

TWIN DISC, INCORPORATED

Audit Committee Charter

I. Purpose

The primary function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities with respect to: (i) the Company's systems of internal controls regarding finance, accounting, legal compliance and ethical behavior; (ii) the Company's auditing, accounting and financial reporting processes generally; (iii) the integrity of the Company's financial statements and other financial information provided by the Company to its stockholders, the public and others; (iv) the Company's compliance with legal and regulatory requirements; (v) the independent auditors' qualifications and independence; and (vi) the performance of the Company's corporate Audit Department and independent auditors by reviewing published financial information, the systems of internal control over financial reporting, and all audit processes. The Audit Committee shall also assist the company's principal executive and financial officers with respect to designing, establishing, maintaining, reviewing and evaluating the Company's disclosure controls and procedures, including responsibility for considering the materiality of information and determining disclosure obligations on a timely basis. The Audit Committee shall also prepare an Audit Committee report as required by the Securities and Exchange Commission to be included in the Company's annual proxy statement.

II. Organization

The Audit Committee shall be comprised of only independent directors, each of whom shall satisfy the applicable independence requirements of Section 10A of the Securities Exchange Act of 1934, The NASDAQ Stock Market Inc., and any other regulatory requirements. Additionally, an independent director is free of any relationship that could influence his or her judgment as an Audit Committee member. When there is any doubt about independence, the affected director(s) should not participate in discussions or decisions that might be influenced by that relationship.

Audit Committee members shall be elected by the Board at the October meeting of the Board of Directors and shall serve until their successors are duly elected and qualified. The Audit Committee shall have at least three members, each of whom must be able to read and understand fundamental financial statements, including a company's balance sheet, income statement and cash flow statement. At least one member of the Audit Committee shall have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. At least one member of the Audit Committee may be qualified as a "financial expert." In order to qualify as a "financial expert" the individual must have an understanding of generally accepted accounting principles and financial statements; the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves; experience in preparing, auditing, analyzing or evaluating financial statements that are similar to the Company's

financial statements in terms of breadth and complexity of issues presented, or experience actively supervising others performing such functions; an understanding of internal controls and procedures for financial reporting; and an understanding of audit committee functions. None of the members of the Audit Committee may have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company during the three years prior to their service on the Audit Committee.

The Audit Committee's Chairperson shall be designated by the full Board of Directors. If the Board fails to appoint a Committee Chairperson, the Audit Committee Members shall elect a Chairperson by vote of a majority of the full Audit Committee. The Audit Committee may form and delegate authority to sub-Audit Committees at the Audit Committee's discretion.

III. Audit Committee Responsibilities

A. General Responsibilities

1. The Audit Committee provides open avenues of communication among the internal auditor, the independent auditors and the Board of Directors.
2. The Audit Committee must report Audit Committee actions to the full Board of Directors and may make appropriate recommendations.
3. The Audit Committee has the power to conduct or authorize investigations into matters within the Audit Committee's scope of responsibilities. The Audit Committee is authorized to retain independent counsel, accountants or others it needs to assist in an investigation.
4. The Audit Committee will meet at least four times each year. The Audit Committee chairman has the power to call an Audit Committee meeting whenever he or she thinks there is a need. The Audit Committee may ask members of management or others to attend the meeting and is authorized to receive all pertinent information from management.
5. The Audit Committee will meet separately, periodically, with management, with the Company's independent auditors, and with the Company's internal auditors, to discuss issues warranting the attention of the Audit Committee.

B. Responsibilities for the Engagement, Appointment, Retention, Approval and Evaluation of the Services Performed by the Independent Auditors

1. The independent auditors of the Company are ultimately accountable to the Board and the Audit Committee. The Audit Committee shall

have sole authority to hire and fire independent auditors, and to set the compensation and oversee the work of the independent auditors.

2. The Audit Committee shall be responsible for pre-approving any non-audit services from the independent auditors, establishing procedures for such pre-approval, and ensuring that such services are not prohibited by Section 10A of the Securities Exchange Act of 1934 and applicable regulations. The Audit Committee shall also evaluate potential conflicts of interest that are prohibited by Section 10A of the Securities Exchange Act of 1934 and applicable regulations.
3. The Audit Committee shall review and approve disclosures required to be included in Securities and Exchange Commission periodic reports filed under Section 13(a) of the Securities Exchange Act of 1934 with respect to audit and non-audit services.
4. The Audit Committee shall review the qualifications and performance of the Company's independent auditors (including the lead partner of the independent auditors) on at least an annual basis.
5. On an annual basis, the Audit Committee shall review and discuss with the independent auditors all relationships the independent auditors have with the Company in order to evaluate the independent auditors' continued independence. The Audit Committee: (i) shall ensure that the independent auditors submit to the Audit Committee on an annual basis a written statement (consistent with Independent Standards Board Standards No. 1) delineating all relationships and services that may impact the objectivity and independence of the independent auditors; (ii) shall discuss with the independent auditors any disclosed relationship or services that may impact the objectivity and independence of the independent auditors; and (iii) shall satisfy itself as to the independent auditors' independence. If necessary, the Audit Committee shall recommend that the Board take appropriate action in response to the independent auditor's statement to satisfy itself of the independent auditor's independence.
6. At least annually, the Audit Committee shall obtain and review a report from the independent auditors describing (i) the independent auditors' internal quality control procedures; (ii) any material issues raised by the most recent internal quality control review, or peer review, of the independent auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent auditors, and any steps taken to deal with any such issues; (iii) all relationships between the independent auditors and the Company; (iv) the independent auditor's critical accounting policies and practices; (v) all alternative accounting treatments within GAAP

for policies and practices related to material items that have been discussed with management, ramifications of the use of such alternative treatments and the treatment preferred by the independent auditor; and (vi) other material written communications between the accounting firm and management.

7. The Audit Committee shall confirm that the lead and consulting audit partners for the Company's independent auditors, as well as additional audit partners defined by SEC regulations, rotate from such positions for an appropriate period of time as required by law.
8. The Audit Committee shall review all reports required to be submitted by the independent auditors to the Audit Committee under Section 10A of the Securities Exchange Act of 1934.
9. The Audit Committee shall review, based upon the recommendation of the independent auditors and management, the scope and plan of the work to be done by the independent auditors for each fiscal year.
10. The Audit Committee shall present its conclusions with respect to the independent auditors to the full Board.

C. Responsibilities for Reviewing the Annual External Audit and the Review of Quarterly and Annual Financial Statements

1. The Audit Committee shall review and discuss with management, the Company's internal audit department and the independent auditors the Company's quarterly financial statements, including the independent auditors' review of the quarterly financial statements and the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," prior to submission to stockholders, any governmental body, any stock exchange or the public.
2. The Audit Committee shall review and discuss with management, the Company's internal audit department and the independent auditors the Company's annual audited financial statements, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," prior to submission to stockholders, any governmental body, any stock exchange or the public.
3. The Audit Committee shall recommend to the Board of Directors, if appropriate, that the Company's annual audited financial statements be included in the Company's annual report on Form 10-K for filing with the Securities and Exchange Commission.

4. The Audit Committee shall review and discuss with management and the independent auditors management's report on the Company's internal control over financial reporting and the independent auditors' attestation thereto.
5. The Audit Committee shall prepare the report required by the Securities and Exchange Commission to be included in the Company's annual proxy statement and any other Audit Committee reports required by applicable securities laws or stock exchange listing requirements or rules.

D. Responsibilities for Disclosure Controls and Procedures

1. The Audit Committee shall be familiar with disclosure obligations under the Securities Exchange Act of 1934, and the Sarbanes-Oxley Act of 2002.
2. The Audit Committee shall review and discuss with management the design of disclosure controls and procedures that are designed to ensure that material information required to be disclosed by the Company is accumulated and communicated to Company management, including the Company's chief executive and financial officers. The controls and procedures are intended to allow timely decisions regarding required disclosure, particularly during the period in which periodic reports are being prepared.
3. The Audit Committee shall review and confirm that the Company's disclosure controls and procedures are designed, maintained and evaluated to ensure full and timely disclosure in annual and quarterly reports, as well as current reports, definitive proxy materials and information statements.
4. The Audit Committee shall assist the Company's chief executive and financial officers in their evaluation of the effectiveness of disclosure controls and procedures, on a quarterly basis.

E. Responsibilities for Periodic and Annual Reviews

1. The Audit Committee shall periodically review separately with each of management, the independent auditors and the Company's internal audit department (i) any significant disagreement between management and the independent auditors or the Company's internal audit department in connection with the preparation of the financial statements, (ii) any difficulties encountered during the course of the audit (including any restrictions on the scope of work or access to requested information), and (iii) management's response to each. The Audit Committee shall be responsible for resolving any disagreements

between management and the independent auditors or the Company's internal auditing department.

2. The Audit Committee shall periodically discuss with the independent auditors, without management being present, (i) their judgments about the quality, appropriateness, and acceptability of the Company's accounting principles and financial disclosure practices, as applied in its financial reporting; (ii) how aggressive (or conservative) the accounting principles and underlying estimates are; and (iii) the completeness and accuracy of the Company's financial statements.
3. The Audit Committee shall consider and approve, if appropriate, significant changes to the Company's accounting principles and financial disclosure practices as suggested by the independent auditors, management or the Company's internal audit department, and shall review with the independent auditors, management and the Company's internal audit department, at appropriate intervals, the extent to which any changes or improvements in accounting or financial practices, as approved by the Audit Committee, have been implemented.
4. The Audit Committee shall review with management, the independent auditors, the Company's internal audit department and the Company's counsel, as appropriate, any legal, regulatory or compliance matters that could have a significant impact on the Company's financial statements, including significant changes in accounting standards or rules as promulgated by the Financial Accounting Standards Board, the Securities and Exchange Commission or other regulatory authorities with relevant jurisdiction.
5. The Audit Committee shall obtain and review an annual report from management relating to the accounting principles used in preparation of the Company's financial statements (including those policies for which management is required to exercise discretion or judgments regarding the implementation thereof).
6. The Audit Committee shall review with the internal auditor the results of its examination of compliance with the Company's code of ethics and guidelines for business conduct.
7. The Audit Committee shall review the Company's policies and procedures covering officers' expense accounts and perquisites, including their use of corporate assets, and consider the results of any review of those areas by the internal auditor and independent auditors.

F. Responsibilities for Discussions with Management

1. The Audit Committee shall review and discuss with management the Company's earnings press releases (including the use of "pro forma" or

"adjusted" non-GAAP information) as well as financial information and earnings guidance provided to analysts and rating agencies. These discussions may be done generally (i.e., discussions as to the types of information to be disclosed and the type of presentation to be made), as opposed to discussing in advance each earnings release or each instance of earnings guidance.

2. The Audit Committee shall review and discuss with management all material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Company with unconsolidated entities or other persons, that may have a material current or future effect on financial condition, changes in financial condition, results of operations, liquidity, capital resources, capital reserves or significant components of revenues or expenses.
3. The Audit Committee shall inquire about the application of the Company's accounting policies and its consistency from period to period, and the compatibility of these accounting policies with generally accepted accounting principles, and (where appropriate) the Company's provisions for future occurrences which may have a material impact on the financial statements of the Company.
4. The Audit Committee shall review and discuss with management (i) the Company's significant financial risk exposures and the steps management has taken to monitor and control such exposures (including management's risk assessment and risk management policies), and (ii) the program that management has established to monitor compliance with its code of business ethics and conduct for directors, officers and employees.
5. The Audit Committee shall review and discuss with management all disclosures made by the Company concerning any material changes in the financial condition or operations of the Company.
6. The Audit Committee shall obtain explanations from management for unusual variances in the Company's annual financial statements from year to year, and review annually the independent auditors' letter of the recommendations to management and management's response.

G. Responsibilities for the Internal Audit Function and Internal Controls

1. The Audit Committee shall review the scope and plan of the work to be performed by the Company's internal audit department and confirm that the scope and plan appropriately complement the work of the independent auditors.
2. The Audit Committee shall review on an annual basis the internal audit department's charter and the performance of the Company's

internal audit department, including whether the internal audit function has complied with the Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditing.

3. The Audit Committee shall, in consultation with the independent auditors and internal auditors, (i) review the adequacy of the Company's internal control over financial reporting, and the procedures designed to ensure compliance with laws and regulations, and (ii) discuss the responsibilities, budget and staffing needs of the Company's internal audit department.
4. The Audit Committee shall establish procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

H. Other Responsibilities

1. The Audit Committee shall review and, if appropriate, approve all related-party transactions.
2. The Audit Committee shall review and, if appropriate, approve (i) any change or waiver in the Company's code of business conduct and ethics for directors or executive officers, and (ii) any disclosure made on Form 8-K regarding such change or waiver.
3. The Audit Committee shall establish clear policies for the Company's hiring of employees or former employees of the independent auditors who were engaged on the Company's account.
4. The Audit Committee shall review any management decision to seek a second opinion from independent auditors other than the Company's regular independent auditors with respect to any significant accounting issue.
5. The Audit Committee shall review with management and the independent auditors the sufficiency and quality of the Company's internal audit department staff and other financial and accounting personnel of the Company.
6. The Audit Committee shall review and reassess the adequacy of this Charter annually and recommend to the Board any changes the Audit Committee deems appropriate.

7. The Audit Committee shall conduct an annual performance evaluation of its performance of these responsibilities and overall conduct.
8. The Audit Committee shall perform any other activities consistent with this Charter, the Company's By-laws and governing law as the Audit Committee or the Board deems necessary or appropriate.
9. The Audit Committee shall ensure that this Charter will be made available on the Company's website at www.twindisc.com.

IV. Audit Committee Resources

The Audit Committee shall have the authority to retain independent legal, accounting and other consultants to advise the Audit Committee. The Audit Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditors to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee.

The Audit Committee shall determine the extent of funding necessary (i) for payment of Compensation to the independent auditors for the purpose of rendering or issuing the annual audit report or performing other audit, review or attest service to the Company; (ii) for payment to any independent legal, accounting and other consultants retained to advise the Audit Committee; and (iii) for payment of ordinary administrative expenses of the Audit Committee that are necessary or appropriate to carry out its duties.