral or any part thereof; to sign the Debtor's name on any invoice or bill of lading relating to any Collateral, on claims to enforce collection of any Collateral, on notices to and drafts against customers and account debtors and other obligors, on schedules and assignments of Collateral, on notices of assignment and on public records; to notify the post office authorities to change the address for delivery of the Debtor's mail to an address designated by the Secured Party; to receive, open and dispose of all mail addressed to the Debtor; and to do all things necessary to carry out this Agreement. The Debtor hereby ratifies and approves all acts of any such attorney and agrees that neither the Secured Party nor any such attorney will be liable for any acts or omissions nor for any error of judgment or mistake of fact or law other than such person's gross negligence or willful misconduct. The Secured Party may file one or more financing statements disclosing its security interest in any or all of the Collateral without the Debtor's signature appearing thereon. The Debtor also hereby grants the Secured Party a power of attorney to execute any such financing statements, or amendments and supplements to financing statements, on behalf of the Debtor without notice thereof to the Debtor. The foregoing powers of attorney, being coupled with an interest, are irrevocable until the Obligations have been fully paid and satisfied and all agreements of the Secured Party to extend credit to or for the account of the Debtor have expired or otherwise have been terminated.

Section 9. Defaults and Remedies.

(a) The occurrence of any one or more of the following events shall constitute an *"Event of Default"* hereunder:

(i) default in the payment when due (whether by demand, lapse of time, acceleration or otherwise) of the Obligations or any part thereof by the Borrower and such payment default continues for three (3) days; provided that, such three (3) day cure period shall not apply to defaults in payment of principal under the Credit Agreement; or

(ii) default in the observance or performance of any covenant set forth in Sections 5(b), 7(b), or 7(f) hereof or of any provision hereof requiring the maintenance of insurance on the Collateral or dealing with the use or remittance of proceeds of Collateral; or

(iii) default in the observance or performance of any other provision hereof which is not remedied within 30 days after the earlier of (a) the date on which such default shall first become known to any officer of the Debtor or (b) written notice thereof is given to the Debtor by the Secured Party; or

(iv) any representation or warranty made by the Debtor herein, or in any statement or certificate furnished by it pursuant hereto, or in connection with any loan or extension of credit made to or on behalf of or at the request of the Debtor by the Secured Party, shall be false in any material respect as of the date of the issuance or making thereof; or

(v) default in the observance or performance of any terms or provisions of any mortgage, security agreement or any other instrument or document securing any Obligations or setting forth terms and conditions applicable thereto or otherwise relating thereto, or this Security Agreement or any such other mortgage, security agreement, instrument or document shall for any reason not be or shall cease to be in full force and effect or any of the foregoing is declared to be null and void; or

(vi) default shall occur under any evidence of indebtedness issued, assumed or guaranteed by the Debtor or under any indenture, agreement or other instrument under which the same may be issued, and such default shall continue for a period of time sufficient to permit the acceleration of the maturity of any such indebtedness (whether or not such maturity is in fact accelerated), or any such indebtedness shall not be paid when due (whether by lapse of time, acceleration or otherwise); or

(vii) the Debtor makes any payment on account of the principal of or interest on any indebtedness which is prohibited under the terms of any instrument subordinating such indebtedness to any indebtedness owed to the Secured Party; or

(viii) any judgment or judgments, writ or writs, or warrant or warrants of attachment, or any similar process or processes shall be entered or filed against the Debtor or against any of its property or assets and which remains unvacated, unbonded, unstayed or unsatisfied for a period of 60 days; or

(ix) the Debtor shall (a) have entered involuntarily against it an order for relief under the United States Bankruptcy Code, as amended, (b) not pay, or admit in writing its inability to pay, its debts generally as they become due, (c) make an assignment for the benefit of creditors, (d) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its property, (e) institute any proceeding seeking to have entered against it an order for relief under the United States Bankruptcy Code, as amended, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (f) take any action in furtherance of any matter described in parts (a) through (e) above, or (g) fail to contest in good faith any appointment or proceeding described in Section 9(a)(x) hereof; or

(x) a custodian, receiver, trustee, examiner, liquidator or similar official shall be appointed for the Debtor or any substantial part of any of its property, or a proceeding described in Section 9(a)(ix)(e) shall be instituted against the Debtor, and such appointment continues undischarged or such proceeding continues undismissed or unstayed for a period of 60 days; or

(xi) any guarantor of any Obligations shall die or shall terminate, breach, repudiate or disavow its guarantee or any part thereof, or any event specified in Sections 9(a)(vi), 9(a)(viii), 9(a)(ix) or 9(a)(x) hereof shall occur with regard to said guarantor.

NOTHING HEREIN CONTAINED SHALL IMPAIR THE DEMAND CHARACTER OF ANY OF THE OBLIGATIONS WHICH ARE EXPRESSED TO BE PAYABLE ON DEMAND.

(b) Upon the occurrence and during the continuation of any Event of Default which has not been waived in writing by the Secured Party, the Secured Party shall have, in addition to all other rights provided herein or by law, the rights and remedies of a secured party under the UCC (regardless of whether the UCC is the law of the jurisdiction where the rights or remedies are asserted and regardless of whether the UCC applies to the affected Collateral), and further the Secured Party may, without demand and without advertisement, notice, hearing or process of law, all of which the Debtor hereby waives, at any time or times, sell and deliver all or any part of the Collateral (and any other property of the Debtor attached thereto or found therein) held by or for it at public or private sale, for cash, upon credit or otherwise, at such prices and upon such terms as the Secured Party deems advisable, in its sole discretion. In addition to all other sums due the Secured Party hereunder, the Debtor shall pay the Secured Party all costs and expenses incurred by the Secured Party, including reasonable attorneys' fees and court costs, in obtaining, liquidating or enforcing payment of Collateral or the Obligations or in the prosecution or defense of any action or proceeding by or against the Secured Party or the Debtor concerning any matter arising out of or connected with this Security Agreement or the Collateral or the Obligations, including, without limitation, any of the foregoing arising in, arising under or related to a case under the United States Bankruptcy Code (or any successor statute). Any requirement of reasonable notice shall be met if such notice is personally served on or mailed, postage prepaid, to the Debtor in accordance with Section 12(b) hereof at least 10 days before the time of sale or other event giving rise to the requirement of such notice; *provided however,* no notification need be given to the Debtor if the Debtor has signed, after an Event of Default has occurred and is continuing and which has not been waived in writing by the Secured Party, a statement renouncing any right to notification of sale or other intended disposition. The Secured Party shall not be obligated to make any sale or other disposition of the Collateral regardless of notice having been given. The Secured Party may be the purchaser at any such sale. The Debtor hereby waives all of its rights of redemption from any such sale. The Secured Party may postpone or cause the postponement of the sale of all or any portion of the Collateral by announcement at the time and place of such sale, and such sale may, without further notice, be made at the time and place to which the sale was postponed or the Secured Party may further postpone such sale by announcement made at such time and place. The Secured Party has no obligation to prepare the Collateral for sale. The Secured Party may sell or otherwise dispose of the Collateral without giving any warranties as to the Collateral or any part thereof, including disclaimers of any warranties of title or the like, and the Debtor acknowledges and agrees that the absence of such warranties shall not render the disposition commercially unreasonable.

(c) Without in any way limiting the foregoing, upon the occurrence and during the continuation of any Event of Default which has not been waived in writing by the Secured Party, the Secured Party shall have the right, in addition to all other rights provided herein or by law, to take physical possession of any and all of the Collateral and anything found therein, the right for that purpose to enter without legal process any premises where the Collateral may be found (provided such entry be done lawfully), and the right to maintain such possession on the Debtor's premises (the Debtor hereby agreeing to lease such premises without cost or expense to the Secured Party or its designee if the Secured Party so requests) or to remove the Collateral or any part thereof to such other places as the Secured Party may desire. Upon the occurrence and during the continuation of any Event of Default, the Secured Party shall have the right to exercise any and all rights with respect to all Deposit Accounts of the Debtor, including, without limitation, the right to direct the disposition of the funds in each Deposit Account and to collect, withdraw and receive all amounts due or to become due or payable under each such Deposit Account. Upon the occurrence and during the continuation of any Event of Default which has not been waived in writing by the Secured Party, the Debtor shall, upon the Secured Party's demand, promptly assemble the Collateral and make it available to the Secured Party at a place designated by the Secured Party. If the Secured Party exercises its right to take possession of the Collateral, the Debtor shall also at its expense perform any and all other steps requested by the Secured Party to preserve and protect the security interest hereby granted in the Collateral, such as placing and maintaining signs indicating the security interest of the Secured Party, appointing overseers for the Collateral and maintaining Collateral records.

(d) Without in any way limiting the foregoing, upon the occurrence and during the continuation of any Event of Default which has not been waived in writing by the Secured Party, all rights of the Debtor to exercise the voting and/or consensual powers which it is entitled to exercise pursuant to Section 7(a)(i) hereof and/or to receive and retain the distributions which it is entitled to receive and retain pursuant to Section 7(a)(ii) hereof, shall, at the option of the Secured Party, cease and thereupon become vested in the Secured Party, which, in addition to all other rights provided herein or by law, shall then be entitled solely and exclusively to exercise all voting and other consensual powers pertaining to the Investment Property (including, without limitation, the right to deliver notice of control with respect to any Investment Property held in a securities account or commodity account and deliver all entitlement orders with respect thereto) and/or to receive and retain the distributions which the Debtor would otherwise have been authorized to retain pursuant to Section 7(a)(ii) hereof and shall then be entitled solely and exclusively to exercise any and all rights of conversion, exchange or subscription or any other rights, privileges or options pertaining to any Investment Property as if the Secured Party were the absolute owner thereof. Without limiting the foregoing, the Secured Party shall have the right to exchange, at its discretion, any and all of the Investment Property upon the merger, consolidation, reorganization, recapitalization or other readjustment of the respective issuer thereof or upon the exercise by or on behalf of any such issuer or the Secured Party of any right, privilege or option pertaining to any Investment Property and, in connection therewith, to deposit and deliver any and all of the Investment Property with any committee, depositary, transfer agent, registrar or other designated agency upon such terms and conditions as the Secured Party may determine. In the event the Secured Party in good faith believes any of the Collateral constitutes restricted securities within the meaning of any applicable securities laws, any disposition thereof in compliance with such laws shall not render the disposition commercially unreasonable.

(e) Without in any way limiting the foregoing, upon the occurrence and during the continuation of any Event of Default which has not been waived in writing by the Secured Party, the Debtor hereby grants to the Secured Party a royalty-free irrevocable license and right to use all of the Debtor's patents, patent applications, patent licenses, trademarks, trademark registrations, trademark licenses, trade names, trade styles, copyrights, copyright applications, copyright licenses, and similar intangibles in connection with any foreclosure or other realization by the Secured Party on all or any part of the Collateral. The license and right granted the Secured Party hereby shall be without any royalty or fee or charge whatsoever.

(f) The powers conferred upon the Secured Party hereunder are solely to protect its interest in the Collateral and shall not impose on it any duty to exercise such powers. The Secured Party shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession or control if such Collateral is accorded treatment substantially equivalent to that which the Secured Party accords its own property, consisting of similar type assets, it being understood, however, that the Secured Party shall have no responsibility for ascertaining or taking any action with respect to calls, conversions, exchanges, maturities, tenders or other matters relating to any such Collateral, whether or not the Secured Party has or is deemed to have knowledge of such matters. This Security Agreement constitutes an assignment of rights only and not an assignment of any duties or obligations of the Debtor in any way related to the Collateral, and the Secured Party shall have no duty or obligation to discharge any such duty or obligation. The Secured Party shall have no responsibility for taking any necessary steps to preserve rights against any parties with respect to any Collateral or initiating any action to protect the Collateral against the possibility of a decline in market value. Neither the Secured Party nor any party acting as attorney for the Secured Party shall be liable for any acts or omissions or for any error of judgment or mistake of fact or law other than their gross negligence or willful misconduct.

(g) Failure by the Secured Party to exercise any right, remedy or option under this Security Agreement or any other agreement between the Debtor and the Secured Party or provided by law, or delay by the Secured Party in exercising the same, shall not operate as a waiver; and no waiver by the Secured Party shall be effective unless it is in writing and then only to the extent specifically stated. The rights and remedies of the Secured Party under this Security Agreement shall be cumulative and not exclusive of any other right or remedy which the Secured Party may have.

Section 10. Application of Proceeds. The proceeds and avails of the Collateral at any time received by the Secured Party after the occurrence and during the continuation of any Event of Default shall, when received by the Secured Party in cash or its equivalent, be applied by the Secured Party as follows:

(i) first, to the payment and satisfaction of all sums paid and costs and expenses incurred by the Secured Party hereunder or otherwise in connection herewith, including such monies paid or incurred in connection with protecting, preserving or realizing upon the Collateral or enforcing any of the terms hereof, including reasonable attorneys' fees and court costs, together with any interest thereon (but without preference or priority of principal over interest or of interest over principal), to the extent the Secured Party is not reimbursed therefor by the Debtor; and

(ii) second, to the payment and satisfaction of the remaining Obligations, whether or not then due (in whatever order the Secured Party elects), both for interest and principal.

The Debtor shall remain liable to the Secured Party for any deficiency. Any surplus remaining after the full payment and satisfaction of the foregoing shall be returned to the Debtor or as otherwise required by applicable laws.

Section 11. Continuing Agreement. This Security Agreement shall be a continuing agreement in every respect and shall remain in full force and effect until all of the Obligations, both for principal and interest, have been fully paid and satisfied and all agreements of the Secured Party to extend credit to or for the account of the Debtor have expired or otherwise have been terminated. Upon such termination of this Security Agreement, the Secured Party shall, upon the request and at the expense of the Debtor, forthwith release its security interest hereunder.

Section 12. Miscellaneous.

(a) This Security Agreement cannot be changed or terminated orally. All of the rights, privileges, remedies and options given to the Secured Party hereunder shall inure to the benefit of its successors and assigns, and all the terms, conditions, covenants, agreements, representations and warranties of and in this Security Agreement shall bind the Debtor and its legal representatives, successors and assigns, provided that the Debtor may not assign its rights or delegate its duties hereunder without the Secured Party's prior written consent.

(b) Except as otherwise specified herein, all notices hereunder shall be in writing (including, without limitation, notice by facsimile) and shall be given to the relevant party at its address or facsimile number set forth below (or, if no such address is set forth below, at the address of the Debtor as shown on the records of the Secured Party), or such other address or facsimile number as such party may hereafter specify by notice to the other given by courier, by United States certified or registered mail, by facsimile or by other telecommunication device capable of creating a written record of such notice and its receipt. Notices hereunder shall be delivered in accordance with the Loan Agreement.

(c) In the event and to the extent that any provision hereof shall be deemed to be invalid or unenforceable by reason of the operation of any law or by reason of the interpretation placed thereon by any court, this Security Agreement shall to such extent be construed as not containing such provision, but only as to such locations where such law or interpretation is operative, and the invalidity or unenforceability of such provision shall not affect the validity of any remaining provisions hereof, and any and all other provisions hereof which are otherwise lawful and valid shall remain in full force and effect.

(d) This Security Agreement shall be deemed to have been made in the State of Wisconsin and shall be governed by, and construed in accordance with, the laws of the State of Wisconsin. The headings in this Security Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning of any provision hereof.

(e) This Security Agreement may be executed in any number of counterparts and by different parties hereto on separate counterpart signature pages, each constituting an original, but all together one and the same instrument. The Debtor acknowledges that this Security Agreement is and shall be effective upon its execution and delivery by the Debtor to the Secured Party, and it shall not be necessary for the Secured Party to execute this Security Agreement or any other acceptance hereof or otherwise to signify or express its acceptance hereof.

(f) The Debtor hereby submits to the non-exclusive jurisdiction of the United States District Court for the Eastern District of Wisconsin and of any Wisconsin state court sitting in the City of Milwaukee for purposes of all legal proceedings arising out of or relating to this Agreement or the transactions contemplated hereby. The Debtor irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient form. The Debtor and the Secured Party each hereby irrevocably waives any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the Debtor has caused this Security Agreement to be duly executed and delivered as of the date and year first above written.

TWIN DISC, INCORPORATED

By: _____
Name: Jeffrey S. Knutson
Title: Vice President – Finance and Chief Financial Officer

Accepted and agreed to as of the date and year first above written.

Bank of Montreal

By: _____
Name: Jason Hoefler
Title: Director

[Signature Page to Security Agreement (Twin Disc, Incorporated)]

Schedule A

SUPPLEMENT TO SECURITY AGREEMENT

THIS SUPPLEMENT TO SECURITY AGREEMENT (the *"Supplement"*) is dated as of this _____ day of _____, ____, from Twin Disc, Incorporated, a Wisconsin corporation (the *"Debtor"*), to Bank of Montreal, a Canadian chartered bank acting through its Chicago branch (the *"Administrative Agent"*), as "Administrative Agent" for the secured lenders under that certain Credit Agreement, dated as of April 22, 2016 (the *"Secured Party"*).

PRELIMINARY STATEMENTS

A. The Debtor and the Secured Party are parties to that certain Security Agreement dated as of April 22, 2016 (such Security Agreement, as the same may from time to time be amended, modified or restated, being hereinafter referred to as the *"Security Agreement"*). All capitalized terms used herein without definition shall have the same meanings herein as such terms are defined in the Security Agreement.

B. Pursuant to the Security Agreement, the Debtor granted to the Secured Party, among other things, a continuing security interest in all Commercial Tort Claims.

C. The Debtor has acquired a Commercial Tort Claim, and executes and delivers this Supplement to confirm and assure the Secured Party's security interest therein.

NOW, THEREFORE, in consideration of the benefits accruing to the Debtor, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. In order to secure payment of the Obligations, whether now existing or hereafter arising, the Debtor does hereby grant to the Secured Party a continuing lien on and security interest in the Commercial Tort Claim described below:

_____

_____

_____

_____

2. The Perfection Certificate to the Security Agreement is hereby amended to include reference to the Commercial Tort Claim referred to in Section 1 above. The Commercial Tort Claim described herein is in addition to, and not in substitution or replacement for, the Commercial Tort Claims heretofore described in and subject to the Security Agreement, and nothing contained herein shall in any manner impair the priority of the liens and security interests heretofore granted by the Debtor in favor of the Secured Party under the Security Agreement.

3. The Debtor agrees to execute and deliver such further instruments and documents and do such further acts and things as the Secured Party may deem necessary or proper to carry out more effectively the purposes of this Supplement.

4. No reference to this Supplement need be made in the Security Agreement or in any other document or instrument making reference to the Security Agreement, any reference to the Security Agreement in any of such items to be deemed a reference to the Security Agreement as supplemented hereby. The Debtor acknowledges that this Supplement shall be effective upon its execution and delivery by the Debtor to the Secured Party, and it shall not be necessary for the Secured Party to execute this Supplement or any other acceptance hereof or otherwise to signify or express its acceptance hereof.

5. This Agreement shall be governed by and construed in accordance with the State of Wisconsin (without regard to principles of conflicts of law).

TWIN DISC, INCORPORATED

By: _____
Name: _____
Title: _____

Exhibit 10.4

ASSIGNMENT OF AND AMENDMENT TO
IP SECURITY AGREEMENT

THIS ASSIGNMENT OF AND AMENDMENT TO IP SECURITY AGREEMENT (the *"Assignment"*), is made on June 29, 2018, by and among BANK OF MONTREAL (*"Assignor"*), BMO HARRIS BANK N.A. (*"Assignee"*), and TWIN DISC, INCORPORATED, a Wisconsin corporation (*"Grantor"*).

RECITALS:

A. Pursuant to the Credit Agreement, dated April 22, 2016, by and among Borrower, Assignor and the lenders party thereto (the "*2016 Credit Agreement*"), Grantor and Assignor entered into that certain Intellectual Property Security Agreement, dated as of April 22, 2016 (the *"IP Security Agreement"*), a copy of which is attached hereto as Exhibit A;

B. Contemporaneously herewith, Assignee will refinance the credit facilities extended by Assignor to Borrower under the 2016 Credit Agreement, and finance additional credit facilities, pursuant to that certain Credit Agreement, dated as of the date hereof, by and between Assignee and Borrower (the "*2018 Credit Agreement*");

C. Assignor now desires to assign its rights and obligations as Secured Party and Bank (as defined herein) under the IP Security Agreement to Assignee, and Assignee desires to accept such assignment; and

D. The parties hereto also desire to amend the IP Security Agreement on the terms and conditions provided herein.

NOW, THEREFORE, in consideration of the foregoing recitals which are incorporated herein and made a part hereof, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

AGREEMENT:

1. Assignment and Assumption.

(a) Assignor hereby assigns to Assignee, and Assignee hereby assumes from Assignor, all of Assignor's rights and obligations as Secured Party and Bank (as defined herein) under the IP Security Agreement. The assignment set forth in this Section 1(a) shall be without recourse to or representation or warranty (except as expressly provided in this Assignment, in the other documents executed in connection with this Assignment, or in the IP Security Agreement, as assigned and amended) by Assignor.

(b) Assignee shall become and be a party to the IP Security Agreement and succeed to all of the rights and be obligated to perform all of the obligations of Secured Party and Bank under the IP Security Agreement.

(c) In conjunction with the assignment hereunder, Assignor shall transfer and deliver to Assignee any and all Collateral, and/or evidence thereof, in Assignor's possession. Until such time as the Collateral in Assignor's possession is transferred to Assignee, Assignor shall hold such Collateral for the benefit of the Assignee.

2. Amendments. The IP Security Agreement is hereby amended as follows:

(a) Secured Party. The definition *"Secured Parties"* in the IP Security Agreement is hereby amended and restated to mean "BMO Harris Bank N.A., a national banking association."

(b) Administrative Agent. The definition of *"Administrative Agent"* in the IP Security Agreement is hereby deleted in its entirety and replaced with the term *"Bank"* (as defined herein). It is the intention of the parties hereto that, from and after the date hereof, all references in the IP Security Agreement to the Administrative Agent shall mean and be a reference to Bank.

(c) Credit Agreement. The definition of "*Credit Agreement*" in the IP Security Agreement is hereby amended and restated to mean "the Credit Agreement, dated as of June 29, 2018, by and between Bank and Grantor, as the same may hereafter be amended, restated, supplemented or otherwise modified."

(d) Security Agreement. The definition of *"Security Agreement"* in the IP Security Agreement is hereby amended and restated to mean "the Security Agreement, dated as of April 22, 2016, by and between Grantor and Bank, as assigned to and amended by that certain Assignment of and Amendment to IP Security Agreement, dated as of June 29, 2018, between Grantor, Bank and Bank of Montreal, as assignor."

3. No Termination. The parties hereto acknowledge and agree that notwithstanding any terms or conditions contained in the IP Security Agreement to the contrary, neither this Assignment, nor any other assignment, amendment or restatement of any other Loan Document (as defined in the 2016 Credit Agreement), shall trigger a termination of the IP Security Agreement.

4. No Novation. It is the intention of the parties hereto that this Assignment not constitute a novation of the obligations under the IP Security Agreement and that, from and after the date hereof, the IP Security Agreement shall be amended hereby and all references herein to "hereunder," "hereof," or words of like import and all references in any Loan Documents or any documents entered into in connection therewith to the "IP Security Agreement" or words of like import shall mean and be a reference to the IP Security Agreement as assigned and amended hereby as and as hereafter amended, supplemented, restated or renewed.

5. Ratification. As hereby assigned and amended, the IP Security Agreement and all representations and warranties provided therein are hereby ratified, approved and confirmed in all respects.

6. Conflict. In the event of a conflict between the terms and conditions of this Assignment and the terms and conditions of the IP Security Agreement, the terms and conditions of this Assignment shall control.

7. Counterparts. This Assignment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

8. Capitalized Terms. Capitalized terms used but not otherwise defined in this Assignment shall have the definitions given said terms in the IP Security Agreement.

[Signatures on following page]

IN WITNESS WHEREOF, the parties hereto have caused this Assignment to be duly executed as of the date first above written.

ASSIGNOR:

BANK OF MONTREAL

By:_____
Name:
Title:

ASSIGNEE:

BMO HARRIS BANK N.A.

By:_____
Mark Czarnecki, Senior Vice President

GRANTOR:

TWIN DISC, INCORPORATED

By: _____
Jeffrey S. Knutson, Vice President – Finance and Chief Financial Officer

Exhibit A
Copy of IP Security Agreement

See attached.

INTELLECTUAL PROPERTY SECURITY AGREEMENT

THIS INTELLECTUAL PROPERTY SECURITY AGREEMENT ("*IP Security Agreement*"), dated as of April 22, 2016, is made by TWIN DISC, INCORPORATED, a Wisconsin corporation (the "*Grantor*") in favor of BANK OF MONTREAL, a Canadian chartered bank acting through its Chicago branch (the "*Administrative Agent*"), as Administrative Agent for the secured parties under the Credit Agreement referred to below (the "*Secured Parties*").

WHEREAS, Grantor has entered into a Credit Agreement, dated as of even date herewith (the "*Credit Agreement*"), with the Administrative Agent, the Lenders (the "*Lenders*") from time to time parties thereto, and the guarantors (the "*Guarantors*") from time to time parties thereto.

WHEREAS, as a condition precedent to the making of loans by the Lenders under the Credit Agreement, Grantor has executed and delivered to the Administrative Agent that certain Security Agreement, dated as of even date herewith, made by and between the Grantor and the Administrative Agent (the "*Security Agreement*").

WHEREAS, under the terms of the Security Agreement, the Grantor has granted to the Administrative Agent, for the benefit of the Secured Parties, a security interest in, among other property, certain intellectual property of the Grantor, and have agreed to execute and deliver this IP Security Agreement, for recording with national, federal and state government authorities, including, but not limited to, the United States Patent and Trademark Office and the United States Copyright Office.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantor agrees with the Administrative Agent as follows:

1. Grant of Security. Grantor hereby pledges and grants to the Administrative Agent for the ratable benefit of the Secured Parties a security interest in and to all of the right, title and interest of Grantor in, to and under the following, wherever located, and whether now existing or hereafter arising or acquired from time to time (the "*IP Collateral*"):

(a) the patents and patent applications set forth in the Perfection Certificate dated contemporaneously herewith from Grantor (the "*Perfection Certificate*") and all reissues, divisions, continuations, continuations-in-part, renewals, extensions and reexaminations thereof and amendments thereto (the "*Patents*");

(b) the trademark registrations and applications set forth in the Perfection Certificate, together with the goodwill connected with the use of and symbolized thereby and all extensions and renewals thereof (the "*Trademarks*"), excluding only United States intent-to-use trademark applications to the extent that, and solely during the period in which, the grant, attachment or enforcement of a security interest therein would, under applicable federal law, impair the registrability of such applications or the validity or enforceability of registrations issuing from such applications;

(c) the copyright registrations, applications and copyright registrations and applications exclusively licensed to each Grantor set forth in the Perfection Certificate, and all extensions and renewals thereof (the "*Copyrights*");

(d) all rights of any kind whatsoever of such Grantor accruing under any of the foregoing provided by applicable law of any jurisdiction, by international treaties and conventions and otherwise throughout the world;

(e) any and all royalties, fees, income, payments and other proceeds now or hereafter due or payable with respect to any and all of the foregoing; and

(f) any and all claims and causes of action, with respect to any of the foregoing, whether occurring before, on or after the date hereof, including all rights to and claims for damages, restitution and injunctive and other legal and equitable relief for past, present and future infringement, dilution, misappropriation, violation, misuse, breach or default, with the right but no obligation to sue for such legal and equitable relief and to collect, or otherwise recover, any such damages.

2. Recordation. Grantor authorizes the Commissioner for Patents, the Commissioner for Trademarks and the Register of Copyrights and any other government officials to record and register this IP Security Agreement upon request by the Administrative Agent.

3. Loan Documents. This IP Security Agreement has been entered into pursuant to and in conjunction with the Security Agreement, which is hereby incorporated by reference. The provisions of the Security Agreement shall supersede and control over any conflicting or inconsistent provision herein. The rights and remedies of the Administrative Agent with respect to the IP Collateral are as provided by the Credit Agreement, the Security Agreement and related documents, and nothing in this IP Security Agreement shall be deemed to limit such rights and remedies.

4. Execution in Counterparts. This IP Security Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page to this IP Security Agreement by facsimile or in electronic (i.e., "pdf" or "tif" format) shall be effective as delivery of a manually executed counterpart of this IP Security Agreement.

5. Successors and Assigns. This IP Security Agreement will be binding on and shall inure to the benefit of the parties hereto and their respective successors and assigns.

6. Governing Law. This IP Security Agreement and any claim, controversy, dispute or cause of action (whether in contract or tort or otherwise) based upon, arising out of or relating to this IP Security Agreement and the transactions contemplated hereby and thereby shall be governed by, and construed in accordance with, the laws of the United States and the State of Wisconsin, without giving effect to any choice or conflict of law provision or rule.

7. Notices. All written notices and other communications required hereunder shall be sent to addresses as set forth in the Credit Agreement.

[Signatures on Following Page]

IN WITNESS WHEREOF, each Grantor has caused this IP Security Agreement to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

TWIN DISC, INCORPORATED

By_____
Name: Jeffrey S. Knutson
Title: Vice President – Finance and Chief Financial Officer

BANK OF MONTREAL,
as Administrative Agent

By_____
Name: Jason Hoefler
Title: Director

Exhibit A to Assignment of Amendment to IP Security Agreement

Exhibit 10.5

ASSIGNMENT OF AND AMENDMENT TO
PLEDGE AGREEMENT

THIS ASSIGNMENT OF AND AMENDMENT TO PLEDGE AGREEMENT (the "*Assignment*"), is made on June 29, 2018, by and among BANK OF MONTREAL ("*Assignor*"), BMO HARRIS BANK N.A. ("*Assignee*"), TWIN DISC, INCORPORATED, a Wisconsin corporation ("*Borrower*"), and MILL-LOG EQUIPMENT CO., INC., an Oregon corporation ("*Guarantor*" and together with Borrower, each, a "*Pledgor*", and collectively, the "*Pledgors*").

RECITALS:

A. Pursuant to the Credit Agreement, dated April 22, 2016, by and among Borrower, Assignor and the lenders party thereto (the "*2016 Credit Agreement*"), Pledgors and Assignor entered into that certain Pledge Agreement, dated as of April 22, 2016 (the "*Pledge Agreement*"), a copy of which is attached hereto as Exhibit A;

B. Contemporaneously herewith, Assignee will refinance the credit facilities extended by Assignor to Borrower under the 2016 Credit Agreement, and finance additional credit facilities, pursuant to that certain Credit Agreement, dated as of the date hereof, by and between Assignee and Borrower (the "*2018 Credit Agreement*"), and such credit and other financial accommodations to Borrower will benefit Guarantor;

C. Assignor now desires to assign its rights and obligations as Bank (as defined herein) under the Pledge Agreement to Assignee, and Assignee desires to accept such assignment; and

D. The parties hereto also desire to amend the Pledge Agreement on the terms and conditions provided herein.

NOW, THEREFORE, in consideration of the foregoing recitals which are incorporated herein and made a part hereof, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

AGREEMENT:

1. Assignment and Assumption.

(a) Assignor hereby assigns to Assignee, and Assignee hereby assumes from Assignor, all of Assignor's rights and obligations as Bank (as defined herein) under the Pledge Agreement. The assignment set forth in this Section 1(a) shall be without recourse to or representation or warranty (except as expressly provided in this Assignment, in the other documents executed in connection with this Assignment, or in the Pledge Agreement, as assigned and amended) by Assignor.

(b) Assignee shall become and be a party to the Pledge Agreement and succeed to all of the rights and be obligated to perform all of the obligations of Bank under the Pledge Agreement.

(c) In conjunction with the assignment hereunder, Assignor shall transfer and deliver to Assignee any and all Collateral, and/or evidence thereof, in Assignor's possession. Until such time as the Collateral in Assignor's possession is transferred to Assignee, Assignor shall hold such Collateral for the benefit of the Assignee.

2. Amendments. The Pledge Agreement is hereby amended as follows:

(a) Agent and Secured Parties. The defined terms "*Agent*" and "*Secured Parties*" in the Pledge Agreement are each hereby deleted in their entirety and replaced with the defined term "*Bank*". The definition of "*Bank*" shall mean "BMO Harris Bank N.A., a national banking association." It is the intention of the parties hereto that, from and after the date hereof, all references in the Pledge Agreement to the Agent and/or the Secured Parties shall mean and be a reference to Bank.

(b) Credit Agreement. The definition of "*Credit Agreement*" in the Pledge Agreement is hereby amended and restated to mean "the Credit Agreement, dated as of June 29, 2018, by and between Bank and Borrower, as the same may hereafter be amended, restated, supplemented or otherwise modified."

(c) Notice Address. The notice address for Bank contained in Section 10(c)(i) of the Pledge Agreement is hereby amended and restated as follows:

"If to the Bank at:

BMO Harris Bank N.A.
777 North Water Street
Milwaukee, Wisconsin 53202
Attention: Mark Czarnecki, SVP
Telephone: 414-765-7920
Email: mar. czarnecki@bmo.com"

(d) Schedule 1. Schedule 1 of the Pledge Agreement is hereby deleted in its entirety and replaced with Schedule 1 attached hereto.

3. No Termination. The parties hereto acknowledge and agree that notwithstanding any terms or conditions contained in the Pledge Agreement to the contrary, neither this Assignment, nor any other assignment, amendment or restatement of any other Loan Document (as defined in the 2016 Credit Agreement), shall trigger a termination of the Pledge Agreement.

4. No Novation. It is the intention of the parties hereto that this Assignment not constitute a novation of the obligations under the Pledge Agreement and that, from and after the date hereof, the Pledge Agreement shall be amended hereby and all references herein to "hereunder," "hereof," or words of like import and all references in any Loan Documents or any documents entered into in connection therewith to the "Pledge Agreement" or words of like import shall mean and be a reference to the Pledge Agreement as assigned and amended hereby as and as hereafter amended, supplemented, restated or renewed.

5. Ratification. As hereby assigned and amended, the Pledge Agreement and all representations and warranties provided therein are hereby ratified, approved and confirmed in all respects.

6. Conflict. In the event of a conflict between the terms and conditions of this Assignment and the terms and conditions of the Pledge Agreement, the terms and conditions of this Assignment shall control.

7. Counterparts. This Assignment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

8. Capitalized Terms. Capitalized terms used but not otherwise defined in this Assignment shall have the definitions given said terms in the Pledge Agreement.

[Signatures on following page]

IN WITNESS WHEREOF, the parties hereto have caused this Assignment to be duly executed as of the date first above written.

ASSIGNOR:

BANK OF MONTREAL

By: _____
Name:
Title:

ASSIGNEE:

BMO HARRIS BANK N.A.

By:_____
Mark Czarnecki, Senior Vice President

PLEDGORS:

TWIN DISC, INCORPORATED

By: _____
Jeffrey S. Knutson, Vice President –
Finance and Chief Financial Officer

MILL-LOG EQUIPMENT CO., INC.

By: _____
Dennis D. Hoff, President

Schedule 1
Pledged Collateral

Pledgor	Entity Owned by Grantor	Percentage Interest/Number of Shares/Interests Owned by Grantor
Twin Disc, Incorporated	Mill-Log Equipment Co., Inc. (an Oregon corporation)	100% owned by Twin Disc, Incorporated
Twin Disc, Incorporated	Twin Disc International, S.P.R.L. (a Belgian corporation)	157,573 Ordinary Shares owned by Twin Disc, Incorporated; 1 Ordinary Share owned by John Batten; and 10,835 Preferred Shares owned by Twin Disc, Incorporated
Twin Disc, Incorporated	Twin Disc (Pacific) Pty. Ltd. (an Australian corporation)	100% owned by Twin Disc, Incorporated
Twin Disc, Incorporated	Twin Disc (Far East) Ltd. (a Delaware corporation operating in Singapore)	100% owned by Twin Disc, Incorporated
Twin Disc, Incorporated	Twin Disc (Far East) Pte. Ltd. (a Singapore corporation)	1 Share owned by Twin Disc, Incorporated
Twin Disc, Incorporated	Twin Disc Nico Co., Ltd (a Japanese corporation)	66% owned by Twin Disc, Inc.; and 34% owned by Hitachi
Twin Disc, Incorporated	Twin Disc Japan (a Japanese corporation)	100% owned by Twin Disc, Incorporated
Twin Disc, Incorporated	Twin Disc NL Holdings B.V. (a Netherlands corporation)	100% owned by Twin Disc, Incorporated
Mill-Log Equipment Co., Inc.	Mill Log Wilson Equipment (a Canadian corporation)	100% owned by Mill-Log Equipment Co., Inc.

Exhibit A
Copy of Pledge Agreement

See attached.

Pledge Agreement

This Pledge Agreement (this *"Agreement"*) is dated as of April 22, 2016, among TWIN DISC, INCORPORATED, a Wisconsin corporation (the *"Borrower"*) and MILL-LOG EQUIPMENT CO., INC., an Oregon corporation ("*Mill-Log Equipment*" and together with the Borrower, each individually a *"Pledgor"*, and individually and collectively, jointly and severally, the *"Pledgors"*), each with its mailing address as set forth in Section 10(c) hereof, and BANK OF MONTREAL, as "Administrative Agent" for the secured lenders (the "*Secured Parties*") under the Credit Agreement referenced below dated on even date herewith (in such capacity, together with its successors and assigns in such capacity, if any, the *"Agent"*), with its mailing address as set forth in Section 10(c) hereof.

Preliminary Statements

A. The Borrower has requested that the Lenders (as hereinafter defined) from time to time extend credit or otherwise make financial accommodations available to or for the account of the Borrower, including, without limitation, pursuant to the terms of that certain Credit Agreement dated as of even date herewith, among the Borrower, the financial institutions from time to time party thereto as lenders (the *"Lenders"*), the Agent, as the same may from time to time be amended, restated, supplemented, or otherwise modified (the *"Credit Agreement"*; capitalized terms used herein and not otherwise defined shall have the meanings given such terms in the Credit Agreement). Mill-Log Equipment is a Guarantor under the Credit Agreement.

B. As a condition to extending credit or otherwise making financial accommodations available to or for the account of the Borrower, the Agent and the other Secured Parties each require, among other things, that each Pledgor pledge and assign to the Agent, for the ratable benefit of the Lenders and the Letter of Credit Issuer, and grant to the Agent, for the ratable benefit of the Secured Parties, a security interest in all of the Pledged Collateral (as defined below), whether now owned or hereafter acquired, to secure prompt payment and full performance of the Secured Obligations (as defined below).

Now, therefore, in consideration of the benefits accruing to each Pledgor, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Pledge of Collateral. As collateral security for the payment, performance and observance of all of the Secured Obligations, each Pledgor hereby pledges and assigns to Agent (and its agents and designees), for the benefit of the Secured Parties, and grants to Agent (and its agents and designees), for the benefit of the Secured Parties, a continuing security interest in, all of the following property of such Pledgor, wherever located and whether now or hereafter existing and whether now owned or hereafter acquired (all being collectively referred to herein as the *"Pledged Collateral"*):

(a) those certain shares of capital stock or other equity interests owned beneficially and, if applicable, of record by each Pledgor listed on Schedule I attached hereto and made a part hereof (provided that the Pledged Collateral shall not include more than 65% of any voting capital stock or other voting equity interests of foreign issuers owned beneficially and, if applicable, of record by any Pledgor), and all cash, dividends, other securities, instruments, rights, and other property at any time and from time to time received or receivable in respect thereof or in exchange for all or any part thereof, including without limitation, dividends, distributions, warrants, profits, rights to subscribe, rights to return of its contribution, conversion rights, liquidating dividends, and other rights (subject to Section 7 below);

(b) all other property hereafter delivered to the Agent (or any agent or bailee holding on behalf of the Agent) by each Pledgor in substitution for or in addition to any of the foregoing, and all certificates and instruments representing or evidencing such other property and all cash, dividends, other securities, instruments, rights, and other property at any time and from time to time received or receivable in respect thereof or in exchange for all or any part thereof, including without limitation, dividends, distributions, warrants, profits, rights to subscribe, conversion rights, liquidating dividends, and other rights; and

(c) all Proceeds of all of the foregoing.

All terms which are used in this Agreement which are defined in the Uniform Commercial Code of the State of Wisconsin as in effect from time to time ("UCC") shall have the same meanings herein as such terms are defined in the UCC, unless this Agreement shall otherwise specifically provide.

Section 2. Secured Obligations Hereby Secured. The security interest created hereby in the Pledged Collateral constitutes continuing collateral security for all of the following obligations, whether now existing or hereafter incurred (the "*Secured Obligations*"):

(a) the prompt payment by each Loan Party, as and when due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), of all amounts from time to time owing by it in respect of (i) the Obligations, and (ii) in the case of a Loan Party that is a Guarantor, all amounts from time to time owing by such Loan Party in respect of its guaranty made pursuant to Section 10 of the Credit Agreement or under any other Guaranty to which it is a party; and

(b) the due performance and observance by each Loan Party of all of its other obligations from time to time existing in respect of the Loan Documents and all documents evidencing the Obligations.

Section 3. Pledged Collateral.

(a) On or before June 21, 2016, all certificates or instruments representing or evidencing the Pledged Collateral must be delivered to and held by or on behalf of the Agent pursuant to this Agreement and must be in suitable form for transfer by delivery, or accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to the Agent. The Agent has the right, at any time after an Event of Default (as defined herein) has occurred and is continuing and which has not been waived in writing by the Agent, in its reasonable discretion and without notice to any Pledgor, to transfer to or to register any or all of the Pledged Collateral in the name of the Agent or any of its nominees. In addition, the Agent has the right at any time to exchange certificates or instruments representing or evidencing any or all of the Pledged Collateral for certificates or instruments of smaller or larger denominations.

(b) Except as provided in Section 7 below, in the event that any Pledgor receives any cash, dividends, other securities, instruments, rights, or other property at any time and from time to time received or receivable in respect of any of the Pledged Collateral, or in exchange for all or any part thereof, including without limitation, dividends, distributions, warrants, profits, rights to subscribe, conversion rights, liquidating dividends, and other rights, such Pledgor acknowledges that the same will be received IN TRUST for the Agent and will immediately deliver the same to the Agent in original form of receipt, together with any stock or bond powers, assignments, endorsements, or other documents or instruments as the Agent may request to establish, protect, or perfect the Agent's interest in respect of such Pledged Collateral.

Section 4. *Representations and Warranties.* Each Pledgor represents and warrants that:

(a) Such Pledgor is the sole legal, beneficial, and, if applicable, record owner of its Pledged Collateral (or, in the case of after-acquired Pledged Collateral, will be the sole such owner thereof), having good and marketable title thereto, free of all liens, security interests, encumbrances, or claims of any kind other than those in favor of the Agent under this Agreement.

(b) All capital stock or other equity interests constituting such Pledgor's Pledged Collateral: (i) have been duly authorized, are validly issued, fully-paid and non-assessable and free of preemptive rights; (ii) are not subject to any restrictions upon the voting rights or upon the transfer thereof; (iii) constitute (A) all capital stock or other equity interests of the domestic issuers, if any, of such Pledged Collateral owned beneficially and of record by such Pledgor and (B) no more than 65% of the voting capital stock or other voting equity interests of the foreign issuers of such Pledged Collateral; and (iv) include the percentages of the issued and outstanding capital stock or other equity interests as set forth on Schedule I attached hereto.

(c) Without limiting any of the foregoing representations and warranties, each Pledgor represents and warrants that each of the representations and warranties set forth in the Credit Agreement and in the Security Agreement are true, correct, and complete as written.

(d) No Loan Document contains any untrue statement of a material fact regarding any Pledgor or its properties, nor fails to disclose any material fact regarding any Pledgor or its properties necessary to make the statements contained therein not materially misleading. There is no fact or circumstance that any Pledgor has failed to disclose to the Agent in writing that could reasonably be expected to have a Material Adverse Effect.

Section 5. *Covenants.* Until all of the Secured Obligations, both for principal and interest, have been fully paid and satisfied and all agreements of the Agent to extend credit to or for the account of the Borrower have expired or otherwise have been terminated, each Pledgor shall:

(a) preserve and protect its Pledged Collateral;

(b) not create, incur, assume, or permit to exist any liens, encumbrances, security interests, levies, assessments, or charges on or in any of its Pledged Collateral, except liens permitted by the Loan Documents;

(c) except as otherwise agreed to by the Agent, not sell, encumber or otherwise dispose of or transfer any of its Pledged Collateral, or any right or interest therein, and cause any issuer not to sell, encumber, or otherwise dispose of or transfer any of its voting capital stock or other voting equity interests of foreign issuers owned beneficially and, if applicable, of record by any issuer, or any right or interest therein, and will: (i) cause the issuer(s) of its Pledged Collateral not to issue any other voting stock in addition to or in substitution for such Pledged Collateral, except to such Pledgor, or in connection with outstanding stock options or with the prior written consent of the Agent; and (ii) pledge hereunder, immediately upon such Pledgor's acquisition (directly or indirectly) thereof, any and all additional shares of stock or other securities of the issuers of its Pledged Collateral;

(d) appear in and defend, at such Pledgor's own expense, any action or proceeding that may affect such Pledgor's title to or the Agent's interest in such Pledgor's Pledged Collateral;

(e) promptly pay and discharge all taxes, assessments, and governmental charges or levies imposed on such Pledgor or any of its Pledged Collateral before the same become delinquent;

(f) procure or execute and deliver, from time to time, in form and substance satisfactory to the Agent, any stock powers, bond powers, endorsements, assignments, financing statements, estoppel certificates, or other writings deemed necessary or appropriate by the Agent to perfect, maintain, or protect the Agent's security interest in such Pledgor's Pledged Collateral and the priority thereof, and take such other action and deliver such other documents, instruments, and agreements pertaining to such Pledgor's Pledged Collateral as the Agent may reasonably request to effectuate the intent of this Agreement;

(g) if the Agent gives value to enable such Pledgor to acquire rights in or use of any of its Pledged Collateral, use such value only for such purpose; and

(h) keep separate, accurate, and complete records of its Pledged Collateral and provide the Agent with access thereto with the right to make extracts therefrom and provide the Agent with such other information pertaining to such Pledgor's Pledged Collateral as the Agent may reasonably request from time to time.

The Agent may, in its discretion at any time and from time to time, at the Pledgors' expense, pay any amount or do any act required of any Pledgor hereunder or otherwise lawfully requested by the Agent to (i) enforce any Loan Document or collect any Secured Obligations; (ii) protect, insure, maintain, or realize upon any Pledged Collateral; or (iii) defend or maintain the validity or priority of the Agent's Liens in any Pledged Collateral, including any payment of a judgment or any discharge of a Lien. All payments, costs, and expenses (including extraordinary expenses) of the Agent under this Section shall be jointly and severally payable by the Pledgors immediately without notice or demand, shall constitute additional Secured Obligations secured hereby, and shall bear interest from the date incurred to the date of payment thereof at the rate specified in the Credit Agreement. Any payment made or action taken by the Agent under this Section shall be without prejudice to any right to assert an Event of Default or to exercise any other rights or remedies under the Loan Documents. No payment made or action taken by the Agent under this Section shall in any way obligate the Agent to take any further or future action with respect thereto. The Agent, in making any payment hereby authorized, may do so according to any bill, statement or estimate procured from the appropriate public office or holder of the claim to be discharged without inquiry into the accuracy of such bill, statement or estimate or into the validity of any tax assessment, sale, forfeiture, tax lien or title or claim and may request reimbursement thereof from any Pledgor for the amount of such sums and amounts so expended.

Section 6. Authorized Action by the Agent

(a) Subject to Section 7, each Pledgor hereby irrevocably appoints the Agent as its attorney-in-fact to do (but the Agent shall not be obligated to and shall not incur any liability to any Pledgor or any third party for failure to do) any act that such Pledgor is obligated by this Agreement to do, and exercise such rights and powers as such Pledgor might exercise with respect to such Pledgor's Pledged Collateral, including without limitation, the right to:

(i) collect by legal proceedings or otherwise and endorse, receive, and receipt for all payments, proceeds and other sums and property now or hereafter payable on or in respect of proceeds, and other sums and property now or hereafter payable on or in respect of such Pledged Collateral, including dividends, profits, and interest payments;

(ii) enter into any extension, reorganization, deposit, merger, or consolidation agreement or other agreement pertaining to any of such Pledged Collateral, and in connection therewith, to: (A) deposit or surrender control of such Pledged Collateral thereunder; (B) accept other property in exchange therefor; and (C) do and perform such acts and things as the Agent may deem proper; and any money or property secured in exchange therefor will be applied to the Secured Obligations or held by the Agent pursuant to the provisions of this Agreement;

(iii) protect and preserve such Pledged Collateral;

(iv) transfer such Pledged Collateral to its own or its nominee's name; and

(v) make any compromise, settlement, or adjustment, and take any action the Agent deems advisable, with respect to such Pledged Collateral.

(b) Each Pledgor agrees to reimburse the Agent upon demand for any costs and reasonable expenses, including reasonable attorneys' fees, that the Agent may incur while acting as such Pledgor's attorney-in-fact under this Agreement, all of which costs and expenses are included in the Secured Obligations and are payable upon demand. It is further agreed and understood between the parties hereto that such care as the Agent gives to the safekeeping of its own property of like kind constitutes reasonable care of each Pledgor's Pledged Collateral when in the Agent's possession; *provided, however*, that the Agent will not be required to make any presentment, demand, or protest, or give any notice and need not take any action to preserve any rights against any prior party or any other person in connection with the Secured Obligations or with respect to any Pledged Collateral.

(c) All the foregoing powers authorized in this Section 6, being coupled with an interest, are irrevocable so long as any of the Secured Obligations are outstanding.

Section 7. Transfer, Voting, Dividends, Etc.

(a) Notwithstanding any other provision of this Agreement, so long as no Event of Default has occurred and is continuing and which has not been waived in writing by the Agent:

(i) each Pledgor is entitled to exercise all voting powers pertaining to all shares of stock and other securities constituting its Pledged Collateral for all purposes not inconsistent with the terms of this Agreement;

(ii) each Pledgor is entitled to receive and retain all dividends (other than shares of stock or liquidating dividends) and all interest payments payable in respect of its Pledged Collateral; *provided*, that such dividends or interest payments are permitted by the terms of the Credit Agreement and the other Loan Documents; and *provided*, *further*, *however*, that all shares of stock or property representing shares of stock or liquidating dividends or a distribution or return of capital upon or in respect of the shares of stock constituting its Pledged Collateral or resulting from a split-up, revision, or reclassification of its Pledged Collateral or received in exchange therefor, as a result of a merger, consolidation, or otherwise, must be paid or transferred directly to the Agent immediately upon receipt thereof by such Pledgor and be retained by the Agent as Pledged Collateral hereunder; and

(iii) in order to permit each Pledgor to exercise such voting powers and to receive such dividends, the Agent will, if necessary and upon the written request of such Pledgor, from time to time, execute and deliver to such Pledgor appropriate proxies.

(b) If any Event of Default has occurred, is continuing, is beyond all applicable cure periods and which has not been waived in writing by the Agent:

(i) the Agent or its nominee or nominees may, if the Agent so elects by written notice to the Borrower and, without duplication, the applicable Pledgor, have the sole and exclusive right to exercise all voting powers pertaining to the shares of stock constituting such Pledgor's Pledged Collateral, and may exercise such powers in such manner as the Agent may elect, and such Pledgor hereby grants the Agent an irrevocable proxy, coupled with an interest, to vote such shares of stock; *provided*, *however*, that such proxy will terminate upon termination of the Agent's security interest in such Pledgor's Pledged Collateral; and

(ii) all dividends and other distributions and profits made upon or in respect of the Pledged Collateral and all interest payments must be paid directly to and be retained by the Agent as Pledged Collateral hereunder (or applied to the Secured Obligations, consistent with the terms of the Credit Agreement and the Security Agreement).

Section 8. Default and Remedies

(a) The occurrence and continuance of any "Event of Default" (as defined in the Credit Agreement) beyond all applicable cure periods and which has not been waived in writing by the Agent shall constitute an "Event of Default" hereunder.

(b) Upon the occurrence and the continuation of any Event of Default beyond all applicable cure periods and which has not been waived in writing by the Agent, the Agent shall have, in addition to all other rights provided herein or in any other Loan Document or by law, the rights and remedies of a Agent under the UCC (regardless of whether the UCC is the law of the jurisdiction where the rights or remedies are asserted and regardless of whether the UCC applies to the affected Pledged Collateral), and further the Agent may:

(i) settle, compromise, or release, on terms acceptable to the Agent, in whole or in part, any amounts owing on the Pledged Collateral, and to extend the time of payment, in the Agent's name or in the name of any Pledgor, in respect thereof;

(ii) apply to the payment of the Secured Obligations, or collect the Pledged Collateral, notwithstanding any forfeiture of interest or loss of other rights of any Pledgor against any obligor on its Pledged Collateral resulting from such action; and

(iii) sell or otherwise dispose of all or any part of the Pledged Collateral in accordance with applicable law, either at public or private sale, on any broker's board or securities exchange, in lots or in bulk, for cash, on credit, or otherwise, with or without representations or warranties, and upon such terms as are acceptable to the Agent.

(c) The net cash proceeds resulting from the collection, liquidation, sale or other disposition of the Pledged collateral will be applied as set forth in Section 9.03(b) of the Credit Agreement.

(d) If by reason of any prohibition contained in applicable federal securities laws, Wisconsin securities laws or other state securities laws, as now or hereafter in effect, or in any rules or regulations pertaining to any of the foregoing laws, the Agent believes in its sole judgment that it is compelled to resort to one or more private sales of shares of stock constituting Pledged Collateral to a single purchaser or a restricted group of purchasers who will be obliged to agree, among other things, to acquire such securities for their own account, for investment and not with a view to the distribution or resale thereof, each Pledgor acknowledges and agrees that private sales of such Pledged Collateral may be held notwithstanding that such sales may be at prices and on other terms less favorable to the applicable Pledgor than if such Pledged Collateral were sold at public sale. Each Pledgor further agrees that the Agent has no obligation to delay the sale of any such Pledged Collateral for the period of time necessary to permit registration of such Pledged Collateral, even if the issuer thereof would, or should, agree to register such Pledged Collateral for public sale under applicable securities laws. Each Pledgor specifically agrees that private sales made under the foregoing circumstances shall be deemed to have been made in a "commercially reasonable" manner.

(e) Under this Section 8, the Agent is not under any duty or obligation whatsoever to collect any dividends, interest, profits, or other payments due or accruing in respect of the Pledged Collateral or to take any action to preserve rights in connection with any Pledged Collateral, including without limitation, making or giving any presentment, demands for performance, notices of non-performance, protests, notices of protest, or notices of dishonor in connection with any Pledged Collateral.

(f) The Agent may deliver any Pledgor's Pledged Collateral to such Pledgor at any time and the receipt thereof by such Pledgor will be a complete and full acquittance in respect of such Pledged Collateral so delivered, and the Agent will thereafter be discharged from any liability or responsibility therefor.

(g) Remedies Cumulative; No Waiver.

(i) All covenants, conditions, provisions, warranties, guaranties, indemnities, and other undertakings of each Pledgor contained in the Loan Documents are cumulative and not in derogation or substitution of each other. In particular, the rights and remedies of the Agent are cumulative, may be exercised at any time and from time to time, concurrently or in any order, and shall not be exclusive of any other rights or remedies that the Agent may have, whether under any agreement, by law, at equity, or otherwise.

(ii) The failure or delay of the Agent to require strict performance by any Pledgor with any terms of the Loan Documents, or to exercise any rights or remedies with respect to Pledged Collateral or otherwise, shall not operate as a waiver thereof nor as establishment of a course of dealing. All rights and remedies shall continue in full force and effect until all of the Secured Obligations, both for principal and interest, have been fully paid and satisfied and all agreements of the Agent to extend credit to or for the account of the Borrower have expired or otherwise have been terminated. No modification of any terms of any Loan Documents (including any waiver thereof) shall be effective, unless such modification is specifically provided in a writing directed to each Pledgor and executed by the Agent, and such modification shall be applicable only to the matter specified. No waiver of any Default or Event of Default shall constitute a waiver of any other Default or Event of Default that may exist at such time, unless expressly stated. If the Agent accepts performance by any Pledgor under any Loan Document in a manner other than that specified therein, or during any Default or Event of Default, or if the Agent shall delay or exercise any right or remedy under any Loan Document, such acceptance, delay, or exercise shall not operate to waive any Default or Event of Default nor to preclude exercise of any other right or remedy.

Section 9. Application of Proceeds. The proceeds and avails of the Pledged Collateral at any time received by the Agent after the occurrence and during the continuation of any Event of Default beyond all applicable cure periods and which has not been waived in writing by the Agent shall, when received by the Agent in cash or its equivalent, be applied by the Agent as follows:

(i) first, to the payment and satisfaction of all sums paid and costs and expenses incurred by the Agent hereunder or otherwise in connection herewith, including such monies paid or incurred in connection with protecting, preserving or realizing upon the Pledged Collateral or enforcing any of the terms hereof, including reasonable attorneys' fees and court costs, together with any interest thereon (but without preference or priority of principal over interest or of interest over principal), to the extent the Agent is not reimbursed therefor by any Obligor; and

(ii) second, to the payment and satisfaction of the remaining Secured Obligations, whether or not then due (in whatever order the Agent elects), both for interest and principal.

Any surplus remaining after the full payment and satisfaction of the foregoing shall be returned to the Borrower or to whomsoever the Agent reasonably determines is lawfully entitled thereto.

Section 10. Miscellaneous.

(a) This Pledge Agreement shall be a continuing agreement in every respect and shall remain in full force and effect until all of the Secured Obligations, both for principal and interest, have been fully paid and satisfied and all agreements of the Secured Parties to extend credit to or for the account of the Borrower have expired or otherwise have been terminated. Upon such termination of this Security Agreement, the Agent shall, upon the request and at the expense of the Borrower, forthwith release its security interest hereunder.

(b) No amendment of this Agreement shall be effective unless in writing signed by the Agent and the Pledgors. All of the rights, privileges, remedies and options given to the Agent hereunder shall inure to the benefit of its successors and assigns, and all the terms, conditions, covenants, agreements, representations and warranties of and in this Agreement shall bind each Pledgor and its legal representatives, successors and assigns, provided that no Pledgor may assign its rights or delegate its duties hereunder without the Agent's prior written consent.

(c) Except as otherwise specified herein, all notices hereunder shall be in writing (including, without limitation, notice by facsimile) and shall be given to the relevant party at its address or facsimile number set forth below, or such other address or facsimile number as such party may hereafter specify by notice to the other given by courier, by United States certified or registered mail, by facsimile or by other telecommunication device capable of creating a written record of such notice and its receipt.

(i)	If to the Agent:	Bank of Montreal 111 West Monroe Chicago, IL 60603 Attention: Asset Based Lending Facsimile No.: (312) 765-1641
	with a copy to:	Michael Best & Friedrich LLP 100 East Wisconsin Avenue, Suite 3300 Milwaukee, Wisconsin 53202 Attention: Alexander P. Fraser, Esq. Facsimile No.: (414) 271-0656 apfraser@michaelbest.com
(ii)	If to a Pledgor:	Twin Disc, Incorporated 1328 Racine Street Racine, Wisconsin 53403 Attention: Chief Financial Officer Facsimile No.: (262) 638-4481

with a copy to: von Briesen & Roper, s.c.
411 East Wisconsin Avenue, Suite 1000
Milwaukee, Wisconsin 53202
Attention: Brion Winters, Esq.
Facsimile No.: (414) 238-6445
bwinters@vonbriesen.com

(d) In the event and to the extent that any provision hereof shall be deemed to be invalid or unenforceable by reason of the operation of any law or by reason of the interpretation placed thereon by any court, this Agreement shall to such extent be construed as not containing such provision, but only as to such locations where such law or interpretation is operative, and the invalidity or unenforceability of such provision shall not affect the validity of any remaining provisions hereof, and any and all other provisions hereof which are otherwise lawful and valid shall remain in full force and effect.

(e) This Agreement shall be deemed to have been made in the State of Wisconsin and shall be governed by, and construed in accordance with, the laws of the State of Wisconsin. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning of any provision hereof.

(f) This Agreement may be executed in any number of counterparts and by different parties hereto on separate counterpart signature pages, each constituting an original, but all together one and the same instrument. Each Pledgor acknowledges that this Agreement is and shall be effective upon its execution and delivery to the Agent, and it shall not be necessary for the Agent to execute this Agreement or any other acceptance hereof or otherwise to signify or express its acceptance hereof. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or in electronic (e.g., “pdf” or “tif”) format shall be effective as delivery of a manually executed counterpart of this Agreement.

(g) Each Pledgor hereby submits to the non-exclusive jurisdiction of the United States District Court for the Eastern District of Wisconsin and of any Wisconsin state court sitting in the City of Milwaukee for purposes of all legal proceedings arising out of or relating to this Agreement or the transactions contemplated hereby. Each Pledgor irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient form. Each Pledgor and the Agent each hereby irrevocably waives any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

[*Signature Page Follows*]

In Witness Whereof, each Pledgor has caused this Pledge Agreement to be duly executed and delivered as of the day and year first above written.

TWIN DISC, INCORPORATED

By:
Name: Jeffrey S. Knutson
Title: Vice President – Finance and Chief Financial Officer

MILL-LOG EQUIPMENT CO., INC.

By:
Name: Dennis Hoff
Title: President

Accepted and agreed to as of the day and year first above written.

BANK OF MONTREAL,
as Administrative Agent

By:
Name: Jason Hoefler
Title: Director

SCHEDULE I

Pledgor	Entity Owned by Grantor	Percentage Interest/Number of Shares/Interests Owned by Grantor
Twin Disc, Incorporated	Mill-Log Equipment Co., Inc. (an Oregon corporation)	100% owned by Twin Disc, Incorporated
Twin Disc, Incorporated	Twin Disc International, S.P.R.L. (a Belgian corporation)	157,573 Ordinary Shares owned by Twin Disc, Incorporated; 1 Ordinary Share owned by John Batten; and 10,835 Preferred Shares owned by Twin Disc, Incorporated
Twin Disc, Incorporated	Twin Disc (Pacific) Pty. Ltd. (an Australian corporation)	100% owned by Twin Disc, Incorporated
Twin Disc, Incorporated	Twin Disc (Far East) Ltd. (a Delaware corporation operating in Singapore)	100% owned by Twin Disc, Incorporated
Twin Disc, Incorporated	Twin Disc (Far East) Pte. Ltd. (a Singapore corporation)	1 Share owned by Twin Disc, Incorporated
Twin Disc, Incorporated	Twin Disc Nico Co., Ltd (a Japanese corporation)	66% owned by Twin Disc, Inc.; and 34% owned by Hitachi
Twin Disc, Incorporated	Twin Disc Japan (a Japanese corporation)	100% owned by Twin Disc, Incorporated
Twin Disc, Incorporated	Twin Disc Netherlands Holdings B.V. (a Netherlands corporation)	100% owned by Twin Disc, Incorporated
Mill-Log Equipment Co., Inc.	Mill Log Wilson Equipment (a Canadian corporation)	100% owned by Mill-Log Equipment Co., Inc.

Exhibit 10.6

ASSIGNMENT OF AND AMENDMENT TO
GUARANTY AGREEMENT

THIS ASSIGNMENT OF AND AMENDMENT TO GUARANTY AGREEMENT (the "*Assignment*"), is made on June 29, 2018, by and among BANK OF MONTREAL ("*Assignor*"), BMO HARRIS BANK N.A. ("*Assignee*"), and MILL-LOG EQUIPMENT CO., INC., an Oregon corporation ("*Guarantor*").

RECITALS:

A. Pursuant to the Credit Agreement, dated April 22, 2016, by and among Twin Disc, Incorporated, a Wisconsin corporation ("*Borrower*"), Assignor and the lenders party thereto (the "*2016 Credit Agreement*"), Guarantor delivered that certain Guaranty Agreement, dated as of April 22, 2016 (the "*Guaranty*"), in favor of Assignor, a copy of which is attached hereto as Exhibit A;

B. Contemporaneously herewith, Assignee will refinance the credit facilities extended by Assignor to Borrower under the 2016 Credit Agreement, and finance additional credit facilities, pursuant to that certain Credit Agreement, dated as of the date hereof, by and between Assignee and Borrower (the "*2018 Credit Agreement*"), and such credit and other financial accommodations to Borrower will benefit Guarantor;

C. Assignor now desires to assign its rights and obligations as Bank under the Guaranty to Assignee, and Assignee desires to accept such assignment; and

D. The parties hereto also desire to amend the Guaranty on the terms and conditions provided herein.

NOW, THEREFORE, in consideration of the foregoing recitals which are incorporated herein and made a part hereof, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

AGREEMENT:

1. Assignment and Assumption.

(a) Assignor hereby assigns to Assignee, and Assignee hereby assumes from Assignor, all of Assignor's rights and obligations as Bank under the Guaranty. The assignment set forth in this Section 1(a) shall be without recourse to or representation or warranty (except as expressly provided in this Assignment, in the other documents executed in connection with this Assignment, or in the Guaranty, as assigned and amended) by Assignor.

(b) Assignee shall become and be a party to the Guaranty and succeed to all of the rights and be obligated to perform all of the obligations of Bank under the Guaranty.

(c) In conjunction with the assignment hereunder, Assignor shall transfer and deliver to Assignee any and all Collateral, and/or evidence thereof, in Assignor's possession. Until such time as the Collateral in Assignor's possession is transferred to Assignee, Assignor shall hold such Collateral for the benefit of the Assignee.

2. Amendments. The Guaranty is hereby amended as follows:

(a) Bank. The definition of "*Bank*" in the Guaranty is hereby amended and restated to mean "BMO Harris Bank N.A., a national banking association."

3. No Termination. The parties hereto acknowledge and agree that notwithstanding any terms or conditions contained in the Guaranty to the contrary, neither this Assignment, nor any other assignment, amendment or restatement of any other Loan Document (as defined in the 2016 Credit Agreement), shall trigger a termination of the Guaranty.

4. No Novation. It is the intention of the parties hereto that this Assignment not constitute a novation of the obligations under the Guaranty and that, from and after the date hereof, the Guaranty shall be amended hereby and all references herein to "hereunder," "hereof," or words of like import and all references in any Loan Documents or any documents entered into in connection therewith to the "Guaranty" or words of like import shall mean and be a reference to the Guaranty as assigned and amended hereby as and as hereafter amended, supplemented, restated or renewed.

5. Ratification. As hereby assigned and amended, the Guaranty and all representations and warranties provided therein are hereby ratified, approved and confirmed in all respects.

6. Conflict. In the event of a conflict between the terms and conditions of this Assignment and the terms and conditions of the Guaranty, the terms and conditions of this Assignment shall control.

7. Counterparts. This Assignment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

8. Capitalized Terms. Capitalized terms used but not otherwise defined in this Assignment shall have the definitions given said terms in the Guaranty.

[Signatures on following page]

IN WITNESS WHEREOF, the parties hereto have caused this Assignment to be duly executed as of the date first above written.

ASSIGNOR:

BANK OF MONTREAL

By: _____
Name:
Title:

ASSIGNEE:

BMO HARRIS BANK N.A.

By:_____
Mark Czarnecki, Senior Vice President

DEBTOR:

MILL-LOG EQUIPMENT CO., INC.

By: _____
Dennis D. Hoff, President

Exhibit A
Copy of Guaranty Agreement

See attached.

GUARANTY AGREEMENT

FOR VALUE RECEIVED and in consideration of advances made or to be made, or credit given or to be given, or other financial accommodation afforded or to be afforded to TWIN DISC, INCORPORATED, a Wisconsin corporation (hereinafter designated as "Debtor"), by BANK OF MONTREAL, a Canadian chartered bank acting through its Chicago branch (hereinafter called the "Bank"), from time to time, the undersigned hereby guarantees the full and prompt payment to the Bank or any affiliate of the Bank at maturity and at all times thereafter of any and all indebtedness, obligations and liabilities of every kind and nature of the Debtor to the Bank or such affiliate, howsoever evidenced, whether now existing or hereafter created or arising, whether direct or indirect, absolute or contingent, joint or several, or joint and several and howsoever owned, held or acquired, whether through discount, overdraft, purchase, direct loan or as collateral, or otherwise (hereinafter all such indebtedness, obligations and liabilities being collectively referred to as the "Indebtedness"); and the undersigned further agrees to pay all expenses, legal and/or otherwise (including court costs and attorneys' fees), paid or incurred by the Bank or any affiliate of the Bank in endeavoring to collect the Indebtedness, or any part thereof, and in enforcing this guaranty in any litigation, bankruptcy or insolvency proceeding or otherwise.

Notwithstanding the foregoing, the term "Indebtedness" shall not include, and the undersigned does not hereby guaranty the payment of, Excluded Swap Obligations. For purposes of this guaranty:

"Commodity Exchange Act" means the Commodity Exchange Act (7 U.S.C. § 1 et seq.).

"Excluded Swap Obligation" means any Swap Obligation of the Borrower if, and to the extent that, all or a portion of the guarantee of the undersigned of such Swap Obligation is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of the undersigned's failure for any reason to constitute an "eligible contract participant" as defined in the Commodity Exchange Act at the time this guaranty becomes effective with respect to such Swap Obligation. If a Swap Obligation arises under a master agreement governing more than one swap, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to swaps for which such guarantee is or becomes illegal.

"Swap Obligation" means any obligation of the Borrower to pay or perform under any agreement, contract or transaction that constitutes a "swap" within the meaning of Section 1a(47) of the Commodity Exchange Act.

This guaranty is a continuing, absolute and unconditional guaranty, and shall remain in full force and effect until written notice of its discontinuance shall be actually received by the Bank, and also until any and all of the Indebtedness created, existing or committed to before receipt of such notice shall be fully paid. The liability of the undersigned hereunder shall in no way be affected or impaired by (and the Bank is hereby expressly authorized to make from time to time, without notice to anyone) any sale, pledge, surrender, compromise, settlement, release, renewal, extension, indulgence, alteration, substitution, exchange, change in, modification or other disposition of any of the Indebtedness, either express or implied, or of any contract or contracts evidencing any thereof, or of any security or collateral therefor. The liability of the undersigned hereunder shall also in no way be affected or impaired by any acceptance by the Bank of any security for or other guarantors upon any of the Indebtedness, or by any failure, neglect or omission on the part of the Bank to realize upon or protect any of the Indebtedness, or any collateral or security or other guaranty therefor, or to exercise any lien upon or right of appropriation of any moneys, credits or property of the Debtor possessed by the Bank toward the liquidation of the Indebtedness, or by any application of payments or credits thereon. The Bank shall have the exclusive right to determine how, when and what application of payments and credits, if any, shall be made on the Indebtedness, or any part thereof. In order to hold the undersigned liable hereunder, there shall be no obligation on the part of the Bank, at any time, to resort for payment to the Debtor or to any other guaranty, or to any other person or corporation, their properties or estate, or resort to any collateral, security, property, liens or other rights or remedies whatsoever and the Bank shall have the right to enforce this guaranty irrespective of whether or not other proceedings or steps are pending seeking resort to or realization upon or from any of the foregoing.

All diligence in collection or protection, and all presentment, demand, protest and/or notice, as to any and everyone, whether or not the Debtor or the undersigned or others, of dishonor and of default and of non-payment and of the creation and existence of any and all of the Indebtedness, and of any security and collateral therefor, and of the acceptance of this guaranty, and of any and all extensions of credit and indulgence, are expressly waived.

The undersigned hereby irrevocably waives any claim or other rights which it may now or hereafter acquire against the Debtor that arise from the existence, payment, performance or enforcement of the undersigned's obligations under this guaranty, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution, indemnification, or any right to participate in any claim or remedy of the Bank against the Debtor whether or not such claim, remedy or right arises in equity, or under contract, statute or common law, including, without limitation, the right to take or receive from the Debtor directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such claim or other rights.

In the case of the dissolution, liquidation, or insolvency (howsoever evidenced) of, or the institution of bankruptcy or receivership proceedings against the Debtor or the undersigned, all of the Indebtedness then existing shall, at the option of the Bank, immediately become due and accrued and payable from the undersigned. All dividends or other payments received from the Debtor, or on account of the Debtor from whatsoever source, shall be taken and applied as payment in gross, and this guaranty shall apply to and secure any ultimate balance that shall remain owing to the Bank.

The Bank may, without any notice whatsoever to anyone, sell, assign, or transfer all of the Indebtedness, or any part thereof, or grant participations therein, and in that event each and every immediate and successive assignee, transferee, or holder of or participant in all or any part of the Indebtedness, shall have the right to enforce this guaranty, by suit or otherwise, for the benefit of such assignee, transferee, holder or participant, as fully as if such assignee, transferee, holder or participant were herein by name specifically given such rights, powers and benefits; but the Bank shall have an unimpaired right to enforce this guaranty for the benefit of the Bank or any such participant, as to such of the Indebtedness that it has not sold, assigned or transferred.

If any payment applied by the Bank to the Indebtedness is thereafter set aside, recovered, rescinded or required to be returned for any reason (including, without limitation, the bankruptcy, insolvency or reorganization of the Debtor or any other obligor), the Indebtedness to which such payment was applied shall for the purposes of this guaranty be deemed to have continued in existence, notwithstanding such application, and this guaranty shall be enforceable as to such of the Indebtedness as fully as if such application had never been made.

This guaranty shall be governed by and construed according to the laws of the State of Wisconsin, in which State it shall be performed by the undersigned. All payments to be made by the undersigned hereunder shall be made in the same currency and funds in which the Indebtedness of the Debtor is payable at the principal office of Bank of Montreal at 111 W. Monroe Street, Chicago, IL 60603-4095 (or at such other place for the account of the Bank as it may from time to time specify to the undersigned) in immediately available and freely transferable funds at the place of payment, all such payments to be paid without setoff, counterclaim or reduction and without deduction for, and free from, any and all present or future taxes, levies, imposts, duties, fees, charges, deductions, withholding or liabilities with respect thereto or any restrictions or conditions of any nature. If the undersigned is required by law to make any deduction or withholding on account of any tax or other withholding or deduction from any sum payable by the undersigned hereunder, the undersigned shall pay any such tax or other withholding or deduction and shall pay such additional amount necessary to ensure that, after making any payment, deduction or withholding, the Bank shall receive and retain (free of any liability in respect of any payment, deduction or withholding) a net sum equal to what it would have received and so retained hereunder had no such deduction, withholding or payment been required to have been made.

The payment by the undersigned of any amount or amounts due the Bank hereunder shall be made in the same currency (the “relevant currency”) and funds in which the underlying Indebtedness of the Debtor are payable. To the fullest extent permitted by law, the obligation of the undersigned in respect of any amount due in the relevant currency under this guaranty shall, notwithstanding any payment in any other currency (whether pursuant to a judgment or otherwise), be discharged only to the extent of the amount in the relevant currency that the Bank may, in accordance with normal banking procedures, purchase with the sum paid in such other currency (after any premium and costs of exchange) on the business day immediately following the day on which the Bank receives such payment. If the amount in the relevant currency that may be so purchased for any reason falls short of the amount originally due, the undersigned shall pay such additional amounts, in the relevant currency, as may be necessary to compensate for the shortfall. Any obligations of the undersigned not discharged by such payment shall, to the fullest extent permitted by applicable law, be due as a separate and independent obligation and, until discharged as provided herein, shall continue in full force and effect.

The undersigned waives any and all defenses, claims and discharges of the Borrower, or any other obligor, pertaining to the Indebtedness, except the defense of discharge by payment in full. Without limiting the generality of the foregoing, the undersigned will not assert, plead or enforce against the Bank any defense of waiver, release, discharge in bankruptcy, statute of limitations, res judicata, statute of frauds, anti-deficiency statute, fraud, incapacity, minority, usury, illegality or unenforceability which may be available to the Debtor or any other person liable in respect of any of the Indebtedness, or any setoff available against the Bank to the Debtor or any such other person, whether or not on account of a related transaction. The undersigned agrees that the undersigned shall be and remain liable for any deficiency remaining after foreclosure of any mortgage or security interest securing the Indebtedness, whether or not the liability of the Debtor or any other obligor for such deficiency is discharged pursuant to statute or judicial decision.

The undersigned hereby irrevocably submits to the non-exclusive jurisdiction of any State of Wisconsin court or the United States District Court for the Eastern District of Wisconsin for the adjudication of any matter arising out of or relating to this guaranty. Nothing contained herein shall affect the right of the Bank to bring any proceeding hereunder in any jurisdiction where the undersigned may be amenable to suit. The undersigned hereby waives any objection to any action or proceeding in any Wisconsin court or the United States District Court for the Eastern District of Wisconsin on the grounds of venue or any claim that any State of Wisconsin court or the United States District Court for the Eastern District of Wisconsin is an inconvenient forum.

Notwithstanding anything in this Guaranty to the contrary, the right of recovery against the undersigned under this Guaranty shall not exceed $1.00 less than the lowest amount which would render the undersigned's obligations under this Guaranty void or voidable under applicable law, including fraudulent conveyance law.

Any invalidity or unenforceability of any provision or application of this guaranty shall not affect other lawful provisions and applications hereof, and to this end the provisions of this guaranty are declared to be severable. This guaranty may not be waived, amended, released or otherwise changed except by a writing signed by the Bank.

All notices or other communications given hereunder by the Bank to the undersigned shall be addressed to the undersigned at 1328 Racine Street, Racine, Wisconsin 53403, Attention: Chief Financial Officer of Twin Disc, Incorporated or to such other address as the undersigned shall designate by notice in writing to the Bank. Any such notice or other communication shall be effective only upon receipt thereof by the undersigned.

This guaranty and every part thereof shall be binding upon the undersigned, and upon the heirs, legal representatives, successors and assigns of the undersigned, and shall inure to the benefit of the Bank, its successors, legal representatives and assigns. The undersigned waives notice of the Bank's acceptance hereof.

[The remainder of this page is intentionally left blank with a signature page to follow.]

Signed and delivered by the undersigned, this 22nd day of April, 2016.

MILL-LOG EQUIPMENT CO., INC.

By:_____
Name: Dennis Hoff
Title: President

Exhibit A to Assignment of and Amendment to Guaranty Agreement

Exhibit 10.7

ASSIGNMENT OF AND AMENDMENT TO
GUARANTOR SECURITY AGREEMENT

THIS ASSIGNMENT OF AND AMENDMENT TO GUARANTOR SECURITY AGREEMENT (the "*Assignment*"), is made on June 29, 2018, by and among BANK OF MONTREAL ("*Assignor*"), BMO HARRIS BANK N.A. ("*Assignee*"), and MILL-LOG EQUIPMENT CO., INC., an Oregon corporation ("*Debtor*").

RECITALS:

A. Pursuant to the Credit Agreement, dated April 22, 2016, by and among Twin Disc, Incorporated, a Wisconsin corporation ("*Borrower*"), Assignor and the lenders party thereto (the "*2016 Credit Agreement*"), Debtor and Assignor entered into that certain Guarantor Security Agreement, dated as of April 22, 2016 (the "*Security Agreement*"), a copy of which is attached hereto as Exhibit A;

B. Contemporaneously herewith, Assignee will refinance the credit facilities extended by Assignor to Borrower under the 2016 Credit Agreement, and finance additional credit facilities, pursuant to that certain Credit Agreement, dated as of the date hereof, by and between Assignee and Borrower (the "*2018 Credit Agreement*"), and such credit and other financial accommodations to Borrower will benefit Debtor;

C. Assignor now desires to assign its rights and obligations as Secured Party under the Security Agreement to Assignee, and Assignee desires to accept such assignment; and

D. The parties hereto also desire to amend the Security Agreement on the terms and conditions provided herein.

NOW, THEREFORE, in consideration of the foregoing recitals which are incorporated herein and made a part hereof, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

AGREEMENT:

1. Assignment and Assumption.

(a) Assignor hereby assigns to Assignee, and Assignee hereby assumes from Assignor, all of Assignor's rights and obligations as Secured Party under the Agreement. The assignment set forth in this Section 1(a) shall be without recourse to or representation or warranty (except as expressly provided in this Assignment, in the other documents executed in connection with this Assignment, or in the Agreement, as assigned and amended) by Assignor.

(b) Assignee shall become and be a party to the Security Agreement and succeed to all of the rights and be obligated to perform all of the obligations of Secured Party under the Security Agreement.

(c) In conjunction with the assignment hereunder, Assignor shall transfer and deliver to Assignee any and all Collateral, and/or evidence thereof, in Assignor's possession. Until such time as the Collateral in Assignor's possession is transferred to Assignee, Assignor shall hold such Collateral for the benefit of the Assignee.

2. Amendments. The Security Agreement is hereby amended as follows:

(a) Secured Party. The definition of "*Secured Party*" in the Security Agreement is hereby amended and restated to mean "BMO Harris Bank N.A., a national banking association."

(b) Credit Agreement. The definition of "*Credit Agreement*" in the Security Agreement is hereby amended and restated to mean "the Credit Agreement, dated as of June 29, 2018, by and between the Secured Party and Borrower, as the same may hereafter be amended, restated, supplemented or otherwise modified."

(c) Notice Address. The notice address for the Secured Party contained in Section 12(b) of the Security Agreement is hereby amended and restated as follows:

"to the Secured Party at:

BMO Harris Bank N.A.
777 North Water Street
Milwaukee, Wisconsin 53202
Attention: Mark Czarnecki, SVP
Telephone: 414-765-7920
Email: mark.czarnecki@bmo.com"

3. No Termination. The parties hereto acknowledge and agree that notwithstanding any terms or conditions contained in the Security Agreement to the contrary, neither this Assignment, nor any other assignment, amendment or restatement of any other Loan Document (as defined in the 2016 Credit Agreement), shall trigger a termination of the Security Agreement.

4. No Novation. It is the intention of the parties hereto that this Assignment not constitute a novation of the obligations under the Security Agreement and that, from and after the date hereof, the Security Agreement shall be amended hereby and all references herein to "hereunder," "hereof," or words of like import and all references in any Loan Documents or any documents entered into in connection therewith to the "Security Agreement" or words of like import shall mean and be a reference to the Security Agreement as assigned and amended hereby as and as hereafter amended, supplemented, restated or renewed.

5. Ratification. As hereby assigned and amended, the Security Agreement and all representations and warranties provided therein are hereby ratified, approved and confirmed in all respects.

6. Conflict. In the event of a conflict between the terms and conditions of this Assignment and the terms and conditions of the Security Agreement, the terms and conditions of this Assignment shall control.

7. Counterparts. This Assignment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

8. Capitalized Terms. Capitalized terms used but not otherwise defined in this Assignment shall have the definitions given said terms in the Security Agreement.

[Signatures on following page]

IN WITNESS WHEREOF, the parties hereto have caused this Assignment to be duly executed as of the date first above written.

ASSIGNOR:

BANK OF MONTREAL

By:_____
Name: Jason Hoefler
Title: Managing Director

ASSIGNEE:

BMO HARRIS BANK N.A.

By:_____
Mark Czarnecki, Senior Vice President

DEBTOR:

MILL-LOG EQUIPMENT CO., INC.

By: _____
Dennis D. Hoff, President

Exhibit A
Copy of Guarantor Security Agreement

See attached.

GUARANTOR SECURITY AGREEMENT

This Guarantor Security Agreement (the *"Agreement"*) is dated as of April 22, 2016, between MILL-LOG EQUIPMENT CO., INC., an Oregon corporation (the *"Debtor"*), and BANK OF MONTREAL, a Canadian chartered bank acting through its Chicago branch (the *"Administrative Agent"*), as "Administrative Agent" for the secured lenders under a "Credit Agreement," dated on even date herewith (the *"Secured Party"*).

PRELIMINARY STATEMENT

A. The Debtor has requested that the Secured Party extend credit or otherwise make financial accommodations available to or for the account of TWIN DISC, INCORPORATED, a Wisconsin corporation (the *"Borrower"*).

B. As a condition to extending credit or otherwise making financial accommodations available to or for the account of the Borrower, the Secured Party requires, among other things, that the Debtor grant the Secured Party a security interest in the Debtor's personal property described herein subject to the terms and conditions hereof.

C. The Debtor has provided Secured Party a "Perfection Certificate" dated on even date herewith (the "*Perfection Certificate*") that is incorporated into this Agreement by reference.

D. Such credit and other financial accommodations to the Borrower shall benefit the Debtor.

NOW, THEREFORE, IN CONSIDERATION OF THE BENEFITS ACCRUING TO THE DEBTOR, AND OTHER GOOD AND VALUABLE CONSIDERATION, THE RECEIPT AND SUFFICIENCY OF WHICH ARE HEREBY ACKNOWLEDGED, THE PARTIES HERETO AGREE AS FOLLOWS:

Section 1. Grant of Security Interest. The Debtor hereby grants to the Secured Party a lien on and security interest in, and acknowledges and agrees that the Secured Party has and shall continue to have a continuing lien on and security interest in, all of Debtor's right, title, and interest, whether now owned or existing or hereafter created, acquired, or arising, in and to all of the following:

(a) Accounts (including Health-Care-Insurance Receivables, if any);

(b) Chattel Paper;

(c) Instruments (including Promissory Notes);

(d) Documents;

(e) General Intangibles (including Payment Intangibles and Software, patents, trademarks, tradestyles, copyrights, and all other intellectual property rights, including all applications, registration, and licenses therefor, and all goodwill of the business connected therewith or represented thereby);

(f) Letter-of-Credit Rights;

(g) Supporting Obligations;

(h) Deposit Accounts;

(i) Investment Property (including certificated and uncertificated Securities, Securities Accounts, Security Entitlements, Commodity Accounts, and Commodity Contracts);

(j) Inventory;

(k) Equipment (including all software, whether or not the same constitutes embedded software, used in the operation thereof);

(l) Fixtures;

(m) Commercial Tort Claims (as described in the Perfection Certificate or on one or more supplements to this Agreement)

(n) Rights to merchandise and other Goods (including rights to returned or repossessed Goods and rights of stoppage in transit) which is represented by, arises from, or relates to any of the foregoing;

(o) Monies, personal property, and interests in personal property of the Debtor of any kind or description now held by the Secured Party or at any time hereafter transferred or delivered to, or coming into the possession, custody, or control of, the Secured Party, or any agent or affiliate of the Secured Party, whether expressly as collateral security or for any other purpose (whether for safekeeping, custody, collection or otherwise), and all dividends and distributions on or other rights in connection with any such property;

(p) Supporting evidence and documents relating to any of the above-described property, including, without limitation, computer programs, disks, tapes and related electronic data processing media, and all rights of the Debtor to retrieve the same from third parties, written applications, credit information, account cards, payment records, correspondence, delivery and installation certificates, invoice copies, delivery receipts, notes, and other evidences of indebtedness, insurance certificates and the like, together with all books of account, ledgers, and cabinets in which the same are reflected or maintained;

(q) Accessions and additions to, and substitutions and replacements of, any and all of the foregoing; and

(r) Proceeds and products of the foregoing, and all insurance of the foregoing and proceeds thereof;

all of the foregoing being herein sometimes referred to as the *"Collateral"*. All terms which are used in this Agreement which are defined in the Uniform Commercial Code of the State of Wisconsin as in effect from time to time (*"UCC"*) shall have the same meanings herein as such terms are defined in the UCC, unless this Agreement shall otherwise specifically provide. For purposes of this Agreement, the term *"Receivables"* means all rights to the payment of a monetary obligation, whether or not earned by performance, and whether evidenced by an Account, Chattel Paper, Instrument, General Intangible, or otherwise.

Section 2. Obligations Hereby Secured. The lien and security interest herein granted and provided for is made and given to secure, and shall secure, the payment and performance of (a) any and all indebtedness, obligations, and liabilities of whatsoever kind and nature of the Borrower to the Secured Party (whether arising before or after the filing of a petition in bankruptcy and including, without limitation, interest which but for the filing of a petition in bankruptcy would accrue on such obligations), whether direct or indirect, absolute or contingent, due or to become due, and whether now existing or hereafter arising and howsoever held, evidenced, or acquired, and whether several, joint or joint and several (collectively, the *"Borrower Debt"*), (b) any and all indebtedness, obligations, and liabilities of the Debtor to the Secured Party or any affiliate of the Secured Party (whether arising before or after the filing of a petition in bankruptcy and including, without limitation, interest which but for the filing of a petition in bankruptcy would accrue on such obligations) under or related to each guaranty by the Debtor of all or any part of the Borrower Debt, whether such indebtedness, obligations, and liabilities of the Debtor are due or to become due, and whether now existing or hereafter arising and whether several, joint or joint and several, and (c) any and all expenses and charges, legal or otherwise, suffered or incurred by the Secured Party in collecting or enforcing any of such indebtedness, obligations or liabilities or in realizing on or protecting or preserving any security therefor, including, without limitation, the lien and security interest granted hereby (all of the foregoing being hereinafter referred to collectively as the *"Obligations"*).

Notwithstanding the foregoing, the term "Obligations" shall not include, and the lien and security interest herein granted and provided for by Debtor does not secure, Excluded Swap Obligations. For purposes of this Agreement:

"*Commodity Exchange Act*" means the Commodity Exchange Act (7 U.S.C. § 1 et seq.).

"*Excluded Swap Obligation*" means any Swap Obligation of the Borrower if, and to the extent that, all or a portion of the guarantee of the undersigned of such Swap Obligation is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of the undersigned's failure for any reason to constitute an "eligible contract participant" as defined in the Commodity Exchange Act at the time this guaranty becomes effective with respect to such Swap Obligation. If a Swap Obligation arises under a master agreement governing more than one swap, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to swaps for which such guarantee is or becomes illegal.

"*Swap Obligation*" means any obligation of the Borrower to pay or perform under any agreement, contract or transaction that constitutes a "swap" within the meaning of Section 1a(47) of the Commodity Exchange Act.

Section 3. Covenants, Agreements, Representations and Warranties. The Debtor hereby covenants and agrees with, and represents and warrants to, the Secured Party that:

(a) The Debtor is a corporation duly organized and validly existing in good standing under the laws of the jurisdiction of its organization. The Debtor shall not change its jurisdiction of organization without the Secured Party's prior written consent. The Debtor is the sole and lawful owner of the Collateral, and has full right, power and authority to enter into this Security Agreement and to perform each and all of the matters and things herein provided for. The execution and delivery of this Security Agreement, and the observance and performance of each of the matters and things herein set forth, will not (i) contravene or constitute a default under any provision of law or any judgment, injunction, order or decree binding upon the Debtor or any provision of the Debtor's organizational documents (*e.g.*, charter, articles or certificate of incorporation and by-laws, articles or certificate of formation and limited liability company operating agreement, partnership agreement, or similar organizational documents) or any covenant, indenture or agreement of or affecting the Debtor or any of its property or (ii) result in the creation or imposition of any lien or encumbrance on any property of the Debtor except for the lien and security interest granted to the Secured Party hereunder. The Debtor's organizational registration number (if any) is 057105-12.

(b) The Debtor's chief executive office and principal place of business is at, and the Debtor keeps and shall keep all of its books and records relating to Receivables only at 90895 Roberts Road, P.O. Box 8099, Coburg, Oregon 97408; and the Debtor has no other executive offices or places of business other than those listed in the Perfection Certificate. The Collateral is and shall remain in the Debtor's possession or control at the locations listed in the Perfection Certificate (collectively, the "*Permitted Collateral Locations*"), except for (i) Collateral which in the ordinary course of the Debtor's business is in transit between Permitted Collateral Locations and (ii) Collateral aggregating less than $50,000.00 in fair market value outstanding at any one time. If for any reason any Collateral is at any time kept or located at a location other than a Permitted Collateral Location, the Secured Party shall nevertheless have and retain a lien on and security interest therein. The Debtor owns and shall at all times own all Permitted Collateral Locations, except to the extent otherwise disclosed in the Perfection Certificate. The Debtor shall not move its chief executive office or maintain a place of business at a location other than those specified in the Perfection Certificate or permit the Collateral to be located at a location other than those specified in the Perfection Certificate, in each case without first providing the Secured Party 30 days' prior written notice of the Debtor's intent to do so; *provided* that the Debtor shall at all times maintain its chief executive office and, unless otherwise specifically agreed to in writing by the Secured Party, Permitted Collateral Locations in the United States of America and, with respect to any new chief executive office or place of business or location of Collateral, the Debtor shall have taken all action requested by the Secured Party to maintain the lien and security interest of the Secured Party in the Collateral at all times fully perfected and in full force and effect.

(c) The Debtor's legal name and jurisdiction of organization is correctly set forth in the first paragraph of this Agreement. The Debtor has not transacted business at any time during the immediately preceding five-year period, and does not currently transact business, under any other legal names or trade names other than the prior legal names and trade names (if any) set forth in the Perfection Certificate. The Debtor shall not change its legal name or transact business under any other trade name without first giving 30 days' prior written notice of its intent to do so to the Secured Party.

(d) The Collateral and every part thereof is and shall be free and clear of all security interests, liens (including, without limitation, mechanics', laborers' and statutory liens), attachments, levies, and encumbrances of every kind, nature and description, whether voluntary or involuntary, except for the lien and security interest of the Secured Party therein and as otherwise provided in the Perfection Certificate. The Debtor shall warrant and defend the Collateral against any claims and demands of all persons at any time claiming the same or any interest in the Collateral adverse to the Secured Party.

(e) The Debtor shall promptly pay when due all taxes, assessments and governmental charges and levies upon or against the Debtor or any of the Collateral, in each case before the same become delinquent and before penalties accrue thereon, unless and to the extent that the same are being contested in good faith by appropriate proceedings which prevent foreclosure or other realization upon any of the Collateral and preclude interference with the operation of the Debtor's business in the ordinary course, and the Debtor shall have established adequate reserves therefor.

(f) The Debtor shall not use, manufacture, sell, or distribute any Collateral in violation of any statute, ordinance, or other governmental requirement. The Debtor shall not waste or destroy the Collateral or any part thereof or be negligent in the care or use of any Collateral. The Debtor shall perform its obligations under any contract or other agreement constituting part of the Collateral, it being understood and agreed that the Secured Party has no responsibility to perform such obligations.

(g) Subject to Sections 4(b), 6(b), 6(c), and 7(c) hereof, the Debtor shall not, without the Secured Party's prior written consent, sell, assign, mortgage, lease or otherwise dispose of the Collateral or any interest therein.

(h) The Debtor shall at all times insure the Collateral consisting of tangible personal property against such risks and hazards as other persons similarly situated insure against, and including in any event loss or damage by fire, theft, burglary, pilferage, loss in transit and such other hazards as the Secured Party may specify. All insurance required hereby shall be maintained in amounts and under policies and with insurers acceptable to the Secured Party, and all such policies shall contain loss payable clauses naming the Secured Party as loss payee as its interest may appear (and, if the Secured Party requests, naming the Secured Party as an additional insured therein) in a form acceptable to the Secured Party. All premiums on such insurance shall be paid by the Debtor. Certificates of insurance evidencing compliance with the foregoing and, at the Secured Party's request, the policies of such insurance shall be delivered by the Debtor to the Secured Party. All insurance required hereby shall provide that any loss shall be payable to the Secured Party notwithstanding any act or negligence of the Debtor, shall provide that no cancellation thereof shall be effective until at least 30 days after receipt by the Debtor and the Secured Party of written notice thereof, and shall be satisfactory to the Secured Party in all other respects. In case of any material loss, damage to, or destruction of the Collateral or any part thereof, the Debtor shall promptly give written notice thereof to the Secured Party generally describing the nature and extent of such damage or destruction. In case of any loss, damage to or destruction of the Collateral or any part thereof, the Debtor, whether or not the insurance proceeds, if any, received on account of such damage or destruction shall be sufficient for that purpose, at the Debtor's cost and expense, shall promptly repair or replace the Collateral so lost, damaged, or destroyed. In the event the Debtor shall receive any proceeds of such insurance, the Debtor shall immediately pay over such proceeds to the Secured Party. The Debtor hereby authorizes the Secured Party, at the Secured Party's option, to adjust, compromise and settle any losses under any insurance afforded at any time during the existence of any Event of Default or any other event or condition which with the lapse of time or the giving of notice, or both, would constitute an Event of Default, and the Debtor does hereby irrevocably constitute the Secured Party, and each of its nominees, officers, agents, attorneys, and any other person whom the Secured Party may designate, as the Debtor's attorneys-in-fact, with full power and authority to effect such adjustment, compromise and/or settlement and to endorse any drafts drawn by an insurer of the Collateral or any part thereof and to do everything necessary to carry out such purposes and to receive and receipt for any unearned premiums due under policies of such insurance. Unless the Secured Party elects to adjust, compromise or settle losses as aforesaid, any adjustment, compromise and/or settlement of any losses under any insurance shall be made by the Debtor subject to final approval of the Secured Party (regardless of whether or not an Event of Default shall have occurred) in the case of losses exceeding $250,000.00. Net insurance proceeds received by the Secured Party under the provisions hereof or under any policy of insurance covering the Collateral or any part thereof shall be applied to the reduction of the Obligations (whether or not then due); *provided, however,* that the Secured Party may in its sole discretion release any or all such insurance proceeds to the Debtor. All insurance proceeds shall be subject to the lien and security interest of the Secured Party hereunder.

UNLESS THE DEBTOR PROVIDES THE SECURED PARTY WITH EVIDENCE OF THE INSURANCE COVERAGE REQUIRED BY THIS SECURITY AGREEMENT, THE SECURED PARTY MAY PURCHASE INSURANCE AT THE DEBTOR'S EXPENSE TO PROTECT THE SECURED PARTY'S INTERESTS IN THE COLLATERAL. THIS INSURANCE MAY, BUT NEED NOT, PROTECT THE DEBTOR'S INTERESTS IN THE COLLATERAL. THE COVERAGE PURCHASED BY THE SECURED PARTY MAY NOT PAY ANY CLAIMS THAT THE DEBTOR MAKES OR ANY CLAIM THAT IS MADE AGAINST THE DEBTOR IN CONNECTION WITH THE COLLATERAL. THE DEBTOR MAY LATER CANCEL ANY SUCH INSURANCE PURCHASED BY THE SECURED PARTY, BUT ONLY AFTER PROVIDING THE SECURED PARTY WITH EVIDENCE THAT THE DEBTOR HAS OBTAINED INSURANCE AS REQUIRED BY THIS SECURITY AGREEMENT. IF THE SECURED PARTY PURCHASES INSURANCE FOR THE COLLATERAL, THE DEBTOR WILL BE RESPONSIBLE FOR THE COSTS OF THAT INSURANCE, INCLUDING INTEREST AND ANY OTHER CHARGES THAT THE SECURED PARTY MAY IMPOSE IN CONNECTION WITH THE PLACEMENT OF THE INSURANCE, UNTIL THE EFFECTIVE DATE OF THE CANCELLATION OR EXPIRATION OF THE INSURANCE. THE COSTS OF THE INSURANCE MAY BE ADDED TO THE OBLIGATIONS SECURED HEREBY. THE COSTS OF THE INSURANCE MAY BE MORE THAN THE COST OF INSURANCE THE DEBTOR MAY BE ABLE TO OBTAIN ON ITS OWN.

(i) The Debtor shall at all times allow the Secured Party and its representatives free access to and right of inspection of the Collateral; *provided* that, unless the Secured Party believes in good faith an Event of Default, or any other event or condition which with the lapse of time or the giving of notice, or both, would constitute an Event of Default, exists, any such access or inspection shall only be required during the Debtor's normal business hours and upon at least 48 hours' advance written notice to the Debtor.

(j) If any Collateral is in the possession or control of any of the Debtor's agents or processors and the Secured Party so requests, the Debtor agrees to notify such agents or processors in writing of the Secured Party's security interest therein and instruct them to hold all such Collateral for the Secured Party's account and subject to the Secured Party's instructions. The Debtor shall, upon the request of the Secured Party, authorize and instruct all bailees and other parties, if any, at any time processing, labeling, packaging, holding, storing, shipping or transferring all or any part of the Collateral to permit the Secured Party and its representatives to examine and inspect any of the Collateral then in such party's possession and to verify from such party's own books and records any information concerning the Collateral or any part thereof which the Secured Party or its representatives may seek to verify. As to any premises not owned by the Debtor wherein any of the Collateral is located, the Debtor shall, at the Secured Party's request, cause each party having any right, title or interest in, or lien on, any of such premises to enter into an agreement (any such agreement to contain a legal description of such premises) whereby such party disclaims any right, title and interest in, and lien on, the Collateral and allows the removal of such Collateral by the Secured Party and is otherwise in form and substance acceptable to the Secured Party; *provided, however,* that no such agreement need be obtained with respect to any one location wherein the value of the Collateral as to which such agreement has not been obtained aggregates less than $50,000.00 at any one time.

(k) The Debtor agrees from time to time to deliver to the Secured Party such evidence of the existence, identity and location of the Collateral and of its availability as collateral security pursuant hereto (including, without limitation, schedules describing all Receivables created or acquired by the Debtor, copies of customer invoices or the equivalent and original shipping or delivery receipts for all merchandise and other goods sold or leased or services rendered, together with the Debtor's warranty of the genuineness thereof, and reports stating the book value of Inventory and Equipment by major category and location), in each case as the Secured Party may request. The Secured Party shall have the right to verify all or any part of the Collateral in any manner, and through any medium, which the Secured Party considers appropriate (including, without limitation, the verification of Collateral by use of a fictitious name), and the Debtor agrees to furnish all assistance and information, and perform any acts, which the Secured Party may require in connection therewith. The Debtor shall promptly notify the Secured Party of any Collateral which the Debtor has determined to have been rendered obsolete, stating the prior book value of such Collateral, its type and location.

(l) The Debtor shall comply with the terms and conditions of all leases, easements, right-of-way agreements and other similar agreements binding upon the Debtor or affecting the Collateral or any part thereof, and all orders, ordinances, laws and statutes of any city, state or other governmental entity, department, or agency having jurisdiction with respect to the premises wherein such Collateral is located or the conduct of business thereon.

(m) The Perfection Certificate contains a true, complete, and current listing of all patents, trademarks, tradestyles, copyrights, and other intellectual property rights (including all registrations and applications therefor) owned by the Debtor as of the date hereof that are registered with any governmental authority. The Debtor shall promptly notify the Secured Party in writing of any additional intellectual property rights acquired or arising after the date hereof, and shall submit to the Secured Party a supplement to the Perfection Certificate to reflect such additional rights (provided the Debtor's failure to do so shall not impair the Secured Party's security interest therein). The Debtor owns or possesses rights to use all franchises, licenses, patents, trademarks, trade names, tradestyles, copyrights, and rights with respect to the foregoing which are required to conduct its business. No event has occurred which permits, or after notice or lapse of time or both would permit, the revocation or termination of any such rights, and the Debtor is not liable to any person for infringement under applicable law with respect to any such rights as a result of its business operations.

(n) The Perfection Certificate contains a true, complete and current listing of all Commercial Tort Claims held by the Debtor as of the date hereof, each described by reference to the specific incident given rise to the claim. The Debtor agrees to execute and deliver to the Secured Party a supplement to this Agreement in the form attached hereto as Schedule A, or in such other form acceptable to the Secured Party, promptly upon becoming aware of any other Commercial Tort Claim held or maintained by the Debtor arising after the date hereof (provided the Debtor's failure to do so shall not impair the Secured Party's security interest therein).

(o) The Debtor agrees to execute and deliver to the Secured Party such further agreements, assignments, instruments, and documents and to do all such other things as the Secured Party may deem necessary or appropriate to assure the Secured Party its lien and security interest hereunder, including, without limitation, (i) such financing statements, and amendments thereof or supplements thereto, and such other instruments and documents as the Secured Party may from time to time require in order to comply with the UCC and any other applicable law, (ii) such agreements with respect to patents, trademarks, copyrights, and similar intellectual property rights as the Secured Party may from time to time require to comply with the filing requirements of the United States Patent and Trademark Office and the United States Copyright Office, and (iii) such control agreements with respect to Deposit Accounts, Investment Property, Letter-of-Credit Rights, and electronic Chattel Paper, and to cause the relevant depository institutions, financial intermediaries, and issuers to execute and deliver such control agreements, as the Secured Party may from time to time require. The Debtor hereby agrees that a photographic or other reproduction of this Security Agreement or any such financing statement is sufficient for filing as a financing statement by the Secured Party without notice thereof to the Debtor wherever the Secured Party in its sole discretion desires to file the same. The Debtor hereby authorizes the Secured Party to file any and all financing statements covering the Collateral or any part thereof as the Secured Party may require, including financing statements describing the Collateral as "all assets" or "all personal property" or words of like meaning. The Secured Party may order lien searches from time to time against the Debtor and the Collateral, and the Debtor shall promptly reimburse the Secured Party for all costs and expenses incurred in connection with such lien searches. In the event for any reason the law of any jurisdiction other than Wisconsin becomes or is applicable to the Collateral or any part thereof, or to any of the Obligations, the Debtor agrees to execute and deliver all such instruments and documents and to do all such other things as the Secured Party in its sole discretion deems necessary or appropriate to preserve, protect, and enforce the lien and security interest of the Secured Party under the law of such other jurisdiction. The Debtor agrees to mark its books and records to reflect the lien and security interest of the Secured Party in the Collateral.

(p) On failure of the Debtor to perform any of the covenants and agreements herein contained, the Secured Party may, at its option, perform the same and in so doing may expend such sums as the Secured Party may deem advisable in the performance thereof, including, without limitation, the payment of any insurance premiums, the payment of any taxes, liens and encumbrances, expenditures made in defending against any adverse claims, and all other expenditures which the Secured Party may be compelled to make by operation of law or which the Secured Party may make by agreement or otherwise for the protection of the security hereof. All such sums and amounts so expended shall be repayable by the Debtor immediately without notice or demand, shall constitute additional Obligations secured hereunder and shall bear interest from the date said amounts are expended at the rate per annum (computed on the basis of a 360-day year for the actual number of days elapsed) determined by adding 5.00% to the rate per annum from time to time announced or otherwise established by the Secured Party as its prime commercial rate with any change in such rate per annum as so determined by reason of a change in such prime commercial rate to be effective on the date of such change in said prime commercial rate (such rate per annum as so determined being hereinafter referred to as the *"Default Rate"*). No such performance of any covenant or agreement by the Secured Party on behalf of the Debtor, and no such advancement or expenditure therefor, shall relieve the Debtor of any default under the terms of this Security Agreement or in any way obligate the Secured Party to take any further or future action with respect thereto. The Secured Party, in making any payment hereby authorized, may do so according to any bill, statement or estimate procured from the appropriate public office or holder of the claim to be discharged without inquiry into the accuracy of such bill, statement or estimate or into the validity of any tax assessment, sale, forfeiture, tax lien or title or claim. The Secured Party, in performing any act hereunder, shall be the sole judge of whether the Debtor is required to perform same under the terms of this Security Agreement. The Secured Party is hereby authorized to charge any account of the Debtor maintained with the Secured Party for the amount of such sums and amounts so expended.

Section 4. Special Provisions Re: Receivables.

(a) As of the time any Receivable becomes subject to the security interest provided for hereby, and at all times thereafter, the Debtor shall be deemed to have warranted as to each and all of such Receivables that all warranties of the Debtor set forth in this Security Agreement are true and correct with respect to each such Receivable; that each Receivable and all papers and documents relating thereto are genuine and in all respects what they purport to be; that each Receivable is valid and subsisting; that no such Receivable is evidenced by any Instrument or Chattel Paper unless such Instrument or Chattel Paper has theretofore been endorsed by the Debtor and delivered to the Secured Party; that no surety bond was required or given in connection with such Receivable or the contracts or purchase orders out of which the same arose; that the amount of the Receivable represented as owing is the correct amount actually and unconditionally owing, except for normal cash discounts on normal trade terms in the ordinary course of business; and that the amount of such Receivable represented as owing is not disputed and is not subject to any set-offs, credits, deductions or countercharges other than those arising in the ordinary course of the Debtor's business which are disclosed to the Secured Party in writing promptly upon the Debtor becoming aware thereof. Without limiting the foregoing, if any Receivable arises out of a contract with the United States of America, or any state or political subdivision thereof, or any department, agency or instrumentality of any of the foregoing, the Debtor agrees to notify the Secured Party and, at the Secured Party's request, execute whatever instruments and documents are required by the Secured Party in order that such Receivable shall be assigned to the Secured Party and that proper notice of such assignment shall be given under the federal Assignment of Claims Act (or any successor statute) or any similar state or local statute, as the case may be.

(b) Unless and until an Event of Default occurs which has not been waived in writing by the Secured Party, any merchandise or other goods which are returned by a customer or account debtor or otherwise recovered may be resold by the Debtor in the ordinary course of its business as presently conducted in accordance with Section 6(b) hereof; and, during the existence of any Event of Default, such merchandise and other goods shall be set aside at the request of the Secured Party and held by the Debtor as trustee for the Secured Party and shall remain part of the Secured Party's Collateral. Unless and until an Event of Default occurs which has not been waived in writing by the Secured Party, the Debtor may settle and adjust disputes and claims with its customers and account debtors, handle returns and recoveries and grant discounts, credits and allowances in the ordinary course of its business as presently conducted for amounts and on terms which the Debtor in good faith considers advisable; and, during the existence of any Event of Default which has not been waived in writing by the Secured Party, the Debtor shall notify the Secured Party promptly of all returns and recoveries and, on the Secured Party's request, deliver any such merchandise or other goods to the Secured Party. During the existence of any Event of Default which has not been waived in writing by the Secured Party, the Debtor shall also notify the Secured Party promptly of all disputes and claims and settle or adjust them at no expense to the Secured Party, but no discount, credit or allowance other than on normal trade terms in the ordinary course of business as presently conducted shall be granted to any customer or account debtor and no returns of merchandise or other goods shall be accepted by the Debtor without the Secured Party's consent. The Secured Party may, at all times during the existence of any Event of Default which has not been waived in writing by the Secured Party, settle or adjust disputes and claims directly with customers or account debtors for amounts and upon terms which the Secured Party considers advisable.

(c) Unless delivered to the Secured Party or its agent, all tangible Chattel Paper and Instruments shall contain a legend acceptable to the Secured Party indicating that such Chattel Paper or Instrument is subject to the security interest of the Secured Party contemplated by this Security Agreement.

Section 5. Collection of Receivables.

(a) Except as otherwise provided in this Security Agreement, the Debtor shall make collection of all Receivables and may use the same to carry on its business in accordance with sound business practice and otherwise subject to the terms hereof.

(b) Whether or not any Event of Default has occurred which has not been waived in writing by the Secured Party and whether or not the Secured Party has exercised any or all of its rights under other provisions of this Section 5, in the event the Secured Party requests the Debtor to do so:

(i) all Instruments and Chattel Paper at any time constituting part of the Receivables or any other Collateral (including any postdated checks) shall, upon receipt by the Debtor, be immediately endorsed to and deposited with the Secured Party; and/or

(ii) the Debtor shall instruct all customers and account debtors to remit all payments in respect of Receivables or any other Collateral to a lockbox or lockboxes under the sole custody and control of the Secured Party and which are maintained at post office(s) in Milwaukee, Wisconsin selected by the Secured Party.

(c) Upon the occurrence of any Event of Default which has not been waived in writing by the Secured Party or of any event or condition which with the lapse of time or the giving of notice, or both, would constitute an Event of Default, whether or not the Secured Party has exercised any or all of its rights under other provisions of this Section 5, the Secured Party or its designee may notify the Debtor's customers and account debtors at any time that Receivables or any other Collateral have been assigned to the Secured Party or of the Secured Party's security interest therein, and either in its own name, or the Debtor's name, or both, demand, collect (including, without limitation, through a lockbox analogous to that described in Section 5(b)(ii) hereof), receive, receipt for, sue for, compound and give acquittance for any or all amounts due or to become due on Receivables or any other Collateral, and in the Secured Party's discretion file any claim or take any other action or proceeding which the Secured Party may deem necessary or appropriate to protect or realize upon the security interest of the Secured Party in the Receivables or any other Collateral.

(d) Any proceeds of Receivables or other Collateral transmitted to or otherwise received by the Secured Party pursuant to any of the provisions of Sections 5(b) or 5(c) hereof may be handled and administered by the Secured Party in and through a remittance account at the Secured Party, and the Debtor acknowledges that the maintenance of such remittance account by the Secured Party is solely for the Secured Party's convenience and that the Debtor does not have any right, title or interest in such remittance account or any amounts at any time standing to the credit thereof. The Secured Party may, after the occurrence and during the continuation of any Event of Default which has not been waived in writing by the Secured Party or of any event or condition which with the lapse of time or the giving of notice, or both, would constitute an Event of Default, apply all or any part of any proceeds of Receivables or other Collateral received by it from any source to the payment of the Obligations (whether or not then due and payable), such applications to be made in such amounts, in such manner and order and at such intervals as the Secured Party may from time to time in its discretion determine, but not less often than once each week. The Secured Party need not apply or give credit for any item included in proceeds of Receivables or other Collateral until the Secured Party has received final payment therefor at its office in cash or final solvent credits current in Milwaukee, Wisconsin, acceptable to the Secured Party as such. However, if the Secured Party does give credit for any item prior to receiving final payment therefor and the Secured Party fails to receive such final payment or an item is charged back to the Secured Party for any reason, the Secured Party may at its election in either instance charge the amount of such item back against the remittance account or any account of the Debtor maintained with the Secured Party, together with interest thereon at the Default Rate. Concurrently with each transmission of any proceeds of Receivables or other Collateral to the remittance account, the Debtor shall furnish the Secured Party with a report in such form as the Secured Party shall require identifying the particular Receivable or other Collateral from which the same arises or relates. Unless and until an Event of Default or an event or condition which with the lapse of time or the giving of notice, or both, would constitute an Event of Default shall have occurred and be continuing and which has not been waived in writing by the Secured Party, the Secured Party will release proceeds of Collateral which the Secured Party has not applied to the Obligations as provided above from the remittance account from time to time, promptly after receipt thereof. The Debtor hereby indemnifies the Secured Party from and against all liabilities, damages, losses, actions, claims, judgments, costs, expenses, charges and reasonable attorneys' fees suffered or incurred by the Secured Party because of the maintenance of the foregoing arrangements; *provided, however,* that the Debtor shall not be required to indemnify the Secured Party for any of the foregoing to the extent they arise solely from the gross negligence or willful misconduct of the Secured Party. The Secured Party shall have no liability or responsibility to the Debtor for accepting any check, draft or other order for payment of money bearing the legend "payment in full" or words of similar import or any other restrictive legend or endorsement whatsoever or be responsible for determining the correctness of any remittance.

Section 6. Special Provisions Re: Inventory and Equipment.

(a) The Debtor shall at its own cost and expense maintain, keep and preserve the Inventory in good and merchantable condition and keep and preserve the Equipment in good repair, working order and condition, ordinary wear and tear excepted, and, without limiting the foregoing, make all necessary and proper repairs, replacements and additions to the Equipment so that the efficiency thereof shall be fully preserved and maintained.

(b) The Debtor may, until an Event of Default has occurred and is continuing and which has not been waived in writing by the Secured Party and thereafter until otherwise notified by the Secured Party, use, consume and sell the Inventory in the ordinary course of its business, but a sale in the ordinary course of business shall not under any circumstance include any transfer or sale in satisfaction, partial or complete, of a debt owing by the Debtor.

(c) The Debtor may, until an Event of Default has occurred and is continuing and thereafter until otherwise notified by the Secured Party, sell obsolete, worn out or unusable Equipment which is concurrently replaced with similar Equipment at least equal in quality and condition to that sold and owned by the Debtor free of any lien, charge or encumbrance other than the security interest granted hereby.

(d) As of the time any Inventory or Equipment becomes subject to the security interest provided for hereby and at all times thereafter, the Debtor shall be deemed to have warranted as to any and all of such Inventory and Equipment that all warranties of the Debtor set forth in this Security Agreement are true and correct with respect to such Inventory and Equipment; that all of such Inventory and Equipment is located at a location set forth pursuant to Section 3(b) hereof; and that, in the case of Inventory, such Inventory is new and unused and in good and merchantable condition. The Debtor warrants and agrees that no Inventory is or will be consigned to any other person without the Secured Party's prior written consent.

(e) The Debtor shall at its own cost and expense cause the lien of the Secured Party in and to any portion of the Collateral subject to a certificate of title law to be duly noted on such certificate of title or to be otherwise filed in such manner as is prescribed by law in order to perfect such lien and shall cause all such certificates of title and evidences of lien to be deposited with the Secured Party.

(f) Except for Equipment from time to time located on the real estate described in the Perfection Certificate and as otherwise disclosed to the Secured Party in writing, none of the Equipment is or will be attached to real estate in such a manner that the same may become a fixture.

(g) If any of the Inventory is at any time evidenced by a document of title, such document shall be promptly delivered by the Debtor to the Secured Party except to the extent the Secured Party specifically requests the Debtor not to do so with respect to any such document.

Section 7. Special Provisions Re: Investment Property and Deposits.

(a) Unless and until an Event of Default has occurred and is continuing which has not been waived in writing by the Secured Party and thereafter until notified to the contrary by the Secured Party pursuant to Section 9(d) hereof:

(i) the Debtor shall be entitled to exercise all voting and/or consensual powers pertaining to the Investment Property or any part thereof, for all purposes not inconsistent with the terms of this Security Agreement or any other document evidencing or otherwise relating to any Obligations; and

(ii) the Debtor shall be entitled to receive and retain all cash dividends paid upon or in respect of the Investment Property.

(b) All Investment Property (including all securities, certificated or uncertificated, securities accounts, and commodity accounts) of the Debtor on the date hereof is listed and identified in the Perfection Certificate. The Debtor shall promptly notify the Secured Party of any other Investment Property acquired or maintained by the Debtor after the date hereof, and shall submit to the Secured Party a supplement to reflect such additional rights (provided the Debtor's failure to do so shall not impair the Secured Party's security interest therein). Certificates for all certificated securities now or at any time constituting Investment Property shall be promptly delivered by the Debtor to the Secured Party duly endorsed in blank for transfer or accompanied by an appropriate assignment or assignments or an appropriate undated stock power or powers, in every case sufficient to transfer title thereto including, without limitation, all stock received in respect of a stock dividend or resulting from a split-up, revision or reclassification of the Investment Property or any part thereof or received in addition to, in substitution of or in exchange for the Investment Property or any part thereof as a result of a merger, consolidation or otherwise. With respect to any uncertificated securities or any Investment Property held by a securities intermediary, commodity intermediary, or other financial intermediary of any kind, at the Secured Party's request, the Debtor shall execute and deliver, and shall cause any such issuer or intermediary to execute and deliver, an agreement among the Debtor, the Secured Party, and such issuer or intermediary in form and substance satisfactory to the Secured Party which provides, among other things, for the issuer's or intermediary's agreement that it shall comply with entitlement orders, and apply any value distributed on account of any such Investment Property, as directed by the Secured Party without further consent by the Debtor. The Secured Party may at any time, after the occurrence of an Event of Default or an event or condition which with the lapse of time or the giving of notice, or both, would constitute an Event of Default, cause to be transferred into its name or the name of its nominee or nominees all or any part of the Investment Property hereunder.

(c) Unless and until an Event of Default, or an event or condition which with the lapse of time or the giving of notice, or both, would constitute an Event of Default, has occurred and is continuing and which has not been waived in writing by the Secured Party, the Debtor may sell or otherwise dispose of any Investment Property, *provided that* the Debtor shall not sell or otherwise dispose of any capital stock of or other equity interests in any direct or indirect subsidiary without the prior written consent of the Secured Party. After the occurrence and during the continuation of any Event of Default which has not been waived in writing by the Secured Party or of any event or condition which with the lapse of time or the giving of notice, or both, would constitute an Event of Default, the Debtor shall not sell all or any part of the Investment Property without the prior written consent of the Secured Party.

(d) The Debtor represents that on the date of this Security Agreement, none of the Investment Property consists of margin stock (as such term is defined in Regulation U of the Board of Governors of the Federal Reserve System) except to the extent the Debtor has delivered to the Secured Party a duly executed and completed Form U-1 with respect to such stock. If at any time the Investment Property or any part thereof consists of margin stock, the Debtor shall promptly so notify the Secured Party and deliver to the Secured Party a duly executed and completed Form U-1 and such other instruments and documents reasonably requested by the Secured Party in form and substance satisfactory to the Secured Party.

(e) Notwithstanding anything to the contrary contained herein, in the event any Investment Property is subject to the terms of a separate security agreement in favor of the Secured Party, the terms of such separate security agreement shall govern and control unless otherwise agreed to in writing by the Secured Party.

(f) All Deposit Accounts of the Debtor on the date hereof are listed and identified (by account number and depository institution) in the Perfection Certificate. The Debtor shall promptly notify the Secured Party of any other Deposit Account opened or maintained by the Debtor after the date hereof, and shall submit to the Secured Party a supplement to reflect such additional accounts (provided the Debtor's failure to do so shall not impair the Secured Party's security interest therein). With respect to any Deposit Account maintained by a depository institution other than the Secured Party, and as a condition to the establishment and maintenance of any such Deposit Account, the Debtor, the depository institution, and the Secured Party shall execute and deliver an account control agreement in form and substance satisfactory to the Secured Party which provides, among other things, for the depository institution's agreement that it will comply with instructions originated by the Secured Party directing the disposition of the funds in the Deposit Account without further consent by such Debtor.

Section 8. Power of Attorney. In addition to any other powers of attorney contained herein, the Debtor hereby appoints the Secured Party, its nominee, and any other person whom the Secured Party may designate, as the Debtor's attorney-in-fact, with full power and authority upon the occurrence and during the continuation of any Event of Default which has not been waived in writing by the Secured Party to sign the Debtor's name on verifications of Receivables and other Collateral; to send requests for verification of Collateral to the Debtor's customers, account debtors and other obligors; to endorse the Debtor's name on any checks, notes, acceptances, money orders, drafts and any other forms of payment or security that may come into the Secured Party's possession or on any assignments, stock powers, or other instruments of transfer relating to the Collateral or any part thereof; to sign the Debtor's name on any invoice or bill of lading relating to any Collateral, on claims to enforce collection of any Collateral, on notices to and drafts against customers and account debtors and other obligors, on schedules and assignments of Collateral, on notices of assignment and on public records; to notify the post office authorities to change the address for delivery of the Debtor's mail to an address designated by the Secured Party; to receive, open and dispose of all mail addressed to the Debtor; and to do all things necessary to carry out this Agreement. The Debtor hereby ratifies and approves all acts of any such attorney and agrees that neither the Secured Party nor any such attorney will be liable for any acts or omissions nor for any error of judgment or mistake of fact or law other than such person's gross negligence or willful misconduct. The Secured Party may file one or more financing statements disclosing its security interest in any or all of the Collateral without the Debtor's signature appearing thereon. The Debtor also hereby grants the Secured Party a power of attorney to execute any such financing statements, or amendments and supplements to financing statements, on behalf of the Debtor without notice thereof to the Debtor. The foregoing powers of attorney, being coupled with an interest, are irrevocable until the Obligations have been fully paid and satisfied and all agreements of the Secured Party to extend credit to or for the account of the Debtor have expired or otherwise have been terminated.

Section 9. Defaults and Remedies.

(a) The occurrence of any one or more of the following events shall constitute an *"Event of Default"* hereunder:

(i) default in the payment when due (whether by demand, lapse of time, acceleration or otherwise) of the Obligations or any part thereof by the Borrower and such payment default continues for three (3) days; provided that, such three (3) day cure period shall not apply to defaults in payment of principal under the Credit Agreement; or

(ii) default in the observance or performance of any covenant set forth in Sections 5(b), 7(b), or 7(f) hereof or of any provision hereof requiring the maintenance of insurance on the Collateral or dealing with the use or remittance of proceeds of Collateral; or

(iii) default in the observance or performance of any other provision hereof which is not remedied within 30 days after the earlier of (a) the date on which such default shall first become known to any officer of the Debtor or (b) written notice thereof is given to the Debtor by the Secured Party; or

(iv) any representation or warranty made by the Debtor herein, or in any statement or certificate furnished by it pursuant hereto, or in connection with any loan or extension of credit made to or on behalf of or at the request of the Debtor or the Borrower by the Secured Party, shall be false in any material respect as of the date of the issuance or making thereof; or

(v) default in the observance or performance of any terms or provisions of any mortgage, security agreement or any other instrument or document securing any Obligations or setting forth terms and conditions applicable thereto or otherwise relating thereto, or this Security Agreement or any such other mortgage, security agreement, instrument or document shall for any reason not be or shall cease to be in full force and effect or any of the foregoing is declared to be null and void; or

(vi) default shall occur under any evidence of indebtedness issued, assumed or guaranteed by the Debtor or the Borrower or under any indenture, agreement or other instrument under which the same may be issued, and such default shall continue for a period of time sufficient to permit the acceleration of the maturity of any such indebtedness (whether or not such maturity is in fact accelerated), or any such indebtedness shall not be paid when due (whether by lapse of time, acceleration or otherwise); or

(vii) the Debtor or the Borrower makes any payment on account of the principal of or interest on any indebtedness which is prohibited under the terms of any instrument subordinating such indebtedness to any indebtedness owed to the Secured Party; or

(viii) any judgment or judgments, writ or writs, or warrant or warrants of attachment, or any similar process or processes shall be entered or filed against the Debtor or the Borrower or against any of its property or assets and which remains unvacated, unbonded, unstayed or unsatisfied for a period of 60 days; or

(ix) the Debtor or the Borrower shall (a) have entered involuntarily against it an order for relief under the United States Bankruptcy Code, as amended, (b) not pay, or admit in writing its inability to pay, its debts generally as they become due, (c) make an assignment for the benefit of creditors, (d) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its property, (e) institute any proceeding seeking to have entered against it an order for relief under the United States Bankruptcy Code, as amended, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (f) take any action in furtherance of any matter described in parts (a) through (e) above, or (g) fail to contest in good faith any appointment or proceeding described in Section 9(a)(x) hereof; or

(x) a custodian, receiver, trustee, examiner, liquidator or similar official shall be appointed for the Debtor or the Borrower or any substantial part of any of its property, or a proceeding described in Section 9(a)(ix)(e) shall be instituted against the Debtor or the Borrower, and such appointment continues undischarged or such proceeding continues undismissed or unstayed for a period of 60 days; or

(xi) any guarantor of any Obligations shall die or shall terminate, breach, repudiate or disavow its guarantee or any part thereof, or any event specified in Sections 9(a)(vi), 9(a)(viii), 9(a)(ix) or 9(a)(x) hereof shall occur with regard to said guarantor.

NOTHING HEREIN CONTAINED SHALL IMPAIR THE DEMAND CHARACTER OF ANY OF THE OBLIGATIONS WHICH ARE EXPRESSED TO BE PAYABLE ON DEMAND.

(b) Upon the occurrence and during the continuation of any Event of Default which has not been waived in writing by the Secured Party, the Secured Party shall have, in addition to all other rights provided herein or by law, the rights and remedies of a secured party under the UCC (regardless of whether the UCC is the law of the jurisdiction where the rights or remedies are asserted and regardless of whether the UCC applies to the affected Collateral), and further the Secured Party may, without demand and without advertisement, notice, hearing or process of law, all of which the Debtor hereby waives, at any time or times, sell and deliver all or any part of the Collateral (and any other property of the Debtor attached thereto or found therein) held by or for it at public or private sale, for cash, upon credit or otherwise, at such prices and upon such terms as the Secured Party deems advisable, in its sole discretion. In addition to all other sums due the Secured Party hereunder, the Debtor shall pay the Secured Party all costs and expenses incurred by the Secured Party, including reasonable attorneys' fees and court costs, in obtaining, liquidating or enforcing payment of Collateral or the Obligations or in the prosecution or defense of any action or proceeding by or against the Secured Party or the Debtor concerning any matter arising out of or connected with this Security Agreement or the Collateral or the Obligations, including, without limitation, any of the foregoing arising in, arising under or related to a case under the United States Bankruptcy Code (or any successor statute). Any requirement of reasonable notice shall be met if such notice is personally served on or mailed, postage prepaid, to the Debtor in accordance with Section 12(b) hereof at least 10 days before the time of sale or other event giving rise to the requirement of such notice; *provided however*, no notification need be given to the Debtor if the Debtor has signed, after an Event of Default has occurred and is continuing and which has not been waived in writing by the Secured Party, a statement renouncing any right to notification of sale or other intended disposition. The Secured Party shall not be obligated to make any sale or other disposition of the Collateral regardless of notice having been given. The Secured Party may be the purchaser at any such sale. The Debtor hereby waives all of its rights of redemption from any such sale. The Secured Party may postpone or cause the postponement of the sale of all or any portion of the Collateral by announcement at the time and place of such sale, and such sale may, without further notice, be made at the time and place to which the sale was postponed or the Secured Party may further postpone such sale by announcement made at such time and place. The Secured Party has no obligation to prepare the Collateral for sale. The Secured Party may sell or otherwise dispose of the Collateral without giving any warranties as to the Collateral or any part thereof, including disclaimers of any warranties of title or the like, and the Debtor acknowledges and agrees that the absence of such warranties shall not render the disposition commercially unreasonable.

(c) Without in any way limiting the foregoing, upon the occurrence and during the continuation of any Event of Default which has not been waived in writing by the Secured Party, the Secured Party shall have the right, in addition to all other rights provided herein or by law, to take physical possession of any and all of the Collateral and anything found therein, the right for that purpose to enter without legal process any premises where the Collateral may be found (provided such entry be done lawfully), and the right to maintain such possession on the Debtor's premises (the Debtor hereby agreeing to lease such premises without cost or expense to the Secured Party or its designee if the Secured Party so requests) or to remove the Collateral or any part thereof to such other places as the Secured Party may desire. Upon the occurrence and during the continuation of any Event of Default, the Secured Party shall have the right to exercise any and all rights with respect to all Deposit Accounts of the Debtor, including, without limitation, the right to direct the disposition of the funds in each Deposit Account and to collect, withdraw and receive all amounts due or to become due or payable under each such Deposit Account. Upon the occurrence and during the continuation of any Event of Default which has not been waived in writing by the Secured Party, the Debtor shall, upon the Secured Party's demand, promptly assemble the Collateral and make it available to the Secured Party at a place designated by the Secured Party. If the Secured Party exercises its right to take possession of the Collateral, the Debtor shall also at its expense perform any and all other steps requested by the Secured Party to preserve and protect the security interest hereby granted in the Collateral, such as placing and maintaining signs indicating the security interest of the Secured Party, appointing overseers for the Collateral and maintaining Collateral records.

(d) Without in any way limiting the foregoing, upon the occurrence and during the continuation of any Event of Default which has not been waived in writing by the Secured Party, all rights of the Debtor to exercise the voting and/or consensual powers which it is entitled to exercise pursuant to Section 7(a)(i) hereof and/or to receive and retain the distributions which it is entitled to receive and retain pursuant to Section 7(a)(ii) hereof, shall, at the option of the Secured Party, cease and thereupon become vested in the Secured Party, which, in addition to all other rights provided herein or by law, shall then be entitled solely and exclusively to exercise all voting and other consensual powers pertaining to the Investment Property (including, without limitation, the right to deliver notice of control with respect to any Investment Property held in a securities account or commodity account and deliver all entitlement orders with respect thereto) and/or to receive and retain the distributions which the Debtor would otherwise have been authorized to retain pursuant to Section 7(a)(ii) hereof and shall then be entitled solely and exclusively to exercise any and all rights of conversion, exchange or subscription or any other rights, privileges or options pertaining to any Investment Property as if the Secured Party were the absolute owner thereof. Without limiting the foregoing, the Secured Party shall have the right to exchange, at its discretion, any and all of the Investment Property upon the merger, consolidation, reorganization, recapitalization or other readjustment of the respective issuer thereof or upon the exercise by or on behalf of any such issuer or the Secured Party of any right, privilege or option pertaining to any Investment Property and, in connection therewith, to deposit and deliver any and all of the Investment Property with any committee, depositary, transfer agent, registrar or other designated agency upon such terms and conditions as the Secured Party may determine. In the event the Secured Party in good faith believes any of the Collateral constitutes restricted securities within the meaning of any applicable securities laws, any disposition thereof in compliance with such laws shall not render the disposition commercially unreasonable.

(e) Without in any way limiting the foregoing, upon the occurrence and during the continuation of any Event of Default which has not been waived in writing by the Secured Party, the Debtor hereby grants to the Secured Party a royalty-free irrevocable license and right to use all of the Debtor's patents, patent applications, patent licenses, trademarks, trademark registrations, trademark licenses, trade names, trade styles, copyrights, copyright applications, copyright licenses, and similar intangibles in connection with any foreclosure or other realization by the Secured Party on all or any part of the Collateral. The license and right granted the Secured Party hereby shall be without any royalty or fee or charge whatsoever.

(f) The powers conferred upon the Secured Party hereunder are solely to protect its interest in the Collateral and shall not impose on it any duty to exercise such powers. The Secured Party shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession or control if such Collateral is accorded treatment substantially equivalent to that which the Secured Party accords its own property, consisting of similar type assets, it being understood, however, that the Secured Party shall have no responsibility for ascertaining or taking any action with respect to calls, conversions, exchanges, maturities, tenders or other matters relating to any such Collateral, whether or not the Secured Party has or is deemed to have knowledge of such matters. This Security Agreement constitutes an assignment of rights only and not an assignment of any duties or obligations of the Debtor in any way related to the Collateral, and the Secured Party shall have no duty or obligation to discharge any such duty or obligation. The Secured Party shall have no responsibility for taking any necessary steps to preserve rights against any parties with respect to any Collateral or initiating any action to protect the Collateral against the possibility of a decline in market value. Neither the Secured Party nor any party acting as attorney for the Secured Party shall be liable for any acts or omissions or for any error of judgment or mistake of fact or law other than their gross negligence or willful misconduct.

(g) Failure by the Secured Party to exercise any right, remedy or option under this Security Agreement or any other agreement between the Debtor and the Secured Party or provided by law, or delay by the Secured Party in exercising the same, shall not operate as a waiver; and no waiver by the Secured Party shall be effective unless it is in writing and then only to the extent specifically stated. The rights and remedies of the Secured Party under this Security Agreement shall be cumulative and not exclusive of any other right or remedy which the Secured Party may have.

Section 10. Application of Proceeds. The proceeds and avails of the Collateral at any time received by the Secured Party after the occurrence and during the continuation of any Event of Default shall, when received by the Secured Party in cash or its equivalent, be applied by the Secured Party as follows:

(i) first, to the payment and satisfaction of all sums paid and costs and expenses incurred by the Secured Party hereunder or otherwise in connection herewith, including such monies paid or incurred in connection with protecting, preserving or realizing upon the Collateral or enforcing any of the terms hereof, including reasonable attorneys' fees and court costs, together with any interest thereon (but without preference or priority of principal over interest or of interest over principal), to the extent the Secured Party is not reimbursed therefor by the Debtor; and

(ii) second, to the payment and satisfaction of the remaining Obligations, whether or not then due (in whatever order the Secured Party elects), both for interest and principal.

The Debtor shall remain liable to the Secured Party for any deficiency. Any surplus remaining after the full payment and satisfaction of the foregoing shall be returned to the Debtor or as otherwise required by applicable laws.

Section 11. Continuing Agreement. This Security Agreement shall be a continuing agreement in every respect and shall remain in full force and effect until all of the Obligations, both for principal and interest, have been fully paid and satisfied and all agreements of the Secured Party to extend credit to or for the account of the Borrower have expired or otherwise have been terminated. Upon such termination of this Security Agreement, the Secured Party shall, upon the request and at the expense of the Debtor, forthwith release its security interest hereunder.

Section 12. Miscellaneous.

(a) This Security Agreement cannot be changed or terminated orally. All of the rights, privileges, remedies and options given to the Secured Party hereunder shall inure to the benefit of its successors and assigns, and all the terms, conditions, covenants, agreements, representations and warranties of and in this Security Agreement shall bind the Debtor and its legal representatives, successors and assigns, provided that the Debtor may not assign its rights or delegate its duties hereunder without the Secured Party's prior written consent.

(b) Except as otherwise specified herein, all notices hereunder shall be in writing (including, without limitation, notice by facsimile) and shall be given to the relevant party at its address or facsimile number set forth below (or, if no such address is set forth below, at the address of the Debtor as shown on the records of the Secured Party), or such other address or facsimile number as such party may hereafter specify by notice to the other given by courier, by United States certified or registered mail, by facsimile or by other telecommunication device capable of creating a written record of such notice and its receipt. Notices hereunder shall be addressed:

to the Debtor at:	to the Secured Party at:
Twin Disc, Incorporated	Bank of Montreal
1328 Racine Street	111 West Monroe Street
Racine, Wisconsin 53403	Chicago, Illinois 60603
Attention: Chief Financial Officer	Attention: Asset Based Lending
Facsimile: 262-638-4481	Facsimile: (312) 765-1641

Each such notice, request or other communication shall be effective (i) if given by facsimile, when such facsimile is transmitted to the facsimile number specified in this Section and a confirmation of such facsimile has been received by the sender, (ii) if given by mail, five (5) days after such communication is deposited in the mail, certified or registered with return receipt requested, addressed as aforesaid or (iii) if given by any other means, when delivered at the addresses specified in this Section.

(c) The lien and security interest herein created and provided for stand as direct and primary security for the Obligations. No application of any sums received by the Secured Party in respect of the Collateral or any disposition thereof to the reduction of the Obligations or any part thereof shall in any manner entitle the Debtor to any right, title or interest in or to the Obligations or any collateral or security therefor, whether by subrogation or otherwise, unless and until all Obligations have been fully paid and satisfied and all agreements of the Secured Party to extend credit to or for the account of the Borrower have expired or otherwise have been terminated. The Debtor acknowledges that the lien and security interest hereby created and provided for are absolute and unconditional and shall not in any manner be affected or impaired by any acts or omissions whatsoever of the Secured Party or any other holder of any of the Obligations, and without limiting the generality of the foregoing, the lien and security interest hereof shall not be impaired by any acceptance by the Secured Party or any other holder of any of the Obligations of any other security for or guarantors upon any of the Obligations or by any failure, neglect or omission on the part of the Secured Party or any other holder of any of the Obligations to realize upon or protect any of the Obligations or any collateral or security therefor. The lien and security interest hereof shall not in any manner be impaired or affected by (and the Secured Party, without notice to anyone, is hereby authorized to make from time to time) any sale, pledge, surrender, compromise, settlement, release, renewal, extension, indulgence, alteration, substitution, exchange, change in, modification or disposition of any of the Obligations, or of any collateral or security therefor, or of any guaranty thereof, or of any instrument or agreement setting forth the terms and conditions pertaining to any of the foregoing. The Secured Party may at its discretion at any time grant credit to the Borrower without notice to the Debtor in such amounts and on such terms as the Secured Party may elect (all of such to constitute additional Obligations) without in any manner impairing the lien and security interest created and provided for herein. In order to realize hereon and to exercise the rights granted the Secured Party hereunder and under applicable law, there shall be no obligation on the part of the Secured Party or any other holder of any of the Obligations at any time to first resort for payment to the Borrower or to any guaranty of the Obligations or any portion thereof or to resort to any other collateral, security, property, liens or any other rights or remedies whatsoever, and the Secured Party shall have the right to enforce this Agreement irrespective of whether or not other proceedings or steps seeking resort to or realization upon or from any of the foregoing are pending.

(d) In the event and to the extent that any provision hereof shall be deemed to be invalid or unenforceable by reason of the operation of any law or by reason of the interpretation placed thereon by any court, this Security Agreement shall to such extent be construed as not containing such provision, but only as to such locations where such law or interpretation is operative, and the invalidity or unenforceability of such provision shall not affect the validity of any remaining provisions hereof, and any and all other provisions hereof which are otherwise lawful and valid shall remain in full force and effect.

(e) This Security Agreement shall be deemed to have been made in the State of Wisconsin and shall be governed by, and construed in accordance with, the laws of the State of Wisconsin. The headings in this Security Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning of any provision hereof.

(f) This Security Agreement may be executed in any number of counterparts and by different parties hereto on separate counterpart signature pages, each constituting an original, but all together one and the same instrument. The Debtor acknowledges that this Security Agreement is and shall be effective upon its execution and delivery by the Debtor to the Secured Party, and it shall not be necessary for the Secured Party to execute this Security Agreement or any other acceptance hereof or otherwise to signify or express its acceptance hereof.

(g) The Debtor hereby submits to the non-exclusive jurisdiction of the United States District Court for the Eastern District of Wisconsin and of any Wisconsin state court sitting in the City of Milwaukee for purposes of all legal proceedings arising out of or relating to this Agreement or the transactions contemplated hereby. The Debtor irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient form. The Debtor and the Secured Party each hereby irrevocably waives any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

[SIGNATURE PAGE TO FOLLOW]

In Witness Whereof, the Debtor has caused this Guarantor Security Agreement to be duly executed and delivered as of the date and year first above written.

Mill-Log Equipment Co., Inc.

By: _____
Name: Dennis D. Hoff
Title: President

Accepted and agreed to as of the date and year first above written.

Bank of Montreal

By:_____
Name: Jason Hoefler
Title: Director

[Signature Page to Guarantor Security Agreement (Mill-Log Equipment Co., Inc.)]

SCHEDULE A

SUPPLEMENT TO SECURITY AGREEMENT

THIS SUPPLEMENT TO SECURITY AGREEMENT (THE *"SUPPLEMENT"*) IS DATED AS OF THIS _____ DAY OF _____, 20___, FROM MILL-LOG EQUIPMENT CO., INC., AN OREGON CORPORATION (THE *"DEBTOR"*), TO BANK OF MONTREAL, A CANADIAN CHARTERED BANK ACTING THROUGH ITS CHICAGO BRANCH, (THE *"ADMINISTRATIVE AGENT"*), AS "ADMINISTRATIVE AGENT" FOR THE SECURED LENDERS UNDER THAT CERTAIN CREDIT AGREEMENT, DATED AS OF APRIL 22, 2016 (THE *"SECURED PARTY"*).

PRELIMINARY STATEMENTS

A. The Debtor and the Secured Party are parties to that certain Security Agreement dated as of April 22, 2016 (such Security Agreement, as the same may from time to time be amended, modified or restated, being hereinafter referred to as the *"Security Agreement"*). All capitalized terms used herein without definition shall have the same meanings herein as such terms are defined in the Security Agreement.

B. Pursuant to the Security Agreement, the Debtor granted to the Secured Party, among other things, a continuing security interest in all Commercial Tort Claims.

C. The Debtor has acquired a Commercial Tort Claim, and executes and delivers this Supplement to confirm and assure the Secured Party's security interest therein.

NOW, THEREFORE, IN CONSIDERATION OF THE BENEFITS ACCRUING TO THE DEBTOR, AND OTHER GOOD AND VALUABLE CONSIDERATION, THE RECEIPT AND SUFFICIENCY OF WHICH ARE HEREBY ACKNOWLEDGED, THE PARTIES HERETO AGREE AS FOLLOWS:

1. In order to secure payment of the Obligations, whether now existing or hereafter arising, the Debtor does hereby grant to the Secured Party a continuing lien on and security interest in the Commercial Tort Claim described below:

_____

_____

_____

_____

2. The Perfection Certificate to the Security Agreement is hereby amended to include reference to the Commercial Tort Claim referred to in Section 1 above. The Commercial Tort Claim described herein is in addition to, and not in substitution or replacement for, the Commercial Tort Claims heretofore described in and subject to the Security Agreement, and nothing contained herein shall in any manner impair the priority of the liens and security interests heretofore granted by the Debtor in favor of the Secured Party under the Security Agreement.

3. The Debtor agrees to execute and deliver such further instruments and documents and do such further acts and things as the Secured Party may deem necessary or proper to carry out more effectively the purposes of this Supplement.

4. No reference to this Supplement need be made in the Security Agreement or in any other document or instrument making reference to the Security Agreement, any reference to the Security Agreement in any of such items to be deemed a reference to the Security Agreement as supplemented hereby. The Debtor acknowledges that this Supplement shall be effective upon its execution and delivery by the Debtor to the Secured Party, and it shall not be necessary for the Secured Party to execute this Supplement or any other acceptance hereof or otherwise to signify or express its acceptance hereof.

5. This Agreement shall be governed by and construed in accordance with the State of Wisconsin (without regard to principles of conflicts of law).

MILL-LOG EQUIPMENT CO., INC.

By: _____
Name: _____
Title: _____

Document Number	**ASSIGNMENT OF AND AMENDMENT TO NEGATIVE PLEDGE AGREEMENT** Document Title

RECORDING AREA

Name and Return Address:

Vincent M. Morrone, Esq.
Michael Best & Friedrich LLP
100 East Wisconsin Avenue
Suite 3300
Milwaukee, Wisconsin 53202

PINs: See Exhibit A

ASSIGNMENT OF AND AMENDMENT TO NEGATIVE PLEDGE AGREEMENT

THIS ASSIGNMENT OF AND AMENDMENT TO NEGATIVE PLEDGE AGREEMENT (this "***Assignment***"), is made as of June 29 2018, by and among TWIN DISC, INCORPORATED, a Wisconsin corporation ("***Borrower***"), BANK OF MONTREAL, a Canadian chartered bank acting through its Chicago branch ("***Assignor***") and BMO HARRIS BANK N.A., a national banking association (the "***Assignee***").

RECITALS

WHEREAS, pursuant to the Credit Agreement, dated April 22, 2016, by and among Borrower, Assignor and the lenders party thereto (the "***2016 Credit Agreement***"), Borrower executed a Negative Pledge Agreement, dated as of April 22, 2016, in favor of Assignor, in its capacity as administrative agent for the Lenders, with respect to the Real Estate legally described in **Exhibit A** attached hereto, which was recorded on June 22, 2016, as Document No. 2437708 in the Register of Deeds Office, Racine County, Wisconsin (the "***Negative Pledge***"), a copy of which is attached hereto as **Exhibit B**;

WHEREAS, simultaneously herewith, Assignee will refinance the credit facilities extended by Assignor to Borrower under the 2016 Credit Agreement, and finance additional credit facilities, pursuant to that certain Credit Agreement, dated as of the date hereof, by and between Assignee and Borrower (the "***2018 Credit Agreement***"); and

WHEREAS, Assignor now desires to assign the Negative Pledge and Assignor's rights and obligations as Administrative Agent and Lender (or as Bank, as revised herein) under the Negative Pledge to Assignee, and Assignee desires to accept such assignment.

NOW THEREFORE, in consideration of the foregoing recitals which are incorporated herein and made a part hereof, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

AGREEMENT

1. Assignment.

(a) Assignor hereby assigns the Negative Pledge and all of Assignor's rights and obligations as Administrative Agent and Lender (or as Bank, as revised herein) under the Negative Pledge to Assignee, and Assignee hereby accepts said assignment.

(b) Assignee shall become and be a party to the Negative Pledge and succeed to all of the rights and be obligated to perform all of the obligations of Administrative Agent and Lender (or as Bank, as revised herein) under the Negative Pledge.

(c) In conjunction with the assignment hereunder, Assignor shall transfer and deliver to Assignee any and all Collateral, and/or evidence thereof, in Assignor's possession. Until such time as the Collateral in Assignor's possession is transferred to Assignee, Assignor shall hold such Collateral for the benefit of Assignee.

2. Amendments. The Negative Pledge is hereby amended as follows:

(a) Agent and Secured Parties. The defined terms "*Administrative Agent*", *"Lender"* and *"Lenders"* in the Negative Pledge are each hereby deleted in their entirety and replaced with the defined term *"Bank"*. The definition of *"Bank"* shall mean "BMO Harris Bank N.A., a national banking association." It is the intention of the parties hereto that, from and after the date hereof, all references in the Negative Pledge to the Administrative Agent and/or the Lender or Lenders shall mean and be a reference to Bank.

(b) Credit Agreement. The definition of "*Credit Agreement*" in the Negative Pledge is hereby amended and restated to mean "the Credit Agreement, dated as of June 29, 2018, by and between Bank and Borrower, as the same may hereafter be amended, restated, supplemented or otherwise modified."

3. Priority Maintained. The parties hereto acknowledge and agree that the Negative Pledge, and the priority thereof, remains in full force and effect.

4. No Novation. It is the intention of the parties to this Assignment that this Assignment not constitute a novation of the obligations under the Negative Pledge and that, from and after the date hereof, all references herein to "hereunder," "hereof," or words of like import and all references in the Negative Pledge, the Credit Agreement or the Loan Documents, or any documents entered into in connection therewith, or words of like import shall mean and be a reference to the Negative Pledge, as amended hereby and as the same may hereafter be amended, supplemented, restated or renewed.

5. Ratification. The Negative Pledge and all representations and warranties provided therein are hereby ratified, approved and confirmed in all respects.

6. Counterparts. This Assignment may be executed in any number of counterparts, each of which shall be deemed to be an original for all purposes; but such counterparts shall be deemed to constitute but one and the same instrument.

7. Conflict. In the event of conflict between the terms and conditions of the Negative Pledge and the terms and conditions of this Assignment, the terms and conditions of this Assignment shall control.

8. Capitalized Terms. Capitalized terms used but not otherwise defined in this Assignment shall have the meanings given to such terms in the Negative Pledge.

[**SIGNATURES ON NEXT PAGE FOLLOWING**]

IN WITNESS WHEREOF, the parties hereto have caused this Assignment to be duly executed and delivered by their officers thereunto duly authorized as of the date first above written

BORROWER:

TWIN DISC, INCORPORATED

By: _____
Name: Jeffrey S. Knutson
Title: Vice President – Finance and
Chief Financial Officer

STATE OF WISCONSIN)
)SS
COUNTY OF RACINE)

Personally came before me this _____ day of _____, 2018, the above-named Jeffrey S. Knutson, as the Vice President – Finance and Chief Financial Officer of Twin Disc, Incorporated, to me known to be the person who executed the foregoing Assignment and acknowledged the same in said capacity.

_____

Notary Public
Milwaukee County, Wisconsin
My commission _____

ASSIGNOR:

BANK OF MONTREAL

By: _____
Name: _____
Title: _____

STATE OF ILLINOIS)
)SS
COUNTY OF COOK)

Personally came before me this _____ day of _____, 2018, the above-named _____as _____ of Bank of Montreal, to me known to be the person who executed the foregoing Assignment and acknowledged the same in said capacity.

_____

Notary Public
Cook County, Illinois
My commission _____

[SIGNATURE PAGE TO ASSIGNMENT OF AND AMENDMENT TO
NEGATIVE PLEDGE AGREEMENT]

ASSIGNEE:

BMO HARRIS BANK N.A.

By: _____
Name: Mark Czarnecki
Title: Senior Vice President

STATE OF WISCONSIN)
)SS
COUNTY OF MILWAUKEE)

Personally came before me this _____ day of _____, 2018, the above-named Mark Czarnecki, as a Senior Vice President of BMO Harris Bank N.A., to me known to be the person who executed the foregoing Assignment and acknowledged the same in said capacity.

_____

Notary Public
Milwaukee County, Wisconsin
My commission _____

This instrument was drafted by and should be returned to:

Vincent M. Morrone, Esq,
Michael Best & Friedrich LLP
100 East Wisconsin Avenue, Suite 3300
Milwaukee, Wisconsin 53202

EXHIBIT A
TO
ASSIGNMENT OF AND AMENDMENT TO
NEGATIVE PLEDGE AGREEMENT

Legal Description:

PARCEL A:
Lots 1, 2, 5, 6, 9, 10, 16 and 17, of Harmon's Subdivision of part of Block 76, Section 16, Township 3 North, Range 23 East, according to the recorded plat of said subdivision on file in the office of the Register of Deeds, along with that part of vacated Clark Street. Said land being in the City of Racine, County of Racine, and State of Wisconsin.

Parcel A1:
That part of Block 76, School Section, in Section 16, Town 3 North, Range 23 East, as returned by Appraisers of School and University Lands to the Office of the Secretary of State of the State of Wisconsin, bounded as follows: Beginning at a point in the South line of said Block 205 feet West of the West line of Racine Street; running thence West on the South line of said block to the East line of Clark Street; thence North on the East line of Clark Street 100 feet; thence East parallel with the South line of said block to a point due North of the place of beginning; thence South parallel with Clark Street 100 feet to the place of beginning. Said land being in the City of Racine, County of Racine, and State of Wisconsin.

Parcel A2:
That part of Block 76, School Section, in Section 16, Town 3 North, Range 23 East, as returned by Appraisers of School and University Lands to the Office of the Secretary of State of the State of Wisconsin, bounded as follows: Begin at a point 328 feet South of the Northeast corner of said Block; run thence West 115 feet; thence South 62 feet; thence East 115 feet to the East line of said Block; thence North 62 feet to the place of beginning.

AND

All that part of Block 76 bounded as follows: Begin at a point 280 feet South of the Northeast corner of said Block; run thence West 115 feet; thence South 48 feet; thence East 115 feet to the East line of said Block; thence North 48 feet to the place of beginning. Said land being in the City of Racine, County of Racine, and State of Wisconsin.

Parcel A3:
That part of Block 76, School Section, in Section 16, Town 3 North, Range 23 East, as returned by Appraisers of School and University Lands to the Office of the Secretary of State of the State of Wisconsin, bounded as follows: Begin at a point on the East line of said Block 390 feet South of the Northeast corner of said Block, run thence West 115 feet; thence South 40 feet; thence East 115 feet to the East line of the said Block; and thence North 40 feet to the place of beginning. Said land being in the City of Racine, County of Racine, and State of Wisconsin.

Parcel A4:
That part of Block 76, School Section, in Section 16, Town 3 North, Range 23 East, as returned by Appraisers of School and University Lands to the Office of the Secretary of State of the State of Wisconsin, bounded as follows: Begin on the East line of Clark Street 155 feet South from the North line of said Block; run thence East 120 feet; thence South 5 feet; thence East 26.83 feet, more or less, to a point 114.79 feet West of the West line of Racine Street; thence South 140 feet more or less to lands now owned by the Twin Disc Clutch Company, a corporation; thence West along the North line of lands owned by said Twin Disc Clutch Company, a corporation, 146.83 feet, more or less, to the East line of Clark Street; and thence North along the East line of Clark Street 145 feet, more or less, to the place of beginning. Said land being in the City of Racine, County of Racine, and State of Wisconsin.

Parcel A5:
That part of the East 1/2 of Block 76, School Section, in Section 16, Town 3 North, Range 23 East, as returned by Appraisers of School and University Lands to the Office of the Secretary of State of the State of Wisconsin, bounded as follows: Commencing at the Southeast corner of the East 1/2 of said Block 76; run thence North 56 1/2 feet more or less to lands and premises now owned by Twin Disc Clutch Company, a corporation; run thence West 115 more or less to lands now owned by Twin Disc Clutch Company, a corporation; thence South 56 1/2 feet, more or less, to the South line of said Block 76; and thence East along the South line of said Block to the place of beginning. Said land being in the City of Racine, County of Racine, and State of Wisconsin.

Parcel A6:
That part of Block 76, School Section, in Section 16, Town 3 North, Range 23 East, as returned by Appraisers of School and University Lands to the Office of the Secretary of State of the State of Wisconsin, bounded as follows: Begin on the West line of Racine Street, 240 feet South of the North line of said Block; run thence West 115 feet; thence South 40 feet; thence East 115 feet to the West line of Racine Street; thence North to the place of beginning. Said land being in the City of Racine, County of Racine, and State of Wisconsin.

Parcel A7:
That part of Block 76, School Section, in Section 16, Town 3 North, Range 23 East, as returned by Appraisers of School and University Lands to the Office of the Secretary of State of the State of Wisconsin, bounded as follows: Begin at a point on the West line of Racine Street, 120 feet South of the Northeast corner of said Block 76; run thence West 125 feet, more or less to lands formerly owned by Tostevin and LeRoy (which distance is in fact 141.29 feet); thence North 40 feet; thence East to the West line of Racine Street; thence South 40 feet to the beginning. Said land being in the City of Racine, County of Racine, and State of Wisconsin.

Parcel A8:
That part of Block 76, School Section, in Section 16, Town 3 North, Range 23 East, as returned by Appraisers of School and University Lands to the Office of the Secretary of State of the State of Wisconsin, bounded as follows: Begin on the West line of Racine Street, 160 feet South of the South line of Thirteenth Street; run thence West 114.79 feet; thence South 40 feet; thence East to Racine Street; thence North to the place of beginning. Said land being in the City of Racine, County of Racine, and State of Wisconsin.

Parcel A9:
That part of Block 76, School Section, in Section 16, Town 3 North, Range 23 East, as returned by Appraisers of School and University Lands to the Office of the Secretary of State of the State of Wisconsin, bounded as follows: Begin on the South line of said Block at a point which is 115 feet West of the West line of Racine Street; run thence West along the South line of said Block 90 feet; thence North 100 feet; thence East 90 feet; and thence South 100 feet to the place of beginning. Said land being in the City of Racine, County of Racine, and State of Wisconsin.

Parcel A10:
That part of the East 1/2 of Block 76, School Section, in Section 16, Town 3 North, Range 23 East, as returned by Appraisers of School and University Lands to the Office of the Secretary of State of the State of Wisconsin, bounded as follows: Begin at a point in the East line of Clark Street 100 feet North of the South line of said Block; run thence North 80 feet; thence East parallel with the South line of said Block 146.83 feet to a point which is 115 feet West of the West line of Racine Street; thence South 80 feet; and thence West parallel with the South line of said Block 146.83 feet to the East line of Clark Street to the place of beginning. Said land being in the City of Racine, County of Racine, and State of Wisconsin.

[EXHIBIT A]

Parcel A11:
That part of Block 76, School Section, in Section 16, Town 3 North, Range 23 East, as returned by Appraisers of School and University Lands to the Office of the Secretary of State of the State of Wisconsin, bounded as follows: Begin in the North line of said block at at point 130 feet West of the Northeast corner of said Block; run thence South 80 feet; thence West 11.9 feet more or less to a point 120 feet East on the East line of Clark Street; thence South 75 feet; thence West 120 feet to the East line of Clark Street; thence North along the East line of Clark Street 155 feet to the North line of said Block 76; thence East along the North line of said Block to the place of beginning. Said land being in the City of Racine, County of Racine, and State of Wisconsin.

Parcel A12:
That part of the East ½ of Block 76, School Section, in Section 16, Town 3 North, Range 23 East, as returned by Appraisers of School and University Lands to the Office of the Secretary of State of the State of Wisconsin, bounded as follows: Begin on the South line of Thirteenth Street in said City of Racine at a point 90 feet West from the Northeast corner of said Block; run thence West on the North line of said Block, 40 feet, to the Northeast corner of land conveyed by Boyd R. Adams and wife and Clarence E. Adams and wife to Twin Disc Clutch Company by deed dated March 1, 1929 and recorded in the Office of the Register of Deeds for Racine County, Wisconsin, on March 18, 1929, in Volume 254 of Deeds on page 30, said point being 131.9 feet East of the East line of Clark Street; run thence South, along the East line of land conveyed by said deed, 80 feet; run thence East 40 feet; run thence North 80 feet to the place of beginning. Said land being in the City of Racine, County of Racine, and State of Wisconsin.

Parcel A13:
That part of the East ½ of Block 76, School Section, in Section 16, Town 3 North, Range 23 East, as returned by Appraisers of School and University Lands to the Office of the Secretary of State of the State of Wisconsin, bounded as follows: Being at a point 44 feet South of the Northeast of said Block; run thence West 90 feet; thence South 36 feet; thence East 90 feet to the East line of said Block; thence North 36 feet, to the place of beginning. Said land being in the City of Racine, County of Racine, and State of Wisconsin.

Parcel A14:
That part of the East ½ of Block 76, School Section, in Section 16, Town 3 North, Range 23 East, as returned by Appraisers of School and University Lands to the Office of the Secretary of State of the State of Wisconsin, bounded as follows: Begin at the Northeast corner of said Block; run thence West on the North line of said Block 90 feet; run thence South 44 feet; run thence East 90 feet to the East line of said Block; run thence North 44 feet to the place of beginning. Said land being in the City of Racine, County of Racine, and State of Wisconsin.

Parcel A15:
That part of Block 76, School Section, in Section 16, Town 3 North, Range 23 East, as returned by Appraisers of School and University Lands to the Office of the Secretary of State of the State of Wisconsin, bounded as follows: Begin on the West line of Racine Street at a point 120 feet South from the South line of Thirteenth Street; run thence West 141.29 feet more or less, to land formerly owned by Tostevin and Leroy; thence South 40 feet; thence East to the West line of Racine Street; thence North 40 feet to the place of beginning. Said land being in the City of Racine, County of Racine, and State of Wisconsin.

[EXHIBIT A]

Parcel A16:
That part of Block 76, School Section, in Section 16, Town 3 North, Range 23 East, as returned by Appraisers of School and University Lands to the Office of the Secretary of State of the State of Wisconsin, bounded as follows: Begin on the East line of said Block, being the West line of Racine Street, at a point 200 feet South of the North line of said Block, run thence West 115 feet; thence South 40 feet; thence East 115 feet to the West line of Racine Street; thence North to the place of beginning. Said land being in the City of Racine, County of Racine, and State of Wisconsin.

Tax Parcel Number: 276-00-00-08870-001
Property Address: 1328 Racine Street

PARCEL B:
That part of the Northwest Quarter of Section 19, Township 3, North, Range 23 East, bounded as follows: Begin at a point on the West line of the Northwest Quarter of said Section 19 located North 0°06'30" East 30.00 feet from the West Quarter corner of said Section, said point being the intersection of the West line of said Quarter Section with the North line of Twenty-first Street; run thence East 660.00 feet on the North line of Twenty-first Street; thence North 0°06'30" East 1143.15 feet to the Southerly line of the Chicago, Milwaukee and St. Paul Railroad right of way; thence South 83°34'20" West 664.32 feet on the Southerly line of said right of way to the West line of said Quarter Section; thence South 0°06'30" West 1068.78 feet to the point of beginning. Said land being in the City of Racine, County of Racine, State of Wisconsin.

AND

That part of the Northwest Quarter of Section 19, Township 3 North, Range 23 East, bounded as follows: Commence at a point on the North line of Twenty-first Street located 660.00 feet East of the West line of the Northwest Quarter of said Section 19; run thence North 0°06'30" East 778.00 feet on a line parallel with the West line of said Quarter Section to the point of beginning of this description; continue thence North 0°06'30" East 365.15 feet to the Southerly line of the right of way of the Chicago, Milwaukee and St. Paul Railroad right of way; thence North 83°34'20" East 307.72 feet to the West line of Oregon Street as vacated in a vacation plat recorded in Volume S of Plats on page B in the Racine County Register of Deeds Office; thence South 0°02' East 399.60 feet on the West line of said Street as vacated to the North line of Twentieth Street as vacated in the aforementioned vacation Plat; thence West 306.72 feet on the North line of Twentieth Street as vacated to the point of beginning. Said land being in the City of Racine, County of Racine, State of Wisconsin.

AND

That part of the Northwest Quarter of Section 19, Township 3 North, Range 23 East, bounded as follows: Begin at a point on the North line of Twenty-first Street located 660.00 feet East of the West line of the Northwest Quarter of said Section 19; run thence North 0°06'30" East 778.00 feet parallel with the West line of said Quarter Section to the North line of Twentieth Street as vacated in a vacation plat recorded in Volume S of Plats on Page B in the Racine County Register of Deeds Office; thence East 106.72 feet to a point 200.00 feet West of the West line of Oregon Street as vacated in the aforementioned vacated plat; thence South 0°02' East 778.00 feet parallel with the West line of Oregon Street as vacated to the North line of Twenty-first Street; thence West 108.64 feet to the point beginning. Said land being in the City of Racine, County of Racine, State of Wisconsin. Also, that part of the Chicago, Milwaukee, St. Paul & Pacific Railroad right-of-way adjacent to parcels of land recorded in Document No. 633290. Said right of way being bounded on the West by the East line of Ohio Street and bounded on the East by the West line of Oregon Street extended Northerly to the North line of said right-of-way. Said right of way being 932.4 feet, more or less, in length and 119 feet in width. Said land being in the City of Racine, County of Racine, State of Wisconsin.

[EXHIBIT A]

EXCEPTING THEREFROM lands conveyed for road purposes recorded June 21, 1962, as Document No. 737741, March 28, 1977, as Document No. 996501 and December 4, 2008, as Document No. 2195156.

Tax Parcel Number: 276-00-00-23869-001
Property Address: 4600 Twentyfirst Street

PARCEL C:

Part of Block 75, Section 16, Township 3 North, Range 23 East, as returned by the Appraisers of School and University Lands to the Office of the Secretary of State of the State of Wisconsin, bounded as follows: Begin at the Northwest corner of said Block 75; run thence Easterly in the north line of Block 364 feet, more or less to the Westerly line of the right of way of the Chicago, Milwaukee, St. Paul and Pacific Railroad, thence Southwesterly in the Westerly line of said Railroad right of way to the South line of said Block 75; thence Westerly in the South line of said Block 286.25 feet, more or less, to the Southwest corner of said Block 75; thence Northerly in the West line of said Block 75 a distance of 483.6 feet, more or less, to the place of beginning.

EXCEPTING THEREFROM lands conveyed in Warranty Deed recorded August 6, 1996, as Document No. 1548655 and Warranty Deed recorded September 27, 1996, as Document No. 1554360.

Tax Parcel Number: 276-00-00-08846-001
Property Address: 1333 Racine Street

PARCEL D:

That part of Block 69, Section 16, Township 3 North, Range 23 East, as returned by the Appraisers of School and University Lands to the office of the Secretary of State of the State of Wisconsin, bounded as follows: Begin in the South line of said Block at a point 4.91 chains (324.06 feet) East of the Southwest corner of that part of said Block which lies East of Washington Avenue; run thence North 120 feet; thence West 80 feet; thence South 120 feet to the South line of said Block; thence East 80 feet to the place of beginning; excepting the East 40 feet thereof. Said land being in the City of Racine, County of Racine, State of Wisconsin.

Parcel D1:

That part of the East ¼ of Block 69, Section 16, Township 3 North, Range 23 East, as returned by the Appraisers of School and University lands to the office of the Secretary of State of the State of Wisconsin, bounded as follows: Begin on the South line of said Block, 324.06 feet East of the Southwest corner of that part of said Block East of Washington Avenue; thence North 120 feet; thence West 40 feet; thence South 120 feet; thence East to the place of beginning. Said land being in the City of Racine, County of Racine, State of Wisconsin.

[EXHIBIT A]

Parcel D2:
That part of Block 69, Section 16, Township 3 North, Range 23 East, as returned by the Appraisers of School and University Lands to the Office of the Secretary of State of the State of Wisconsin, bounded as follows: Begin Four and 91/100 (4.91) chains East of the Southwest corner of that part of said Block which lies East of the United States Road (now Washington Avenue); run thence North 120 feet; run thence East 144.5 feet, more or less, to the East line of said Block; run thence South 120 feet to the South line of said Block; run thence West 144.5 feet, more or less, to the place of beginning. Said land being in the City of Racine, County of Racine, State of Wisconsin.

Tax Parcel Number: 276-00-00-8676-000
Property Address: 1212 13th Street

PARCEL E:
Lots 6, 7, 8, 13, 14, 15, 16, 21, 22, 23, 24, 29, 30, Blake and Fish's Subdivision of part of Blocks 77, 83 and 84, School Section, Racine, according to the recorded plat thereof, along with vacated Higgins Court, as shown on Vacation Plat recorded as Document No. 935372. Said land being in the City of Racine, County of Racine and State of Wisconsin.

Parcel E1:
All that certain piece or parcel of land situated in the City of Racine, in said County of Racine and State of Wisconsin, bounded on the North by Fourteenth Street and on the East by Clark Street, and being part of Block 77, School Section, Section 16 and more particularly described as follows: Begin at the point of intersection of the West line of Clark Street with the North line of the alley running West from Clark Street to Blake Street which is shown on the Plat of Blake and Fish's Subdivision, recorded in Plat Book "D", page 29, in Register of Deeds Office for said Racine County, and which point is shown on said Plat and in prior deeds in the chain-of-title, as being 300 feet North of the North line of Fifteenth Street, and 290 feet West of the West line of Racine Street, and from said point of beginning, run thence West along the North line of said alley, a distance of 71 feet, more or less, to an iron stake; thence, run North and parallel to said Clark Street, a distance of 85 feet, more or less, to an iron stake; thence, run East right-angle, a distance of 36 feet, more or less, to an iron stake; thence, run Northward, a distance of 98-7/10 feet, more or less, to the South line of Fourteenth Street at a point which is 30 ½ feet West of the West line of Clark Street; thence, run East along the South line of said Fourteenth Street, 30 ½ feet to the said West line of Clark Street; thence, run South along said West line of Clark Street, a distance of 183 - 6/10 feet to the place of beginning.

AND

All that certain piece or parcel of land, situated in the City of Racine, in said County of Racine and State of Wisconsin, bounded on the North by Fourteenth Street, and being part of Block No. 77, School Section, in Section 16, and more particularly described as follows: Begin at a point in the South line of Fourteenth Street, which is 65 feet East of the Chicago & Northwestern Railway Company's right-of-way, and which point of beginning is also 345 feet East of the Northwest corner of said Block No. 77, and from said point of beginning, run thence Southwesterly and parallel with said Chicago, Northwestern Railway Company's right-of-way, a distance of 213 feet to the Northwesterly boundary line of Blake & Fish's Subdivision, recorded in Plat Book "D" page 29, in Register of Deeds office for said Racine County, and which said point is marked by an iron stake; thence, run Northeasterly along the said Northwesterly boundary line of Blake & Fish's Subdivision, to the North line of the alley on said Plat connecting Blake Street with Clark Street, and which said point is 300 feet North of the North line of Fifteenth Street; thence, run East along said North line of said alley to an iron stake, which is 71 feet, more or less, West from the West lien of Clark Street; thence, run North and parallel to said Clark Street, a distance of 85 feet, more or less, to an iron stake; thence, run East at right angles, a distance of 36 feet, more or less, to an iron stake; thence, run Northward, a distance of 98-7/10 feet, more or less, to the said South line of Fourteenth Street at a point which is 30-1/2 fee West of the West line of Clark Street; and thence, run West along the said South line of Fourteenth Street, 62-3/10 feet, more or less, to the place of beginning.

[EXHIBIT A]

AND

That part of Block 77 in Section 16 as returned by the Appraisers of School and University lands to the office of the Secretary of State of the State of Wisconsin, bounded as follows: Commencing on the North line of said Block, 280 feet East of the Northwest corner of said Block, said point of beginning being on the East line of the right of way of the Chicago and Northwestern Railway, running thence East 65 feet, thence Southerly parallel with the East line of the right-of-way of said railway company to the Northerly line of Blake and Fish's Subdivision of a part of said Block 77, thence Southwesterly on the Northerly line of said Blake and Fish's Subdivision to the Easterly line of the right-of-way of said Chicago and Northwestern Railway, and thence Northerly on the Easterly line of said right of way to the place of beginning.

Tax Parcel Number: 276-00-00-8914-000
Property Address: 1311 14th Street

[EXHIBIT A]

EXHIBIT B
TO
ASSIGNMENT OF AND AMENDMENT TO
NEGATIVE PLEDGE AGREEMENT

[EXHIBIT B]

PREPARED BY AND WHEN RECORDED
RETURN TO:
Alexander P. Fraser, Esq.
Michael Best & Friedrich LLP
100 East Wisconsin Avenue, Suite 3300
Milwaukee, WI 53202

NEGATIVE PLEDGE AGREEMENT

THIS NEGATIVE PLEDGE AGREEMENT (this "Agreement") is made effective as April 22, 2016, by and among TWIN DISC, INCORPORATED, a Wisconsin corporation (the "***Company***" or the "***Borrower***"), each lender from time to time party to the Credit Agreement hereinafter defined (collectively, the "***Lenders***" and individually, a "***Lender***"), and BANK OF MONTREAL, a Canadian chartered bank acting through its Chicago branch, as Administrative Agent for the Lenders from time to time parties to the Credit Agreement (hereinafter defined) (the "***Administrative Agent***").

RECITALS

The Administrative Agent, the Lenders and the Company have entered into that certain Credit Agreement dated as of April 22, 2016 (the "***Credit Agreement***"), pursuant to which the Lenders have agreed to extend credit to the Company upon the terms set forth in the Credit Agreement. The Lenders would not have agreed to extend such credit but for the Company entering into this Agreement.

NOW, THEREFORE, in consideration of the extension of credit to the Company, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company hereby agrees:

AGREEMENT

1. Definitions. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Credit Agreement. In addition, the following terms used in this Agreement shall have the following meanings:

"Real Estate" means all land, together with the buildings, structures, parking areas, and other improvements thereon, now or hereafter owned by the Company, including all easements, rights-of-way, and similar rights appurtenant thereto and all leases, tenancies, and occupancies thereof, as legally described on Exhibit A.

2. Negative Pledge. The Company hereby covenants and agrees that, unless consented to by the Administrative Agent, from and after the date of this Agreement and until the termination of this Agreement in accordance with Section 8 below, the Company will (a) not sell, option, exchange or otherwise convey any legal, equitable or beneficial interest in the Real Estate or any part thereof, and (b) keep the Real Estate free and clear from any pledge, mortgage, security interest, hypothecation, lien, charge, encumbrance, conditional sale agreements, rights or claims of third parties, other burdens and any security interest therein, other than Permitted Liens and all liens and encumbrances currently existing on the Real Estate listed in the attached Exhibit B (the "***Existing Liens and Encumbrances***").

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3. Certain Representations and Warranties. The Company represents and warrants to the Administrative Agent that the Company is the legal and beneficial owner of the Real Estate, free and clear of all liens and encumbrances, except only for Permitted Liens and Existing Liens and Encumbrances.

4. Default; Expenses. The failure of the Company to comply with any term of this Agreement shall constitute an Event of Default under the Credit Agreement. In addition, the Company shall reimburse the Administrative Agent (and any agent or representative of the Administrative Agent) for any expenses incurred by the Administrative Agent (or such agent or representative of the Administrative Agent) in protecting or enforcing its rights under this Agreement, including, without limitation, reasonable attorneys' fees.

5. Recording of Negative Pledge. The Company hereby authorizes the Administrative Agent, without need of any further document or instrument, to record this Agreement as an encumbrance against the Real Estate.

6. Agreement to Grant Mortgage. Within thirty (30) days after the beginning of a Dominion Trigger Period (as defined in the Credit Agreement), the Company agrees to execute and deliver to the Administrative Agent Mortgages and any Mortgage Related Documents, in form and substance satisfactory to the Administrative Agent, in favor of the Administrative Agent to secure performance and payment of the Indebtedness thereunder. With the exceptions of Permitted Liens and Existing Liens and Encumbrances, such Mortgages shall grant first-priority liens to the Administrative Agent on all the Real Estate that the Company owns at such time.

7. Further Assurances. The Company agrees to execute and deliver, or cause to be executed and delivered, all such other papers and to take all such other actions within its power as the Administrative Agent may reasonably request from time to time in order to carry out the purposes of this Agreement.

8. Term. When all of the Indebtedness is irrevocably and fully paid and fully discharged and the Lenders shall have no further obligation or commitment to advance or extend credit to the Company under the Credit Agreement, this Agreement shall terminate. Notwithstanding the foregoing, this Agreement shall apply to all extensions, renewals, refinancings or modifications, if any, of the Loans. The Administrative Agent agrees to record, no later than thirty (30) days after the termination of this Agreement, a satisfaction of this Agreement (in form and substance acceptable to Company) with the Racine County Register of Deeds. If Administrative Agent fails to satisfy the requirement in the immediately preceding sentence, Administrative Agent shall be liable to the Company for such amounts available to a landowner under Wisconsin Statutes §708.15(5)(b).

9. Miscellaneous. This Agreement may only be amended by a writing executed by both the Company and the Administrative Agent. This Agreement shall inure to the benefit of the Administrative Agent and be binding upon the Company and its successors and assigns. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which when taken together shall be deemed to constitute one and the same agreement. The Recitals to this Agreement are true, correct and incorporated herein by reference.

Dated as of April 22, 2016.

TWIN DISC, INCORPORATED

By: _____
Name: Jeffrey S. Knutson
Title: Vice President – Finance and
Chief Financial Officer

ACKNOWLEDGMENT

STATE OF WISCONSIN)
)SS
COUNTY OF MILWAUKEE)

On this 21st day of April, 2016, before me, a Notary Public, personally appeared Jeffrey S. Knutson, to me personally known, who being by me duly sworn, did say that he is the Vice President – Finance and Chief Financial Officer of Twin Disc, Incorporated, a Wisconsin corporation, and that this instrument was signed and sealed on behalf of such company, and said person acknowledged the execution of this instrument as the free act and deed of such company.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Name: _____
Notary Public, State of _____
County of _____ [NOTARIAL SEAL]
My Commission

This instrument was drafted by
and should be returned to:

Michael Best & Friedrich LLP
100 East Wisconsin Avenue
Suite 3300
Milwaukee, Wisconsin 53202
Attention: Alexander P. Fraser, Esq.

EXHIBIT A

Legal Description

PARCEL A:
Lots 1, 2, 5, 6, 9, 10, 16 and 17, of Harmon's Subdivision of part of Block 76, Section 16, Township 3 North, Range 23 East, according to the recorded plat of said subdivision on file in the office of the Register of Deeds, along with that part of vacated Clark Street. Said land being in the City of Racine, County of Racine, and State of Wisconsin.

Parcel A1:
That part of Block 76, School Section, in Section 16, Town 3 North, Range 23 East, as returned by Appraisers of School and University Lands to the Office of the Secretary of State of the State of Wisconsin, bounded as follows: Beginning at a point in the South line of said Block 205 feet West of the West line of Racine Street; running thence West on the South line of said block to the East line of Clark Street; thence North on the East line of Clark Street 100 feet; thence East parallel with the South line of said block to a point due North of the place of beginning; thence South parallel with Clark Street 100 feet to the place of beginning. Said land being in the City of Racine, County of Racine, and State of Wisconsin.

Parcel A2:
That part of Block 76, School Section, in Section 16, Town 3 North, Range 23 East, as returned by Appraisers of School and University Lands to the Office of the Secretary of State of the State of Wisconsin, bounded as follows: Begin at a point 328 feet South of the Northeast corner of said Block; run thence West 115 feet; thence South 62 feet; thence East 115 feet to the East line of said Block; thence North 62 feet to the place of beginning.

AND

All that part of Block 76 bounded as follows: Begin at a point 280 feet South of the Northeast corner of said Block; run thence West 115 feet; thence South 48 feet; thence East 115 feet to the East line of said Block; thence North 48 feet to the place of beginning. Said land being in the City of Racine, County of Racine, and State of Wisconsin.

Parcel A3:
That part of Block 76, School Section, in Section 16, Town 3 North, Range 23 East, as returned by Appraisers of School and University Lands to the Office of the Secretary of State of the State of Wisconsin, bounded as follows: Begin at a point on the East line of said Block 390 feet South of the Northeast corner of said Block, run thence West 115 feet; thence South 40 feet; thence East 115 feet to the East line of the said Block; and thence North 40 feet to the place of beginning. Said land being in the City of Racine, County of Racine, and State of Wisconsin.

Parcel A4:
That part of Block 76, School Section, in Section 16, Town 3 North, Range 23 East, as returned by Appraisers of School and University Lands to the Office of the Secretary of State of the State of Wisconsin, bounded as follows: Begin on the East line of Clark Street 155 feet South from the North line of said Block; run thence East 120 feet; thence South 5 feet; thence East 26.83 feet, more or less, to a point 114.79 feet West of the West line of Racine Street; thence South 140 feet more or less to lands now owned by the Twin Disc Clutch Company, a corporation; thence West along the North line of lands owned by said Twin Disc Clutch Company, a corporation, 146.83 feet, more or less, to the East line of Clark Street; and thence North along the East line of Clark Street 145 feet, more or less, to the place of beginning. Said land being in the City of Racine, County of Racine, and State of Wisconsin.

Parcel A5:
That part of the East 1/2 of Block 76, School Section, in Section 16, Town 3 North, Range 23 East, as returned by Appraisers of School and University Lands to the Office of the Secretary of State of the State of Wisconsin, bounded as follows: Commencing at the Southeast corner of the East 1/2 of said Block 76; run thence North 56 1/2 feet more or less to lands and premises now owned by Twin Disc Clutch Company, a corporation; run thence West 115 more or less to lands now owned by Twin Disc Clutch Company, a corporation; thence South 56 1/2 feet, more or less, to the South line of said Block 76; and thence East along the South line of said Block to the place of beginning. Said land being in the City of Racine, County of Racine, and State of Wisconsin.

Parcel A6:
That part of Block 76, School Section, in Section 16, Town 3 North, Range 23 East, as returned by Appraisers of School and University Lands to the Office of the Secretary of State of the State of Wisconsin, bounded as follows: Begin on the West line of Racine Street, 240 feet South of the North line of said Block; run thence West 115 feet; thence South 40 feet; thence East 115 feet to the West line of Racine Street; thence North to the place of beginning. Said land being in the City of Racine, County of Racine, and State of Wisconsin.

Parcel A7:
That part of Block 76, School Section, in Section 16, Town 3 North, Range 23 East, as returned by Appraisers of School and University Lands to the Office of the Secretary of State of the State of Wisconsin, bounded as follows: Begin at a point on the West line of Racine Street, 120 feet South of the Northeast corner of said Block 76; run thence West 125 feet, more or less to lands formerly owned by Tostevin and LeRoy (which distance is in fact 141.29 feet); thence North 40 feet; thence East to the West line of Racine Street; thence South 40 feet to the beginning. Said land being in the City of Racine, County of Racine, and State of Wisconsin.

Parcel A8:
That part of Block 76, School Section, in Section 16, Town 3 North, Range 23 East, as returned by Appraisers of School and University Lands to the Office of the Secretary of State of the State of Wisconsin, bounded as follows: Begin on the West line of Racine Street, 160 feet South of the South line of Thirteenth Street; run thence West 114.79 feet; thence South 40 feet; thence East to Racine Street; thence North to the place of beginning. Said land being in the City of Racine, County of Racine, and State of Wisconsin.

Parcel A9:
That part of Block 76, School Section, in Section 16, Town 3 North, Range 23 East, as returned by Appraisers of School and University Lands to the Office of the Secretary of State of the State of Wisconsin, bounded as follows: Begin on the South line of said Block at a point which is 115 feet West of the West line of Racine Street; run thence West along the South line of said Block 90 feet; thence North 100 feet; thence East 90 feet; and thence South 100 feet to the place of beginning. Said land being in the City of Racine, County of Racine, and State of Wisconsin.

Parcel A10:
That part of the East 1/2 of Block 76, School Section, in Section 16, Town 3 North, Range 23 East, as returned by Appraisers of School and University Lands to the Office of the Secretary of State of the State of Wisconsin, bounded as follows: Begin at a point in the East line of Clark Street 100 feet North of the South line of said Block; run thence North 80 feet; thence East parallel with the South line of said Block 146.83 feet to a point which is 115 feet West of the West line of Racine Street; thence South 80 feet; and thence West parallel with the South line of said Block 146.83 feet to the East line of Clark Street to the place of beginning. Said land being in the City of Racine, County of Racine, and State of Wisconsin.

Parcel A11:
That part of Block 76, School Section, in Section 16, Town 3 North, Range 23 East, as returned by Appraisers of School and University Lands to the Office of the Secretary of State of the State of Wisconsin, bounded as follows: Begin in the North line of said block at at point 130 feet West of the Northeast corner of said Block; run thence South 80 feet; thence West 11.9 feet more or less to a point 120 feet East on the East line of Clark Street; thence South 75 feet; thence West 120 feet to the East line of Clark Street; thence North along the East line of Clark Street 155 feet to the North line of said Block 76; thence East along the North line of said Block to the place of beginning. Said land being in the City of Racine, County of Racine, and State of Wisconsin.

Parcel A12:
That part of the East ½ of Block 76, School Section, in Section 16, Town 3 North, Range 23 East, as returned by Appraisers of School and University Lands to the Office of the Secretary of State of the State of Wisconsin, bounded as follows: Begin on the South line of Thirteenth Street in said City of Racine at a point 90 feet West from the Northeast corner of said Block; run thence West on the North line of said Block, 40 feet, to the Northeast corner of land conveyed by Boyd R. Adams and wife and Clarence E. Adams and wife to Twin Disc Clutch Company by deed dated March 1, 1929 and recorded in the Office of the Register of Deeds for Racine County, Wisconsin, on March 18, 1929, in Volume 254 of Deeds on page 30, said point being 131.9 feet East of the East line of Clark Street; run thence South, along the East line of land conveyed by said deed, 80 feet; run thence East 40 feet; run thence North 80 feet to the place of beginning. Said land being in the City of Racine, County of Racine, and State of Wisconsin.

Parcel A13:
That part of the East ½ of Block 76, School Section, in Section 16, Town 3 North, Range 23 East, as returned by Appraisers of School and University Lands to the Office of the Secretary of State of the State of Wisconsin, bounded as follows: Being at a point 44 feet South of the Northeast of said Block; run thence West 90 feet; thence South 36 feet; thence East 90 feet to the East line of said Block; thence North 36 feet, to the place of beginning. Said land being in the City of Racine, County of Racine, and State of Wisconsin.

Parcel A14:
That part of the East ½ of Block 76, School Section, in Section 16, Town 3 North, Range 23 East, as returned by Appraisers of School and University Lands to the Office of the Secretary of State of the State of Wisconsin, bounded as follows: Begin at the Northeast corner of said Block; run thence West on the North line of said Block 90 feet; run thence South 44 feet; run thence East 90 feet to the East line of said Block; run thence North 44 feet to the place of beginning. Said land being in the City of Racine, County of Racine, and State of Wisconsin.

Parcel A15:
That part of Block 76, School Section, in Section 16, Town 3 North, Range 23 East, as returned by Appraisers of School and University Lands to the Office of the Secretary of State of the State of Wisconsin, bounded as follows: Begin on the West line of Racine Street at a point 120 feet South from the South line of Thirteenth Street; run thence West 141.29 feet more or less, to land formerly owned by Tostevin and Leroy; thence South 40 feet; thence East to the West line of Racine Street; thence North 40 feet to the place of beginning. Said land being in the City of Racine, County of Racine, and State of Wisconsin.

Parcel A16:
That part of Block 76, School Section, in Section 16, Town 3 North, Range 23 East, as returned by Appraisers of School and University Lands to the Office of the Secretary of State of the State of Wisconsin, bounded as follows: Begin on the East line of said Block, being the West line of Racine Street, at a point 200 feet South of the North line of said Block, run thence West 115 feet; thence South 40 feet; thence East 115 feet to the West line of Racine Street; thence North to the place of beginning. Said land being in the City of Racine, County of Racine, and State of Wisconsin.

Tax Parcel Number: 276-00-00-08870-001
Property Address: 1328 Racine Street

PARCEL B:

That part of the Northwest Quarter of Section 19, Township 3, North, Range 23 East, bounded as follows: Begin at a point on the West line of the Northwest Quarter of said Section 19 located North 0°06'30" East 30.00 feet from the West Quarter corner of said Section, said point being the intersection of the West line of said Quarter Section with the North line of Twenty-first Street; run thence East 660.00 feet on the North line of Twenty-first Street; thence North 0°06'30" East 1143.15 feet to the Southerly line of the Chicago, Milwaukee and St. Paul Railroad right of way; thence South 83°34'20" West 664.32 feet on the Southerly line of said right of way to the West line of said Quarter Section; thence South 0°06'30" West 1068.78 feet to the point of beginning. Said land being in the City of Racine, County of Racine, State of Wisconsin.

AND

That part of the Northwest Quarter of Section 19, Township 3 North, Range 23 East, bounded as follows: Commence at a point on the North line of Twenty-first Street located 660.00 feet East of the West line of the Northwest Quarter of said Section 19; run thence North 0°06'30" East 778.00 feet on a line parallel with the West line of said Quarter Section to the point of beginning of this description; continue thence North 0°06'30" East 365.15 feet to the Southerly line of the right of way of the Chicago, Milwaukee and St. Paul Railroad right of way; thence North 83°34'20" East 307.72 feet to the West line of Oregon Street as vacated in a vacation plat recorded in Volume S of Plats on page B in the Racine County Register of Deeds Office; thence South 0°02' East 399.60 feet on the West line of said Street as vacated to the North line of Twentieth Street as vacated in the aforementioned vacation Plat; thence West 306.72 feet on the North line of Twentieth Street as vacated to the point of beginning. Said land being in the City of Racine, County of Racine, State of Wisconsin.

AND

That part of the Northwest Quarter of Section 19, Township 3 North, Range 23 East, bounded as follows: Begin at a point on the North line of Twenty-first Street located 660.00 feet East of the West line of the Northwest Quarter of said Section 19; run thence North 0°06'30" East 778.00 feet parallel with the West line of said Quarter Section to the North line of Twentieth Street as vacated in a vacation plat recorded in Volume S of Plats on Page B in the Racine County Register of Deeds Office; thence East 106.72 feet to a point 200.00 feet West of the West line of Oregon Street as vacated in the aforementioned vacated plat; thence South 0°02' East 778.00 feet parallel with the West line of Oregon Street as vacated to the North line of Twenty-first Street; thence West 108.64 feet to the point beginning. Said land being in the City of Racine, County of Racine, State of Wisconsin. Also, that part of the Chicago, Milwaukee, St. Paul & Pacific Railroad right-of-way adjacent to parcels of land recorded in Document No. 633290. Said right of way being bounded on the West by the East line of Ohio Street and bounded on the East by the West line of Oregon Street extended Northerly to the North line of said right-of-way. Said right of way being 932.4 feet, more or less, in length and 119 feet in width. Said land being in the City of Racine, County of Racine, State of Wisconsin.

EXCEPTING THEREFROM lands conveyed for road purposes recorded June 21, 1962, as Document No. 737741, March 28, 1977, as Document No. 996501 and December 4, 2008, as Document No. 2195156.

Tax Parcel Number: 276-00-00-23869-001
Property Address: 4600 Twentyfirst Street

PARCEL C:

Part of Block 75, Section 16, Township 3 North, Range 23 East, as returned by the Appraisers of School and University Lands to the Office of the Secretary of State of the State of Wisconsin, bounded as follows: Begin at the Northwest corner of said Block 75; run thence Easterly in the north line of Block 364 feet, more or less to the Westerly line of the right of way of the Chicago, Milwaukee, St. Paul and Pacific Railroad, thence Southwesterly in the Westerly line of said Railroad right of way to the South line of said Block 75; thence Westerly in the South line of said Block 286.25 feet, more or less, to the Southwest corner of said Block 75; thence Northerly in the West line of said Block 75 a distance of 483.6 feet, more or less, to the place of beginning.

EXCEPTING THEREFROM lands conveyed in Warranty Deed recorded August 6, 1996, as Document No. 1548655 and Warranty Deed recorded September 27, 1996, as Document No. 1554360.

Tax Parcel Number: 276-00-00-08846-001
Property Address: 1333 Racine Street

PARCEL D:

That part of Block 69, Section 16, Township 3 North, Range 23 East, as returned by the Appraisers of School and University Lands to the office of the Secretary of State of the State of Wisconsin, bounded as follows: Begin in the South line of said Block at a point 4.91 chains (324.06 feet) East of the Southwest corner of that part of said Block which lies East of Washington Avenue; run thence North 120 feet; thence West 80 feet; thence South 120 feet to the South line of said Block; thence East 80 feet to the place of beginning; excepting the East 40 feet thereof. Said land being in the City of Racine, County of Racine, State of Wisconsin.

Parcel D1:

That part of the East ¼ of Block 69, Section 16, Township 3 North, Range 23 East, as returned by the Appraisers of School and University lands to the office of the Secretary of State of the State of Wisconsin, bounded as follows: Begin on the South line of said Block, 324.06 feet East of the Southwest corner of that part of said Block East of Washington Avenue; thence North 120 feet; thence West 40 feet; thence South 120 feet; thence East to the place of beginning. Said land being in the City of Racine, County of Racine, State of Wisconsin.

Parcel D2:

That part of Block 69, Section 16, Township 3 North, Range 23 East, as returned by the Appraisers of School and University Lands to the Office of the Secretary of State of the State of Wisconsin, bounded as follows: Begin Four and 91/100 (4.91) chains East of the Southwest corner of that part of said Block which lies East of the United States Road (now Washington Avenue); run thence North 120 feet; run thence East 144.5 feet, more or less, to the East line of said Block; run thence South 120 feet to the South line of said Block; run thence West 144.5 feet, more or less, to the place of beginning. Said land being in the City of Racine, County of Racine, State of Wisconsin.

Tax Parcel Number: 276-00-00-8676-000
Property Address: 1212 13th Street

PARCEL E:
Lots 6, 7, 8, 13, 14, 15, 16, 21, 22, 23, 24, 29, 30, Blake and Fish's Subdivision of part of Blocks 77, 83 and 84, School Section, Racine, according to the recorded plat thereof, along with vacated Higgins Court, as shown on Vacation Plat recorded as Document No. 935372. Said land being in the City of Racine, County of Racine and State of Wisconsin.

Parcel E1:
All that certain piece or parcel of land situated in the City of Racine, in said County of Racine and State of Wisconsin, bounded on the North by Fourteenth Street and on the East by Clark Street, and being part of Block 77, School Section, Section 16 and more particularly described as follows: Begin at the point of intersection of the West line of Clark Street with the North line of the alley running West from Clark Street to Blake Street which is shown on the Plat of Blake and Fish's Subdivision, recorded in Plat Book "D", page 29, in Register of Deeds Office for said Racine County, and which point is shown on said Plat and in prior deeds in the chain-of-title, as being 300 feet North of the North line of Fifteenth Street, and 290 feet West of the West line of Racine Street, and from said point of beginning, run thence West along the North line of said alley, a distance of 71 feet, more or less, to an iron stake; thence, run North and parallel to said Clark Street, a distance of 85 feet, more or less, to an iron stake; thence, run East right-angle, a distance of 36 feet, more or less, to an iron stake; thence, run Northward, a distance of 98-7/10 feet, more or less, to the South line of Fourteenth Street at a point which is 30 ½ feet West of the West line of Clark Street; thence, run East along the South line of said Fourteenth Street, 30 ½ feet to the said West line of Clark Street; thence, run South along said West line of Clark Street, a distance of 183 - 6/10 feet to the place of beginning.

AND

All that certain piece or parcel of land, situated in the City of Racine, in said County of Racine and State of Wisconsin, bounded on the North by Fourteenth Street, and being part of Block No. 77, School Section, in Section 16, and more particularly described as follows: Begin at a point in the South line of Fourteenth Street, which is 65 feet East of the Chicago & Northwestern Railway Company's right-of-way, and which point of beginning is also 345 feet East of the Northwest corner of said Block No. 77, and from said point of beginning, run thence Southwesterly and parallel with said Chicago, Northwestern Railway Company's right-of-way, a distance of 213 feet to the Northwesterly boundary line of Blake & Fish's Subdivision, recorded in Plat Book "D" page 29, in Register of Deeds office for said Racine County, and which said point is marked by an iron stake; thence, run Northeasterly along the said Northwesterly boundary line of Blake & Fish's Subdivision, to the North line of the alley on said Plat connecting Blake Street with Clark Street, and which said point is 300 feet North of the North line of Fifteenth Street; thence, run East along said North line of said alley to an iron stake, which is 71 feet, more or less, West from the West lien of Clark Street; thence, run North and parallel to said Clark Street, a distance of 85 feet, more or less, to an iron stake; thence, run East at right angles, a distance of 36 feet, more or less, to an iron stake; thence, run Northward, a distance of 98-7/10 feet, more or less, to the said South line of Fourteenth Street at a point which is 30-1/2 fee West of the West line of Clark Street; and thence, run West along the said South line of Fourteenth Street, 62-3/10 feet, more or less, to the place of beginning.

AND

That part of Block 77 in Section 16 as returned by the Appraisers of School and University lands to the office of the Secretary of State of the State of Wisconsin, bounded as follows: Commencing on the North line of said Block, 280 feet East of the Northwest corner of said Block, said point of beginning being on the East line of the right of way of the Chicago and Northwestern Railway, running thence East 65 feet, thence Southerly parallel with the East line of the right-of-way of said railway company to the Northerly line of Blake and Fish's Subdivision of a part of said Block 77, thence Southwesterly on the Northerly line of said Blake and Fish's Subdivision to the Easterly line of the right-of-way of said Chicago and Northwestern Railway, and thence Northerly on the Easterly line of said right of way to the place of beginning.

Tax Parcel Number: 276-00-00-8914-000
Property Address: 1311 14th Street

EXHIBIT B

Existing Liens and Encumbrances

The Permitted Liens are set forth in a separate Agreement as to Liens and Encumbrances dated as of April 22, 2016 and executed by the Borrower and acknowledged and agreed to by the Administrative Agent.

Exhibit 10.9

COLLATERAL ASSIGNMENT OF RIGHTS UNDER PURCHASE AGREEMENT

THIS COLLATERAL ASSIGNMENT OF RIGHTS UNDER PURCHASE AGREEMENT (this "*Collateral Assignment*") has been executed and delivered as of July 2, 2018, by Twin Disc, Incorporated, a Wisconsin corporation ("*Borrower*"), and Twin Disc NL Holding B.V., a private company with limited liability incorporated under Dutch law and registered with the Dutch trade register 71859950 ("*Assignor*"), in favor of BMO Harris Bank N.A., a national banking association, (together with its successors and assigns, "*Bank*").

RECITALS

A. Assignor on the one hand and Het komt vast goed B.V., a private company with limited liability incorporated under Dutch law and registered with the Dutch trade register under number 23089528 ("*Seller*"), have entered into that certain Share Purchase Agreement, dated as of June 13, 2018 (together with all of the schedules attached thereto, the "*Purchase Agreement*"), pursuant to which Assignor will acquire from Seller, and Seller will sell to Assignor, the Shares (as defined in the Purchase Agreement) in Veth Propulsion Holding B.V., a private company with limited liability incorporated under Dutch law and registered with the Dutch trade register under number 71870369 (the "*Company*"), pursuant to the terms and conditions of the Purchase Agreement;

B. Assignor is a Wholly-Owned Subsidiary of the Borrower;

C. Borrower has entered into that certain Credit Agreement with Bank, dated as of June 29, 2018 (as may be amended or restated from time to time, the "*Credit Agreement*"), pursuant to which Bank will, among other things, extend certain credit facilities to Borrower to cause Assignor to complete the purchase transaction contemplated by the Purchase Agreement;

D. In order to induce Bank to enter into the Credit Agreement, Borrower has granted to the Bank a security interest in and to all of its tangible and intangible assets pursuant to a Security Agreement (as defined in the Credit Agreement); and

E. To further induce Bank to enter into the Credit Agreement, Assignor has agreed to collaterally assign to Bank all of Assignor's Rights and Remedies (as defined herein) with respect to the Purchase Agreement, in accordance with the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the facts set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Assignor and Bank hereby agree as follows:

AGREEMENT

1. Defined Terms. Any capitalized term used in this Collateral Assignment which is defined in the Credit Agreement shall have the definition contained in the Credit Agreement, unless otherwise defined herein.

2. Collateral Assignment. As additional security for the Obligations, Assignor hereby agrees to assign and transfer and collaterally assigns and transfers to Bank all of Assignor's rights, remedies, privileges, and claims with respect to the Purchase Agreement including, without limitation: (i) any right Assignor may have to indemnification from Seller, including, without limitation, pursuant to Sections 12, 13, 14, 15 and 16 (including the schedules related thereto) of the Purchase Agreement; (ii) rights and remedies with respect to any breach by Seller of any of its representations, warranties, and covenants thereunder including any non-competition, non-solicitation and non-disparagement covenants; and (iii) any rights to payment from Seller under the Purchase Agreement (all of the foregoing collectively referred to as the "*Rights and Remedies*") and Bank agrees to accept and accepts such assignment and transfer. Bank acknowledges and agrees that (a) this Agreement grants no rights to Bank against Seller other than the Rights and Remedies (as expressly described in this Section 2), and (b) solely as to any claim against Seller for any Rights and Remedies, Bank shall be (x) deemed to have accepted and agreed with the due diligence and negotiations undertaken by Assignor in connection with entering into the Purchase Agreement, and (y) bound by such due diligence and such negotiations and the provisions of this Agreement as if undertaken and made by Bank.

3. Enforcement of Rights Prior to Event of Default. Prior to the occurrence of an Event of Default under the Credit Agreement, Assignor shall enforce all Rights and Remedies diligently and in good faith.

4. Enforcement of Rights After Event of Default. Effective from and after the occurrence of an Event of Default under the Credit Agreement, and until such Event of Default is cured or waived, Assignor hereby irrevocably authorizes and empowers Bank, in Bank's own discretion, to assert, as Bank may deem proper, either directly or on behalf of Assignor, any of the Rights and Remedies which Assignor may from time to time have against Seller; *provided* that nothing in this Collateral Assignment shall be construed as excusing Assignor from the performance of any of the covenants or other agreements of Assignor contained in the Purchase Agreement and the other documents executed and delivered in connection therewith.

5. Right to Receive Payments and Proceeds. Regardless of the existence of an Event of Default, Assignor agrees to assign and hereby irrevocably assigns to Bank the immediate right to receive directly from Seller any and all payments, proceeds, monies, damages and awards arising from the Rights and Remedies and Bank agrees to accept and hereby accepts such assignment; *provided* that Bank shall not enforce such assignment against Seller unless an Event of Default has occurred and is continuing.

6. Power of Attorney. Assignor hereby irrevocably makes, constitutes, and appoints Bank (and all officers, employees, or agents designated by Bank) as its true and lawful attorney (and agent-in-fact), coupled with an interest, for the purposes of enabling Bank or its agent, upon the occurrence of an Event of Default, to assert and collect such claims and to apply such monies in the manner set forth hereinabove.

7. Assignor's Obligations. Assignor shall keep Bank informed of any changes in all circumstances that could reasonably be expected to materially and adversely affect the Rights and Remedies, and Assignor shall not waive, amend, alter, or modify any of the Rights and Remedies without prior written consent of Bank.

8. Continuing Effect. This Collateral Assignment shall continue in effect until the Obligations have been paid and discharged in full in cash, and the Credit Agreement has been terminated.

9. Continuing Performance under Purchase Agreement. Notwithstanding the foregoing, Assignor expressly acknowledges and agrees that it shall remain liable under the Purchase Agreement to observe and perform all of the conditions and obligations in the Purchase Agreement which Assignor is bound to observe and perform, and that neither this Collateral Assignment, nor any action taken pursuant hereto, shall cause Bank to be under any obligation or liability in any respect whatsoever to any observance or performance of any of the representations, warranties, conditions, covenants, agreements, or terms of the Purchase Agreement.

10. Counterparts. This Collateral Assignment may be executed in any number of counterparts, each of which, when executed and delivered, shall be deemed to be an original. All of such counterparts, taken together, shall constitute but one and the same agreement. This Collateral Assignment shall become effective upon the execution of a counterpart of this Collateral Assignment by each of the parties hereto.

11. Governing Law. The validity of this Agreement, the construction, interpretation, and enforcement hereof, and the rights of the parties hereto with respect to all matters arising hereunder or related hereto shall be determined under, governed by, and construed in accordance with the laws of the State of Wisconsin.

12. VENUE. THE PARTIES AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS AGREEMENT SHALL BE TRIED AND LITIGATED ONLY IN THE STATE AND FEDERAL COURTS LOCATED IN THE CITY OF MILWAUKEE, STATE OF WISCONSIN, *PROVIDED* THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT, AT BANK'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE BANK ELECTS TO BRING SUCH ACTION OR WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND. THE PARTIES WAIVE, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF *FORUM NON CONVENIENS* OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS *SECTION 12*.

[**Signature Pages Follow**]

IN WITNESS WHEREOF, this Collateral Assignment has been executed and delivered as of the date first set forth above.

Borrower: **TWIN DISC, INCORPORATED**

By:_____
Name: Jeffrey Knutson
Title: Vice President – Finance and Chief Financial Officer

Assignor: **TWIN DISC NL HOLDING B.V.**

By:_____
Name: J.H. Batten
Title: Proxy holder

Bank: **BMO HARRIS BANK N.A.**

By_____
Name: Mark Czarnecki
Title: Senior Vice President

CONSENT OF

SELLER

TO

COLLATERAL ASSIGNMENT OF RIGHTS UNDER PURCHASE AGREEMENT

AMONG

TWIN DISC, INCORPORATED,

TWIN DISC NL HOLDING B.V.

AND

BMO HARRIS BANK N.A.

DATED: July 2, 2018

The undersigned hereby consents to the assignment of the Rights and Remedies in accordance with the terms of the Collateral Assignment of Rights Under Purchase Agreement (the "*Collateral Assignment*") to which this Consent is attached. All initially capitalized terms used but not defined in this Consent have the meanings given to such terms in the Collateral Assignment.

The undersigned specifically acknowledges the terms and provisions of Section 5 of the Collateral Assignment, which provides, among other things, that Bank is irrevocably assigned the immediate right to receive any and all payments, proceeds, monies, damages and awards arising from the Rights and Remedies directly from Seller, including those arising from any and all rights to payment to the extent that Seller is obligated to make any payment under the Purchase Agreement taking into account all rights and remedies the Seller has under the provisions of the Purchase Agreement, including any rights of defense, limitations of liability and caps and thresholds that have been agreed upon; *provided* that Bank has agreed that it will not enforce such assignment unless an Event of Default has occurred. Seller hereby agrees to promptly remit all such payments, proceeds, monies, damages and awards directly to Bank following Bank's written notice to Seller that an Event of Default has occurred and that payment by Seller to Bank is considered to have discharging effect for Seller.

IN WITNESS WHEREOF, the undersigned has duly executed this Consent as of the date set forth above.

HET KOMT VAST GOED B.V.
By
Name: Mr. H.A. Veth
Title: Director

Consent of Seller to
Collateral Assignment of Rights Under Purchase Agreement