CATERPILLAR INC
Form 11-K
June 24, 2011

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

FORM 11-K

(Mark One)	
[X]	ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended December 31, 2010
	OR
[ ]	TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from __________ to __________.

Commission File No. 1-768

CATERPILLAR INC.
TAX DEFERRED RETIREMENT PLAN
(Full title of the plan and address of the plan, if different from that of the issuer named below)

CATERPILLAR INC.
100 NE Adams Street, Peoria, Illinois 61629
(Name of issuer of the securities held pursuant to the plan and address of its principal executive office)

Caterpillar Inc.
Tax Deferred Retirement Plan
Financial Statements and Supplemental Schedule
December 31, 2010 and 2009

Caterpillar Inc.
Tax Deferred Retirement Plan
Index

Note: Other schedules required by 29 CFR 2520.103-10 of the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

Report of Independent Registered Public Accounting Firm

To the Participants, Plan Administrator and Benefit Funds
Committee of the Caterpillar Inc. Tax Deferred Retirement Plan

In our opinion, the accompanying statements of net assets available for benefits and the related statements of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of the Caterpillar Inc. Tax Deferred Retirement Plan (the “Plan”) at December 31, 2010 and 2009, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America. 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 of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplemental Schedule H, Line 4i – Schedule of Assets (Held at End of Year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is 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. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ PricewaterhouseCoopers LLP

Peoria, Illinois
June 24, 2011

Caterpillar Inc.
Tax Deferred Retirement Plan
Statements of Net Assets Available for Benefits
December 31, 2010 and 2009

(in thousands of dollars)		2010		2009
Investments				
Interest in the Master Trust	$	67,529	$	48,953
Other investments – participant directed brokerage accounts		67		52
Total investments		67,596		49,005
Receivables				
Participant notes receivable		6,918		4,228
Participant contributions receivable		–		1
Employer contributions receivable		4,357		2,738
Total receivables		11,275		6,967
Net assets available for benefits, at fair value		78,871		55,972
Adjustment from fair value to contract value for fully benefit-responsive synthetic guaranteed investment contracts		85		301
Net assets available for benefits	$	78,956	$	56,273

The accompanying notes are an integral part of these financial statements.

Caterpillar Inc.
Tax Deferred Retirement Plan
Statements of Changes in Net Assets Available for Benefits
Years Ended December 31, 2010 and 2009

(in thousands of dollars)	2010	2009
Investment income		
Plan interest in net investment income of the Master Trust	$ 13,923	$ 11,311
Net investment income from participant directed brokerage accounts	6	10
Net investment income	13,929	11,321
Interest income		
Participant notes receivable	223	143
Contributions		
Participant	7,317	5,127
Employer	7,385	4,453
Legal settlement	398	–
Total contributions	15,100	9,580
Deductions		
Withdrawals	(6,532)	(3,431)
Administrative expenses	(37)	(24)
Total deductions	(6,569)	(3,455)
Net increase in net assets available for benefits	22,683	17,589
Net assets available for benefits		
Beginning of year	56,273	38,684
End of year	$ 78,956	$ 56,273

The accompanying notes are an integral part of these financial statements.

Caterpillar Inc.
Tax Deferred Retirement Plan
Notes to Financial Statements
December 31, 2010 and 2009

1. Plan Description

The following description of the Caterpillar Inc. Tax Deferred Retirement Plan (the “Plan”) provides only general information. Participants should refer to the Plan documents for a more complete description of the Plan's provisions.

General

The Plan is a contributory defined contribution plan established by Caterpillar Inc. (the “Company”) to enable eligible employees of the Company and its subsidiaries (the “participating employers”), which adopt the Plan to accumulate funds for retirement. The Plan is subject to the provisions of the Employee Retirement Income Security Act, as amended (“ERISA”).

Participation

Employees of the participating employers who are covered under collective bargaining agreements to which the Plan is extended who meet certain age, service and citizenship or residency requirements are eligible to participate in the Plan. Each employee will be eligible if the employee was hired on or after a specific date varying by union (primarily January 10, 2005) but is not eligible to participate in the Company’s Tax Deferred Savings Plan. Participating eligible employees (the “participants”) elect to defer a portion of their compensation until retirement through pre-tax contributions.

Participant Accounts

Accounts are separately maintained for each participant. The participant's account is credited with the participant's contribution as defined below, employer matching contributions, employer non-elective contributions, an allocation of Plan earnings and charged with an allocation of administrative expenses. Allocations are based on participant account balances, as defined. Participant benefits are limited to their vested account balance.

Contributions

Participant contributions are made through a pre-tax compensation deferral as elected by the participants. Participants who are at least 50 years old by the end of the calendar year are allowed by the Plan to make a catch-up contribution for that year. Contributions are subject to certain limitations set by the Internal Revenue Code.

Employer matching contributions are 50 percent of elective participant contributions up to a maximum of 6 percent of eligible compensation. Participants also receive an annual employer non-elective contribution equal to 3 percent of eligible compensation for the Plan year, subject to eligibility requirements.

Participants direct the investment of their contributions, employer matching and employer non-elective contributions into various investment options offered by the Plan as discussed in Note 3. Participants may change their contribution elections and prospective investment elections on a daily basis and reallocate the investment of their existing account balance either daily or every seven business days (if subject to applicable trading restrictions) depending on the investment.

Newly eligible employees are subject to an automatic enrollment process. Unless electing otherwise, employees who become newly eligible will be enrolled with a default 6 percent deferral of their base eligible pay and their default investment election is to the Model Portfolio – Moderately Aggressive Fund.

During the year ended December 31, 2008 the Company made excess employer matching contributions to certain participants totaling approximately $550,000. The excess employer matching contributions were corrected during 2009, resulting in a reduction to 2009 employer contributions.

Vesting and Distribution Provisions

Participants are fully vested in their participant contributions and earnings thereon. Participants become fully vested in employer matching and non-elective contributions and the earnings thereon upon completion of three years of service with the Company. Upon termination of employment for any reason, including death, retirement, or upon Plan termination, the vested balance in participants' accounts is distributable in a single lump sum cash payment unless the participant (or beneficiary) elects to receive Company shares in kind up to the amount of the participant’s balance in the Caterpillar Stock Fund. The value of any full or fractional shares paid in cash will be based upon the average price per share the Trustee receives from sales of Company shares for the purpose of making the distribution. Participants also have the option to leave their vested account balance in the Plan, subject to certain limitations.

Company contributions forfeited by terminated participants are used to reduce future Company contributions to the Plan. The amounts forfeited and used to reduce future Company contributions for the years ended December 31, 2010 and 2009 were $968,000 and $498,000, respectively.

Participant Notes Receivable

The Plan provides for participant loans against eligible participants’ account balances. Eligible participants obtain loans by filing a loan application with the Plan’s recordkeeper and receiving all requisite approvals. Loan amounts are generally limited to the lesser of $50,000 or 50 percent of the individual participant’s vested account balance, with certain regulatory restrictions. Each loan specifies a repayment period that cannot extend beyond five years. However, the five-year limit shall not apply to any loan used to acquire any dwelling unit which within a reasonable time is to be used (determined at the time the loan is made) as the principal residence of the participant. Loans bear interest at the prime interest rate plus 1 percent, as determined at the time of loan origination. Loans that transferred to the Plan due to acquisitions are based upon the terms of the plan agreement in effect at the time of loan origination which may be different than the terms of the Plan. Repayments, including interest, are made through after-tax payroll deductions and are credited to the individual participant’s account balance. Participant loans are measured at their unpaid principal balance plus any accrued but unpaid interest. At December 31, 2010, participant loans have various maturity dates through October 18, 2019, with varying interest rates ranging from 4.25 to 9.25 percent.

Administration

The Plan is administered by Caterpillar Inc., which is responsible for non-financial matters, and the Benefit Funds Committee of Caterpillar Inc., which is responsible for financial aspects of the Plan. Caterpillar Inc. and the Benefit Funds Committee have entered into a trust agreement with The Northern Trust Company (the “Trustee”) to receive contributions, administer the assets of the Plan and distribute withdrawals pursuant to the Plan.

Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan at any time to terminate the Plan subject to provisions of ERISA and the provisions of the collective bargaining agreements. In the event of Plan termination, Plan assets will be distributed in accordance with the provisions of the Plan.

Plan Qualification

The Plan obtained its latest determination letter on November 24, 2009, in which the Internal Revenue Service stated that the Plan and related trust, as then designed, were in compliance with the applicable requirements of the Internal Revenue Code. Although the Plan has been amended subsequent to the period covered by the determination letter, the Plan Administrator and the Plan's counsel believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of the Internal Revenue Code and therefore believe that the Plan is qualified and the related trust is tax-exempt.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Company has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2010, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Company believes it is no longer subject to income tax examinations for years prior to 2007.

Legal Settlement

During 2010, the Company finalized its settlement of a class action lawsuit filed in the U.S. District Court for the Central District of Illinois that named as defendants Caterpillar Inc., the Benefit Funds Committee of Caterpillar Inc. and Caterpillar Investment Management Ltd. The complaint alleged that the defendants breached fiduciary duties under ERISA by, among other things, including as plan investment options certain mutual funds affiliated with the Company and allowing certain fees and expenses. The defendants denied and continue to deny all claims asserted in the complaint.

The settlement amount of $16.5 million was paid by the Company into a qualified settlement fund. The settlement also provided for certain affirmative relief, involving a participant disclosure obligation and oversight for a limited period of time of the affected Company sponsored plans by an independent monitor. Individuals eligible to participate in the settlement include primarily those persons who, at any time between July 1, 1992 and September 10, 2009, had an account in one or more of the affected Compny sponsored plans. The net settlement amount, minus applicable fees and expenses, was allocated to eligible class members' accounts if they had an account in one or more of the affected Company sponsored plans as of September 10, 2009 and at the time the settlement payments were made on December 30, 2010. If the accounts were closed or reduced to a balance of zero before September 10, 2009 or before the settlement payments were made, the settlement payment was paid in the form of a check from the settlement administrator. The total net settlement amount allocated to eligible class members of the affected Company sponsored plans on December 30, 2010 was approximately $9.6 million, of which approximately $7.6 million was allocated to participant accounts that had balances greater than zero in the affected Company sponsored defined contribution plans and approximately $2.0 million was paid in the form of a check from the settlement administrator. The amount allocated to Plan participants with balances greater than zero on December 30, 2010 was $398,000.

2. Summary of Significant Accounting Policies

New Accounting Guidance
Reporting loans to participants by defined contribution pension plans – In September 2010, the Financial Accounting Standards Board (the "FASB") issued accounting guidance on participant loans that requires participant loans to be classified as notes receivable from participants, which are segregated from plan investments and measured at their unpaid principal balance plus any accrued but unpaid interest. Previously, participant loans were classified as investments and measured at estimated fair value consisting of principal and any accrued interest. The Plan retrospectively adopted this guidance for the Plan years ended December 31, 2010 and 2009. The adoption of this guidance did not have a material impact on the Plan's financial statements.

Fair value measurements – In April and September 2009, the FASB issued accounting guidance that expands disclosures regarding the inputs and valuation techniques used to measure fair value. The guidance also requires disclosure of debt and equity securities by major category, on a more disaggregated basis than had previously been required. The Plan adopted the guidance for the Plan year ending December 31, 2010. The adoption of this guidance did not have a material impact on the Plan's financial statements.

Basis of Accounting
The Plan's accounts are maintained on the accrual basis of accounting.

Investments
The Plan's interest in the Master Trust is valued as described in Note 4. Investments included in the participant directed brokerage account are valued at quoted market prices which, for registered investment companies, represent the net asset value of shares held by the Plan at year-end. Interest on investments is recorded as earned. Dividends are recorded on the ex-dividend date. Purchases and sales of securities are recorded on a trade-date basis.

Administrative Expenses
The Plan accrues 6 basis points annually of the fair value of the assets of each investment fund, which is transferred monthly from the Caterpillar Investment Trust into a holding account to pay expenses as they come due. The amount accumulated in the holding account is used to pay certain administrative expenses that have been approved by the Benefit Funds Committee including recordkeeping fees, trustee fees, plan education and audit fees. The Company pays any administrative expenses, excluding applicable expenses paid directly from participant accounts described below, which exceed amounts accrued annually by the Plan.

In addition, certain administrative expenses are paid directly from participant accounts. These administrative expenses include quarterly fees for participants invested in the participant directed brokerage option and processing fees for qualified domestic relations orders.

Withdrawals

Withdrawals are recorded when paid.

Use of Estimates in the Preparation of Financial Statements

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. The Company believes the techniques and assumptions used in establishing these amounts are appropriate.

Risks and Uncertainties

The Plan provides for various investment options in any combination of stocks, bonds, fixed income securities, mutual funds and other investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities could occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the Statements of Net Assets Available for Benefits. At December 31, 2010, approximately 36 percent of the Plan’s investments were invested in Caterpillar Inc. common stock.

Reclassifications

Certain amounts from the prior year have been reclassified to conform to the current-year financial statement and footnote presentation.

3. Investment Programs