TIMKEN CO
Form DEF 14A
March 23, 2011

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14A

(RULE 14a-101)

SCHEDULE 14A INFORMATION

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

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:

o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))** þ Definitive Proxy Statement o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

The Timken Company

(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):

þ No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction 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 transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o

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

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

Notice of
2011
Annual Meeting of
Shareholders
and
Proxy Statement

THE TIMKEN COMPANY
Canton, Ohio U.S.A.

TABLE OF CONTENTS

Table of Contents

TABLE OF CONTENTS

Table of Contents

Ward J. Timken, Jr.
Chairman Board of Directors
March 24, 2011
Dear Shareholder:
The 2011 Annual Meeting of Shareholders of The Timken Company will be held on Tuesday, May 10, 2011, at ten o clock in the morning at the corporate offices of the Company in Canton, Ohio.
This year, you are being asked to act upon five matters. Details of these matters are contained in the accompanying Notice of Annual Meeting of Shareholders and Proxy Statement.
Please read the enclosed information carefully before voting your shares. Voting your shares as soon as possible will ensure your representation at the meeting, whether or not you plan to attend.
I appreciate the strong support of our shareholders over the years and look forward to a similar vote of support at the 2011 Annual Meeting of Shareholders.
Sincerely,

Ward J. Timken, Jr.
Enclosure
The Timken Company
1835 Dueber Avenue, S.W.
P.O. Box 6927
Canton, OH 44706-0927 U.S.A.
Telephone: 330-438-3000

Table of Contents

THE TIMKEN COMPANY
Canton, Ohio

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders of The Timken Company will be held on Tuesday, May 10, 2011, at 10:00 a.m., at 1835 Dueber Avenue, S.W., Canton, Ohio, for the following purposes:

1. To elect three Directors to serve in Class II for a term of two years.
2. To ratify the selection of Ernst & Young LLP as the independent auditor for the year ending December 31, 2011.
3. To approve The Timken Company 2011 Long-Term Incentive Plan.
4. To consider a resolution regarding the frequency of the shareholder advisory vote on named executive officer compensation.
5. To consider a resolution regarding the shareholder advisory vote on named executive officer compensation.
6. To transact such other business as may properly come before the meeting.

Holders of Common Stock of record at the close of business on February 22, 2011, are the shareholders entitled to notice of and to vote at the meeting.

YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING OF SHAREHOLDERS, PLEASE SIGN AND DATE THE ENCLOSED PROXY CARD AND RETURN IT IN THE POSTAGE-PAID ENVELOPE PROVIDED OR VOTE YOUR SHARES ELECTRONICALLY THROUGH THE INTERNET OR BY TELEPHONE. VOTING INSTRUCTIONS ARE PROVIDED ON THE ENCLOSED PROXY CARD.

Effect of Not Casting Your Vote. If you hold your shares in street name it is critical that you cast your vote if you want it to count in the election of Directors (Item 1 of this Proxy Statement), or Items 3, 4 and 5. In the past, if you held your shares in street name and you did not indicate how you wanted your shares voted in the election of Directors, your bank or broker was allowed to vote those shares on your behalf in the election of Directors as they felt appropriate. Recent changes in regulations were made to take away the ability of your bank or broker to vote your uninstructed shares in the election of Directors on a discretionary basis. Thus, if you hold your shares in street name and you do not instruct your bank or broker how to vote in the election of Directors, no votes will be cast on your behalf. Your bank or broker will, however, continue to have discretion to vote any uninstructed shares on the ratification of the appointment of the Company s independent auditor (Item 2 of this Proxy Statement). They will not have discretion to vote uninstructed shares on Items 3, 4 and 5 of this Proxy Statement. If you are a shareholder of record and you do not cast your vote, no votes will be cast on your behalf on any of the items of business at the Annual Meeting.

SCOTT A. SCHERFF
Corporate Secretary and
Vice President Ethics and Compliance

March 24, 2011

YOUR VOTE IS IMPORTANT. PLEASE RETURN YOUR PROXY CARD OR VOTE ELECTRONICALLY.

Table of Contents

THE TIMKEN COMPANY

PROXY STATEMENT

The enclosed proxy is solicited by the Board of Directors of The Timken Company (the Company) in connection with the Annual Meeting of Shareholders to be held on May 10, 2011, at 10:00 a.m. local time at the Company s corporate offices, and at any adjournments and postponements thereof, for the purpose of considering and acting upon the matters specified in the foregoing Notice. The mailing address of the corporate offices of the Company is 1835 Dueber Avenue, S.W., Canton, Ohio 44706-2798. The approximate date on which this Proxy Statement and form of proxy will be first sent or given to shareholders is March 24, 2011.

The Board of Directors is not aware that matters other than those specified in the foregoing Notice will be brought before the meeting for action. However, if any such matters should be brought before the meeting, the persons appointed as proxies may vote or act upon such matters according to their judgment.

ELECTION OF DIRECTORS

The Company presently has twelve Directors who, pursuant to the Company s Amended Regulations, are divided into three classes with four Directors in Class I, four Directors in Class II and four Directors in Class III. At the 2010 Annual Meeting of Shareholders, the shareholders approved an amendment to our Regulations that eliminates, over a three-year period, the classified structure of our Board of Directors. The Directors elected at the 2010 annual meeting were elected for a three-year term; Directors elected at the 2011 annual meeting will be elected for a two-year term; and Directors elected at the 2012 annual meeting will be elected for a one-year term. At the 2013 annual meeting and thereafter, all Directors will stand for election for a one-year term. Accordingly, at the 2011 Annual Meeting of Shareholders, three Directors will be elected to serve in Class II for a two-year term to expire at the 2013 Annual Meeting of Shareholders. Candidates for Director receiving the greatest number of votes will be elected. Abstentions and broker non-votes (where a broker, other record holder, or nominee indicates on a proxy card that it does not have authority to vote certain shares on a particular matter) will not be counted in the election of Directors and will not have any effect on the result of the vote.

Pursuant to the Majority Voting Policy of the Board of Directors, any Director who fails to receive a majority of the votes cast in his or her election will submit his or her resignation to the Board of Directors promptly after the certification of the election results. The Board of Directors and the Nominating and Corporate Governance Committee will then consider the resignation in light of any factors they consider appropriate, including the Director s qualifications and service record, as well as any reasons given by shareholders as to why they voted against (or withheld votes from) the Director. The Board of Directors is required to determine whether to accept or reject the tendered resignation within 90 days following the election and to disclose its decision on a Form 8-K, as well as the reasons for rejecting any tendered resignation, if applicable.

Jerry J. Jasinowski, a Director of the Company since 2004 and a member of the Nominating and Corporate Governance and Compensation Committees, is retiring from the Board of Directors, effective as of the Annual Meeting of Shareholders. Mr. Jasinowski is retiring pursuant to the Board s policy that a Director retire from the Board of Directors at the Annual Meeting of Shareholders after reaching age 72. We are grateful for the many contributions made by Mr. Jasinowski during his service as a Director. In light of Mr. Jasinowski s retirement, at its meeting on February 9, 2011, the Board of Directors passed a resolution decreasing the size of the Board from twelve to eleven Directors, effective May 10, 2011, and apportioned the decrease to Class II.

Subsequent to the 2011 Annual Meeting of Shareholders, assuming that all nominees are elected, the Company will have eleven Directors who will be divided into three classes with four Directors in Class I, three Directors in Class II and four Directors in Class III.

Table of Contents

If any nominee becomes unable, for any reason, to serve as a Director, or should a vacancy occur before the election (which events are not anticipated), the Directors then in office may substitute another person as a nominee or may reduce the number of nominees as they deem advisable.

ITEM NO. 1
ELECTION OF CLASS II DIRECTORS

The Board of Directors, by resolution at its February 9, 2011 meeting, based on the recommendation of the Nominating and Corporate Governance Committee of the Board, nominated the three individuals set forth below to be elected Directors in Class II at the 2011 Annual Meeting of Shareholders to serve for a term of two years expiring at the Annual Meeting of Shareholders in 2013 (or until their respective successors are elected and qualified). All of the nominees have been previously elected as a Director by the shareholders, except Mr. Ballbach. Each of the nominees listed below has consented to serve as a Director if elected.

Unless otherwise indicated on any proxy, the persons named as proxies on the enclosed proxy form intend to vote the shares covered by such proxy form in favor of the nominees named below.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE *FOR* THE ELECTION OF THE NOMINEES NAMED BELOW.

NOMINEES

The following information obtained in part from the respective nominees and in part from the records of the Company, sets forth information regarding each nominee as of January 7, 2011.

John M. Ballbach, 50, has served as President and Chief Executive Officer of VWR International, LLC, a leading global laboratory supply company, since 2005, and was appointed Chairman of the Board of that company in 2007. Mr. Ballbach joined the Valspar Corporation in 1990 and progressed through a series of management positions to become its President and Chief Operating Officer from 2002 until 2004. Mr. Ballbach s global perspective and experience in supply chain management are particularly helpful to the Board as the Company continues to sharpen its focus on growth opportunities in diverse industrial markets with strong aftermarket potential. He has served on the Board of Directors since 2009. Mr. Ballbach served as a director of Celanese AG in 2005-2006.

Phillip R. Cox, 63, has been the President and Chief Executive Officer of Cox Financial Corporation, a financial services company that he founded, for over 35 years. In addition to his service on the Company s Board of Directors since 2004, Mr. Cox is currently non-executive Chairman of Cincinnati Bell, and he has served as a director there since 1993. He also has served as a director of Touchstone Mutual Funds since 1994 and Diebold, Incorporated since 2005. Mr. Cox formerly served as a director of Duke Energy Corporation from 2006 2008, and prior to its merger with Duke Energy, Cinergy Corp. from 1994-2005. With his life-long background of dealing with financial matters, Mr. Cox brings significant acumen to the Board.

Ward J. Timken, Jr., 43, is Chairman of the Board of Directors of The Timken Company. He has held that position since 2005. In his previous position as President of the Company s Steel Business, he led the business in 2004-2005 to record levels of profitability at the time, and positioned it for even better subsequent performance. He also served as Corporate Vice President in 2000 2003 and was responsible for strategy development. He played a pivotal role in the acquisition and integration of The Torrington Company in 2003, the largest acquisition in the Company s history. His other positions at the Company included key postings in Europe and Latin America in the 1990s. Before joining the Company in 1992, he opened and managed the Washington, D.C. office of McGough & Associates, a Columbus, Ohio based government affairs consulting firm. Mr. Timken s broad-based experience has given him an excellent understanding of the Company s business that positions him to provide outstanding leadership as the Chairman of the Board. He has served on the Board of Directors since 2002. Mr. Timken is also a substantial long-term shareholder of the Company.

Table of Contents

CONTINUING DIRECTORS

The remaining eight Directors, named below, will continue to serve in their respective classes until their respective terms expire. The following information obtained in part from the respective Directors and in part from the records of the Company, sets forth information regarding each Director as of January 7, 2011.

James W. Griffith, 57, has served as the President and Chief Executive Officer of The Timken Company since 2002. Mr. Griffith joined the Company in 1984, and has held positions as plant manager, Vice President of Manufacturing in North America and Managing Director of the Company s business in Australia. From 1996 to 1999, he led the Company s automotive business in North America and the Company s bearing business activities in Asia and Latin America. He was elected President and Chief Operating Officer in 1999. Since that time, Mr. Griffith has led a transformation of the Company focused on creating ever-increasing levels of value for customers and shareholders. With Mr. Griffith s broad experience and deep understanding of the Company, and as Chief Executive Officer, he is a key director for the Company. He has served on the Board of Directors since 1999. He also has been a director of Goodrich Corporation since 2002. Mr. Griffith s term expires in 2013.

John A. Luke, Jr., 62, is the Chairman and Chief Executive Officer of MeadWestvaco Corporation, a leading global producer of packaging, coated and specialty papers, consumer and office products and specialty chemicals. He has held that position since 2003. Mr. Luke worked in a number of areas of Westvaco Corporation earlier in his career, including treasury, marketing and international sales, before joining its executive ranks in 1990. He led the process of merging the Westvaco Corporation with the Mead Corporation in 2002 to create MeadWestvaco Corporation, a large transformative transaction. As Chief Executive Officer of a company that was founded by his ancestors in 1888, Mr. Luke brings an understanding of the evolution of a family business into a global corporation. Mr. Luke s leadership of a large, public global company and his experience in dealing with the issues facing such a company make him well-positioned for his role as a Director. He has served on the Board of Directors since 1999. Mr. Luke also has served as a director of The Bank of New York Mellon Corporation since 2007, MeadWestvaco Corporation since 2002 and The Bank of New York from 1996-2007. Mr. Luke s term expires in 2013.

Joseph W. Ralston, 67, has served as Vice Chairman of The Cohen Group, an organization that provides clients with comprehensive tools for understanding and shaping their business, political, legal, regulatory and media environments, since 2003. General Ralston completed a distinguished 37-year Air Force career as Commander, U.S. European Command and Supreme Allied Commander Europe, NATO in 2003. Previously, General Ralston served as Vice Chairman of the Joint Chiefs of Staff, the nation s second highest-ranking military officer. In his current role, General Ralston is in a position to keep the Company s Board of Directors advised on the rapidly changing global political environment, as well as developments in the aerospace industry. As someone who was previously responsible for thousands of troops, General Ralston is familiar with complex human resource issues. Additionally, with the increased regulatory oversight of corporate governance, General Ralston s continuing understanding of the political environment in Washington provides the Board with a valuable perspective on current legislative developments. He has served on the Board of Directors since 2003, and he also has served on the boards of Lockheed Martin Corporation and URS Corporation since 2003. Mr. Ralston s term expires in 2012.

John P. Reilly, 67, retired as the Chairman, President and Chief Executive Officer of Figgie International, an international diversified operating company, in 1998. He has more than thirty years of experience in the automotive industry, where he has served as President and Chief Executive Officer of a number of automotive suppliers, including Stant Corporation and Tenneco Automotive. He has also held leadership positions at the former Chrysler Corporation and Navistar, and has served as President of Brunswick Corporation. His hands-on experience in the automotive industry provides the Company s Board with a key resource in a significant sector in which the Company competes. He also brings his knowledge of financial and human resource issues gained through his forty years of successful executive leadership to his role on the Board. He has served on the Board of Directors since 2006. Mr. Reilly also serves as a director and non-executive chairman of both Exide Technologies and Material Sciences Corporation, and he has been a director of each of those companies since 2004. Mr. Reilly s term expires in 2012.

Table of Contents

Frank C. Sullivan, 50, has held the position of Chairman and Chief Executive Officer of RPM International Inc., a world leader in specialty coatings, since 2008. He was appointed RPM s Chief Executive Officer in 2002, prior to which he held positions in sales and corporate development before becoming Chief Financial Officer in 1993. He held various positions in the areas of commercial lending and corporate finance in the banking industry before joining RPM in 1987. With Mr. Sullivan s extensive financial background, he serves as the financial expert for the Company s Audit Committee. As Chief Executive Officer of a major public company, Mr. Sullivan possesses invaluable experience to deal with the wide range of issues facing the Company, and he is particularly knowledgeable in the area of acquisitions due to the substantial level of activity by RPM in that area. Grandson of the founder of RPM, Mr. Sullivan also brings to the Board knowledge and understanding of the evolution of a family business into a large public company. He has served on the Board of Directors since 2003, and he has been a director of RPM International, Inc. since 1995. Mr. Sullivan s term expires in 2013.

John M. Timken, Jr., 59, is a private investor who has been a successful entrepreneur for many years. He has served on the Board of Directors since 1986. A sample of Mr. Timken s ventures includes involvement in the cable television business and establishing one of the largest commercial mushroom farms in North America. He has also been associated with, and an investor in, among others, a trucking concern, a plastic injection molding business and a chain of ophthalmic laboratories. He is currently a director of a flexible packaging business of which he was one of the founders. Mr. Timken uses his substantial financial acumen and varied business background to bring a candid and challenging approach to interaction with the Company s management and independent auditors. Mr. Timken is also a substantial long-term shareholder of the Company. Mr. Timken s term expires in 2012.

Ward J. Timken, 68, currently serves as President of The Timken Foundation of Canton, a private charitable foundation to promote civic betterment through capital funds grants. He has held that position since 2004. The Timken Foundation is not affiliated with The Timken Company. During his thirty-six year career with the Company before retiring in 2003, Mr. Timken worked in steel operations, corporate development and human resources. For many years he was responsible for community relations and was regarded as the face of the company in plant locations globally. He traveled extensively during his career, becoming extremely familiar with the Company s global manufacturing operations, and he brings a wealth of knowledge regarding the Company s history and capabilities to his position as a member of the Board of Directors. He has served on the Board since 1971. Mr. Timken is also a substantial long-term shareholder of the Company. Ward J. Timken is the father of Ward J. Timken, Jr. and the cousin of John M. Timken, Jr. Mr. Timken s term expires in 2013.

Jacqueline F. Woods, 63, retired as the President of Ameritech Ohio (subsequently renamed at&t Ohio), a telecommunications company, in 2000. Prior to serving as President, she held positions in finance, operations, marketing, sales and government affairs in that company. Mrs. Woods was inducted into the Ohio Women s Hall of Fame in 1998. She brings an extensive, broad-based business background as the leader of a large company to her role on the Board and her experience at a primarily consumer-oriented company provides a valuable perspective on customer service. She has served on the Board of Directors since 2000, and she has served as a director of School Specialty, Inc. since 2006 and The Andersons, Inc. since 1999. Mrs. Woods term expires in 2012.

Independence Determinations

The Board of Directors has adopted the independence standards of the New York Stock Exchange listing requirements for determining the independence of Directors. The Board has determined that the following continuing Directors and Director nominees have no material relationship with the Company and meet those independence standards: John M. Ballbach, Phillip R. Cox, John A. Luke, Jr., Joseph W. Ralston, John P. Reilly, Frank C. Sullivan, John M. Timken, Jr., and Jacqueline F. Woods. In addition, Jerry J. Jasinowski met the independence standards during his tenure as a Director. With respect to John M. Timken, Jr., the Board determined that his family relationship to Ward J. Timken and Ward J. Timken, Jr. does not impair his independence.

Related Party Transactions Approval Policy

The Company s Directors and executive officers are subject to the Company s Standards of Business Ethics Policy, which requires that any potential conflicts of interest, such as significant transactions with related parties, be reported to the Company s General Counsel. The Company s Directors and executive officers are also subject to the Company s Policy Against Conflicts of Interest, which requires that an employee or Director avoid placing himself or herself in a position in which his or her personal interests could interfere in any way with the interests of the Company. While not every situation can be identified in a written policy, the Policy Against Conflicts of Interest does specifically prohibit the following situations:

- competing against the Company;
- holding a significant financial interest in a company doing business with or competing with the Company;
- accepting gifts, gratuities or entertainment from any customer, competitor or supplier of goods or services to the Company except to the extent they are customary and reasonable in amount and not in consideration for an improper action by the recipient;
- using for personal gain any business opportunities that are identified through a person s position with the Company;
- using Company property, information or position for personal gain;
- using Company property other than in connection with Company business;
- maintaining other employment or a business that adversely affects a person s job performance at the Company; and
- doing business on behalf of the Company with a relative or another company employing a relative.

In the event of any potential conflict of interest, pursuant to the charter of the Nominating and Corporate Governance Committee and the provisions of the Standards of Business Ethics Policy and the Policy Against Conflicts of Interest, the Nominating and Corporate Governance Committee would review and, considering such factors as it deems appropriate under the circumstances, make a determination as to whether to grant a waiver to the policies for any such situation. Any waiver would be promptly disclosed to shareholders.

Board and Committee Meetings

The Board of Directors has an Audit Committee, a Compensation Committee, and a Nominating and Corporate Governance Committee. During 2010, there were twelve meetings of the Board of Directors, nine meetings of its Audit Committee, four meetings of its Compensation Committee, and three meetings of its Nominating and Corporate Governance Committee. All nominees for Director and all continuing Directors attended 75 percent or more of the meetings of the Board and its committees on which they served. It is the policy of the Company that all members of the Board of Directors attend the Annual Meeting of Shareholders, and in 2010, all members attended the meeting. At each regularly scheduled meeting of the Board of Directors, the nonemployee Directors and the independent Directors also meet separately in executive sessions.

DIRECTOR COMPENSATION

Cash Compensation

Each nonemployee Director who served in 2010 was paid at the annual rate of $60,000 for services as a Director. At its meeting on February 9, 2011, the Board of Directors approved an increase in the annual compensation for services to $80,000, beginning January 1, 2011. In addition to base compensation, the following fees are paid for serving on a committee of the Board. The committee fees are unchanged for 2011.

Committee	Chairperson Fee	Member Fee
Audit	$ 30,000	$15,000
Compensation	$ 15,000	$ 7,500

Nominating & Corporate Governance	$ 15,000	$ 7,500

Table of Contents

Stock Compensation

Each nonemployee Director serving at the time of the Annual Meeting of Shareholders on May 11, 2010, received a grant of 4,000 shares of Common Stock under The Timken Company Long-Term Incentive Plan, as Amended and Restated (the Long-Term Incentive Plan), following the meeting. The shares received are required to be held by each nonemployee Director until his or her departure from the Board of Directors. Upon a Director s initial election to the Board, each new nonemployee Director receives a grant of 2,000 restricted shares of Common Stock under the Long-Term Incentive Plan, which vest one-fifth annually over a five-year period. No such grants were made in 2010.

The Compensation Committee of the Board of Directors has adopted share ownership guidelines that require Directors to own Common Stock equal to at least three times the value of the annual rate of base cash compensation for Directors. At its meeting on February 9, 2011, the Board of Directors approved a change of the ownership requirement to a fixed share requirement of 8,000 shares. Directors are expected to achieve this ownership level within five years of the time they join the Board. As of December 31, 2010, all Directors who have served five or more years on the Board are meeting their ownership requirements.

Compensation Deferral

Any Director may elect to defer the receipt of all or a specified portion of his or her cash and/or stock compensation in accordance with the provisions of the Director Deferred Compensation Plan. Pursuant to the plan, cash fees can be deferred and paid at a future date requested by the Director. The amount will be adjusted based on investment crediting options, which include interest earned quarterly at a rate based on the prime rate plus one percent or the total shareholder return of the Company s Common Stock, with amounts paid either in a lump sum or in installments in cash. Stock compensation can be deferred to a future date and paid either in a lump sum or installments and is payable in shares plus a cash amount representing dividend equivalents during the deferral period.

2010 DIRECTOR COMPENSATION TABLE

The following table provides details of Director compensation in 2010:

Name (1)	Fees Earned or Paid in Cash	Stock Awards (2)	Total
John M. Ballbach	$ 75,000	$127,080	$202,080
Phillip R. Cox	$ 75,000	$127,080	$202,080
Jerry J. Jasinowski	$ 75,000	$127,080	$202,080
John A. Luke, Jr.	$ 82,500	$127,080	$209,580
Joseph W. Ralston	$ 82,500	$127,080	$209,580
John P. Reilly	$ 82,500	$127,080	$209,580
Frank C. Sullivan	$ 97,500	$127,080	$224,580
John M. Timken, Jr.	$ 75,000	$127,080	$202,080
Ward J. Timken	$ 60,000	$127,080	$187,080
Jacqueline F. Woods	$ 75,000	$127,080	$202,080

(1) Ward J. Timken, Jr., Chairman of the Board of Directors and James W. Griffith, President and Chief Executive Officer, are not included in this table as they are employees of the Company and receive no compensation for their services as Directors.

(2) The amount shown for each Director is the grant date fair value of the annual award of 4,000 shares of Common Stock made on May 11, 2010, as computed in accordance with FASB ASC Topic 718. These awards vested upon grant.

Table of Contents

A portion of the compensation for the Directors until 2005 included stock option grants. As of December 31, 2010, the following individuals have the following number of outstanding options and unvested restricted shares:

Name	Outstanding Options	Unvested Restricted Shares
John M. Ballbach	0	1,600
Phillip R. Cox	3,000	0
Jerry J. Jasinowski	6,000	0
John A. Luke, Jr.	15,000	0
Joseph W. Ralston	6,000	0
John P. Reilly	0	400
Frank C. Sullivan	6,000	0
John M. Timken, Jr.	0	0
Ward J. Timken	0	0
Jacqueline F. Woods	9,000	0

BOARD LEADERSHIP STRUCTURE

The Company s senior leadership is shared between two executive positions the President and Chief Executive Officer and the Chairman of the Board. Both leaders are actively engaged on significant matters affecting the Company, such as long-term strategy. The President and Chief Executive Officer focuses on all aspects of the operation of the Company, while the Chairman of the Board has a greater focus on governance of the Company, including oversight of the Board of Directors. The positions of President and Chief Executive Officer and Chairman of the Board have been separate for the last 80 years, with limited exceptions. We believe this balance of shared leadership between the two positions is a strength for the Company. It also provides the opportunity for consistent leadership as either person could assume the duties of the other should the need arise on an emergency basis.

At the executive session of the independent Directors on December 10, 2010, the independent Directors elected Joseph W. Ralston, chairman of the Nominating and Corporate Governance Committee, to serve as the lead independent Director for 2011. In that role, he will develop an agenda for the executive sessions of the independent Directors and report the results of those meetings to the Chief Executive Officer and Chairman of the Board, provide feedback as required to the other Directors on the issues discussed with the Chief Executive Officer and Chairman, and serve as liaison between the Chief Executive Officer and Chairman and the independent Directors.

RISK OVERSIGHT

The Board of Directors primarily relies on its Audit Committee for oversight of the Company s risk management. The Audit Committee regularly reviews issues that present particular risks to the Company, including those involving competition, customer demands, economic conditions, planning, strategy, finance, sales and marketing, products, information technology, facilities and operations, supply chain, legal and environmental. The full Board also reviews these issues as appropriate. The Board believes that this approach, supported by the Company s senior leadership structure, provides appropriate checks and balances against undue risk taking.

AUDIT COMMITTEE

The Company has a standing Audit Committee. The Audit Committee has oversight responsibility with respect to the Company s independent auditors and the integrity of the Company s financial statements. The Audit Committee is composed of Frank C. Sullivan (Chairman), John M. Ballbach, Phillip R. Cox, John P. Reilly, and John M. Timken, Jr. All members of the Audit Committee are independent as defined in the listing standards of the New York Stock Exchange. The Board of Directors of the Company has determined that the Company has at least one audit committee financial expert serving on the Audit Committee and has designated Frank C. Sullivan as that expert.

The Audit Committee s charter is available on the Company s website at www.timken.com/investors/governance.

AUDIT COMMITTEE REPORT

The Audit Committee has reviewed and discussed with management and the Company s independent auditors the audited financial statements contained in the Company s Annual Report on Form 10-K for the year ended December 31, 2010. The Audit Committee has also discussed with the Company s independent auditors the matters required to be discussed pursuant to Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

The Audit Committee has received and reviewed the written disclosure and the letter from the Company s independent auditors required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant s communications with the audit committee concerning independence, has discussed with the Company s independent auditors such independent auditors independence, and has considered the compatibility of non-audit services with the auditors independence.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2010, filed with the Securities and Exchange Commission.

Frank C. Sullivan (Chairman)
John M. Ballbach
Phillip R. Cox
John P. Reilly
John M. Timken, Jr.

COMPENSATION COMMITTEE

The Company has a standing Compensation Committee. The Compensation Committee establishes and administers the Company s policies, programs and procedures for compensating its senior management and Board of Directors. Members of the Compensation Committee are John A. Luke, Jr. (Chairman), Jerry J. Jasinowski, Joseph W. Ralston, John P. Reilly, and Jacqueline F. Woods. All members of the Compensation Committee are independent as defined in the listing standards of the New York Stock Exchange.

With the guidance and approval of the Compensation Committee of the Board of Directors, the Company has developed compensation programs for executive officers, including the Chief Executive Officer and the other executive officers named in the Summary Compensation Table, that are intended to enable the Company to attract, retain and motivate superior quality executive management; reward executive management for financial performance and the achievement of strategic objectives; and align the financial interests of executive management with those of shareholders. The Compensation Committee determines specific compensation elements for the Chief Executive Officer and the Chairman of the Board and considers and acts upon recommendations made by the Chief Executive Officer and the Chairman of the Board regarding the other executive officers.

The agenda for meetings of the Compensation Committee is determined by its Chairman with the assistance of the Senior Vice President Human Resources and Organizational Advancement. The meetings are regularly attended by the Chairman of the Board, Chief Executive Officer, Executive Vice President Finance and Administration, Senior Vice President and General Counsel, Senior Vice President Human Resources and Organizational Advancement and Vice President Total Rewards. At each meeting, the Compensation Committee meets in executive session. The Chairman of the Compensation Committee reports the Committee s actions regarding compensation of executive officers to the full Board of Directors. The Company s Human Resources and Organizational Advancement department supports the Compensation Committee in its duties and may be delegated certain administrative duties in connection with the Company s compensation programs. The Committee has the sole authority to retain and terminate compensation consultants to assist in the evaluation of Director or executive officer compensation and the sole authority to approve the fees and other retention terms of any compensation consultants. The Compensation Committee has engaged Towers Watson, a global professional services firm, to conduct annual reviews of its total compensation programs for executive officers and, from time-to-time, to review the total compensation of Directors. Towers Watson also provides information to the Compensation Committee on trends in executive compensation and other market data.

With respect to Director compensation, as stated above, the Compensation Committee periodically engages Towers Watson to conduct reviews of total Director compensation, and the Committee then recommends to the full Board of Directors changes in Director compensation that will enhance the Company s ability to attract and retain qualified Directors.

In January 2010, the firm of Towers Watson was created by the merger of Towers Perrin with Watson Wyatt. Towers Perrin had served as an advisor to the Compensation Committee for close to twenty years, and was directly engaged by and accountable to the Committee. Watson Wyatt was the Company s long-time independent actuary and was engaged by management to provide services to the Company and its benefit plans. During fiscal 2010, Towers Watson and its predecessor Towers Perrin were paid $210,000 for executive compensation advice as described above. Towers Watson and its predecessor Watson Wyatt were paid $3,700,000 for actuarial and other services to the Company and its benefit plans during fiscal 2010.

The Compensation Committee has concluded that the advice received by the Committee from Towers Watson continues to be objective, unbiased, and independent. The Committee s careful oversight of the relationship with Towers Watson with respect to compensation advice mitigates the possibility that management could potentially misuse the actuarial engagement to influence Towers Watson s compensation work for the Committee. The Committee annually reviews the amount of charges to the Company from Towers Watson for executive compensation advice and other services for the preceding three years along with an estimate of services for the coming year. Additionally, Towers Watson has adopted internal safeguards to ensure that its executive compensation unit is maintained separately from its actuarial business.

The Compensation Committee also plays an active role in the Company s executive succession planning process. The Committee meets regularly with senior management to ensure that an effective succession process is in place and to discuss potential successors for executive officers. As part of this process, executive position profiles are updated to highlight the key skills required to meet future demands, and potential successors are evaluated and development plans are reviewed. At the end of each year, the Committee reviews the performance of the executive officers and potential successors. The Committee s succession planning activities are discussed with the full Board in executive session.

The Compensation Committee s charter is available on the Company s website at www.timken.com/investors/governance.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis (the CD&A) for the year ended December 31, 2010 with management. In reliance on the review and discussion referred to above, the Compensation Committee recommended to the Board of Directors, and the Board has approved, that the CD&A be included in the Company s Annual Report on Form 10-K for the year-ended December 31, 2010 and this Proxy Statement for filing with the Securities and Exchange Commission.

John A. Luke, Jr. (Chairman)
Jerry J. Jasinowski
Joseph W. Ralston
John P. Reilly
Jacqueline F. Woods

NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

The Company has a standing Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee is responsible for, among other things, evaluating new Director candidates and incumbent Directors and recommending Directors to serve as members of the Board committees. Members of the Nominating and Corporate Governance Committee are Joseph W. Ralston (Chairman), Jerry J. Jasinowski, John A. Luke, Jr., Frank C. Sullivan and Jacqueline F. Woods. All members of the Committee are independent as defined in the listing standards of the New York Stock Exchange.

Director candidates recommended by shareholders will be considered in accordance with the Company s Amended Regulations. In order for a shareholder to submit a recommendation, the shareholder must deliver

Table of Contents

a communication by registered mail or in person to the Nominating and Corporate Governance Committee, c/o The Timken Company, 1835 Dueber Avenue, S.W., P.O. Box 6932, Canton, Ohio 44706-0932. Such communication should include the proposed candidate s qualifications, any relationship between the shareholder and the proposed candidate and any other information that the shareholder would consider useful for the Nominating and Corporate Governance Committee to consider in evaluating such candidate.

The Board of Directors General Policies and Procedures provide that the general criteria for Director candidates include, but are not limited to, the highest integrity and ethical standards, the ability to provide wise and informed guidance to management, a willingness to pursue thoughtful, objective inquiry on important issues before the Company, and a range of experience and knowledge commensurate with the Company s needs as well as the expectations of knowledgeable investors. The Nominating and Corporate Governance Committee utilizes a variety of sources to identify possible Director candidates, including professional associations and Board member recommendations. In evaluating candidates to recommend to the Board of Directors, the Nominating and Corporate Governance Committee considers factors consistent with those set forth in the Board of Directors General Policies and Procedures, including whether the candidate enhances the diversity of the Board. Such diversity includes professional background and capabilities, knowledge of specific industries and geographic experience, as well as the more traditional diversity concepts of race, gender and national origin. The attributes of the current Directors and the needs of the Board and the Company are evaluated whenever a Board vacancy occurs, and the effectiveness of the nomination process, including whether that process enhances the Board s diversity, is evaluated each time a candidate is considered. The Nominating and Corporate Governance Committee is also responsible for reviewing the qualifications of, and making recommendations to the Board of Directors for, Director nominations submitted by shareholders. All Director nominees are evaluated in the same manner by the Nominating and Corporate Governance Committee, without regard to the source of the nominee recommendation.

The Nominating and Corporate Governance Committee also plans for director succession. The Committee regularly reviews the appropriate size of the Board and whether any vacancies are expected due to retirement or otherwise. In the event that vacancies are anticipated, or otherwise arise, the Committee considers potential candidates for director. As part of this process, the Committee assesses the skills and attributes of the Board as a whole and of each individual director and evaluates whether prospective candidates possess complementary skills and attributes that would strengthen the Board.

The Nominating and Corporate Governance Committee s charter is available on the Company s website at www.timken.com/investors/governance.

The Company s code of business conduct and ethics, called the Standards of Business Ethics Policy, and its corporate governance guidelines, called the Board of Directors General Policies and Procedures, are reviewed annually by the Nominating and Corporate Governance Committee and are available on the Company s website at www.timken.com/investors/governance.

Table of Contents

BENEFICIAL OWNERSHIP OF COMMON STOCK

The following table shows, as of January 7, 2011, the beneficial ownership of Common Stock of the Company by each continuing Director, nominee for Director and executive officer named in the Summary Compensation Table on page 27 of this Proxy Statement, and by all continuing Directors, nominees for Director and executive officers as a group. Beneficial ownership of Common Stock has been determined for this purpose in accordance with Rule 13d-3 under the Securities Exchange Act of 1934 and is based on the sole or shared power to vote or direct the voting or to dispose or direct the disposition of Common Stock. Beneficial ownership as determined in this manner does not necessarily bear on the economic incidents of ownership of Common Stock.

	Amount and Nature of Beneficial Ownership of Common Stock			
Name	Sole Voting or Investment Power (1)	Shared Voting or Investment Power	Aggregate Amount (1)	Percent of Class
Michael C. Arnold	100,847	0	100,847	*
John M. Ballbach	9,978	0	9,978	*
Phillip R. Cox	20,000	0	20,000	*
Glenn A. Eisenberg	102,454	0	102,454	*
James W. Griffith	691,228	273,775	965,003	1.0%
Jerry J. Jasinowski	24,000	0	24,000	*
John A. Luke, Jr.	37,385	0	37,385	*
Salvatore J. Miraglia, Jr.	125,614	0	125,614	*
Joseph W. Ralston	30,263	0	30,263	*
John P. Reilly	24,192	0	24,192	*
Frank C. Sullivan	26,500	0	26,500	*
John M. Timken, Jr.	579,740(2)	909,449(3)	1,489,189(2)(3)	1.5%
Ward J. Timken	466,120	5,966,002(3)	6,432,122(3)	6.6%
Ward J. Timken, Jr.	802,556	5,309,754(3)	6,112,310(3)	6.2%
Jacqueline F. Woods	28,967	0	28,967	*
All Directors, nominees for Director and executive officers as a Group (4)	3,269,989	6,678,036	9,948,025	10.0%

* Percent of class is less than 1%.

(1) The following table provides additional details regarding beneficial ownership of Common Stock:

Name	Outstanding Options (a)	Vested Deferred Restricted Shares (b)	Deferred Common Shares (b)
Michael C. Arnold	60,025	0	0
John M. Ballbach	0	0	0
Phillip R. Cox	3,000	2,000	3,500
Glenn A. Eisenberg	46,425	0	0
James W. Griffith	627,875	20,000	0
Jerry J. Jasinowski	6,000	2,000	15,000
John A. Luke, Jr.	15,000	0	0
Salvatore J. Miraglia, Jr.	40,450	10,000	0
Joseph W. Ralston	6,000	0	12,000
John P. Reilly	0	0	4,000
Frank C. Sullivan	6,000	2,000	0
John M. Timken, Jr.	0	0	0
Ward J. Timken	0	0	0
Ward J. Timken, Jr.	543,325	0	0
Jacqueline F. Woods	9,000	0	10,000

(a) Includes the shares which the individual named in the table has the right to acquire on or before March 8, 2011 through the exercise of stock options pursuant to the Long-Term Incentive Plan. Including those listed, all Directors, nominees for Director, and executive officers as a group have the right to acquire 1,455,200 shares on or before March 8, 2011, through the exercise of stock options pursuant to the Long-Term Incentive Plan. These shares have been treated as outstanding for the purpose of calculating the percentage of the class beneficially owned by such individual or group, but not for the purpose of calculating the percentage of the class owned by any other person.

(b) Awarded as annual grants under the Long-Term Incentive Plan, which will not be issued until a later date under The Director Deferred Compensation Plan. The Vested Deferred Restricted Shares held by James W. Griffith and Salvatore J. Miraglia, Jr. are deferred under the 1996 Deferred Compensation Plan.

(2) Includes 197,886 shares for which John M. Timken, Jr. has sole voting and investment power as trustee of three trusts created as the result of distributions from the estate of Susan H. Timken.

(3) Includes shares for which another individual named in the table is also deemed to be the beneficial owner, as follows: John M. Timken, Jr. 480,000; Ward J. Timken 5,780,944; Ward J. Timken, Jr. 5,300,944.

(4) The number of shares beneficially owned by all Directors, nominees for Director and executive officers as a group has been calculated to eliminate duplication of beneficial ownership. This group consists of 19 individuals.

Table of Contents

The following table gives information known to the Company about each beneficial owner of more than 5% of Common Stock of the Company as of January 20, 2011, unless otherwise indicated below.

Beneficial Owner	Amount	Percent of Class
Timken family (1)	10,267,817 shares	10.4%
BlackRock, Inc. (2)	7,113,898 shares	7.3%
FMR LLC (3)	5,239,940 shares	5.4%
Participants in The Timken Company Savings and Investment Pension Plan (4)	5,147,961 shares	5.3%

(1) Members of the Timken family, including John M. Timken, Jr., Ward J. Timken and Ward J. Timken, Jr., have in the aggregate sole or shared voting power with respect to 10,267,817 (10.4%) shares of Common Stock, which includes 543,325 shares that Ward J. Timken, Jr., has the right to acquire on or before March 8, 2011. The Timken Foundation of Canton, 200 Market Avenue, North, Suite 210, Canton, Ohio 44702, holds 5,247,944 of these shares, representing (5.4%) of the outstanding Common Stock. Ward J. Timken, Joy A. Timken, Ward J. Timken, Jr., and Nancy S. Knudsen are trustees of the Foundation and share the voting and investment power with respect to such shares.

(2) A filing with the Securities and Exchange Commission dated January 21, 2011, by BlackRock, Inc., 40 East 52nd Street, New York, NY 10022, indicated that it has or shares voting or investment power over 7,113,898 shares (7.3%) of the Company s outstanding Common Stock.

(3) A filing with the Securities and Exchange Commission dated February 11, 2011, by FMR LLC, 82 Devonshire Street, Boston, MA 02109, indicated that it has or shares voting or investment power over 5,239,940 shares (5.4%) of the Company s outstanding Common Stock.

(4) Trustee of the plan is J. P. Morgan Retirement Plan Services LLC, P.O. Box 419784, Kansas City, MO 64179-0654.

Table of Contents

COMPENSATION DISCUSSION AND ANALYSIS

Overview

The Company s success depends largely on the contributions of motivated, focused and energized people all working to achieve our strategic objectives. This understanding shapes the Company s approach to providing a competitive total compensation package for its executive officers, including the Chief Executive Officer (the CEO) and the other executive officers named in the Summary Compensation Table (the named executive officers). With the guidance and approval of the Compensation Committee of the Board of Directors, the Company has developed compensation programs for the named executive officers that:

- enable the Company to attract, retain and motivate superior quality executive management;
- reward executive management for financial performance and achievement of strategic objectives; and
- align the financial interests of executive management with those of shareholders.

The Company uses a balance of short-term and long-term as well as cash and non-cash compensation to meet these objectives. The elements of executive compensation consist of base salary, annual incentives, long-term incentives including performance units, stock options and performance shares, retirement income programs and other benefits. Each element of compensation meets one or more of the objectives described above.

The Compensation Committee believes that executive compensation for 2010 was consistent with these objectives and demonstrates the long-standing focus on pay for performance at all levels. The increase in executive compensation compared to 2009 reflected significantly stronger sales and earnings performance as the Company leveraged an improving economy. Despite the slow pace of the economic recovery, the combined effect of the actions taken by management in recent years to improve both the Company s market exposure and its internal operating performance drove the Company to near-record levels of profitability and cash flow. This performance translated into exceptional shareholder returns, with dividends restored to pre-recession levels and the Company s shares trading at record prices. In addition, the Company maintained its considerable liquidity and strong balance sheet.

The Company took the following actions with respect to executive compensation in 2010:

Salary: The CEO and the Chairman did not receive base salary increases in 2010. The other named executive officers received base salary increases ranging from 1.9% to 2.3%, which is within the range of salary adjustments for all Company employees. See Base Salary below.

Annual Performance Award: The named executive officers received payouts under the Senior Executive Management Performance Plan ranging from 181% to 200% of target, reflecting the Company s significantly improved profitability and operating results. See Annual Performance Award below.

Long-Term Incentives: As a result of the economic crisis that began in late 2008, Company performance was below the threshold levels for performance units covering the 2008-2010 period and the named executive officers received no payouts for those performance units. In recognition of the significant market uncertainty that existed in early 2010 and to provide an opportunity for better linkage between Company performance and earned compensation, performance units for the 2010-2012 cycle provide an opportunity to earn a payout in each year of the cycle, with reduced target payout opportunities in 2010 and 2011 to reflect the shorter time period. Given the Company s outstanding financial performance in 2010, which significantly exceeded expectations, the named executive officers received payouts at the maximum level for 2010. See Long-Term Incentives Performance Units below. The named executive officers also received grants of stock options and performance shares in February 2010. See Long-Term Incentives Restricted Shares below.

Governance: The Company implemented clawback provisions for cash incentive plans for executive officers in 2010. In addition, the Long-Term Incentive Plan being submitted to shareholders includes provisions that will enable implementation of clawbacks for equity incentives. The Company also adopted a new form of Severance Agreement that will be used for new executive officers that eliminates excise tax gross-ups. Tax gross-ups for perquisites for executive officers were also eliminated, effective January 1, 2011.

Table of Contents

The differences in total compensation between 2010 and 2009 reflect changes in the Company s performance relative to goals and several other factors:

Annual performance awards were significantly higher for 2010 because performance was significantly higher than target levels in 2010, while performance was below target levels in 2009;

Performance unit payments were higher in 2010 because performance (return on invested capital and earnings per share) exceeded targets for 2010 for performance units covering the 2010-2012 period, while awards for the three-year period ending in 2009 were $0 because sales growth performance was below threshold level;

Stock and option awards reflect higher values in 2010 because the actual stock price at the time of the grant in 2010 was close to the price used to calculate the grant size, whereas the actual stock price at the time of grant in 2009 was significantly below the price used to calculate the grant size; and

Pension values reflect an extra year of service at higher levels of pay and a lower discount rate, and Mr. Arnold s pension value reflects his retirement on December 31, 2010.

These outcomes are consistent with the objectives of the Company s executive compensation programs.

Executive Compensation Program Design

The Company designs its executive compensation programs to ensure they are aligned with competitive market practices, the Company s emphasis on meeting its performance aspirations and the creation of long-term shareholder value.

In order to gauge the competitiveness of its compensation programs, the Company periodically reviews survey data from nationally recognized consulting firms. Collectively, these databases reflect the pay practices of hundreds of companies from a range of industries. In 2008, the Company used information regarding the pay practices of approximately 340 companies in these databases with annual revenues between $2.5 and $10 billion. The Company believes that revenues are an appropriate indicator of the size and complexity of an organization, which should be reflected in determining compensation levels. Furthermore, the Company views general industrial companies of comparable size as the relevant market for the Company s senior executive talent. The Company attempts to position itself to attract and retain qualified senior executives in the face of competitive pressures in its relevant general labor markets. The Company did not conduct a new market study in connection with setting executive compensation levels for 2009 or 2010 because of the dramatic changes occurring in the global economy. Accordingly, the Compensation Committee elected not to make significant changes in executive compensation levels for 2010.

Guidelines for salaries, annual incentives and long-term incentive grants are based on the 50th percentile of the general industry data for each position. The Company may provide target compensation above or below the 50th percentile for a particular position based on internal factors such as the executive s operating responsibilities, experience level, retention risk and tenure and performance in the position. The Company establishes compensation levels in this way for two main reasons. First, this approach sets fair and reasonable pay levels needed to attract and retain qualified executives. Second, it requires excellent performance for pay that is higher than that provided by the majority of companies in the comparison group.

The Company establishes target compensation levels that are consistent with market practices relative to base salaries, annual incentive awards and long-term incentive values, along with the Compensation Committee s assessment of the appropriate mix for the position. Current compensation is structured to provide needed personal liquidity, focus executives on short-term priorities and dampen the impact of a volatile stock market. Providing a significant portion of executive compensation in the form of long-term compensation strengthens the alignment of executives to the long-term performance of the Company and provides a balance against short-term decision making.

The Company s incentive compensation programs for executives are designed to link compensation performance with the full spectrum of our business goals, some of which are short-term, while others take several years or more to achieve:

Program	Short-Term (Cash) Senior Executive Management Performance Plan	Intermediate (Cash) Performance Units	Long-Term (Equity) Performance Shares*	Long-Term (Equity) Nonqualified Stock Options
Objective	Short-term operational business priorities	Medium-term goals linked to Strategic Plan	Long-term shareholder value creation	
Time Horizon	1 Year	3 Years	4 Years	10 Years
Metrics	80% corporate EBIT/BIC 20% working capital/sales	50% earnings per share 50% ROIC (2010-2012 cycle)	Performance of Common Stock *EBIT/BIC for vesting	

The mix between current and long-term or cash and non-cash compensation varies by management level. For example, the CEO and the Chairman receive more of their total target compensation in the form of long-term compensation relative to the other named executive officers. For both, target compensation consists of approximately 40% in current compensation and 60% in long-term compensation, made up of approximately:

20% in current cash base salary;

20% in current cash incentive pay tied to annual performance goals;

20% in long-term cash incentive pay tied to performance over a three-year cycle; and

40% in long-term equity incentive compensation (stock options and performance shares).

Target compensation for the other named executive officers is approximately 50% in current compensation and 50% in long-term compensation, with approximately 65% to 70% in cash and 30% to 35% in non-cash compensation. Positions lower in the organization have a greater emphasis on current pay. This reflects the Company s view that more senior executives should have a more significant incentive to focus on and drive long-term performance, while priorities for executives lower in the organization are more heavily focused on shorter-term operational results.

Cash is used for both current and long-term compensation, while non-cash compensation (i.e., share-based awards) is generally used only for long-term compensation. Cash compensation includes base salary, annual incentive awards and performance units, which are cash-based awards typically payable at the end of three years subject to attainment of certain corporate performance targets. Non-cash compensation includes stock option grants and performance share grants. Compensation tied to equity is intended to align the recipient s interests with shareholders, as changes in stock price have a meaningful impact on the recipient s personal wealth.

Pay-Setting Process

The CEO and the Senior Vice President Human Resources and Organizational Advancement, in consultation with the independent compensation consultant, prepare compensation recommendations for the named executive officers (other than the CEO and the Chairman) and present these recommendations to the Compensation Committee. The compensation packages for the CEO and the Chairman are determined by the Compensation Committee (with input from the Chairman on the performance and pay recommendations for the CEO) and approved by the independent members of the Board of Directors during executive session.

The Company compares each element of compensation provided to its executive officers to market data and considers the total compensation package in relation to the target established for the position, taking into account the scope of responsibilities of the particular position. Total compensation (base salary, annual incentives and long-term incentive grants) is evaluated in relation to the total compensation of comparable positions derived from the general market data. For example, the amount of Mr. Griffith s compensation is higher than the other named executives because it reflects the competitive market for CEO services, and not because of compensation policies different from those applied to the other named executive officers.

In the course of this analysis and development of proposed total compensation packages, the Committee s independent compensation consultant reviews the information and discusses their findings with

-19-

the Compensation Committee. As part of this process, the Compensation Committee reviews all the components of compensation for the named executive officers and determines that each individual s total compensation is reasonable and consistent with the Company s compensation philosophy. The Compensation Committee may also consider additional factors, such as the executive s operating responsibilities, experience level, retention risk and tenure and performance in the position, and make adjustments to a particular element of an executive s compensation. The Compensation Committee then approves, with any modifications it deems appropriate, base salary ranges, target annual performance award opportunities and long-term incentive grants for the Company s executive officers. The amount of past compensation realized or potentially realizable does not directly impact the level at which current and long-term pay opportunities are set.

The Company analyzes the overall expense arising from aggregate executive compensation, as well as the accounting and tax treatment of such programs. The Company has addressed the impact of Section 162(m) of the Internal Revenue Code by obtaining shareholder approval of the Senior Executive Management Performance Plan and the Long-Term Incentive Plan and by allowing certain grants under the Long-Term Incentive Plan to qualify as performance-based compensation. All named executive officers participated in the Senior Executive Management Performance plan for 2010. The Compensation Committee considers the deductibility of compensation and benefits for Federal income tax purposes, along with other relevant factors, when determining executive compensation practices.

As described above, the Compensation Committee engages an independent compensation consultant in connection with its oversight of the design, development and implementation of the Company s executive pay programs. During 2009, the Compensation Committee established a multi-year agreement with Towers Watson to provide this service. In 2010, Towers Watson s primary areas of assistance were:

- gathering information related to current trends and practices in executive compensation in response to questions raised by the Compensation Committee and management;
- reviewing information developed by management for the Compensation Committee and providing its input on such information to the Committee;
- attending and participating in meetings with the Committee, as well as briefings with the Committee Chairperson and management prior to meetings; and
- reviewing with management and the Committee materials to be used in the Company s Proxy Statement.

The Compensation Committee has authorized Towers Watson to interact with the Company s management, as needed, on behalf of the Compensation Committee.

Base Salary

Base salaries for the named executive officers are intended to reflect the scope of their responsibilities, the length of their experience performing those responsibilities and their performance. The Compensation Committee determines base salary ranges for executive officers using external surveys of salary practices for positions with similar levels of responsibility. The Compensation Committee also reviews base salaries for the named executive officers annually in light of each officer s experience, leadership, current salary and position in the salary range.

Following this review process in 2010, the Compensation Committee decided to maintain base salary levels with no increase for the CEO and the Chairman. The other named executive officers received base salary increases ranging from 1.9% to 2.3%. The base salary increases were consistent with base salary increases implemented throughout the Company.

Annual Performance Award

The Company s Senior Executive Management Performance Plan provides the named executive officers with the opportunity to earn annual incentive compensation based on the achievement of corporate performance goals established by the Compensation Committee and approved by the Board of Directors. It is intended to focus the named executive officers on specific performance goals in the current year.

The Senior Executive Management Performance Plan is structured to comply with Section 162(m) of the Internal Revenue Code. In order to qualify the amounts earned under the plan as performance-based, the

Table of Contents

Compensation Committee can exercise discretion only to reduce an award. As a result, performance at target levels results in the plan being funded above the level of the Company s other annual incentive plans. This provides the Compensation Committee with the flexibility to determine actual awards under the Senior Executive Management Performance Plan for the named executive officers that are consistent with the awards made to other annual incentive plan participants, which has been the historical practice.

For 2010, the Senior Executive Management Performance Plan provided both the CEO and the Chairman a target award opportunity of 100% of base salary. The Plan provided the other named executive officers a target award opportunity of 70% to 75% of base salary. Target award opportunity levels for executive officers were determined by the Compensation Committee based on external surveys of practices for positions with similar levels of responsibility. The actual awards could be higher or lower than the target opportunity based on the results for each performance measure and the extent to which the Compensation Committee uses discretion to reduce the awards.

The Company used two performance measures for funding this plan for 2010: (1) earnings before interest and taxes as a percentage of beginning invested capital, excluding the effects of restructuring and impairment charges and accounting change charges, in each case as defined by generally accepted accounting principles (EBIT/BIC); and (2) working capital as a percentage of sales. EBIT/BIC constituted 80% of the total award calculation and working capital as a percentage of sales constituted 20%. The Compensation Committee established EBIT/BIC as the primary performance measure because is it closely correlated with the creation of shareholder value. Working capital as a percentage of sales was used to focus the named executives on managing working capital.

The Company s 2010 performance goals, associated plan funding levels, and actual performance are summarized in the following table:

Senior Executive Management Performance Plan - 2010

	Threshold	Target	Maximum	Actual
EBIT/BIC	4.0%	10.0%	14.0%	17.9%
Working Capital/Sales	32.1%	30.1%	28.1%	22.8%
Plan Funding	74%	100%	200%	200%

Because actual performance on both measures exceeded the maximum, the Senior Executive Management Performance Plan was eligible to be funded at 200% of target. The Compensation Committee determined the actual award for each named executive officer based on:

- the actual payouts, as a percentage of target opportunity, under the Company s annual incentive plan for management level employees other than the named executive officers;
- the actual performance of the Company in 2010 in relation to the aspirations of the Company for performance over the course of a full business cycle; and
- in the case of Messrs. Arnold and Miraglia, the strong performance of the specific business unit for which the officer is responsible.

As a result, the Compensation Committee approved annual incentive payouts for the named executive officers that were consistent, as a percentage of target opportunity, with the awards made to other annual incentive plan participants. The 2010 cash award payout under the Senior Executive Management Performance Plan equaled 200% of the target opportunity (100% of base salary) for the CEO and the Chairman and between 181% and 199% of the target opportunities (70% to 75% of base salary) for the other named executive officers.

At its February 2011 meeting, the Compensation Committee set goals for the annual performance award plans for 2011. The performance measures for the Senior Executive Management Performance Plan for 2011 are: (1) corporate EBIT/BIC; and (2) working capital as a percentage of sales. Corporate EBIT/BIC will constitute 80% of the total award calculation and working capital as a percentage of sales will constitute 20%. The 2011 target EBIT/BIC performance level for the Senior Executive Management Performance Plan is significantly higher than the target for

2010 and is the highest EBIT/BIC target in the history of the plan. Similarly, the 2011 working capital target requires significantly better performance than the target for 2010 and will require the Company to essentially maintain the actual 2010 level of working capital as a percentage of sales.

Table of Contents

The target award opportunity for 2011 is 115% of base salary for the CEO and the Chairman and 70% to 80% of base salary for the other named executive officers. The actual awards could be higher or lower than the target percentages based on the actual results for each performance measure compared to the established targets as well as the extent to which the Compensation Committee may choose to reduce the awards.

Long-Term Incentives

The Compensation Committee administers the Long-Term Incentive Plan, which is approved by shareholders. Awards under the Long-Term Incentive Plan can be made in the form of non-qualified stock options, incentive stock options, appreciation rights, performance shares, performance units, restricted shares and deferred shares. In 2010, the Company utilized three different types of long-term incentive grants for the named executive officers:

- Performance units, which are designed to reward executives with cash payments contingent on the attainment of specified corporate performance goals;
- Nonqualified stock options, which vest over time (typically four years) and are intended to provide value to the holder only if shareholders receive additional value after the date of grant; and
- Performance shares, which require the Company to achieve a specified performance objective in order to have the shares vest over time (typically four years) and are intended to foster stock ownership among executives and focus executives on total shareholder return (including dividends).

In total, the Company believes that these three programs provide a balanced focus on shareholder value creation and retention of key managers over the course of a full business cycle. These programs also serve to balance the short-term operating focus of the Company and align the long-term financial interests of executive management with those of shareholders.

The value of each type of long-term incentive grant is linked directly to the performance of the Company or the price of Common Stock. For performance units, payouts are entirely contingent on the attainment of corporate performance targets, based on the Company s three-year strategic plan. In the case of stock options, the recipient recognizes value only to the extent that the stock price rises above the market price of the stock at the time the option is granted. As for performance shares, receipt of the shares is dependent upon achievement of a certain level of performance and the value of the shares is directly related to the stock price and dividends paid by the Company. In each case, an executive must remain employed by the Company for a minimum of three years (four years for stock options and performance shares) to earn the full value of any award, which aids the Company in retaining executives.

The allocation of grant value among the three long-term incentive programs is based on a combination of market practice, internal equity considerations and the relative importance of the objectives behind each of the three programs (i.e., reward attainment of multi-year performance goals, provide value tied to stock price appreciation and foster stock ownership). For the CEO and the Chairman, greater emphasis is placed on the stock option component, reflecting the Committee s belief that the CEO and the Chairman, more than other officers, are directly accountable for long-term shareholder value creation.

When determining the size of the stock option and performance share grants in recent years, the Committee concluded that using the stock price at a single point in time did not reflect the longer term value of the stock. As a result, the Compensation Committee used the average price over the last six months of the year prior to the grant date in determining the number of shares granted. The resulting grants reflect reported compensation that may be higher or lower than target levels as a result of differences between the stock price on the date of grant used for reporting purposes and the average price used to determine the size of the grants.

The Compensation Committee typically grants performance units, stock options and performance shares at the first regularly scheduled meeting of each year, when the Committee determines all elements of the officers compensation for the year. Board and Committee meetings are generally scheduled at least a year in advance. Approval of grants for newly hired or promoted executives during the course of the year occur at the Compensation Committee meeting immediately following the hiring or promotion.

Table of Contents

Performance Units

The named executive officers receive awards of performance units at the start of three-year performance periods, and the awards are designed to focus the officers efforts on the Company s medium-term performance goals. A new three-year performance cycle starts on January 1 of each year. Cash payouts for performance units are typically made by March following the end of each performance cycle. Performance units act as a strong incentive for the named executive officers to achieve the Company s medium-term financial and strategic objectives. They also encourage retention, as they are subject to forfeiture if the officer voluntarily leaves the Company before the end of the three-year period.

The Compensation Committee establishes a target payout opportunity for the performance units for each named executive officer, determined as a percentage of the officer s base salary in effect on January 1 in the first year of the period. For the 2008-2010 cycle, the CEO and the Chairman had a target payout opportunity of 100% and the other named executive officers had target payout opportunities from 70% to 80% of their January 1, 2008 base salaries. These target percentages were determined to provide the appropriate allocation of value among the long-term incentives, as described above.

The Compensation Committee established two performance measures for the 2008-2010 performance cycle: (1) average return on invested capital (ROIC); and (2) cumulative earnings per share (EPS). The Compensation Committee selected these goals because it believed they were key components of shareholder value creation and highly correlated to achievement of the Company s business strategy. Each measure was weighted equally because they were viewed as equally important for this performance cycle.

The Company s performance goals, associated plan funding levels and actual results for the 2008 2010 cycle are summarized in the following table:

Performance Units - 2008-2010 Cycle

	Threshold	Target	Maximum	Actual
Average ROIC	8.3%	10.4%	12.5%	Below Threshold
Cumulative EPS	$7.60	$10.90	$12.55	Below Threshold
Plan Funding	50%	100%	150%	0%

For the 2008-2010 cycle, actual performance was below the threshold level for both measures and the named executive officers received no performance awards.

In 2010, the Compensation Committee established two performance measures for the performance units granted for the 2010-2012 performance cycle: (1) return on invested capital; and (2) earnings per share. The Compensation Committee selected these goals because it continued to believe they were key components of shareholder value creation and highly correlated to achievement of the Company s business strategy. Each measure is weighted equally. As in the past, the specific performance targets for each measure are tied to the Company s internal, confidential three-year strategic plan. As a result, at the time the targets were established, the Compensation Committee believed that the targets for the 2010-2012 cycle were very challenging, but achievable.

The severe economic downturn in 2009 significantly affected performance units covering multiple performance cycles. There were no payouts for the 2007-2009 cycle or the 2008-2010 cycle and the probability of achieving the targets for the 2009-2011 cycle was significantly reduced. Recognizing the challenges of setting multi-year performance goals in an uncertain environment, while at the same time desiring to strengthen the incentive to achieve the Company s strategic objectives and to encourage retention of senior management, the Compensation Committee structured the performance units for the 2010-2012 performance cycle to provide an opportunity for an award to be earned in each year of the cycle.

Table of Contents

Funding (as a percentage of target) for the 2010 2012 performance cycle is as follows:

	Performance Level		
	Threshold	Target	Maximum
2010	17%	33%	50%
2011	34%	67%	100%
2012	50%	100%	150%
Total Funding	100%	200%	300%

The target award opportunity for the performance units granted in 2010 is 100% of base salary for the CEO and the Chairman and ranges from 70% to 85% of base salary for the other named executive officers, although the actual awards could be higher or lower than the target percentages depending on the attainment of the specific performance targets.

The Company s performance goals and actual results for the 2010 component of the 2010-2012 cycle are summarized in the following table:

2010-2012 Performance Units 2010 Component

	Threshold	Target	Maximum	Actual
ROIC	3.0%	4.3%	5.6%	Above Maximum
EPS	$0.35	$0.70	$1.55	Above Maximum

Based on these results, the Chief Executive Officer and the Chairman each received a cash payment equal to 50% of their January 1, 2010 base salaries and the other named executive officers received cash payments equal to 35% to 42.5% of their January 1, 2010 base salaries.

Under the accounting rules, performance units result in variable accounting, whereby the Company s expense equals the value paid to the executives. As such, the ultimate expense is not determinable until the end of the three-year performance period. When the executives earn and receive a payout, the Company receives a corresponding tax deduction.

Stock Options

Key Employees (including the named executive officers) receive nonqualified stock options that:

- have an exercise price equal to the market price of Common Stock on the date of grant;
- typically vest over a four-year period in equal amounts each year; and
- expire ten years after the date of grant.

The Compensation Committee believes that this structure helps the Company retain executives and focus attention on longer-term performance. Stock options are an effective motivational tool because they only have value to the extent the price of Common Stock on the date of exercise exceeds the exercise price on the grant date. They are an effective element of compensation and retention, however, only if the stock price grows over the term of the award.

Under accounting rules, the fair value of the stock options on the grant date is expensed over the vesting period in the year the options become vested. When executives exercise stock options, they are taxed at ordinary income tax rates (subject to withholding) and the Company receives a corresponding tax deduction.

Performance Shares

Performance shares are equity grants that are forfeited if a specified performance objective is not achieved. Performance shares serve to both reward and retain executives, as the receipt of the shares is linked to performance and the value of the shares is linked to the price of Common Stock when the shares vest.

-24-

Table of Contents

The performance objective for performance shares granted in 2010 was corporate EBIT/BIC of 4% or better in any single year during the 4-year vesting period. This performance objective was met in 2010 and the shares converted to time-based vesting, with 25% of the award vesting on the first anniversary of the grant and an additional 25% vesting on each subsequent anniversary.

Under accounting rules, the grant date fair value is expensed over the service/vesting period based on the shares that are earned, provided the performance metric is met. The executives are taxed at ordinary income tax rates (subject to withholding) when the shares vest, and the Company receives a corresponding tax deduction.

Stock Ownership Guidelines

Stock ownership guidelines have been established for all senior executives and are intended to align the interests of executive management with those of shareholders by requiring executives to be subject to the same long-term stock price volatility shareholders experience. These guidelines establish a specific ownership target of five times base salary for the CEO and the Chairman and three times base salary for the other named executive officers. The Company considers all shares owned by the executive, including restricted shares and performance shares still subject to forfeiture but not including shares that are subject to unexercised options, in determining whether the executive has met ownership targets. As of December 31, 2010, the named executive officers all exceeded their ownership targets. The Company has a formal policy that prohibits hedging the economic risk related to such stock ownership.

Retirement Income Programs

The Company s retirement income programs are an important retention tool. The Company maintains both qualified and nonqualified retirement income programs. The named executive officers participate in qualified plans on the same terms and conditions as all other salaried employees and also participate in the Company s nonqualified retirement income programs. The Company currently provides nonqualified retirement income through two types of plans:

- A nonqualified defined contribution plan provides for after-tax savings based on each executive s contributions, Company match and core defined contributions in excess of tax limits. The nonqualified defined contribution plan in which the named executive officers participate is the Post-Tax Savings Plan. This plan is primarily intended to restore benefits that would be provided under the qualified retirement plans were it not for limits on benefits and compensation imposed by the Internal Revenue Code.

- A nonqualified defined benefit plan provides for a targeted percentage of salary and annual incentive income that will continue through retirement. The nonqualified defined benefit plan in which the named executive officers participate is the Supplemental Pension Plan for Executive Officers (the SERP). The SERP provides for a benefit based on final average earnings with offsets for benefits provided under the Company s other retirement programs. The SERP promotes retention of executive officers because it requires ten years of service, including five years as an officer, for full benefits to be earned.

Although the policies and procedures underlying the Company s retirement income programs are the same for all participants, the age and length of service (including service as an officer of the Company) of each participant can have a significant effect on their benefit calculation because the programs have changed over time. In addition, because benefits under the Company s retirement income programs are based on base salary and cash annual incentive compensation for the five highest non-consecutive years (out of the final ten years), the pension value can increase significantly as salary and cash annual incentive compensation increases.

The value of the nonqualified retirement income programs is quantified each year and these programs are periodically reviewed for their competitiveness. To date, the value of these programs has not had a significant impact on decisions regarding salary, annual incentive awards or long-term incentive grants.

Termination-Related Payments

In addition to retirement payments, the Company provides termination-related payments in the event of involuntary termination without cause and involuntary termination without cause following a change in control.

The Company provides payments in the event of involuntary termination without cause through Severance Agreements with individual executives. Severance Agreements are provided based on competitive market practice and the Company s desire to ensure some level of income continuity should an executive s employment be terminated without cause. The Company believes that providing for such income continuity results in greater management stability and lower unwanted management turnover.

Severance Agreements also provide for termination payments following involuntary termination without cause following a change in control. These provisions are based on competitive practice and are designed to ensure that executives interests remain aligned with shareholders should a potential change of control occur. They are also intended to provide some level of income continuity should an executive s employment be terminated without cause. The Company believes, as stated above, that providing for such income continuity results in greater management stability and lower unwanted management turnover.

The level of severance benefits under the applicable scenario reflects the Company s perception of competitive market practice for the named executive officers positions, based on an assessment by Towers Watson. Severance pay was established as a multiple of base salary and actual annual incentive compensation, based on competitive market practice. Specific dollar values were not targeted by the Compensation Committee, although the Compensation Committee did review tally sheets that showed the estimated cost of such benefits under various scenarios. The amounts of potential payouts are indicated in the Termination Scenarios table on page 37.

Deferred Compensation

The Company maintains a Deferred Compensation Plan that allows certain employees, including the named executive officers, to defer receipt of all or a portion of their salary, employee contributions and Company match that would otherwise be directed to the Post-Tax Savings Plan and/or incentive compensation payable in cash or shares of Common Stock until a specified point in the future. Cash deferrals earn interest quarterly at a rate based on the prime rate plus one percent. None of the named executive officers earned above-market interest, as defined by the Securities and Exchange Commission.

The Deferred Compensation Plan is not funded by the Company, and participants have an unsecured contractual commitment by the Company to pay the amounts due under the plan. When such payments are due, they will be distributed from the Company s general assets. In the event of a change in control in the Company, as defined in the plan, participants are entitled to receive deferred amounts immediately. The Company believes that providing employees with tax deferral opportunities aids in the attraction and retention of such employees.

The value of deferred compensation amounts is quantified each year and this program is periodically reviewed for its competitiveness. To date, the value of deferred compensation has not had a significant impact on decisions regarding salary, annual incentive awards or long-term incentive grants.

Perquisite Programs

The Company s executive officers, including all of the named executive officers, are eligible to participate in a number of broad-based benefit programs, including health, disability and life insurance programs. The named executive officers may also receive certain perquisites including term life insurance coverage, financial counseling and tax preparation, access to corporate country club memberships (although personal expenses are not reimbursed), and home security systems. The value of these benefits is reflected in the All Other Compensation column in the Summary Compensation Table on page 27. Beginning January 1, 2011, the Company no longer provides tax gross-ups for these benefits to executives. These benefits are intended to provide executives with a competitive perquisite program that is reasonable and consistent with the

Table of Contents

Company s overall approach to executive compensation. The total cost of these benefits is a small percentage of each named executive officer s total compensation.

2010 SUMMARY COMPENSATION TABLE

The following table sets forth information concerning compensation for the Company s principal executive officer, principal financial officer and three other most highly compensated executive officers for 2010:

Name and Principal Position	Year	Salary	Bonus	Stock Awards (1)	Option Awards (2)	Non-Equity Incentive Plan Compensation (3)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (4)	All Other Compensation (5)	Total
James W. Griffith	2010	$ 1,025,004	$ 0	$ 802,518	$ 1,915,053	$ 2,562,502	$ 1,332,000	$ 74,050	$ 7,711,127
President and	2009	$ 985,581	$ 0	$ 430,408	$ 1,024,717	$ 0	$ 1,419,000	$ 100,449	$ 3,960,155
Chief Executive Officer	2008	$ 1,018,840	$ 0	$ 690,750	$ 1,592,290	$ 1,778,700	$ 885,000	$ 118,300	$ 6,083,880
Ward J. Timken, Jr. Chairman	2010	$ 810,000	$ 0	$ 634,760	$ 1,510,885	$ 2,025,000	$ 327,000	$ 74,812	$ 5,382,457
Board of Directors	2009	$ 778,846	$ 0	$ 340,494	$ 808,186	$ 0	$ 527,000	$ 145,269	$ 2,599,795
	2008	$ 805,000	$ 0	$ 546,460	$ 1,256,030	$ 1,404,909	$ 346,000	$ 129,900	$ 4,488,299
Michael C. Arnold	2010	$ 630,034	$ 0	$ 256,171	$ 611,226	$ 1,119,033	$ 1,818,000	$ 63,450	$ 4,497,914
Executive Vice President	2009	$ 600,581	$ 95,000	$ 131,923	$ 265,631	$ 0	$ 659,000	$ 73,851	$ 1,825,986
and President Bearings and Power Transmission	2008	$ 590,004	$ 0	$ 211,830	$ 412,413	$ 761,544	$ 336,000	$ 67,551	$ 2,379,342
Glenn A. Eisenberg	2010	$ 600,034	$ 0	$ 247,103	$ 496,395	$ 1,071,002	$ 594,000	$ 70,111	$ 3,078,645
Executive Vice	2009	$ 578,658	$ 90,000	$ 131,923	$ 265,631	$ 0	$ 489,000	$ 88,942	$ 1,644,154
President Finance and Administration	2008	$ 590,004	$ 0	$ 211,830	$ 412,413	$ 763,120	$ 298,000	$ 89,215	$ 2,364,582
Salvatore J. Miraglia, Jr.	2010	$ 438,368	$ 0	$ 204,030	$ 434,006	$ 762,503	$ 618,000	$ 51,942	$ 2,508,849
President Steel	2009	$ 421,739	$ 65,000	$ 109,076	$ 232,243	$ 0	$ 746,000	$ 50,899	$ 1,624,957
	2008	$ 427,508	$ 0	$ 174,990	$ 360,985	$ 512,288	$ 484,000	$ 72,332	$ 2,032,103

(1) The amounts shown in this column for 2010 represent the aggregate fair market value on the date of grant, computed in accordance with FASB ASC Topic 718, of performance shares granted in 2010.

Performance share grants for each of the named officers require the Company to achieve a performance objective for at least one year during the four-year vesting period. Upon attainment of the performance objective, the grants convert to time vesting for all shares. The 2010 performance share grants required the Company to achieve a performance objective of EBIT/BIC of 4% or better and this objective was achieved in 2010.

(2) The amounts shown in this column for 2010 represent the fair market value of nonqualified stock options at the time they were granted in 2010, computed in accordance with FASB ASC Topic 718, using the Black-Scholes model. All stock options vest at a rate of 25% per year. Assumptions used to determine the value of nonqualified stock options are listed in the discussion of Stock Compensation Plans in Note 9 of the Company s Consolidated Financial Statements contained in the Company s Annual Report on Form 10-K for the year ended December 31, 2010.

Table of Contents

(3) The amounts shown in this column for 2010 represent cash awards under the Senior Executive Management Performance Plan (annual incentive plan) for 2010 and the performance units under the Long-Term Incentive Plan covering the 2010-2012 performance cycle. There was no payout under the Long-Term Incentive Plan covering the 2008-2010 performance cycle for any of the named executive officers, as threshold targets were not attained. The performance units covering the 2010-2012 performance cycle provided the opportunity to earn an award each year based on that year s performance. Amounts earned under the Senior Executive Management Performance Plan and performance units, respectively, for each of the named executive officers were as follows: Mr. Griffith $2,050,000 and $512,502; Mr. Timken $1,620,000 and $405,000; Mr. Arnold $855,531 and $263,502; Mr. Eisenberg $835,000 and $236,002; and Mr. Miraglia $612,000 and $150,503.

(4) The amounts shown in this column for 2010 represent the difference between the amounts shown in the 2010 Pension Benefits Table on page 33 as of December 31, 2010 and those amounts calculated as of December 31, 2009. See the discussion of Pension Benefits on pages 32 and 33 for a description of how the amounts as of December 31, 2010 were calculated. The amounts as of December 31, 2009 were calculated using the same assumptions, except that a discount rate of 6.0% was used. For both years, liabilities were determined assuming no probability of termination, retirement, death, or disability before age 62 (the earliest age unreduced pension benefits are payable from the plans). None of the named executive officers earned above-market earnings in a deferred compensation plan.

(5) The amounts shown in this column for 2010 are broken down in detail in the following table:

Name	Annual Company Contribution to SIP Plan and Core DC Program (a)	Annual Company Contribution to Post-Tax Savings Plan (b)	Annual Life Insurance Premium (Company Paid)	Executive Physicals (Company Required)	Financial Planning Reimbursement	Home Security (Company Required)	Personal Use of Company s Country Club Member-ships (c)	Spousal Travel (d)	Tax Gross-Ups for Life Insurance, Financial Planning, Home Security and Spousal Travel (e)	Other (f)
James W. Griffith	$11,025	$35,144	$ 5,284	$3,313	$ 5,013	$410	$ 0	$2,459	$6,366	$5,036
Ward J. Timken, Jr.	$19,600	$45,203	$ 2,967	$4,429	$ 0	$167	$ 62	$ 0	$1,472	$ 912
Michael C. Arnold	$11,025	$17,349	$11,571	$3,831	$ 5,635	$167	$4,090	$ 33	$8,173	$1,576
Glenn A. Eisenberg	$19,600	$28,415	$ 4,530	$2,963	$ 7,500	$327	$ 0	$ 0	$5,802	$ 974
Salvatore J. Miraglia, Jr.	$11,025	$ 8,713	$ 5,310	$2,019	$ 4,208	$527	$4,360	$5,035	$7,727	$3,018

(a)

SIP Plan refers to the Savings and Investment Pension Plan, which is the Company s qualified defined contribution plan for salaried employees. Core DC Program refers to the core defined contribution program for all new salaried employees hired on or after January 1, 2004, as well as for current salaried employees whose age plus years of service with the Company equaled less than 50 as of December 31, 2003. Mr. Timken and Mr. Eisenberg participate in the Core DC Program.

(b) The Post-Tax Savings Plan is the Company s tax-qualified restoration plan for salaried employees whose contributions and benefits in qualified retirement plans are limited by Section 415 of the Internal Revenue Code.

(c) The amounts shown for personal use of country club memberships reflect pro-rated amounts of company-paid annual membership dues in 2010 that were used for personal use by the named executive officers. There are no incremental costs to the Company for personal use, as all such costs are borne by the officer.

(d) The amounts shown for spousal travel include actual incremental travel expenses, as well as estimated incremental costs of traveling on the Company s aircraft (if used), when accompanying the named executive officer on business travel.

Table of Contents

(e) Beginning January 1, 2011, the Company no longer provides tax gross-ups for benefits to executives.

(f) The amounts shown represent imputed income for the cost of pre-tax term life insurance (which is provided by the Company for all associates equal to one times their annual salary) for the portion that exceeds the IRS pre-tax limit of $50,000.

2010 GRANTS OF PLAN-BASED AWARDS

The following table sets forth information concerning certain grants made to the named executive officers during 2010:

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards Threshold	Target	Maximum	Estimated Future Payouts Under Equity Incentive Plan Awards (Number of Shares) Target	All Other Stock Awards: Number of Shares of Stock	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards ($/share)	Grant Date Fair Value of Stock and Option Awards (5)
James W. Griffith	2/8/2010 Perf Units (1)	$1,025,000	$2,050,000	$3,075,000					
	2/8/2010 SEMPP (2)	$ 758,503	$1,435,006	$2,050,008					
	2/8/2010 Perf Shrs (3)				35,400				$ 802,518
	2/8/2010 NQSOs (4)						211,800	$22.67	$1,915,053
Ward J. Timken, Jr.	2/8/2010 Perf Units (1)	$ 810,000	$1,620,000	$2,430,000					
	2/8/2010 SEMPP (2)	$ 599,400	$1,134,000	$1,620,000					
	2/8/2010 Perf Shrs (3)				28,000				$ 634,760
	2/8/2010 NQSOs (4)						167,100	$22.67	$1,510,885
Michael C. Arnold	2/8/2010 Perf Units (1)	$ 527,000	$1,054,000	$1,581,000					
	2/8/2010 SEMPP (2)	$ 349,669	$ 661,536	$ 945,051					
	2/8/2010 Perf Shrs (3)				11,300				$ 256,171
	2/8/2010 NQSOs (4)						67,600	$22.67	$ 611,226
Glenn A. Eisenberg	2/8/2010 Perf Units (1)	$ 472,000	$ 944,000	$1,416,000					
	2/8/2010 SEMPP (2)	$ 310,818	$ 588,033	$ 840,048					
	2/8/2010 Perf Shrs (3)				10,900				$ 247,103
	2/8/2010 NQSOs (4)						54,900	$22.67	$ 496,395
Salvatore J.									

Miraglia, Jr.	2/8/2010 Perf Units (1)	$ 301,000	$ 602,000	$ 903,000				
	2/8/2010 SEMPP (2)	$ 227,075	$ 429,601	$ 613,715				
	2/8/2010 Perf Shrs (3)				9,000			$ 204,030
	2/8/2010 NQSOs (4)					48,000	$22.67	$ 434,006

(1) The Perf Units amounts shown indicate aggregate threshold, target and maximum award opportunities for performance units covering the 2010-2012 performance cycle granted to each named executive officer in 2010 under the Long-Term Incentive Plan. Payment of awards is subject to the attainment of return on invested capital and earnings per share targets during the 2010-2012 performance cycle. Each measure is weighted equally. For any payment to be earned, the actual performance must exceed the threshold performance levels for both return on invested capital and earnings per share. If the threshold performance level for either measure is not attained, then no payment will occur. If an award is payable, the minimum award is 50% of target and the maximum award is 150% of target. Performance units for the 2010-2012 performance cycle provided the opportunity to earn an award each year based on that year s performance. Payments may be made in cash or shares of Common Stock, as determined by the Compensation Committee.

(2) The SEMPP amounts shown indicate threshold, target and maximum award opportunities under the Senior Executive Management Performance Plan for 2010. The Senior Executive Management Plan is a shareholder-approved plan in which all the named executive officers participated in 2010. The performance metrics for 2010 were corporate EBIT/BIC and working capital as a percentage of sales. A minimum level of performance is established each year, below which no annual performance awards are

Table of Contents

earned. Awards paid to individual executives are based on the actual financial results in relation to the target goals under the plan. In addition, the Compensation Committee retains the discretion to adjust downward any awards determined by the formula as the Compensation Committee deems appropriate.

(3) The Perf Shrs amounts shown reflect performance shares granted in 2010, which required the Company to achieve a performance objective of EBIT/BIC of 4% or better for at least one year during the four-year vesting period. The performance objective was achieved in 2010; therefore the shares will vest over a total of four years in 25% increments on the anniversary of the date of grant. Dividend equivalents are paid after the performance threshold is met and until the performance shares convert to Common Stock after vesting.

(4) The NQSOs amounts shown reflect nonqualified stock options granted in 2010. All options granted to the named executive officers during 2010 were granted on February 8, 2010. All options were granted pursuant to the Long-Term Incentive Plan with an exercise price equal to the fair market value (as defined in the plan) on the date of grant, have a ten-year term and will become exercisable over four years in 25% increments on the anniversary of the date of grant. The agreements pertaining to these options provide that such options will become exercisable in full and will vest in the event of death or disability of the option holder or a change in control of the Company, in each case as defined in such agreements. In the cases of normal retirement and retirement with the Company s consent (prior to the age of 62), such options will become exercisable with the same terms and conditions as normal vesting, as if the option holder had remained in the continuous employ of the Company.

(5) The amounts shown reflect the fair market value on the date of grant of performance shares and options granted in 2010, computed in accordance with FASB ASC Topic 718. The fair market value of performance shares is the opening price of Common Stock on the date of grant multiplied by the number of full shares granted. The fair market value of options is determined using the Black-Scholes model.

Table of Contents

OUTSTANDING EQUITY AWARDS AT 2010 YEAR-END

The following table sets forth information concerning unexercised options and stock that has not vested for each named executive officer as of December 31, 2010:

		Option Awards (1)				Stock Awards (2)		
Name	Grant Date	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price ($/share)	Option Expiration Date	Grant Date	Number of Shares or Units of Stock that Have Not Vested	Market Value of Shares or Units of Stock that Have Not Vested
James W. Griffith	01/31/2005	134,000	0	$ 25.21	01/31/2015	02/05/2007	7,500	$ 357,975
	02/06/2006	134,000	0	$ 30.93	02/06/2016	12/31/2007	800	$ 38,184
	02/05/2007	100,500	33,500	$ 29.23	02/05/2017	02/04/2008	11,250	$ 536,963
	02/04/2008	80,500	80,500	$ 30.70	02/04/2018	12/31/2008	182	$ 8,687
	02/02/2009	0	156,525	$ 14.74	02/02/2019	02/08/2010	35,400	$ 1,689,642
	02/08/2010	0	211,800	$ 22.67	02/08/2020			
Ward J. Timken, Jr.	04/16/2002	10,000	0	$ 25.40	04/16/2012	02/05/2007	6,750	$ 322,178
	04/15/2003	35,000	0	$ 17.56	04/15/2013	12/31/2007	713	$ 34,031
	04/20/2004	24,000	0	$ 24.14	04/20/2014	02/04/2008	8,900	$ 424,797
	01/31/2005	27,000	0	$ 25.21	01/31/2015	12/31/2008	835	$ 39,855
	02/06/2006	114,000	0	$ 30.93	02/06/2016	02/08/2010	28,000	$ 1,336,440
	02/05/2007	85,500	28,500	$ 29.23	02/05/2017			
	02/04/2008	63,500	63,500	$ 30.70	02/04/2018			
	02/02/2009	41,150	123,450	$ 14.74	02/02/2019			
	02/08/2010	0	167,100	$ 22.67	02/08/2020			
Michael C. Arnold (3)	02/05/2007	8,750	0	$ 29.23	02/05/2017	02/05/2007	3,000	$ 143,190
	02/04/2008	20,850	0	$ 30.70	02/04/2018	12/31/2007	254	$ 12,123
	02/02/2009	0	40,575	$ 14.74	02/02/2019	02/04/2008	3,450	$ 164,669
	02/08/2010	0	67,600	$ 22.67	02/08/2020	12/31/2008	52	$ 2,482
						02/08/2010	11,300	$ 539,349
Glenn A. Eisenberg	02/05/2007	0	8,750	$ 29.23	02/05/2017	02/05/2007	3,000	$ 143,190
	02/04/2008	0	20,850	$ 30.70	02/04/2018	12/31/2007	9	$ 430
	02/02/2009	0	40,575	$ 14.74	02/02/2019	02/04/2008	3,450	$ 164,669
	02/08/2010	0	54,900	$ 22.67	02/08/2020	12/31/2008	6	$ 286
						02/08/2010	10,900	$ 520,257
Salvatore J. Miraglia, Jr.	02/05/2007	0	7,500	$ 29.23	02/05/2017	02/05/2007	2,500	$ 119,325
	02/04/2008	0	18,250	$ 30.70	02/04/2018	12/31/2007	445	$ 21,240
	02/02/2009	0	35,475	$ 14.74	02/02/2019	02/04/2008	2,850	$ 136,031
	02/08/2010	0	48,000	$ 22.67	02/08/2020	12/31/2008	52	$ 2,482

02/08/2010	9,000	$	429,570

(1) All option awards shown are nonqualified stock options that vest 25% per year over the four-year period from the date of grant.

(2) Aggregate stock awards shown include performance shares, restricted shares and deferred dividend equivalents that have time-based vesting. Performance shares granted in 2010 were subject to a performance objective in order to vest over time. Because the objective was met in 2010, these shares will vest over time. Performance and restricted shares vest 25% per year over the four-year period from the date of grant, unless cancelled. Options granted prior to April 2002 provided for deferred dividend equivalents to be earned when total net income per share is at least 2.5 times the total amount of cash dividends per share paid during the relevant calendar year. Deferred dividend equivalents are deferred shares with no voting or dividend rights and are subject to forfeiture until four years after the date they are earned. The market value of all shares shown in this column was determined based upon the closing price of Common Stock on December 31, 2010 ($47.73).

Table of Contents

(3) The unexercisable options and unvested stock awards shown for Mr. Arnold (108,175 and 11,300, respectively), will continue to vest on the same schedule as normal vesting, following his retirement with the Company s consent on December 31, 2010, as specified in agreements pertaining to these grants.

2010 OPTION EXERCISES AND STOCK VESTED

The following table sets forth information with respect to the exercise of stock options by and vesting of stock-based awards for the named executive officers during 2010:

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise	Value Realized on Exercise (1)	Number of Shares Acquired on Vesting	Value Realized on Vesting (2)
James W. Griffith	236,175	$4,582,890	22,161	$ 548,324
Ward J. Timken, Jr.	10,000	$ 289,800	18,681	$ 447,645
Michael C. Arnold (3)	145,625	$ 987,934	39,699	$1,092,682
Glenn A. Eisenberg	78,125	$1,122,094	7,734	$ 177,774
Salvatore J. Miraglia, Jr.	64,075	$ 383,000	6,881	$ 169,377

(1) The value realized on the exercise of options is the difference between the exercise price and the fair market value of Common Stock on the date of exercise. Fair market value is determined by a real-time trading quote from the New York Stock Exchange at the time of exercise.

(2) The value shown in the table for stock awards is the number of shares multiplied by the fair market value of Common Stock on the date of vesting. Fair market value is determined by the average of the high and low price of a share of Common Stock on the date of vesting.

(3) The number of shares acquired on vesting and value realized on vesting for Mr. Arnold in 2010 include 6,756 restricted shares and 19,175 nonqualified stock options, for which vesting was accelerated at the time of his retirement with the Company s consent on December 31, 2010, as specified in the respective agreements pertaining to these grants, which were made prior to 2009. Beginning in 2009, vesting of restricted shares and options upon retirement with the Company s consent continues with the same terms and conditions as normal vesting, as if the grantee had remained in the continuous employ of the Company.

PENSION BENEFITS

Qualified Plan

During 2003, the Company moved from a defined benefit retirement program (the Qualified Plan) to a core defined contribution retirement income program for all new salaried employees hired on or after January 1, 2004, as well as for current salaried employees whose age plus years of service with the Company equaled less than 50 as of December 31, 2003. Salaried employees whose age plus years of service equaled or exceeded 50 as of December 31, 2003 participate in a defined benefit plan with a formula of 0.75% per year of service times average earnings, including base salary and cash annual incentive compensation, for the highest five non-consecutive years of the ten years preceding retirement (Final Average Earnings). For all employees in a defined benefit plan as of December 31, 2003, the formula in effect at the time of service, using Final Average Earnings at retirement, would be applied to such service.

The benefit is generally payable beginning at age 65 for the lifetime of the employee, with alternative forms of payment available with actuarial adjustments. Participants may retire early from the Qualified Plan if they meet any of the following eligibility requirements:

Age 62 and 15 years of service;

Age 60 and 25 years of service; or

Any age and 30 years of service.

Table of Contents

In addition, participants age 55 with at least 15 years of service may retire and receive the portion of their Qualified Plan benefit attributable to service earned after 2003. As of December 31, 2010, Messrs. Griffith, Arnold and Miraglia were the only named executive officers who were eligible for early retirement.

Benefits for service after December 31, 1991 are reduced for early commencement at a rate of three percent per year before age 60 for the portion of the benefit attributable to service earned between 1992 and 2003, and four percent per year before age 62 for the portion of the benefit attributable to service earned after 2003.

Supplemental Pension Plan

Consistent with the retirement income program changes the Company implemented for its salaried employees generally, the Company also reviewed and modified its Supplemental Executive Retirement Program for Executive Officers (SERP), effective January 1, 2004. Supplemental retirement income benefits under the SERP will be calculated using a target benefit of 60% of Final Average Earnings, offset by any defined benefit plan payments provided by the Company and the aggregate earnings opportunity provided by any Company contributions under the core defined contribution program, the SIP Plan and the Post-Tax Savings Plan. To receive 100% of the supplemental benefit, the officer must have at least 10 years of Company service. Benefits will be prorated for Company service of less than 10 years. The supplemental benefit will vest after five years of service as an officer of the Company, with normal retirement being considered as of age 62. Early retirement at age 55 with at least 15 years of Company service will be available, but if benefits are commenced early, they will be reduced by four percent per year for each year of early commencement prior to age 62.

For both the Qualified Plan and the SERP, only actual years of service are counted in calculating pension benefits, except in the case of involuntary termination without cause, in which case up to two additional years of service will be credited.

2010 PENSION BENEFITS TABLE

The following table sets forth the number of years of credited service and actuarial value of the defined benefit pension plans for the named executive officers as of December 31, 2010:

Name	Plan Name	Number of Years of Credited Service	Present Value of Accumulated Benefit (1)
James W. Griffith (2)	Supplemental Plan	26.5	$ 8,179,000
	Qualified Plan	26.5	$ 552,000
Ward J. Timken, Jr. (3)	Supplemental Plan	18.6	$ 1,968,000
	Qualified Plan	11.6	$ 115,000
Michael C. Arnold (4)	Supplemental Plan	31.6	$ 3,816,000
	Qualified Plan	31.6	$ 817,000
Glenn A. Eisenberg (3)	Supplemental Plan	9.0	$ 2,186,000
	Qualified Plan	2.0	$ 28,000
Salvatore J. Miraglia, Jr. (2)	Supplemental Plan	38.5	$ 3,562,000
	Qualified Plan	38.5	$ 1,074,000

(1) The Present Value of Accumulated Benefit is the present value as of December 31, 2010 of the pension benefits earned as of such date that would be payable under that plan for the life of the executive, beginning at age 62. Age 62 is the earliest age an unreduced benefit is payable from the plans. The assumptions used to determine the present value include a 5.75% discount rate and mortality according to the RP-2000 Mortality Table. Benefits were determined assuming no probability of termination, retirement, death, or disability before age 62. For 2010, the Internal Revenue Code pay limit was $245,000 and the maximum benefit was $195,000.

(2)

Due to their length of service as officers of the Company, Mr. Griffith and Mr. Miraglia were grandfathered in a prior SERP formula for service before 2004. The following formula applies to each of them: (1) 1.75% of Final Average Earnings, reduced by 1.25% of the Social Security benefit, times years of service prior to January 1, 2004, the result increased by 5%; plus (2) the benefit under the

Table of Contents

formula discussed in the Supplemental Pension Plan section above, times the ratio of service after December 31, 2003 to total service.

(3) Because neither Mr. Eisenberg nor Mr. Timken had a combination of age and service with the Company that equaled or exceeded 50 as of December 31, 2003, they do not accumulate any service under the Qualified Plan after December 31, 2003.

(4) The pension benefit amounts shown for Mr. Arnold represent present value of actual amounts payable to him, based on his retirement with the Company s consent on December 31, 2010.

2010 NONQUALIFIED DEFERRED COMPENSATION

The table below sets forth information regarding Deferred Compensation Plan contributions, earnings and withdrawals during 2010 and the account balances as of December 31, 2010 for the named executive officers:

Name	Executive Contributions in 2010 (1)	Company Contributions in 2010 (1)	Aggregate Earnings in 2010 (2)	Aggregate Withdrawals/ Distributions in 2010	Aggregate Balance at December 31, 2010 (3)
James W. Griffith	$ 0	$ 0	$413,497	$ 0	$ 1,089,557
Ward J. Timken, Jr.	$33,900	$45,200	$ 7,442	$ 0	$ 259,732
Michael C. Arnold	$ 0	$ 0	$ 0	$ 0	$ 0
Glenn A. Eisenberg	$ 0	$ 0	$ 0	$ 0	$ 0
Salvatore J. Miraglia, Jr.	$ 0	$ 0	$208,682	$ 0	$ 591,667

(1) Amounts shown as executive contributions or Company contributions in 2010 were reported in the 2010 Summary Compensation Table.

(2) This column includes interest earned from cash deferrals, dividend equivalents earned from restricted share deferrals, interest earned on those dividend equivalents and appreciation or depreciation in value for restricted share deferrals. The earnings during this year and previous years were not above market or preferential, therefore these amounts were not included in the 2010 Summary Compensation Table.

(3) Amounts included in the aggregate balances that previously were reported as compensation in the Summary Compensation Table for previous years (or would have been had the recipient been identified as a named executive officer) are as follows: Mr. Griffith $524,000; Mr. Timken $170,870; and Mr. Miraglia $267,000.

The Company maintains a Deferred Compensation Plan that allows certain employees, including the named executive officers, to defer receipt of all or a portion of their salary, employee contributions and Company match that would otherwise be directed to the Post-Tax Savings Plan and/or incentive compensation payable in cash or shares of Common Stock until a future time they have specified. Cash deferrals earn interest quarterly at a rate equal to the prime rate plus one percent. Restricted share deferrals, which were previously allowed under the plan, earn dividend equivalents (cash equivalent to the value of dividends that would be paid on restricted shares) and interest on those dividend equivalents at the aforementioned rate. The Deferred Compensation Plan is not funded by the Company and participants have an unsecured contractual commitment by the Company to pay the amounts due under the plan. When such payments are due, they will be distributed from the Company s general assets. In the event of a change in control in the Company, as defined in the plan, participants are entitled to receive deferred amounts immediately.

Table of Contents

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE-IN-CONTROL

The Company has entered into Severance Agreements with each of the named executive officers that provide for compensation in the event of termination of employment under certain circumstances. In addition, the named executive officers are entitled to post-termination payments or benefits under agreements entered into under the Long-Term Incentive Plan and under the Company s retirement and benefit plans under certain circumstances. The following circumstances would trigger post-termination payments to the named executive officers: change in control followed by certain events described below, involuntary termination without cause, retirement, permanent disability and death. All scenarios are assumed to have a December 31, 2010 effective date.

Change In Control

Under the Severance Agreements with the named executive officers, when certain events occur, such as a reduction in the officer s responsibilities or termination of the officer s employment without cause following a change in control of the Company (as provided in the Severance Agreements), the officer will be entitled to receive payment in an amount, grossed-up for any excise taxes payable by the individual, equal to a multiple of three times the sum of the officer s annual base salary and the greater of:(1) the officer s target annual amount of incentive compensation for the year in which the officer terminates employment; or (2) the officer s target annual amount of incentive compensation for the year in which the change in control occurs. In addition, the officer would receive a lump sum amount representing the SERP benefit.

The lump sum amount is determined by calculating the benefit under the Qualified Plan and the SERP assuming the officer continued to earn service for three additional years with annual earnings during those three years equal to the compensation described above. The lump sum amount is reduced by the lump sum equivalent of the benefit payable from the Qualified Plan. This lump sum is determined based on mortality table and interest rate promulgated by the IRS under Section 417(e)(3) of the Internal Revenue Code.

The officer would also receive certain benefits based on contributions that would have been made to the SIP Plan and the Post-Tax Savings Plan during the three-year period. Any unvested equity-based grants would vest and become nonforfeitable. The officer has five years to exercise all stock options. In the event of a change in control, the amounts payable under the Severance Agreements become secured by a trust arrangement.

At its meeting on December 9, 2010, the Compensation Committee of the Board of Directors approved a new form of Severance Agreement that eliminates the excise tax gross-up provision for new participants or existing participants moving into higher-level positions. This new form agreement provides that the participant can choose the best net benefit of either: (1) paying all excise taxes incurred by a change-in-control benefit, without a gross-up by the Company; or (2) accepting a change-in-control benefit that is no greater than the excise tax threshold.

Voluntary Termination

The Company pays no severance, benefits, perquisites or vesting of any equity-based grants in the case of a voluntary termination.

Involuntary Termination With Cause

The Company provides no severance, benefits, perquisites or vesting of any equity-based grants in the case where an officer is terminated by the Company with cause. As provided in the Severance Agreements, termination with cause can occur only in the event that the officer has done any of the following: an intentional act of fraud, embezzlement or theft in connection with his duties with the Company; intentional wrongful disclosure of secret processes or confidential information of the Company or a Company subsidiary; or intentional wrongful engagement in any Competitive Activity (as defined in the Severance Agreements) which would constitute a material breach of the officer s duty of loyalty to the Company.

If the Company terminates an officer s employment for cause, no benefit is payable from any of the nonqualified pension plans.

Table of Contents

Involuntary Termination Without Cause

In the case of an involuntary termination without cause, each named executive officer is entitled to severance equal to 1.5 times the sum of the officer s base salary and highest annual incentive compensation during the preceding five years (not to exceed target), except the Chairman and the Chief Executive Officer, who are entitled to severance of two times the sum of base salary and highest annual incentive compensation during the preceding five years (not to exceed target). In consideration for providing severance benefits, the Company receives confidentiality and non-compete covenants from the named executive officers, as well as a release of liability for all claims against the Company.

The values shown on the table below for the retirement benefits are payable in the same form and manner as discussed in the narrative following the Pension Benefits Table. For purposes of involuntary termination without cause, the benefit is determined and payable as described in the Pension Benefits discussion on pages 32 and 33, but with two additional years of service credit.

Retirement

Retirement infers retirement with the Company s consent, which means either: (1) retirement of the named executive officer prior to age 62, if the Compensation Committee of the Board of Directors determines that such retirement is for the convenience of the Company; or (2) retirement of the named executive officer on or after age 62.

In addition to retirement benefits shown in the 2010 Pension Benefits Table (which are not shown in the following table of Termination Scenarios, other than for Mr. Arnold, who actually retired at the end of 2010), benefits for executive officers who retire with the Company s consent include: prorated payouts of performance units, accelerated vesting of earned, equity-based LTIP awards granted prior to 2009, and SERP adjustments to retirement benefits if retiring prior to age 62. For equity-based LTIP awards granted since 2009, there is no acceleration of vesting for retirement, rather normal vesting continues as if the officer had remained in the continuous employ of the Company.

Death or Permanent Disability

Permanent Disability occurs if a named executive officer qualifies for permanent disability benefits under a disability plan or program of the Company or, in the absence of a disability plan or program of the Company, under a government-sponsored disability program.

Benefits for officers who die while actively employed are payable to the surviving spouse from the defined benefit pension plans at the officer s normal retirement date (or on a reduced basis at an early retirement date) if the officer had at least five years of service. The benefit is equal to 50% of the benefit payable if the officer had terminated employment on the date of his death, survived to the payment date (as elected by spouse), elected the 50% joint and survivor form of payment and died the next day. If the executive has at least 15 years of service at time of death, the benefit is equal to 50% of the accrued benefit at time of death payable immediately, but with any applicable early commencement reduction.

All equity-based LTIP grants immediately vest in the event of death or permanent disability. In the case of disability, the employee has up to five years to exercise stock options. There is a one-year expiration period in the case of death for the survivor to exercise stock options.

Termination Scenarios

Mr. Griffith

	Voluntary Resignation	Termination With Cause	Retirement (7)	Death & Disability	Termination Without Cause	Change in Control
Cash Severance (1)	$0	$ 0	$ 0	$ 0	$ 4,100,016	$ 6,150,024
Cash LTIP Award (2)	$0	$ 0	$ 664,200	$ 664,200	$ 664,200	$ 664,200
Equity (3)	$0	$ 0	$2,932,473	$15,093,583	$ 9,873,655	$15,093,583
Retirement Benefits (4)	$0	$ 0	$1,427,000	$ 0	$ 471,000	$ 3,250,000
Other Benefits (5)	$0	$ 0	$ 0	$ 1,600,000	$ 40,000	$ 50,000
Excise Tax Gross-Up (6)						$ 0
Total	$0	$ 0	$5,023,673	$17,357,783	$ 15,148,871	$25,207,807

Mr. Timken

	Voluntary Resignation	Termination With Cause	Retirement (7)	Death & Disability	Termination Without Cause	Change in Control
Cash Severance (1)	$0	$ 0		$ 0	$ 3,240,000	$ 4,860,000
Cash LTIP Award (2)	$0	$ 0		$ 524,880	$ 524,880	$ 524,880
Equity (3)	$0	$ 0		$12,026,097	$ 7,906,576	$12,026,097
Retirement Benefits (4)	$0	$ 0		$ 0	$ 0	$ 1,996,000
Other Benefits (5)	$0	$ 0		$ 600,000	$ 40,000	$ 50,000
Excise Tax Gross-Up (6)						$ 4,226,409
Total	$0	$ 0		$13,150,977	$ 11,711,456	$23,683,386

Mr. Arnold (8)

	Voluntary Resignation	Termination With Cause	Retirement (7)	Death & Disability	Termination Without Cause	Change in Control
Cash Severance (1)			$ 0			
Cash LTIP Award (2)			$ 305,856			
Equity (3)			$ 839,414			
Retirement Benefits (4)			$1,345,000			
Other Benefits (5)			$ 0			
Excise Tax Gross-Up (6)						
Total			$2,490,270			