

TWIN DISC INC  
Form DEF 14A  
September 14, 2012

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant  [ x ]

Filed by a Party Other than the Registrant  [ ]

Check the appropriate box:

- [ ] Preliminary Proxy Statement
- [ ] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- [ x ] Definitive Proxy Statement
- [ ] Definitive Additional Materials
- [ ] Soliciting Material Pursuant to Section 240.14a-2.

Twin Disc, Incorporated  
(Name of Registrant as Specified In Its Charter)

\_\_\_\_\_  
(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[ x ] No fee required.

[ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

\_\_\_\_\_

2) Aggregate number of securities to which transaction applies:

\_\_\_\_\_

3) Per unit price or other underlying value of transactions computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

\_\_\_\_\_

4) Proposed maximum aggregate value of transactions:

\_\_\_\_\_

5) Total fee paid:

\_\_\_\_\_

[ ] Fee paid previously with preliminary materials.

[ ] Check box if any part of the fee is offset as proved by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount previously paid:

\_\_\_\_\_

2) Form, Schedule or Registration Statement No.:

---

3) Filing Party:

---

4) Date Filed:

---

TWIN DISC, INCORPORATED  
1328 Racine Street, Racine, Wisconsin 53403

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS – OCTOBER 19, 2012

NOTICE IS HEREBY GIVEN TO THE SHAREHOLDERS OF TWIN DISC, INCORPORATED

The Annual Meeting of Shareholders of Twin Disc, Incorporated, a Wisconsin corporation, will be held at 2:00 P.M. (Central Time) on Friday, October 19, 2012, at the Corporate Offices, 1328 Racine Street, Racine, Wisconsin for the following purposes:

1. To elect two Directors to serve until the Annual Meeting in 2015.
2. To consider an advisory vote to approve the compensation of the Corporation's Named Executive Officers.
3. To ratify the appointment of PricewaterhouseCoopers LLP, an independent registered public accounting firm, as our independent auditors for the fiscal year ending June 30, 2013.
4. To transact any other business that may properly come before the meeting.

Only holders of record of shares of common stock of the Corporation at the close of business on August 31, 2012, shall be entitled to vote at the meeting.

A proxy appointment card and our proxy statement are enclosed with this notice. The proxy card shows the form in which your shares are registered and affords you the opportunity to direct the voting of those shares, even if you are unable to attend the meeting in person. Please review these proxy materials and follow the applicable instructions.

Thomas E. Valentyn  
General Counsel and Secretary

Important Notice Regarding the Availability of Proxy Materials for the  
Shareholder Meeting to be Held on October 19, 2012

Pursuant to rules of the Securities and Exchange Commission, we are providing access to our proxy materials both by mailing to you this full set, including the proxy card, on or about September 14, 2012, and by notifying you of the availability of our proxy materials on the Internet. These proxy materials and our 2012 annual report on Form 10-K are available at <http://ir.twindisc.com/proxy.cfm>

**YOUR VOTE IS IMPORTANT! WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING OF SHAREHOLDERS IN PERSON, WE ASK YOU TO PLEASE TAKE ADVANTAGE OF ONE OF THE THREE OPTIONS YOU HAVE FOR VOTING YOUR SHARES: (1) YOU MAY SIGN AND RETURN YOUR PROXY APPOINTMENT IN THE ENCLOSED ENVELOPE; (2) YOU MAY DIRECT YOUR VOTE VIA THE INTERNET; OR (3) YOU MAY DIRECT YOUR VOTE BY TELEPHONE. THE APPLICABLE INSTRUCTIONS AND DEADLINES FOR EACH OPTION ARE STATED ON THE PROXY CARD AND IN THE PROXY STATEMENT. IF YOUR PROXY APPOINTMENT / VOTING INSTRUCTIONS ARE NOT RECEIVED BEFORE THE APPLICABLE DEADLINE, THE PROXY WILL BE RULED INVALID. AFTER SUBMITTING YOUR VOTING INSTRUCTIONS, SHOULD YOU FIND IT CONVENIENT TO ATTEND THE MEETING, YOU MAY REVOKE YOUR PRIOR INSTRUCTIONS AND VOTE IN PERSON.**



2012 Proxy Statement  
TWIN DISC, INCORPORATED  
September 14, 2012

DATE, TIME AND PLACE OF MEETING

This proxy statement is furnished in connection with the solicitation by the Board of Directors of the Corporation of proxies for use at the Annual Meeting of Shareholders to be held at 2:00 P.M. (Central Time), at the Corporate Offices, 1328 Racine Street, Racine, Wisconsin on Friday, October 19, 2012, or any adjournment thereof. Holders of common stock of record at the close of business on August 31, 2012, are entitled to vote at the meeting and each shareholder shall have one vote for each share of common stock registered in the shareholder's name. Shares represented by a signed proxy appointment or electronic proxy vote will be voted in the manner specified in the form of proxy or, if no specification is made, in a manner consistent with the Board of Directors' recommendation for each of the proposals mentioned therein. The presence of a majority of the outstanding shares of common stock of the Corporation, either in person or represented by a signed proxy appointment or electronic proxy vote, will constitute a quorum at the meeting. The Corporation intends to mail this proxy statement to shareholders on or about September 14, 2012.

PROXY APPOINTMENT AND REVOCATION

Shareholders may vote by delivery, either in person, by mail or by messenger, of the enclosed proxy appointment form. Appointment forms must be received by the Secretary not less than 48 hours prior to the date of the meeting. The proxy appointment form must be signed in handwriting. The signature must be sufficiently legible to allow the inspector to distinguish it as representing the name of the registered shareholder, or must be accompanied by a rubber stamp facsimile or hand-printed name, including the shareholder's surname and either the shareholder's first or middle name as represented on the corporate records and any titles, offices or words indicating agency which appear in the corporate records. **PROXY APPOINTMENT FORMS NOT MEETING THE ABOVE REQUIREMENTS WILL BE RULED INVALID.**

Shareholders may also vote via the Internet by accessing [www.proxyvoting.com/twin](http://www.proxyvoting.com/twin) or by telephone at 1-866-540-5760. The telephone and Internet voting procedures are designed to authenticate the shareholder's identity, to allow the shareholder to give voting instructions and to confirm that such instructions have been properly recorded. Shareholders may vote via the Internet or by telephone up to 11:59 PM Eastern Time the day before the annual meeting. Shareholders that vote via the Internet should understand that there might be costs associated with electronic access that they must bear, such as usage charges from Internet access providers and telecommunications companies.

The person giving the proxy may revoke it before it is exercised, either in person, by mail or by messenger, by submitting a later dated proxy appointment form to the Secretary at least 48 hours prior to the date of the meeting. If the proxy was voted via the Internet or by telephone, the person may revoke the proxy by entering a new vote via the Internet or telephone prior to the time that Internet and telephone voting closes. The person giving the proxy may also revoke it by openly stating the revocation at the meeting, by voting at the meeting in person, or by delivering a signed written statement revoking the proxy to the Secretary prior to the date of the meeting. **ANY ATTEMPTED REVOCATIONS NOT MEETING THE ABOVE REQUIREMENTS WILL BE RULED INVALID.**

RECORD DATE

The record date with respect to this solicitation is August 31, 2012. On that date, there were outstanding 11,404,246 shares of common stock of the Corporation entitled to vote at the Annual Meeting. There also are 200,000 shares of

no-par preferred stock authorized, of which 150,000 shares have been designated Series A Junior Preferred Stock, but none are outstanding.

### SHAREHOLDER PROPOSALS FOR 2013

If a shareholder wishes to present a proposal for consideration for inclusion in the Notice of the Meeting and Proxy Statement for the 2013 Annual Meeting, the proposal must be received at the Corporation's principal executive offices no later than May 17, 2013. Shareholder proposals received later than July 16, 2013 will be considered untimely, and will not be considered at the Corporation's 2013 Annual Meeting. Any such proposal must comply with the requirements of Section (14)(a) of the Corporation's Bylaws.

If a shareholder wishes to nominate a person for election to the Board of Directors of the Corporation, such nomination shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely for the 2013 Annual Meeting, such notice must be delivered to or mailed and received at the principal executive offices of the Corporation no later than July 16, 2013. Any such notice must comply with the requirements of Section (14)(b) of the Corporation's Bylaws.

### PERSONS MAKING THE SOLICITATION

The proxy is being solicited by the Corporation's Board of Directors and will be voted in favor of the Directors' recommendations on each and all matters properly brought before the meeting, unless the undersigned shareholder specifically instructs the holder or holders of the proxy to the contrary.

### VOTES REQUIRED FOR PROPOSALS AND HOW VOTES WILL BE COUNTED

With respect to the election of Directors (Proposal No. 1), votes may be cast in favor or withheld. Votes that are withheld will have no legal effect and will not be counted as votes cast in an election of Directors. Assuming a quorum is present, Directors shall be elected by a plurality of votes cast by the shares entitled to vote at the annual meeting (i.e., the individuals with the largest number of votes cast in favor of their election will be elected as Directors, up to the maximum number of Directors to be chosen in the election). In the event two (2) or more persons tie for the last vacancy to be filled, a run-off vote shall be taken from among the candidates receiving the tie vote. Broker non-votes, as defined below, will be counted for purposes of determining a quorum, but will not be counted as votes cast in the election of Directors.

With respect to the advisory vote on the compensation of the Corporation's Named Executive Officers (Proposal No. 2), votes may be cast "For" or "Against" the resolution. Votes "For" must exceed votes "Against" in order for the resolution on compensation of the Named Executive Officers to be considered approved by the shareholders. This vote is not binding on the Corporation. The Compensation Committee will take the results of the vote into consideration in addressing future compensation policies and practices.

With respect to the ratification of the appointment of independent auditors (Proposal No. 3), votes may be cast "For" or "Against." The appointment will be ratified if a majority of the shares present and entitled to vote on the matter are voted "For" ratification. If the appointment of the independent auditors is not ratified, the Audit Committee will reconsider such appointment.

Abstentions may be specified on all proposals submitted to shareholders, other than for the election of Directors. Abstentions will be counted for purposes of determining the presence or absence of a quorum for the transaction of business at the meeting, but will not be counted as votes cast with respect to any of the proposals.

Brokers who hold shares in street name for customers may vote their shares with respect to certain matters without specific instructions from the beneficial owners of the shares. However, brokers who hold shares in street name are not permitted to vote on certain other matters without specific instructions from the beneficial owners. A “broker non-vote” occurs on an item submitted for shareholder approval when the broker does not have the authority to vote on the item in the absence of instructions from the beneficial owner. A broker non-vote is treated as “present” for purposes of determining a quorum, has the effect of a vote against a particular proposal when a majority of the issued and outstanding shares is required for approval of the proposal, and has no effect when a majority of the shares present in person or by proxy and entitled to vote or a plurality or majority of the votes cast is required for approval.

Brokers and other nominees may vote on the ratification of the appointment of PricewaterhouseCoopers LLP as our independent auditors for the fiscal year ending June 30, 2013 (Proposal No. 3) without specific instructions from beneficial owners. Therefore, no broker non-votes are expected to exist in connection with this proposal. However, brokers or other nominees may not vote on the election of Directors to serve until the Annual Meeting in 2015 (Proposal No. 1) and the advisory vote on named executive officer compensation (Proposal No. 2) without specific instructions from the beneficial owners of the shares. Therefore, an undetermined number of broker non-votes may occur on Proposals No. 1 and 2.

## PRINCIPAL SHAREHOLDERS, DIRECTORS AND EXECUTIVE OFFICERS

### PRINCIPAL SHAREHOLDERS

Based upon the records of the Corporation, filings with the Securities and Exchange Commission as of August 24, 2012 and additional information obtained by the Corporation, the following table sets forth the persons or group of persons having beneficial ownership (as defined by the Securities and Exchange Commission) of more than 5% of the issued and outstanding common stock of the Corporation.

Name	Address	Nature of Beneficial Ownership	Amount Owned	Percent of Class
Michael E. Batten	3419 Michigan Blvd. Racine, WI	Power to vote Beneficial	2,137,740 (1) 459,297 (2)	18.7% 4.0%
GAMCO Investors, Inc.	One Corporate Center Rye, NY	Power to vote & dispose of stock	1,081,068 (3)	9.5%
NFJ Investment Group LLC	2100 Ross Avenue Dallas, TX	Power to vote & dispose of stock	724,122	6.3%
Thompson, Siegel & Walmsley LLC	6806 Paragon Place Richmond, VA	Power to vote & dispose of stock	654,141	5.7%

(1) Held as trustee under various trusts.

Edgar Filing: TWIN DISC INC - Form DEF 14A

(2) Includes 10,400 shares owned by the wife of Michael E. Batten, 22,316 shares of restricted stock that vest in fiscal 2014, 8,878 shares of restricted stock that vest in fiscal 2015, and 16,455 shares of restricted stock that vest in fiscal 2016.

(3) Represents shares held by various entities which are directly or indirectly controlled by Mario J. Gabelli and for which he acts as chief investment officer.

---



## DIRECTORS AND EXECUTIVE OFFICERS

Based upon the records of the Corporation, filings with the Securities and Exchange Commission as of August 24, 2012 and additional information obtained by the Corporation, the following table sets forth the number of shares of common stock of the Corporation beneficially owned by each of the Directors of the Corporation, each of the executive officers named in the Summary Compensation Table and the number of shares beneficially owned by all Directors and executive officers of the Corporation as a group.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)	Percent of Class
Michael E. Batten	2,597,037 (2)	22.7%
John H. Batten	76,039 (3)	*
Christopher J. Eperjesy	52,237 (4)	*
James E. Feiertag	55,438 (5)	*
Dean J. Bratel	29,174 (6)	*
Michael Doar	14,179 (7)	*
Malcolm F. Moore	12,033 (7)	*
David B. Rayburn	29,179 (7)	*
Michael C. Smiley	4,379 (7)	*
Harold M. Stratton II	18,779 (7)	*
David R. Zimmer	13,529 (7)	*
All Directors and Executive Officers as a group (15 persons)	2,991,026 (7)	26.2%

\* Denotes ownership of less than one percent of shares outstanding.

(1) Shares listed include any shares owned by a spouse, minor children and immediate relatives who share the same household as a Director or officer. Inclusion of any such shares is not to be considered an admission of beneficial ownership.

(2) Includes 10,400 shares held by Mr. Batten's wife, 2,137,740 shares held by him as trustee under various family trusts, 22,316 shares of restricted stock that vest in fiscal 2014, 8,878 shares of restricted stock that vest in fiscal 2015, and 16,455 shares of restricted stock that vest in fiscal 2016.

(3) Includes restricted stock grants of 16,090 shares that vest in fiscal 2014, 5,446 shares that vest in fiscal 2015, and 12,594 shares that vest in fiscal 2016.

(4) Includes restricted stock grants of 12,339 shares that vest in fiscal 2014, 3,954 shares that vest in fiscal 2015, and 10,425 shares that vest in fiscal 2016.

(5) Includes restricted stock grants of 11,339 shares that vest in fiscal 2014, 3,795 shares that vest in fiscal 2015, and 8,302 shares that vest in fiscal 2016.

(6) Includes restricted stock grants of 8,004 shares that vest in fiscal 2014, 2,229 shares that vest in fiscal 2015, and 4,638 shares that vest in fiscal 2016.

(7) Shares subject to currently exercisable stock options included in the above are as follows: Mr. Doar 2,400, Mr. Moore 4,800, Mr. Rayburn 11,200, Mr. Stratton 7,200 and all Directors and executive officers as a group 25,600. Also included above are unvested restricted shares as follows: Mr. Doar 2,031, Mr. Moore 2,031, Mr. Rayburn 2,031, Mr. Smiley 2,031, Mr. Stratton 2,031 and Mr. Zimmer 2,031.



PROPOSAL 1: ELECTION OF DIRECTORS

The Board of Directors has nominated the following persons to serve as Directors for the Corporation, each for a term to expire at the annual meeting following the fiscal year ended June 30, 2015. Shares of common stock represented by properly executed proxy appointments in the accompanying form or electronic proxy vote will be voted for the two nominees listed unless authority to do so is withheld.

Name and Current Age	Principal Occupation and Other Directorships Held Within Past Five Years	Skills and Qualifications	Served as Director Continuously Since
David. B. Rayburn. . Age 64	Retired President and Chief Executive Officer, Modine Manufacturing Company, Racine, Wisconsin (A manufacturer of heat exchange equipment)	As a former CEO of a public company, Mr. Rayburn has experience and skill sets in strategic planning, financial oversight, compensation policy and practices as well as organizational structure. In addition, Mr. Rayburn's background includes international business, mergers and acquisitions, engineering and manufacturing in an industry related to the Corporation.	July 2000
Malcolm F. Moore. . Age 62	Chairman of the Board, Digi-Star LLC, Fort Atkinson, Wisconsin (A provider of weighing systems for Precision Agriculture); Chief Executive Officer, Port Royal Partners, LLC, Naples, Florida (An enterprise focusing on investments in the marine development industry); Retired President and	Mr. Moore is the recently retired CEO of a public company. His experience includes strategic planning, financial oversight, including holding the position of CFO, compensation policy and practices, and organizational	October 2006

Chief Executive Officer, experience in manufacturing  
Gehl and  
Company, West Bend, engineering related industries.  
Wisconsin (A manufacturer  
and  
distributor of compact  
equipment  
for construction and  
agricultural markets)

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE IN FAVOR OF ELECTING THE  
NOMINEES LISTED ABOVE AS DIRECTORS. UNLESS YOU INDICATE OTHERWISE ON YOUR PROXY,  
YOUR SHARES WILL BE VOTED "FOR" THE ELECTION OF EACH OF THESE NOMINEES AS DIRECTORS.

---

The Directors whose terms are continuing, and the classes to which they have been elected, are set forth below. Each Director whose term is continuing was elected to his present term of office by a vote of shareholders at a meeting for which proxies were solicited.

Name and Current Age	Principal Occupation and Other P u b l i c C o m p a n y Directorships Held Within Past Five Years	Skills and Qualifications	Served as Director  C o n t i n u o u s l y Since
-------------------------	--	---------------------------	--

CONTINUING DIRECTORS WHOSE TERMS EXPIRE IN 2013:

<p>John H. Batten . . . . Age 47</p>	<p>President and Chief Operating Officer, Twin Disc, Incorporated since July 2008; formerly Executive Vice President since October 2004, and Vice President General Manager, Marine &amp; Propulsion since 2001</p>	<p>Mr. Batten is a sitting COO of a public company. His skill sets include strategic and operational planning, financial oversight, and organizational development as well as extensive domestic and international experience in en- gineered products and a complex manufacturing environment.</p>	<p>December 2002</p>
<p>Harold M. Stratton II . Age 64</p>	<p>Chairman of the Board, Strattec Security Corporation, Milwaukee, Wisconsin (A leading manufacturer of mechanical and electro-mechan- ical locks, latches, power opening/closing systems and related security/access control products for global</p>	<p>Mr. Stratton is Board Chairman and recently retired CEO of a public company. He is skilled in strategic planning, financial oversight, compensation and organizational matters. In addition, he has experience in international markets and in</p>	<p>July 2004</p>

an industry involving complex automotive manufacturers) manufacturing and products with high engineering content.

Michael C. Smiley.	Chief Financial Officer,	Mr. Smiley is a sitting CFO	April 2010
..		of a	
Age 53	Zebra Technologies Corp., Lincolnshire, Illinois	public company. His competencies include strategic	
	(A provider of a broad range of innovative technology solutions to identify, track, and manage the deployment of critical assets for improved business efficiency)	planning, financial oversight, emergers and acquisitions, extensive domestic and international experience in complex manufacturing and engineered and technology products.	

John H. Batten is the son of Chairman and Chief Executive Officer Michael E. Batten.

Name and Current Age	Principal Occupation and Other P u b l i c C o m p a n y Directorships Held Within Past Five Years	Skills and Qualifications	Served as Director C o n t i n u o u s l y Since
-------------------------	--	---------------------------	--

CONTINUING DIRECTORS WHOSE TERMS EXPIRE IN 2014:

Michael E. Batten . . . . Age 72	Chairman and Chief Executive Officer, Twin Disc, Incorporated; Also Director, Briggs & Stratton Corporation	Mr. Batten is a sitting CEO of a public company. His skill sets include strategic planning, financial oversight, compensation and organizational development. His career includes extensive experience in international business, mergers and acquisitions, and complex manufactured and engineered products.	May 1974
Michael Doar . . . . . Age 57	Chairman, Chief Executive Officer and President, Hurco Companies, Inc. Indianapolis, IN (A global manufacturer of machine tools)	Mr. Doar is a sitting CEO of a public company. His experience includes strategic planning, financial oversight, compensation and organizational competencies. His career in the capital goods industry has exposed him to complex manufacturing and engineering solutions on a global basis.	October 2008
David R. Zimmer. . . . . Age 66	Managing Partner, Stonebridge Equity LLC,	Mr. Zimmer is a former CEO of	July 1995

a public company and has  
also  
Troy, Michigan, since 2005 held a CFO position in a  
public  
(A merger, acquisition and company. His skill sets  
include  
value consulting firm); strategic planning, financial  
Formerly Chief Executive oversight, compensation, and  
O f f i c e r , T w i t c h e l l organizational development.  
Corporation,  
Dothan, AL (A privately held His career includes  
international  
manufacturer and marketer business in complex  
of  
highly engineered synthetic manufacturing related  
yarns, fabrics, extrusions, industries, as well as  
and  
coatings); mergers and acquisitions.  
Also Director, Detrex Corp.  
and Strattec Security Corp.

---



**PROPOSAL 2: ADVISORY VOTE ON THE COMPENSATION OF  
THE CORPORATION'S NAMED EXECUTIVE OFFICERS**

As required by Section 14A of the Securities Exchange Act of 1934 (as amended), the Board of Directors is holding a separate, non-binding advisory vote seeking approval of the compensation of the Corporation's Named Executive Officers, as disclosed in the "Executive Compensation" portion of this Proxy Statement. This proposal, commonly known as "Say on Pay," gives you the opportunity to indicate your support or lack of support for the Corporation's fiscal 2012 compensation practices and programs for the Named Executive Officers by voting on the following resolution:

RESOLVED, that the compensation paid to the Corporation's Named Executive Officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby APPROVED.

As described in the "Compensation Discussion and Analysis" section of this Proxy Statement, and in particular the "Executive Summary" portion of the Compensation Discussion and Analysis, the Corporation has established a compensation program that is designed to attract and retain key employees, and reward those employees for the short-term and long-term performance of the Corporation.

A significant portion of the potential compensation of the Corporation's Named Executive Officers is directly linked to the Corporation's performance and the creation of shareholder value, and payments under the Corporation's incentive programs have correlated to the Corporation's actual performance. For example, consistent with the Corporation's achievements against targeted profitability, sales growth and inventory levels over the past fiscal year, each of the Named Executive Officers received an annual incentive under the Corporate Incentive Plan equal to 155% of their target bonus amount. In addition, long-term performance stock and performance stock unit awards that were granted in 2009 subject to a three-year profitability objective vested at the maximum amount in 2012, based on the cumulative profitability of the Corporation over the past three fiscal years.

The Corporation also maintains compensation practices that are aligned with sound governance practices. For example, the Corporation's agreements with its Named Executive Officers are designed to avoid excess parachute payments under Section 280G of the Internal Revenue Code, and thus do not provide for excise tax gross-ups for excess parachute payments. In addition, the Corporation's change in control severance agreements with its Named Executive Officers contain "double trigger" provisions (i.e., both a change in control and an involuntary termination or resignation for good reason) in order for outstanding equity awards to vest and be paid.

This shareholder vote is advisory, and therefore not binding on the Corporation. However, the Board of Directors and the Compensation Committee will take the results of the vote into consideration in addressing future compensation policies and practices.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE IN FAVOR OF THE RESOLUTION TO APPROVE THE COMPENSATION PAID TO THE CORPORATION'S NAMED EXECUTIVE OFFICERS. UNLESS YOU INDICATE OTHERWISE ON YOUR PROXY, YOUR SHARES WILL BE VOTED "FOR" THE RESOLUTION TO APPROVE THE COMPENSATION PAID TO THE CORPORATION'S NAMED EXECUTIVE OFFICERS.**

**PROPOSAL 3: RATIFICATION OF APPOINTMENT OF  
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee has selected PricewaterhouseCoopers LLP (“PricewaterhouseCoopers”) as our independent registered public accounting firm for the fiscal year ending June 30, 2013, including service to our consolidated subsidiaries. PricewaterhouseCoopers has acted in this capacity since 1928. A representative of PricewaterhouseCoopers will be present at the annual meeting, will be given the opportunity to make a statement if he or she so desires and will be available to respond to appropriate questions. Stockholder ratification of the selection of PricewaterhouseCoopers as our independent registered public accounting firm is not required. However, the Audit Committee deems it good corporate governance to submit the selection of PricewaterhouseCoopers to the stockholders for ratification.

**Fees to Independent Registered Public Accounting Firm**

**Audit Fees**

Aggregate fees billed for professional services rendered by PricewaterhouseCoopers in connection with (i) the audit of the Company’s consolidated financial statements as of and for the years ended June 30, 2012 and June 30, 2011, including statutory audits of the financial statements of the Company’s affiliates, and (ii) the limited reviews of the Company’s quarterly financial statements were \$856,000 and \$826,000, respectively.

**Audit-Related Fees**

Aggregate fees billed for professional services rendered by PricewaterhouseCoopers for assurance and services reasonably related to the performance of the audit or review of the Company’s financial statements not included in audit fees above were \$0 and \$6,000 for the years ended June 30, 2012 and 2011, respectively.

**Tax Fees**

In addition to the other fees described above, aggregate fees of \$391,000 and \$370,000 were billed by PricewaterhouseCoopers during the years ended June 30, 2012 and 2011, pertaining to tax related services. Included in this amount are fees for tax compliance services of \$189,000 and \$205,000 during the years ended June 30, 2012 and 2011, respectively.

**All Other Fees**

During the years ended June 30, 2012 and 2011, PricewaterhouseCoopers billed aggregate fees totaling \$0 and \$22,000 for mergers and acquisitions due diligence, respectively.

The Audit Committee has determined that the provision of services rendered above that were not related to its audit of the Company's financial statements were at all times compatible with maintaining PricewaterhouseCoopers' independence.

**Pre-Approval Policies and Procedures**

The Audit Committee annually pre-approves known or anticipated audit and non-audit services and fees. Additional non-audit services and fees not included in the annual pre-approval are submitted to a designated committee member for approval before the work is performed. For the year ended June 30, 2012, 100% of audit-related, tax and other fees were pre-approved.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE TO RATIFY THE SELECTION OF PRICEWATERHOUSECOOPERS LLP AS OUR INDEPENDENT AUDITORS FOR FISCAL YEAR 2013. UNLESS YOU INDICATE OTHERWISE, YOUR PROXY WILL BE VOTED "FOR" RATIFICATION.**



## CORPORATE GOVERNANCE

The Corporation's business is conducted under the direction of the Board of Directors, pursuant to the laws of the State of Wisconsin and our Restated Bylaws. Members of the Board of Directors are kept informed of the Corporation's business through discussions with the Chairman and Chief Executive Officer, and with key members of management, by reviewing materials provided to them and by participating in meetings of the Board of Directors and its committees.

The Corporation has reviewed its corporate governance policies and practices, particularly in light of the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, and rule changes made or proposed by the Securities and Exchange Commission and the NASDAQ Stock Market. We believe that our current policies and practices meet all applicable requirements. Our updated corporate governance policies, including updated charters for committees of the Board, are made available to our shareholders on our website, [www.twindisc.com](http://www.twindisc.com), and/or through appropriate mailings.

### Board Independence

The Corporation requires, as set forth in its Guidelines for Corporate Governance, that a majority of the Board members be independent outside Directors. "Independent Director," as used here, means a person other than an officer or employee of the Corporation or its subsidiaries or any other individual having a relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a Director. At a minimum, to qualify as "independent," a Director must so qualify under governing rules, regulations and standards, including those issued by the SEC and the NASDAQ Stock Market. The Nominating and Governance Committee of the Board assesses independence on an ongoing basis, and the Directors are responsible for bringing to the attention of the Nominating and Governance Committee any changes to their status that may affect independence. In addition, the Directors are required to complete, on at least an annual basis, a questionnaire prepared by the Corporation that is designed to elicit information that relates to the independence assessment. A majority of the current Board of Directors are independent Directors.

The Board has determined that the following Directors are independent within the meaning of the SEC regulations, the listing standards of the NASDAQ Stock Market and the Corporation's Guidelines for Corporate Governance: Messrs. Doar, Moore, Rayburn, Smiley, Stratton and Zimmer.

### Board Leadership Structure

The Corporation currently combines the roles of Chairman and Chief Executive Officer. The Board of Directors believes that combining these positions best serves the interests of the Corporation by providing clear direction and a unified voice, especially in light of the substantial experience that our current Chairman and Chief Executive Officer has with the Corporation. Mr. M. Batten's in-depth knowledge of the Corporation's products, customers, history and values allows him to set appropriate agendas and provide leadership for the full Board, as well as to lead effectively the Corporation's management team in the execution of the Board's decisions and the day-to-day operations of the Corporation.

The Corporation has not designated a specific independent Director as lead outside Director. Instead, each of the independent Directors on the Board chairs the executive sessions of the Board on a rotating basis. The Board meets in executive session in conjunction with each regularly scheduled meeting of the full Board of Directors. Over the course of a year, all or nearly all of the independent Directors will chair an executive session of the Board. The Board of Directors believes that sharing responsibility for chairing executive sessions of the Board allows each of the independent Directors to take a more active role in the leadership of the Corporation, and facilitates a full sharing of the diversity of viewpoints held by the independent Directors.

### Board's Role in Risk Oversight

The Corporation's Board of Directors is ultimately responsible for overseeing the Corporation's approach to business risks that it faces. The Board receives regular reports from the Corporation's management regarding significant developments in the industries and markets in which the Corporation competes, as well as information regarding the Corporation's financial performance, capital needs and liquidity. With the assistance of management, the Board regularly identifies the risks that are most significant to the Corporation. The Board's agendas are planned so that each of these risks, the potential exposure they create, management's efforts to manage those risks and other mitigating activities, are discussed at least annually. Risk management is also an integral part of the Corporation's annual strategic planning process, and risks identified through that process are also reviewed and discussed by the full Board.

Various committees of the Board also have roles in the oversight of risk management. In particular, the Audit Committee focuses on financial risk, including the Corporation's internal controls regarding finance, accounting, legal compliance and ethical behavior. The Compensation Committee evaluates risks that may be created by the Corporation's compensation policies and practices, and also annually reviews the adequacy and status of the Corporation's management succession plans. The Finance Committee regularly reviews and evaluates the Corporation's risk management insurance portfolio and overall financial management of the Corporation. The Pension Committee reviews and evaluates risks associated with the Corporation's qualified and nonqualified retirement plans, including funding status, investment risk, asset allocation and projected liabilities.

### Guidelines for Business Conduct and Ethics

Our Guidelines for Business Conduct and Ethics ("Guidelines") summarize the compliance and ethical standards and expectations we have for all our employees, officers and Directors with respect to their conduct in furtherance of the Corporation's business. The Guidelines, which are available on the Corporation's website, [www.twindisc.com](http://www.twindisc.com), contain procedures for reporting suspected violations of the provisions contained in the Guidelines, including procedures for the reporting of questionable accounting or auditing matters, or other concerns regarding accounting, internal accounting controls or auditing matters. These materials are also available in print to any shareholder upon request. If we make any substantive amendment to the Guidelines, we will disclose the nature of such amendment on our website or in a current report on Form 8-K. In addition, if a waiver from the Guidelines is granted to an executive officer or Director, we will disclose the nature of such waiver on our website at [www.twindisc.com](http://www.twindisc.com) or in a current report on Form 8-K.

Review, Approval or Ratification of Transactions with Related Persons

Our Guidelines also specifically require that all employees, officers and Directors refrain from business activities, including personal investments, which conflict with the proper discharge of their responsibilities to the Corporation or impair their ability to exercise independent judgment with respect to transactions in which they are involved on behalf of the Corporation. The Guidelines include policies on the review and approval of significant transactions between the Corporation and its officers or employees, and their relatives or businesses.

At the end of each fiscal year, each Director and officer must respond to a questionnaire that requires him or her to identify any transaction or relationship that occurred during the year or any proposed transaction that involves the Corporation (or any subsidiary or affiliate of the Corporation) and that individual, their immediate family and any entity with which they or such immediate family member are associated. All responses to the questionnaires are reviewed by the Company's internal auditing department and shared with the CEO and Audit Committee, as appropriate. Based upon such review, there were no related party transactions with respect to persons who were Directors or officers during fiscal 2012 requiring disclosure under the rules of the Securities and Exchange Commission.

---

## DIRECTOR COMMITTEES AND ATTENDANCE

### Meetings of the Board of Directors and Board Committees; Attendance

The Corporation's Board of Directors met six times during the year ended June 30, 2012. Among incumbent Directors, there were no absences from these meetings. The Audit Committee met five times during the year. The Pension Committee met two times during the year. The Nominating and Governance Committee met two times during the year. The Compensation Committee met two times during the year. The Finance Committee met two times during the year. Each incumbent Director attended at least 75% of the aggregate of the total number of meetings of the Board of Directors and of the Committees on which the Director served.

### Director Committee Functions

#### Audit Committee

The Corporation has a separately-designated Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The charter of the Audit Committee is available on the Corporation's website, [www.twindisc.com](http://www.twindisc.com). It was most recently revised on April 20, 2012.

All of the members of the Audit Committee are independent within the meaning of the SEC regulations, the listing standards of NASDAQ Stock Market and the Corporation's Guidelines for Corporate Governance. The Board of Directors has determined that each Audit Committee member (Mr. Zimmer, Mr. Doar, Mr. Smiley and Mr. Stratton) qualifies as an "audit committee financial expert" within the meaning of the SEC rules.

The Audit Committee's purpose is to assist the Board of Directors in monitoring the:

Integrity of the Corporation's financial statements;  
Independent auditor's qualifications and independence;  
Performance of the Corporation's internal audit function and the independent auditors; and  
Corporation's compliance with legal and regulatory requirements.

In carrying out these responsibilities, the Audit Committee, among other things:

Appoints the independent auditor for the purpose of preparing and issuing an audit report and to perform related work, and discusses with the independent auditor appropriate staffing and compensation;

Retains, as necessary or appropriate, independent legal, accounting or other advisors;

Oversees management's implementation of systems of internal controls, including review of policies relating to legal and regulatory compliance, ethics and conflicts of interests; and reviews the activities and recommendations of the Corporation's internal auditing program;

Monitors the preparation of quarterly and annual financial reports by the Corporation's management, including discussions with management and the Corporation's independent auditors about draft annual financial statements and key accounting and reporting matters;

Determines whether the outside auditors are independent (based in part on the annual letter provided to the Corporation pursuant to the applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communication with the audit committee concerning independence); and

Annually reviews management's programs to monitor compliance with the Corporation's Guidelines for Business Conduct and Ethics.





#### Finance Committee

The Finance Committee assists the Board in fulfilling its oversight responsibilities for considering management's proposed financial policies and actions, and making appropriate recommendations to the Board regarding: debt and capital structure, acquisitions, capital budgets, dividend policy and other financial and risk management matters.

#### Nominating and Governance Committee

The Nominating and Governance Committee recommends nominees for the Board to the Board of Directors. The Committee will consider nominees recommended by shareholders in writing to the Secretary. In addition, the Committee develops and recommends to the Board a set of effective corporate governance policies and procedures applicable to the Company, and reviews proposed changes in corporate structure and governance, committee structure and function, and meeting schedules, making recommendations to the Board as appropriate. The charter of the Nominating and Governance Committee is available on the Company's website, [www.twindisc.com](http://www.twindisc.com). The independence of the Committee is in compliance with SEC regulations, the listing standards of the NASDAQ Stock Market and the Company's Guidelines for Corporate Governance.

The Nominating and Governance Committee identifies candidates for Director nominees in consultation with the Chairman and Chief Executive Officer, through the use of search firms or other advisers, or through such other methods as the Committee deems to be helpful to identify candidates, including the processes identified herein. The Committee will also consider Director candidates recommended to the Committee by shareholders. The procedures for recommendation of nominees by shareholders are available on the Corporation's web site, [www.twindisc.com](http://www.twindisc.com). Shareholder recommendations to the Committee for Director candidates shall follow the following procedures:

- a. The Committee must receive any such shareholder recommendations for Director candidates on or before the last business day in the month of March preceding that year's annual meeting.
    - b. Such recommendation for nomination shall be in writing and shall include the following information:
      - i. Name and address of the shareholder, whether an entity or an individual, making the recommendation;
      - ii. A written statement of the shareholder's beneficial ownership of the Corporation's securities;
      - iii. Name and address of the individual recommended for consideration as a Director nominee;
  - iv. A written statement from the shareholder making the recommendation stating why such recommended candidate would be able to fulfill the duties of a Director;
  - v. A written statement from the shareholder making the recommendation stating how the recommended candidate meets the independence requirements established by the SEC and the NASDAQ Stock Market;
  - vi. A written statement disclosing the recommended candidate's beneficial ownership of the Corporation's securities;
  - vii. A written statement disclosing relationships between the recommended candidate and the Corporation which may constitute a conflict of interest; and
  - viii. Any other information relating to the recommended candidate that would be required to be disclosed in solicitations of proxies for the election of Directors under the Securities Exchange Act.
-

- c. Recommendation for nomination must be sent to the attention of the Committee via the U.S. Mail or by expedited delivery service, addressed to:

Twin Disc, Incorporated  
1328 Racine Street  
Racine, WI 53403  
Attn: Nominating and Governance Committee  
c/o Secretary of Twin Disc, Incorporated

In identifying potential candidates, the Committee confirms that the candidates meet all of the minimum qualifications for Director nominees set forth below. The Committee does not have a formal diversity policy, but it does consider a candidate's potential to contribute to the diversity of viewpoints, backgrounds or experiences to the Board as one of many factors in choosing a candidate for the Board. In the end, candidates are selected based on their qualifications and skills and the needs of the Board as a whole, with the goal of having a Board composed of Directors with a diverse mix of financial, business, technological and other skills and experiences. The Committee may gather information about the candidates through interviews, background checks, or any other means that the Committee deems to be helpful in the evaluation process. The Committee then meets as a group to discuss and evaluate the qualities and skills of each candidate, both on an individual basis and taking into account the overall composition and needs of the Board. There is no difference in the manner by which the Committee evaluates potential Director nominees, whether recommended by the Board or by a shareholder.

The Committee evaluates each individual candidate in the context of the overall composition and needs of the Board, with the objective of recommending a group that can best manage the business and affairs of the Corporation and represent shareholder interests using its diversity of experience. A Director must have substantial or significant business or professional experience or an understanding of technology, finance, marketing, financial reporting, international business or other disciplines relevant to the business of the Corporation. A Director must be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her judgment as a member of the Board or of a Board committee. This does not preclude an otherwise qualified employee of the Corporation from serving as a Director, as long as the majority of Directors satisfy the independence requirements of the regulatory bodies. Each Director will be expected to review and agree to adhere to the Corporation's Guidelines for Business Conduct and Ethics, as in effect from time to time. The Committee will consider these and other qualifications, skills and attributes when recommending candidates for the Board's selection as nominees for the Board and as candidates for appointment to the Board's committees.

#### Compensation Committee

Scope of Authority - The primary purpose of the Compensation Committee is: (i) to assist the Board in discharging its responsibilities in respect to the compensation of the Corporation's Directors and executive officers; (ii) to produce an annual report for inclusion in the Corporation's proxy statement on executive compensation; and (iii) to lead the process of management succession. The Committee approves the design of, assesses the effectiveness of, and administers executive compensation programs in support of compensation policies of the Corporation. The charter of the Compensation Committee is available on the Corporation's website at [www.twindisc.com](http://www.twindisc.com).

Composition - The Compensation Committee is composed exclusively of non-employee, independent Directors none of whom has a business relationship with the Corporation, other than in their capacity as Directors. The Compensation Committee reports to the entire Board.

Role of Consultants - Periodically, the Compensation Committee engages an independent consultant to review its compensation program for the officers of the Corporation, in order to ensure market competitiveness. During FY 2011, the Compensation Committee engaged Towers Perrin, now known as Towers Watson (“Towers”), a global human resources consulting firm, for this review for purposes of setting executive compensation for FY2012. Towers provides the Compensation Committee with information regarding market compensation practices and alternatives to consider when making compensation decisions for the executives.

Role of Executive Officers - The Compensation Committee makes all compensation decisions for the Chairman and Chief Executive Officer (Mr. M. Batten) and approves recommendations for compensation actions for all other elected officers of the Corporation. Mr. M. Batten and Mr. J. Batten, the President and Chief Operating Officer, annually review the performance of each elected officer with the Compensation Committee. Recommendations based on these reviews, including those pertaining to salary adjustments, bonus payouts and equity compensation, are presented to the Compensation Committee, which may exercise its discretion in modifying any of the recommendations presented. The Compensation Committee also reviews the performance of the Chairman and Chief Executive Officer. It alone determines the salary adjustment, bonus payment and equity awards for this individual.

Compensation Committee Interlocks and Insider Participation - The members of the Compensation Committee are Malcolm F. Moore (Chair), David B. Rayburn and David R. Zimmer. None of the Compensation Committee members are former executive officers of the Corporation. See the “Board Independence” section for additional information concerning Director independence. The Corporation had no “Compensation Committee Interlocks” as described by the SEC during fiscal 2012.

#### Pension Committee

The Pension Committee reviews and recommends to the Board for approval the pension fund’s professional advisors and auditors. The Committee annually reviews actuarial assumptions, actuarial valuations, investment performance, funding policies and investment policies.

#### Committee Membership

In October of each year, the Board considers and approves committee membership for the coming year. The Board’s committees are currently comprised of the following Directors; the Chairman of the Committee is listed first:

				Nominating and
Audit	Finance	Pension	Compensation	Governance
Zimmer	Doar	Stratton	Moore	Rayburn
Doar	Rayburn	Doar	Rayburn	Moore
Smiley	Smiley	Moore	Zimmer	Stratton
Stratton				Zimmer

#### Attendance at Annual Meeting

The Corporation does not have a formal policy that its Directors attend the Annual Meeting of Shareholders because it expects them to do so and because the Corporation’s Directors historically have attended these meetings. All of the members of the Board of Directors attended last year’s annual meeting. The Board of Directors conducts its annual meeting in conjunction with the Annual Meeting of Shareholders at the Corporation’s headquarters.



## Stockholder Communication with the Board

The Board provides to every stockholder the ability to communicate with the Board, as a whole, and with individual Directors on the Board through an established process for stockholder communication (“Stockholder Communication”) as follows:

1. Stockholder Communication to Entire Board. For Stockholder Communication directed to the Board as a whole, stockholders may send such communication to the attention of the Chairman of the Board via U.S. Mail or by expedited delivery service:

Twin Disc, Incorporated  
1328 Racine Street  
Racine, WI 53403  
Attn: Chairman of the Board of Directors

2. Stockholder Communication to Individual Director. For Stockholder Communication directed to an individual Director in his or her capacity as a member of the Board, stockholders may send such communication to the attention of the individual Director via U.S. Mail or by expedited delivery service:

Twin Disc, Incorporated  
1328 Racine Street  
Racine, WI 53403  
Attn: [Name of Individual Director]

The Corporation will forward by U.S. mail any such Stockholder Communication to each Director, and the Chairman of the Board in his or her capacity as a representative of the Board, to whom such Stockholder Communication is addressed to the address specified by each such Director and the Chairman of the Board.

Communications from an officer or Director of the Corporation and proposals submitted by stockholders to be included in the Corporation's definitive proxy statement, pursuant to Rule 14a-8 of the Securities Exchange Act of 1934, (and related communications) will not be viewed as a Stockholder Communication. Communications from an employee or agent of the Corporation will be viewed as Stockholder Communication only if such communications are made solely in such employee's or agent's capacity as a stockholder.

From time to time, the Board may change the process by which stockholders may communicate with the Board or its members. Please refer to the Corporation's website, [www.twindisc.com](http://www.twindisc.com), for any changes to this process.

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

#### Introduction

This Compensation Discussion and Analysis describes the material components of compensation paid to the Corporation's Chief Executive Officer, Chief Financial Officer, and its three most highly compensated executive officers for the fiscal year ended June 30, 2012 (the "Named Executive Officers"). For the fiscal year ended June 30, 2012, the Named Executive Officers are:

- Michael E. Batten, Chairman and Chief Executive Officer;
- John H. Batten, President and Chief Operating Officer;
- Christopher J. Eperjesy, Vice President – Finance, Chief Financial Officer and Treasurer;
  - James Feiertag, Executive Vice President; and
  - Dean J. Bratel, Vice President – Engineering

In this Compensation Discussion and Analysis, we will also explain the objectives of our compensation programs, why we pay the compensation we do and how that fits with the Corporation's commitment to provide value to our shareholders.

#### Executive Summary

Through the Board's Compensation Committee, the Corporation has established a compensation program that is designed to attract and retain key employees, and reward those employees for short-term and long-term performance of the Corporation. To fulfill these goals, the compensation of the Corporation's Named Executive Officers consists of a mix of base salary, annual incentives and long-term incentives. Base salary is intended to compensate the Corporation's Named Executive Officers for services rendered during the fiscal year, their level of responsibility and experience within the industry and the Corporation, and their sustained individual performance. Annual incentives are designed to compensate the Named Executive Officers for achieving short-term corporate, business unit and individual performance goals. Long-term incentives are intended to reward executives for sustained performance of the Corporation and are heavily weighted in favor of equity-related awards (performance stock, performance stock units and restricted stock) that are tied to the Corporation's stock price.

A significant objective of the Corporation's compensation philosophy is to align the interests of the Named Executive Officers with those of shareholders by paying for performance. Key elements of the Corporation's compensation program that support the pay for performance philosophy include the following:

- The Corporation seeks to set compensation of its Named Executive Officers at the market median for companies of comparable size and in comparable industries, but also allows actual pay to vary from the market median depending on individual and company performance and length of service within the industry and the Corporation.

-

A significant portion of the compensation of the Corporation's Named Executive Officers is tied to the performance of the Corporation, including annual incentives based on financial measurements that management of the Corporation considers important and long-term incentives that are heavily weighted in favor of equity-related awards (performance stock, performance stock units and restricted stock).

- The Corporation has stock ownership guidelines for each of its Named Executive Officers, thereby aligning their long-term interests with those of shareholders.
  - In recent years, the Corporation has adjusted its compensation practices to reflect economic conditions. For example, in FY2010, the Corporation suspended its annual Corporate Incentive Program and reduced the base salaries of each of its Named Executive Officers as part of a corporate-wide cost-reduction program.

The Corporation also maintains compensation practices that we believe are consistent with good governance. For example:

- The Corporation's agreements with its Named Executive Officers are designed to avoid excess parachute payments under Section 280G of the Internal Revenue Code, and thus do not provide for excise tax gross-ups for excess parachute payments.
- The Corporation's long-term incentive compensation plan is designed to maximize the deduction for performance-based compensation under Section 162(m) of the Internal Revenue Code.
- The Corporation's change in control severance agreements with its Named Executive Officers contain "double trigger" provisions (i.e., both a change in control and an involuntary termination or resignation for good reason) in order for outstanding equity awards to vest and be paid.
  - The Compensation Committee considers internal pay equity when making compensation decisions.
    - The annual Corporate Incentive Plan is performance-based and has caps on bonus payments.
- The Compensation Committee annually evaluates the Corporation's compensation programs to ensure that they do not encourage unnecessary risk taking.

The following provides a brief overview of the highlights of the compensation received by the Corporation's Named Executive Officers for the fiscal year that ended June 30, 2012:

- For FY2012, base salaries of the Corporation's Named Executive Officers were increased between five and ten percent. The largest percentage increase was for the Corporation's President, whose base salary was determined to be below the competitive range of the market median for similar positions.
- Consistent with the Corporation's achievements against targeted profitability, sales growth and inventory levels over the past fiscal year, each of the Named Executive Officers received an annual incentive under the Corporate Incentive Plan equal to 155% of their target bonus amount.
- The Corporation exceeded the maximum cumulative profitability objective for performance stock and performance stock units granted in 2009 under the Twin Disc, Incorporated 2004 Long-Term Incentive Compensation Plan. As a result, the performance stock and performance stock unit awards vested at the maximum amount.

As required by Section 14A of the Securities Exchange Act of 1934, the Corporation held its first shareholder advisory vote on executive compensation at its October 21, 2011, annual meeting of shareholders. The shareholders overwhelmingly approved the say on pay proposal, with more than 96% of the votes cast in favor of the compensation paid to the Corporation's Named Executive Officers.

---



## Overview

The Compensation Committee (the “Committee”) of the Board has responsibility for establishing, implementing and monitoring the total compensation of the Corporation’s executive officers. The Committee approves the design of, assesses the effectiveness of, and administers executive compensation programs in support of compensation policies of the Corporation. The Committee has adopted a charter that it uses when setting agendas and schedules for their meetings. The charter can be found at <http://ir.twindisc.com/charters.cfm>.

## Compensation Philosophy and Objectives

Twin Disc believes that knowledgeable, motivated and dedicated employees can make the difference in our Corporation’s ability to execute business strategy and excel in the marketplace. The Committee believes it is in the best interest of the Corporation and its shareholders to fairly compensate our executive team to encourage high-level performance, resulting in increased profitability of the Corporation. Executives are compensated on the value of their contribution to the success of the Corporation, in addition to their assigned scope of responsibilities.

Compensation includes opportunities for shared risks and rewards, and reflects the results of both individual performance and performance of the Corporation. In setting compensation, the Committee tries to ensure that the employees’ pay is fair when compared to others within the Corporation as well as when compared to employees at similar positions in other companies. Twin Disc will pay for the value of the job to the Corporation, considering the knowledge, skills and abilities required for each job and will pay market competitive compensation, in order to attract, retain and motivate top talent.

The key elements of our officers’ total compensation package are base salary, an annual incentive program, a long-term incentive program, and other benefits. Base salary is intended to compensate the executive for the responsibilities and scope of the job, reward sustained performance, and aid in retention. The annual incentive program is intended to reward the achievement of corporate and business unit annual operating goals, which are key to the Corporation’s overall performance. The long-term incentive program is intended to reward achievement of sustainable, long-term performance goals, and aid in the retention of the executive, aligning the executive’s rewards with those of the shareholder. The goal of the Corporation’s compensation program is to provide competitive compensation that encourages and rewards individual and team performance for producing both short-term and long-term shareholder value.

The Corporation believes that its executive officers should hold a meaningful stake in Twin Disc in order to align their economic interests with those of the shareholders. To that end, the Corporation has adopted stock ownership guidelines. Stock ownership targets are equal to five times annual base salary for the CEO, three times annual base salary for the President, two times annual base salary for the CFO and Executive Vice President, and one times annual base salary for the remainder of the officer team. Officers have a period of four years to attain their targeted ownership level. The Compensation Committee monitors compliance with this guideline, using its discretion to address non-attainment issues. Compliance is reviewed annually.

Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to public corporations for compensation over \$1,000,000 for any fiscal year paid to the corporation’s chief executive officer and three other most highly compensated executive officers (other than the chief financial officer) in service as of the end of any fiscal year. However, Section 162(m) also provides that qualifying performance-based compensation will not be subject to the deduction limit if certain requirements are met. The Committee generally seeks to structure compensation amounts and plans to meet the deductibility requirements under this provision.

The Committee also seeks to structure compensation amounts and arrangements so that they do not result in penalties for the executive officers under the Internal Revenue Code. For example, Section 409A of the Internal Revenue Code imposes substantial penalties and results in the loss of any tax deferral for nonqualified deferred compensation that does not meet the requirements of that section. The Committee has structured the elements of the Corporation's compensation program so that they are either not characterized as deferred compensation under Section 409A or meet the distribution, timing and other requirements of Section 409A. Section 280G of the Internal Revenue Code and related provisions impose substantial excise taxes on so-called "excess parachute payments" payable to certain executive officers upon a change in control and results in the loss of the compensation deduction for such payments for the executive's employer. The Committee has structured the change in control payments under its severance agreements with the executive officers to avoid having benefits exceed the limitations and provisions of Section 280G.

Each year, the Committee reviews with management the design and operation of the Corporation's compensation programs, including the performance objectives and target levels used in connection with awards under the Corporation's annual and long-term incentive programs. In addition, the Committee reviews all incentive plans for any risk mitigating factors such as stock ownership guidelines, claw back provisions, multiple performance metrics, a cap on the incentive payout, mix of incentive compensation to total direct compensation, discretionary evaluation components and vesting requirements. The Committee also reviews the total maximum payout of the plans and the effect it has on the performance of the Corporation. While the goals that the Committee establishes are challenging, the Committee has concluded that these goals do not provide employees of the Corporation an incentive to take unnecessary risk. The Committee has concluded that the Corporation's compensation policies and practices are not likely to have a material adverse effect on the Corporation.

#### Role of Executive Officers in Compensation Decisions

The Committee makes all compensation decisions for the Chairman and CEO (Mr. M. Batten) and approves recommendations for compensation actions for all other elected officers of the Corporation.

Mr. M. Batten, the Chairman and CEO, and Mr. J. Batten, the President and COO, annually review the performance of each elected officer with the Committee. In addition, Mr. M. Batten reviews the performance of Mr. J. Batten with the Committee. Recommendations based on these reviews, including those pertaining to salary adjustments, bonus payouts and equity compensation, are presented to the Committee. The Committee may exercise its discretion in modifying any of the recommendations.

The Committee reviews the performance of the Chairman and CEO. It alone determines the salary adjustment, bonus payment and equity compensation awards for Mr. M. Batten.

#### Setting Executive Compensation

Based on the Corporation's compensation objectives, the Committee has structured the executive officers' total compensation program to motivate executives to achieve the business goals of the Corporation and to reward them for achieving such goals.

The elements of each executive's compensation package include base salary, annual incentive compensation, long-term incentive compensation, benefits and perquisites. Changes to compensation are determined at the beginning of each fiscal year and are dependent upon several factors, including, but not limited to, scope of responsibilities, the Corporation's performance, individual performance, and competitive market practices.

The Corporation looks to establish each element of total direct compensation (i.e., base salary, annual incentive compensation, and the annualized value of long-term incentive compensation granted during the year) near the market median (50th percentile) for companies of a similar size and industry. The Committee believes an executive's compensation is competitive if it falls within a band of plus or minus 15% from the competitive median of

data. Because a large portion of each executive's long-term incentive compensation package consists of performance awards, actual payments of long-term incentive compensation and total direct compensation in any given year may fall significantly above or below the market median, based on the performance of the Corporation.

The Committee periodically engages an independent consultant to review its compensation program for the officers of the Corporation, in order to provide information regarding market median compensation levels and the blend of short-term compensation to long-term types of compensation. The consultant provides the Committee with information regarding market compensation practices and alternatives to consider when making compensation decisions for the executives. Historically, the consultant has not selected a peer group of companies to determine market competitiveness, but rather has used survey data compiled from several general industry compensation databases. The consultant provides information to the Committee regarding the competitiveness of each element of compensation for comparable positions. In addition to competitive data, the Committee considers the executive's level of experience, length of service in his or her position, the level of responsibility of the position, the performance of the Corporation and sustained individual performance when setting or approving compensation levels.

During 2011, the Committee engaged Towers Watson, a global human resources firm, to conduct a competitive review of market compensation levels for similar positions in similar industries. For this analysis, Towers Watson referenced several data sources, including:

- 2010 Towers Watson U.S. General Industry Executive Compensation Database
  - 2010/2011 Towers Watson U.S. Top Management Compensation Study
  - 2010 Mercer U.S. Benchmark Database – Executive

In preparing competitive market compensation information for the Committee, Towers utilized data from durable goods manufacturers (and manufacturing companies generally when necessary) and generally excluded financial services, healthcare and utility companies. Appendix A lists the component companies in the three surveys on a combined basis and excludes companies whose information was not utilized by Towers in preparing competitive market compensation information for the Committee. The Committee did not consider any specific peer group of companies when making competitive comparisons or compensation decisions, and the Committee did not specify targeted individual companies from among the Towers Watson survey participants.

Relative to each of the data sources, Towers Watson referenced a broad sample of general industry companies, and utilized regression analysis to control the data sample to represent the Corporation's size, in terms of revenue. The Committee received information on the 25th, 50th and 75th percentiles of each element of executive compensation for comparable executive positions.

The survey data showed that the FY2011 base salary figures and target total cash compensation (consisting of base salary and annual incentive bonus payments) for each of the Named Executive Officers was within 15% of the market median, except for Mr. J. Batten, whose base salary and target total cash compensation amounts were slightly below the 25th percentile. The survey data also showed that the FY2010 actual total cash compensation for each of the Named Executive Officers fell more than 15% below the market median, primarily because no annual incentive bonus payments were paid by the Corporation for FY2010. The survey data also showed that the FY2011 target total direct compensation of each of the Named Executive Officers (consisting of base salary, annual incentive bonus and long-term incentive payments) was between the 50th and 75th percentiles, except for Mr. Bratel, whose target total direct compensation exceeded the 75th percentile. The value of design engineering is critical to the Corporation's current and future success and therefore it is difficult to obtain survey data that accurately reflects its importance to the Corporation. The Committee feels that this level of target compensation is appropriate for the responsibilities of this position. The Committee used the information from Towers Watson, along with recommendations from the CEO for non-CEO executive positions, in determining each executive's compensation package for FY2012. The Committee did not use this information in a formulaic manner when determining each executive's compensation, but rather took this information under consideration, believing an executive's compensation to be competitive if it fell within a band of

plus or minus 15% from the competitive median of data. For FY2012, the base salary of each named executive officer was set within 12% of the competitive median. The target annual incentive bonus as a percent of base salary was set at the competitive median for each named executive officer except for Mr. M. Batten, whose target annual incentive bonus as a percent of base salary was set at the 25th percentile, and Mr. Bratel, whose target annual bonus as a percentage of salary was set at the 75th percentile. The target total cash compensation and target total direct compensation of each named executive officer for FY2012 was within 15% of the competitive median, with the exception of Mr. Bratel, whose target total direct compensation exceeded the 75th percentile due to the value of long-term incentive awards compared to the market median.

Historically, a compensation consultant has been engaged to provide competitive compensation data every two years. Assuming an executive is at or near the market median for his or her position, salary increases for years that the Committee does not engage an independent consultant are determined using several factors. First, the financial results of the Corporation are used to determine the amount of a merit pool that may be available across the entire Corporation. Next, the Committee obtains general information from various sources regarding broad market trends in executive compensation. The Committee also reviews whether the Corporation and the executive team have achieved their overall objectives for the fiscal year. Finally, the Committee evaluates whether each executive's individual performance objectives have been achieved and to what level. These factors will determine whether the executive will achieve an average increase (based on the merit pool and broad market trends), an above average increase or a below average increase.

For FY2013, the Committee followed the above-described historic practice and did not engage a compensation consultant. It reviewed updated Towers survey information which was increased by 3% for the base salary information and by 5% for long-term incentive compensation, to reflect current compensation trends in the market. It used that information, along with the recommendations from Messrs. M. Batten and J. Batten as described above, and the company-wide merit pool, in determining the elements of each executive's compensation package for FY2013. In addition, the Committee reviewed the results of the October 21, 2011, shareholder advisory vote on executive compensation required by Section 14A of the Securities Exchange Act. In light of the fact that more than 96% of the votes cast were in favor of the compensation paid to the named executive officers of the Corporation, the Committee did not make any significant changes to the Corporation's executive compensation policies or programs.

#### Base Salary

The Corporation provides executive officers with a base salary to compensate them for services rendered during the fiscal year, their level of responsibility and experience within the Corporation, and their sustained individual performance. Individual performance is measured through the Corporation's annual performance evaluation process. Pay for individual performance rewards executives for achieving goals that may not be immediately evident in common financial measurements.

Base salaries are reviewed each year by the Committee. As discussed above, salary levels are compared to the market median (i.e. 50th percentile), as determined by using local, national and industry specific survey data and as determined by external consultants, in order to ensure executives are paid a competitive salary, aiding in attraction and retention.

Base salary adjustments, as may be appropriate, are determined annually and may be based on individual, team or Corporation performance results, as well as other factors including changes to job scope or responsibilities.

The Corporation uses a performance management system to set individual objectives for each executive. This system allows for the annual evaluation of both performance goal achievement and competency development. When evaluating individual performance, the committee considers the executive's effort in promoting corporate values; achieving both short and longer-term objectives; improving product quality; developing relationships with customers, suppliers, and employees; demonstrating leadership abilities among coworkers; and achievement of other

individualized goals set as a part of the performance management system.

Market adjustments to base salary may be indicated when an incumbent is more than 15% below the market median and has been in the job longer than 2-3 years. Market adjustments may also be used to retain valuable employees in a competitive labor market.

The Committee determines and approves base salary adjustments for the CEO, and approves base salary adjustments for the members of the executive officer team, based on the recommendations from the CEO or COO. Generally, executive base salaries are increased at rates comparable to the increases provided at other comparable companies and are at or near market levels.

For FY2012, the Committee adjusted the base salaries for the Named Executive Officers, effective beginning the first payroll period in October 2011, using the company-wide merit pool, as well as the information provided from Towers Watson as a guide. As a result, base salaries for the Named Executive Officers changed by the following percentages as compared to FY2011: Mr. M. Batten, 5.3%; Mr. J. Batten, 10.0%; Mr. Eperjesy, 5.9%; Mr. Feiertag, 5.2%; and Mr. Bratel, 8.4%.

For FY2013, the Committee adjusted the base salaries for the Named Executive Officers, effective beginning the first payroll period in October 2012. The Committee determined that a base salary increase of approximately 4% would be appropriate for most of the Named Executive Officers to keep their base salaries near the market median, but that a greater increase for Mr. J. Batten would be appropriate in order to move him closer to the market median. As a result, base salaries for the Named Executive Officers changed by the following percentages as compared to FY2012: Mr. M. Batten, 4.35%; Mr. J. Batten, 10%; Mr. Eperjesy, 4.04%; Mr. Feiertag, 3.82%; and Mr. Bratel, 4.98%.

#### Annual Incentive Compensation

Executive officers and selected key management participate in an annual incentive plan called the Corporate Incentive Plan ("CIP"). This plan provides executives with annual cash incentives for achieving corporate, business unit and individual performance goals. Specific annual performance goals are based on Economic Profit measures (earnings in excess of the Corporation's cost of capital) and other initiatives of the Corporation that are determined annually.

The Committee reviews the CIP's design annually and approves any CIP design changes or amendments. It also reviews and approves annual goals, and certifies the achievement of performance targets, based on the financial statements of the Corporation. Cash incentive payments are made after the end of each fiscal year, dependent upon corporate or subsidiary goal achievement. In no event may the payout be more than 200% of the target.

For FY2012, each Named Executive Officer's CIP award was based on the following:

Objective	Weight	Target	Actual
Economic Profit (defined as earnings in excess of the Company's cost of capital)	70%	Target: Economic Profit = \$10,000,000 Threshold: Economic Profit = \$5,000,000 Maximum: Economic Profit = \$15,000,000	Result = \$13,173,153 Payment = 163.5% of Target
Inventory (as a percentage of sales revenue)	15%	Target = 28% Threshold = 30% Maximum = 26%	Result = 29.0% Payment = 75.2% of Target
Sales Revenue	15%	Target = \$341,000,000	

Edgar Filing: TWIN DISC INC - Form DEF 14A

Threshold = \$326,000,000	Result =
Maximum = \$357,000,000	\$355,870,055
	Payment =
	192.9% of
	Target

For FY2012, the target bonus percentages of base salary were 70% for Mr. M. Batten, 50% for Messrs. J. Batten, Eperjesy and Feiertag, and 40% for Mr. Bratel. Based on the above formulas and the Corporation's performance, the CIP paid at 155% of the target bonus percentages. As a result, Mr. M. Batten received a CIP bonus of \$623,875 (\$575,000 base salary x 155% x 70%); Mr. J. Batten received a CIP bonus of \$255,750 (\$330,000 base salary x 155% x 50%); Mr. Eperjesy received a CIP bonus of \$234,825 (\$303,000 base salary x 155% x 50%); Mr. Feiertag received a CIP bonus of \$233,275 (\$301,000 base salary x 155% x 50%); and Mr. Bratel received a CIP bonus of \$127,720 (\$206,000 base salary x 155% x 40%).

An executive's incentive payment under the CIP may be increased or decreased by up to 20%, at the discretion of the Committee, based on the recommendations of the CEO, if the executive's individual performance goals are either exceeded or not achieved and other factors deemed important by the Committee. The Committee alone makes decisions regarding the Chairman and CEO's annual incentive award. The Committee made the following discretionary bonus awards under the CIP for FY2102: Mr. J. Batten, \$12,788; Mr. Eperjesy, \$11,741; Mr. Feiertag, \$11,664; and Mr. Bratel, \$12,772.

The following definitions are used in the calculations of "Economic Profit," a key component of the CIP:

Economic Profit is defined as the return on investment in excess of the Cost of Capital. It is calculated by taking Net Operating Profit after Tax ("NOPAT") less (or as a percentage of) a Capital Charge (Invested Capital x Cost of Capital).

Invested Capital is defined as total assets less non-interest bearing liabilities less accrued retirement benefits.

Cost of Capital is defined as the weighted average expectation of Twin Disc's sources of capital, debt and equity. For FY2012, the cost of capital has been calculated at 10% (after taxes).

The Committee reviewed and approved the performance goals recommended for the FY2013 CIP. The CIP will pay out if certain Economic Profit, inventory, and sales growth performance goals are achieved.

The Committee reviewed the recommendations and approved the target bonus percentages for each officer. The Committee discussed and determined the bonus percentage amount for Mr. M. Batten. For FY2013, the target bonus percentage of base salary will be 70% for Mr. M. Batten, 50% for Messrs. J. Batten, Eperjesy and Feiertag, and 40% for Mr. Bratel.

#### Long-Term Incentive Compensation

The Twin Disc, Incorporated 2010 Long-Term Incentive Compensation Plan ("2010 LTI Plan"), which was approved by shareholders at the annual meeting in October 2010, provides for the opportunity for officers and key employees of the Corporation (and its subsidiaries) to acquire common stock of the Corporation or cash payments via stock options, stock appreciation rights, restricted stock, restricted stock units, performance stock awards, performance stock unit awards or performance unit awards. In keeping with the Corporation's commitment to provide a total compensation package that includes at-risk components of pay, the Committee makes annual decisions regarding the appropriate type of long-term incentives for each executive.

Because of the limited number of outstanding shares and potential for ownership dilution, the long-term incentive program currently emphasizes the use of restricted stock, performance stock awards and performance stock unit awards, which typically require fewer shares to achieve a competitive, long-term incentive compensation opportunity than would otherwise be required if only stock options were granted.

The granting of performance stock and performance stock units encourages a pay for performance approach, aligning the interests of the executive with the economic goals of the Corporation and the shareholders. In order to promote greater equity ownership by the Named Executive Officers, the ratio of performance stock to performance stock units is usually approximately 2 to 1, except that Mr. M. Batten's performance awards are heavily weighted in favor of performance stock units in light of his significant ownership interest in the Corporation.

The granting of restricted stock is based on a number of factors that include rewarding sustained individual performance, increasing an executive's ownership in the Corporation, and addressing retention concerns. Restricted stock may also be used to incent executives in times of global economic instability when future values of stock options, performance stock and performance stock units become more unpredictable.

The composition of an executive's long-term compensation – i.e. performance stock, performance stock units and restricted stock – is determined by the Committee. The executive has no role or choice whether to receive incentive compensation in the form of performance stock, performance stock units, restricted stock, or other forms.

The Committee establishes the vesting criteria, including the performance goals that must be achieved in order for the award to vest. Grants are made at the beginning of each fiscal year, or as determined by the Committee, for the ensuing multi-year cycle period.

The Committee uses external consultants and survey information as a guideline when considering long-term incentive awards for management. They review competitiveness of the LTI Plan annually and obtain a periodic independent review. In addition, the Committee reviews and approves LTI Plan changes as necessary, and ensures the LTI Plan's compliance with shareholder approval requirements.

In FY2012, Mr. M. Batten received an award of performance stock units, and all of the other Named Executive Officers received awards of performance stock and performance stock units. In order for the performance stock and units to vest at target levels, the amount of the Corporation's Economic Profit (cumulative net operating profit after taxes ("NOPAT") less the Corporation's cumulative capital charge) for the cumulative three fiscal-year period ending June 30, 2014 must be greater than or equal to \$15,000,000. The maximum payout will occur if Economic Profit reaches \$18,000,000; a threshold payout will occur if Economic Profit reaches \$12,000,000. The maximum payout will be 120% of the shares or units granted. No shares will vest if performance is less than threshold.

The Corporation's capital charge is calculated by multiplying invested capital times the cost of capital. Invested capital is defined as total assets less non-interest bearing liabilities, less accrued retirement benefits. Cost of capital is defined as the weighted average expectation of Twin Disc's sources of capital, debt and equity. For FY2013, the cost of capital has been calculated at 10%, after taxes.

In order to incent and retain the Corporation's executives, shares of restricted stock were also granted to all Named Executive Officers in FY2012. These shares will vest July 28, 2014 provided the executive remains employed with the Corporation until the vesting date.

In July 2012, the Committee reviewed the performance objective established in July of 2009 for the vesting of performance stock and performance stock units granted in July 2009 under the Twin Disc, Incorporated 2004 Long-Term Incentive Compensation Plan. The objective is listed below:

## Edgar Filing: TWIN DISC INC - Form DEF 14A

The Performance Objective is the Company's cumulative net operating profit after taxes measured as a percentage of the Company's cumulative capital charge for the cumulative three fiscal year period ending June 30, 2012:

	Performance Objective as of June 30, 2012
Maximum	120%
Target	100%
Threshold	80%

The Committee determined, subject to audit, that the Company's cumulative net operating profit after taxes measured as a percentage of the cumulative capital charge for the cumulative three year period ending June 30, 2012 achieved a percentage of 134%. As a result, both the performance stock and performance stock units granted to Named Executive Officers in July 2009 vested at the maximum amount.

### Benefits

In addition to cash compensation and cash/stock incentive programs, the Corporation believes it is necessary to also recognize the efforts of its officer group and senior management in the area of benefits and perquisites. The Committee annually reviews the Corporation's benefit programs for competitiveness and uses external consultants and surveys as a reference when necessary. It approves the addition, modification or deletion of any executive benefit program, as well as the eligibility of a program to any specific executive.

### Qualified Retirement Plans

The Twin Disc, Incorporated Retirement Savings Plan for Salaried Employees ("Savings Plan") provides non-contributory retirement benefits to all Twin Disc, Incorporated salaried employees hired prior to October 1, 2003. The Savings Plan was established August 1, 2009 to provide a retirement benefit similar to the one previously provided under the Twin Disc, Incorporated Retirement Plan for Salaried Employees, discussed below.

Employer contributions under the Savings Plan are based on a percentage of annual compensation, from 4.5% to 6.5%, based on years of service. This contribution is deposited into an individual investment account, in which the individual directs his or her own investment elections, within an array of choices.

The Savings Plan does not allow employee contributions. Employer contributions, which are made annually, are immediately 100% vested.

The Twin Disc, Incorporated Retirement Plan for Salaried Employees ("Retirement Plan") provides non-contributory retirement benefits to all Twin Disc, Incorporated salaried employees hired prior to October 1, 2003. The Retirement Plan was amended to freeze future benefit accruals as of August 1, 2009.

Prior to January 1, 1997 benefits in the Retirement Plan were based upon both years of service and the employee's highest consecutive 5-year average annual compensation during the last 10 calendar years of service. As of December 31, 1996, the then-current accrued benefits under the Retirement Plan were frozen and the Retirement Plan was amended to provide for future accruals under a cash-balance program. Mr. M. Batten and Mr. Bratel are the only Named Executive Officers eligible for an accrued benefit under the Retirement Plan with 27 years and 9.5 years, respectively, of pre-January 1, 1997 credited service.

The Retirement Plan was amended on January 1, 1997 to add a cash balance formula for post January 1, 1997 accruals. Benefits under the Retirement Plan are generally equal to the sum of the benefits as frozen on December 31,



1996, plus benefits that accumulated under the cash balance formula from January 1, 1997 through July 31, 2009. Benefits under the cash balance formula are generally stated as a lump sum amount, but may be distributed as a lump sum or as an annuity. Prior to August 1, 2009, accruals under the cash balance formula were based on a percentage of compensation, from 4.5% to 6.5%, based on years of service, with interest credits at the thirty-year U.S. Treasury Bond rate, or other such rate mandated by the IRS in substitution of the 30-year Treasury rate, with a minimum guarantee of 3%.

The Twin Disc, Incorporated – The Accelerator 401(k) Savings Plan (“401(k) Plan”) is a tax-qualified retirement savings plan to which all Twin Disc, Incorporated employees, including the Named Executive Officers, are able to contribute up to the limit prescribed by the Internal Revenue Service on a pre-tax or after-tax (Roth) basis. The Corporation will match 50% of the first 6% of pay that is contributed to the 401(k) Plan. All contributions to the 401(k) Plan, as well as any matching contributions, are fully vested upon contribution.

#### Supplemental Executive Retirement Plan

The Corporation extends a supplemental retirement plan, called the Twin Disc, Incorporated, Supplemental Executive Retirement Plan (“SERP”), to qualified officers. Historically the SERP has provided benefits in excess of what the SERP participants would have received under the Company’s defined benefit pension plan, but for certain limits under the Internal Revenue Code. For those who were participants in the plan before January 1, 1998 (only Mr. M. Batten), the SERP benefit was calculated as an annual benefit approximating 50% of highest rate of pay (salary plus bonus) attained during a specified period, minus amounts accrued under the Corporation’s qualified defined benefit plan. The plan also preserved the level of benefits that had accrued prior to 1998. For those who became participants after January 1, 1998 (including Mr. J. Batten, Mr. Eperjesy, Mr. Feiertag and Mr. Bratel) the SERP benefit was calculated as the additional benefit that the participant would have received at retirement under the Twin Disc, Incorporated Retirement Savings Plan for Salaried Employees and the frozen Twin Disc, Incorporated Retirement Plan for Salaried Employees, but for the limitation on compensation used in determining benefits under those plans.

On July 29, 2010, the Corporation amended and restated the SERP to reflect changes to the qualified retirement plans offered to its officers. As mentioned above, on August 1, 2009 the Corporation froze its defined benefit plan and adopted a new defined contribution plan that covers its Named Executive Officers. The purpose of the SERP restatement was to refer to both the frozen defined benefit plan and the new defined contribution plan. Because the new defined contribution plan is an individual account plan, the SERP benefits of all Named Executive Officers except Mr. M. Batten were restated as individual accounts, based on the present value of their SERP benefits as of August 1, 2009. Mr. M. Batten is the only Named Executive Officer whose benefit under the Company’s frozen defined benefit plan includes amounts accrued under the frozen pension formula, and his SERP benefit continues to be expressed as a more traditional pension formula. The restated SERP also revises the formula to provide Mr. M. Batten a SERP benefit that is at least equal to the present value of his SERP benefit as of July 1, 2010, adjusted for certain interest credits through his retirement.

The SERP benefit is payable in two lump sum payments, which are paid on the first and second February 1 in the years following retirement. However, if the commencement of benefits is based on the participant’s separation from service, the first payment will not be made sooner than six months after the participant’s separation. The maximum payment in any given year is \$500,000 and any amounts in excess of \$500,000 will be paid in the third and subsequent years following retirement.

#### Executive Life Insurance

The Corporation provides an endorsement split-dollar life insurance benefit to the US-based Named Executive Officers. While employed, the death benefit for an executive is generally equal to three times his or her annual base salary, although exceptions may occur due to other compensation arrangements. At the later of retirement or the 15th anniversary of the policy, the Corporation will recover its share of the total premiums paid throughout the life of the

policy from the cash value. At that time, the ownership of the remaining policy and corresponding cash values are transferred to the executive. Information regarding this benefit is detailed in the "All Other Compensation" column of the Summary Compensation Table.

#### Change in Control Agreements

The Corporation has change in control agreements with each of its executive officers. If a change in control occurs (as defined in the agreements) and the executive thereafter terminates employment under circumstances specified in the agreements, the executive is entitled to certain severance benefits. Severance benefits for Mr. M. Batten consist of the sum of his annual base salary (as defined in the agreement) in effect immediately prior to the circumstances giving rise to his termination, plus his most recent annual bonus, times a multiple of 2.5. Severance benefits for other Named Executive Officers would consist of the sum of the executive's annual base salary (as defined in the agreements) in effect immediately prior to the circumstances giving rise to the executive's termination, plus the executive's most recent annual bonus, times a multiple which is the lesser of 2.0 (1.5 for Mr. Bratel) or the number of whole and fractional years between the termination date and the executive's normal retirement date. In addition, the executive would be entitled to the cash value over the exercise price of any shares of common stock subject to unexercised stock options held by the executive, all performance stock and performance stock unit awards would vest and fringe benefits would continue for 24 months following termination. The agreements are specifically designed to avoid having benefits exceed the limitations and provisions of Section 280G of the Internal Revenue Code.

The performance stock and performance stock unit award agreements and restricted stock agreements between the Corporation and its Named Executive Officers have certain change in control provisions. Specifically, if a change in control (as defined in the agreements) occurs and the employee thereafter terminates employment under circumstances specified in the agreements, all performance stock and performance stock units shall immediately vest as if the performance objectives had been fully achieved, and all restricted shares shall become freely transferable and non-forfeitable.

#### Other Personal Benefits and Perquisites

Twin Disc's Named Executive Officers, along with other executive officers and senior management, are occasionally provided a limited number of perquisites whose primary purpose is to minimize distractions from personal issues to focus the executive's attention on important initiatives of the Corporation. An item is not a perquisite if it is integrally related to the performance of the executive's duties. Perquisites are included in the Summary Compensation Table and footnoted if their value exceeds \$10,000.

---

## Summary Compensation Table

The following table summarizes the “total compensation” of the Corporation’s Chief Executive Officer, Chief Financial Officer, and its three most highly compensated executive officers for the fiscal year ended June 30, 2012. It should be noted that the total compensation as reported by the Summary Compensation Table follows specific SEC requirements for reporting compensation, and does not reflect the target or actual compensation for the Named Executive Officers for the fiscal year.

Name and Principal Position	Year	Salary	(1) Bonus	(2) Stock Awards	(3) Option Awards	(3) Non-Equity Incentive Plan Compensation	(4) Change in Pension Value and	(5) All Other Compensation	Total
							Nonqualified Deferred Compensation Earnings		
Michael E. Batten Chairman and Chief Executive Officer	2012	\$567,192	-	\$658,215		\$623,875	\$232,495	\$65,969	\$2,147,746
	2011	\$546,000	-\$1,033,518			\$649,740	\$266,250	\$71,804	\$2,567,312
	2010	\$477,731	-	\$290,104		\$0	\$91,829	\$54,984	\$914,648
John H. Batten President and Chief Operating Officer	2012	\$321,923	\$12,788	\$403,766		\$255,750	\$4,726	\$74,976	\$1,073,929
	2011	\$300,000	\$30,000	\$581,808		\$255,000	\$4,421	\$58,303	\$1,229,532
	2010	\$279,808	-	\$157,165		\$0	\$28,365	\$48,309	\$513,647
Christopher J. Eperjesy Vice President – Finance, CFO and Treasurer	2012	\$298,423	\$11,741	\$293,150		\$234,825	\$2,986	\$67,406	\$908,531
	2011	\$286,000	\$24,250	\$417,354		\$243,100	\$3,297	\$57,825	\$1,031,826
	2010	\$269,654	-	\$108,402		\$0	\$19,531	\$45,391	\$442,978
James E. Feiertag Executive Vice President	2012	\$296,961	\$11,664	\$281,324		\$233,275	\$4,142	\$90,363	\$917,729
	2011	\$286,000	\$24,250	\$404,414		\$243,100	\$4,421	\$73,434	\$1,035,619
	2010	\$269,654	-	\$108,402		\$0	\$20,221	\$63,136	\$461,413
Dean J. Bratel Vice President – Engineering	2012	\$201,692	\$12,772	\$165,295		\$127,720	\$15,754	\$56,627	\$579,860

(1) Discretionary bonuses awarded pursuant to the FY2012 and FY2011 Corporate Incentive Plans, approved by the Compensation Committee on July 26, 2012 and July 28, 2011, respectively.

(2)

Reflects the grant date fair value for each Named Executive Officer as reported in our audited financial statements. This value was computed in accordance with Financial Accounting Standards Board ASC Topic 718, excluding the effect of estimated forfeitures. The performance awards are calculated as of the grant date, based on the most probable outcomes of the respective performance goals. The assumptions made in the valuations are discussed in Footnote K to our 2012 financial statements. The grant date fair values of the performance-based awards granted in fiscal 2012, assuming the maximum performance goal is achieved, are as follows: Mr. M. Batten, \$394,944; Mr. J. Batten, \$242,289; Mr. Eperjesy, \$175,897; Mr. Feiertag, \$168,817; and Mr. Bratel, \$99,236. These calculations are based on the closing share price on the date of grant of \$37.07.

- (2) The following table presents separately the compensation expense recognized in FY2012, 2011 and 2010 for outstanding awards of performance stock, performance stock units and restricted stock for Messrs. M. Batten, J. Batten, Eperjesy and Feiertag, and the compensation expense recognized in FY2012 for outstanding awards of performance stock, performance stock units and restricted stock for Mr. Bratel:

Name	Year	Performance Stock	Performance Stock Units	Restricted Stock
Michael E. Batten	2012	\$0	(\$389,048)	\$306,691
	2011	\$0	\$2,555,662	\$188,108
	2010	\$0	\$0	\$90,618
John H. Batten	2012	\$212,429	(\$61,922)	\$192,862
	2011	\$223,199	\$430,581	\$135,257
	2010	\$0	\$0	\$66,595
Christopher J. Eperjesy	2012	\$148,132	(\$42,364)	\$141,314
	2011	\$153,942	\$296,992	\$103,638
	2010	\$0	\$0	\$51,269
James E. Feiertag	2012	\$146,827	(\$42,647)	\$135,002
	2011	\$153,942	\$296,992	\$99,666
	2010	\$0	\$0	\$51,269
Dean J. Bratel	2012	\$73,831	(\$19,756)	\$80,860

- (3) Reflects cash bonuses earned in connection with achievement of specific performance targets under the Corporate Incentive Plan, described under the "Annual Incentive Compensation" portion of the Compensation Discussion and Analysis, above. The Corporate Incentive Plan was suspended for FY2010 with no bonuses payable.
- (4) The figures for FY2012 include a change in qualified pension value amount for Mr. M. Batten (\$130,800), Mr. J. Batten (\$4,726), Mr. Eperjesy (\$2,986), Mr. Feiertag (\$4,142), and Mr. Bratel (\$15,754). The remainder of Mr. M. Batten's total represents a change in his nonqualified supplemental pension plan value.

(5) All Other Compensation consists of the following:

Name	401(k) Company Savings	Retirement Plan	Defined Contribution	Personal Use of	Dues	Life Insurance	Other	Total
------	------------------------	-----------------	----------------------	-----------------	------	----------------	-------	-------

Edgar Filing: TWIN DISC INC - Form DEF 14A

	Year	Match	Contribution	SERP	Co. Plane					
M.E. Batten	2012	\$7,713	\$15,925	N/A	\$8,011	\$2,791	\$29,502	\$2,027	\$65,969	
	2011	\$8,238	\$15,925	N/A	\$10,649	\$5,544	\$29,502	\$1,946	\$71,804	
	2010	\$6,462	\$0	N/A	\$7,976	\$9,131	\$29,502	\$1,913	\$54,984	
J.H. Batten	2012	\$7,800	\$13,475	\$19,081	\$2,205	\$1,734	\$29,000	\$1,681	\$74,976	
	2011	\$7,665	\$13,475	\$2,448	\$2,967	\$1,544	\$29,000	\$1,204	\$58,303	
	2010	\$7,035	\$4,019	N/A	\$4,688	\$2,363	\$29,000	\$1,204	\$48,309	
C.J. Eperjesy	2012	\$7,605	\$11,025	\$14,052	\$0	\$867	\$32,350	\$1,507	\$67,406	
	2011	\$7,590	\$11,025	\$1,463	\$1,802	\$2,522	\$32,350	\$1,073	\$57,825	
	2010	\$5,587	\$3,629	N/A	\$1,175	\$1,577	\$32,350	\$1,073	\$45,391	
J.E. Feiertag	2012	\$7,575	\$13,475	\$17,475	\$762	\$0	\$48,242	\$2,834	\$90,363	
	2011	\$7,605	\$13,475	\$1,463	\$536	\$0	\$48,242	\$2,113	\$73,434	
	2010	\$7,095	\$3,629	N/A	\$1,384	\$673	\$48,242	\$2,113	\$63,136	
D.J. Bratel	2012	\$6,051	\$15,925	\$6,233	\$0	\$0	\$26,660	\$1,758	\$56,627	

The Corporation's Supplemental Executive Retirement Plan ("SERP") was restated during FY2011 to provide a defined contribution formula for the benefits of Messrs. J. Batten, Eperjesy, Feiertag and Bratel. Mr. M. Batten's benefit under the SERP continues to be expressed under a defined benefit formula, and the changes in his SERP benefit are reported in the "Change in Pension Value and Nonqualified Deferred Compensation Earnings" column in the Summary Compensation Table.

Amounts listed in the "Other" column for Messrs. M. Batten, J. Batten, Eperjesy, Feiertag and Bratel for FY2012, FY2011, and FY2010 represent premiums paid for supplemental long-term disability insurance.

Grants of Plan-Based Awards

The following table provides information on incentive awards granted to our Named Executive Officers during FY2012.

Name	Grant Date	Estimated Future Cash Incentive Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Share or Unit Payouts Under Equity Incentive Plan Awards			All other stock awards; Number of shares of stock or units (3)	All other option awards; Number of securities underlying options (4)	Exercise price of option awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (4)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
M.E. Batten											
Cash Incentive Performance Stock Awards (1)	7/28/11	\$201,250	\$402,500	\$805,000							
Performance Stock Unit Awards (2)	7/28/11				7,102	8,878	10,654				\$329,107
Restricted Stock Award	7/28/11							8,878			\$329,107
J. H. Batten											
Cash Incentive Performance Stock Awards (1)	7/28/11	\$82,500	\$165,000	\$330,000							
Performance Stock Unit Awards (2)	7/18/11				1,307	1,634	1,961				\$60,572
Restricted Stock Award	7/28/11							5,446			\$201,883
C.J. Eperjesy											
Cash Incentive Performance Stock Awards (1)	7/28/11	\$75,750	\$151,500	\$303,000							
Performance Stock Unit Awards (1)	7/28/11				2,214	2,768	3,322				\$102,610

Edgar Filing: TWIN DISC INC - Form DEF 14A

Performance Stock Unit Awards (2) 7/28/11 Restricted		949	1,186	1,423		\$43,965
Stock Award 7/28/11 J.E. Feiertag					3,954	\$146,575
Cash Incentive	\$75,250	\$150,500	\$301,000			
Performance Stock Awards (1) 7/28/11		2,125	2,656	3,188		\$98,458
Performance Stock Unit Awards (2) 7/28/11 Restricted		910	1,138	1,366		\$42,186
Stock Award 7/28/11 D.J. Bratel					3,795	\$140,681
Cash Incentive	\$41,200	\$82,400	\$164,800			
Performance Stock Awards (1) 7/28/11		1,249	1,561	1,874		\$57,866
Performance Stock Unit Awards (2) 7/28/11 Restricted		535	669	803		\$24,800
Stock Award 7/28/11					2,229	\$82,629

---

- (1) Consists of stock awards with performance-based vesting criteria, as discussed in the “Long-Term Compensation” section of the Compensation Discussion and Analysis; eligible for vesting in 2014.
- (2) Consists of cash awards measured by the value of the Corporation’s common stock as of the vesting date with performance-based vesting criteria, as discussed in the “Long-Term Incentive Compensation” section of the Compensation Discussion and Analysis; eligible for vesting in 2014.
- (3) Consists of restricted stock with a vesting date of July 28, 2014. This stock will vest if the executive remains employed through the vesting date.
- (4) The grant date fair values are calculated using the closing price of Twin Disc shares on the July 28, 2011 grant date (\$37.07). The grant date fair values for the performance stock and performance stock unit awards are based on the assumption that the target performance objectives for these awards would be met, the most probable outcome as of the grant date.

### Outstanding Equity Awards at Fiscal Year-End

The following table summarizes the number of shares covered by exercisable and unexercisable options, as well as the number of restricted stock, performance stock and performance stock unit awards held by our Named Executive Officers on June 30, 2012.

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options	Number of Securities Underlying Unexercised Options	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested	Equity Incentive Plan Awards: Number of Shares, Units or Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Rights That Have Not Vested
M.E. Batten	32,000			\$3.6125	8/2/12				
M.E. Batten								141,733	\$2,620,643
J.H. Batten								79,288	\$1,466,035
C.J. Eperjesy								56,324	\$1,041,431
J.E. Feiertag								55,005	\$1,017,042
D.J. Bratel								29,785	\$550,725

- (1) Reflects the number of non-vested restricted stock awards, performance stock awards and performance stock unit awards which are scheduled to vest at various times between July 2012 and June 2014. For awards granted in fiscal 2010, 2011 and 2012 with Threshold/Target/Maximum payout levels, the figures presented assume the



Maximum level of achievement for those awards granted in 2010 and 2011, and the Target level of achievement for the awards granted in 2012.

- (2) Values were calculated using \$18.49 per share, the closing price of the Corporation's common stock as of June 29, 2012.
-

## Options Exercised and Stock Vested

The following table sets forth information regarding each exercise of stock options and vesting of restricted stock and performance stock that occurred during FY2012 for each of our Named Executive Officers.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting
M.E. Batten	16,000	\$556,491		
J.H. Batten				
C.J. Eperjesy				
J.E. Feiertag				
D.J. Bratel				

## Pension Benefits

The following table summarizes the actuarial present value of each Named Executive Officer's accumulated benefits as of June 30, 2012 under our defined benefit pension plan and supplemental executive retirement plan.

Name	Plan Name	Number of Years of Credited Service	Present Value of Accumulated Benefits (1)	Payments During Last Fiscal Year (2)
M.E. Batten	Retirement Plan for Salaried Employees	42.583	\$1,009,095	\$85,949
	Supplemental Executive Retirement Plan	42.583	\$2,923,931	
J.H. Batten	Retirement Plan for Salaried Employees	16	\$120,967	
C.J. Eperjesy	Retirement Plan for Salaried Employees	10	\$83,954	
J.E. Feiertag	Retirement Plan for Salaried Employees	12	\$112,752	
D.J. Bratel	Retirement Plan for Salaried Employees	25.5	\$174,608	

(1) The following key assumptions were made in calculating the present value of the qualified retirement plan. For Mr. M. Batten, the value assumes a 4.2% discount rate, and reflects the benefit amount and payment method currently elected. For Messrs. J. Batten, Eperjesy, Feiertag, and Bratel, the key assumptions include a 4.2% discount rate and a

retirement age of 65. No mortality assumption was used prior to retirement. After retirement, the mortality assumption is the IRS Generational Mortality Table.

With respect to the Supplemental Executive Retirement Plan for Mr. M. Batten, the values are calculated as pursuant to the terms of the Plan document. No assumptions as to future events are required. For Messrs. J. Batten, Eperjesy, Feiertag, and Bratel, benefits under the Supplemental Executive Retirement Plan are not calculated under a defined benefit formula, and are therefore not required to be reported on the above table. However, as of June 30, 2012, the values of the defined contribution credits under the Supplemental Executive Retirement Plan for Messrs. J. Batten, Eperjesy, Feiertag, and Bratel were \$68,005, \$68,719, \$86,478 and \$15,536 respectively.

(2) The qualified retirement plan allows participants to elect to begin receiving benefit payments if they have reached age 70 ½, even if they are still employed. However, if the employee is a 5% or greater owner, the plan requires the active participant to begin receiving benefit payments no later than April 1st following the year that the participant attains age 70 ½. Since Mr. Batten is a 5% or greater owner who turned 70 ½ in 2010, he chose to begin receiving his benefit payments in December of 2010.

---

### Retirement Plan for Salaried Employees

All full-time Twin Disc, Incorporated salaried employees employed before October 1, 2003 participate in the Twin Disc, Incorporated Retirement Plan for Salaried Employees (“Retirement Plan”). Eligibility for retirement occurs upon reaching one of the following age and service requirements: a) Age 65 with 5 years of service; b) Age 60 with 10 years of service; c) 30 years of service at any age; or d) age plus service equals 85 points. Currently Mr. M. Batten is the only Named Executive Officer eligible for retirement.

Prior to January 1, 1997, Retirement Plan benefits were based upon both years of service and the employees’ highest consecutive 5-year average annual compensation during the last 10 calendar years of service. As of December 31, 1996, the then-current accrued benefits under the Retirement Plan were frozen and the Retirement Plan was amended to provide for future accruals under a cash-balance program. Mr. M. Batten and Mr. Bratel are the only Named Executive Officers with a benefit under both the pre-1997 portion of the Retirement Plan and the cash balance program.

Subsequently, the Retirement Plan was amended to freeze all future benefit accruals, effective August 1, 2009.

The definition of compensation for purposes of calculating the pension benefit includes W-2 income, excluding any expense reimbursements or taxable fringe benefits, and is limited by the IRS maximum compensation as determined each year. In calendar years 2010 and 2011, the annual limit was \$245,000. In calendar year 2012, the annual limit is \$250,000.

Benefits under the frozen Retirement Plan are payable in a monthly annuity form, with either a single life or joint and survivor life benefit option. Benefits under the cash balance program are payable in a lump sum payment, or single life or joint and survivor annuity benefit options.

### Supplemental Executive Retirement Plan

The Supplemental Executive Retirement Plan (“SERP”) is available to qualified US-based Named Executive Officers. For those who were participants in the SERP before January 1, 1998 (only Mr. M. Batten), the supplemental retirement benefit is calculated as an annual benefit approximating 50% of highest rate of base salary plus annual incentive bonus attained during a specified period, minus amounts accrued under the Corporation’s Retirement Plan and Salaried Plan. The SERP also preserved the level of benefits that had accrued prior to 1998. The July 29, 2010 amendment of the SERP revised the formula for Mr. M. Batten to provide him with a SERP benefit that is at least equal to the present value of his SERP benefit as of July 1, 2010, plus interest credits based on the annual rate on 30-year Treasury securities, with a minimum annual interest credit of three percent.

Any benefits payable under the SERP will automatically be paid in a two-payment deferred lump sum form, under which two equal payments will be made to the participant (or his surviving spouse or named beneficiary if the participant dies prior to all of the payments being made). The first payment will be made on the February 1 following the calendar year of retirement, and the second payment to be made on February 1 of the following year. The two payments shall be the actuarial equivalent of the annual benefit calculated under the single life annuity form.

If each of the two lump sum payments exceeds \$500,000, each payment shall be limited to \$500,000 each with additional payments (also limited to \$500,000 each) to be made on each subsequent February 1 until the balance is paid. If the commencement of benefits is based on the participant’s separation from service, the first payment will not be made sooner than six months after the participant’s separation.

## Nonqualified Defined Contribution and Other Nonqualified Deferred Compensation Plans

The following table summarizes accumulated benefits as of June 30, 2012 under our supplemental executive retirement plan for each Named Executive Officer with a benefit under a defined contribution formula under that plan.

Name	Executive Contributions in Last FY	Registrant Contributions in Last FY (2)	Aggregate Earnings in Last FY	Aggregate Withdrawals/ Distributions	Aggregate Balance at Last FYE
M.E. Batten (1)	N/A	N/A	N/A	N/A	N/A
J.H. Batten	\$0	\$19,081	\$1,977	\$0	\$68,005
C.J. Eperjesy	\$0	\$14,052	\$2,105	\$0	\$68,719
J.E. Feiertag	\$0	\$17,475	\$2,666	\$0	\$86,478
D.J. Bratel	\$0	\$6,233	\$413	\$0	15,536

(1) Mr. M. Batten does not participate in a nonqualified defined contribution or other deferred compensation plan.

(2) The amounts reported in the “Registrant Contributions in Last FY” column are included in the “All Other Compensation” figures of the Summary Compensation Table.

## Supplemental Executive Retirement Plan

The Supplemental Executive Retirement Plan (“SERP”) is available to qualified US-based Named Executive Officers. For those who became participants after January 1, 1998 (including Mr. J. Batten, Mr. Eperjesy, Mr. Feiertag and Mr. Bratel) the supplemental retirement benefit is calculated as the additional benefit that the participant would have received at retirement under the Corporation’s frozen Retirement Plan and the Twin Disc, Incorporated Retirement Savings Plan for Salaried Employees (“Salaried Plan”), but for the limitation on compensation used in determining benefits under those plans. In light of the fact that the Salaried Plan is a defined contribution plan with individual accounts, the SERP was amended on July 29, 2010, to restate the SERP benefits of Messrs. J. Batten, Eperjesy, Feiertag, and Bratel as individual accounts, with an opening account balance equal to the present value of their SERP benefits as of August 1, 2009. In addition to annual accruals based on the additional benefit that would be received under the Salaried Plan but for limits on compensation in that plan, the accounts of Messrs. J. Batten, Eperjesy, Feiertag, and Bratel will receive interest credits based on the annual rate on 30-year Treasury securities, with a minimum annual interest credit of three percent.

Any benefits payable under the SERP will automatically be paid in a two-payment deferred lump sum form, under which two equal payments will be made to the participant (or his surviving spouse or named beneficiary if the participant dies prior to all of the payments being made). The first payment will be made on the February 1 following the calendar year of retirement, and the second payment to be made on February 1 of the following year. The two payments shall be the actuarial equivalent of the annual benefit calculated under the single life annuity form.

If each of the two lump sum payments exceed \$500,000, each payment shall be limited to \$500,000 each with additional payments (also limited to \$500,000 each) to be made on each subsequent February 1 until the balance is paid. If the commencement of benefits is based on the participant’s separation from service, the first payment will not be made sooner than six months after the participant’s separation.



#### Potential Payments Upon Termination or Change in Control

The following information and tables set forth the amount of payments to each Named Executive Officer in the event of a termination of employment as a result of retirement, death, disability, termination for cause, voluntary termination prior to retirement, and involuntary termination (or resignation for good cause) following a change in control.

- **Normal or Early Retirement.** The normal retirement age for US-based employees, including the Named Executive Officers, is 65. All full-time salaried employees employed before October 1, 2003 participate in the Twin Disc, Incorporated Retirement Plan for Salaried Employees and the Twin Disc, Incorporated Retirement Savings Plan for Salaried Employees. Eligibility for retirement occurs upon reaching one of the following age and service requirements: a) Age 65 with 5 years of service; b) Age 60 with 10 years of service; c) 30 years of service at any age; or d) age plus service equals 85 points. Currently Mr. M. Batten is the only Named Executive Officer eligible for retirement.

Medical benefits are only available to Twin Disc retirees hired before October 1, 2003 and who are not yet Medicare-eligible. Eligibility for retiree medical benefits ends upon reaching Medicare eligibility.

Restricted stock is forfeited if retirement occurs before the restrictions on such shares have ended.

Performance stock and performance stock units will be paid after the end of the relevant performance period, but only if the performance objective is achieved. The stock or units are prorated based on actual employment during the performance period.

Stock options must be exercised within 30 days of termination or they expire.

A Supplemental Executive Retirement Plan (SERP) is available for the Named Executive Officers who qualify for a retirement benefit under the Corporation's pension plans.

- **Death while Employed.** In the event of death of a Named Executive Officer while actively employed, the executive's estate would receive payment for any base salary earned, but not yet paid. In addition, any vacation accrual not used would also be paid to the estate.

Restricted stock vests and becomes payable per the terms of the individual grant agreement. The estate would receive the payment.

Performance stock and performance stock units will immediately vest after the Employee's termination of employment due to death and be paid as if the maximum performance target has been achieved. The stock or units are prorated based on actual employment during the performance period.

Options will fully vest and may pass to the estate, or as directed by a will, and must be exercised within one year from date of death.

- **Disability.** In the event of termination of employment due to disability, a Named Executive Officer would receive benefits under the Corporation's short-term and long-term disability plans, generally available to full-time salaried employees. Benefits are reduced for any social security or pension eligibility.

Restricted stock vests and becomes payable per the terms of the individual grant agreement.

Performance stock and performance stock units will immediately vest after the Employee's termination of employment due to disability and are paid assuming the maximum performance target has been achieved. The stock or units are prorated based on actual employment during the performance period.

- Termination for Cause. An executive is not eligible for any additional benefits at termination, unless the Compensation Committee would determine that severance payments are appropriate.
- Voluntary Termination Prior to Retirement. An executive is not entitled to any additional forms of severance payments in the event of a voluntary termination, prior to becoming eligible for retirement.
- Involuntary Termination (or Resignation for Good Cause) Following Change in Control. In July 2007, the Corporation entered into Change in Control Severance Agreements with each of our Named Executive Officers. The agreements provide that, following a change in control of the corporation (as defined in the agreement) if employment of the executive officer is terminated by the Corporation for any reason other than "Good Cause," or terminated by the executive for "Good Reason" within 24 months after the change in control occurs, certain benefits would become payable. These include:
  - o severance as a multiple of base salary and most recent annual bonus,
  - o twenty-four months of benefit continuation,
  - o current value of all outstanding stock options,
  - o restricted stock, and
- o performance stock and performance units immediately vest, and stock or cash is paid under the agreements as if the maximum performance objective was achieved.

In addition, if an event constituting a change in control of the Corporation occurs and the executive thereafter either terminates employment for good reason or is involuntarily terminated by the Corporation without cause, then the performance stock units granted shall immediately vest and a cash payment shall be made as if the maximum performance objective had been fully achieved. Such cash payment shall be equal to the number of performance stock units granted to the employee multiplied by the fair market value of the Corporation's common stock as of the effective date of such change in control.

The following tables show the amounts payable under different termination scenarios for each Named Executive Officer as if such scenario occurred on June 30, 2012, the last day of the Corporation's most recent fiscal year:

---



Michael E. Batten

Termination Event	Base Salary (\$)	Bonus (\$)	(1) Non-Equity Incentive Plan (\$)	Value of Accelerated Restricted Stock, Performance Stock, Performance Stock Units, and Stock Options (\$)	Other Benefits (\$)	Total (\$)
Normal Retirement prior to a Change in Control	Paid through last day worked	\$0	\$623,875	\$2,180,975 (2)	\$2,923,931 (4)	\$5,728,781
Death	Paid through last day worked	\$0	\$623,875	\$3,371,558 (3)	\$2,923,931 (4)	\$6,919,364
Disability	Paid through last day worked	\$0	\$623,875	\$3,371,558 (3)	\$3,211,431 (5)	\$7,206,864
Termination for Cause	Paid through last day worked	\$0	\$0 (6)	\$0 (6)	\$0	\$0
Voluntary Termination Prior to Retirement (7)	Paid through last day worked	N/A	N/A	N/A	N/A	N/A
Involuntary Termination or Resignation for Good Cause Following Change in Control	Paid through last day worked	\$0	\$623,875	\$4,412,771 (8)	\$5,952,399 (9)	\$10,989,045

(1) This value is the actual earned bonus under the Corporate Incentive Plan as of June 30, 2012.

(2) The value was calculated by adding 100% of the performance awards payable for the performance period ending on June 30, 2012 (67,254), plus 2/3rds of the performance awards payable for the performance period ending June 30, 2013 (46,043) plus 1/3rd of the awards payable for the performance period ending June 30, 2014 (2,959). This assumes that the performance awards vested at the maximum performance level for FY2012 and FY2013, and assumes achievement of target performance levels in FY2014. All performance awards consisted of performance stock units and the sum of performance stock units was multiplied by \$18.76, the mean of the high and low selling prices of Twin Disc shares on June 29, 2012.

(3) Upon death or disability, performance awards immediately vest and the awards will be delivered pro-rata, based on the assumption that the maximum performance target was achieved. In addition, restricted shares become non-forfeitable. The amount in the table was calculated by adding the prorated values of the maximum cash payments for the performance stock unit awards (100% of the maximum cash payment for performance stock units payable for the performance period ending June 30, 2012 (\$1,261,685), plus 2/3rds of the maximum cash payment for performance stock units payable for the performance period ending June 30, 2013 (\$863,773), plus 1/3rd of the maximum cash payment for performance stock units payable for the performance period ending June 30, 2014 (\$66,623)). In addition, Mr. Batten has 32,596 shares of restricted stock that vest on August 3, 2012, 22,316 shares of restricted stock that vest on July 29, 2013, and 8,878 shares of restricted stock that vest on July 28, 2014 if he remains employed with the Corporation through those dates, respectively. The maximum cash

payments of the performance stock unit awards were determined by using \$18.76, the mean of the high and low selling prices of Twin Disc shares on June 29, 2012, and the values of performance shares and restricted shares were determined by using \$18.49, the closing price of Twin Disc shares on June 29, 2012.

- (4) This amount consists of the present value of Mr. Batten's Supplemental Executive Retirement Benefit Plan benefits. Mr. Batten is currently retirement eligible.
  - (5) This amount is the value of six months of benefits beginning July 1, 2012 under the Corporation's short-term disability program for salaried employees (\$287,500) plus the present value of Mr. Batten's Supplemental Executive Retirement Plan benefits (\$2,923,931), as he is currently retirement-eligible.
  - (6) Employees terminated for cause are not entitled to receive performance awards. This assumes Mr. Batten's employment was terminated for cause on June 30, 2012.
  - (7) Mr. Batten is retirement eligible, so all benefits are payable under the retirement section.
  - (8) Upon involuntary termination without cause or resignation for good cause after a change in control, performance stock and performance units immediately vest, and stock or cash is paid under the agreements as if the maximum performance objective was achieved. In addition, restricted stock becomes fully transferable. The value of unexercised options is payable in cash. This amount represents the total of 146,973 outstanding performance stock unit awards valued at \$18.76 (the mean of the high and low selling prices of Twin Disc shares on June 29, 2012) and 63,790 outstanding restricted shares valued at \$18.49 (the closing price of Twin Disc shares on June 29, 2012). In addition, this figure includes 32,000 outstanding options, measured as if they were valued at the difference of \$18.49 and their grant price.
  - (9) Under the Change in Control Severance Agreement, Mr. Batten is entitled to 2.5 times his base salary plus his most recent annual bonus as a severance payment (\$2,997,188), benefit continuation for 24 months (\$31,280), and his benefits under his Supplemental Executive Retirement Plan, (\$2,923,931) as he is retirement eligible.
-

John H. Batten

Termination Event	Base Salary (\$)	Bonus (\$)	(1) Non-Equity Incentive Plan (\$)	Value of Accelerated Restricted Stock, Performance Stock and Performance Stock Units, and Stock Options (\$)	Other Benefits (\$)	Total (\$)
Normal Retirement prior to a Change in Control	Not Eligible on 6/30/12	Not Eligible on 6/30/12	Not Eligible on 6/30/12	Not Eligible on 6/30/12	Not Eligible on 6/30/12	Not Eligible on 6/30/12
Death	Paid through last day worked	\$0	\$255,750	\$1,818,798 (2)	\$0	\$2,074,548
Disability	Paid through last day worked	\$0	\$255,750	\$1,818,798 (2)	\$233,005 (3)	\$2,307,553
Termination for Cause	Paid through last day worked	\$0	\$0 (4)	\$0 (4)	\$0	\$0
Voluntary Termination Prior to Retirement	Paid through last day worked	\$0	\$255,750	\$624,289 (5)	\$0	\$880,039
Involuntary Termination or Resignation for Good Cause Following Change in Control	Paid through last day worked	\$0	\$255,750	\$2,114,376 (6)	\$1,217,694 (7)	\$3,587,820

(1) This value is the actual earned bonus under the Corporate Incentive Plan as of June 30, 2012.

(2) Upon death or disability, performance awards immediately vest and the awards will be delivered pro-rata, based on the assumption that the maximum performance target was achieved. In addition, restricted shares become non-forfeitable. The amount in the table was calculated by adding the prorated values of the maximum cash payments for the performance stock unit awards (100% of the maximum cash payment for performance stock units payable for the performance period ending June 30, 2012 (\$205,066), plus 2/3rds of the maximum cash payment for performance stock units payable for the performance period ending June 30, 2013 (\$155,996), plus 1/3rd of the maximum cash payment for performance stock units payable for the performance period ending June 30, 2014 (\$12,263)), plus the value of the prorated maximum number of shares issuable under the performance stock awards (100% of the maximum shares issuable under the performance stock awards for the performance period ending June 30, 2012 (22,673 shares), plus 2/3rds of the maximum shares issuable under the performance stock awards for the performance period ending June 30, 2013 (14,783 shares), plus 1/3rd of the maximum shares issuable under the performance stock awards for the performance period ending June 30, 2014 (1,525 shares)). In addition, Mr. Batten has 17,659 shares of restricted stock that vest on August 3, 2012, 16,090 shares of restricted stock that vest on July 29, 2013, and 5,446 shares of restricted stock that vest on July 28, 2014 if he remains employed with the Corporation through those dates, respectively. The maximum cash payments of the performance stock unit awards were determined by using \$18.76, the mean of the high and low selling prices of Twin Disc shares on June 29, 2012, and the values of performance shares and restricted shares were determined

by using \$18.49, the closing price of Twin Disc shares on June 29, 2012.

- (3) Of this amount, \$165,000 is the value of six months of benefits beginning July 1, 2012 under the Corporation's short-term disability program for salaried employees. Any benefits payable after six months are provided by a fully-insured disability carrier. The remainder of this amount is the June 30, 2012 value of Mr. Batten's benefit under the Supplemental Executive Retirement Plan ("SERP"), which vests upon termination of employment due to disability but is not payable until the date that Mr. Batten would have attained early or normal retirement age under the SERP.
  - (4) Employees terminated for cause are not eligible for performance awards. This assumes Mr. Batten was involuntarily terminated for cause on June 30, 2012.
  - (5) This amount reflects performance stock and performance unit awards payable for the performance period ending June 30, 2012. These awards vested at the maximum performance target.
  - (6) Upon involuntary termination without cause or resignation for good cause after a change in control, performance stock and performance units immediately vest, and stock or cash is paid under the agreements as if the maximum performance objective was achieved. In addition, restricted stock becomes fully transferable. This amount represents the total of outstanding shares and units, which consists of restricted shares (39,195) and performance stock (49,422) valued at \$18.49 (the closing price of Twin Disc shares on June 29, 2012), and performance stock units (25,365) valued at \$18.76 (the mean of the high and low selling prices of Twin Disc shares on June 30, 2011).
  - (7) Under the Change in Control Severance Agreement, Mr. Batten is entitled to 2.0 times his base salary plus most recent annual bonus as severance payments (\$1,171,500) plus benefit continuation for 24 months (\$46,194).
-

Christopher J. Eperjesy

Termination Event	Base Salary (\$)	Bonus (\$)	(1) Non-Equity Incentive Plan (\$)	Value of Accelerated Restricted Stock, Performance Stock, Performance Stock Units, and Stock Options (\$)	Other Benefits (\$)	Total (\$)
Normal Retirement prior to a Change in Control	Not eligible on 6/30/12	Not eligible on 6/30/12	Not eligible on 6/30/12	Not eligible on 6/30/12	Not eligible on 6/30/12	Not eligible on 6/30/12
Death	Paid through last day worked	\$0	\$234,825	\$1,282,567 (2)	\$0	\$1,517,392
Disability	Paid through last day worked	\$0	\$234,825	\$1,282,567 (2)	\$220,219 (3)	\$1,737,611
Termination for Cause	Paid through last day worked	\$0	\$0 (4)	\$0 (4)	\$0	\$0
Voluntary Termination Prior to Retirement	Paid through last day worked	\$0	\$234,825	\$430,597 (5)	\$0	\$655,422
Involuntary Termination or Resignation for Good Cause Following Change in Control	Paid through last day worked	\$0	\$234,825	\$1,489,360 (6)	\$1,121,235 (7)	\$2,845,420

(1) This value is the actual earned bonus under the Corporate Incentive Plan as of June 30, 2012.

(2) Upon death or disability, performance awards immediately vest and the awards will be delivered pro-rata, based on the assumption that the maximum performance target was achieved. In addition, restricted shares become non-forfeitable. The amount in the table was calculated by adding the prorated values of the maximum cash payments for the performance stock unit awards (100% of the maximum cash payment for performance stock units payable for the performance period ending June 30, 2012 (\$141,450), plus 2/3rds of the maximum cash payment for performance stock units payable for the performance period ending June 30, 2013 (\$107,595), plus 1/3rd of the maximum cash payment for performance stock units payable for the performance period ending June 30, 2014 (\$8,898)), plus the value of the prorated maximum number of shares issuable under the performance stock awards (100% of the maximum shares issuable under the performance stock awards for the performance period ending June 30, 2012 (15,638 shares), plus 2/3rds of the maximum shares issuable under the performance stock awards for the performance period ending June 30, 2013 (10,196 shares), plus 1/3rd of the maximum shares issuable under the performance stock awards for the performance period ending June 30, 2014 (1,108 shares)). In addition, Mr. Eperjesy has 12,180 shares of restricted stock that vest on August 3, 2012, 12,339 shares of restricted stock that vest on July 29, 2013, and 3,954 shares of restricted stock that vest on July 28, 2014 if he remains employed with the Corporation through those dates, respectively. The maximum cash payments of the performance stock unit awards were determined by using \$18.76, the mean of the high and low selling prices of Twin Disc shares on June 29, 2012, and the values of performance shares and restricted shares were determined

by using \$18.49, the closing price of Twin Disc shares on June 29, 2012.

- (3) Of this amount, \$151,500 is the value of six months of benefits beginning July 1, 2012 under the Corporation's short-term disability program for salaried employees. Any benefits payable after six months are provided by a fully-insured disability carrier. The remainder of this amount is the June 30, 2012 value of Mr. Eperjesy's benefit under the Supplemental Executive Retirement Plan ("SERP"), which vests upon termination of employment due to disability but is not payable until the date that Mr. Eperjesy would have attained early or normal retirement age under the SERP.
  - (4) Employees terminated for cause are not eligible for performance awards. This assumes Mr. Eperjesy was involuntarily terminated for cause on June 30, 2012.
  - (5) This amount reflects performance stock and performance unit awards payable for the performance period ending June 30, 2012. These awards vested at the maximum performance target.
  - (6) Upon involuntary termination without cause or resignation for good cause after a change in control, performance stock and performance units immediately vest, and stock or cash is paid under the agreements as if the maximum performance objective was achieved. In addition, restricted stock becomes fully transferable. This amount represents the total of outstanding shares and units, which consists of restricted shares (28,473) and performance stock (34,254) valued at \$18.49 (the closing price of Twin Disc shares on June 29, 2012), and performance stock units (17,566) valued at \$18.76 (the mean of the high and low selling prices of Twin Disc shares on June 29, 2012).
  - (7) Under the Change in Control Severance Agreement, Mr. Eperjesy is entitled to 2.0 times the sum of his base salary plus his most recent annual bonus as a severance payment (\$1,075,650), plus benefit continuation (\$45,585) for 24 months.
-

James E. Feiertag

Termination Event	Base Salary (\$)	Bonus (\$)	(1) Non-Equity Incentive Plan (\$)	Value of Accelerated Restricted Stock, Performance Stock and Performance Stock Units, and Stock Options (\$)	Other Benefits (\$)	Total (\$)
Normal Retirement prior to a Change in Control	Not eligible on 6/30/12	Not eligible on 6/30/12	Not eligible on 6/30/12	Not eligible on 6/30/12	Not eligible on 6/30/12	Not eligible on 6/30/12
Death	Paid through last day worked	\$0	\$233,275	\$1,259,949 (2)	\$0	\$1,493,224
Disability	Paid through last day worked	\$0	\$233,275	\$1,259,949 (2)	\$237,478 (3)	\$1,730,702
Termination for Cause	Paid through last day worked	\$0	\$0 (4)	\$0 (4)	\$0	\$0
Voluntary Termination Prior to Retirement	Paid through last day worked	\$0	\$233,275	\$428,561 (5)	\$0	\$661,836
Involuntary Termination or Resignation for Good Cause Following Change in Control	Paid through last day worked	\$0	\$233,275	\$1,464,384(6)	\$1,085,782 (7)	\$2,783,441

(1) This value is the actual earned bonus under the Corporate Incentive Plan as of June 30, 2012.

(2) Upon death or disability, performance awards immediately vest and the awards will be delivered pro-rata, based on the assumption that the maximum performance target was achieved. In addition, restricted shares become non-forfeitable. The amount in the table was calculated by adding the prorated values of the maximum cash payments for the performance stock unit awards (100% of the maximum cash payment for performance stock units payable for the performance period ending June 30, 2012 (\$141,450), plus 2/3rds of the maximum cash payment for performance stock units payable for the performance period ending June 30, 2013 (\$107,595), plus 1/3rd of the maximum cash payment for performance stock units payable for the performance period ending June 30, 2014 (\$8,542)), plus the value of the prorated maximum number of shares issuable under the performance stock awards (100% of the maximum shares issuable under the performance stock awards for the performance period ending June 30, 2012 (15,638 shares), plus 2/3rds of the maximum shares issuable under the performance stock awards for the performance period ending June 30, 2013 (10,196 shares), plus 1/3rd of the maximum shares issuable under the performance stock awards for the performance period ending June 30, 2014 (1,063 shares). In addition, Mr. Feiertag has 12,180 shares of restricted stock that vest on August 3, 2012, 11,339 shares of restricted stock that vest on July 29, 2013, and 3,795 shares of restricted stock that vest on July 28, 2014 if he remains employed with the Corporation through those dates, respectively. The maximum cash payments of the performance stock unit awards were determined by using \$18.76, the mean of the high and low selling prices of Twin Disc shares on June 29, 2012, and the values of performance shares and restricted shares were determined

by using \$18.49, the closing price of Twin Disc shares on June 29, 2012.

- (3) Of this amount, \$151,000 is the value of six months of benefits beginning July 1, 2012 under the Corporation's short-term disability program for salaried employees. Any benefits payable after six months are provided by a fully-insured disability carrier. The remainder of this amount is the June 30, 2012 value of Mr. Feiertag's benefit under the Supplemental Executive Retirement Plan ("SERP"), which vests upon termination of employment due to disability but is not payable until the date that Mr. Feiertag would have attained early or normal retirement age under the SERP.
  - (4) Employees terminated for cause are not eligible for performance awards. This assumes Mr. Feiertag was involuntarily terminated for cause on June 30, 2012.
  - (5) This amount reflects performance stock and performance unit awards payable for the performance period ending June 30, 2012. These awards vested at the maximum performance target.
  - (6) Upon involuntary termination without cause or resignation for good cause after a change in control, performance stock and performance units immediately vest, and stock or cash is paid under the agreements as if the maximum performance objective was achieved. In addition, restricted stock becomes fully transferable. This amount represents the total of outstanding shares and units, which consists of restricted shares (27,314) and performance stock (34,120) valued at \$18.49 (the closing price of Twin Disc shares on June 29, 2012), and performance stock units (17,509) valued at \$18.76 (the mean of the high and low selling prices of Twin Disc shares on June 29, 2012).
  - (7) Under the Change in Control Severance Agreement, Mr. Feiertag is entitled to 2.0 times the sum of his base salary plus his most recent bonus as a severance payment (\$1,068,550), plus benefit continuation (\$17,232) for 24 months.
-



Dean J. Bratel

Termination Event	Base Salary (\$)	Bonus (\$)	(1) Non-Equity Incentive Plan (\$)	Value of Accelerated Restricted Stock, Performance Stock and Performance Stock Units, and Stock Options (\$)	Other Benefits (\$)	Total (\$)
Normal Retirement prior to a Change in Control	Not eligible on 6/30/12	Not eligible on 6/30/12	Not eligible on 6/30/12	Not eligible on 6/30/12	Not eligible on 6/30/12	Not eligible on 6/30/12
Death	Paid through last day worked	\$0	\$127,720	\$662,848 (2)	\$0	\$790,568
Disability	Paid through last day worked	\$0	\$127,720	\$662,848 (2)	\$118,536 (3)	\$909,104
Termination for Cause	Paid through last day worked	\$0	\$0	\$0 (4)	\$0	\$0
Voluntary Termination Prior to Retirement (7)	Paid through last day worked	\$0	\$127,720	\$206,771 (5)	N/A	\$334,491
Involuntary Termination or Resignation for Good Cause Following Change in Control	Paid through last day worked	\$0	\$127,720	\$767,074 (6)	\$546,165 (7)	\$1,440,959

(1) (1) This value is the actual earned bonus under the Corporate Incentive Plan as of June 30, 2012.

(2) Upon death or disability, performance awards immediately vest and the awards will be delivered pro-rata, based on the assumption that the maximum performance target was achieved. In addition, restricted shares become non-forfeitable. The amount in the table was calculated by adding the prorated values of the maximum cash payments for the performance stock unit awards (100% of the maximum cash payment for performance stock units payable for the performance period ending June 30, 2012 (\$67,911), plus 2/3rds of the maximum cash payment for performance stock units payable for the performance period ending June 30, 2013 (\$51,653), plus 1/3rd of the maximum cash payment for performance stock units payable for the performance period ending June 30, 2014 (\$5,021)), plus the value of the prorated maximum number of shares issuable under the performance stock awards (100% of the maximum shares issuable under the performance stock awards for the performance period ending June 30, 2012 (7,509 shares), plus 2/3rds of the maximum shares issuable under the performance stock awards for the performance period ending June 30, 2013 (4,896 shares), plus 1/3rd of the maximum shares issuable under the performance stock awards for the performance period ending June 30, 2014 (625 shares)). In addition, Mr. Bratel has 5,848 shares of restricted stock that vest on August 3, 2012, 8,004 shares of restricted stock that vest on July 29, 2013, and 2,229 shares of restricted stock that vest on July 28, 2014 if he remains employed with the Corporation through those dates, respectively. The maximum cash payments of the performance stock unit awards were determined by using \$18.76, the mean of the high and low selling prices of Twin Disc shares on June 29, 2012, and the values of performance shares and restricted shares were determined

by using \$18.49, the closing price of Twin Disc shares on June 29, 2012.

- (3) Of this amount, \$103,000 is the value of six months of benefits beginning July 1, 2012 under the Corporation's short-term disability program for salaried employees. Any benefits payable after six months are provided by a fully-insured disability carrier. The remainder of this amount is the June 30, 2012 value of Mr. Bratel's benefit under the Supplemental Executive Retirement Plan ("SERP"), which vests upon termination of employment due to disability but is not payable until the date that Mr. Bratel would have attained early or normal retirement age under the SERP.
  - (4) Employees terminated for cause are not eligible for performance awards. This assumes Mr. Bratel was involuntarily terminated for cause on June 30, 2012.
  - (5) This amount reflects performance stock and performance unit awards payable for the performance period ending June 30, 2012. These awards vested at the maximum performance target.
  - (6) Upon involuntary termination without cause or resignation for good cause after a change in control, performance stock and performance units immediately vest, and stock or cash is paid under the agreements as if the maximum performance objective was achieved. In addition, restricted stock becomes fully transferable. This amount represents the total of outstanding shares and units, which consists of restricted shares (16,081) and performance stock (16,727) valued at \$18.49 (the closing price of Twin Disc shares on June 29, 2012), and performance stock units (8,553) valued at \$18.76 (the mean of the high and low selling prices of Twin Disc shares on June 29, 2012).
  - (7) Under the Change in Control Severance Agreement, Mr. Bratel is entitled to 1.5 times the sum of his base salary plus his most recent bonus as a severance payment (\$500,580), plus benefit continuation (\$45,585) for 24 months.
-

## Director Compensation

The following table summarizes information regarding the compensation received by each of our non-employee Directors during FY2012:

Name	Year	Fees Earned in Cash	Value(1) of Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Non-qualified Deferred Compensation Earnings	All Other Compensation	Total
Michael Doar	2012	\$50,000	\$45,000					\$95,000
Malcolm Moore	2012	\$50,000	\$45,000					\$95,000
David Rayburn	2012	\$50,000	\$45,000					\$95,000
Michael Smiley	2012	\$45,000	\$45,000					\$90,000
Harold Stratton II	2012	\$50,000	\$45,000					\$95,000
David Zimmer	2012	\$55,000	\$45,000					\$100,000

(1) Value of Stock Awards is computed in accordance with Financial Accounting Standards Board ASC Topic 718.

## Director Compensation Plan

Outside Directors of the Corporation (i.e. non-Corporation employees) are eligible to participate in the Twin Disc, Incorporated 2010 Stock Incentive Plan for Non-Employee Directors and are paid an annual retainer fee composed of both cash and restricted shares of Twin Disc stock. The mix of cash and stock is determined by the Board of Directors on an annual basis. The cash portion is paid quarterly, while the stock portion of the retainer is awarded annually, at the annual shareholders meeting in October. The restricted shares will vest as of the subsequent annual shareholders meeting.

For FY2012, the Board determined that the annual retainer of \$90,000 would consist of 50% cash and 50% restricted stock. For FY2013, the Board reviewed its Director Compensation and, consistent with the Corporation's compensation objectives, increased the annual retainer to \$100,000, effective as of the date of the annual shareholders meeting in October. They determined that the mix for FY 2013 would be 50% cash and 50% restricted stock.

In addition to the annual retainer, committee chairs are paid an annual fee of \$5,000. The chair of the Audit Committee receives a \$10,000 annual fee, due to the larger responsibility of the position. Effective as of the date of the annual shareholders meeting in October, the chair of the Compensation Committee will be paid an annual fee of \$7,000, due to the larger responsibility of that position.

Director stock ownership guidelines are in place for the outside Directors of the Corporation. These guidelines will set a target ownership level of two times the value of the Director annual retainer fee, exclusive of committee chair fees. Directors will have a period of four years to attain their targeted ownership level. The Compensation Committee monitors compliance with this guideline, using its discretion to address non-attainment issues.

Outside Directors who reach the age of 71 or who retire from full-time employment may be required to retire from the Board of Directors effective as of the completion of their current term. Retired outside Directors will be entitled to an annual retirement benefit equal to the cash portion of the total annual retainer amount last paid to the Director prior to retirement, exclusive of committee chair fees. Retirement benefits will be payable for a term equal to the Director's years of service or life, whichever is shorter.

---

Compensation Committee Report

The Compensation Committee of the Board of Directors has reviewed and discussed the Compensation Discussion and Analysis with management. Based on that review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Corporation's proxy statement and the Corporation's annual report on Form 10-K.

Members of the Compensation Committee:

Malcolm F. Moore, Chair

David B. Rayburn

David R. Zimmer

---

## Audit Committee Report

The following Report of the Audit Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates this report by reference therein.

The Audit Committee charter reflects standards set forth in SEC regulations and NASDAQ Stock Market rules. All members of the Audit Committee are independent, as defined in Rule 5605 of the listing standards of the NASDAQ Stock Market.

The Committee has implemented procedures to ensure that during the course of each fiscal year it devotes the attention that it deems necessary or appropriate to each of the matters assigned to it under the Committee's charter. To carry out its responsibilities, the Committee met five times during fiscal 2012.

As part of its responsibilities, and as set forth in its charter, the Audit Committee met with both management and the Corporation's independent accountants to review and discuss the audited financial statements prior to their issuance and to discuss significant accounting issues. Management advised the Committee that all financial statements were prepared in accordance with generally accepted accounting principles, and the Committee discussed the statements with both management and the independent accountants. The Committee's review included discussion with the independent accountants of matters required to be discussed pursuant to Statement on Auditing Standards No. 114, "The Auditor's Communication With Those Charged With Governance" and SEC Regulation S-X, Rule 2-07, "Communication with Audit Committees."

The Committee received the written disclosures and the letter required from the independent accountants pursuant to Rule 3526, "Communication with Audit Committees Concerning Independence," of the Public Company Accounting Oversight Board regarding the independent accountant's communication with the audit committee concerning independence. The Committee also discussed with PricewaterhouseCoopers LLP matters relating to its independence.

On the basis of these reviews and discussions, the Committee recommended to the Board of Directors that the Board approve the inclusion of the Corporation's audited financial statements in the Company's annual report on Form 10-K for the fiscal year ended June 30, 2012, for filing with the Securities and Exchange Commission.

Audit Committee  
David R. Zimmer, Chair  
Michael Doar  
Michael C. Smiley  
Harold M. Stratton II

July 27, 2012

## EQUITY COMPENSATION PLAN INFORMATION

The following table summarizes certain information regarding the Corporation's equity-based compensation plans as of the end of the most recently completed fiscal year:

Plan Category	# of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Price of Outstanding Options, Warrants and Rights	# of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity Compensation Plans Approved by Shareholders	105,457 (1)	\$7.30	600,831
Equity Compensation Plans Not Approved By Shareholders	0	N/A	0
TOTAL	105,457 (1)	\$7.30	600,831

(1) Includes 44,000 non-qualified stock options awarded under the Twin Disc, Incorporated 1998 Incentive Compensation Plan and the 1998 Stock Option Plan for Non-Employee Directors, and 21,600 non-qualified stock options awarded under the Twin Disc, Incorporated 2004 Stock Incentive Plan for Non-Employee Directors. No further awards may be made under either of the 1998 plans referenced above. Also includes 87,055 shares of performance stock that may be issued as of June 30, 2013 under the Twin Disc, Incorporated 2004 Stock Incentive Plan (as amended), assuming the maximum performance goals are achieved. As of June 30, 2012, the Corporation believes that it is likely that the maximum performance goals will be achieved. Also includes 18,402 shares of performance stock that may be issued as of June 30, 2014 under the Twin Disc, Incorporated 2010 Stock Incentive Plan, assuming the target performance level will be achieved. Because performance stock awards do not have an exercise price, the weighted-average exercise price does not take performance stock awards into account.

## SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16 of the Securities Exchange Act of 1934 requires the Corporation's Directors, executive officers and 10% shareholders to file reports of ownership and changes in ownership of Twin Disc stock. Based solely on a review of the copies of such forms furnished to the Corporation and representations from executive officers and Directors, the Corporation believes that during the period from July 1, 2011 to June 30, 2012, all Section 16(a) filing requirements applicable to its executive officers, Directors and greater than ten (10%) beneficial owners were properly filed with the Securities and Exchange Commission.

## GENERAL

The Corporation will bear the cost of the solicitation of proxies. The firm of Georgeson Inc., New York, NY has been retained to assist in solicitation of proxies for the Annual Meeting at a fee not to exceed \$8,500 plus expenses.

Management does not know of any other business to come before the meeting. However, if any other matters properly come before the meeting, it is the intention of the persons named in the accompanying form of proxy to vote upon such matters in their discretion in accordance with the authorization of the proxy.

If you do not contemplate attending in person, we respectfully request that you fill in, sign and return the accompanying proxy at your earliest convenience. However, remember that in order to have your proxy validated, it

Edgar Filing: TWIN DISC INC - Form DEF 14A

must be delivered to the Secretary either in person, by mail, or by messenger, and it must be received by the Secretary not less than forty-eight (48) hours prior to the date of the meeting. Alternatively, shareholders may transmit voting instructions via the Internet by accessing [www.proxyvoting.com/twin](http://www.proxyvoting.com/twin) or by telephone at 1-866-540-5760.

---



APPENDIX A

COMPENSATION SURVEYS: PARTICIPATING COMPANIES UTILIZED

3M Company  
7-Eleven  
A&P  
A. H. Belo  
A.O. Smith Corp  
A.T. Cross  
AAF International  
AAR Corporation  
AB Mauri Food Inc.  
Abbott Laboratories  
Accenture  
ACH Food Companies  
Acme Industries  
Acuity Brands Inc  
ACUMED LLC  
Adobe Systems Inc  
ADTRAN Incorporated  
Advance Auto Parts Inc  
Advanced Micro Devices  
Aeropostale  
Affinia Group Intermediate  
Holdings Inc.  
AGCO Corp  
Agilent Technologies Inc  
Agrium  
Air Liquide  
Air Products & Chemicals  
Inc  
Aker Solutions  
AKSteel Holding Corp  
Akzo Nobel, Inc.  
Albemarle Corp  
Alcatel Lucent  
Alcoa Inc  
Alcon Laboratories  
Alexander & Baldwin  
Alfa Laval, Inc.  
Allegheny Technologies Inc  
Allergan Inc  
Alliant Techsystems  
Alstom Power US - Alstom  
Transport  
Amazon.com  
Amcor PET Packaging, Inc.

American Crystal Sugar  
American Dehydrated  
Foods Inc  
American Greetings  
Corporation  
Ameron  
Ames True Temper  
AMETEK Inc  
Amgen Inc  
Amkor Technology Inc  
Amphenol Corp  
Amway  
Analog Devices  
Andersen Corporation  
ANH Refractories  
Company  
Anixter Intl Inc  
AOC LLC  
AOL  
APL  
Apple Inc  
Appleton Papers  
Applied Materials Inc  
Applied Signal Technology  
AptarGroup Inc  
ARAMARK  
Archer Daniels Midland  
Arctic Cat  
Armstrong World  
Industries, Inc.  
Arrow Electronics Inc  
ArvinMeritor Inc  
Asahi Kasei Plastics N.A.  
Inc.  
ASCO - Valve  
Ash Grove Cement  
Company  
AstraZeneca  
AT&T  
Autoliv Inc  
Automatic Data Processing  
Avanade  
Avery Dennison  
Corporation  
Avis Budget Group  
Avon Products Inc  
Axsys  
AZZ Inc.  
B Braun Medical Inc  
B/E Aerospace Inc  
Bacardi U.S.A., Inc.

BAE Systems, Inc. Land &  
Armaments  
Baldor Electric Company  
Ball Corporation  
Barilla America Inc  
Barnes Group  
Barrick Gold of North  
America  
Basler Electric Company  
Baxter International Inc  
Bayer CropScience  
Beckman Coulter Inc  
Becton Dickinson & Co  
Belo  
Bemis Mfg Company  
Benchmark Electronics Inc  
Benjamin Moore &  
Company  
Berry Plastics Corp  
Berwick Offray LLC  
Best Buy  
Big Lots  
Bimbo Bakeries USA  
Biogen Idec Inc  
Biomet  
Bio-Rad Laboratories Inc  
BJ's Wholesale Club  
Blockbuster  
Blyth  
BMW Manufacturing  
Corporation  
Boehringer Ingelheim  
Boeing Co  
Boise Cascade, LLC  
Boise Inc.  
Bombardier Transportation  
Borg Warner  
Bosch Rexroth Corporation  
Boston Scientific Corp  
Bovis Lend Lease  
Bradley Corporation  
Brady Corporation  
Briggs & Stratton  
Corporation  
Bristol-Myers Squibb Co  
Broadcom Corp  
Broadridge Financial  
Solutns  
Brocade Communications  
Sys  
Brown Shoe Co Inc

Brown-Forman Corporation  
Brunswick Corporation  
BSH Home Appliances  
Corporation  
Bucyrus International Inc  
Burlington Northern Santa  
Fe  
Bush Brothers  
C.H. Robinson Worldwide  
C.R. Bard Inc  
Cabot Corp  
Cadbury  
Calgon Carbon  
Callaway Golf Company  
Cameron International  
Campbell Soup Co  
Cardinal Health, Inc.  
CareFusion Corporation  
Cargill, Inc.  
Carhartt Inc  
CaridianBCT, Inc  
Carlisle Cos Inc  
Carlson Companies  
Carmeuse North America  
Carnival  
Carpenter Technology  
Corporation  
Carter's Inc  
Cascade Engineering  
Catalent Pharma Solutions  
Caterpillar Inc  
Celgard Inc  
Celgene Corp  
Cemex, Inc. US  
Central Garden & Pet Co  
CenturyLink  
Cenveo Inc  
Cephalon Inc  
Cerner Corp  
CFIndustries Holdings Inc  
CH2M Hill  
Chemtreat Inc  
Chemtura Corporation  
Chiquita Brands  
International, Inc.  
Choice Hotels International  
CHS Inc  
Church & Dwight Co., Inc.  
Cimarex Energy  
Cinetic Automation  
Cinetic Sorting Corp.

Cintas  
Cisco Systems  
Citrix Systems Inc  
Clearwater Paper  
Corporation  
Cliffs Natural Resources  
Clorox Co  
COACH  
Coats North America  
Coca Cola Co  
Coca-Cola Bottling Co.  
Consolidated  
Colgate-Palmolive  
Company  
Columbia Sportswear  
Columbian Chemicals  
Company  
Commercial Metals  
Commonwealth Brands,  
Inc.  
CommScope Inc  
Community Coffee  
Company, LLC  
ConAgra Foods, Inc.  
Constellation Brands, Inc.  
Continental Automotive  
Systems  
ConvaTec  
Convergys  
Cook Communications  
Ministries  
Cooper Industries  
Cooper Tire & Rubber Co  
Cooper-Standard Holdings  
Inc.  
CooperVision, Inc.  
Corn Products  
Corning Inc  
Covance  
Covidien  
Cox Enterprises  
Cox Target Media  
Crane Co  
Cree, Inc.  
Crocs, Inc.  
Crown Castle  
CSR  
CSX  
CTS Corporation  
Cubic Corporation  
Cummins Inc

Curtiss-Wright Corporation  
CVS Caremark  
Cytec Industries Inc  
Daiichi Sankyo  
Dal-Tile Inc  
Dana Holding Corp  
Danaher Corp  
Danaher Motion  
Dannon  
Darden Restaurants  
Dassault Falcon Jet  
Corporation  
Day & Zimmermann  
Dean Foods Company  
Deckers Outdoor  
Corporation  
Deere & Company  
Del Monte Foods  
Dell  
Delta Air Lines  
Deluxe Corporation  
Denny's  
Denso International  
America  
DENTSPLY Internatl Inc  
Dex One  
Diageo North America  
Diebold, Incorporated  
Dionex  
Disney Consumer Products  
Diversey, Inc.  
Dole Food Company, Inc.  
Domtar Corporation  
Donaldson Company Inc  
Dover Corp  
Dow Chemical  
Dow Corning  
Dr Pepper Snapple Group  
Inc  
Dresser-Rand Group Inc  
DuPont  
E. I. du Pont de Nemours  
and Company  
E.W. Scripps  
Eastman Chemical Co  
Eastman Kodak Co  
Eaton Corporation  
Echostar Corp  
Ecolab Inc  
Edwards Lifesciences, LLC  
Eisai

Eli Lilly & Co  
Elizabeth Arden, Inc.  
Elkay Manufacturing  
Company  
Elster AMCO Water, Inc.  
Elster American Meter  
Company  
Elster Electricity LLC  
EMC Corp  
EMCOR Group  
Emerson Climate  
Technologies, Inc.  
Emerson Electric  
EMI Music  
Energizer Holdings Inc  
Enpro Industries (Fairbanks  
Morse Engine)  
Equifax  
Equity Office Properties  
ESCO Corporation  
ESCO Technologies  
Essilor of America  
Estee Lauder Companies,  
Inc.  
Esterline Technologies  
Corp  
Etnyre International Ltd  
Evergreen Packaging  
Evraz Inc.  
Exact Software North  
America LLC  
Exide Technologies  
Express Scripts  
Exterran  
Fair Isaac  
Fairchild Controls  
Fairfield Manufacturing  
FANUC Robotics America  
Farmland Foods Inc  
Federal-Mogul Corporation  
FedEx Office  
FEI Company  
Fender Musical Instruments  
Fenwal, Inc.  
Ferrero USA  
Ferro Corp  
Fiberweb  
Fidelity National  
Information Services  
First Solar  
Fiserv

Fiskars Brands, Inc.  
Fleetwood Group  
Flexcon Company Inc  
Flexible Steel Lacing  
Company  
Flowers Foods Inc  
Flowserve Corporation  
Fluor  
FMC Corp  
Ford  
Forest Laboratories  
Fortune Brands  
Fossil Inc  
Foster Poultry Farms  
Franklin International  
Freeport-McMoRan Copper  
& Gold  
Fresenius Medical Care NA  
Friendly Ice Cream  
Corporation  
GAF Materials  
Gannett Co  
Gap  
Gardner Denver  
GATX  
Gavilon  
GE Healthcare  
GenCorp, Inc.  
General Atomics  
General Cable Corp  
General Dynamics  
General Mills  
General Motors  
General Nutrition Inc --  
Manufacturing (GNC)  
Genzyme Corp  
Georg Fischer Signet LLC  
Georgia Gulf Corp  
Gerdau Ameristeel  
Getty Images  
Gibraltar Industries, Inc.  
Gilbarco, Inc.  
Gilead Sciences Inc  
Givaudan US  
GKN America Corporation  
Glatfelter Company  
GlaxoSmithKline  
GOJO Industries Inc  
Gold Eagle Company  
Goodman Manufacturing  
Goodrich Corporation



Goodyear Tire & Rubber  
Co  
Gorton's  
Graco Inc  
Graham Packaging  
Company  
Grande Cheese Company  
Graphic Packaging Holding  
Co  
Greene, Tweed & Co.  
Greenheck Fan Corporation  
Greif Inc  
Gruma  
Grupo Ferrovial  
GTECH Corporation  
GXS  
H. J. Heinz Company  
H.B. Fuller  
Hanesbrands, Inc.  
Hannaford  
Harland Clarke  
Harley-Davidson, Inc.  
Harman International  
Industries Inc.  
Harsco Corporation  
Harvey Industries  
Hasbro, Inc.  
Hayward Industries, Inc.  
HBO\*  
Hendrickson International  
Henkel Corporation  
Henkel of America  
Herman Miller, Inc.  
Hertz  
Hewlett-Packard Co  
Hexion Specialty  
Chemicals, Inc.  
High Industries Inc  
High Liner Foods Inc.  
Hill Phoenix  
Hilti Inc  
Hilton Worldwide  
Hitachi America, Ltd.  
Hitachi Data Systems  
HNI Corporation  
HNTB  
Hoffmann-La Roche  
Holden Industries Inc  
Hologic Inc  
Home Depot Inc  
Honeywell International Inc

Hormel Foods Corporation  
Hospira Inc  
Hostess Brands, Inc.  
Houghton Mifflin Harcourt  
Publishing  
Hubbell Inc  
Hu-Friedy Manufacturing  
Company, Inc.  
Hunt Consolidated  
Hunter Douglas Inc.  
Hunter Industries  
Huntsman Corp  
Husky Injection Molding  
Systems  
Hutchinson Technology  
Incorporated  
Hyatt Hotels  
Hyundai Motor  
Manufacturing of Alabama  
IBM  
IDEX Corporation  
IDEXX Laboratories Inc  
IKON Office Solutions  
Illinois Tool Works Inc  
IMAX Corporation  
IMS Health  
Infragistics  
Ingersoll-Rand Company  
Limited  
Ingram Industries, Inc.  
Ingram Micro Inc  
In-Sink-Erator  
Insurance Auto Auctions  
Intel Corp  
Interbake Foods Inc  
Intercontinental Hotels  
InterMetro Industries Corp  
International Business  
Machines Corp  
International Flavors &  
Fragrances  
International Game  
Technology  
International Imaging  
Materials, Inc.  
International Paper  
Company  
Intertape Polymer Group  
Intuit Inc  
Invacare Corp  
Invensys Controls

ION Geophysical  
Iron Mountain  
Irvine Company  
Itron Inc  
ITT Corp  
J J Keller & Associates Inc  
J R Simplot Company  
J. Crew  
J.M. Smucker  
J.R. Simplot  
Jabil Circuit, Inc.  
Jack in the Box  
Jacobs Engineering  
James Hardie Building  
Products  
Jarden Corp  
JM Family  
Jockey International, Inc.  
John Crane Inc  
John Wiley & Sons Inc  
Johns Manville  
Johnson & Johnson  
Johnson Controls Inc  
Jones Apparel Group Inc  
Jostens Inc  
Joy Global, Inc.  
Juniper Networks Inc  
Kalsec Inc  
Kaman Industrial  
Technologies  
KBR  
Keihin North America  
Kellogg Company  
Kerry, Inc. US  
Kewaunee Scientific  
Corporation  
Keystone Automotive  
Industries  
Keystone Foods  
Corporation  
KI, Inc  
KIK Custom Products  
Kimberly-Clark  
Corporation  
Kinetic Concepts Inc  
King Pharmaceuticals Inc  
Kingston Technology  
Kinross Gold  
KLA-Tencor  
Klein Tools  
Knowles Electronics

Koch Industries  
Kohler Company  
Kohl's  
Komatsu America Corp  
Kone, Inc. (USK) US  
Kraft Foods Inc  
Kyocera America, Inc.  
L.L. Bean  
L-3 Communications  
Lab Volt Systems  
Lafarge North America  
Lake Region Medical  
Lance Inc  
Land O'Lakes, Inc.  
Lantech.com  
LANXESS Corporation US  
Lear Corp  
Leggett & Platt Inc  
Lennox International, Inc.  
Leprino Foods Company  
Level 3 Communications  
Levi Strauss & Co  
Lexmark Intl Inc  
LG Electronics USA, Inc.  
Life Technologies Corp  
Limited Brands  
Lincoln Electric Hldgs Inc  
Lindt & Sprungli (USA)  
Inc.  
Link-Belt Construction  
Equipment Company  
Littelfuse Inc  
Little Lady Foods  
LKQ Corp  
Lockheed Martin Corp  
Lonza North America Inc.  
Lorillard Inc  
Louisiana-Pacific  
Corporation  
Lozier Corporation  
LSG Sky Chefs  
LSI Corp  
Lubrizol Corporation  
Luck Stone Corporation -  
Charles Luck Stone Centers  
Lutron Electronics  
Luvata Franklin, Inc.  
MAG Industrial  
Automation Systems  
Magellan Midstream  
Partners

Malco Products Inc  
Malt-O-Meal  
Manitowoc Co  
MANN+HUMMEL USA,  
Inc.  
Markem-Imaje  
Marriott International  
Mars North America  
Masco Corp  
Master Halco  
Mattel Inc  
Matthews International  
Maxim Integrated Products  
Inc  
McAfee Inc  
McClatchy  
McCormick & Company  
Inc  
McDermott  
McDonald's  
McGraw-Hill Companies  
McKesson  
MeadWestvaco Corporation  
Medicines Company  
Medline Industries  
MedImmune  
Medtronic  
Merck & Co.  
Merit Medical Systems  
Merrill Corporation  
MetalTek International  
Mettler-Toledo Intl Inc  
M-I SWACO  
Michael Foods Inc  
Michelin North America,  
Inc.  
Micron Technology Inc  
Microsoft  
Milacron  
Millennium Inorganic  
Chemicals  
MillerCoors LLC  
Millipore  
Mine Safety Appliances  
Company  
Mission Foods  
Mitsubishi Motor  
Manufacturing  
Mizuno USA  
Mohawk Industries Inc.  
Molex

Molson Coors Brewing  
Company  
Molycorp Minerals  
Momentive Performance  
Materials Inc.  
Monsanto Co  
Moog Inc  
Mosaic  
Motorola Inc  
MTD Products Inc  
MTS Systems Corporation  
Mueller Industries Inc  
Murphy Oil  
MWH Global  
Mylan Inc  
NACCO Industries Inc  
Nalco Holding Company  
National Tobacco Company  
Nature's Sunshine Products  
Inc  
Nautilus, Inc.  
Navistar International Corp  
NBTY Inc  
NCH Corporation  
NCR Corp  
Nestlé USA, Inc.  
NetJets  
New York Times Co  
Newell Rubbermaid Inc  
Newmont Mining  
NewPage Corp  
NIKE  
Nissan North America  
Nissin Foods (USA) Co Inc  
Nokia  
Noranda Aluminum  
Nordson Corporation  
Norfolk Southern  
Northrop Grumman Corp  
Novartis  
Novell  
Novo Nordisk Inc.  
Nucor Corp  
Nutricia North America  
NVIDIA Corp  
Nycomed US  
Nypro  
Occidental Petroleum  
Ocean Spray Cranberries,  
Inc.

Oerlikon Balzers Coating  
USA, Inc.  
Office Depot  
Ohly Americas  
Oil States Industries, Inc.-  
Arlington  
Oil-Dri Corporation of  
America  
Omnova Solutions Inc  
ON Semiconductor Corp  
Orange Business Services  
Orbital Science Corporation  
Oshkosh Corporation  
OSI Industries, LLC  
Owens Corning  
Owens-Illinois Inc  
Oxford Industries  
PACCAR  
Packaging Corporation of  
America  
Pactiv Corp  
Pall Corporation  
Panduit Corporation  
Parker Hannifin  
Corporation  
Parsons  
Patterson Companies  
Pearson Education  
Peet's Coffee & Tea  
Pentair Inc  
Pepsi Bottling Group Inc  
PepsiCo Inc  
PerkinElmer Inc  
Pervasive Software  
PetSmart  
Pfizer Inc  
Pharmaceutical Product  
Development, Inc.  
Pharmavite LLC  
Philips North America  
Phillips-Van Heusen  
Corporation  
PHOENIX Process  
Equipment Company  
Pilgrim's Pride Corp  
Pinnacle Foods Finance  
LLC  
Pitney Bowes Inc  
Pittsburgh Corning  
Plexus Corp  
PM Company

Polaris Industries, Inc.  
Polymer Group  
Polymer Technologies  
PolyOne Corporation  
Potash  
PPG Industries Inc  
Praxair Inc  
Preformed Line Products  
Co  
Pressure Chemical Co.  
Printpack, Inc.  
Probuild Holdings Inc  
Psion Teklogix Inc  
Pulte Homes  
Purdue Pharma  
QSC Audio Products Inc  
Qualcomm Inc  
Quest Diagnostics  
Quiksilver Inc  
Quintiles  
Qwest Communications  
International Inc  
R.R. Donnelley  
Ralcorp Holdings Inc  
Raytheon Co  
REA Magnet Wire  
Company Inc  
Reckitt Benckiser, Inc.  
Red Wing Shoe Co  
Redcats USA  
Reddy Ice  
Regal-Beloit  
Reichhold, Inc.  
Reliance Steel & Aluminum  
Co  
Remington Arms Company,  
Inc.  
Renaissance Learning, Inc.  
Revlon  
Rexel, Inc.  
Reynolds American, Inc.  
RF Micro Devices  
RiceTec, Inc.  
Rich Products Corporation  
Richco  
Ricoh Americas  
Corporation  
Ricoh Electronics Inc  
Rio Tinto  
Rite - Hite Holding  
Corporation



Riviana Foods, Inc.  
Robert Bosch LLC  
Robert Bosch Tool  
Corporation  
Roche Diagnostics  
Corporation  
Rock-Tenn Co  
Rockwell Automation, Inc.  
Rockwell Collins, Inc.  
Rockwood Holdings Inc  
Roper Industries Inc  
RR Donnelley & Sons  
Company  
Ryder System  
S&C Electric Company  
S.C. Johnson  
Safety-Kleen Systems  
SAGE Publications  
SAIC  
Sakura Finetek USA Inc  
Sanderson Farms Inc  
Sandisk Corp  
Sandvik, Inc.  
Sanmina-Sci Corp  
Sanofi Pasteur  
Sanofi-Aventis  
Sara Lee Corp.  
SAS Institute  
Sauer-Danfoss  
SC Johnson  
SCA Americas  
Schein Henry Inc  
Schlumberger  
Schneider Electric  
Schnitzer Steel Ind  
Scholle Corporation  
Schreiber Foods, Inc.  
Schwan Food Company  
Scotts Miracle-Gro Co  
Seaboard Corp  
Seagate Technology  
Sealed Air Corp  
Sealy Inc  
Seamen Corporation  
Seco Tools Inc  
Sensata Technologies, Inc.  
Sentry Group  
Seventh Generation  
Shaw Group Inc  
Sherwin-Williams Co  
Shire Pharmaceuticals

Shure Incorporated  
Siemens  
Sigma Foods Inc.  
Sigma-Aldrich Corp  
Silgan Holdings Inc  
Simmons Bedding  
Company  
Simpson Manufacturing  
Sirius XM Radio  
SJE-Rhombus  
Skype  
Smead Manufacturing  
Company  
Smith & Nephew  
Smith International  
Smurfit-Stone Container  
Corp  
Snap-On Inc  
Snyder's of Hanover  
Sodexo  
Solae, LLC  
Solo Cup Company  
Solutia Inc.  
Sonoco Products Co  
Sony Corporation  
Southco, Inc.  
Spartan Light Metal  
Products Inc.  
Spectra Energy Corp.  
Spectrum Brands, Inc.  
Spirit AeroSystems  
Sprint Nextel  
SPX Corporation  
SRA International  
St Jude Medical Inc  
Stampin' Up!  
Standard Motor Products,  
Inc.  
Stanley Black & Decker,  
Inc.  
Stantec  
Starbucks  
StarTek  
Starwood Hotels & Resorts  
Steel Dynamics Inc  
Steel Technologies-  
Corporate  
Steelcase, Inc.  
Stapan Company  
Sterilite Corporation  
STERIS

Stewart & Stevenson  
Stonyfield Farm Inc  
Straumann USA  
Stryker Corporation  
Subaru of Indiana  
Automotive, Inc  
Sulzer Pumps US Inc  
Sun Microsystems Inc  
Sunoco  
Sunrise Medical Inc.  
Sunstar Americas  
Sunsweet Growers, Inc.  
Supermedia Inc  
Swagelok  
Sybron Dental Specialties  
Synacor  
Synthes  
Takeda Pharmaceutical  
Company Limited  
Target  
Taubman Centers  
Taylor Corporation  
Teknion LLC  
Tekni-Plex, Inc.  
Teleflex  
Tellabs Operations Inc  
Temple-Inland Inc  
Tenaris Inc  
Tennant Company  
Tenneco Inc  
Teradata  
Terex Corp  
Ternium International  
Ternium USA, Inc.  
Terra Industries Inc  
Tescom Corporation  
Texas Industries Inc  
Textron Inc  
The Bergquist Company  
The Chamberlain Group,  
Inc.  
The Colman Group Inc  
The Gleason Works  
The Hershey Company  
The Nordam Group  
The Pampered Chef  
The Raymond Corporation  
The Toro Company  
The Woodbridge Group  
Thermo Fisher Scientific  
Inc.

Thomas & Betts Corp  
TI Group Automotive  
Systems LLC  
Time Warner Cable  
TIMET  
Timken Co  
T-Mobile USA  
Toray Plastics (America),  
Inc.  
Total System Services  
Toyota Industrial  
Equipment Manufacturing,  
Inc.  
Travelcenters Of America  
LLC  
Trelleborg Coated Systems  
U.S., Inc.  
Trelleborg Sealing Profiles  
U.S. Inc.  
Tremco Inc  
Tribune Company  
Trinity Industries  
TRW Automotive Holdings  
Corp  
TUI  
Tupperware Corporation  
Tyco Electronics  
Tyco International -  
Electrical and Metal  
Products  
Tyson Foods Inc  
U.S. Foodservice  
Unifi  
Unilever U.S.  
Unilife Corporation  
Union Pacific  
Unisys  
United Airlines  
United Parcel Service  
United Rentals  
United States Cellular  
United States Enrichment  
Corporation (USEC) -  
Gaseous Diffusion  
United States Steel  
Corporation  
United Technologies Corp  
Universal Forest Prods Inc  
Universal Hospital Services  
Uponor, Inc.  
USG Corp

Valero Energy  
Valhi Inc  
Valmont Industries Inc  
Varian Medical Systems Inc  
Ventura Foods, LLC  
Venturedyne Ltd  
Verde Realty  
Verizon  
Vermeer Corporation  
Vertex Pharmaceuticals  
VF Corporation  
Viacom  
Videojet Technologies, Inc.  
Village Farms  
Vishay Intertechnology Inc  
Vision Service Plan  
Vistar  
Visteon Corporation  
Volvo Group North  
America  
Vought Aircraft Industries  
Inc  
Vulcan Materials  
VWR International  
W C Bradley Company  
W R Grace & Company  
W.L. Gore & Associates,  
Inc.  
Walt Disney  
Warnaco Group Inc  
Washington Post  
Waste Management  
Watsco Inc  
Watson Pharmaceuticals Inc  
Watts Water Technologies  
Wells' Dairy, Inc.  
Wendy's/Arby's Group  
Werner Co  
West Pharmaceutical  
Services  
Western Digital  
Western Textile Companies  
Westlake Chemical  
Corporation  
Weyerhaeuser Co  
Whip Mix Corporation  
Whirlpool Corporation  
Whole Foods Market  
Wilsonart International  
Winpak Portion Packaging  
Ltd

Winston Industries, Inc.  
Wm. Wrigley Jr. Company  
Wolverine World Wide Inc  
Worthington Industries  
Wyndham Worldwide  
Xerox Corp  
Yahoo!  
Yankee Candle Company  
YKK Corporation of  
America  
YRC Worldwide  
YSI  
Yum! Brands  
Zale  
Zebra Technologies  
Corporation  
Zeon Chemicals  
Zimmer Inc

---

