

TIMKEN CO  
Form 11-K  
June 25, 2010  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 11-K**

**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2009

OR

**TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-1169

**OH&R INVESTMENT PLAN**

(Full title of the Plan)

THE TIMKEN COMPANY, 1835 Dueber Avenue, S.W., Canton, Ohio 44706

(Name of issuer of the securities held pursuant to the Plan)

Edgar Filing: TIMKEN CO - Form 11-K  
and the address of its principal executive office)

**Table of Contents**

OH&R Investment Plan  
Unaudited Financial Statements  
December 31, 2009 and 2008, and  
Year Ended December 31, 2009

**Table of Contents**

Unaudited Financial Statements

Statements of Net Assets Available for Benefits

1

Statement of Changes in Net Assets Available for Benefits

2

Notes to Financial Statements

3

**Table of Contents**

OH&R Investment Plan

Statements of Net Assets Available for Benefits

(unaudited)

	December 31,	
	2009	2008
<b>Assets</b>		
Investments, at fair value:		
Interest in The Master Trust Agreement for The Timken Company Defined Contribution Plans	<b>\$ 1,522,688</b>	\$ 1,557,868
Total investments, at fair value	<b>1,522,688</b>	1,557,868
Net assets available for benefits, at fair value	<b>1,522,688</b>	1,557,868
Adjustment from fair value to contract value for interest in The Master Trust Agreement for The Timken Company Defined Contribution Plans relating to fully benefit-responsive investment contracts	<b>22,471</b>	47,725
Net assets available for benefits	<b>\$ 1,545,159</b>	\$ 1,605,593

*See accompanying notes.*

**Table of Contents**

OH&R Investment Plan

Statement of Changes in Net Assets Available for Benefits

(unaudited)

Year Ended December 31, 2009

**Additions**

Investment income	
Net investment gain from The Master Trust Agreement for The Timken Company Defined Contribution Plans	\$ 273,582
Total additions	273,582

**Deductions**

Benefits paid directly to participants	333,174
Administrative expenses	842
Total deductions	334,016

Net decrease	(60,434)
--------------	----------

Net assets available for benefits:	
Beginning of year	1,605,593

End of year	\$ 1,545,159
-------------	--------------

*See accompanying notes.*

**Table of Contents**

OH&R Investment Plan

Notes to Financial Statements

(Unaudited)

December 31, 2009 and 2008, and

Year Ended December 31, 2009

**1. Description of the Plan**

The following description of the OH&R Investment Plan (the Plan) provides only general information. Participants should refer to the *Total Rewards* handbook (Summary Plan Description) for a more complete description of the Plan's provisions.

**General**

OH&R Special Steels Company (the Company) was a subsidiary of Latrobe Steel Company, which was a subsidiary of The Timken Company. Effective December 8, 2006, The Timken Company sold Latrobe Steel Company. As a result of this transaction, all participants in the Plan terminated their employment with The Timken Company and the Plan will no longer have any new participants or contributions. However, The Timken Company, the Plan Administrator, will continue to sponsor the Plan for those participants who have elected not to transfer their accounts to another plan. The Plan is a defined contribution plan, which covered full-time employees of the Marlborough division of Latrobe Steel Company (those formerly employed by Houghton & Richards Companies) and employees of the Vienna division of Latrobe Steel Company (those formerly employed by Ohio Alloy Steels, Inc.), collectively, OH&R. Full-time employees of the Company became eligible to participate in the Plan the first of the month following or coincident with the completion of one full calendar month of full-time service. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

**Contributions**

Under the provisions of the Plan, participants were able to elect to contribute up to 20% of his or her gross earnings directly to the Plan subject to Internal Revenue Service (IRS) limitations. Participants were also able to contribute amounts representing distributions from other qualified defined benefit or defined contribution plans. The Company matched employee contributions, Matching Contributions, at an amount equal to 100% of the first 3% of the participant's gross earnings and 50% of the next 3% of the participant's gross earnings.

The Plan also provided for a Core Contribution by the Company for employees at the Vienna Division who did not have five years of Credited Service or 50 points (in Credited Service and age) as of December 31, 2003. This contribution was based on the participant's full years of service and age as of December 31 of the previous calendar year. Core Contribution amounts ranged from 1.0% to 4.5%. For the employees of the Marlborough Division, the Plan provided for a Base Contribution determined as an allocation of 1% of the participant's prior quarter's earnings and was paid quarterly.

**Table of Contents**

OH&R Investment Plan

Notes to Financial Statements (continued)

**1. Description of the Plan (continued)**

Upon enrollment, a participant was required to direct their contribution in 1% increments to any of the Plan's fund options. The Matching Contributions and Base Contributions were invested in The Timken Company Common Stock Fund. Participants were not allowed to direct the investment of the Matching Contributions or Base Contributions made in Timken common shares until (i) attaining age 55, (ii) the third anniversary of the date on which such participant is hired, (iii) the date such participant obtains three years of Continuous Service, or (iv) following retirement. Core Contributions were invested based on the participant's investment election. Participants have access to their account information and the ability to make changes daily through an automated telecommunication system and through the Internet.

Participants were able to elect to have their vested dividends in The Timken Company Common Stock Fund distributed to them in cash rather than automatically reinvested in Timken common shares.

**Participant Accounts**

Each participant's account was credited with the participant's contributions and allocations of (a) the Company's contributions and (b) Plan earnings, and is charged administrative expenses, as appropriate. Allocations are based on participant earnings or account balances, as defined. Forfeited balances of terminated participants' nonvested accounts are used to reduce future Company contributions. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

**Vesting**

Participants were immediately vested in their contributions and Matching Contributions plus actual earnings thereon. Vesting in the Core Contribution portion of their account plus actual earnings thereon occurred after completion of three years of service. Vesting of the Base Contribution portion of their account plus actual earnings thereon occurred over a period of three years with 50% vested after one year and an additional 25% in years two and three.

**Participant Notes Receivable**

Participants may borrow from their accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of their vested account balance. Loan terms generally cannot exceed five years for general purpose loans and 30 years for residential loans. The loans are secured by the balance in the participant's account and bear interest at an interest rate of 1% in excess of the prime rate, as published the first business day of each month in the *Wall Street Journal*. Principal and interest are paid ratably through payroll deductions.

**Table of Contents**

OH&R Investment Plan

Notes to Financial Statements (continued)

**1. Description of the Plan (continued)**

**Payment of Benefits**

As a result of their termination of service to The Timken Company due to the sale of Latrobe Steel Company, participants having a vested account balance greater than \$1,000 were given the option of (i) transferring their account balance to another plan, (ii) receiving a lump-sum amount equal to the vested balance of their account, (iii) receiving installment payments of their vested assets over a period of time not to exceed their life expectancy, or (iv) leaving their vested account balance in the Plan. Participants having a vested account balance less than \$1,000 received a lump-sum amount equal to their vested account balance. Participants electing to leave their vested assets in the Plan may do so until age 70 1/2 after which time the lump-sum or installment distribution options would apply.

**Plan Termination**

Although it has not expressed any interest to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, the Trustee shall distribute to each participant the balance in their separate account.

**2. Accounting Policies**

**Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting.

**Investment Valuation and Income Recognition**

The Plan's investments are stated at fair value and are invested in The Master Trust Agreement for the Company defined contribution plans (Master Trust), which was established for the investment of assets of the Plan and the seven other defined contribution plans sponsored by the Company. The fair value of the Plan's interest in the Master Trust is based on the value of the Plan's interest in the fund plus actual contributions and allocated investment income (loss) less actual distributions.



**Table of Contents**

OH&R Investment Plan

Notes to Financial Statements (continued)

**2. Accounting Policies (continued)**

The Plan's trustee, JP Morgan (Trustee), maintains a collective investment trust of Timken common shares in which the Company's defined contribution plans participate on a unit basis. Timken common shares are traded on a national securities exchange and participation units in The Timken Company Common Stock Fund are valued at the last reported sales price on the last business day of the plan year. The valuation per unit of The Timken Company Common Stock Fund was \$12.99 and \$10.85 at December 31, 2009 and 2008, respectively.

Investments in registered investment companies, common collective funds and investment contracts are valued at the redemption value of units held at year-end. Participant loans are valued at cost, which approximates fair value.

Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**3. Investments**

The Trustee holds all the Plan's investment assets and executes investment transactions. All investment assets of the Plan, except for the participant loans, are pooled for investment purposes in the Master Trust.

**Table of Contents**

## OH&amp;R Investment Plan

## Notes to Financial Statements (continued)

**3. Investments (continued)**

The following table presents a summary of the investments of the Master Trust as of December 31:

	2009	2008
Investments, at fair value:		
The Timken Company Common Stock Fund	\$ 241,078,465	\$ 225,514,383
Registered investment companies	297,278,461	221,647,760
Common collective funds	235,129,337	182,763,527
	<b>773,486,263</b>	629,925,670
Investment contracts, at fair value	154,903,737	156,437,336
Adjustments from fair value to contract value	9,702,374	20,458,669
Investment contracts, at contract value	164,606,111	176,896,005
	<b>\$ 938,092,374</b>	\$ 806,821,675

At December 31, 2009, The Timken Company Common Stock Fund consisted of 18,565,348 units of The Timken Company's common stock. The Plan's interest in the Master Trust as of December 31, 2009 and 2008 was 0.16% and 0.20% respectively.

Investment income (loss) relating to the Master Trust is allocated to the individual plans based upon the average balance invested by each plan in each of the individual funds of the Master Trust. Investment income (loss) for the Master Trust is as follows:

	Year Ended December 31,	
	2009	2008
Net appreciation (depreciation) in fair value of investments determined by quoted market price:		
The Timken Company Common Stock Fund	\$ 51,426,725	\$ (120,044,417)
Registered investment companies	62,675,842	(128,819,219)
Common collective funds	39,342,564	(73,116,499)
	<b>153,445,131</b>	(321,980,135)
Net appreciation in investment contracts	3,265,586	3,154,296
Interest and dividends	10,441,107	15,478,607
Total Master Trust	<b>\$ 167,151,824</b>	\$ (303,347,232)

**Table of Contents**

## OH&amp;R Investment Plan

## Notes to Financial Statements (continued)

**4. Fair Value**

The following table presents the fair value hierarchy for those investments of the Master Trust measured at fair value on a recurring basis as of December 31, 2009:

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The FASB provides accounting rules that classify the inputs used to measure fair value into the following hierarchy:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Unadjusted quoted prices in active markets for similar assets or liabilities, or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3 Unobservable inputs for the asset or liability.

	Total	Level 1	Level 2	Level 3
<b>Assets:</b>				
The Timken Company Common Stock Fund	\$ 241,078,465	\$	\$ 241,078,465	\$
Registered investment companies	297,278,461	297,278,461		
S&P 500 Index	139,647,844		139,647,844	
Core Bond	66,002,400		66,002,400	
Russell 2000-A Index	29,479,093		29,479,093	
Investment Contracts	164,606,111		164,606,111	
<b>Total assets</b>	<b>\$ 938,092,374</b>	<b>\$ 297,278,461</b>	<b>\$ 640,813,913</b>	<b>\$</b>

The Timken Company Stock Fund participates in units and is valued based on the closing price of Timken Common Shares traded on a national securities exchange. Registered investment companies are valued based on quoted market prices reported on the active market on which the individual securities are traded.

The S&P 500 Index fund includes investments that provide exposure to a broad equity market and is designed to mirror the aggregate price and dividend performance of the S&P 500 Index. The fair values of the investments in this category have been estimated using the net asset value per share.

**Table of Contents**

## OH&amp;R Investment Plan

## Notes to Financial Statements (continued)

**4. Fair Value (continued)**

The Core Bond fund includes investments that seek to maximize total return by investing primarily in a diversified portfolio of intermediate- and long-term debt securities. The fair value of the investments in this category has been estimated using the net asset value per share.

The Russell 2000-A Index fund includes investments seeking an investment return that approximates as closely as practicable, before expenses, the performance of the Russell 2000 Index over the long term. The Fund includes exposure to stocks of small U.S. companies. The fair value of the investments in this category has been estimated using the net asset value per share.

Investment Contracts include a common collective trust fund that is designed to deliver safety and stability by preserving principal and accumulating earnings. This fund is primarily invested in guaranteed investment contracts and synthetic investment contracts. See Note 6 - Investment Contracts for further discussion on investment contracts.

**5. Non-Participant-Directed Investments**

Information about the net assets and the significant components of changes in net assets related to non-participant-directed investments is as follows:

	December 31,	
	2009	2008
Investments, at fair value:		
Interest in Master Trust related to The Timken Company Common Stock Fund	\$ 161,842	\$ 149,860
		Year Ended December 31, 2009
Change in net assets:		
Net appreciation in fair value of investments		\$ 28,951
Dividends		3,148
Benefits paid directly to participants		(19,806)
Expenses		(201)
Transfers to participant directed accounts		(109)
		\$ 11,983

**Table of Contents**

## OH&amp;R Investment Plan

## Notes to Financial Statements (continued)

**6. Investment Contracts**

The Master Trust invests in synthetic guaranteed investment contracts (GICs), or a Stable Value Fund, that credit a stated interest rate for a specified period of time. The Stable Value Fund provides principal preservation plus accrued interest through fully benefit-responsive wrap contracts issued by a third party which back the underlying assets owned by the Master Trust. The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The investment contract issuer is contractually obligated to repay the principal at a specified interest rate that is guaranteed to the Plan.

Investment contracts held by a defined contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits attributable to the fully benefit-responsive investment contracts. Contract value represents contributions made under the contracts, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value.

There are no reserves against contract value for credit risk of the contract issuer or otherwise. The crediting interest rates for the wrap contracts are calculated on a quarterly basis (or more frequently if necessary) using contract value, market value of the underlying fixed income portfolio, the yield of the portfolio, and the duration of the index, but cannot be less than zero.

Average Yields for Synthetic GICS	December 31,	
	2009	2008
Based on actual earnings	4.2%	6.5%
Based on interest rate credited to participants	2.2%	3.2%

**Table of Contents**

## OH&amp;R Investment Plan

## Notes to Financial Statements (continued)

**6. Investment Contracts (continued)**

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500:

	December 31,	
	2009	2008
Net assets available for benefits per the financial statements	\$ 1,545,159	\$ 1,605,593
Adjustment from contract value to fair value for fully benefit-responsive investment contracts	(22,471)	(47,725)
Net assets available for benefits per the Form 5500	\$ 1,522,688	\$ 1,557,868

The fully benefit-responsive investment contracts have been adjusted from fair value to contract value for purposes of the financial statements. For purposes of the Form 5500, the investment contracts will be stated at fair value.

**7. Risks and Uncertainties**

The Master Trust invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

**8. Income Tax Status**

The Plan has received a determination letter from the IRS dated April 23, 2003, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the Code), and therefore, the related trust is exempt from taxation. Subsequent to this determination by the Internal Revenue Service, the Plan was amended. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan Administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, believes that the Plan, as amended, is qualified and the related trust is tax-exempt. The Plan Administrator will take the necessary steps, if any, to maintain compliance with the Code.

**Table of Contents**

OH&R Investment Plan

Notes to Financial Statements (continued)

**9. Related-Party Transactions**

Related-party transactions included the investments in the common stock of the Company and the investment funds of the Trustee. Such transactions are exempt from being prohibited transactions.

The following is a summary of transactions in Timken common shares with the Master Trust for the year ended December 31, 2009:

	<b>Shares</b>	<b>Dollars</b>
Purchased	2,951,208	\$ 26,519,232
Issued to participants for payment of benefits	260,128	463,880

Benefits paid to participants include payments made in Timken common shares valued at quoted market prices at the date of distribution.

Certain legal and accounting fees and certain administrative expenses relating to the maintenance of participant records are paid by The Timken Company. Fees paid during the year for services rendered by parties in interest were based on customary and reasonable rates for such services.

**Table of Contents**

SIGNATURES

*The Plan.* Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other person who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

OH&R INVESTMENT PLAN

Date: June 25, 2010

By: /s/ Scott A. Scherff  
Scott A. Scherff  
Assistant Secretary