

APPLIED INDUSTRIAL TECHNOLOGIES INC

Form 11-K

June 17, 2011

Table of Contents

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

**FORM 11-K
ANNUAL REPORT
PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

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

For the fiscal year ended December 31, 2010.

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

For the transition period from _____ to _____.

Commission file number 1-2299

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

Applied Industrial Technologies, Inc.

Retirement Savings Plan

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

Applied Industrial Technologies, Inc.

One Applied Plaza

Cleveland, Ohio 44115-5056

Table of Contents

Financial Statements and Exhibit(s) (enclosed)

(a) **Financial Statements**

Report of Independent Registered Public Accounting Firm

Statements of Net Assets Available for Benefits
As of December 31, 2010 and 2009

Statement of Changes in Net Assets Available for Benefits
For the Years Ended December 31, 2010 and 2009

Notes to Financial Statements

Supplemental Schedules

(b) **Exhibit(s)**

23 Consent of Independent Registered Public Accounting Firm

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Plan has duly caused this annual report to be signed on its behalf by the undersigned, hereunto duly authorized.

APPLIED INDUSTRIAL TECHNOLOGIES,
INC. RETIREMENT SAVINGS PLAN

By: Applied Industrial
Technologies, Inc., as Plan
Administrator

By: /s/ Michael L. Coticchia
Signature

Michael L. Coticchia
Printed Name

Vice President-Chief Administrative
Officer
Title

Date: June 17, 2011

Table of Contents

**APPLIED INDUSTRIAL TECHNOLOGIES, INC.
RETIREMENT SAVINGS PLAN**

Financial Statements

For the Years Ended December 31, 2010 and 2009

Supplemental Schedules

As of December 31, 2010 and For the Year Ended December 31, 2010

Report of Independent Registered Public Accounting Firm

**APPLIED INDUSTRIAL TECHNOLOGIES, INC.
RETIREMENT SAVINGS PLAN
TABLE OF CONTENTS**

| | Page |
|-----------------------------------------------------------------------------------------------------------------------|-------------|
| <u>REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u> | 1 |
| FINANCIAL STATEMENTS: | |
| <u>Statements of Net Assets Available for Benefits As of December 31, 2010 and 2009</u> | 2 |
| <u>Statements of Changes in Net Assets Available for Benefits For the Years Ended December 31, 2010 and 2009</u> | 3 |
| <u>Notes to Financial Statements</u> | 4 - 11 |
| SUPPLEMENTAL SCHEDULES: | |
| <u>Schedule H, Line 4(i) Schedule of Assets (Held at End of Year) December 31, 2010</u> | 12 |
| <u>Schedule H, Line 4(j) Schedule of Reportable Transactions For the Year Ended December 31, 2010</u> <u>EX-23</u> | 13 |

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Investment and Advisory Committees for the Applied Industrial Technologies, Inc. Retirement Savings Plan
We have audited the accompanying statements of net assets available for benefits of Applied Industrial Technologies, Inc. Retirement Savings Plan (the Plan) as of December 31, 2010 and 2009 and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Plan as of December 31, 2010 and 2009 and the changes in net assets for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2010 and schedule of reportable transactions for the year ended December 31, 2010 are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan s management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Plante & Moran, PLLC

Cleveland, Ohio

June 17, 2011

Table of Contents

**APPLIED INDUSTRIAL TECHNOLOGIES, INC.
RETIREMENT SAVINGS PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
AS OF DECEMBER 31, 2010 AND 2009**

| | 2010 | 2009 |
|-------------------------------------------------------------------------------------------------|-----------------------|-----------------------|
| ASSETS: | | |
| Investments at fair value: | | |
| Applied Industrial Technologies, Inc. Stock Fund | \$ 99,612,406 | \$ 72,644,302 |
| Mutual funds | 220,808,683 | 192,441,881 |
| Common/collective trust funds | 56,925,305 | 56,548,942 |
| Total investments | 377,346,394 | 321,635,125 |
| Participant notes receivable | 10,058,835 | 9,949,087 |
| NET ASSETS REFLECTING INVESTMENTS AT FAIR VALUE | 387,405,229 | 331,584,212 |
| Adjustments from fair value to contract value for fully benefit-responsive investment contracts | (148,959) | 1,783,269 |
| NET ASSETS AVAILABLE FOR BENEFITS | \$ 387,256,270 | \$ 333,367,481 |

See notes to financial statements.

Table of Contents

**APPLIED INDUSTRIAL TECHNOLOGIES, INC.
RETIREMENT SAVINGS PLAN
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

| | 2010 | 2009 |
|----------------------------------------------------------|----------------|----------------|
| ADDITIONS TO NET ASSETS: | | |
| Contributions: | | |
| Participants | \$ 10,188,121 | \$ 9,742,191 |
| Participants rollovers | 1,692,839 | 1,680,454 |
| Employer | 5,958,558 | 2,229,826 |
| Total contributions | 17,839,518 | 13,652,471 |
| INVESTMENT INCOME: | | |
| Dividends, interest and other: | | |
| Applied Industrial Technologies, Inc. Stock Fund | 1,999,322 | 2,069,323 |
| Mutual funds | 2,270,683 | 2,155,435 |
| Common/collective trust funds | 917,583 | 1,230,982 |
| Total dividends, interest and other | 5,187,588 | 5,455,740 |
| Net appreciation in fair value of investments: | | |
| Applied Industrial Technologies, Inc. Stock Fund | 32,631,005 | 11,043,351 |
| Mutual funds | 25,303,153 | 42,502,156 |
| Total net appreciation in fair value of investments | 57,934,158 | 53,545,507 |
| Total investment income | 63,121,746 | 59,001,247 |
| Interest on participant notes receivable | 552,657 | 633,865 |
| NET CHANGE IN ADDITIONS TO NET ASSETS | 81,513,921 | 73,287,583 |
| DEDUCTIONS FROM NET ASSETS: | | |
| Distributions to participants | (27,040,792) | (28,021,825) |
| Administrative expenses | (584,340) | (463,450) |
| Total deductions | (27,625,132) | (28,485,275) |
| CHANGE IN NET ASSETS FOR THE YEAR | 53,888,789 | 44,802,308 |
| NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF THE YEAR | 333,367,481 | 288,565,173 |
| NET ASSETS AVAILABLE FOR BENEFITS, END OF THE YEAR | \$ 387,256,270 | \$ 333,367,481 |

See notes to financial statements.

3

Table of Contents

**APPLIED INDUSTRIAL TECHNOLOGIES, INC. RETIREMENT SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

1. DESCRIPTION OF THE PLAN

The following description of the Applied Industrial Technologies, Inc. Retirement Savings Plan (the Plan) is provided for general purposes only. Participants and users of the financial statements should refer to the Plan document for more complete information.

General The Plan was established for the purpose of encouraging and assisting domestic employees of Applied Industrial Technologies, Inc. and its subsidiaries (the Company) to provide long-term, tax-deferred savings for retirement. The Plan is subject to reporting and disclosure requirements, minimum participation and vesting standards, and fiduciary responsibility requirements of the Employee Retirement Income Security Act of 1974 (ERISA).

Administration The Plan is administered by the Company. The Company's powers and duties relate to making participant and employer contributions to the Plan, establishing investment options, authorizing disbursements from the Plan, and resolving any questions of Plan interpretation.

The record keeper and trustee for the assets of the plan is Wells Fargo Bank, N.A. (Wells Fargo). On March 20, 2010, Wachovia Bank, N.A. and Wachovia Bank of Delaware, N.A. (collectively Wachovia) merged into Wells Fargo Bank, N.A. (Wells Fargo). As a result of this merger, the separate existence of Wachovia ceased and Wells Fargo succeeded, by operation of law, to all of Wachovia's rights, title, property and appointments (such as trustee, custodian and all other fiduciary appointments) and is subject to all of Wachovia's debts, obligations (including contractual obligations) and liabilities.

Participant Accounts Each participant's account is credited with the participant's contributions and allocations of (a) the Company's contributions and (b) Plan earnings (losses), and (c) administrative expenses. Allocated expenses are based on participant contributions, account balances, or can be per capita, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested portion of their account.

Participation and Contributions All eligible employees may participate in the Plan on the first payroll period following 30 days of employment. Eligible employees may elect to make pretax contributions to the Plan ranging from 1% to 50% of compensation, subject to limitations under the Internal Revenue Code. For those eligible employees who do not make a contribution election, their compensation is automatically reduced by 2% and contributed on their behalf to the Plan until superseded by a subsequent contribution election. The Company may make additional discretionary contributions to the Plan, including, but not limited to, matching contributions equal to a percentage of participant pretax contributions not in excess of 6% of the participant's compensation, and profit-sharing contributions as determined annually. Matching employer contributions were suspended effective January 1, 2009 and were reinstated July 1, 2010. Any employer matching contribution is typically paid to the plan monthly and participants must be employed during the last pay period of the month to receive the monthly match. Employer matching contributions consist of cash which is then used by the plan trustee to purchase shares of Applied Industrial Technologies, Inc. common stock on the open market. For the third and fourth quarters of 2010, the employer match on participant contributions was \$0.25 and \$0.50 of every employee dollar contributed.

Table of Contents

**APPLIED INDUSTRIAL TECHNOLOGIES, INC. RETIREMENT SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

The Plan permits catch-up contributions for participants who are age 50 or older and defer the maximum amount allowed under the Plan. Maximum catch-up contribution limits were \$5,500 for 2010 and 2009.

The Company may also make a profit-sharing contribution to the Plan annually. Participants must be employed on June 30 of such Plan year and have completed at least one year of service, as defined in the Plan agreement, as of June 30 to be eligible to receive an allocation of the profit-sharing contribution. Additionally, the Company may contribute a special profit-sharing contribution to individuals who retire after attaining age 55 and completing 10 years of service, as more fully described in the Plan document. Profit-sharing contributions are allocated to each participant's profit-sharing contribution account based upon the ratio of each participant's total compensation to the aggregate compensation of all participants eligible to receive a profit-sharing contribution. Profit-sharing contributions were approximately \$4,721,000 and \$2,230,000 for the years ended December 31, 2010 and 2009, respectively. Contributions are excluded from participants' taxable income until such amounts are received by them as a distribution from the Plan.

The Plan provides for rollover contributions (amounts distributed to participants from certain other tax-qualified plans) and transfer contributions (amounts transferred from certain other tax-qualified plans) by or on behalf of an employee in accordance with procedures established by the Company.

Investment of Contributions Participants elect investment of profit-sharing and pretax contributions in 1% increments to any of several investment funds or options. The portion of the Plan that is invested in the Company Stock Fund is intended to be an Employee Stock Ownership Plan (ESOP) under Code Section 4975 (e)(7) and ERISA Section 407 (d)(6).

Participants may elect to change their investment elections as to future contributions and may also elect to reallocate a portion or all of their account balances among the investment choices in increments of 1% of the total amount to be reallocated. Participants are able to transfer any portion (up to 100%) of their matching contribution account from the Applied Industrial Technologies, Inc. Stock Fund into other investment funds under the Plan. All such elections are filed with the Trustee and become effective daily.

The value of the Applied Industrial Technologies, Inc. common stock and other funds and the interest of individual participants under each investment are calculated daily (daily valuation).

Vesting and Distributions Each participant is immediately and fully vested in their participant contributions and earnings thereon. Participants vest in matching employer contributions and profit-sharing contributions at a rate of 25% for each year of eligible service, becoming completely vested after four years, or at death, termination of employment due to physical or mental disability (determined by the Company upon the basis of a written certificate of a physician selected by it), or normal retirement as defined in the Plan.

Table of Contents

**APPLIED INDUSTRIAL TECHNOLOGIES, INC. RETIREMENT SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

Upon termination of employment, participants may receive lump-sum or installment distributions of their vested account balances as soon as administratively possible. Distributions can be made in the form of Company stock, cash, or a combination thereof. The Plan permits hardship withdrawals, if the hardship criteria are met, or in-service distributions at age 59 1/2. Hardship withdrawals and in-service distributions can be taken from participant rollovers, salary deferrals, and catch-up contributions.

Forfeitures Forfeitures of nonvested amounts are used to reduce future matching employer contributions. Total forfeitures were \$186,300 in 2010 and \$89,170 in 2009.

Participant Notes Receivable Participants may borrow (from their pre-tax contributions, rollover contributions and transferred contributions) a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of the aggregate sum of the participant's accounts. Participant notes receivable terms range from 1-5 years or up to 10 years if used for the purchase of a primary residence. Participant notes receivable that originated from merged plans are also reflected in participant notes receivable in the Plan's financial statements; these participant notes receivable are to be repaid to the Plan in accordance with their original terms. Participant notes receivable are collateralized by the balance in the participant's accounts and bear interest at market rates prevailing at the time the participant note receivable originated. Principal and interest are paid ratably through bi-weekly payroll deductions. Funds cannot be borrowed from the profit-sharing or Company matching contributions.

Plan Termination The Plan was adopted with the expectation that it will continue indefinitely. The Company may, however, terminate the Plan at any time and may amend the Plan from time to time. In the event of termination of the Plan, all participants will immediately become fully vested in their accounts.

Tax Status of the Plan The Plan obtained its latest determination letter dated July 12, 2003, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. Although the Plan has been amended since receiving this determination letter, the Plan administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no provision for income taxes has been included in the Plan's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed in the preparation of the Plan's financial statements.

Basis of Accounting The accompanying financial statements have been prepared on the accrual basis of accounting. The Statements of Net Assets Available for Benefits presents the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The related activity is presented at contract value in the Statements of Changes in Net Assets Available for Benefits.

Table of Contents

**APPLIED INDUSTRIAL TECHNOLOGIES, INC. RETIREMENT SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

Use of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Valuation of Investments Investments are accounted for at cost on the trade date and are reported in the Statements of Net Assets Available For Benefits at fair value, except for investments in stable value funds (such as the Riversource Fund), which are valued at contract value. Contract value represents investments at cost plus accrued interest income less amounts withdrawn to pay benefits. The fair value of the Riversource Fund, which is a common collective trust, is valued at fair market value of the underlying investments and then adjusted by the issuer to contract value. The investment in Applied Industrial Technologies, Inc. common stock is valued using the year-end closing price listed by the New York Stock Exchange. Mutual funds are stated at values using year-end closing prices for each of the funds or quoted market prices. See Note 4, ***Fair Value Measurements*** for additional disclosures relative to the fair value of the investments held in the Plan.

Participant Notes Receivable Participant notes receivable are recorded at their unpaid principal balances plus any accrued interest. Participant notes receivable are written off when deemed uncollectible.

Risks and Uncertainties In general, investment securities are exposed to various risks, such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with investment securities, it is reasonably possible that changes in the values of investment securities could occur in the near term, and such changes could materially affect the amounts reported in the financial statements.

Benefit Payments Distributions to participants are recorded by the Plan when payments are made.

Administrative Expenses Administrative expenses of the Plan are paid by the Plan or the Company, as determined by the Company.

New Accounting Pronouncements During 2010, the Plan adopted the provisions of a new accounting standard which requires that defined contribution plans classify participant loans as participant notes receivable rather than as investments as was previously required. This standard was adopted retroactively and, as a result, the December 31, 2009 participant loans have been reclassified from investments to participant notes receivable, and the 2009 interest income has been reclassified from investment income to interest from participant notes receivable. The adoption of this standard had no impact on the Plan's net assets or changes in net assets.

3. INVESTMENTS

The Plan provides that, in accordance with the investment objectives established by the Company, the Trustee of the Plan shall hold, invest, reinvest, manage and administer all assets of the Plan as a trust fund for the exclusive benefit of participants and their beneficiaries.

Table of Contents

APPLIED INDUSTRIAL TECHNOLOGIES, INC. RETIREMENT SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009

Plan investments exceeding 5% of net assets available for benefits as of December 31, 2010 or 2009 were as follows:

| Description of Investment | 2010 | 2009 |
|-----------------------------------------------------------------------------------------------------|---------------|---------------|
| At fair value: | | |
| Applied Industrial Technologies, Inc. Common Stock (a portion of which is non-participant directed) | \$ 97,830,637 | \$ 71,510,552 |
| American Fundamental Investors Fund (Class A) | 37,339,503 | 34,419,888 |
| PIMCO Total Return Fund (Admin) | 33,528,079 | 32,540,358 |
| American EuroPacific Growth Fund (Class A) | 32,639,138 | 31,612,163 |
| AIT Large Cap Growth Portfolio | 26,232,557 | 22,814,759 |
| T. Rowe Price Mid-Cap Growth Fund | 22,028,802 | 17,438,734 |
| At contract value: | | |
| Riversource Trust Income Fund II | 56,776,346 | 58,332,211 |

4. FAIR VALUE MEASUREMENTS

Accounting standards require certain assets and liabilities be reported at fair value on the financial statements and provides a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The Plan estimates the fair value of financial instruments using available market information and generally accepted valuation methodologies. Fair value is defined as the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The inputs used to measure fair value are classified into three tiers. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

In instances where inputs used to measure fair value fall into different levels of the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Plan's assessment of the significance of particular inputs to these fair value measurements require judgment and considers factors specific to each asset or liability.

The following tables present information about the Plan's assets measured at fair value on a recurring basis at December 31, 2010 and 2009, and the valuation techniques used by the Plan to determine those values. The Plan also holds other assets not measured at fair value on a recurring basis, including cash and participant notes receivable. The fair value of these assets approximates the carrying amounts in the accompanying financial statements due to either the short maturity of the instruments or the use of interest rates that approximate market rates for instruments of similar maturity.

Table of Contents

APPLIED INDUSTRIAL TECHNOLOGIES, INC. RETIREMENT SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009

Financial assets and liabilities measured at fair value on a recurring basis are as follows. There are currently no items categorized as Level 3 within the fair value hierarchy.

| | Recorded Value December 31, 2010 | Fair Value Measurements at 12/31/10 | |
|--------------------------------------------------|-------------------------------------------|-------------------------------------------------------------------------------------|---------------------------------------------------------|
| | | Quoted Prices in Active Markets for Identical Instruments Level 1 | Significant Other Observable Inputs Level 2 |
| Assets: | | | |
| Applied Industrial Technologies, Inc. Stock Fund | \$ 99,612,406 | \$ 99,612,406 | |
| Mutual Fund Investments: | | | |
| Fixed income | 39,583,403 | 39,583,403 | |
| Balanced | 10,102,209 | 10,102,209 | |
| Retirement-year based | 7,367,348 | 7,367,348 | |
| Equity | 163,755,723 | 163,755,723 | |
| Common/Collective Trust Fund: | | | |
| Stable value investment (A) | 56,925,305 | | \$ 56,925,305 |
| Total | \$ 377,346,394 | \$ 320,421,089 | \$ 56,925,305 |

Table of Contents

APPLIED INDUSTRIAL TECHNOLOGIES, INC. RETIREMENT SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009

| | | Fair Value Measurements at 12/31/09 | |
|--------------------------------------------------|-------------------------------------------|----------------------------------------------|----------------------------------------------|
| | | Quoted Prices in Active Markets for | Significant Other Observable Inputs |
| | Recorded Value December 31, 2009 | Identical Instruments Level 1 | Level 2 |
| Assets: | | | |
| Applied Industrial Technologies, Inc. Stock Fund | \$ 72,644,302 | \$ 72,644,302 | |
| Mutual Fund Investments: | | | |
| Fixed income | 36,512,063 | 36,512,063 | |
| Balanced | 7,570,500 | 7,570,500 | |
| Retirement-year based | 3,474,068 | 3,474,068 | |
| Equity | 144,885,250 | 144,885,250 | |
| Common/Collective Trust Fund: | | | |
| Stable value investment (A) | 56,548,942 | | \$ 56,548,942 |
| Total | \$ 321,635,125 | \$ 265,086,183 | \$ 56,548,942 |

(A) This class represents investments in an actively managed common collective trust fund that invests primarily in investment contracts, a variety of fixed income investments which may include corporate bonds, both U.S. and non-U.S. municipal securities and wrapper contracts. Investments are valued at the fair value per share multiplied by the number of shares held as of the measurement date.

Table of Contents

**APPLIED INDUSTRIAL TECHNOLOGIES, INC. RETIREMENT SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

5. NONPARTICIPANT-DIRECTED INVESTMENTS

The Plan's only nonparticipant-directed transactions are contained within the Applied Industrial Technologies, Inc. Stock Fund, which includes both participant and nonparticipant-directed transactions. Information about the net assets and significant components of the changes in net assets relating to the Applied Industrial Technologies, Inc. Stock Fund are as follows:

| | 2010 | 2009 |
|----------------------------------------------------------|----------------------|----------------------|
| <i>Net Assets:</i> | | |
| Applied Industrial Technologies, Inc. Common Stock | \$ 97,830,637 | \$ 71,510,552 |
| Wells Fargo Advantage Heritage Money Market Fund | 1,781,769 | |
| Evergreen Inst Money Market Fund CL I | | 1,133,750 |
| Total Net Assets | \$ 99,612,406 | \$ 72,644,302 |
| <i>Change in Net Assets:</i> | | |
| Contributions | \$ 2,876,560 | \$ 1,158,418 |
| Dividends | 1,996,318 | 2,063,205 |
| Interest | 3,004 | 6,118 |
| Net appreciation in fair value | 32,631,005 | 11,043,351 |
| Benefits paid to participants | (5,268,782) | (4,774,264) |
| Transfers to other participant directed investments, net | (5,206,550) | (7,770,051) |
| Administrative expense | (63,451) | (57,572) |
| Total Change in Net Assets | \$ 26,968,104 | \$ 1,669,205 |

Table of Contents**APPLIED INDUSTRIAL TECHNOLOGIES, INC.****RETIREMENT SAVINGS PLAN****Employer ID Number: 34-0117420****Plan Number: 003****SCHEDULE H LINE 4(i) SCHEDULE OF ASSETS (HELD AT END OF YEAR)****DECEMBER 31, 2010**

| (a) | (b) Identity of Issuer, Borrower, Lessor or Similar Party | (c) Description of Investment | (d) Cost | (e) Current Value |
|-------|-----------------------------------------------------------------------------------------------|-----------------------------------------------|---------------|---------------------------|
| * | Applied Industrial Technologies, Inc. Stock Fund: Applied Industrial Technologies, Inc. | Common Stock 3,012,027 shares | \$ 52,604,813 | \$ 97,830,637 |
| | Wells Fargo Advantage Heritage | Money Market Fund - 1,781,769 shares | 1,781,769 | 1,781,769 |
| | Applied Industrial Technologies, Inc. Stock Fund Total | | | 99,612,406 |
| | Riversource Trust Income Fund II | Common Collective Trust - 1,886,257 shares | ** | 56,776,346 |
| | American Fundamental Investors Fund (Class A) | Mutual Fund 1,017,424 shares | ** | 37,339,503 |
| | American EuroPacific Growth Fund (Class A) | Mutual Fund 788,957 shares | ** | 32,639,138 |
| | T. Rowe Price Mid-Cap Growth Fund | Mutual Fund 376,368 shares | ** | 22,028,802 |
| | PIMCO Total Return Fund (Admin) | Mutual Fund 2,331,022 shares | ** | 33,528,079 |
| | Vanguard Target Retirement Income | Mutual Fund 40,963 shares | ** | 462,058 |
| | Vanguard Target Retirement 2010 | Mutual Fund 18,200 shares | ** | 406,047 |
| | Vanguard Target Retirement 2015 | Mutual Fund 130,087 shares | ** | 1,615,689 |
| | Vanguard Target Retirement 2020 | Mutual Fund 79,011 shares | ** | 1,746,140 |
| | Vanguard Target Retirement 2025 | Mutual Fund 84,894 shares | ** | 1,071,367 |
| | Vanguard Target Retirement 2030 | Mutual Fund 30,635 shares | ** | 664,172 |

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| | | | | |
|---------------------------------------------------------------|------------------------------------------------------------------------------------------|-------------------|----|-------------|
| Vanguard Target Retirement 2035 | Mutual Fund | 49,995 shares | ** | 654,433 |
| Vanguard Target Retirement 2040 | Mutual Fund | 19,096 shares | ** | 410,558 |
| Vanguard Target Retirement 2045 | Mutual Fund | 10,028 shares | ** | 135,380 |
| Vanguard Target Retirement 2050 | Mutual Fund | 9,416 shares | ** | 201,504 |
| Vanguard 500 Index | Mutual Fund | 72,109 shares | ** | 6,899,372 |
| BlackRock Global Allocation (I) | Mutual Fund shares | 518,062 | ** | 10,102,209 |
| William Blair Small Cap Growth (I) | Mutual Fund shares | 517,927 | ** | 12,464,084 |
| AIT Large-Cap Growth Portfolio: Vanguard Growth Index Fund | Mutual Fund shares | 282,867 | ** | 8,558,444 |
| The Hartford Growth Fund | Mutual Fund shares | 478,820 | ** | 8,736,991 |
| Harbor Capital Appreciation Fund | Mutual Fund shares | 233,113 | ** | 8,937,122 |
| AIT Large-Cap Growth Portfolio Total | | | | 26,232,557 |
| American Washington Mutual Investors Fund A | Mutual Fund shares | 292,050 | ** | 7,946,681 |
| Royce Total Return Fund (Investment) | Mutual Fund shares | 585,656 | ** | 7,713,071 |
| Wells Fargo Advance Mid-Cap Discipline (Inst) | Mutual Fund shares | 279,686 | ** | 5,884,589 |
| Western Asset Tr-Core Port Fund (Inst) | Mutual Fund shares | 414,162 | ** | 6,055,324 |
| Cambiar Opportunity Fund (Institutional CI) | Mutual Fund shares | 136,896 | ** | 2,512,047 |
| Lazard Mid Cap (Institutional) | Mutual Fund shares | 166,208 | ** | 2,095,879 |
| | | Total Investments | | 377,197,435 |
| * Participant Notes Receivable | Participant notes receivable (with interest rates ranging from 4.25% to 10.90% and | | ** | 10,058,835 |

maturity dates ranging from
March 2011 to July 2027)

Total \$ 387,256,270

* Represents a party-in-interest

** Indicates a participant-directed fund. The cost disclosure is not required.

12

Table of Contents**APPLIED INDUSTRIAL TECHNOLOGIES, INC.****RETIREMENT SAVINGS PLAN****Employer ID Number: 34-0117420****Plan Number: 003****SCHEDULE H LINE 4(j) SCHEDULE OF REPORTABLE TRANSACTIONS****FOR THE YEAR ENDED DECEMBER 31, 2010**

| (a) | (b) Description of Asset | (c) Purchase Price | (d) Selling Price | (f) Expense Incurred with Transaction | (g) Cost of Asset | (h) Current Value of Asset on Transaction Date | (i) Net Gain |
|--------------------------------------------------------------------------------------|-------------------------------------|----------------------------|---------------------------|-----------------------------------------------------|---------------------------|-----------------------------------------------------------------|-------------------|
| <i>Category (iii) A Series of Transactions in Excess of 5 Percent of Plan Assets</i> | | | | | | | |
| Applied Industrial Technologies, Inc. | Shares of Common Stock | \$ 17,893,559 | \$ 23,389,973 | \$ 13,723 17,911 | \$ 17,907,282 13,667,375 | \$ 17,893,559 23,389,973 | \$ 9,704,687 |
| Evergreen Inst Money Market Fund CL I | Money Market Fund | 31,509,433 | 30,723,149 | | 31,509,433 30,723,149 | 31,509,433 30,723,149 | |
| Wells Fargo Advantage Heritage | Money Market Fund | 29,025,725 | 28,419,703 | | 29,025,725 28,419,703 | 29,025,725 28,419,703 | |

There were no category i, ii or iv transactions during the year.