



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) August 3, 2009

Twin Disc, Incorporated  
(exact name of registrant as specified in its charter)

WISCONSIN  
(State or other jurisdiction  
of incorporation)

001-7635  
(Commission  
File Number)

39-0667110  
(IRS Employer  
Identification No.)

1328 Racine Street

Racine, Wisconsin 53403

Registrant's telephone number, including area code:

262)638-4000

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

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

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

At its meeting on July 30, 2009, the Compensation Committee of the Board of Directors of Twin Disc, Incorporated (the "Company") directed management to increase the base salary of Mr. H. Claude Fabry, Vice President, one of the Company's "named executive officers" (as used in Instruction 4 to Item 5.02 of Form 8-K) to \$256,734, effective August 3, 2009, in recognition of his assumption of additional duties as Managing Director for Twin Disc International S.A. A portion of Mr. Fabry's compensation is denominated in Euro, which has been translated at the August 3, 2009 exchange rate of 1.42630.

The Directors' Compensation Committee also directed management to enter into certain Performance Stock Award Grant Agreements with named executive officers of the Company under the Company's 2004 Long Term Incentive Compensation Plan as amended in 2006 (the "Plan"). A target number of 50,179 performance shares were awarded to the named executive officers effective August 3, 2009, subject to adjustment as described below. The performance shares will be paid out if the Company achieves certain economic profit objectives (measured as the difference between the cumulative net operating profit after taxes and the cumulative capital charge) for the cumulative three fiscal year period ending June 30, 2012. If the Company achieves the maximum 3-year cumulative economic profit goal, a recipient will earn a maximum number of performance shares. If the Company achieves the target 3-year cumulative economic profit goal, a recipient will earn the target number of performance shares. If the Company achieves the threshold 3-year cumulative economic profit goal, a recipient will earn a threshold number of performance shares. No performance shares will be earned for performance below the 3-year cumulative economic profit threshold and no additional performance shares will be earned for performance exceeding the 3-year cumulative economic profit maximum. In the event that the Company's economic profit is between the achievement levels set forth, the percentage of performance shares awarded shall be determined by interpolation. The maximum number of performance shares that can be earned by the named executive officers pursuant to this award is 60,215. A copy of the form of the Performance Stock Award Grant Agreement is attached hereto as Exhibit 10.1 and is incorporated herein by reference.

The Directors' Compensation Committee also directed management to enter into certain Performance Stock Unit Award Grant Agreements with named executive officers of the Company under the Plan. A target number of 80,238 performance stock units were awarded to the named executive officers effective August 3, 2009, subject to adjustment as described below. The performance stock units will be paid out if the Company achieves certain economic profit objectives (measured as the difference between the cumulative net operating profit after taxes and the cumulative capital charge) for the cumulative three fiscal year period ending June 30, 2012. If the Company achieves the maximum 3-year cumulative economic profit goal, a recipient will earn a maximum number of performance stock units. If the Company achieves the target 3-year cumulative economic profit goal, a recipient will earn the target number of performance stock units. If the Company achieves the threshold 3-year cumulative economic profit goal, a recipient will earn a threshold number of performance stock units. No performance stock units will be earned for performance below the 3-year cumulative economic profit threshold and no additional performance stock units will be earned for performance exceeding the 3-year cumulative economic profit maximum. In the event that the Company's economic profit is between the achievement levels set forth, the percentage of performance stock units awarded shall be determined by interpolation. The maximum number of performance stock units that can be earned by the named executive officers pursuant to this award is 96,286. A copy of the form of the Performance Stock Unit Award Grant Agreement is attached hereto as Exhibit 10.2 and incorporated herein by reference.

The Directors' Compensation Committee also directed management to enter into certain Restricted Stock Grant Agreements with named executive officers of the Company under the Plan. A total of 79,497 shares of restricted stock were awarded to the named executive officers effective August 3, 2009. The shares will vest in three years, provided the named executive officer remains employed as of such vesting date. The restricted stock will fully vest if the named executive officer terminates employment due to death or disability, or following a change in control of the Company. A copy of the form of the Restricted Stock Grant Agreement is attached hereto as Exhibit 10.3 and is incorporated herein by reference.

The following table shows the awards granted to the named executive officers under the Plan:

Name	Performance Shares (3-yr. Target)	Performance Stock Units (3-yr. Target)	Shares of Restricted Stock
M. Batten	0	56,045	32,596
J. Batten	18,894	9,109	17,659
C. Eperjesy	13,031	6,283	12,180
J. Feiertag	13,031	6,283	12,180
H.C. Fabry	5,223	2,518	4,882

#### FORWARD LOOKING STATEMENTS

The disclosures in this report on Form 8-K and in the documents incorporated herein by reference contain or may contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The words "believes," "expects," "intends," "plans," "anticipates," "hopes," "likely," "will," and similar expressions identify such forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company (or entities in which the Company has interests), or industry results, to differ materially from future results, performance or achievements expressed or implied by such forward-looking statements. Certain factors that could cause the Company's actual future results to differ materially from those discussed are noted in connection with such statements, but other unanticipated factors could arise. Readers are cautioned not to place undue reliance on these forward-looking statements which reflect management's view only as of the date of this Form 8-K. The Company undertakes no obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, conditions or circumstances.

Item 9.01 Financial Statements and Exhibits

(c) Exhibits

EXHIBIT NUMBER	DESCRIPTION
10.1	Form of Performance Stock Award Grant Agreement for targeted award of performance shares dated August 3, 2009
10.2	Form of Performance Stock Unit Award Grant Agreement for targeted award of performance stock units dated August 3, 2009
10.3	Form of Restricted Stock Grant Agreement for Restricted Stock grants dated August 3, 2009

#### SIGNATURE

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

Date: August 5, 2009

Twin Disc, Inc.

/s/ THOMAS E. VALENTYN  
 Thomas E. Valentyn  
 General Counsel & Secretary





## PERFORMANCE STOCK AWARD GRANT AGREEMENT

THIS PERFORMANCE STOCK AWARD GRANT AGREEMENT (the "Agreement"), by and between TWIN DISC, INCORPORATED (the "Company") and \_\_\_\_\_ (the "Employee") is dated this 3<sup>rd</sup> day of August, 2009, to memorialize an award of performance stock of even date herewith.

WHEREAS, the Company adopted a Long Term Incentive Compensation Plan in 2004, as amended in 2006 (the "Plan"), whereby the Compensation Committee of the Board of Directors (the "Committee") is authorized to grant performance stock awards that entitle an employee of the Company receiving such award to shares of common stock of the Company if the Company achieves a predetermined performance objective; and

WHEREAS, effective August 3, 2009, the Committee made an award of performance stock to the Employee as an inducement to achieve the below described performance objective.

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

1. Performance Stock Award Grant. Subject to the terms of the Plan, a copy of which has been provided to the Employee and is incorporated herein by reference, the Company has granted Employee a performance stock award effective August 3, 2009. Such performance stock award shall entitle the Employee to receive the number of shares of the Company's common stock (the "Shares") awarded pursuant to the table below if the Company achieves the economic profit objective stated below (the "Performance Objective"):

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

The Performance Objective is the amount of the Company's economic profit (measured as the difference between the Company's cumulative net operating profit after taxes and the Company's cumulative capital charge) for the cumulative three fiscal year period ending June 30, 2012, as specified in the table above. If the Company achieves the maximum Performance Objective as specified on the table above, the Employee will earn the maximum number of Shares. If the Company achieves the target Performance Objective as specified on the table above, the Employee will receive the target number of Shares. If the Company achieves the threshold Performance Objective stated above, the Employee will earn the threshold number of Shares. No Shares will be earned for performance below the 3-year cumulative economic profit threshold and no additional Shares will be earned for performance exceeding the 3-year cumulative economic profit maximum. In the event that the Company's economic profit is between the achievement levels set forth in the above table, the number of Shares awarded shall be determined by interpolation. Any fractional share of the Company resulting from such interpolation shall be rounded up to a whole share of the Company. The Committee shall certify whether and to what extent such Performance Objective is satisfied before any Shares are awarded. Such certification, and the issuance of Shares pursuant to such certification, shall be made within 2½ months after June 30, 2012.

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

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

4. Termination of Employment due to Death or Disability. If prior to attaining the Performance Objective the Employee terminates employment due to death or disability, a prorated portion of the performance stock granted shall immediately vest, and the Company shall deliver shares of Company stock underlying such prorated awards as if the maximum Performance Objective had been fully achieved. Such payment shall be made no later than 2-1/2 months after the Employee's termination of employment due to death or disability. The prorated award shall be determined by multiplying the number of shares underlying the award by a fraction, the numerator of which is the number of days from July 1, 2009, through the Employee's last day of employment, and the denominator of which is the number of days from July 1, 2009, through June 30, 2012. Any fractional share of the Company resulting from such a prorated award shall be rounded up to a whole share of the Company. The Committee shall conclusively determine whether the Employee shall be considered permanently disabled for purposes of this performance stock award.

5. Other Termination of Employment Other than Change of Control of Company. If prior to attaining the Performance Objective the Employee voluntarily terminates employment after becoming eligible for normal or early retirement under the Company's defined benefit pension plan covering the Employee, or is terminated for any reason other than for cause or following a Change in Control of the Company as described in Section 6, the performance stock granted to the Employee shall be paid on a prorated basis if and when the Performance Objective is achieved. The prorated award shall be determined by multiplying the number of shares underlying the award by a fraction, the numerator of which is the number of days from July 1, 2009, through the Employee's last day of employment, and the denominator of which is the number of days from July 1, 2009, through June 30, 2012. Any fractional share of the Company resulting from such a prorated award shall be rounded up to a whole share of the Company. Shares of the Company underlying such prorated award shall be issued in the ordinary course after the determination by the Committee that the Performance Objective has been achieved (and no later than 2½ months after June 30, 2012).

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

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

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

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

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

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

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

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

TWIN DISC, INCORPORATED

By: \_\_\_\_\_  
 Its: \_\_\_\_\_

E MPLOYEE:

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



## PERFORMANCE STOCK UNIT AWARD GRANT AGREEMENT

THIS PERFORMANCE STOCK UNIT AWARD GRANT AGREEMENT (the "Agreement"), by and between TWIN DISC, INCORPORATED (the "Company") and \_\_\_\_\_ (the "Employee") is dated as of the 3<sup>rd</sup> day of August, 2009, to memorialize an award of performance stock units of even date herewith.

WHEREAS, the Company adopted a Long Term Incentive Compensation Plan in 2004, as amended in 2006 (the "Plan"), whereby the Compensation Committee of the Board of Directors (the "Committee") is authorized to grant awards of various types to certain key employees of the Company; and

WHEREAS the Company amended the Plan on January 20, 2006, to authorize the award of performance stock units, which entitle an employee of the Company receiving such an award to a cash payment equal to the value of the common stock of the Company if the Company achieves a predetermined performance objective; and

WHEREAS, effective August 3, 2009, the Committee made an award of performance stock units to the Employee as an inducement to achieve the below described performance objective.

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

1. Performance Stock Unit Award Grant. Subject to the terms of the Plan, a copy of which has been provided to the Employee and is incorporated herein by reference, the Company has granted Employee an award of performance stock units effective August 3, 2009. Such performance stock units entitle the Employee to receive a cash payment equal to the product of the number of units awarded pursuant to the table below, multiplied by the fair market value of the Company's common stock as of June 30, 2012, if the Company achieves the economic profit objective stated below (the "Performance Objective"):

	Cumulative Economic Profit	Number of Performance Stock Units
Maximum	\$XX	XXX
Target	\$XX	XXX
Threshold	\$XX	XXX

The Performance Objective is the amount of the Company's economic profit (measured as the difference between the Company's cumulative net operating profit after taxes and the Company's cumulative capital charge) for the cumulative three fiscal year period ending June 30, 2012, as specified in the table above. If the Company achieves the maximum Performance Objective as specified on the table above, the Employee will earn the maximum number of performance stock units. If the Company achieves the target Performance Objective as specified on the table above, the Employee will receive the target number of performance stock units. If the Company achieves the threshold Performance Objective stated above, the Employee will earn the threshold number of performance stock units. No performance stock units will be earned for performance below the 3-year cumulative economic profit threshold and no additional performance stock units will be earned for performance exceeding the 3-year cumulative economic profit maximum. In the event that the Company's economic profit is between the achievement levels set forth in the above table, the number of performance stock units awarded shall be determined by interpolation. The Committee shall certify whether and to what extent such Performance Objective is satisfied before any payment pursuant to a performance stock unit is made. Such certification, and payments pursuant to such certification, shall be made within 2½ months after June 30, 2012.

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

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

4. Termination of Employment due to Death or Disability. If prior to attaining the Performance Objective the Employee terminates employment due to death or disability, a prorated portion of the performance stock units granted shall immediately vest, and the Company shall make a cash payment pursuant to such prorated awards as if the maximum Performance Objective had been fully achieved. In such event, the calculation of the cash payment due to the Employee shall be based on the fair market value of the Company's common stock as of the effective date of the Employee's termination of employment. Such payment shall be made no later than 2½ months after the Employee's termination of employment due to death or disability. The prorated award shall be determined by multiplying the full cash payment due pursuant to the vesting of the award by a fraction, the numerator of which is the number of days from July 1, 2009, through the Employee's last day of employment, and the denominator of which is the number of days from July 1, 2009, through June 30, 2012. The Committee shall conclusively determine whether the Employee shall be considered permanently disabled for purposes of this performance stock unit award.

5. Other Termination of Employment Other than Change of Control of Company. If prior to attaining the Performance Objective the Employee voluntarily terminates employment after becoming eligible for normal or early retirement under the Company's defined benefit pension plan covering the Employee, or is terminated for any reason other than for cause or following a Change in Control of the Company as described in Section 6, the performance stock units granted to the Employee shall be paid on a prorated basis if and when the Performance Objective is achieved. The prorated award shall be determined by multiplying the full cash payment due pursuant to the vesting of the award by a fraction, the numerator of which is the number of days from July 1, 2009, through the Employee's last day of employment, and the denominator of which is the number of days from July 1, 2009, through June 30, 2012. Such prorated award shall be paid in the ordinary course after the determination by the Committee that the Performance Objective has been achieved (and no later than 2½ months after June 30, 2012).

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



market value of the Company's common stock as the Employee's termination of employment. Such payment shall be made within 2½ months following Employee's termination of employment. Employee's continued employment with the Company, for whatever duration, following a Change in Control of the Company shall not constitute a waiver of his or her rights with respect to this Section 6. Employee's right to terminate his or her employment pursuant to this Subsection shall not be affected by his or her incapacity due to physical or mental illness. For purposes of this Section 6:

- (a) "Good Reason" shall mean any of the following, without the Employee's written consent:
  - (i) the assignment to Employee of duties, responsibilities or status that constitute a material diminution from his or her present duties, responsibilities and status or a material diminution in the nature or status of Employee's duties and responsibilities from those in effect as of the date hereof;
  - (ii) a material reduction by the Company in Employee's base salary as in effect on the date hereof or as the same shall be increased from time to time ("Base Salary");
  - (iii) a material change in the geographic location at which the Employee must provide services; or
  - (iv) a material change in or termination of the Company's benefit plans or programs or the Employee's participation in such plans or programs (outside of a good faith, across-the-board reduction of general application) in a manner that effectively reduces their aggregate value.
  
- (b) "Change in Control of the Company" shall be deemed to occur in any of the following circumstances:
  - (i) if there occurs a change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act") whether or not the Company is then subject to such reporting requirement;
  - (ii) if any "person" (as defined in Sections 13(d) and 14(d) of the Exchange Act) other than Michael Batten or any member of his family (the "Batten Family"), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing thirty percent (30%) or more of the combined voting power of the Company's then outstanding securities;
  - (iii) if during any period of two (2) consecutive years (not including any period prior to the execution of this Agreement) there shall cease to be a majority of the Board comprised as follows: individuals who at the beginning of such period constitute the Board and any new director(s) whose election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved; or
  - (iv) if the shareholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 80% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the shareholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all the Company's assets.
  
- (c) To constitute a termination for Good Reason hereunder:
  - (i) Termination of employment must occur within two years following the existence of a condition that would constitute Good Reason hereunder; and
  - (ii) Employee must provide notice to the Company of the existence of a condition that would constitute Good Reason within 90 days following the initial existence of such condition. The Company shall be provided a provided a period of 30 days following such notice during which it may remedy the condition. If the condition is remedied, the Employee's subsequent voluntary termination of employment shall not constitute termination for Good Reason based upon the prior existence of such condition.

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

TWIN DISC, INCORPORATED

By: \_\_\_\_\_  
Its: \_\_\_\_\_

EMPLOYEE:

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



## RESTRICTED STOCK GRANT AGREEMENT

THIS AGREEMENT, by and between TWIN DISC, INCORPORATED (the "Company") and \_\_\_\_\_ (the "Employee") is dated this 3<sup>rd</sup> day of August 2009.

WHEREAS, the Company adopted a Long Term Incentive Compensation Plan in 2004, as amended in 2006 (the "Plan"), whereby the Compensation Committee of the Board of Directors (the "Committee") is authorized to award shares of common stock of the Company to officers and key employees carrying restrictions such as a prohibition against disposition and establishing a substantial risk of forfeiture; and

WHEREAS, the Committee has determined it to be in its best interests of the Company to provide the Employee with an inducement to acquire or increase his equity interest in the Company.

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

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

If at any time while this Agreement is in effect (or shares of common stock granted hereunder shall be or remain unvested while Employee's employment continues and has not yet terminated or ceased for any reason), there shall be any increase or decrease in the number of issued and outstanding shares of the Company through the declaration of a stock dividend or through any recapitalization resulting in a stock split-up, combination or exchange of such shares, then the Committee shall make any adjustments it deems fair and appropriate (in view of such change) in the number of shares of common stock then subject to this Agreement. If any such adjustment shall result in a fractional share, such fraction shall be disregarded.

2. **Fair Market Value.** The fair market value of the shares granted was Eight and 89/100 Dollars (\$8.89) per share on the date of grant.

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

4. **Transferability.** For a period of three (3) years from the date of grant the shares granted shall not be subject to sale, assignment, pledge or other transfer of disposition by the Employee, except as provided in Sections 6 or 7, or except by reason of an exchange or conversion of such shares because of merger, consolidation, reorganization or other corporate action. Any shares into which the granted shares may be converted or for which the granted shares may be exchanged in a merger, consolidation, reorganization or other corporate action shall be subject to the same transferability restrictions as the granted shares.

On the third anniversary of the date of grant, one hundred percent (100%) of the shares granted shall become freely transferable.

5. **Forfeitability.** Except as provided in Section 6 of this Agreement, if the employment of the Employee shall terminate prior to the expiration of three (3) years from the date of grant other than by reason of death or permanent disability, the shares granted (or any shares into which they may have been converted or for which they may have been exchanged) shall be forfeited. If the Employee continues to be employed on the third anniversary of the date of grant, the shares shall become non-forfeitable.

6. **Termination Following Change in Control.** Notwithstanding Sections 4 and 5 of this Agreement, if an event constituting a Change in Control of the Company occurs and the Employee thereafter either terminates employment for Good Reason or is involuntarily terminated by the Company without cause, the transferability provisions and the forfeitability provisions shall immediately cease to apply. Employee's continued employment with the Company, for whatever duration, following a Change in Control of the Company shall not constitute a waiver of his or her rights with respect to this Section 6. Employee's right to terminate his or her employment pursuant to this Subsection shall not be affected by his or her incapacity due to physical or mental illness. For purposes of this Section 6:

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

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

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

- (i) if there occurs a change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act") whether or not the Company is then subject to such reporting requirement;
- (ii) if any "person" (as defined in Sections 13(d) and 14(d) of the Exchange Act) other than Michael Batten or any member of his family (the "Batten Family"), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly

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

- (iii) if during any period of two (2) consecutive years (not including any period prior to the execution of this Agreement) there shall cease to be a majority of the Board comprised as follows: individuals who at the beginning of such period constitute the Board and any new director(s) whose election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved; or
- (iv) if the shareholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 80% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the shareholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all the Company's assets.

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

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

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

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

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

10. Restrictions on Transfer. The Employee agrees for himself and his heirs, legatees and legal representatives, with respect to all shares granted hereunder (or any securities issued in lieu of or in substitution or exchange therefore) that such shares will not be sold or transferred except pursuant to an effective registration statement under the Securities Act of 1933, as amended, or until the Company is provided with an opinion of counsel that a proposed sale or transfer will not violate the Securities Act of 1933, as amended. The Employee represents that such shares are being acquired for the Employee's own account and for purposes of investment, and not with a view to, or for sale in connection with, the distribution of such shares, nor with any present intention of distributing such shares.

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

TWIN DISC, INCORPORATED

By: \_\_\_\_\_  
Its: \_\_\_\_\_

EMPLOYEE:

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

