

K# 3278

2009

**SUPPLEMENTAL UNEMPLOYMENT
BENEFIT AGREEMENT**

And

401(k) AGREEMENT

Between

THE TIMKEN COMPANY

And

**UNITED STEEL, PAPER AND FORESTRY,
RUBBER, MANUFACTURING, ENERGY,
ALLIED INDUSTRIAL AND SERVICE
WORKERS INTERNATIONAL UNION**

THE TIMKEN COMPANY

CANTON, OHIO



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RUBBER, MANUFACTURING, ENERGY, ALLIED
INDUSTRIAL AND SERVICE WORKERS
INTERNATIONAL UNION

THIS AGREEMENT, dated November 2, 2009, hereinafter referred to as the "2009 Supplemental Unemployment Benefit Agreement", is between THE TIMKEN COMPANY, hereinafter referred to as the "Company", and UNITED STEEL, PAPER AND FORESTRY, RUBBER, MANUFACTURING, ENERGY, ALLIED INDUSTRIAL AND SERVICE WORKERS INTERNATIONAL UNION on behalf of itself and Local Union 1123, said International Union and Local Union collectively being referred to as the "Union", and effective on January 1, 2010.

The parties agree as follows:

SECTION 1. Whenever used herein:

A. The terms "Company", "Union", "Employee", and "He" shall have the same meanings as are ascribed to such words in the current Basic Labor Agreement between the parties in respect of rates of pay, hours of work and conditions of employment.

B. The parties have entered into a series of Agreements, including amendments or extensions thereof, the most recent of which is dated September 23, 2005, embodying a Supplemental Unemployment Benefit Plan. The parties have reached an agreement on a revised Plan which will operate as a continuation

of the Supplemental Unemployment Benefit Plan, as set forth in the prior Agreements, and will provide for the payment of Supplemental Unemployment Benefits as hereafter set forth.

SECTION 2. The parties agree as follows as to Supplemental Unemployment Benefits:

A. The Supplemental Unemployment Benefit Plan (hereinafter known as the Plan) attached hereto, and made a part hereof, is hereby adopted and made applicable to the employees.

B. The Company will provide the Union with a report at the end of each payroll quarter which specifies the dollar amount of Weekly Benefits and Short Week Benefits paid under the Plan during such payroll quarter and the cumulative dollar amount of Weekly Benefits and Short Week Benefits paid under the Plan during the calendar year.

C. The employee shall follow the procedure established by the Company for the filing of claims for benefits provided by this Agreement.

The Company will make all determinations as to the right of any employee to benefits under the Agreement in accordance with the governing Agreement documents and will ensure that Agreement's provisions are applied consistently with respect to similarly situated employees. Any denial by the Company of a claim for benefits under the Agreement by an employee will be stated in writing by the Company and delivered or mailed to the employee within a reasonable period of time, but not later than ninety (90) days after receipt of the claim, unless the Company determines that special circumstances require an extension of time for processing the claim. Written notice of the extension shall be furnished to

the employee prior to the termination of the initial ninety (90)-day period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Company expects to render the benefit determination, which cannot exceed a period of ninety (90) days from the end of the initial period.

The Company shall provide an employee with written or electronic notification of any adverse benefit determination. The notification shall set forth in a manner calculated to be understood by the employee:

1. The specific reason or reasons for the adverse determination;

2. Reference to the specific Agreement provisions on which the determination is based;

3. A description of any additional material or information necessary for the employee to perfect the claim and an explanation of why such material or information is necessary;

4. A description of the Agreement's grievance and arbitration procedures and the time limits applicable to such procedures, including a statement of the employee's right to bring a civil action under Section 502(a) of ERISA following an adverse benefit determination on review.

If any difference shall arise between the Company and any employee as to the benefits payable to him under the Plan, or as to the interpretation or application of or compliance with the provisions of the Plan or this Agreement, and an understanding cannot be reached with respect to such difference between representatives of the Company and of the Union designated for the purpose, such dispute may

be disposed of in the manner provided for in Article IX - Adjustment of Grievances of the 2009 Basic Labor Agreement commencing with the last step of the grievance procedure preceding arbitration. Any employee who wishes to submit such a dispute to such step of the grievance procedure must have the Representative of the International Union mail a statement of his intention to do so to the Superintendent of Industrial Relations in the plant in which he works, postmarked within ten (10) days from the date of the notice to him of the action to which he objects, which statement shall fully set forth the basis of his objection.

An award of the arbitrator in respect of any such question shall be made retroactive to the date of the occurrence or non-occurrence of the event upon which such question is based, but in no case prior to a date thirty (30) days before such question shall have been presented in writing to the Company. The arbitrator shall have authority only to decide the question in accordance with the applicable provisions of the Plan or this Agreement, but he shall not have authority in any way to alter, add to, or subtract from any of the provisions of the Plan or this Agreement.

D. In the event of the failure of the Company to obtain and retain the rulings referred to in Sections 1 and 2 of Article VIII of the Plan, the parties will negotiate during the sixty (60) days after the date of denial with respect to modifying the Plan, to meet objections of the Internal Revenue Service or the United States Department of Labor or with respect to the use that will be made of the money which the Company would otherwise be obligated to contribute under the Plan; provided, however, that no payment of Weekly Benefits provided by the Plan will be retroactive.

If the parties shall fail to reach a satisfactory

modification of the Plan within sixty (60) days after the date of denial, the Union shall not be bound by the no-strike pledge contained in Article IV of the current Basic Labor Agreement for a period of fifteen (15) days after the expiration of sixty (60) days after the date of denial; but the then current Basic Labor Agreement, Pension Agreement, and Insurance Agreement between the parties shall not be regarded as terminated. If no strike action is taken during such fifteen (15)-day period, the no-strike pledge contained in Article IV of the current Basic Labor Agreement shall remain in effect for the balance of the term of such Agreements, and this Agreement shall be reinstated for all purposes. It is further agreed that in the event of a strike during such fifteen (15)-day period upon the reaching of a new Agreement as to this Agreement or as to the Plan, this Agreement, as it may be amended by negotiations, shall be reinstated for all purposes.

E. During the term of this Agreement, neither the Union nor any of the employees shall request the Company to increase Weekly Benefits under the Plan or to make any change in the Plan (except as may result from the application of the provisions of Paragraph E hereof) or to make any additional payments on account of the layoff of any of the employees. During the term of this Agreement, the Company shall not have any obligation to negotiate or bargain with the Union with respect to the Plan or this Agreement or changes therein or any other matter referred to in this Paragraph, except as provided in Section 3 and Paragraph E of Section 2 hereof.

SECTION 3.

A. This 2009 Supplemental Unemployment Benefit Agreement shall be effective on January 1, 2010, at 12:01 a.m., except as hereinafter provided, and supersedes the 2005 Supplemental Unemployment Benefit Agreement between the parties.

- B.** No provision in this Agreement shall be considered as having any retroactive effect, unless it is clearly so stated.
- C.** This Agreement shall continue in full force and effect until 12:01 a.m., January 1, 2014, and for yearly periods thereafter, unless either party shall notify the other party in writing not less than sixty (60) days before any termination date of the 2009 Basic Labor Agreement between the parties of such party's desire to commence negotiations for a new Agreement.
- D.** Negotiations for a new Supplemental Unemployment Benefit Agreement shall be carried on concurrently with negotiations for a Basic Labor Agreement to replace the 2009 Basic Labor Agreement.
- E.** In the event of a strike at the termination of the 2009 Basic Labor Agreement, the operation of this Supplemental Unemployment Benefit Agreement shall not be suspended during the period of such strike until the termination date of this Supplemental Unemployment Benefit Agreement.
- F.** In the event that no agreement is reached on a new Supplemental Unemployment Benefit Agreement by 12:01 a.m., September 30, 2013, the Union shall not be bound by its no-strike pledge contained in the Basic Labor Agreement then in effect between the parties.
- G.** The no-strike clause contained in the Basic Labor Agreement between the parties then in effect shall be applicable to this Supplemental Unemployment Benefit Agreement, except as hereinabove provided.
- H.** Except as provided above, there shall be no strikes by reason of disputes under this Supplemental

Unemployment Benefit Agreement during the term of this Agreement.

THE TIMKEN COMPANY

Alan C. Oberster
VP – Environmental, Health &
Safety and Chief Negotiator

UNITED STEEL, PAPER AND FORESTRY, RUBBER, MANUFACTURING, ENERGY, ALLIED INDUSTRIAL AND SERVICE WORKERS INTERNATIONAL UNION

Leo W. Gerard
International President

Stan Johnson
International Secretary-Treasurer

Thomas M. Conway
International Vice President, Administration

Fred Redmond
International Vice President, Human Affairs

Carol Landry
International Vice President At Large

David R. McCall
District 1 Director

Dennis Brommer
Sub District Director

Joseph Holcomb
Staff Representative

Joseph M. Hoagland
President - Local 1123

Paul E. Muller
Vice President - Local 1123

Robert B. Seward
Negotiator – Canton Bearing Plant
Local 1123

William H. Crawford
Negotiator – Gambrinus Bearing Plant
Local 1123

Ronald J. Roberts
Negotiator – Faircrest Steel Plant
Local 1123

Michael L. Poole
Negotiator – Gambrinus Steel Plant
Local 1123

William F. Webler
Negotiator – Harrison Steel Plant
Local 1123

SUPPLEMENTAL UNEMPLOYMENT BENEFIT PLAN

ARTICLE I - PURPOSE

The purpose of this Supplemental Unemployment Benefit Plan is to supplement State System Unemployment Benefits to the levels herein provided and to provide Short Week Benefits.

The Plan is maintained for the exclusive benefit of employees and the Plan's terms, including those relating to coverage and benefits, are legally enforceable. The Plan shall be administered in accordance with all applicable state and federal laws and regulations.

ARTICLE II - DEFINITIONS

Wherever used herein:

a. The term "Company" means The Timken Company.

b. The term "Plan" means the Supplemental Unemployment Benefit Plan set forth herein.

c. The term "Employee" means an employee of the Company who is included in a group of employees to whom the Plan shall have been made applicable.

d. The term "part-time Employee" is an employee who regularly, for his own convenience, is not available for full-time employment.

e. The term "Fund" means a trust fund previously established to pay benefits under the Plan.

f. The term "continuous service" means the continuous service of an employee as determined for pension purposes under the Company's Non-Contributory Pension Plan.

g. The term "Weekly Benefit" means the amount of Supplemental Unemployment Benefit payable under the Plan for one (1) calendar week.

ARTICLE III - FINANCING OF BENEFITS

SECTION 1.

The Company had established under prior Plans a Fund for the payment of benefits under the Plan. Effective June 1, 1997, the Company will terminate the Fund as well as any contingent liability accrued with respect to the Company's obligations under prior Supplemental Unemployment Benefit Plans. No person shall have any interest in, or right to, the Fund or any part thereof after its termination.

SECTION 2.

Commencing with calendar year 2010, the Company will pay a maximum of six million dollars (\$6,000,000) to employees in Weekly Benefits and Short Week Benefits under the Plan for layoffs occurring during each calendar year of the Agreement.

At such time as the Company has paid six million dollars (\$6,000,000) during a calendar year, it will not pay any more benefits under the Plan attributable to layoffs occurring in that calendar year. If the Company has paid less than six million dollars (\$6,000,000) in benefits at the end of any calendar year, the amount remaining shall not be added to any amounts paid in subsequent calendar years for benefits under the Plan.

ARTICLE IV - ELIGIBILITY FOR WEEKLY BENEFITS

SECTION 1.

No person shall be eligible for a Weekly Benefit, unless he has met the eligibility requirements of this Article.

SECTION 2.

An employee shall be eligible for a Weekly Benefit only if he is on layoff from the Company for not more than a continuous period of two (2) years with respect to the week for which application is made, if such week does not occur at a time when the Company has fully paid its financial obligations to this Plan for that calendar year, and if

a. such layoff

(1) began on or after January 1, 2010, or if an employee was already on layoff on such date who meets all other eligibility requirements hereunder, and

(2) began after the employee shall have completed two (2) years of continuous service, and

(3) was from a group of employees to whom the Plan shall have been made applicable, and

(4) occurred in a reduction in force or as a result of the permanent shutdown of a plant, department, or subdivision thereof, and

(5) was not a quit, except that in the case of a quit during a layoff the period of layoff prior to the quit will be counted as a layoff under the Plan, and

(6) was not a suspension or discharge, and

(7) was not a consequence of any strike, slowdown, work stoppage, picketing, or concerted action involving employees or members of a Union, which is the collective bargaining agent of the employee, whether at any operation of the Company or elsewhere, and

(8) was not a consequence of any strike, slowdown, work stoppage, picketing, or concerted action at any operation of the Company, or of any labor dispute of any kind involving persons employed by the Company, when such action interferes with production or the ingress or egress of material or product at the operation where the layoff occurs, and

(9) was not a consequence of any strike, slowdown, work stoppage, picketing, or concerted action or any labor dispute of any kind involving persons employed by transportation or utility companies which directly interferes with production or the ingress or egress of material or product at the operation where the layoff occurs, and

(10) was not due to any war or hostile action of a foreign power, and

(11) was not due to government regulations or controls over amount or kind of material or product

which the Company may use or sell, and

(12) was not due to sabotage or insurrection, and

b. with respect to such week, the employee,

(1) is available for work, and

(2) was not scheduled to be, or was not, on paid vacation; provided that, if a layoff coincides in part or in whole with a scheduled vacation period, an employee will be considered to be on layoff only for any part of such period with respect to which he is not entitled to receive vacation pay or has not previously received pay in lieu of vacation; and provided, further, that for the purposes of the Plan, an employee who is entitled to vacation pay at the time of layoff shall be deemed to have a scheduled vacation for the number of weeks between the time of layoff and the end of the vacation year in which such weeks fall (namely June 26, 2010, June 25, 2011, June 30, 2012, and June 29, 2013), equal to the number of weeks of vacation pay which he then receives, and

(3) has not refused either at the time of layoff or during layoff to accept an assignment to any work at the same or any other operation of the Company, except that an employee may refuse two (2) offers of work in the Security Pool, as defined in the 2009 Basic Labor Agreement, and

(4) has not failed, regardless of the reason, to respond to recall within three (3) working days (or any greater number of days which may be authorized under any applicable bargaining agreement), and

(5) was not eligible for and was not claiming any Accident or Sickness or Total Disability Benefit,

whether publicly or privately financed, or any Pension or Retirement Benefit financed in whole or in part by the Company, and

(6) was not in military service (including training encampments), and

(7) did not receive any Unemployment Benefit from or under any contract, plan, or arrangement of any other employer and was not eligible for such a benefit from or under any contract, plan, or arrangement of any employer with whom he has greater service than with the Company.

SECTION 3.

For the purposes of this Article, an employee shall be considered as on layoff for any week in which, because of lack of work, he is not scheduled or assigned to work at all for the Company; provided, however, that in the event of a layoff which is the result of an Act of God or an order issued by a competent court or agency under any Federal or State Environmental Law which requires the Company to reduce or suspend operations, benefits shall be paid only for the first four (4) weeks (the first five (5) weeks, if the first such week is a waiting week under the state system) of such layoff.

ARTICLE V - AMOUNT OF WEEKLY BENEFIT

SECTION 1.

Subject to adjustment, as provided in this Article, the amount of each Weekly Benefit for which an employee shall be eligible shall be determined according to the following schedule of benefits, based upon the employee's continuous service as of the date of layoff:

<u>Years of Service</u>	<u>Weekly Benefit Week 1 to Week 26</u>	<u>Weekly Benefit Beginning Week 27</u>
Less than 2 years	0	0
2 to 19 years	\$150	\$235 for additional 26 weeks

During the term of the 2009 Supplemental Unemployment Benefit Agreement, an employee with at least two (2) but less than twenty (20) years of service will be eligible for a Weekly Benefit equal to \$235 for up to an additional twelve (12) weeks after the employee has exhausted the first fifty-two (52) weeks of Weekly Benefits so long as the employee otherwise continues to be eligible for a Weekly Benefit.

SECTION 2.

For an employee who is on a temporary layoff, the schedule of benefits shall be as set forth in Section 1 above. However, if there is a holiday or holidays in a calendar week when Weekly Benefits for a temporary layoff are paid, the following schedule of benefits is applicable, based on the employee's continuous service at the time of layoff:

<u>Years of Service</u>	<u>1 Holiday</u>	<u>2 Holidays</u>	<u>3 Holidays</u>
Less than 2 years	0	0	0
2 to 19 years	\$145	\$110	\$75

SECTION 3.

Weekly Benefits will be paid according to the normal payroll cycle for each employee. If an employee has elected direct deposit of his earnings into a checking or savings account for regular pay purposes, Weekly Benefits will be directly deposited in the same fashion. Weekly Benefits will be considered

earnings under the then current Pension Agreement.

SECTION 4.

Successive periods of layoff separated by less than six (6) months of active work will be considered one (1) period of layoff for purposes of determining duration of benefits.

SECTION 5.

There shall be deducted from the amount of any Weekly Benefit any amount required to be withheld by reason of any law or regulation for the payment of taxes or otherwise of any federal, state, or municipal government.

ARTICLE VI - SHORT WEEK BENEFITS

SECTION 1.

An employee having two (2) or more years of continuous service may receive a Short Week Benefit for any week in which, because of lack of work, he is scheduled or assigned to work for the Company for less than thirty-two (32) hours, or in the case of a part-time employee, less than four-fifths (4/5) of his normal hours.

SECTION 2.

A Short Week Benefit will be an amount determined by multiplying:

a. the employee's straight-time average hourly rate excluding shift differential (straight-time hourly earnings for employees with more than twenty (20) years of continuous service) during the week for which such benefit is paid; by

b. the difference between thirty-two (32) hours and the total of:

- (1) the hours he worked in the week; plus
- (2) the hours he did not work but for which he was paid by the Company; plus
- (3) the hours he did not work for reasons other than lack of work; provided that, in the case of any employee whose normal work schedule is less than forty (40) hours per week, the thirty-two (32) hours specified above shall be reduced to eighty percent (80%) of the employee's normal work week.

SECTION 3.

A Short Week Benefit will be paid to an employee for any week for which he qualifies and for which he makes application during that week or the following week.

SECTION 4.

Notwithstanding any other provision in this Agreement, Short Week Benefits will be paid for a period of not more than four (4) weeks to any employee whose hours of work in the week are reduced as the result of an Act of God or an order issued by a competent court or agency under any Federal or State Environmental Law which requires the Company to reduce or suspend operations.

**ARTICLE VII -
SPECIAL BENEFITS FOR EMPLOYEES
WITH TWENTY YEARS OF SERVICE**

SECTION 1.

An employee who is laid off because of reduction in force and who, on his last day worked, had twenty (20) years or more of continuous service and who meets the eligibility requirements of Article V shall be eligible to receive Weekly Benefits beyond the maximum duration of such benefits set forth in Article V, provided that such extended Weekly Benefits shall not continue for a period of longer than fifty-two (52) weeks. In the case of an employee affected by a plant shutdown, eligibility for benefits during the period of extended Weekly Benefits shall cease if the employee becomes eligible to receive an unreduced pension.

SECTION 2.

The amount of Weekly Benefit for an employee with twenty (20) or more years of continuous service on his last day worked will be one hundred eighty dollars (\$180) from week one to week 26 and two hundred thirty-five dollars (\$235) beginning week 27 and continuing for an additional seventy-eight (78) weeks. However, if there are any holidays in a calendar week when Weekly Benefits for a temporary layoff are paid, the amount of Weekly Benefit will be one hundred forty-five dollars (\$145) if there is one (1) holiday, one hundred ten dollars (\$110) if there are two (2) holidays, and seventy-five dollars (\$75) if there are three (3) holidays.

**ARTICLE VIII -
CONDITIONS TO THE EFFECTIVENESS
AND CONTINUANCE OF THE PLAN**

SECTION 1.

The Company will not be required to place the Plan in operation, unless and until it shall have

received from the Internal Revenue Service a currently effective ruling or rulings, satisfactory to the Company, that payment of benefits shall constitute a currently deductible expense under the Internal Revenue Code of 1986, as now in effect or as hereafter amended, or under any other applicable Federal Tax Law. Continued operation of the Plan shall be conditioned upon retaining such favorable ruling or rulings from the Commissioner of Internal Revenue.

SECTION 2.

The Company shall not be required to place the Plan in operation, unless and until it shall have received from the United States Department of Labor a currently effective ruling or rulings, satisfactory to the Company, that no part of the benefits payable shall be included in the regular rate of any employee. Continued operation of the Plan shall be conditioned upon retaining such favorable ruling or rulings from the United States Department of Labor.

SECTION 3.

If any such ruling referred to in Section 1 and Section 2 of this Article VIII shall be finally denied, no further action need be taken under the Plan thereafter.

SECTION 4.

No Weekly Benefit shall be payable with respect to any week during the term of this Agreement, unless it remains established, to the satisfaction of the Company, by administrative rulings from competent state authorities or by state statutes that supplementation is permitted. In the event that it shall not remain so established that supplementation is permitted, payments will be made under an alternate arrangement designed to provide benefits, as nearly as possible, similar to Weekly Benefits if and when it shall have been established, to the satisfaction of

the Company, that such alternate arrangement shall be permitted by administrative rulings from competent state authorities or by state statutes.

ARTICLE IX - MISCELLANEOUS

SECTION 1.

A person who enters the armed services of the United States directly from the employment of the Company shall, while in service, be deemed, for the purposes of the Plan, to be on leave of absence and shall not be entitled to any Weekly Benefit. Upon the reinstatement of such a person as an employee with unbroken continuous service, such person shall be credited with the same continuous service that he would have had, had he not entered into the armed services but remained an employee of the Company.

SECTION 2.

Except as otherwise required by law, no benefit shall be subject in any way to alienation, sale, transfer, assignment, pledge, attachment, garnishment, execution, or encumbrance of any kind, and any attempt to accomplish the same shall be void.

SECTION 3.

Except as provided in Section 2 of this Article, benefits shall be payable hereunder only to the person who is eligible therefor, except that if the Company shall find that such person is deceased or is unable to manage his affairs for any reason, any benefit payable to him shall be paid to his duly appointed legal representative, if there be one, and, if not, to the spouse, parents, children, or other relatives or dependents of such person as the Company, in its discretion, may determine. Any payment so made shall be a complete discharge of any liability with respect to such benefit. In the case of death of any

employee, no benefit shall be payable with respect to any period following the last full week of layoff immediately preceding the employee's death.

SECTION 4.

A person who receives Weekly Benefits under the Plan shall not, by reason thereof, be deemed to be working for the Company during such period nor shall he, by reason thereof, receive benefits under any other benefit plan to which the Company contributes other than those to which he would be entitled if he were not receiving Weekly Benefits.

SECTION 5.

The employee's rights and the Company's right to discharge shall not be enlarged or affected by reason of the Plan. Nothing contained in the Plan shall be deemed to enlarge, qualify, limit, or alter in any manner the Company's management responsibilities.

SECTION 6.

The Company shall have the right to recover any payments made to an employee who was not properly entitled thereto or any overpayments and to adjust underpayments to employees.

ARTICLE X - ADMINISTRATION OF THE PLAN

The Company shall have the exclusive right to administer the Plan and to establish such procedures and promulgate such regulations as are reasonably related to the administration of the Plan and subject to all of its terms and provisions. The costs of administering the Plan shall be borne by the Company.

2009

401(k) AGREEMENT

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THE TIMKEN COMPANY

And

**UNITED STEEL, PAPER AND FORESTRY,
RUBBER, MANUFACTURING, ENERGY,
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WORKERS INTERNATIONAL UNION**

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INTERNATIONAL UNION**

THIS 401(k) AGREEMENT, dated as of November 2, 2009, is between THE TIMKEN COMPANY, hereinafter referred to as the "Company", and UNITED STEEL, PAPER AND FORESTRY, RUBBER, MANUFACTURING, ENERGY, ALLIED INDUSTRIAL AND SERVICE WORKERS INTERNATIONAL UNION on behalf of itself and Local Union 1123, said International Union and Local Union collectively being referred to as the "Union", and shall be known as the 2009 401(k) Agreement.

PREAMBLE

WHEREAS, the parties have agreed to establish a 401(k) Plan under a 401(k) Agreement and to provide for the payment of Benefits from the trust to be established.

IT IS HEREBY AGREED, between the parties as follows:

ARTICLE I - DEFINITIONS

Wherever used herein, the terms hereinafter referred to in this 401(k) Agreement shall be understood to have the following meaning:

1. The terms "Company", "Union", and "Employee", shall have the same meanings as ascribed to such words in the 2009 Basic Labor Agreement between the

parties dated November 2, 2009, in respect of rates of pay, hours of work, and conditions of employment.

a. "Company" shall mean THE TIMKEN COMPANY;

b. "Union" shall mean UNITED STEELWORKERS, on behalf of itself and LOCAL UNION 1123, said International Union and Local Union collectively being referred to hereinafter as the "Union";

c. "Employee" shall mean all production and maintenance workers in the bearing, steel and tube plants at Canton, Ohio, the steel and tube plant and bearing plant at Gambrinus (just outside of the City of Canton), and the steel plant on Faircrest Street, S.W., Stark County, Ohio, of the Company, excluding supervisors, assistant supervisors, or supervisors in charge of any class of labor, bricklayers, watchmen, guards, factory clerks, or other clerical workers and salaried employees.

2. The terms "Continuous Service" and "Hour of Service" shall have the same meanings as ascribed to such words in the 2009 Pension Agreement between the parties dated November 2, 2009.

a. Except as otherwise provided, the Continuous Service of any Participant for determining his eligibility for and the amount of any 401(k) Benefit hereunder shall be the time from the first employment of said Participant by the Company until the time of his voluntary retirement, except that such Continuous Service shall be broken and credit for previous service lost by:

(1) Voluntarily quitting the service of the Company. (An unauthorized absence of seven

(7) consecutively-scheduled working days shall be considered a voluntary quit. Absence for military or naval service, other than temporary training programs of the State Guard or Reserve Forces, shall be considered a voluntary quit, unless otherwise provided by law or by the applicable collective bargaining agreement.)

(2) Discharge for proper cause from the service of the Company.

(3) (a) Layoff for a continuous period of time as produces a break in his accumulated Continuous Service record under the Basic Labor Agreement in effect at the time of a layoff but not to exceed a continuous period of two (2) years.

(b) Any Employee on layoff for reduction in force or physical disability who returns to work after January 1, 2006, whose Continuous Service was broken while laid off due to reduction in force after July 21, 1980, pursuant to Paragraph 3 of Section K of Article VIII of the 1980, 1983, 1986, 1989, 1993, 1997, 2000, or 2005 Basic Labor Agreement shall, after the date of the Employee's return to work, have his Continuous Service adjusted so that his Continuous Service, after the date of his return to work, shall be increased by the excess, if any, of his layoff over two (2) years, up to a maximum increase of two (2) years.

(c) Any active Employee as of January 1, 2006, whose Continuous Service was broken while laid off for physical disability after July 21, 1980, pursuant to Paragraph 3 of Section K of Article VIII of the 1980, 1983, 1986, 1989, 1993, 1997, 2000, or 2005 Basic Labor Agreement shall have his Continuous Service adjusted so that his Continuous Service, as of January 1, 2006, shall

be increased by the excess, if any, of his layoff over two (2) years, up to a maximum increase of two (2) years. Any Employee on layoff for reduction in force or physical disability who returns to work after January 1, 2006, whose Continuous Service was broken while laid off due to physical disability after July 21, 1980, pursuant to Paragraph 3 of Section K of Article VIII of the 1980, 1983, 1986, 1989, 1993, 1997, 2000, or 2005 Basic Labor Agreement shall, after the date of the Employee's return to work, have his Continuous Service adjusted so that his Continuous Service, after the date of his return to work, shall be increased by the excess, if any, of his layoff over two (2) years, up to a maximum increase of two (2) years.

(d) A break in Continuous Service shall not occur during a layoff because of physical disability resulting from an injury or disease for which Workers' Compensation Benefits are payable, provided the Participant returns to work within thirty (30) calendar days after the end of the period for which Total Disability Benefits are payable and provided the total continuous period of his absence from work does not exceed five (5) years. A Participant who receives Workers' Compensation Total Disability Benefits for the entire five (5)-year period or who retires from disability while receiving Workers' Compensation Total Disability Benefits within the five (5)-year period shall receive credit for Continuous Service until the earlier of the termination of the five (5)-year period or retirement. Any laid off Participant who has extended recall rights as provided in Article VIII, Section H, of the then current Basic Labor Agreement may make an application for a pension during the period in which he has such extended recall rights; provided, however, that if the President, Vice President, Financial Secretary, Treasurer, or Recording Secretary of any Local Union who has been or is an employee of the Company and has been or may hereafter be given

a leave of absence on the condition stated in Article VIII of the then current Basic Labor Agreement, such leave of absence shall not constitute a break in such a Participant's record of Continuous Service for the purpose of this 401(k) Agreement.

(e) The adjustment of a Participant's Continuous Service under Subparagraphs (a), (b), (c), or (d) above shall not result in duplicating credit for Continuous Service for the same period of layoff.

b. The term "Hour of Service" means each hour (1) for which an Employee is paid, or entitled to payment for the performance of duties, for the Company or for which he is paid, or entitled to payment, by the Company on account of a period of time during which no duties are performed (irrespective of whether the employment relationship has terminated) due to vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty, or leave of absence; (2) for which back pay, irrespective of mitigation of damages, is either awarded or agreed to by the Company; or (3) for which an Employee is credited pursuant to Sections 410(a)(5)(E) and 411(a)(6)(E) of the Code, solely for the purpose of determining whether a one (1) year break in service has occurred. Solely for the purposes of determining whether a break in continuous service for participation and vesting purposes has occurred in a Plan Year, an Employee who is absent from work because of a leave of absence under the Family and Medical Leave Act shall receive credit for the Hours of Service which would otherwise have been credited to such Participant but for such absence, or in any case in which such hours cannot be determined, eight (8) Hours of Service per day of such absence. No more than five hundred one (501) hours are required to be credited to an Employee on a leave under the

Family and Medical Leave Act. An Employee whose leave under the Family and Medical Leave Act is for maternity or paternity reasons, cannot receive credit for Hours of Service under both this provision and Sections 410(a)(5)(E) and 411(a)(6)(E) of the Code for the same period of time. Hours of Service shall be determined by dividing the payments received or due for reasons other than the performance of duties by the lesser of (i) the Employee's most recent hourly rate of compensation for the performance of duties or (ii) the Employee's average hourly rate of compensation for the performance of duties for the most recent computation period in which the Employee completed more than five hundred (500) Hours of Service. Hours of Service shall be computed and credited in accordance with Department of Labor Regulation 2530.200(b).

3. The term "Account" shall mean the account maintained for a Participant to record his aggregate share of the contributions to the Plan and adjustments relating thereto. Each Participant's Account shall include amounts allocated to the following subaccounts: Wage Reduction Contribution Account and the Rollover Contribution Account. Each Participant's Account shall be apportioned into an ESOP Account and a Non-ESOP Account.

4. The term "Alternate Payee" shall mean a spouse, former spouse, child, or other dependent of a Participant who is entitled to benefits pursuant to a Qualified Domestic Relations Order (QDRO).

5. The term "Beneficial Interest" shall mean the proportionate allocation of assets held by the Plan in the name of the Trust on behalf of each Participant, which allocation is determined each business day for each Participant by the ratio of total contributions to

the Plan made by the Participant compared to the total contributions to the Plan made by all Participants.

6. The term "Beneficial Loan Interest" shall mean the market value of the assets representing the Participant's Beneficial Interest in his Account in the custody of the Trustee as of any Valuation Date, determined for Timken Common Shares by the market price for such common stock, as reported by the New York Stock Exchange, on any Valuation Date and for other investment options by the market value on the most recent Valuation Date immediately preceding the date of the loan.

7. The term "Beneficiary" shall mean the person last designated by a Participant to receive any benefits as provided herein. This designation shall be in writing on a form supplied by the Plan Administrator and filed with the Plan Administrator prior to the Participant's death. A Beneficiary will remain as a Beneficiary until changed by a Participant.

8. The term "Code" shall mean the Internal Revenue Code of 1986, as amended, or any successor Internal Revenue Code.

9. The term "ERISA" shall mean the Public Law No. 93-406, the Employment Retirement Income Security Act of 1974, as amended from time to time.

10. The term "ESOP" shall mean the portion of the Plan that is described in Article V and is intended to be a stock bonus plan, as defined in Treasury Regulation 1.401-1 (b)(1)(iii), and an employee stock ownership plan, satisfying the requirements of Section 4975(e) (7) of the Code.

11. The term "ESOP Account" shall mean the portion of a Participant's Account that is included in

the ESOP, which has been established pursuant to Article V, and is comprised of all ESOP Subaccounts. The ESOP Account of each Participant shall represent the portion of the Participant's Account invested in Timken Common Shares and cash, if any, allocated to the Participant under the ESOP in accordance with Article V, as adjusted in accordance with the Plan.

12. The term "Gross Earnings" shall mean an Employee's regular wages paid (including any overtime or premium payments, any cost-of-living adjustments, and effective January 1, 2009, any differential wage payments (as defined in Section 414(u)(12)(D) of the Code)) during his or her period of participation in the Plan, but excluding any special types of payments, such as, but not limited to, suggestion awards, vacation pay, or retirement benefits. For purposes of this Plan, and in accordance with Section 401(a)(17) of the Code, gross earnings cannot exceed \$245,000 (as adjusted) for a Plan Year.

13. The term "Highly Compensated Employee" shall mean any employee who:

a. was at any time during the current Plan Year or the preceding Plan Year a five percent (5%) or more owner of the Company's outstanding common stock or

b. received compensation during the preceding Plan Year from the Company in excess of \$110,000 (or, if greater, the dollar limitation in effect under Section 414(q)(1)(B) of the Code).

A former Employee shall be considered a Highly Compensated Employee, if he separates from service (or was deemed to do so) prior to the year for which the determination is made, performed no

service for the Company during such determination year, and was a Highly Compensated Employee for either the year in which he separated from service or any determination year ending on or after his 55th birthday.

The determination of who is a Highly Compensated Employee will be made in accordance with Section 414(q) of the Code and the regulations thereunder. For purposes of this definition, compensation is compensation within the meaning of Section 415(c)(3) of the Code, including elective or wage reduction contributions to a cafeteria plan, cash or deferred arrangement, or tax-sheltered annuity.

14. The term "Income" shall mean the net gain or loss of the Trust from investments, as reflected by interest received and accrued, dividends received, realized and unrealized gains and losses on securities, other investment transactions, and expenses paid from the Trust. In determining the income of the Trust for any period, assets shall be valued on the basis of their current market value.

15. The term "Non-ESOP Account" shall mean the portion of a Participant's Account that is not included in the ESOP and is comprised of all Non-ESOP Subaccounts. The "Non-ESOP Account" of each Participant represents the portion of the Participant's Account invested in investment options other than Timken Common Shares, as adjusted in accordance with the Plan.

16. The term "Non-ESOP Subaccount" shall mean the portion of the Wage Reduction Contribution Account and the Rollover Contribution Account that is not included in the ESOP.

17. The term "Participant" shall mean any Employee who meets the requirements of Article II

below.

18. The term "Plan" shall mean the 401(k) Plan established by this Agreement.

19. The term "Plan Administrator" or "Administrator" shall mean the Company.

20. The term "Plan Year" shall mean a period which includes all pay periods for which payment is made in a calendar year.

21. The term "Rollover Contribution Account" shall mean the account maintained on behalf of the Participant that reflects the Rollover Contributions (and allocated income) attributable to the Participant. There shall be an ESOP Subaccount and a Non-ESOP Subaccount within the Rollover Contribution Account.

22. The term "Rollover Contribution" shall mean the portion of the Trust representing contributions made pursuant to Article II, Section B, Paragraph 4, hereof and which consists of all or part of a distribution a Participant receives from a qualified trust described in Section 401(a) of the Code and exempt from taxation under Section 501(a) of the Code, from an annuity plan described in Section 403(a) of the Code, or from an individual retirement account or an individual retirement annuity described in Section 408 of the Code, including any earnings on such distribution, but not including any portion of such distribution attributable to post-tax contributions, which is contributed to the Trust. Notwithstanding the foregoing, the Plan shall not accept as a Rollover Contribution any amounts distributed from a designated Roth account (as defined in Section 402A of the Code) or from a Roth IRA (as defined in Section 408A of the Code).

23. The term "Timken" shall mean The Timken Company.

24. The term "Timken Common Shares" shall mean a share or shares of common stock of which is intended to be "employer securities" within the meaning of Section 409(1) of the Code, and "qualifying employer securities" within the meaning of Section 407(d)(5) of ERISA.

25. The term "Trustee" shall mean the individual or institution selected by Timken to be the Trustee of the Trust established in connection with the Plan as provided therein, or the successor thereto.

26. The term "Valuation Date" shall mean any day that the New York Stock Exchange is open for business or any other date chosen by the Company to make additional valuations of the Trust as necessary.

27. The term "Wage Reduction Contribution Account" shall mean the account maintained on behalf of the Participant that reflects the Wage Reduction Contributions (and allocated income) attributable to the Participant. There shall be an ESOP Subaccount and a Non-ESOP Subaccount within the Wage Reduction Contribution Account.

28. The term "Wage Reduction Contributions" shall mean the portion of the Trust representing contributions made pursuant to Article II, Section B, Paragraph 1, hereof.

29. The term "the 401(k) Trust" or "the Trust" shall mean the Trust established in connection with the Plan to hold and invest Plan assets.

30. Masculine pronouns wherever used in the

Plan shall include feminine or neuter pronouns, and the singular shall include the plural wherever appropriate.

ARTICLE II - 401(k) BENEFITS

A. ELIGIBILITY AND PARTICIPATION

1. Participation in this Plan shall be available only to Employees of the Company in the United States, who have completed the eligibility requirements to be participants under the 2009 Insurance Agreement, that is the completion of the probationary period of one hundred twenty (120) days worked in the employ of the Company.

2. Eligible Employees electing to participate in this Plan for the first time or following a return to active employment with the Company must elect to participate in this Plan by filing a written election to do so, which election will be effective with the first available pay period. Any other election to participate or reparticipate may be accomplished by utilizing the interactive voice response system or the website of the Plan's recordkeeper, which election will be effective with the first available pay period.

3. An Employee's election to participate in this Plan shall designate the amount of wage reduction elected by the Employee to be contributed to this Plan, as provided in Section B of this Article II. Such election shall become effective with the first available pay period.

4. An Employee's election to participate in this Plan shall continue in effect until the Employee utilizes the interactive voice response system or the website of the Plan's recordkeeper to terminate his or her participation or until such Employee ceases to be

eligible to participate in this Plan.

B. WAGE REDUCTION CONTRIBUTIONS AND ROLLOVER CONTRIBUTIONS

1. a. At any time, in accordance with Section A above, a Participant may elect to have his wages reduced and the subsequent reduction contributed to this Plan, in an amount equal to any whole percent of his Gross Earnings to be deducted from his wages payable for each pay period; provided however, that the percent reduction selected cannot result in more than a \$16,500 wage reduction contribution on behalf of a Participant in a Plan Year (or, if greater, the dollar limitation in effect under Section 402(g)(1) of the Code) (except to the extent permitted under Article II, Section E, Paragraph 2) and that the amount of the Wage Reduction Contribution will be determined after all other applicable deductions from the Participant's wages are made. Wage Reduction Contributions shall be deposited in a Participant's Wage Reduction Contribution Account.

b. Participants who are age fifty (50) or over may make additional "catch-up" Wage Reduction Contributions of no more than \$5,500 (or, if greater, the dollar limitation in effect under Section 414(v) of the Code) in accordance with, and subject to, the limitations of Section 414(v) of the Code. "Catch-up" Wage Reduction Contributions shall not be taken into account for purposes of the provisions of the Plan implementing the required limitations of Sections 401(a)(30) and 415(c) of the Code (i.e., Article II, Section B, Paragraph 1.a. and Article II, Section C, respectively). In addition, notwithstanding any provisions of the Plan to the contrary, the Plan shall not be treated as failing to satisfy the requirements of Sections 401(k)(3), 401(k)(11), 410(b), or 416 of the Code, as applicable, by reason of the making of any

such "catch-up" Wage Reduction Contributions. In furtherance of, but without limiting the foregoing, (1) Wage Reduction Contributions for a Plan Year which exceed the statutory limit described in Article II, Section B, Paragraph 1.a. or Article II, Section C, shall be treated as "catch-up" Wage Reduction Contributions; and (2) "catch-up" Wage Reduction Contributions shall be permitted to be made on a payroll-by-payroll basis; provided, however, that a Wage Reduction Contribution may only be characterized as a "catch-up" Wage Reduction Contribution on a Plan Year basis. Finally, except as specifically provided in the Plan, the term "Wage Reduction Contributions" when used herein shall include all "catch-up" Wage Reduction Contributions.

2. A Participant's election as to the rate of his Wage Reduction Contributions to this Plan will remain in effect until the Participant changes or suspends his election, ceases to be eligible to participate, or terminates his participation in this Plan.

3. A Participant may change his election as to the rate of Wage Reduction Contributions to this Plan on any business day. Any change made will be effective as soon as administratively practicable as of the pay period that occurs after the Company receives sufficient notice of the change or, if later, on a future date specified by the Participant and acceptable to Timken. Any change made will be effective for all succeeding pay periods, unless changed again by the same procedure.

4. A Participant, after filing with the Company the form prescribed by the Plan Administrator, may make a cash contribution to the Trust in the form of a Rollover Contribution. Before completing the Rollover Contribution, the Participant shall furnish satisfactory evidence to the Plan Administrator that the proposed

Rollover Contribution satisfies the requirements of Section 408(d)(3) of the Code. Rollover Contributions shall be deposited in a Participant's Rollover Contribution Account.

C. LIMITS ON CONTRIBUTIONS

1. In no event shall the annual addition to a Participant's account under this Plan and any other contributions to qualified defined contribution plans maintained by the Company exceed the lesser of \$49,000 (or, if greater, the dollar limitation indexed for inflation under Section 415(d) of the Code) or one hundred percent (100%) of the Participant's total compensation from the Company. The annual addition shall be a Participant's Wage Reduction Contributions and amounts allocated after March 31, 1984, to an individual medical account, as defined in Section 415(c)(2) of the Code, which is a part of a pension or annuity plan maintained by the Company. Amounts derived from contributions paid or accrued after December 31, 1985, in taxable years ending after such date, which are attributable to post-retirement medical benefits, allocated to the separate account of a key employee, as defined in Section 419A(d)(3) of the Code, under a welfare benefit fund, as defined in Section 419(e) of the Code, maintained by the Company are also treated as annual additions. For purposes of this Section C, compensation shall include all amounts received by a Participant from the Company during a Plan Year for the performance of personal services to the extent that such amounts are includable in taxable income, including any payments made to a Participant by the later of (a) two and one-half (2-1/2) months after the date of the Participant's severance from employment with the Company or (b) the end of the limitation year that includes the date of the Participant's severance from employment with the Company, provided that, absent a severance

from employment, such payments would have been paid to the Participant while the Participant continued in employment with the Company and are regular compensation for services performed during the Participant's regular working hours, compensation for services outside the Participant's regular work hours (such as overtime or shift differential pay), commissions, bonuses, or other similar compensation. In no event shall the amount of Participant Wage Reduction Contributions to a Participant's account exceed \$16,500 for any Plan Year (or, if greater, the dollar limitation in effect under Section 402(g)(1) of the Code).

2. If the annual addition limitation for any Participant would be exceeded by the amounts contributed to this Plan and any other defined contribution plans maintained by the Company, the contributions to the Participant's account made under this Plan shall be reduced as necessary.

D. INTERESTS NON-FORFEITABLE

Participants shall have an immediate fully vested and non-forfeitable right to Participant contributions properly credited to their respective accounts and the income attributable thereto.

E. VETERANS' RIGHTS

1. A Participant who is reemployed by the Company pursuant to the provisions of the Uniformed Services Employment and Reemployment Rights Act of 1994 shall be treated as not having incurred a break in service with the Company by reason of such Participant's period or periods of service in the armed forces of the United States. Each period served by a Participant in the armed forces shall, upon reemployment, be deemed to constitute service with the Company for purposes of determining and non-forfeitability of benefits and the accrual of benefits

under the Plan.

2. A Participant so reemployed shall be entitled to accrued benefits that are contingent on the making of, or derived from, Wage Reduction Contributions only to the extent such Participant makes payment to the Plan with respect to such Wage Reduction Contributions. No such payment may exceed the amount the Participant would have been permitted to contribute had the Participant remained continuously employed by the Company through the period of service in the armed forces; provided, that, notwithstanding anything to the contrary herein, payments made to the Plan with respect to Wage Reduction Contributions for the year(s) prior to the year in which the Participant becomes reemployed (informally known as Military Make-Up Contributions) shall not count towards the contribution limits set forth in Article II with respect to Wage Reduction Contributions made for the year in which the payments are made. Any payment of Wage Reduction Contributions to the Plan shall be made during the period beginning with the date of reemployment and whose duration is three (3) times the period of the Participant's service in the armed forces, not to exceed a maximum duration of five (5) years.

3. For purposes of computing Wage Reduction Contributions under Section E, Paragraph 2, above, the Participant's Gross Earnings during the period of service in the armed forces shall be computed at the rate the Participant would have received, but for the period of service in the armed forces, or, in the case that the determination of such rate is not reasonably certain, on the basis of the Participant's average Gross Earnings during the twelve (12)-month period immediately preceding such period of service in the armed forces, or if shorter, the period of employment immediately preceding such period.

4. Notwithstanding any provision of this Plan to the contrary, if a Participant dies during his or her period of service with the armed forces, the survivors of the Participant will be entitled to any benefits provided under the Plan that such survivors would have been entitled to receive if the Participant had become reemployed by the Company on the day immediately prior to his or her date of death (entitling such Participant to additional benefit accruals and vesting service relating to periods of qualified military leave under Section 414(u) of the Code) and then terminated employment on his actual date of death.

5. Effective January 1, 2009, to the extent required by Section 414(u)(12) of the Code, the term "Employee" as used under the Plan and this Agreement shall include an individual receiving differential wage payments (within the meaning of Section 414(u)(12) (D) of the Code) from the Company.

6. Effective January 1, 2009, to the extent required by Section 414(u)(12)(B) of the Code, for purposes of eligibility to receive a distribution under Article III of this Agreement, a Participant shall be treated as having terminated employment with the Company during any period that the Participant is performing service in the uniformed services described in Section 3401(h)(2)(A) of the Code. A Participant who receives a distribution from the Plan by reason of this Section E, Paragraph 6, shall have his Wage Reduction Contributions suspended for a period of six (6) months beginning on the date of distribution.

ARTICLE III - OPERATION OF THE TRUST

A. INVESTMENT OF FUNDS

1. A Participant will be able to invest his Wage

Reduction Contributions and Rollover Contributions in the investment options offered by the Trustee, which options shall be selected by the Plan Administrator. The Plan Administrator will offer four (4) basic investment options to Participants and may offer additional investment options. There will be no investment fees for Participants for the four (4) basic options, but investment fees on the additional options will be charged to the Account of any Participant electing them. At the time the Participant enrolls or re-enrolls in the Plan, he or she may elect what percentage, if any, of his Wage Reduction Contributions and Rollover Contributions, in increments of one percent (1%), he wishes to place in each investment option. A Participant who does not make any selection of investment options will have his Wage Reduction Contributions and Rollover Contributions placed in any investment option or options selected in a manner determined by the Plan Administrator, until such time as the Participant selects investment options.

2. Each business day, the Trustee or its designee shall, by appropriate accounting procedures, determine the Beneficial Interest of each Participant in the assets then held in the Trust.

3. As soon as administratively possible following the end of each calendar quarter, each Participant shall receive a statement showing the details of the Participant's Beneficial Interest in the Trust.

4. A Participant can request fund transfers on any business day of his prior Wage Reduction Contributions and Rollover Contributions from one (1) investment option to another. The Participant may elect what percentage, if any, of those assets in the Participant's investment accounts will be reallocated in one percent (1%) increments to the investment options chosen by the Participant.

5. In accordance with federal law, the Plan Administrator shall provide notice of any blackout period to all Participants and beneficiaries whose rights under the Plan will be temporarily suspended, limited, or restricted. A blackout period is any period of more than three (3)-consecutive business days during which Participants and beneficiaries will not be able to direct or diversify assets credited to their Accounts, to obtain loans from the Plan, or to obtain distributions from the Plan.

B. DISTRIBUTIONS AND HARDSHIP WITHDRAWALS FROM THE TRUST

1. a. The shares held in the Trust for the benefit of a Participant shall be distributed to the Participant upon retirement at or after normal retirement age sixty-five (65), upon early retirement as provided under the then current Pension Agreement, upon reaching April 1 of the calendar year following the calendar year in which the Participant attains age seventy and one-half (70-1/2), upon a break in Continuous Service with the Company, to the Participant's Beneficiary upon the death of the Participant, or as a hardship withdrawal, except as hereinafter provided.

b. Early retirement shall include retirement at any age under sixty-five (65) years with not less than thirty (30) years of Continuous Service, retirement at the age of sixty (60) years with not less than twenty-five (25) years of Continuous Service, retirement at the age of sixty-two (62) years with not less than fifteen (15) years of Continuous Service, retirement with an actuarially reduced Pension Benefit between the ages of sixty (60) and sixty-two (62) with not less than fifteen (15) years of Continuous Service, retirement due to shutdown or layoff, and retirement due to disability.

2. a. The shares and cash held in the Trust for the benefit of a Participant remaining undistributed at the time of the Participant's death shall be distributed to the Participant's Beneficiary. Except as provided in Paragraph 2.b. below, (1) the sole Beneficiary of a Participant who is married at the time of his death shall be his spouse, and (2) the sole Beneficiary of a Participant who is not married at the time of his death shall be his estate. For this purpose, a spouse means a person who is married (as legally recognized by applicable state law) to the Participant.

b. A Participant may designate one (1) or more beneficiaries other than or in addition to his spouse or estate, but only in accordance with the following rules:

(1) A Beneficiary designation may be made, revoked, or changed only in writing on a form supplied by the Plan Administrator, signed by the Participant and filed with the Plan Administrator prior to the Participant's death. If a valid Beneficiary designation is revoked and not replaced with a new and valid Beneficiary designation prior to the Participant's death, the Beneficiary shall be as provided in Paragraph 2.a. above. An effective Beneficiary designation filed with the Plan Administrator by a Participant shall act to revoke in their entirety all previous benefits designations filed by such Participant.

(2) A Beneficiary must be a natural person, a trust that meets the requirements provided in Paragraph b.(3) below, the Participant's estate, or an entity that is a tax-exempt organization qualified under Section 501(c)(3) of the Code. The person, trust, or other entity to be designated as a Beneficiary, other than the Participant's estate,

must be in existence at the time the Beneficiary designation is filed with the Plan Administrator. The Plan Administrator may require the Participant to provide evidence of the existence of the designated Beneficiary and, if applicable, the tax-exempt status of the Section 501(c)(3) organization, or the identity of named executor(s) of the Participant's estate.

(3) To be designated as a Beneficiary, a trust must meet the following requirements: (a) the trust must be a valid trust under state law (or would be except for the fact that there is no trust corpus) and (b) the Beneficiaries of the trust are identifiable from the trust instrument. The Plan Administrator may require the Participant to submit either the entire trust instrument or a certification of the trust on a form provided by the Plan Administrator.

c. A Participant may elect at any time to waive the surviving spouse as Beneficiary and may make any such election at any time. Such an election shall not take effect unless the spouse of the Participant (as of the date of death) has consented in writing to such election, such election designates a Beneficiary which may not be changed without spousal consent (or the consent of the spouse expressly permits designations by the Participant without any requirement of further consent by the spouse) and the spouse's consent acknowledges the effect of such election and is witnessed by a notary public, or it is established to the satisfaction of the Plan Administrator that the consent required may not be obtained because there is no spouse, because the spouse cannot be located, or because of such other circumstances as the Secretary of the Treasury may by regulations prescribe. Any consent by a spouse (or establishment that the consent of a spouse may not be obtained) shall be effective only with respect to

such spouse.

3. a. Distributions shall be made in cash in a lump sum or in installments as soon as possible following completion of a distribution request form following one of the events described in Article III, Section B, Paragraph 1, above. If the distribution exceeds \$1,000 effective March 28, 2005, it cannot be distributed without the written consent of the Participant. Effective March 28, 2005, the value of a distribution will be calculated to include any Rollover Contributions and any earnings allocated to Rollover Contributions.

b. For distributions made from the Plan, the appropriate tax withholdings will be made, unless the Participant instructs the Plan Administrator, pursuant to procedures to be implemented by the Plan Administrator, to roll over directly his eligible rollover distribution to an eligible retirement plan. A direct rollover is a payment by the Plan to the eligible retirement plan specified by the Participant. An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the Participant, except that an eligible rollover distribution does not include (1) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Participant or the joint lives (or joint life expectancies) of the Participant and the Participant's designated Beneficiary, or for a specified period of ten (10) years or more; and (2) any distribution to the extent such distribution is required under Section 401(a)(9) of the Code. An eligible retirement plan is an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code, an annuity plan described in Section 403(a) of the Code, an annuity contract described in Section

403(b) of the Code, an eligible deferred compensation plan described in Section 457(b) of the Code, or a qualified trust described in Section 401(a) of the Code, that accepts the Participant's eligible rollover distribution. If any portion of an eligible rollover distribution is attributable to payments or distributions from a designated Roth account defined in Section 402 of the Code, an eligible retirement plan with respect to such portion shall include only another designated Roth account and a Roth IRA. For purposes of this provision, a Participant includes an Employee or former Employee, a Participant's surviving spouse, and a Participant's spouse or former spouse who is the Alternate Payee under a Qualified Domestic Relations Order, as defined in Section 414(p) of the Code and a Participant's Beneficiary who is not the Participant's spouse; provided, however, that in the case of a Participant's Beneficiary who is not the Participant's spouse, an eligible retirement plan only means an individual retirement account described in Section 408(a) of the Code and an individual retirement annuity described in Section 408(b) of the Code.

c. A Participant electing to receive a distribution in installments shall elect the frequency of the distribution which may be monthly, quarterly, semi-annually, or annually over a period not to exceed the recipient's life expectancy according to procedures established by the Company. A Participant must have a minimum Account balance of \$1,000 to elect the installment distribution. After installment payments begin, when the Account balance becomes \$1,000 or less, the entire balance will be distributed in a lump-sum payment. Following the Participant's death, the remainder of the Account balance, if any, shall be distributed to the Participant's Beneficiary in a lump-sum payment regardless of the amount.

4. a. Unless the Participant otherwise elects, the payment of benefits to a Participant shall begin not later than the 60th day after the latest of the close of the year in which (a) the Participant attains age sixty-five (65), (b) the Participant completes ten (10) years of Continuous Service, or (c) the Participant terminates his service with the Company. The election to postpone the payment of benefits beyond the time specified above shall be made by submitting to the Plan Administrator a written statement, signed by the Participant, which describes the benefit and the date on which the payment of such benefit shall commence. Such an election may not be made if the exercise of such election will cause benefits payable under this Agreement in the event of the death of the Participant to be more than incidental.

b. Notwithstanding the foregoing provisions and to the extent required by Section 401(a)(9) of the Code and the regulations promulgated thereunder, in no event shall payment of such benefits be deferred beyond April 1 of the calendar year following the calendar year in which the Participant attains (or, in the case of a deceased Participant, would have attained) age seventy and one-half (70-1/2). If distributions are required to be made under this Section B, Paragraph 4.b., they shall be made in a lump sum payment or in installments. The requirements of this Section B, Paragraph 4.b., shall apply to any distribution of a Participant's interest and will take precedence over any inconsistent provisions of this Plan. All distributions required under this Section B, Paragraph 4.b., shall be determined and made in accordance with the regulations under Section 401(a)(9) of the Code, including the minimum distribution incidental benefit requirement of Section 1.401(a)(9)-2 of the regulations.

5. A Participant or Beneficiary otherwise entitled

to a distribution from the Plan may elect to retain said distribution in the Plan until such time as the Participant or Beneficiary shall direct the Company to make said distribution, provided that such distribution must be made not later than the time specified in Article III, Section B, Paragraph 4.b., above. Upon written notice (or by any other method approved by the Company) from the Participant or Beneficiary, such distribution shall be made in cash in a lump sum or in installments as soon as possible after the notice is received; provided, however, that a Participant may elect to receive any Timken Common Shares in his Account as a distribution in kind. During the time such distribution remains in the Plan, the Participant may make the investment transfers described in Article III, Section A, Paragraph 1, above.

6. The assets of the Trust to be distributed to a Participant or Beneficiary shall include dividends attributable to investment in Timken Common Shares which are payable to shareholders of record as of the end of the quarter with respect to which the calculation is being made.

7. a. Partial or total distributions of his Wage Reduction Contributions Account and/or Rollover Contribution Account may also be made to a Participant, upon application to the Company, in cases of hardship. The distribution will be drawn pro-rata from all the available investment funds. Any shares of Timken Common Shares held in any of these Accounts which will comprise part of the distribution shall be liquidated by the Trustee prior to the distribution to the Participant. If a Participant elects a withdrawal prior to the date he retires, becomes disabled, or terminates his service with the Company, such withdrawal will require the consent of the Plan Administrator and such consent shall be given only if, the Plan Administrator determines that the purpose

of the withdrawal is to meet immediate and heavy financial needs of the Participant, the amount of the withdrawal does not exceed such financial need, and the amount of the withdrawal is not reasonably available from the resources of the Participant.

b. The determination of whether a Participant has an immediate and heavy financial need will be made on the basis of all relevant facts and circumstances. Financial needs which will be deemed immediate and heavy financial need are the purchase of a primary residence (excluding mortgage payments) of the Participant, payment of post-secondary educational tuition for a year for the Participant, the Participant's spouse, children, or dependents (as defined in Section 152 of the Code and, for taxable years beginning on or after January 1, 2005, without regard to Sections 152(b)(1), (b)(2), or (d)(1)(B) of the Code), health care expenses incurred by a Participant or his dependents, the need to prevent the eviction of the Participant from his principal residence or foreclosure on the mortgage of a Participant's principal residence, payment for burial or funeral expenses for the Participant's deceased parent, spouse, children, or dependents (as defined in section 152 of the Code and, for taxable years beginning on or after January 1, 2005, without regard to Section 152(d)(1)(B) of the Code), and expenses for the repair of damage to the Participant's principal residence that would qualify for the casualty deduction under Section 165 of the Code.

c. The determination of whether a distribution is necessary to satisfy an immediate and heavy financial need shall be made on the basis of all relevant facts and circumstances. A distribution will be deemed to satisfy an immediate and heavy financial need if it is not in excess of the amount of the immediate and heavy financial need of the Participant

(grossed up to reflect the income taxes that will be assessed on the distribution, if the Participant so requests), the Participant has obtained all distributions (other than hardship distributions) under all plans maintained by the Company, has elected to receive cash dividends on Timken Common Shares pursuant to Article V, Section F, and the Participant agrees that all Wage Reduction Contributions and all other Participant contributions to all retirement plans maintained by the Company will be suspended until six (6) months after receipt of the hardship distribution.

d. Such election may be made at any time, but not more frequently than once a year for reasons other than the payment of post-secondary education tuition. Elections for the payment of post-secondary education tuition may be made as often as every calendar quarter, and may be made in addition to a withdrawal for a non-tuition payment reason. All withdrawal elections shall be made by a Participant on written forms supplied by the Plan Administrator for that purpose. Such distributions shall be processed immediately following the completion of the application procedure.

8. A Participant may obtain a loan from the Trust upon proper application to the Trust pursuant to procedures established by the Plan Administrator. The Participant may borrow only the assets in his Account. The nature and amount of the loan must conform to the following rules and limits:

a. The minimum loan amount is \$1,000.

b. The maximum loan amount is fifty percent (50%) of the Participant's Beneficial Loan Interest, provided, that no loan may be greater than \$50,000, reduced by the highest outstanding loan balance from the Plan during the one (1)-year period

ending on the day before the date on which such loan is made. The Trustee will accept only the Participant's accrued benefit as collateral for loans.

c. The term of the loan cannot exceed four (4) years. The term of a loan may be extended beyond four (4) years for a Participant on military leave from the Company with the term of the extension not to exceed the length of such military service.

d. A Participant may have only one (1) loan from this Plan in effect at any one time and may apply for only one (1) loan within each twelve (12)-month period.

e. The Plan Administrator will establish the rate of interest to be charged on all loan balances. This rate of interest will be one percent (1%) in excess of the prime rate as published in the Wall Street Journal the first business day of the month in which the loan is granted. A Participant on military leave from the Company may be entitled to the interest rate reduction provided in the Soldiers' and Sailors' Civil Relief Act of 1940.

f. The loan shall be repaid by the Participant, if the Participant is an active Employee, through payroll deduction as established by the loan agreement. If the Participant is not an active Employee, the Participant and the Company shall agree to a repayment schedule which shall be incorporated in the loan agreement. The loan may be repaid in full at a date earlier than provided in the loan agreement with no penalty. Interest paid by the Participant will be credited directly to the Participant's Account. The loan fee of not more than \$50 per loan will be paid by the Participant.

g. The loan amount will be taken on a

pro-rata basis from the Beneficial Loan Interest in all investment options at the time of the loan. If a Participant has selected Timken Common Shares as an investment option, the Participant can choose whether the pro-rata loan amount is taken from the Participant's ESOP Account or Non-ESOP Account. Repayments will be redeposited into the Participant's current investment options and contributions using the current ratio. No repayments will be deposited in ESOP Accounts.

h. If a Participant does not repay a loan which he or she may have from the Plan, the Trustee will declare such loan to be in default when the loan is in arrears of repayment for more than ninety (90) days. The Trustee may take steps to preserve Plan assets, if necessary, in the event of such default. Once default has been established, the amount of the loan in default (unpaid principal and the interest accrued thereon) shall be treated as a distribution from the Plan in the Plan Year in which the default occurs. The amount of the default will not constitute part of subsequent distributions from the Trust.

i. The proceeds of the loan cannot be applied toward the purchase of any securities.

j. Loan repayments may be suspended under this Plan as permitted by Section 414(u) of the Code.

k. Loans may be applied for on any business day. Loan application shall be made through the interactive voice response system or the website of the Plan's recordkeeper.

9. a. When a Participant has satisfied the eligibility requirements of the Plan, the Company may transfer the Participant's Account balance under another

qualified defined contribution plan or a conduit individual retirement account which authorizes such transfers to the Plan. The Plan Administrator may establish such non-discriminatory restrictions and rules applicable to such transfers from the Plan and transfers to the Plan as it may determine to be necessary or desirable to maintain the qualified status of the Plan. In no event shall any amount be transferred to the Trust from a defined benefit pension plan or a money purchase pension plan.

b. The Company may transfer a Participant's Account under the Plan to another qualified defined contribution plan maintained by the Company, when the Participant transfers employment from an employee group covered by the Plan to an employee group not so covered, provided that the other plan accepts such transfers. Accounts so transferred shall be subject to such rights, restrictions, and features (including vesting provisions) applicable to assets in similar accounts contributed to and held under the other plan.

C. EQUITY DETERMINATION

1. The Company may amend or revoke the Wage Reduction Contribution election of any Participant at any time, if the Company determines that such revocation or amendment is necessary to ensure that the annual addition to a Participant's account for any Plan Year will not exceed the limitations of Section C, Paragraph 1, of Article II or to ensure that the discrimination tests of Section 401(k) or 401(m) of the Code are met for such Plan Year. The discrimination tests shall be (a) that the Employees eligible to benefit under this Plan shall satisfy the non-discrimination provisions of Section 410(b)(1) of the Code, (b) that the actual deferral percentage for Highly Compensated Employees for such Plan Year

meets the tests of Section 401(k)(3) of the Code, and (c) that the actual contribution percentage for Highly Compensated Employees for such Plan Year meets the tests of Section 401(m) of the Code.

2. In the event that the Plan should fail to meet the tests referred to in Section C, Paragraph 1, of this Article III, the amount of excess contributions for a Highly Compensated Employee for a Plan Year will be determined by a leveling method under which the dollar amount of contributions by and on behalf of the Highly Compensated Employee with the highest dollar amount of such contributions is reduced to the extent required to enable the Plan to satisfy the actual deferral percentage test and/or the actual contribution percentage test or cause such highly Compensated Employee's dollar amount of such contributions to equal the dollar amount of a Highly Compensated Employee with the next highest dollar amount of such contributions. This process is repeated with subsequent Highly Compensated Employees until the Plan satisfies the actual deferral percentage and the actual contribution percentage tests. The distribution of any excess contributions will include the income allocable thereto. The income allocable to excess contributions includes income for the Plan Year for which the excess contributions were made. The amount of excess contributions for a Highly Compensated Employee for a Plan Year will be distributed to that Highly Compensated Employee after the close of the Plan Year in which the excess contribution occurred and within twelve (12) months after the close of the following Plan Year.

**ARTICLE IV -
GENERAL CONDITIONS CONCERNING THE
401(k) AGREEMENT**

A. MERGER, CONSOLIDATION, OR TRANSFER

In case of any merger or consolidation with, or

transfer of assets or liabilities to, any other plan, the benefits which would be paid to each Participant in this Plan (if this Plan terminated immediately after the merger, consolidation, or transfer) shall be equal to or greater than the benefit each Participant would have been entitled to receive immediately before the merger, consolidation, or transfer, (if this Plan had then terminated).

B. NON-ALIENATION OF PARTICIPANTS' INTERESTS

1. No right to the monies contributed by a Participant under this Plan, nor in any assets held by the Trustee, shall be subject in any manner to alienation, assignment, encumbrance, pledge, sale, or transfer of any kind prior to being distributed to the Participant as provided in the Plan. However, the Trustee is granted in the Trust Agreement a lien on Trust assets for the payment of Trustee fees and expenses. If at any time prior thereto a Participant shall attempt to alienate, assign, encumber, pledge, sell, or otherwise transfer his or her right to any shares or monies held by the Trustee, such attempted alienation, assignment, encumbrance, pledge, sale, or transfer shall be of no effect. To the extent permitted by law, the interest of a Participant shall also be protected from involuntary attachment, garnishment, or levy. In the event of an attempted attachment, garnishment, or levy of the Participant's interest in the Trust, the Participant will be promptly notified; but the Trustee shall have no obligation to resist such action. In no event shall any person be entitled to the distribution of shares or the payment of monies held by the Trustee prior to the time when distribution is to be made to the Participant as provided in the Plan.

2. Section B, Paragraph 1, above shall not apply if the attachment or garnishment of the Participant's interest in the Trust is to be made pursuant to a

Qualified Domestic Relations Order, as determined under the procedures of this Plan. A domestic relations order is a judgment, decree, or order that relates to the provision of child support, alimony payments, or marital property rights to a spouse, former spouse, child, or other dependent of a Participant and is made pursuant to a state domestic relations law. A domestic relations order is qualified if it creates or recognizes the existence of an Alternate Payee's right to, or assigns to an Alternate Payee the right to, receive all or a portion of the benefits payable to a Participant under the Plan, specifies (a) the name and last known mailing address of the Participant and of each Alternate Payee covered under the order, (b) the amount or percentage of the Participant's benefits to be paid to any Alternate Payee or the manner in which such amount or percentage is to be determined, (c) the number of payments or the period to which the order applies, and (d) each plan to which the order relates. Such order cannot require the Plan to provide any type or form of benefits, or any option, not otherwise provided under the Plan; it cannot require the Plan to provide increased benefits (determined on the basis of actuarial value), and it cannot require the payment of benefits to an Alternate Payee which are required to be paid to another Alternate Payee under another order previously determined to be a Qualified Domestic Relations Order.

3. Each Alternate Payee under a Qualified Domestic Relations Order shall have the right from time to time to file with the Company a written request regarding the time and manner of payment of the Alternate Payee's interest in the Plan pursuant to such Qualified Domestic Relations Order. Provided such Qualified Domestic Relations Order complies with the Code, such request shall be considered by the Company and shall be acted upon in accordance with the terms of such Qualified Domestic Relations

Order. The options available to an Alternate Payee shall be those set forth in Section B, Paragraph 3, of Article III, unless otherwise modified by the Qualified Domestic Relations Order, provided that said Qualified Domestic Relations Order cannot enlarge the options available under Section B, Paragraph 3, of Article III. If an Alternate Payee so desires, distribution of an Alternate Payee's interest in the Trust may be distributed to such Alternate Payee, as soon as such Qualified Domestic Relations Order is approved by the Company and by the court.

C. CONDITIONS TO THE EFFECTIVENESS AND CONTINUANCE OF THE PLAN

1. The Company will not be required to make any contributions (Wage Reduction Contributions) to the 401(k) Trust required to be established under this Plan or to place any part of the Plan into operation, unless and until it shall have received from the Internal Revenue Service a currently effective ruling or rulings, satisfactory to the Company, that such Trust is a qualified Trust under Sections 401(a), 401(k), and 401(m), of the Code, and exempt from Federal Income Tax under Section 501(a) of the Code. Continued contributions to the Trust and operation of the Plan shall be conditioned upon retaining such favorable ruling or rulings from the Internal Revenue Service.

2. The Company will not be required to make any contributions (Wage Reduction Contributions) to the 401(k) Trust required to be established under this Plan or to place any part of the Plan into operation, unless and until it shall have determined that no action will be taken by the Securities and Exchange Commission concerning such Trust or any information contained or omitted in a registration statement for the Plan. Continued contributions to the Trust and operation of the Plan shall be conditioned upon further

determinations by the Company that the Securities and Exchange Commission will take no action concerning the Trust or any information contained or omitted in a registration statement for the Plan.

3. In the event the Plan fails to qualify under the applicable provisions of the Code, initially or as amended, the contributions shall be returned to the Company and the Participants.

ARTICLE V – ESOP PROVISION

A. ESTABLISHMENT OF ESOP

An employee stock ownership plan (“ESOP”) that is intended to meet the requirements of Section 4975(e) (7) of the Code shall be established as a component of the Plan. Such component of the Plan is designed to invest primarily in Timken Common Shares and consists of ESOP Accounts of all Participants. This component of the Plan is segregated as a stock bonus plan as defined in Treasury Regulation Section 1.401-1(b)(1)(iii). This Article V is effective notwithstanding any other provision of the Plan to the contrary or to the extent that the implementation of any such other provision of the Plan would violate or otherwise limit the effect of this Article.

B. ESOP ACCOUNT

The ESOP Account of each Participant shall be credited and debited periodically during each Plan Year in which the ESOP is maintained with any additions or reductions in the number of Timken Common Shares held for such Participant in the Plan due to the reallocation of the investment of the Participant's Account, and with any stock and cash dividends paid on Timken Common Shares held in the Participant's ESOP Account. The Trustee shall establish an ESOP Account in the name of each Participant and

shall thereafter maintain a record thereof. It shall be credited with all Wage Reduction Contributions and Rollover Contributions that the Participant has elected to invest in Timken Common Shares.

C. NON-DISCRIMINATION TEST

For purposes of applying the tests under Article III, Section C, for any Plan Year in which (a) the ESOP is maintained and (b) the requirements of Section 401(k)(12) and 401(m)(11) of the Code are not satisfied, a single actual deferral percentage and actual contribution percentage, as necessary, will be calculated for the group of Participants who are Highly Compensated Employees and a single actual deferral percentage and actual contribution percentage will be calculated, as necessary, for the group of all other Eligible Employees for a Plan Year, by reason of the fact that, notwithstanding the ESOP, all Wage Reduction Contributions made in such Plan Year are allocated to the Participant's Non-ESOP Wage Reduction Contribution Account in such Plan Year (including any Wage Reduction Contributions that are invested in Timken Common Shares) and such account is not part of the ESOP portion of the Plan.

D. INVESTMENT DIRECTION

To the extent a Participant's Account includes amounts originally allocated to an account subject to the Participant's investment direction under Article III, Section A, Paragraph 1, of this Agreement, the Participant shall retain the right to direct investments subject to the provisions of Article III, Section A, Paragraph 1, of this Agreement.

E. VESTING

A Participant shall have a non-forfeitable interest in his ESOP Account.

F. PAYMENT OF DIVIDENDS

1. If administratively feasible and approved by the Company, any cash dividends paid with respect to shares of Timken Common Shares in the ESOP as of the record date shall be paid, at the election of the Participant (or his Beneficiary), to the Participant (or his Beneficiary), or to the Plan and reinvested in Timken Common Shares. Dividends paid to a Participant (or his Beneficiary) in accordance with this election shall be paid in a manner and in accordance with procedures established by the Company (a) in cash directly to the Participant (or his Beneficiary) or (b) to the Plan and subsequently distributed to the Participant (or his Beneficiary) in cash no later than ninety (90) days after the close of the Plan Year in which the dividends are paid to the Plan. Dividends described in this Section F will be paid to the Plan and reinvested in Timken Common Shares with respect to any Participant (or Beneficiary) who does not affirmatively elect to have such dividends paid to him.

2. For purposes of this Section F, "Participant" includes a Participant who is no longer employed by the Company but still has an Account in the Plan.

3. This Section F is intended to comply with Section 404(k) of the Code and shall be interpreted and construed accordingly.

G. VOTING AND TENDER OF ESOP TIMKEN COMMON SHARES

Each Participant, each Beneficiary who has succeeded to the interest of a Participant, and each Alternate Payee ("Eligible Participants and Beneficiaries") in this Plan shall have the authority to direct the exercise of voting rights as to whole shares of Timken Common Shares held as part of the ESOP for the benefit of the Eligible Participant or Beneficiary as of the most current Valuation Date available

preceding the record date for the shareholders' meeting. The Trustee shall furnish Timken's Annual Report, Notice of Annual Meeting, Proxy Statement, Proxy Card, and other shareholder information to each Eligible Participant and Beneficiary and shall solicit each Eligible Participant's and Beneficiary's vote; the Company reserves the option to retain the Trustee to perform these services. All other shares of Timken Common Shares held in the Trust, including shares not voted by Eligible Participants or Beneficiaries or not yet allocated to Eligible Participants or Beneficiaries, are to be voted by the Trustee in conformity with applicable law, taking into account votes directed by Eligible Participants and Beneficiaries.

H. RIGHT TO RECEIVE A DISTRIBUTION OF TIMKEN COMMON SHARES

In accordance with Article III, Section B, Paragraph 3.a., of this Agreement, distribution of a Participant's ESOP Account when permitted or required under Article III, Section C, of this Agreement, will be made in cash.

I. COMMENCEMENT OF DISTRIBUTIONS

If a Participant or Beneficiary elects, distribution of the balance of a Participant's ESOP Account will be made or will commence not later than one (1) year after the close of the Plan Year:

1. in which the Participant separates from service by reason of the attainment of normal retirement age under the Plan, age seventy and one-half (70-1/2), disability, or death, or

2. which is the fifth Plan Year following the Plan Year in which the Participant otherwise separates from service, unless the Participant is reemployed by the Company before distribution is required to begin under this clause.

J. PUT OPTION

1. At such times as Timken Common Shares are not readily tradable on an established market at the time of distribution of a Participant's ESOP Account, Timken shall issue a Put Option to each Participant or Beneficiary receiving a distribution of Timken Common Shares from the Plan. The Put Option shall permit the Participant or Beneficiary to sell such Timken Common Shares under a fair valuation formula during the sixty (60) consecutive-day period following the date the Timken Common Shares were distributed to the Participant or Beneficiary, at which time the Put Option will temporarily lapse. Upon the close of the Plan Year in which such temporary lapse occurs, an independent appraiser (meeting requirements similar to the requirements of the Treasury Regulations prescribed under Section 170(a)(1) of the Code) shall determine the value of the Timken Common Shares, and the Trustee shall notify each Participant or Beneficiary who received a distribution who did not exercise the initial Put Option prior to its temporary lapse in the preceding Plan Year of the revised value of the Timken Common Shares. The time during which the Put Option may be exercised shall recommence on the date such notice of revaluation is given and shall permanently terminate sixty (60) days thereafter.

2. The Trustee may, in its discretion and with the consent of the Company, cause the Trust to assume the rights and obligations of the Company at the time the Put Option is exercised, insofar as the repurchase of Timken Common Shares is concerned. The period during which the Put Option is exercisable shall not include any period during which the holder is unable to exercise such Put Option because the Company is prohibited from honoring it by Federal and State law. The Company or the Trustee, as the case may be, must pay for Timken Common Shares sold pursuant

to a Put Option no less rapidly than under one of the following two (2) methods, as applicable:

a. If a Put Option is exercised with respect to Timken Common Shares distributed as part of a total distribution (that is, a distribution of a Participant's or Beneficiary's Account balance within one (1) taxable year), then payment shall be made in substantially equal periodic payments (not less frequently than annually) commencing within thirty (30) days for the date of the exercise of the Put Option and over a period not exceeding five (5) years, with interest payable at a reasonable rate (as determined by the Company) on any unpaid installment balance, with adequate security provided, and without penalty for any prepayment of such installments.

b. If a Put Option is exercised with respect to Timken Common Shares distributed as part of an installment distribution, then the payment for such Timken Common Shares shall be made in a lump sum no later than thirty (30) days after such Participant or Beneficiary exercises the Put Option.

K. SHARE LEGEND

Timken Common Shares held in ESOP Accounts or distributed by the Trustee from ESOP Accounts may include such legend restrictions on transferability as the Company may reasonably require in order to assure compliance with applicable Federal and State securities laws.

L. DIVERSIFICATION

Participants in the Plan will be able to direct investments of their entire Account. These Participants will be able to direct their Account from Timken Common Shares into other investment options available under the Plan. This provision

satisfies Section 401(a)(28) of the Code.

M. LIMITATION ON PERIOD OF DISTRIBUTION

Unless otherwise elected, the distribution of a Participant's ESOP Account will be in substantially equal periodic payments (not less frequently than annually) over a period not longer than the greater of (1) five (5) years or (2) if the balance of the Participant's ESOP Account is in excess of \$500,000 (which amount may be adjusted periodically by the Internal Revenue Service to reflect cost-of-living increases), five (5) years plus one (1) additional year (but not more than five (5) additional years) for each \$100,000 (which amount may be adjusted periodically by the Secretary of Treasury to reflect cost-of-living increases) or fraction thereof by which such balance exceeds \$500,000 (as adjusted).

N. OTHER SECTIONS SUPERCEDED

This Article V supersedes any other provision of the Plan solely to the extent that such other provision conflicts with the terms of this Article V or is inconsistent with the treatment of the portion of the Plan so designated as an ESOP.

ARTICLE VI - ADMINISTRATION OF THE PLAN

A. PLAN ADMINISTRATION

1. The Company, which shall be the Plan Administrator, shall have responsibility for the administration of this Plan, including power to construe said Plan, to select the investment options to be available to Participants, to determine all questions that shall arise thereunder, including particular questions on eligibility and participation of Employees and all matters necessary for it properly to discharge its duties, powers, and obligations and to apply its

established policies concerning the employment status of Participants. The decision of the Company made in good faith upon any manner within the scope of its authority shall be final, but the Company at all times in carrying out its decisions shall act in a uniform and non-discriminatory manner and may from time to time set down uniform rules of interpretation and administration, which rules may be modified from time to time in the light of its experience.

2. The Plan established by this Agreement is maintained for the exclusive benefit of Participants and Beneficiaries, and the Plan's terms, including those relating to coverage and benefits, are legally enforceable. The Plan shall be administered in accordance with all applicable state and federal laws and regulations.

B. INFORMATION AS TO 401(k) PLAN

1. The Company agrees to furnish the following additional items of information to the Union:

Information shall be furnished (a) to the District Director at Columbus, Ohio, in five (5) copies, (b) effective as of December 31 of the years in which this Agreement is in effect, and (c) within one hundred twenty (120) days from the 31st day of December of the years in which this Agreement is in effect.

a. Information

- (1)** Name of Trustee.
- (2)** Number of employees making contributions to the Plan.
- (3)** List of distributions made during preceding year showing:

(a) Social Security number, clock number, name, and address of recipient.

(b) Date hired.

(c) Amount of distribution.

(4) Financial information.

(a) Assets of funds at beginning of year.

(b) Participant contributions during year.

(c) Net amount of income for year.

(d) Net amount of disbursements.

(e) Assets of funds at end of year.

C. CLAIMS PROCEDURE AND SETTLEMENT OF DISPUTES

1. a. The Plan Administrator will make all determinations as to the right of any persons to benefits under the Agreement in accordance with the Agreement and will ensure that the Agreement's provisions are applied consistently with respect to similarly situated claimants. Any denial by the Plan Administrator of a claim for benefits under the Agreement by a claimant, which may be a Participant, Beneficiary, or recipient, will be stated in writing by the Plan Administrator and delivered or mailed to the claimant within a reasonable period of time, but not later than ninety (90) days after receipt

of the claim, unless the Administrator determines that special circumstances require an extension of time for processing the claim. Written notice of the extension shall be furnished to the claimant prior to the termination of the initial ninety (90)-day period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan Administrator expects to render the benefit determination, which cannot exceed a period of ninety (90) days from the end of the initial period.

b. Manner and Content of Notification of Benefit Determination. The Plan Administrator shall provide a claimant with written or electronic notification of any adverse benefit determination. The notification shall set forth in a manner calculated to be understood by the claimant:

(1) The specific reason or reasons for the adverse determination;

(2) Reference to the specific Agreement provisions on which the determination is based;

(3) A description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary;

(4) A description of the Agreement's grievance and arbitration procedures and the time limits applicable to such procedures, including a statement of the claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse benefit determination on review.

2. If any dispute shall arise between any Participant or Beneficiary applying for a benefit and

the Plan Administrator or between any Participant or Beneficiary applying for a benefit and the Company, as to such Participant's or Beneficiary's entitlement to a benefit or the amount of his benefit, such dispute may be disposed of in the manner provided for in the Adjustment of Grievances commencing with the last step in the grievance procedure preceding arbitration of the collective bargaining agreement in effect at the time such action is taken. Any Participant or Beneficiary who wishes to submit such a dispute to such step of the grievance procedure must have a notice of his intention to do so filed by the Representative of the International Union with the Administrator postmarked within sixty (60) days from the date of the notice to him of the action to which he objects. The Participant or Beneficiary shall state clearly and concisely, in such notice of his intention to submit such dispute to such step of the grievance procedure, all facts which are the basis of his grievance; and if he claims that any Article or Articles of this Agreement are involved, he shall specify such Article or Articles. The notice from the Plan Administrator shall advise such Participant or Beneficiary of his right to submit such dispute to such step of the grievance procedure within said time.

3. The arbitrator, in deciding any such dispute and only insofar as necessary to decide such dispute, shall have authority only to interpret and apply the provisions of this Agreement to the facts as presented in evidence to him, but he shall not have the authority to add to or subtract from or, in any way, to alter or amend any of such provisions. The decision of the arbitrator on such dispute, which shall properly have been referred to him, shall be final and binding upon the Company, the Union, Participant or Beneficiary, and the Plan Administrator, unless said decision was procured or induced by corruption, fraud, or undue means or was beyond the scope of the arbitrator's authority herein provided.

4. If no appeal to arbitration is taken in accordance with Section C hereof from any decision of the Administrator either awarding or denying a benefit under this Agreement, or modifying or reversing any earlier decision awarding or denying such benefit, such decision of the Administrator shall be final and binding upon said Participant or Beneficiary or any person on his behalf and upon the Union.

ARTICLE VII - TRADE CONTROL POLICY

Commencing with transaction with an effective date of October 1, 2006, Plan Participants who exchange any amount out of a mutual fund or a similar type of product or fund under the Plan will be prohibited from purchasing shares of the same mutual fund through an exchange transaction for thirty (30) calendar days (the "Trade Control Policy").

The Trade Control Policy will not apply to the following:

1. Money-market mutual funds

2. Actively managed separate accounts or lifestyle portfolios – mutual fund companies and other investment managers may impose additional trade control policies as a requirement for the Plan to include their products in the Plan lineup, or as an underlying security in an actively managed separate account or lifestyle type of portfolio

3. Purchase transactions

a. Contribution processing, including Participant payroll, Company contributions, loan repayments, and rollovers

b. Fund dividends or capital gain distributions

(1) Redemption transactions

c. Distributions, loans, and inservice withdrawals from the Plan

d. Plan termination or at the discretion and direction of the Plan sponsor or other fiduciary

e. Payment of fund or Account fees

(1) Conversions of shares from one class to another in the same fund

(2) Re-registration of shares.

The Trade Control Policy will also not apply to Timken Common Shares because it is not a mutual fund or similar type of product or fund to which this policy applies.

Transactions initiated by the Plan's service provider or a similar program will be exempt from the Trade Control Policy. Reallocation and rebalancing transactions initiated by Plan Participants (whether the Participant is acting alone or utilizing an investment advisor, investment advisory service, or other Plan feature) will not be exempt from the Trade Control Policy.

ARTICLE VIII - EFFECTIVE AND TERMINATION DATES

A. This 2009 401(k) Agreement shall be effective on January 1, 2010, at 12:01 a.m., except as hereinafter provided.

B. No provision in this Agreement shall be considered as having any retroactive effect, unless it is clearly so stated.

C. This Agreement shall continue in full force and effect until 12:01 a.m., January 1, 2014, and for yearly periods thereafter, unless either party shall notify the other party in writing not less than sixty (60) days before any termination date of the 2009 Basic Labor Agreement between the parties of such party's desire to commence negotiations for a new Agreement.

D. Negotiations for a new 401(k) Agreement shall be carried on concurrently with negotiations for a Basic Labor Agreement to replace the 2009 Basic Labor Agreement.

E. In the event of a strike at the termination of the 2009 Basic Labor Agreement, the operation of this 401(k) Agreement shall not be suspended during the period of such strike until the termination date of this 401(k) Agreement.

F. In the event that no agreement is reached on a new 401(k) Agreement by 12:01 a.m., September 30, 2013, the Union shall not be bound by its no-strike pledge contained in the Basic Labor Agreement then in effect between the parties.

G. The no-strike clause contained in the Basic Labor Agreement between the parties then in effect shall be applicable to this 401(k) Agreement, except as hereinabove provided.

H. Except as provided above, there shall be no strikes by reason of disputes under this 401(k) Agreement during the term of this Agreement.

THE TIMKEN COMPANY

Alan C. Oberster
VP – Environmental, Health &
Safety and Chief Negotiator

UNITED STEEL, PAPER AND FORESTRY, RUBBER, MANUFACTURING, ENERGY, ALLIED INDUSTRIAL AND SERVICE WORKERS INTERNATIONAL UNION

Leo W. Gerard
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Stan Johnson
International Secretary-Treasurer

Thomas M. Conway
International Vice President, Administration

Fred Redmond
International Vice President, Human Affairs

Carol Landry
International Vice President At Large

David R. McCall
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Dennis Brommer
Sub District Director

Joseph Holcomb
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Paul E. Muller
Vice President - Local 1123

Robert B. Seward
Negotiator – Canton Bearing Plant
Local 1123

William H. Crawford
Negotiator – Gambrinus Bearing Plant
Local 1123

Ronald J. Roberts
Negotiator – Faircrest Steel Plant
Local 1123

Michael L. Poole
Negotiator – Gambrinus Steel Plant
Local 1123

William F. Webler
Negotiator – Harrison Steel Plant
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