

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 Unit Award Agreement for performance stock units awarded by the Compensation Committee on July 26, 2007
10.2	Form of Performance Stock Award Agreement for performance shares awarded by Compensation Committee on July 26, 2007
10.3	Form of Change in Control Severance Agreement between the Company and Mr. Michael E. Batten
10.4	Form of Change in Control Severance Agreement between the Company and Messrs. Eperjesy, Feiertag and John Batten
10.5	Form of Change in Control Severance Agreement between the Company and other executive officers

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SIGNATURE

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

Date: August 1, 2007

Twin Disc, Inc.

/s/ CHRISTOPHER J. EPERJESY
Christopher J. Eperjesy
Vice President - Finance, Treasurer,
Chief Financial Officer

PERFORMANCE STOCK UNIT AWARD GRANT AGREEMENT

THIS PERFORMANCE STOCK UNIT AWARD GRANT AGREEMENT (the "Agreement"), by and between TWIN DISC, INCORPORATED (the "Company") and _____ (the "Employee") is dated as of the 26th day of July, 2007, to memorialize an award of performance stock units of even date herewith.

WHEREAS, the Company adopted a Long Term Incentive Compensation Plan in 2004, as amended in 2006 (the "Plan"), whereby the Compensation Committee of the Board of Directors (the "Committee") is authorized to grant awards of various types to certain key employees of the Company; and WHEREAS the Company amended the Plan on January 20, 2006, to authorize the award of performance stock units, which entitle an employee of the Company receiving such an award to a cash payment equal to the value of the common stock of the Company if the Company achieves a predetermined performance objective; and WHEREAS, effective July 26, 2007, 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 a maximum award of _____ performance stock units effective July 26, 2007. 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, 2010, if the Company achieves the

-1-

economic profit objective stated below (the "Performance Objective"). 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.

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, 2010, as specified in the table below. If the Company achieves the maximum Performance Objective as specified on the table below, the Employee will earn the maximum number of performance stock units. If the Company achieves the target Performance Objective as specified on the table below, the Employee will receive the target number of performance stock units. If the Company achieves the threshold Performance Objective stated below, 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.

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

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.

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.

-2-

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

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

- The prorated award shall be determined by multiplying the 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, 2007, through the Employee's last day of employment, and the denominator of which is the number of days from July 1, 2007, through June 30, 2010.
- Except as otherwise provided in Section 4(c), the payment of 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 2-1/2 months after June 30, 2010).
- The Committee has the authority in its sole discretion to immediately vest the prorated portion of the performance stock units granted hereunder of an Employee who experiences a Qualifying Event and to make a cash payment pursuant to such prorated awards as if the maximum Performance Objective had been fully

-3-

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 such Employee's termination of employment.

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

5. Change of Control. Notwithstanding Sections 3 and 4 above, if an event constituting a Change in Control of the Company occurs and the Employee thereafter terminates employment for any reason, then the performance stock units granted hereunder shall immediately vest and a cash payment shall be made as if the maximum Performance Objective had been fully achieved, regardless of whether termination of employment is by the Employee, the Company or otherwise. Such cash payment shall be equal to the number of performance stock units granted to the Employee multiplied by the fair market value of the Company's common stock as of the effective date of such Change in Control. Employee's continued employment with the Company, for whatever duration, following a Change in Control of the Company shall not constitute a waiver of the Employee's rights with respect to this Section 5.

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

- if there occurs a change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act") whether or not the Company is then subject to such reporting requirement;

- (b) if any "person" (as defined in Sections 13(d) and 14(d) of the Exchange Act) other than Michael Batten or any member of his family (the "Batten Family"), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing thirty percent (30%) or more of the combined voting power of the Company's then outstanding securities;
- (c) if during any period of two (2) consecutive years (not including any period prior to the execution of this Agreement) there shall cease to be a majority of the Board comprised as follows: individuals who at the beginning of such period constitute the Board and any new director(s) whose election by the Board or nomination for

election by the Company's shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved; or

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

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

&n bsp; TWIN DISC, INCORPORATED

&n bsp; By: _____

Its: _____

&n bsp; EMPLOYEE:

&n bsp; _____

PERFORMANCE STOCK AWARD GRANT AGREEMENT

THIS PERFORMANCE STOCK AWARD GRANT AGREEMENT (the "Agreement"), by and between TWIN DISC, INCORPORATED (the "Company") and _____ (the "Employee") is dated this 26th day of July, 2007, to memorialize an amendment of an award of performance stock of even date herewith.

WHEREAS, the Company adopted a Long Term Incentive Compensation Plan in 2004, as amended in 2006 (the "Plan"), whereby the Compensation Committee of the Board of Directors (the "Committee") is authorized to grant performance stock awards that entitle an employee of the Company receiving such award to shares of common stock of the Company if the Company achieves a predetermined performance objective; and WHEREAS, effective July 26, 2007, the Committee made an award of performance stock to the Employee as an inducement to achieve the below described performance objective.

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

1. Performance Stock Award Grant. Subject to the terms of the Plan, a copy of which has been provided to the Employee and is incorporated herein by reference, the Company has granted Employee a performance stock award effective July 26, 2007. Such performance stock award shall entitle the Employee to receive _____ shares of the Company's common stock (the "Shares") if the Company achieves the economic profit objective stated below (the "Performance Objective"). The Committee shall certify whether and to what extent such Performance Objective is satisfied before any Shares are awarded.

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

-1-

Company's cumulative capital charge) for the cumulative three fiscal year period ending June 30, 2010, as specified in the table below. If the Company achieves the maximum Performance Objective as specified on the table below, the Employee will earn the maximum number of Shares. If the Company achieves the target Performance Objective as specified on the table below, the Employee will receive the target number of Shares. If the Company achieves the threshold Performance Objective stated below, 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.

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

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.

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

3. Voluntary Termination of Employment Prior to Retirement/Termination for Cause. If prior to attaining the Performance Objective the Employee voluntarily terminates employment prior to 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 awards granted to such Employee shall

-2-

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

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

- 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, 2007, through the Employee's last day of employment, and the denominator of which is the number of days from July 1, 2007, through June 30, 2010. Any fractional share of the Company resulting from such a prorated award shall be rounded up to a whole share of the Company.
- Except as otherwise provided in Section 4(c), shares of the Company underlying such prorated awards shall be delivered in the ordinary course after the determination by the Committee that the Performance Objective has been achieved (and no later than 2-1/2 months after June 30, 2010).
- The Committee has the authority in its sole discretion to immediately vest the prorated portion of the performance stock awards granted hereunder if the Employee experiences a Qualifying Event and deliver shares of Company stock underlying such prorated awards as if the maximum Performance Objective had been fully achieved.
- The Committee shall conclusively determine whether the Employee shall be considered permanently disabled for purposes of this performance stock award.

5. Change of Control. Notwithstanding Sections 3 and 4 above, if an event constituting a Change in Control of the Company occurs and the Employee thereafter terminates

-3-

employment for any reason, then the performance stock award granted hereunder shall immediately vest and the Shares of the Company underlying the award shall be delivered as if the maximum Performance Objective had been fully achieved, regardless of whether termination of employment is by the Employee, the Company or otherwise. Employee's continued employment with the Company, for whatever duration, following a Change in Control of the Company shall not constitute a waiver of the Employee's rights with respect to this Section 5.

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

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

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

6. No Rights of Shareholder. Until the Performance Objective is met, the

performance stock award grant shall not entitle the Employee any rights of a shareholder, including the right to receive dividends or to vote the Shares. In the event that the Performance Objective is met, the associated shares of the Company shall be issued to the Employee if his performance stock awards have not been forfeited. Shares may be issued by either delivering stock certificates to the Employee or by making an appropriate book entry for the associates shares. Such certificates shall be issued, or such book entry shall be made, no later than 2-1/2 months after June 30, 2010.

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

TWIN DISC, INCORPORATED

By: _____
Its: _____

EMPLOYEE:

CHANGE OF CONTROL SEVERANCE AGREEMENT

THIS AGREEMENT is executed and entered into as of this ___ day of July, 2007, by and between Twin Disc, Incorporated, a Wisconsin corporation, with its principal offices located at 1328 Racine Street, Racine, Wisconsin ("Corporation"), and _____ ("Employee").

WITNESSETH:

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

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

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

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

WHEREAS, the Corporation previously entered into a Change in Control Severance Agreement with Employee; and

WHEREAS, the Corporation wishes to further modify the Change in Control Severance Agreement to formally comply with the final regulations issued under section 409A of the Internal Revenue Code.

1

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

1. **Term of Agreement; Replacement of Prior Agreement.** This Agreement shall commence as of the date hereof and shall continue in effect until November 1st, 2007; provided, however, that commencing on November 1, 2007, and each November 1st thereafter, the term of this Agreement shall automatically be extended for one additional year unless, not later than August 1 of that year, the Corporation shall have given notice that it does not wish to extend this Agreement; provided, further, if a Change in Control (as defined in Section 2 below) of the Corporation shall have occurred during the original or extended term of this Agreement, this Agreement shall continue in effect for a period of twenty-four (24) months beyond the month in which such Change in Control of the Corporation occurred.

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

2. Change in Control of the Corporation.

(a) No benefits shall be payable hereunder unless there shall have been a Change in Control of the Corporation, as set forth below. For purposes of this Agreement, a "Change in Control of the Corporation" shall mean a change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act") whether or not the Corporation is then subject to such reporting requirement; provided that without limitation, such a change in control shall be deemed to have occurred if: (i) any "person" (as defined in Sections 13(d) and 14(d) of the Exchange Act) other than Michael Batten or any member of his family (the "Batten Family"), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing thirty percent (30%) or more of the combined voting power of the Corporation's then outstanding securities; (ii) during any period of two (2) consecutive years (not including any period prior to the execution of this Agreement) there shall cease to be a majority of the Board comprised as follows: individuals who at the beginning of such period constitute the Board and any new director(s) whose election by the Board or nomination for election by the Corporation's

2

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

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

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

3

Retirement (at Employee's normal retirement age), as defined in Subsection 3(a) hereof, or (iii) the occurrence of a Change in Control of the Corporation.

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

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

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

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

- (i) the assignment to Employee of duties, responsibilities or status inconsistent with his present duties, responsibilities and status as _____ of the Corporation or a reduction or alteration in the nature or status of Employee's duties and responsibilities from those in effect as of the date hereof;
- (ii) a reduction by the Corporation in Employee's base salary as in effect on the date hereof or as the same shall be increased from time to time ("Base Salary");
- (iii) the Corporation's requiring Employee to be based at an office location other than in southeastern Wisconsin;
- (iv) the failure by the Corporation to continue in effect the Corporation's Salaried Retirement Plan, Supplemental Retirement Plan, Choice Plan (Cafeteria plan under section 125 for qualified group insurance benefits), Incentive Bonus Program, The Accelerator 401(k) Savings Plan, Executive Life Insurance Program, Travel Accident Insurance, Qualified and Non-Qualified Stock Option Plans or any other of the Corporation's employee benefit plans, policies, practices or arrangements in which Employee participates or the failure by the Corporation to continue Employee's participation therein on substantially the same basis, both in terms of the amount of benefits provided and the level of Employee's participation relative to other participants, as existed as of the date hereof;
- (v) the failure of the Corporation to obtain a satisfactory agreement from any successor to the Corporation to assume and agree to perform this Agreement as contemplated in Section 5 hereof; and
- (vi) any purported termination by the Corporation of Employee's employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Subsection (d) below, and for purposes of this Agreement, no such purported termination shall be effective. Employee's right to terminate his employment pursuant to this Subsection shall not be affected by his incapacity due to physical or mental illness. Employee's continued employment

shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason hereunder.

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

(e) Date of Termination. "Date of Termination" shall mean the date as of which Employee's expected services permanently decrease to no more than 20 percent of the average level of bona fide services performed over the immediately-preceding 36-month period.

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

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

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

(c) If Employee's employment terminates by reason of his Retirement or by reason of his death, then Employee's benefits shall be determined in accordance with the

Corporation's Supplemental Retirement Plans, and its retirement, survivor's benefits, insurance, and/or such other applicable programs and plans then in effect.

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

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

(B) the Corporation shall pay as severance benefits to Employee, on the date specified in Subsection (g) below, a lump sum severance payment equal to the product of (i) the sum of (I) Employee's annual Base Salary in effect immediately prior to the occurrence of the circumstances giving rise to such termination, and (II) the most recent annual bonus awarded to Employee; times (ii) the lesser of (I) 2.0 or (II) the number of whole and fractional years occurring between Employee's Date of Termination and his Normal Retirement Date as set forth in the Supplemental Retirement Plans;

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

(D) for a twenty-four (24) month period after such termination, the Corporation will arrange to provide Employee, at the Corporation's expense, with benefits under the Corporation's applicable employee fringe benefit plans, which benefits shall be the same or substantially similar to the benefits Employee was receiving immediately prior to the Notice of

Termination; but in no event shall Employee be provided the benefits described herein after his Normal Retirement Date; and provided further that benefits otherwise receivable by Employee pursuant to this Subsection (D) shall be reduced to the extent comparable benefits are actually received by Employee during the twenty-four (24) month period following Employee's termination and any such benefits actually received by Employee shall be reported to the Corporation.

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

any deferred payment or benefits shall be determined by the Corporation's independent auditors in accordance with the principles of Sections 280G(d)(3) and (4) of the Code. In the event that the Excise Tax is subsequently determined to be less than the amount taken into account hereunder at the time of termination of Employee's employment, the Corporation shall repay to the Employee at the time that the amount of such reduction in Excise Tax is finally determined, the portion of the Severance Payments previously repaid by Employee to the Corporation hereunder attributable to such reduction plus interest on the amount of such repayment at the rate provided in section 1274(b)(2)(B) of the Code. In the event that the Excise Tax is determined to exceed the amount taken into account hereunder at the time of the termination of Employee's employment, Employee shall repay to the Corporation such further excess portion of the Severance Payments as would be subject to the Excise Tax (plus any interest payable with respect to such excess) at the time that the amount of such excess is finally determined.

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

(g) The payments provided for in Subsection (d) (B) and (C) above, together with interest on such amounts from the Date of Termination until the date such amounts are paid at the rate provided in Section 1274(b)(2)(B) of the Internal Revenue Code, shall be made on the date that is 6 months after the Date of Termination of Employment; provided, that if a bona fide dispute exists regarding Employee's right to payment on such date, payments (if any) shall be made in

accordance with the provisions of Treasury Regulation 1.409A -3(g), which generally requires that (1) Employee accept the portion of the payment that the Corporation is willing to pay (unless such acceptance would result in a relinquishment of Employee's claim to payment of the remaining amount); (2) Employee make good faith efforts to collect the remaining portion of the payment; and (3) any further payment is made no later than the end of the first taxable year of Employee in which: (i) Employee and the Corporation settle the dispute, (ii) the Corporation concedes the disputed amount is payable; or (iii) the Corporation is required to make such payment pursuant to a final and nonappealable judgment or other binding decision.

(h) The Corporation shall also pay to Employee all legal fees and expenses incurred by Employee as a result of such termination of employment (including all such fees and expenses, if any, incurred in contesting or disputing any such termination or in seeking to obtain or enforce any right or benefit provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of Section 4999 of the Code to any payment or benefit provided hereunder). No such payments shall be made prior to the date which is 6 months after the Date of Termination of Employment. On the date that is 6 months after the Date of Termination of Employment, the Corporation shall make a lump sum payment of all legal fees and expenses (if any) that accrued during such six month period, along with interest on such amounts from the date incurred by Employee to the date of payment at the rate provided in Section 1274(b)(2)(B) of the Code.

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

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

opportunities, and emotional stress; and actual losses which may result from such termination including, but not limited to, lost wages and expenses of securing other employment.

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

5. Successors; Binding Agreement.

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

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

6. Administration of Agreement; Claims Procedures.

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

(b) The Committee shall notify Employee in writing, within 90 days of his written application for benefits, of his eligibility or ineligibility for benefits under this Agreement. If the Committee determines that Employee is not eligible for benefits or full

benefits, the notice shall set forth (a) the specific reasons for such denial, (b) a specific reference to the provisions of this Agreement on which the denial is based, (c) a description of any additional information or material necessary for the Employee to perfect his claim, and a description of why it is needed, (d) an explanation of this Agreement's claims review procedure and other appropriate information as to the steps to be taken if the Employee wishes to have the claim reviewed (including the applicable time limits, a statement that the Employee is entitled to receive upon request, free of charge, access to and copies of all documents and other information relevant to the claim, and a statement regarding the Employee's right to bring a civil action if the Employee's review is denied), and (e) in the case of claims where the Committee determines that the Employee's termination of employment was due to disability, copies of or the right to request free of charge any internal rule, guideline or protocol that was relied upon in denying the claim. If the Committee determines that there are special circumstances requiring additional time to make a decision, the Committee shall notify the Employee of the special circumstances and of the date by which a decision is expected to be made, and may extend the time for up to an additional 90-day period.

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

Committee, but notice of this deferral shall be given to the Employee. In the event of the death of Employee, the same procedure shall be applicable to the Employee's beneficiaries.

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

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

writing within the 45 day period. If the decision on review is not furnished to the Employee within the time limitations described above, the claim shall be deemed denied on review.

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

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

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

(a) If to the Corporation:

Twin Disc, Incorporated 1328 Racine Street Racine, WI 53403

(b) If to Employee:

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

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

10. Compliance with Code Section 409A. Notwithstanding anything in this Agreement to the contrary, to the extent any payments paid or payable to Employee are subject to Section 409A of the Internal Revenue Code, as amended, (a) this Agreement shall be interpreted in a manner that complies with Code Section 409A and any related regulations or guidance, and (b) all such payments shall comply with Code Section 409A and any related regulations or guidance.

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

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

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

TWIN DISC, INCORPORATED

By: _____

Attest: _____

EMPLOYEE: _____

[NAME]

CHANGE OF CONTROL SEVERANCE AGREEMENT

THIS AGREEMENT is executed and entered into as of this ___ day of July, 2007, by and between Twin Disc, Incorporated, a Wisconsin corporation, with its principal offices located at 1328 Racine Street, Racine, Wisconsin ("Corporation"), and Michael E. Batten ("Employee").

WITNESSETH:

WHEREAS, the Board of Directors of the Corporation is aware of the uncertainties created by the current business environment in which tender offers for publicly-held corporations are increasingly frequent, is aware that the possibility of a change in control of the Corporation raises questions and uncertainties, and is aware that these questions and uncertainties are cause for legitimate concern among key Corporation employees about their future with the Corporation; and WHEREAS, the Board of Directors of the Corporation recognizes that the efforts of those employees identified by the Board as key management employees have contributed and will continue to contribute to the growth and success of the Corporation; and WHEREAS, the Board of Directors of the Corporation is concerned that the uncertainties associated with the current business environment may adversely affect the morale of key management employees of the Corporation, undermine the confidence of such key management employees in the ability of the Corporation to remain a viable and competitive entity and jeopardize the ability of the Corporation to attract and retain the services of key management employees in the future; and WHEREAS, the Board of Directors of the Corporation believes that in the best interests of the Corporation, it is essential that key management employees, including Employee, be retained and that the Corporation be in a position to rely on their ongoing dedication and commitment to render services to the Corporation, irrespective of whether the Corporation is or may be acquired or merged with or into another corporation; WHEREAS, the Corporation previously entered into a Change in Control Severance Agreement with Employee that provided for payments upon a change in control to the Employee if the change in control occurred before the Employee's normal retirement age; and WHEREAS, the Corporation wishes to continue the terms of the Change in Control Severance Agreement beyond Employee's normal retirement age; and

1

WHEREAS, the Corporation wishes to further modify the Change in Control Severance Agreement to formally comply with the final regulations issued under section 409A of the Internal Revenue Code.

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

1. Term of Agreement; Replacement of Prior Agreement. This Agreement shall commence as of the date hereof and shall continue in effect until November 1st, 2007; provided, however, that commencing on November 1, 2007, and each November 1st thereafter, the term of this Agreement shall automatically be extended for one additional year unless, not later than August 1 of that year, the Corporation shall have given notice that it does not wish to extend this Agreement; provided, further, if a Change in Control (as defined in Section 2 below) of the Corporation shall have occurred during the original or extended term of this Agreement, this Agreement shall continue in effect for a period of twenty-four (24) months beyond the month in which such Change in Control of the Corporation occurred.

The prior Change in Control Severance Agreement entered into between the Corporation and Employee, dated as of July ___, 2005,, is hereby terminated and replaced with this Agreement.

2. Change in Control of the Corporation.

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

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

2

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

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

(b) For purposes of this Agreement a "Potential Change in Control of the Corporation" shall be deemed to have occurred if (i) the Corporation enters into an agreement, the consummation of which would result in the occurrence of a Change in Control of the Corporation, (ii) any person (including the Corporation) publicly announces an intention to take or to consider taking actions which if consummated would constitute a Change in Control of the Corporation, (iii) any person, other than a member of the Batten Family or a trustee or other fiduciary holding securities under an employee benefit plan of the Corporation or a corporation owned, directly or indirectly, by the shareholders of the Corporation in substantially the same proportions as their ownership of stock of the Corporation, who is or becomes the beneficial owner, directly or indirectly, of securities of the Corporation representing 9.5% or more of the combined voting power of the Corporation's then outstanding securities, increases his beneficial ownership of such securities by 5% or more over the percentage so owned by such person on the date hereof; or (iv) the Board adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control of the Corporation has occurred. Employee agrees that, subject to the terms and

3

conditions of this Agreement, in the event of a Potential Change in Control of the Corporation, Employee shall not terminate his employment with the Corporation until the earliest of (i) a date which is six (6) months from the occurrence of such Potential Change in Control of the Corporation, (ii) the termination by Employee of his employment by reason of Disability, as defined in Subsection 3(a) hereof, or (iii) the occurrence of a Change in Control of the Corporation.

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

(a) Disability. If, as a result of Employee's incapacity due to physical or mental illness, Employee shall have been absent from the full-time performance of his duties with the Corporation for six (6) consecutive months, and within thirty (30) days after written notice of termination is given, Employee shall not have returned to the full-time performance of his duties, the Corporation may terminate Employee's employment for "Disability."

(b) Cause. Termination by the Corporation of Employee's employment for "Cause" shall mean termination upon (i) the willful and continued failure by Employee to substantially perform his duties with the Corporation (other than any such failure resulting from termination for Good Reason) after a demand for substantial performance is delivered to Employee that specifically identifies the manner in which the Corporation believes that Employee has not substantially performed his duties, and Employee has failed to resume substantial performance of his duties on a continuous basis within fourteen (14) days of receiving such demand, (ii) the willful engaging by Employee in conduct which is demonstrably and materially injurious to the Corporation, monetarily or otherwise or (iii) Employee's conviction of a felony or conviction of a misdemeanor which materially impairs Employee's ability substantially to perform his duties with the Corporation or (iv) commission of an act of fraud or material dishonesty involving the Corporation. For purposes of this Subsection, no act or failure to act, on Employee's part shall be

4

deemed "willful" unless done, or omitted to be done, by Employee not in good faith and without reasonable belief that his action or omission was in the best interest of the Corporation.

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

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

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

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

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

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

(vi) any purported termination by the Corporation of Employee's employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Subsection (d) below, and for purposes of this Agreement, no such purported termination shall be effective. Employee's right to terminate his employment pursuant to this Subsection shall not be

5

affected by his incapacity due to physical or mental illness. Employee's continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason hereunder.

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

(e) **Date of Termination.** "Date of Termination" shall mean the date as of which Employee's expected services permanently decrease to no more than 20 percent of the average level of bona fide services performed over the immediately-preceding 36-month period.

4. **Compensation Upon Termination or During Disability.** Following a Change in Control of the Corporation, as defined in Section 2 hereof, upon termination of Employee's employment or during a period of disability Employee shall be entitled to the following benefits: (a) During any period that Employee fails to perform his full-time duties with the Corporation as a result of incapacity due to Disability as that term is defined in Section 3(a) herein, Employee shall continue to receive his Base Salary at the rate in effect at the commencement of any such period, until Employee's employment is terminated pursuant to Subsection 3(a) hereof. Thereafter, Employee's benefits shall be determined in accordance with the Corporation's retirement, insurance and other applicable programs and plans then in effect.

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

(c) If Employee's employment terminates by reason of his death, then Employee's benefits shall be determined in accordance with the Corporation's Supplemental

6

Retirement Plans, and its retirement, survivor's benefits, insurance, and/or such other applicable programs and plans then in effect.

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

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

(B) the Corporation shall pay as severance benefits to Employee, on the date specified in Subsection (g) below, a lump sum severance payment equal to the product of 2.50 times the sum of (I) Employee's annual Base Salary in effect immediately prior to the occurrence of the circumstances giving rise to such termination, and (II) the most recent annual bonus awarded to Employee;

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

(D) for a twenty-four (24) month period after such termination, the Corporation will arrange to provide Employee, at the Corporation's expense, with benefits under the Corporation's applicable employee fringe benefit plans, which benefits shall be the same or substantially similar to the benefits Employee was receiving immediately prior to the Notice of Termination; provided that benefits otherwise receivable by Employee pursuant to this Subsection (D) shall be reduced to the extent comparable benefits are actually received by Employee during the

7

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

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

8

the time of termination of Employee's employment, the Corporation shall repay to the Employee at the time that the amount of such reduction in Excise Tax is finally determined, the portion of the Severance Payments previously repaid by Employee to the Corporation hereunder attributable to such reduction plus interest on the amount of such repayment at the rate provided in section 1274(b)(2)(B) of the Code. In the event that the Excise Tax is determined to exceed the amount taken into account hereunder at the time of the termination of Employee's employment, Employee shall repay to the Corporation such further excess portion of the Severance Payments as would be subject to the Excise Tax (plus any interest payable with respect to such excess) at the time that the amount of such excess is finally determined.

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

(g) The payments provided for in Subsection (d)(B) and (C) above, together with interest on such amounts from the Date of Termination until the date such amounts are paid at the rate provided in Section 1274(b)(2)(B) of the Internal Revenue Code, shall be made on the date that is 6 months after the Date of Termination of Employment; provided, that if a bona fide dispute exists regarding Employee's right to payment on such date, payments (if any) shall be made in accordance with the provisions of Treasury Regulation 1.409A-3(g), which generally requires that (1) Employee accept the portion of the payment that the Corporation is willing to pay (unless such acceptance would result in a relinquishment of Employee's claim to payment of the remaining

9

amount); (2) Employee make good faith efforts to collect the remaining portion of the payment; and (3) any further payment is made no later than the end of the first taxable year of Employee in which: (i) Employee and the Corporation settle the dispute, (ii) the Corporation concedes the disputed amount is payable; or (iii) the Corporation is required to make such payment pursuant to a final and nonappealable judgment or other binding decision.

(h) The Corporation shall also pay to Employee all legal fees and expenses incurred by Employee as a result of such termination of employment (including all such fees and expenses, if any, incurred in contesting or disputing any such termination or in seeking to obtain or enforce any right or benefit provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of Section 4999 of the Code to any payment or benefit provided hereunder). No such payments shall be made prior to the date which is 6 months after the Date of Termination of Employment. On the date that is 6 months after the Date of Termination of Employment, the Corporation shall make a lump sum payment of all legal fees and expenses (if any) that accrued during such six month period, along with interest on such amounts from the date incurred by Employee to the date of payment at the rate provided in Section 1274(b)(2)(B) of the Code.

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

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

10

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

5. Successors; Binding Agreement.

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

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

6. Administration of Agreement; Claims Procedures.

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

(b) The Committee shall notify Employee in writing, within 90 days of his written application for benefits, of his eligibility or ineligibility for benefits under this Agreement. If the Committee determines that Employee is not eligible for benefits or full benefits, the notice shall set forth (a) the specific reasons for such denial, (b) a specific reference to the provisions of this Agreement on which the denial is based, (c) a description of any

11

additional information or material necessary for the Employee to perfect his claim, and a description of why it is needed, (d) an explanation of this Agreement's claims review procedure and other appropriate information as to the steps to be taken if the Employee wishes to have the claim reviewed (including the applicable time limits, a statement that the Employee is entitled to receive upon request, free of charge, access to and copies of all documents and other information relevant to the claim, and a statement regarding the Employee's right to bring a civil action if the Employee's review is denied), and (e) in the case of claims where the Committee determines that the Employee's termination of employment was due to disability, copies of or the right to request free of charge any internal rule, guideline or protocol that was relied upon in denying the claim. If the Committee determines that there are special circumstances requiring additional time to make a decision, the Committee shall notify the Employee of the special circumstances and of the date by which a decision is expected to be made, and may extend the time for up to an additional 90-day period.

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

12

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

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

13

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

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

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

(a) If to the Corporation:

Twin Disc Incorporated
1328 Racine Street
Racine, Wisconsin 53403

(b) If to Employee:

Michael E. Batten
Twin Disc Incorporated
1328 Racine Street
Racine, Wisconsin 53403

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

14

interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Wisconsin.

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

10. Compliance with Code Section 409A. Notwithstanding anything in this Agreement to the contrary, to the extent any payments paid or payable to Employee are subject to Section 409A of the Internal Revenue Code, as amended, (a) this Agreement shall be interpreted in a manner that complies with Code Section 409A and any related regulations or guidance, and (b) all such payments shall comply with Code Section 409A and any related regulations or guidance.

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

15

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

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

TWIN DISC, INCORPORATED

By: _____

Attest: _____

EMPLOYEE: _____

Michael E. Batten

CHANGE OF CONTROL SEVERANCE AGREEMENT

THIS AGREEMENT is executed and entered into as of this ____ day of July, 2007, by and between Twin Disc, Incorporated, a Wisconsin corporation, with its principal offices located at 1328 Racine Street, Racine, Wisconsin ("Corporation"), and _____ ("Employee").

WITNESSETH:

WHEREAS, the Board of Directors of the Corporation is aware of the uncertainties created by the current business environment in which tender offers for publicly-held corporations are increasingly frequent, is aware that the possibility of a change in control of the Corporation raises questions and uncertainties, and is aware that these questions and uncertainties are cause for legitimate concern among key Corporation employees about their future with the Corporation; and WHEREAS, the Board of Directors of the Corporation recognizes that the efforts of those employees identified by the Board as key management employees have contributed and will continue to contribute to the growth and success of the Corporation; and WHEREAS, the Board of Directors of the Corporation is concerned that the uncertainties associated with the current business environment may adversely affect the morale of key management employees of the Corporation, undermine the confidence of such key management employees in the ability of the Corporation to remain a viable and competitive entity and jeopardize the ability of the Corporation to attract and retain the services of key management employees in the future; and WHEREAS, the Board of Directors of the Corporation believes that in the best interests of the Corporation, it is essential that key management employees, including Employee, be retained and that the Corporation be in a position to rely on their ongoing dedication and commitment to render services to the Corporation, irrespective of whether the Corporation is or may be acquired or merged with or into another corporation; WHEREAS, the Corporation previously entered into a Change in Control Severance Agreement with Employee; and WHEREAS, the Corporation wishes to further modify the Change in Control Severance Agreement to formally comply with the final regulations issued under section 409A of the Internal Revenue Code.

1

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

1. Term of Agreement; Replacement of Prior Agreement. This Agreement shall commence as of the date hereof and shall continue in effect until November 1st, 2007; provided, however, that commencing on November 1, 2007, and each November 1st thereafter, the term of this Agreement shall automatically be extended for one additional year unless, not later than August 1 of that year, the Corporation shall have given notice that it does not wish to extend this Agreement; provided, further, if a Change in Control (as defined in Section 2 below) of the Corporation shall have occurred during the original or extended term of this Agreement, this Agreement shall continue in effect for a period of twenty-four (24) months beyond the month in which such Change in Control of the Corporation occurred.

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

2. Change in Control of the Corporation.

(a) No benefits shall be payable hereunder unless there shall have been a Change in Control of the Corporation, as set forth below. For purposes of this Agreement, a "Change in Control of the Corporation" shall mean a change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act") whether or not the Corporation is then subject to such reporting requirement; provided that without limitation, such a change in control shall be deemed to have occurred if: (i) any "person" (as defined in Sections 13(d) and 14(d) of the Exchange Act) other than Michael Batten or any member of his family (the "Batten Family"), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing thirty percent (30%) or more of the combined voting power of the Corporation's then outstanding securities; (ii) during any period of two (2) consecutive years (not including any period prior to the execution of this Agreement) there shall cease to be a majority of the Board comprised as follows: individuals who at the beginning of such period constitute the Board and any new director(s) whose election by the Board or nomination for election by the Corporation's

2

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

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

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

3

Retirement (at Employee's normal retirement age), as defined in Subsection 3(a) hereof, or (iii) the occurrence of a Change in Control of the Corporation.

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

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

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

4

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

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

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

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

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

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

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

5

shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason hereunder.

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

(e) **Date of Termination.** "Date of Termination" shall mean the date as of which Employee's expected services permanently decrease to no more than 20 percent of the average level of bona fide services performed over the immediately-preceding 36-month period.

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

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

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

(c) If Employee's employment terminates by reason of his Retirement or by reason of his death, then Employee's benefits shall be determined in accordance with the

6

Corporation's Supplemental Retirement Plans, and its retirement, survivor's benefits, insurance, and/or such other applicable programs and plans then in effect.

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

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

(B) the Corporation shall pay as severance benefits to Employee, on the date specified in Subsection (g) below, a lump sum severance payment equal to the product of (i) the sum of (I) Employee's annual Base Salary in effect immediately prior to the occurrence of the circumstances giving rise to such termination, and (II) the most recent annual bonus awarded to Employee; times (ii) the lesser of (I) 1.50 or (II) the number of whole and fractional years occurring between Employee's Date of Termination and his Normal Retirement Date as set forth in the Supplemental Retirement Plans;

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

(D) for a twenty-four (24) month period after such termination, the Corporation will arrange to provide Employee, at the Corporation's expense, with benefits under the Corporation's applicable employee fringe benefit plans, which benefits shall be the same or substantially similar to the benefits Employee was receiving immediately prior to the Notice of

7

Termination; but in no event shall Employee be provided the benefits described herein after his Normal Retirement Date; and provided further that benefits otherwise receivable by Employee pursuant to this Subsection (D) shall be reduced to the extent comparable benefits are actually received by Employee during the twenty-four (24) month period following Employee's termination and any such benefits actually received by Employee shall be reported to the Corporation.

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

8

any deferred payment or benefits shall be determined by the Corporation's independent auditors in accordance with the principles of Sections 280G(d)(3) and (4) of the Code. In the event that the Excise Tax is subsequently determined to be less than the amount taken into account hereunder at the time of termination of Employee's employment, the Corporation shall repay to the Employee at the time that the amount of such reduction in Excise Tax is finally determined, the portion of the Severance Payments previously repaid by Employee to the Corporation hereunder attributable to such reduction plus interest on the amount of such repayment at the rate provided in section 1274(b)(2)(B) of the Code. In the event that the Excise Tax is determined to exceed the amount taken into account hereunder at the time of the termination of Employee's employment, Employee shall repay to the Corporation such further excess

portion of the Severance Payments as would be subject to the Excise Tax (plus any interest payable with respect to such excess) at the time that the amount of such excess is finally determined.

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

(g) The payments provided for in Subsection (d) (B) and (C) above, together with interest on such amounts from the Date of Termination until the date such amounts are paid at the rate provided in Section 1274(b)(2)(B) of the Internal Revenue Code, shall be made on the date that is 6 months after the Date of Termination of Employment; provided, that if a bona fide dispute exists regarding Employee's right to payment on such date, payments (if any) shall be made in

9

accordance with the provisions of Treasury Regulation 1.409A-3(g), which generally requires that (1) Employee accept the portion of the payment that the Corporation is willing to pay (unless such acceptance would result in a relinquishment of Employee's claim to payment of the remaining amount); (2) Employee make good faith efforts to collect the remaining portion of the payment; and (3) any further payment is made no later than the end of the first taxable year of Employee in which: (i) Employee and the Corporation settle the dispute, (ii) the Corporation concedes the disputed amount is payable; or (iii) the Corporation is required to make such payment pursuant to a final and nonappealable judgment or other binding decision.

(h) The Corporation shall also pay to Employee all legal fees and expenses incurred by Employee as a result of such termination of employment (including all such fees and expenses, if any, incurred in contesting or disputing any such termination or in seeking to obtain or enforce any right or benefit provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of Section 4999 of the Code to any payment or benefit provided hereunder). No such payments shall be made prior to the date which is 6 months after the Date of Termination of Employment. On the date that is 6 months after the Date of Termination of Employment, the Corporation shall make a lump sum payment of all legal fees and expenses (if any) that accrued during such six month period, along with interest on such amounts from the date incurred by Employee to the date of payment at the rate provided in Section 1274(b)(2)(B) of the Code.

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

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

10

opportunities, and emotional stress; and actual losses which may result from such termination including, but not limited to, lost wages and expenses of securing other employment.

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

5. Successors; Binding Agreement.

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

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

6. Administration of Agreement; Claims Procedures.

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

(b) The Committee shall notify Employee in writing, within 90 days of his written application for benefits, of his eligibility or ineligibility for benefits under this Agreement. If the Committee determines that Employee is not eligible for benefits or full

11

benefits, the notice shall set forth (a) the specific reasons for such denial, (b) a specific reference to the provisions of this Agreement on which the denial is based, (c) a description of any additional information or material necessary for the Employee to perfect his claim, and a description of why it is needed, (d) an explanation of this Agreement's claims review procedure and other appropriate information as to the steps to be taken if the Employee wishes to have the claim reviewed (including the applicable time limits, a statement that the Employee is entitled to receive upon request, free of charge, access to and copies of all documents and other information relevant to the claim, and a statement regarding the Employee's right to bring a civil action if the Employee's review is denied), and (e) in the case of claims where the Committee determines that the Employee's termination of employment was due to disability, copies of or the right to request free of charge any internal rule, guideline or protocol that was relied upon in denying the claim. If the Committee determines that there are special circumstances requiring additional time to make a decision, the Committee shall notify the Employee of the special circumstances and of the date by which a decision is expected to be made, and may extend the time for up to an additional 90-day period.

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

12

Committee, but notice of this deferral shall be given to the Employee. In the event of the death of Employee, the same procedure shall be applicable to the Employee's beneficiaries.

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

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

writing within the 45 day period. If the decision on review is not furnished to the Employee within the time limitations described above, the claim shall be deemed denied on review.

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

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

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

(a) If to the Corporation:

Twin Disc, Incorporated 1328 Racine Street Racine, Wisconsin 53403

(b) If to Employee:

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

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

10. Compliance with Code Section 409A. Notwithstanding anything in this Agreement to the contrary, to the extent any payments paid or payable to Employee are subject to Section 409A of the Internal Revenue Code, as amended, (a) this Agreement shall be interpreted in a manner that complies with Code Section 409A and any related regulations or guidance, and (b) all such payments shall comply with Code Section 409A and any related regulations or guidance.

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

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

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

TWIN DISC, INCORPORATED

By: _____

Attest: _____

EMPLOYEE: _____

[NAME]