

TWIN DISC INC
Form DEF 14A
September 22, 2014

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.

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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:

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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 24, 2014

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

The Annual Meeting of Shareholders of Twin Disc, Incorporated, a Wisconsin corporation (the “Corporation”), will be held at 2:00 P.M. (Central Time) on Friday, October 24, 2014, at the Corporate Offices, 1328 Racine Street, Racine, Wisconsin 53403 (the “Annual Meeting”) for the following purposes:

1. To elect three Directors to serve until the Annual Meeting of Shareholders in 2017.
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, 2015.
4. To transact any other business that may properly come before the Annual Meeting.

Only holders of record of shares of common stock of the Corporation at the close of business on August 29, 2014, shall be entitled to vote at the Annual 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 Annual Meeting in person. Please review these proxy materials and follow the applicable instructions.

Jeffrey S. Knutson
Corporate Controller and Secretary

Important Notice Regarding the Availability of Proxy Materials for the
Shareholder Meeting to be Held on October 24, 2014

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 22, 2014, and by notifying you of the availability of our proxy materials on the Internet. These proxy materials and our 2014 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.

2014 Proxy Statement
TWIN DISC, INCORPORATED
September 22, 2014

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 53403 on Friday, October 24, 2014, or any adjournment thereof. Holders of common stock of record at the close of business on August 29, 2014, are entitled to vote at the Annual 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 Annual Meeting. The Corporation intends to mail this proxy statement to shareholders on or about September 22, 2014.

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.investorvote.com/twin or by telephone at 1-800-652-8683. 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 on Thursday, October 23, 2014. 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 Annual 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 Annual Meeting, by voting at the Annual Meeting in person, or by delivering a signed written statement revoking the proxy to the Secretary prior to the date of the Annual 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 29, 2014. On that date, there were outstanding 11,282,815 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 2015

If a shareholder wishes to present a proposal for consideration for inclusion in the Notice of the Meeting and Proxy Statement for the 2015 Annual Meeting of Shareholders, the proposal must be received at the Corporation's principal executive offices no later than May 25, 2015. Shareholder proposals received later than July 24, 2015 will be considered untimely, and will not be considered at the Corporation's 2015 Annual Meeting. Any such proposal must comply with the requirements of Section (14)(a) of the Corporation's Restated 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 2015 Annual Meeting, such notice must be delivered to or mailed and received at the principal executive offices of the Corporation no later than July 24, 2015. Any such notice must comply with the requirements of Section (14)(b) of the Corporation's Restated 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 Annual 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 the 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 of the Board of Directors 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 Annual 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 and the broker does not in fact receive such instructions. 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, 2015 (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 of Shareholders in 2017 (Proposal No. 1) or on 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 22, 2014 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.	Power to vote	1,638,252	14.5%
	Racine, WI	Beneficial	(1) 440,452 (2)	3.9%
GAMCO Investors, Inc.	One Corporate Center Rye, NY	Power to vote & dispose of stock	1,431,819 (3)	12.7%
John H. Batten	704 Waters Edge Rd.	Power to vote	499,488 (4)	4.4%
	Racine, WI	Beneficial	95,801	0.8%

(1) Held as trustee under various trusts.

(2) Includes 10,400 shares owned by the wife of Michael E. Batten.

(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.

(4) Held as guardian for non-immediate family member.

DIRECTORS AND EXECUTIVE OFFICERS

Based upon the records of the Corporation, filings with the Securities and Exchange Commission as of August 22, 2014 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 (with the exception of James E. Feiertag, who resigned effective September 12, 2014) 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	2,078,704 (2)	18.4%
John H. Batten	595,289 (3)	5.3%
Christopher J. Eperjesy	52,836 (4)	*
Dean J. Bratel	30,492 (5)	*
Denise L. Wilcox	25,694 (6)	*
Michael Doar	17,302 (7)	*
Malcolm F. Moore	15,156 (7)	*
David B. Rayburn	31,576 (7)	*
Michael C. Smiley	7,502 (7)	*
Harold M. Stratton II	21,902 (7)	*
David R. Zimmer	16,652 (7)	*
All Directors and Executive Officers as a group (12 persons)	2,931,510 (7)	26.0%

* 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, and 1,638,252 shares held by him as trustee under various family trusts.

(3) Includes restricted stock grants of 12,594 shares that vest in fiscal 2016, 11,498 shares that vest in fiscal 2017, 10,736 shares that vest in fiscal 2018 and 499,488 shares held by him as guardian for non-immediate family member.

(4) Includes restricted stock grants of 10,425 shares that vest in fiscal 2016, 6,962 shares that vest in fiscal 2017, and 5,430 shares that vest in fiscal 2018.

(5) Includes restricted stock grants of 4,638 shares that vest in fiscal 2016, 5,052 shares that vest in fiscal 2017, and 4,113 shares that vest in fiscal 2018.

(6) Includes restricted stock grants of 3,980 shares that vest in fiscal 2016, 3,497 shares that vest in fiscal 2017, and 2,633 shares that vest in fiscal 2018.

(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 7,200, Mr. Stratton 7,200 and all Directors and executive officers as a group 21,600. Also included above are unvested restricted shares as follows: Mr. Doar 1,855, Mr. Moore 1,855, Mr. Rayburn 1,855, Mr. Smiley 1,855, Mr. Stratton 1,855 and Mr. Zimmer 1,855.

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 of Shareholders following the fiscal year ending June 30, 2017. Shares of common stock represented by properly executed proxy appointments in the accompanying form or electronic proxy vote will be voted for the three nominees listed unless authority to do so is withheld.

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 Continuously Since
Michael E. Batten .. Age 74	Chairman of the Board, and retired CEO, Twin Disc, Incorporated; Also Past Director, Briggs & Stratton Corporation, Wauwatosa, Wisconsin	Mr. Batten is a recently retired 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 59	Chairman and Chief Executive Officer, Hurco Companies, Inc. Indianapolis, Indiana (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 68	Retired Managing Partner, Stonebridge Equity LLC, Troy, Michigan,	Mr. Zimmer is a former CEO of a public company and has also	July 1995

	held a CFO position in a public
(A merger, acquisition and	company. His skill sets
value consulting firm);	include
Formerly Chief Executive	strategic planning, financial
Officer, Twitchell	oversight, compensation,
Corporation,	and
Dothan, AL (A privately	organizational development.
held	His career includes
manufacturer and marketer	international
of	business in complex
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.	

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

CONTINUING DIRECTORS WHOSE TERMS EXPIRE IN 2015:

David B. Rayburn . . . Age 66	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 64	President and CEO, Digi-Star, LLC Fort Atkinson, Wisconsin (Provider of measuring solutions for Precision Agriculture); President and CEO, Port Royal Partners, LLC, Naples, Florida (An enterprise focusing on investments in the marine 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 development. Mr. Moore has extensive international experience in manufacturing and	October 2006

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Chief Executive Officer, engineering related
Gehl industries.
Company, West Bend,
Wisconsin (A manufacturer
and
distributor of compact
equipment for construction
and agricultural markets);
Also Director, Ag Growth
International

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
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CONTINUING DIRECTORS WHOSE TERMS EXPIRE IN 2016:

John H. Batten*. Age 49	President and Chief Executive Officer, Twin Disc, Incorporated since July 2013; formerly Chief Operating Officer since July 2008, and Executive Vice President since October 2004.	Mr. Batten is a sitting President and CEO 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.	December 2002
Harold M. Stratton II. Age 66	Chairman of the Board, S t r a t t e c S e c u r i t y Corporation, Milwaukee, Wisconsin (A leading manufacturer of m e c h a n i c a l a n d electro-mechan- ical locks, latches, power opening/closing systems and related security/access control products for global automotive manufacturers)	Mr. Stratton is Board Chairman and retired CEO of a public company. He is skilled in strategic planning, financial oversight, compensation and organizational matters. I n a d d i t i o n , h e h a s experience in international markets and in an industry involving complex manufacturing and products with high engineering content.	July 2004
Michael C. Smiley. . .	Chief Financial Officer,	Mr. Smiley is a sitting CFO of a	April 2010

Age 55

Zebra Technologies Corp., Lincolnshire, Illinois	public company. His competencies include strategic
(A global provider of enterprise asset intelligence solutions to identify, track, and	planning, financial oversight, mergers and acquisitions, extensive domestic and
manage the deployment of critical assets for improved business efficiency)	international experience in complex manufacturing and engineered and technology products.

* John H. Batten is the son of Chairman of the Board, Michael E. Batten.

**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 2014 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 0% of their target bonus amount. In addition, long-term performance stock and performance stock unit awards that were granted in 2011 subject to a three-year profitability objective expired unvested in 2014, 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 its 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, 2015, 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 Corporation’s consolidated financial statements as of and for the years ended June 30, 2014 and June 30, 2013, including statutory audits of the financial statements of the Corporation’s affiliates, and (ii) the limited reviews of the Corporation’s quarterly financial statements were \$1,282,000 and \$1,033,000, 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 Corporation’s financial statements not included in audit fees above were \$34,000 and \$0 for the years ended June 30, 2014 and 2013, respectively.

Tax Fees

In addition to the other fees described above, aggregate fees of \$221,700 and \$217,000 were billed by PricewaterhouseCoopers during the years ended June 30, 2014 and 2013, respectively, pertaining to tax compliance, tax advice, and tax planning. Included in this amount are fees for tax compliance services of \$221,700 and \$211,000 during the years ended June 30, 2014 and 2013, respectively.

All Other Fees

During the years ended June 30, 2014 and 2013, \$33,000 and \$0 were billed by PricewaterhouseCoopers for products and services other than those listed above. The fiscal 2014 fees related to advisory services regarding the Company’s evaluation of actuarial service providers.

The Audit Committee has determined that the provision of services rendered above that were not related to its audit of the Corporation’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, 2014, 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 THE FISCAL YEAR**

ENDING JUNE 30, 2015. 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 President 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, 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 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

Effective November 1, 2013, Mr. M. Batten stepped down from his position as Chief Executive Officer of the Corporation, and he retired from the employment of the Company effective December 31, 2013. Mr. M. Batten continued to serve as Chairman after his retirement, and the roles of Chairman and Chief Executive Officer were divided between Mr. M. Batten and Mr. J. Batten, respectively, effective November 1, 2013. The Board of Directors believes that these divided roles will be in the best interests of the Corporation, as Mr. J. Batten's long tenure with the Corporation has prepared him well to assume the leadership responsibilities of Chief Executive Officer, and the Board will continue to have the historical knowledge and guidance that Mr. M. Batten will be able to provide.

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 (the "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, 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 at www.twindisc.com 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 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 Corporation'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 2014 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, 2014. Among incumbent Directors, there were two absences from these meetings. The Audit Committee met eight 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. It was most recently reviewed on April 25, 2014.

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 (Chair), Mr. Doar, Mr. Smiley and Mr. Stratton) qualifies as an "audit committee financial expert" within the meaning of 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 Corporation, 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 Corporation's website, www.twindisc.com. The independence of the Committee is in compliance with SEC regulations, the listing standards of the NASDAQ Stock Market and the Corporation'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. 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.
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- 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 Nominating and Governance 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 Nominating and Governance 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 satisfies 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 Compensation Committee charter expressly grants the Compensation Committee the authority and responsibility required by the listing standards of the NASDAQ Stock Market, which includes the ability to retain or obtain advice from a compensation consultant, legal counsel or other adviser, and to compensate and oversee the work of any compensation consultant, legal counsel or other adviser retained by the Committee. The Committee charter also requires the Committee to determine the independence of any such compensation consultant, legal counsel or other adviser in accordance with the rules of the NASDAQ Stock Market.

The charter of the Compensation Committee is available on the Corporation's website, www.twindisc.com. The Corporation last updated the Compensation Committee charter on January 24, 2014.

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 - The Compensation Committee periodically engages an independent consultant to review its compensation program for the officers of the Corporation, in order to ensure market competitiveness. In general, the Committee has engaged an independent compensation consultant for this purpose every two years. Toward the end of FY2013, the Compensation Committee engaged Towers Watson ("Towers"), a global human resources consulting firm, for this review for purposes of setting executive compensation for FY2014. Towers provides the Compensation Committee with information regarding market compensation practices and alternatives to consider when making compensation decisions for the executives. The Committee did not engage a compensation consultant in connection with setting executive compensation for FY2015, but it did review updated Towers survey information, which was increased by 3% for the base salary information and by 4% for long-term incentive compensation to reflect current compensation trends in the market.

Role of Executive Officers - The Compensation Committee makes all compensation decisions for the President and CEO (Mr. J. Batten, and, prior to his retirement, Mr. M. Batten) and approves recommendations for compensation actions for all other elected officers of the Corporation. As President and CEO, Mr. J. Batten annually reviews 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 President and CEO. It alone determines the salary adjustment, bonus payment and equity awards for Mr. J. Batten.

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 2014.

Pension Committee

The Pension Committee reviews and recommends to the Board for approval the pension fund's professional advisors and auditors. The Pension 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, with the Chairman of each Committee listed first:

Nominating and Governance				
Audit	Finance	Pension	Compensation	Governance
Zimmer	Doar	Stratton	Moore	Rayburn
Doar	Rayburn	Doar	Rayburn	Moore
Smiley	Smiley	Moore	Zimmer	Stratton
Stratton		Smiley		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 a 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, 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, 2014 (the "Named Executive Officers"). For the fiscal year ended June 30, 2014, the Named Executive Officers are:

- John H. Batten, President and Chief Executive Officer;
- Michael E. Batten, retired Chief Executive Officer;
- Christopher J. Eperjesy, Vice President – Finance, Chief Financial Officer and Treasurer;
- James E. Feiertag, former Executive Vice President;
- Dean J. Bratel, Vice President – Americas; and
- Denise L. Wilcox, Vice President – Human Resources.

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.

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, 2014:

- For FY2014, base salaries of three of the Corporation's Named Executive Officers were increased approximately four percent. Two individuals received promotional increases, including the President and Chief Executive Officer who received an increase of 24%, and the Vice President – Americas who received an increase of 15.6%. The

former Chairman and CEO, who retired December 31, 2013, received no increase.

- The Corporation did not achieve the threshold levels of profitability, sales growth and inventory turns established under the Corporate Incentive Plan for the past fiscal year. As a result, none of the Named Executive Officers received an annual incentive under the Corporate Incentive Plan for FY2014.
- The Corporation did not achieve the cumulative profitability objective for performance stock and performance stock units granted in 2011 under the Twin Disc, Incorporated 2010 Long-Term Incentive Compensation Plan. As a result, the performance stock and performance stock unit awards did not vest.

As required by Section 14A of the Securities Exchange Act of 1934, the Corporation held its second shareholder advisory vote on executive compensation at its October 18, 2013, Annual Meeting of Shareholders. For the second year in a row, the shareholders overwhelmingly approved the say on pay proposal, with more than 97.5% 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 long-term 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 President and CEO (Mr. J. Batten, and, prior to his retirement, Mr. M. Batten) and approves recommendations for compensation actions for all other elected officers of the Corporation.

As President and CEO, Mr. J. Batten annually reviews the performance of each elected officer 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 President and CEO. It alone determines the salary adjustment, bonus payment and equity compensation awards for Mr. J. 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.

Toward the end of FY2013, 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:

- 2012 Towers Watson Compensation Databank (CDB)
- 2012 Towers Watson U.S. Top Management Compensation Study

Relative to each of the data sources, Towers Watson referenced a broad sample of both general industry companies with revenues of less than \$1 billion (CDB survey) and durable goods manufacturing companies with revenues between \$100 million and \$450 million (U.S. Top Management Compensation Study). The lists of survey participants that met these criteria are provided in Appendix A. Because the samples included companies of similar size, only tabular data was used in the analysis, and not regression analysis as has been used in past analyses. The Committee received information on the 25th, 50th and 75th percentiles of each element of executive compensation for comparable executive positions. 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.

For FY2014, The Committee engaged Towers Watson to provide an independent review of the Corporation's executive compensation program. The Committee used the information from Towers Watson, along with recommendations from Mr. J. Batten for non-CEO executive positions and Mr. M. Batten for Mr. J. Batten's position, in determining each executive's compensation package for FY2014. 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. In addition, the Committee reviewed the results of the October 19, 2012, shareholder advisory vote on executive compensation required by Section 14A of the Securities Exchange Act. In light of the fact that more than 95% 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.

For FY2014, the base salary of each Named Executive Officer was set within 10% of the competitive median, except for the base salary of the Vice President – Americas, whose base salary was set slightly below 25% of the competitive median due to his July 1st promotion and his lack of tenure in the new position. 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 and Ms. Wilcox, whose target annual incentive bonuses as a percent of base salary were set at the 25th and 75th percentiles, respectively. The target total cash compensation (consisting of base salary and annual incentive bonus payments) and target total direct compensation (consisting of base salary, annual incentive bonus and long-term incentive payments) of each named executive officer for FY2014 was set within 15% of the competitive median, with the exception of Mr. Bratel, whose target total cash compensation and target total direct compensation were 24% and 20% below the competitive median, respectively. In addition, the target total direct compensation of Mr. J. Batten, Mr. Eperjesy and Ms. Wilcox were 17%, 16% and 24% higher than the competitive median due to several factors that include impending promotion to CEO (Mr. J. Batten), the value of the position to the organization and internal equity considerations.

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 FY2015, the Committee followed the above-described historic practice and did not engage a compensation consultant. It reviewed updated Towers Watson survey information which was increased by 3% for the base salary information and by 4% for long-term incentive compensation, to reflect current compensation trends in the market. It used that information, along with the recommendations from Mr. J. Batten as described above, the company-wide merit pool, and the FY2013 shareholder advisory vote on executive compensation in determining the elements of each executive's compensation package for FY2015.

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 President and CEO, and approves base salary adjustments for the members of the executive officer team, based on the recommendations from the President and CEO. 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 FY2014, the Committee adjusted the base salaries for the Named Executive Officers, effective beginning the first payroll period in October 2013, using the company-wide merit pool, as well as the information provided from Towers Watson as a guide. 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 would be appropriate for Mr. J. Batten and Mr. Bratel due to their promotions to new officer positions within the Corporation. The base salaries for the Named Executive Officers changed by the following percentages as compared to FY2013: Mr. J. Batten, 24%; Mr. Eperjesy, 4%; Mr. Feiertag, 4%; Mr. Bratel, 15.6%; and Ms. Wilcox, 4%. Mr. M. Batten's salary was not changed due to his December 31, 2013 retirement.

For FY2015, the Committee approved the following increases in the base compensation of our Named Executive Officers, effective beginning the first payroll period in October 2014: Mr. J. Batten, 11.1%, Mr. Eperjesy, 3.7%, Mr. Feiertag, 4.0%, Mr. Bratel 10.0% and Ms. Wilcox, 4.0%.

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 FY2014, 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 = \$0 (Positive Economic Profit) Threshold: Economic Profit = \$(5,000,000) Maximum: Economic Profit = \$5,000,000	Result= \$(9,475,551) Payment = 0% of Target
Corporate Inventory (turns)	15%	Target = 2.38 Threshold = 2.08 Maximum = 2.68	Result = 1.85 Payment = 0% of Target
Sales Revenue	15%	Target = \$314,486,786 Threshold = \$299,510,272 Maximum = \$330,210,075	Result = \$263,909,393 Payment = 0% of Target

For FY2014, the target bonuses as a percentage of base salary were set at 60% for Mr. J. Batten, 50% for Messrs. Eperjesy, Feiertag, and Bratel, and 40% for Ms. Wilcox. Mr. M. Batten's target bonus as a percentage of base salary was set at 70%, with any bonus paid prorated, based on his earnings to his retirement date. Based on the above formulas and the Corporation's performance, the threshold performance targets were not achieved and therefore no bonuses were paid.

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 President and 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 President and CEO's annual incentive award.

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 (Average Invested Capital x Cost of Capital).

Average Invested Capital is defined as total assets less non-interest bearing liabilities less accrued retirement benefits less excess cash, computed on monthly trailing 13 month basis. For FY2014, excess cash was defined as cash in excess of \$3 million, or roughly 1% of sales.

Cost of Capital is defined as the weighted average expectation of Twin Disc's sources of capital, debt and equity. For FY2014, the cost of capital has been calculated at 10% (after taxes).

The Committee reviewed and approved the performance goals recommended for the FY2015 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. J. Batten. For FY2015, the target bonus percentage of base salary will be 65% for Mr. J. Batten, 50% for Messrs. Eperjesy, Feiertag, and Bratel, and 40% for Ms. Wilcox.

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. 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 FY2014, 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, 2016 must be greater than or equal to \$1 (i.e. positive). The maximum payout will occur if Economic Profit reaches \$2,000,000; a threshold payout will occur if Economic Profit reaches \$(2,000,000). The maximum payout will be 120% of the shares or units granted. No performance stock or performance units will vest if performance is less than threshold.

The Corporation’s capital charge is calculated by multiplying average invested capital times the cost of capital. Average invested capital is defined as total assets less non-interest bearing liabilities, less accrued retirement benefits less excess cash, computed on a monthly trailing 13 month basis. Cost of capital is defined as the weighted average expectation of Twin Disc’s sources of capital, debt and equity. For FY2015, 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 FY2014. These shares will vest July 25, 2016 provided the executive remains employed with

the Corporation until the vesting date.

In July 2014, the Committee reviewed the performance objective established in July of 2011 for the vesting of performance stock and performance stock units granted in July 2011 under the Twin Disc, Incorporated 2010 Long-Term Incentive Compensation Plan. The objective is listed below:

The Performance Objective is the Company's economic profit (measured as the difference between the Company's cumulative net operating profit after taxes and the Company's cumulative capital charge) for the cumulative three fiscal year period ending June 30, 2014, as specified below:

	Performance Objective as of June 30, 2014
Maximum	\$18,000,000
Target	\$15,000,000
Threshold	\$12,000,000

For purposes of this performance objective, the Corporation's cumulative capital charge was calculated by multiplying average invested capital times the cost of capital. Average invested capital is defined as total assets less non-interest bearing liabilities, less accrued retirement benefits less excess cash, computed on monthly trailing 13 month basis. Cost of capital is defined as the weighted average expectation of Twin Disc's sources of capital, debt and equity. For FY2012-FY2014, excess cash was defined as cash in excess of \$3,000,000, approximately 1% of net sales, and the cost of capital has been calculated at 10%, after taxes.

The Committee determined, subject to audit, that the Company's economic profit for the cumulative three year period ending June 30, 2014 was \$(6,804,743). As a result, both the performance stock and performance stock units granted to Named Executive Officers in July 2011 did not meet the threshold objective and therefore did not vest.

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, in a defined contribution format.

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 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 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 Corporation’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, Mr. Bratel and Ms. Wilcox) 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 Corporation’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 severance agreements with each of its executive officers, which were most recently updated in July 2014. 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 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 greater of the executive's target annual bonus for the fiscal year of termination or annual bonus for the fiscal year preceding termination (or, if no annual bonus was paid in that year, the average of the annual bonuses for the three fiscal years preceding termination), times a multiple (2.5 for Mr. J. Batten, 2.0 for Messrs. Eperjesy and Feiertag, and 1.5 for Mr. Bratel and Ms. Wilcox). 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.

Summary Compensation Table

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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, 2014. 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) Non-Equity Incentive Plan Compensation	(4) Change in Pension Value and Nonqualified Deferred Earnings	(5) All Other Compensation	Total
John H. Batten President and Chief Executive Officer	2014	\$426,580	-	\$587,317	\$0	\$4,427	\$80,241	\$1,098,565
	2013	\$354,117	-	\$464,650	\$0	\$3,568	\$91,886	\$914,221
	2012	\$321,923	\$12,788	\$403,766	\$255,750	\$4,726	\$74,976	\$1,073,929
Michael E. Batten Former Chairman and CEO	2014	\$316,152	-	\$660,005	\$0	\$76,409	\$63,687	\$1,052,566
	2013	\$593,267	-	\$673,997	\$0	\$121,698	\$76,247	\$1,465,209
	2012	\$567,192	-	\$658,215	\$623,875	\$232,495	\$65,969	\$2,147,746
Christopher J. Eperjesy Vice President – Finance, CFO and Treasurer	2014	\$324,562	\$5,000	\$336,463	\$0	\$2,958	\$57,691	\$726,674
	2013	\$311,948	-	\$369,644	\$0	\$2,569	\$70,416	\$754,577
	2012	\$298,423	\$11,741	\$293,150	\$234,825	\$2,986	\$67,406	\$908,531
James E. Feiertag Executive Vice President	2014	\$321,634	\$15,000	\$329,286	\$0	\$4,023	\$73,425	\$743,368
	2013	\$309,403	-	\$319,590	\$0	\$3,420	\$86,088	\$718,501
	2012	\$296,961	\$11,664	\$281,324	\$233,275	\$4,142	\$90,363	\$917,729
Dean J. Bratel Vice President – Americas	2014	\$240,923	\$5,000	\$245,286	\$0	\$9,841	\$49,028	\$550,078
	2013	\$213,496	-	\$183,808	\$0	\$2,847	\$55,741	\$455,892
	2012	\$201,692	\$12,772	\$165,295	\$127,720	\$15,754	\$56,627	\$579,860
Denise L. Wilcox Vice President - Human Resources	2014	\$219,204	\$5,000	\$165,881	\$0	\$3,214	\$66,509	\$459,808

(1) Discretionary bonuses approved by the Compensation Committee on July 26, 2012 and July 30, 2014.

(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 2014 financial statements. The grant date fair values of the performance-based awards granted in fiscal 2014, assuming the maximum performance goal is achieved, are as follows: Mr. J. Batten, \$352,401; Mr. M. Batten, \$791,995, Mr. Eperjesy, \$190,401 Mr. Feiertag, \$182,254; Mr. Bratel, \$139,525 and Ms. Wilcox, \$91,892. These calculations are based on the closing share price on the date of grant of \$25.54.

(2) cont. The following table presents separately the compensation expense recognized in FY2014, 2013, and 2012 for outstanding awards of performance stock, performance stock units and restricted stock for Messrs. M. Batten, J. Batten, Eperjesy, Feiertag and Bratel, and the compensation expense recognized in FY2014 for outstanding awards of performance stock, performance stock units and restricted stock for Ms. Wilcox:

Name	Year	Performance Stock	Performance Stock Units	Restricted Stock
John H. Batten	2014	\$0	\$0	\$271,451
	2013	\$54,421	\$130,836	\$227,780
	2012	\$212,429	(\$61,922)	\$192,862
Michael E. Batten	2014	\$0	\$0	\$0
	2013	\$0	\$725,360	\$15,486
	2012	\$0	(\$389,048)	\$306,691
Christopher J. Eperjesy	2014	\$0	\$0	\$195,414
	2013	\$35,919	\$89,893	\$176,146
	2012	\$148,132	(\$42,364)	\$141,314
James E. Feiertag	2014	\$0	\$0	\$177,154
	2013	\$37,224	\$90,177	\$156,251
	2012	\$146,827	(\$42,647)	\$135,002
Dean J. Bratel	2014	\$0	\$0	\$111,013
	2013	\$42,567	\$14,547	\$95,755
	2012	\$73,831	(\$19,756)	\$80,860
Denise L. Wilcox	2014	\$0	\$0	\$87,923

(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. There were no bonuses paid for FY2014 or FY2013 as the threshold performance targets in each year were not met.

(4) The figures for FY2014 include a change in qualified pension value amount for Mr. J. Batten (\$4,427), Mr. M. Batten (\$31,562), Mr. Eperjesy (\$2,958), Mr. Feiertag (\$4,023), Mr. Bratel (\$9,841), and Ms. Wilcox (\$3,214). 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 Match	Retirement Savings Plan Contribution	Defined Contribution SERP	Life Insurance	Perquisites and Personal Benefits	Total
J.H. Batten	\$8,955	\$14,025	\$7,044	\$29,000	\$21,217	\$80,241
M.E. Batten	\$1,131	\$16,575	NA	\$29,502	\$16,479	\$63,687
C.J. Eperjesy	\$7,841	\$14,025	\$3,475	\$32,350	-	\$57,691
J.E. Feiertag	\$7,837	\$14,025	\$3,321	\$48,242	-	\$73,425
D.J. Bratel	\$7,256	\$15,112	\$0	\$26,660	-	\$49,028

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D.L.Wilcox \$6,037 \$11,822 \$0 \$48,650 - \$66,509

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, Bratel and Ms. Wilcox. 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.

Perquisites and Personal Benefits for Mr. J. Batten for FY2014 include personal use of company plane, dues, spousal travel and premiums paid for supplemental long-term disability insurance. Perquisites and Personal Benefits for Mr. M. Batten for FY2014 include personal use of company plane and dues. The aggregate total of perquisites and personal benefits for each of the remaining Named Executive Officers was less than \$10,000 for FY2014, and therefore need not be disclosed or included in such Named Executive Officers' "Other Compensation" total.

Grants of Plan-Based Awards

The following table provides information on incentive awards granted to our Named Executive Officers during FY2014.

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		All other option awards; Number of securities underlying options		Grant Date Fair Value of Stock and Option Awards	
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)	(3)				Exercise price of option (\$/Sh)	(4)
J. H. Batten													
Cash													
Incentive		\$135,000	\$270,000	\$540,000									
Performance													
Stock													
Awards (1)	7/25/13				4,600	5,749	6,899						\$146,829
Performance													
Stock Unit													
Awards (2)	7/25/13				4,599	5,749	6,899						\$146,829
Restricted													
Stock													
Award	7/25/13							11,498					\$293,659
M.E. Batten													
Cash													
Incentive		\$240,000	\$420,000	\$840,000									
Performance	7/25/13												
Stock													

Awards (1)				
Performance				
Stock Unit				
Awards (2) 7/25/13	20,675	25,842	31,010	\$660,005
Restricted				
Stock				
Award 7/25/13			-	

C.J.
Eperjesy

Cash				
Incentive	\$82,000	\$164,000	\$328,000	
Performance				
Stock				
Awards (1) 7/25/13	2,485	3,106	3,728	\$79,327
Performance				
Stock Unit				
Awards (2) 7/25/13	2,485	3,106	3,727	\$79,327
Restricted				
Stock				
Award 7/25/13			6,962	\$177,809
J.E. Feiertag				

Cash				
Incentive	\$81,250	\$162,500	\$325,000	
Performance				
Stock				
Awards (1) 7/25/13	2,379	2,973	3,568	\$75,930
Performance				
Stock Unit				
Awards (2) 7/25/13	2,379	2,973	3,568	\$75,930
Restricted				
Stock				
Award 7/25/13				