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PARK OHIO HOLDINGS CORP. 10-Q/QTR END 6-30-01

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

FORM 10-Q

(MARK ONE)

—  
☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD  
ENDED JUNE 30, 2001, OR  
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD  
FROM \_\_\_\_\_ TO \_\_\_\_\_

COMMISSION FILE NO. 0-3134

PARK OHIO HOLDINGS CORP.

(Exact name of registrant as specified in its charter)

OHIO

34-1867219

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

23000 EUCLID AVENUE, CLEVELAND, OHIO

44117

(Address of principal executive offices)

(Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: 216/692-7200

PARK OHIO HOLDINGS CORP. IS A SUCCESSOR ISSUER TO PARK OHIO INDUSTRIES, INC.

Indicate by check mark whether the registrant:

(1) Has filed all reports required to be filed by Section 13 or 15(d) of  
the Securities Exchange Act of 1934 during the preceding twelve months  
(or for such shorter period that the registrant was required to file  
such reports):

and

(2) Has been subject to such filing requirements for the past 90 days.

YES ☒ NO ☐

Number of shares outstanding of registrant's Common Stock, par value \$1.00 per  
share, as of July 31, 2001: 10,496,191.

The Exhibit Index is located on page 19.

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PARK OHIO HOLDINGS CORP. AND SUBSIDIARIES  
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31, 2000

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~~PARK OHIO HOLDINGS CORP. AND SUBSIDIARIES~~  
~~CONSOLIDATED BALANCE SHEETS~~

	(UNAUDITED)	
	JUNE 30	DECEMBER 31
	2001	2000
	-----	-----
	(DOLLARS IN THOUSANDS)	
<hr/>		
ASSETS		
Current Assets		
Cash and cash equivalents.....	\$ 1,475	\$ 2,612
Accounts receivable, less allowances for doubtful accounts		
of \$2,971 at June 30, 2001 and \$3,292 at December 31,		
2000.....	114,573	117,318
Inventories.....	192,790	189,023
Other current assets.....	6,716	13,191
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Total Current Assets.....	315,554	322,144
Property, Plant and Equipment.....	240,956	234,463
Less accumulated depreciation.....	108,625	101,757
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	132,331	132,706
Other Assets		
Excess purchase price over net assets acquired, net of		
accumulated amortization of \$14,140 at June 30, 2001		
and \$12,283 at December 31, 2000.....	133,312	133,612
Other.....	52,558	46,870
<hr/>		
	\$633,755	\$635,332
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LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Trade accounts payable.....	\$ 61,048	\$ 76,041
Accrued expenses.....	28,310	28,831
Current portion of long term liabilities.....	2,758	3,904
<hr/>		
Total Current Liabilities.....	92,116	108,776
Long-Term Liabilities, less current portion		
Long term debt.....	360,287	343,248
Other postretirement benefits.....	23,564	24,487
Other.....	8,041	6,695
<hr/>		
	391,892	374,430
Shareholders' Equity		
Capital stock, par value \$1 a share:		
Serial Preferred Stock.....	0	0
Common Stock.....	11,210	11,210
Additional paid in capital.....	56,135	56,135
Retained earnings.....	95,958	97,192
Treasury stock, at cost.....	(9,092)	(9,092)
Accumulated other comprehensive income (loss).....	(4,097)	(2,858)
Unearned compensation — restricted stock awards.....	(367)	(461)
<hr/>		
	149,747	152,126
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	\$633,755	\$635,332
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Note: The balance sheet at December 31, 2000 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

See notes to consolidated financial statements.

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2001	2000	2001	2000
(DOLLARS IN THOUSANDS -- EXCEPT PER SHARE DATA)				
Net sales.....	\$164,162	\$204,539	\$333,573	\$410,899
Cost of products sold.....	139,019	167,246	280,799	337,329
Gross profit.....	25,143	37,293	52,774	73,570
Selling, general and administrative expenses.....	19,255	21,392	37,430	42,436
Operating income.....	5,888	15,901	15,344	31,134
Interest expense.....	7,847	7,720	15,800	15,225
Non-operating items, net.....	900	15,318	1,850	15,318
Income (loss) before income taxes.....	(2,859)	(7,137)	(2,306)	591
Income taxes (benefit).....	(1,326)	1,130	(1,072)	4,298
Net income (loss).....	\$ (1,533)	\$ (8,267)	\$ (1,234)	\$ (3,707)
Net income (loss) per common share:				
Basic.....	\$ (.15)	\$ (.79)	\$ (.12)	\$ (.35)
Diluted.....	\$ (.15)	\$ (.79)	\$ (.12)	\$ (.35)
Common shares used in the computation:				
Basic.....	10,435	10,528	10,435	10,539
Diluted.....	10,496	10,528	10,496	10,539

See notes to consolidated financial statements.

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PARK OHIO HOLDINGS CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (UNAUDITED)

	COMMON STOCK	PAID-IN CAPITAL	ADDITIONAL RETAINED EARNINGS	TREASURY STOCK	INCOME (LOSS)	ACCUMULATED OTHER COMPREHENSIVE UNEARNED COMPENSATION	TOTAL
(DOLLARS IN THOUSANDS)							
Balance January 1, 2001.....	\$11,210	\$56,135	\$97,192	\$ (9,092)	\$ (2,858)	\$ (461)	\$152,126
Comprehensive income:							
Net income (loss).....			(1,234)				(1,234)
Foreign currency translation adjustment.....					(1,239)		(1,239)
Comprehensive income (loss).....							(2,473)
Amortization of restricted							
stock.....						94	94
Balance June 30, 2001.....	\$11,210	\$56,135	\$95,958	\$ (9,092)	\$ (4,097)	\$ (367)	\$149,747

See notes to consolidated financial statements.

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PARK OHIO HOLDINGS CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	SIX MONTHS ENDED JUNE 30	
	2001	2000
	(DOLLARS IN THOUSANDS)	
OPERATING ACTIVITIES		
Net income (loss).....	\$ (1,234)	\$ (3,707)
Adjustments to reconcile net income (loss) to net cash (used) provided by operating activities:		
Depreciation and amortization.....	10,049	10,520
Loss on sale of Kay Home Products.....	0	15,318
	8,815	22,131
Changes in operating assets and liabilities excluding acquisitions of businesses:		
Accounts receivable.....	2,745	(13,841)
Inventories and other current assets.....	2,709	(2,188)
Accounts payable and accrued expenses.....	(15,512)	2,580
Other.....	(7,970)	(4,707)
Net Cash (Used) Provided by Operating Activities.....	(9,213)	3,975
INVESTING ACTIVITIES		
Purchases of property, plant and equipment, net.....	(7,817)	(9,584)
Proceeds from sale of Kay Home Products.....	0	9,177
Net Cash (Used) by Investing Activities.....	(7,817)	(407)
FINANCING ACTIVITIES		
Proceeds from bank arrangements.....	19,000	14,000
Payments on debt.....	(3,107)	(19,422)
Purchase of treasury stock.....	0	(688)
Net Cash (Used) Provided by Financing Activities.....	15,893	(6,110)
(Decrease) in Cash and Cash Equivalents.....	(1,137)	(2,542)
Cash and Cash Equivalents at Beginning of Period.....	2,612	5,867
Cash and Cash Equivalents at End of Period.....	\$ 1,475	\$ 3,325
Taxes paid (refunded).....	\$ (1,641)	\$ 965
Interest paid.....	15,263	14,741

See notes to consolidated financial statements.

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PARK OHIO HOLDINGS CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
JUNE 30, 2001

(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)

NOTE A BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Park Ohio Holdings Corp. and its subsidiaries ("the Company"). All significant intercompany transactions have been eliminated in consolidation.

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month and six month periods ended June 30, 2001 are not necessarily indicative of the results that may be expected for the year ending December 31, 2001. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

NOTE B ACQUISITIONS AND DISPOSITION

On September 30, 2000, the Company acquired IBM's plant automation software product lines and related assets for cash of approximately \$3.9 million. The

transaction has been accounted for as a purchase and the results of operations prior to the date of acquisition were not deemed to be significant as defined in Regulation S-X.

On June 30, 2000 the Company completed the sale of substantially all of the assets of Kay Home Products for cash of approximately \$9.2 million and recorded a loss of approximately \$15.3 million, which is included in non-operating items, net in the consolidated statement of operations. Kay Home was a non-core business producing and distributing barbecue grills, tray tables, screen houses and plant stands.

#### NOTE C INVENTORIES

The components of inventory consist of the following:

	JUNE 30 2001 -----	DECEMBER 31 2000 -----
In process and finished goods.....	\$168,797	\$164,833
Raw materials and supplies.....	23,993	24,190
	<u>\$192,790</u>	<u>\$189,023</u>

#### NOTE D SHAREHOLDERS' EQUITY

At June 30, 2001, capital stock consists of (i) Serial Preferred Stock of which 632,470 shares were authorized and none were issued and (ii) Common Stock of which 40,000,000 shares were authorized and 10,496,191 shares were issued and outstanding.

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PARK OHIO HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) CONTINUED

#### NOTE E NET INCOME (LOSS) PER COMMON SHARE

The following table sets forth the computation of basic and diluted earnings (loss) per share:

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2001	2000	2001	2000
	(DOLLARS IN THOUSANDS -- EXCEPT PER SHARE DATA)			
NUMERATOR				
Net income (loss).....	\$ (1,533)	\$ (8,267)	\$ (1,234)	\$ (3,707)
DENOMINATOR				
Denominator for basic earnings per share weighted				
average shares.....	10,435	10,528	10,435	10,539
Effect of dilutive securities:				
Employee stock awards.....	61	0	61	0
Denominator for diluted earnings per				
share adjusted weighted average shares and				
assumed conversions.....	10,496	10,528	10,496	10,539
Net income (loss) per common share basic.....	\$ (.15)	\$ (.79)	\$ (.12)	\$ (.35)
Net income (loss) per common share diluted.....	\$ (.15)	\$ (.79)	\$ (.12)	\$ (.35)

#### NOTE F ACCOUNTING PRONOUNCEMENTS

The Company adopted Financial Accounting Standards Board Statement No. 133 "Accounting for Derivative Instruments and Hedging Activities," as amended, on January 1, 2001. Because of the Company's minimal use of derivatives, adoption of the new Statement did not impact earnings or the financial position of the Company.

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141, "Business Combinations" ("FAS 141") and No. 142, "Goodwill and Other Intangible Assets" ("FAS 142"). FAS 141 requires

all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. Under FAS 142, goodwill and intangible assets with indefinite lives are no longer amortized but are reviewed annually (or more frequently if impairment indicators arise) for impairment. Separable intangible assets that are not deemed to have indefinite lives will continue to be amortized over their useful lives (but with no maximum life). The amortization provisions of FAS 142 apply to goodwill and intangible assets acquired after June 30, 2001. With respect to goodwill and intangible assets acquired prior to July 1, 2001, the Company is required to adopt FAS 142 effective January 1, 2002. The Company is currently evaluating the effect that adoption of FAS 142 will have on its results of operations and financial position.

#### NOTE G — SEGMENTS

The Company operates through three segments: Integrated Logistics Solutions ("ILS"), Aluminum Products and Manufactured Products. ILS is a leading logistics provider of "Class C" production components to original equipment manufacturers ("OEMs"), other manufacturers and distributors. In connection with the supply of such industrial products, ILS provides a variety of value-added, cost-effective supply chain management services. Aluminum Products manufactures cast aluminum components primarily for automotive OEMs. In addition, Aluminum Products also provides value-added services such as design and engineering, machining and assembly. Manufactured Products operates a diverse group of niche manufacturing businesses that design and manufacture a broad range of high quality products engineered for specific customer applications. Intersegment sales are immaterial.

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#### PARK OHIO HOLDINGS CORP. AND SUBSIDIARIES

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED

Results by Business Segment were as follows:

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2001	2000	2001	2000
(DOLLARS IN THOUSANDS -- EXCEPT PER SHARE DATA)				
Net sales:				
ILS.....	\$108,466	\$129,862	\$226,320	\$264,591
Aluminum products.....	21,300	31,283	41,958	65,064
Manufactured products.....	34,396	43,394	65,295	81,244
	\$164,162	\$204,539	\$333,573	\$410,899
Income (loss) before income taxes:				
ILS.....	\$ 6,956	\$ 12,085	\$ 17,690	\$ 25,715
Aluminum products.....	(563)	2,646	(765)	5,276
Manufactured products.....	2,038	3,948	3,223	5,789
	8,431	18,679	20,148	36,780
Amortization of excess purchase price over				
net assets acquired.....	(902)	(988)	(1,857)	(1,981)
Corporate costs.....	(1,641)	(1,790)	(2,947)	(3,665)
Interest expense.....	(7,847)	(7,720)	(15,800)	(15,225)
Non-recurring items, net.....	(900)	(15,318)	(1,850)	(15,318)
	\$ (2,859)	\$ (7,137)	\$ (2,306)	\$ 591

JUNE 30  
2001  
-----  
DECEMBER 31  
2000  
-----

Identifiable assets were as follows:

ILS.....	\$348,186	\$349,444
Aluminum products.....	98,338	99,208
Manufactured products.....	176,456	164,524
General corporate.....	10,775	22,156
	\$633,755	\$635,332

#### NOTE H — OPTION OFFER PROGRAM

~~\_\_\_\_\_ The Company completed a program ("the Option Offer Program") whereby all outstanding options (1,089,500 at May 29, 2001) to purchase shares of Company common stock held by Company employees and directors were tendered to the Company. Existing options tendered to the Company were cancelled and, in return, participants will be granted new options on a one for one basis no sooner than six months after the tendered options have been cancelled. All of the new options will be granted under the Company's 1998 Long Term Incentive Plan and accordingly, the exercise price will be the market price at the date of grant. The 1998 Long Term Incentive Plan was amended by the shareholders at the Company's annual meeting on May 24, 2001, to increase the number of shares of common stock which may be awarded under the Plan in order for the Option Offer Program to be carried out successfully.~~

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~~\_\_\_\_\_ PARK OHIO HOLDINGS CORP. AND SUBSIDIARIES~~

~~\_\_\_\_\_ NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) \_\_\_\_\_ CONTINUED~~

~~NOTE I \_\_\_\_\_ COMPREHENSIVE INCOME (LOSS)~~

~~\_\_\_\_\_ Total comprehensive income (loss) was as follows:~~

	{THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2001	2000	2001	2000
	-----	-----	-----	-----
	(DOLLARS IN THOUSANDS -- EXCEPT PER SHARE DATA)			
Net income (loss).....	\$ (1,533)	\$ (8,267)	\$ (1,234)	\$ (3,707)
Foreign currency translation.....	(127)	(505)	(1,239)	(520)
Total comprehensive income (loss).....	\$ (1,660)	\$ (8,772)	\$ (2,473)	\$ (4,227)
	=====	=====	=====	=====

~~NOTE J \_\_\_\_\_ NON OPERATING ITEMS, NET~~

~~\_\_\_\_\_ In June 2000, the Company's Cicero Flexible Products plant was destroyed in a fire. In the second half of 2000, the Company received interim insurance payments of \$10.5 million, primarily reflecting replacement cost of fixed assets. Accordingly, the Company recognized a net gain of \$5.2 million, substantially composed of involuntary conversion gains. In the first half of 2001 the Company expensed \$1.9 million of non-recurring business interruption costs, which were not covered by insurance. In May 2001, the Company received an additional \$12.5 million as final settlement with its insurance carrier, thereby reducing fire insurance receivables, which were included in other current assets.~~

~~\_\_\_\_\_ In June 2000, the Company completed the sale of substantially all of the assets of Kay Home Products and recorded a loss of approximately \$15.3 million.~~

~~NOTE K \_\_\_\_\_ FINANCING ARRANGEMENTS~~

~~\_\_\_\_\_ On June 30, 2001, the Company amended its credit and security agreement with a group of banks, under which it may borrow or issue standby letters of credit and commercial letters of credit up to \$180 million. Interest is payable quarterly at either the banks' prime lending rate plus up to 1.5% or at the Company's election at LIBOR plus 1.375% -- 3.25%. The interest rate is dependent on the Company's ratio of total funded indebtedness to pro forma earnings before interest, taxes, depreciation and amortization ("EBITDA"), as defined in the credit agreement and is adjusted every quarter. The revolving credit is secured by substantially all of the Company's assets.~~

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~~\_\_\_\_\_ INDEPENDENT ACCOUNTANTS' REVIEW REPORT~~

~~Board of Directors and Shareholders  
Park Ohio Holdings Corp.~~

~~\_\_\_\_\_ We have reviewed the accompanying consolidated balance sheet (unaudited) of Park Ohio Holdings Corp. and subsidiaries as of June 30, 2001, and the related consolidated statements of operations (unaudited) for the three-month and six-month periods ended June 30, 2001 and 2000, the consolidated statement of shareholders' equity (unaudited) for the six-month period ended June 30, 2001 and the consolidated statements of cash flows (unaudited) for the six-month periods ended June 30, 2001 and 2000. These financial statements are the responsibility of the Company's management.~~



~~—— We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States, which will be performed for the full year with the objective of expressing an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.~~

~~—— Based upon our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States.~~

~~—— We have previously audited, in accordance with auditing standards generally accepted in the United States, the consolidated balance sheet of Park Ohio Holdings Corp. and subsidiaries as of December 31, 2000 and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended, not presented herein, and in our report dated March 26, 2001, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2000, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it is derived.~~

~~\_\_\_\_\_/s/ Ernst & Young LLP~~

~~Cleveland, Ohio  
August 8, 2001~~

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~~ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS  
OF OPERATIONS~~

~~—— The consolidated financial statements of the Company include the accounts of Park Ohio Holdings Corp. and its subsidiaries. All significant inter company transactions have been eliminated in consolidation. The financial information for the six and three month periods ended June 30, 2001 is not directly comparable on a period to period basis to the financial information for the six and three month periods ended June 30, 2000 due to a divestiture, and to business interruption expenses relating to a fire at one of the company's rubber plants. On June 30, 2000, the Company sold substantially all the assets of Kay Home Products, for cash of approximately \$9.2 million, recognizing a non-operating loss of \$15.3 million. In June 2000, the Company's Cicero Flexible Products plant was destroyed in a fire. In the second half of 2000, the company received interim insurance payments of \$10.5 million, primarily reflecting the replacement cost of fixed assets, and recognized a net gain of \$5.2 million, substantially composed of involuntary conversion gains. In the second quarter of 2001, the Company reached a final settlement of its insurance claim and received a final insurance payment of \$12.5 million. This payment offset all fire insurance receivables. At June 30, 2001, the Company had \$.7 million of accrued fire-related expenses, which will be paid in the third quarter. In the first and second quarters of 2001, the Company expensed \$950 thousand and \$900 thousand respectively, of non-recurring business interruption costs which were not covered by insurance.~~

~~OVERVIEW~~

~~—— The Company has three operating segments: Integrated Logistics Solutions ("ILS"), Aluminum Products, and Manufactured Products. ILS is a leading logistics provider of "Class C" production components to original equipment manufacturers ("OEMs"), other manufacturers and distributors. In connection with the supply of such industrial products, ILS provides a variety of value added, cost-effective supply chain management services to major OEM's. The principal customers of ILS are in the heavy duty truck, vehicle parts and accessories, industrial equipment, electrical controls, HVAC, appliances and motors and lawn and garden equipment industries. Aluminum Products manufactures cast aluminum components primarily for automotive OEMs. Aluminum Products also provides value added services such as design and engineering, machining and assembly. Manufactured Products operates a diverse group of niche manufacturing businesses that design and manufacture a broad range of high quality products engineered for specific customer applications. The principal customers of Manufactured Products are OEMs and end-users in the automotive, railroad, truck, oil and aerospace industries.~~

~~—— Between 1993 and 2000, the Company grew significantly, both internally and through acquisitions. Over this period, the Company's net sales increased at a 35% compounded annual growth rate ("CAGR"), from \$94.5 million to \$754.7~~

million, and income from continuing operations on a fully taxed basis, excluding the 2000 effects of the sale of Kay Home Products and fire insurance gains, increased at a 23% CAGR from \$2.4 million to \$10.1 million.

Recent growth has been primarily attributable to the Company's strategy of making selective acquisitions in order to complement internal growth. Historically, the Company has acquired under performing businesses with potential for: (i) significant cost reductions through improved labor, supplier and customer relations and increased purchasing power and (ii) revenue enhancement due to better asset utilization and management practices, as well as increased access to capital. The Company's internal growth has been driven primarily by the addition of ILS customers under supply chain service agreements and by the leveraging of existing customer relationships in the Aluminum and Manufactured Products segments.

Between January 1, 1994 and June 30, 2001, the Company's continuing operations incurred \$119.7 million of capital expenditures, the majority of which was used to expand and upgrade existing manufacturing facilities, upgrade equipment and enhance the Company's management information systems.

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## RESULTS OF OPERATIONS

### First Half 2001 versus First Half 2000

Net sales declined by \$77.3 million, or 19%, from \$410.9 million for the first half of 2000 to \$333.6 million for the first half of 2001. Organic sales declined 16%, or \$64.5 million, while sales decreased by \$12.8 million due to the divestiture of Kay Home Products. ILS net sales declined 14%, or \$38.3 million, due primarily to shrinkage in heavy truck and other customer industries. Aluminum Products net sales declined 36%, or \$23.1 million. This included a \$9.9 million decrease relating to the ending of sales contracts at Metalloy which were expected at the time of its purchase in 1999, and \$2.8 million relating to the Company's decision to discontinue production of low volume non-automotive products, while the remainder, \$10.4 million, resulted from reductions in production releases from automotive customers. Manufactured Products net sales decreased 20%, or \$15.9 million, consisting of a \$3.1 million decrease in organic sales and a \$12.8 million sales decrease due to the divestiture.

Gross profit declined by \$20.8 million, or 28%, from \$73.6 million for the first half of 2000 to \$52.8 million for the first half of 2001. Of this decline, \$17.7 million was attributable to the organic sales decreases and the remainder to the divestiture. The Company's consolidated gross margin decreased to 15.8% for the first six months of 2001 from 17.9% for the first six months of 2000. This decline in consolidated gross margin was due to decreased margins in all three segments. The decline in ILS gross margin related to reduced volumes resulting in the allocation of fixed operational overheads over a smaller sales base. For Aluminum Products, the decrease in gross margins related to the allocation of fixed manufacturing overhead over a smaller production base. The decrease in margins in the Manufactured Products segment resulted primarily from the divestiture of Kay Home Products with its high first half gross margin, and secondarily from decreased production levels which allocated fixed overhead costs over a smaller productive base.

Selling, general and administrative ("SG&A") expenses decreased by 12%, or \$5.0 million, to \$37.4 million for the first six months of 2001 from \$42.4 million for the first six months of 2000. SG&A expenses were reduced by \$3.0 million in response to declining sales from continuing operations and \$2.0 million by the divestiture of Kay Home Products. SG&A expenses as a percentage of net sales were 11.2% for the first six months of 2001 compared to 10.3% for the first six months of 2000.

Interest expense increased by \$.6 million from \$15.2 million in the first half of 2000 to \$15.8 million in the first half of 2001 due to higher average debt outstanding during the current period. During the first six months of 2001, the Company averaged outstanding borrowings of \$357.7 million as compared to \$344.5 million for the corresponding period of the prior year. The \$13.2 million increase related primarily to increases in working capital. The average interest rate was 8.84% for both the six months ended June 30, 2001 and June 30, 2000.

The effective income tax rate for the six month period ended June 30, 2001 was 46%, while, before considering the tax effect of the divestiture of Kay Home Products, the effective income tax rate for the six month period ended June 30, 2000 was 41%. This increase resulted from the tax rate impact of permanent tax items such as goodwill amortization given the significant reduction in pretax income during the first half of 2001 as compared to the first half of 2000.

### Second Quarter 2001 versus Second Quarter 2000

Net sales decreased by \$40.4 million, or 20%, from \$204.5 million for the second quarter of 2000 to \$164.1 million for the second quarter of 2001. Organic sales declined 17%, or \$34.2 million, while sales decreased by \$6.2 million due to the divestiture of Kay Home Products. ILS net sales decreased 16%, or \$21.4 million, due primarily to shrinkage in heavy truck and other customer industries. Aluminum Products net sales declined 32%, or \$10.0 million. This included a \$4.9 million decrease relating to the ending of sales contracts at Metalloy which were expected at the time of its purchase in 1999, and \$1.3 million relating to the Company's decision to discontinue production of low volume, non automotive products, while the remainder, \$3.8 million, resulted from reductions in production releases from automotive customers. Manufactured

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Products net sales declined by \$9.0 million, consisting of a \$2.8 million decrease in organic sales and a \$6.2 million sales decrease due to the divestiture.

Gross profit declined by \$12.2 million, or 33%, from \$37.3 million for the second quarter of 2000 to \$25.1 million for the second quarter of 2001. Of this decline, \$10.7 million was attributable to organic sales decreases and the remainder to the divestiture. The Company's consolidated gross margin decreased to 15.3% for the current quarter from 18.2% for the quarter ended June 30, 2000. This decline in consolidated gross margin was due to decreased margins in all three segments. The decline in ILS gross margin related to reduced volumes resulting in the allocation of fixed operational overheads over a smaller sales base. For Aluminum Products, the decrease in gross margins related to the allocation of fixed manufacturing overhead over a smaller production base. The decrease in margins in the Manufactured Products segment resulted primarily from the divestiture of Kay Home Products with its high second quarter gross margin, and secondarily from decreased production levels which allocated fixed overhead costs over a smaller productive base.

Selling, general and administrative ("SG&A") expenses decreased by 10%, or \$2.1 million, to \$19.3 million for second quarter 2001 from \$21.4 million for second quarter 2000. SG&A expenses were reduced by \$1.0 million in response to declining sales from continuing operations and \$1.1 million by the divestiture of Kay Home Products. SG&A expenses as a percentage of net sales were 11.7% in second quarter 2001 as compared to 10.5% in the same period of 2000.

Interest expense increased by \$.1 million from \$7.7 million in second quarter 2000 to \$7.8 million in 2001 primarily due to higher average debt outstanding during the current period. During the second quarter of 2001, the Company averaged outstanding borrowings of \$359.4 million as compared to \$344.7 million for the corresponding period of the prior year. The \$14.7 million increase related primarily to increases in working capital. The average interest rate of 8.73% for second quarter 2001 was 23 basis points lower than the average rate of 8.96% for the corresponding period of 2000, primarily due to decreased rates on the Company's revolving credit facility.

The effective income tax rate for second quarter 2001 was 46%, while, before considering the tax effect of the divestiture of Kay Home Products, the effective income tax rate for second quarter 2000 was 41%. This increase resulted from the tax rate impact of permanent tax items such as goodwill amortization given the significant reduction in pretax income during the first half of 2001 as compared to the first half of 2000.

#### LIQUIDITY AND SOURCES OF CAPITAL

The Company's liquidity needs are primarily for working capital and capital expenditures. The Company's primary sources of liquidity have been funds provided by operations and funds available from existing bank credit arrangements and the sale of Senior Subordinated Notes. On December 21, 2000 Park Ohio entered into a credit agreement with a group of banks under which it may borrow up to \$180 million secured by receivables, inventory and property, plant and equipment. The proceeds from the credit agreement (as amended June 30, 2001), which expires on December 31, 2003, will be used for general corporate purposes. Amounts borrowed under the new credit agreement may be borrowed at Park Ohio's election at either (i) the bank's prime lending rate plus up to 150 basis points or (ii) LIBOR plus 137.5-325 basis points depending on a financial ratio specified in the credit agreement, reflecting higher interest rates than the previous credit agreement. As of August 13, 2001, \$143.0 million was outstanding under the facility, a decrease of \$11.0 million from the balance outstanding at June 30, 2001.

Current financial resources (working capital and available bank borrowing arrangements) and anticipated funds from operations are expected to be adequate to meet current cash requirements. The availability of bank borrowings is based on the company's ability to meet various financial covenants, which could be materially impacted if recent negative economic trends continue.

~~— The ratio of current assets to current liabilities was 3.42 at June 30, 2001 versus 2.96 at December 31, 2000. Working capital increased by \$10.0 million, to \$223.4 million at June 30, 2001 from \$213.4 million at December 31, 2000.~~

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~~— During the first six months of 2001, the Company generated \$8.8 million from operations before changes in operating assets and liabilities. After giving effect to the use of \$18.0 million in the operating accounts, the Company used \$9.2 million from operating activities as compared to generating \$4.0 million for the first half of 2000. During the first six months of 2001, the Company invested \$7.8 million in capital expenditures, including \$2.0 million for replacement of fire destroyed equipment and tooling. The remaining cash used, along with a decrease in cash of \$1.1 million was offset by an increase in borrowings of \$15.9 million.~~

#### ~~SEASONALITY; VARIABILITY OF OPERATING RESULTS~~

~~— The Company's results of operations are typically stronger in the first six months rather than the last six months of each calendar year due to scheduled plant maintenance in the third quarter to coincide with customer plant shutdowns and to holidays in the fourth quarter.~~

~~— The timing of orders placed by our customers has varied with, among other factors, orders for customers' finished goods, customer production schedules, competitive conditions and general economic conditions. The variability of the level and timing of orders has, from time to time, resulted in significant periodic and quarterly fluctuations in the operations of our business units. This variability is particularly evident at the capital equipment businesses, included in the Manufactured Products segment, which typically ship a few large systems per year.~~

#### ~~FORWARD-LOOKING STATEMENTS~~

~~— This Form 10-Q contains certain statements that are "forward looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Certain statements in this Management's Discussion and Analysis of Financial Condition and Results of Operations contain forward-looking statements, including without limitation, discussion regarding the Company's anticipated levels of capital expenditures and credit availability. Forward looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside our control, which could cause actual results to differ materially from such statements. These uncertainties and other factors include such things as: general business conditions, competitive factors, including pricing pressures and product innovation; raw material availability and pricing; changes in the Company's relationships with customers and suppliers; the ability of the Company to successfully integrate recent and future acquisitions into its existing operations; changes in general domestic economic conditions such as inflation rates, interest rates and tax rates; the ability of the Company to meet various covenants, including financial covenants, contained in its credit agreement and the indenture governing the Senior Subordinated Notes; increasingly stringent domestic and foreign governmental regulations including those affecting the environment; inherent uncertainties involved in assessing our potential liability for environmental remediation related activities; the outcome of pending and future litigation and other claims; dependence on the automotive and heavy truck industries; dependence on key management; and dependence on information systems. Any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update any forward looking statement, whether as a result of new information, future events or otherwise. In light of these and other uncertainties, the inclusion of a forward looking statement herein should not be regarded as a representation by us that our plans and objectives will be achieved.~~

#### ~~REVIEW BY INDEPENDENT ACCOUNTANTS~~

~~— The consolidated financial statements at June 30, 2001, and for the three month and six month periods ended June 30, 2001 and 2000, have been reviewed by Ernst & Young LLP, our independent accountants, and their report is included herein.~~

#### ~~ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK~~

~~— The Company is exposed to market risk including changes in interest rates. The Company is subject to interest rate risk on its floating rate revolving credit facility which consisted of borrowings of \$154.0 million at June 30, 2001. A 100 basis point increase in the interest rate would have resulted in an increase in interest expense of approximately \$.8 million during the six months ended June 30, 2001.~~

## PART II

## OTHER INFORMATION

## ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company held its annual meeting of stockholders on May 24, 2001. The stockholders approved the election of two directors to serve until the annual meeting of stockholders in the year 2004. The votes cast for each nominee were as follows:

	FOR	WITHHELD
	-----	-----
Edward F. Crawford.....	8,866,059	1,630,132
James W. Wert.....	9,052,043	1,444,148

Directors whose term of office as a director continued after the annual meeting were: Matthew V. Crawford, Kevin R. Greene, Thomas E. McGinty and James W. Wert.

The votes cast for a proposal to approve the Amended and Restated Long Term Incentive Plan, the terms of which were described in the Proxy Statement dated April 19, 2001, were as follows:

5,230,341 voting shares were voted in favor of the proposal  
 3,320,238 voting shares were voted against the proposal  
 22,857 voting shares abstained  
 1,485,777 voting shares not voted

## ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

The following exhibits are included herein:

- (4) Second amendment, dated June 30, 2001, to the Credit and Security Agreement among Park Ohio Industries, Inc. and various financial institutions
- (15) Letter re: unaudited financial information

The Company did not file any reports on Form 8-K during the three months ended June 30, 2001.

## SIGNATURE

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

PARK OHIO HOLDINGS CORP.

(Registrant)

By /s/ RICHARD P. ELLIOTT

Name: Richard P. Elliott  
 Title: Vice President and Chief  
 Financial Officer (Principal  
 Accounting and Financial  
 Officer)

Dated August 13, 2001

## EXHIBIT INDEX

## QUARTERLY REPORT ON FORM 10-Q

PARK OHIO HOLDINGS CORP. AND SUBSIDIARIES  
 FOR THE QUARTER ENDED JUNE 30, 2001

EXHIBIT

- - - - -

- ~~(4) Second amendment, dated June 30, 2001, to the Credit and  
Security Agreement among Park Ohio Industries, Inc. and  
various financial institutions~~  
~~(15) Letter re: unaudited financial information~~

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EX-4  
3  
189624bex4.txt  
EXHIBIT 4

1  
  
Exhibit 4

~~SECOND AMENDMENT AGREEMENT~~

~~This Second Amendment Agreement (this "Amendment") is made as of the  
30th day of June, 2001, by and among PARK OHIO INDUSTRIES, INC., an Ohio  
corporation ("Borrower"), the banking institutions listed on Schedule 1 to the  
Credit Agreement, as hereinafter defined ("Banks"), KEYBANK NATIONAL  
ASSOCIATION, as administrative agent for the Banks ("Agent"), and THE HUNTINGTON  
NATIONAL BANK, as co-agent for the Banks ("Co Agent").~~

~~WHEREAS, Borrower, Agent and the Banks are parties to a certain Credit  
and Security Agreement, dated as of December 21, 2000, as amended and as the  
same may from time to time be further amended, restated or otherwise modified,  
which provides, among other things, for revolving loans and other financial  
accommodations aggregating One Hundred Eighty Million Dollars (\$180,000,000),  
all upon certain terms and conditions stated therein (the "Credit Agreement");~~

~~WHEREAS, Borrower, Agent and the Banks desire to amend the Credit  
Agreement to modify certain provisions thereof; and~~

~~WHEREAS, each capitalized term used herein shall be defined in  
accordance with the Credit Agreement;~~

~~NOW, THEREFORE, in consideration of the premises and of the mutual  
covenants herein contained and for other valuable considerations, Borrower,  
Agent and the Banks hereby agree as follows:~~

~~1. Article I of the Credit Agreement is hereby amended to delete the  
definitions of "Applicable Margin", "Collateral", "Commitment", "Loan", "Loan  
Documents", and "Revolving Credit Commitment" in their entirety and to  
substitute in place thereof, respectively, the following:~~

~~"Applicable Margin" shall mean:~~

~~(a) for the period from the Closing Date through March 31,  
2001, twenty five (25) basis points for each Base Interest Segment and  
one hundred ninety (190) basis points for each LIBOR Interest Segment;~~

~~(b) for the period from April 1, 2001 through May 31, 2001,  
one hundred (100) basis points for each Base Rate Segment and Two  
Hundred Seventy Five (275) basis points for each LIBOR Interest  
Segment;~~

~~(c) for the period from June 1, 2001 through August 31, 2001,  
one hundred twenty five (125) basis points for each Base Rate Segment  
and three hundred (300) basis points for each LIBOR Interest Segment;  
and~~

~~(d) commencing with the financial statements for the fiscal  
quarter ending June 30, 2001, the number of basis points (for each Base  
Interest Segment or LIBOR Interest Segment, as appropriate) set forth  
in the following matrix, based upon the result of the~~

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~~computation of the Leverage Ratio, shall be used to establish the  
number of basis points that will go into effect on September 1, 2001~~

and thereafter:

LEVERAGE RATIO	APPLICABLE BASIS POINTS FOR EACH BASE INTEREST SEGMENT	APPLICABLE BASIS POINTS FOR EACH LIBOR INTEREST SEGMENT
Greater than or equal	150 basis points to 5.25 to 1.00	325 basis points
Greater than or equal	125 basis points to 4.90 to 1.00, but less than 5.25 to 1.00	300 basis points
Greater than or equal	100 basis points to 4.75 to 1.00, but less than 4.90 to 1.00	275 basis points
Greater than or equal	50 basis points to 4.50 to 1.00, but less than 4.75 to 1.00	235 basis points
Greater than or equal	25 basis points to 4.25 to 1.00, but less than 4.50 to 1.00	190 basis points
Greater than or equal	0 basis points to 4.00 to 1.00, but less than 4.25 to 1.00	175 basis points
Greater than or equal	0 basis points to 3.75 to 1.00, but less than 4.00 to 1.00	162.50 basis points
Greater than or equal	0 basis points to 3.40 to 1.00, but less than 3.75 to 1.00	150 basis points
Less than 3.40 to 1.00	0 basis points	137.50 basis points

Changes to the Applicable Margin shall be effective on the first day of the month following the date upon which Agent received, or, if earlier, should have received, pursuant to Section 5.3(a) and (b) hereof, the financial statements of Borrower. The above matrix does not modify or waive, in any respect, the requirements of Section 5.7 hereof, the rights of the Banks to charge the Default Rate, or the rights and remedies of Agent and the Banks pursuant to Articles VIII and IX hereof.

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"Collateral" shall mean all of Borrower's existing and future (a) personal property; (b) Accounts, instruments, contract rights, chattel paper, documents, Investment Property, letter of credit rights, General Intangibles, Inventory and Equipment; (c) funds now or hereafter on deposit in the Cash Collateral Account, if any; (d) Cash Security; and (e) Proceeds, products, profits, and rents of any of (a) through (d) above.

"Commitment" shall mean the obligation hereunder of the Banks, during the Commitment Period, to make Loans pursuant to the Revolving Credit Commitments and to participate in the issuance of Letters of Credit, up to the Total Commitment Amount.

"Loan" or "Loans" shall mean the credit extended to Borrower by the Banks in accordance with Section 2.1A hereof.

"Loan Documents" shall mean, collectively, this Agreement, each Note, each Guaranty of Payment, all documentation relating to each Letter of Credit, each Security Agreement, each Pledge Agreement, each Intellectual Property Collateral Assignment Agreement, each Mortgage, each Debenture, the Agent Fee Letter, the Closing Fee Letter, all U.C.C. financing statements executed in connection with this Agreement and any of the foregoing agreements, as any of the foregoing may from time to time be amended, restated or otherwise modified or replaced.

~~"Pledged Securities" shall mean all of the following, whether now owned or hereafter acquired or created, (a) sixty five percent (65%) of the stock or other equity interest of each Foreign Subsidiary of Borrower or any Subsidiary of Borrower, (b) one hundred percent (100%) of the stock or other equity interest of each Domestic Subsidiary of Borrower, and (c) all proceeds of any of the foregoing.~~

~~"Revolving Credit Commitment" shall mean the obligation hereunder of each Bank, during the Commitment Period, to participate in the making of Revolving Loans and the issuance of Letters of Credit, up to the aggregate amount set forth opposite such Bank's name under the column headed "Revolving Credit Commitment Amount" as set forth on Schedule 1 hereto (or such lesser amount as shall be determined pursuant to Section 2.5 hereof).~~

~~2. Article I of the Credit Agreement is hereby amended to add the following new definitions thereto:~~

~~"Debenture" shall mean any debenture executed and delivered to Agent by Borrower or a Guarantor of Payment after the Closing Date with respect to real and/or personal property of Borrower or any such Guarantor of Payment located in the United Kingdom, to further secure Borrower's obligations under the Notes, as the same may from time to time be amended, restated or otherwise modified.~~

~~"Equipment" shall mean all (a) equipment, as defined in Chapter 1309 of the Ohio Revised Code as in effect from time to time, including, without limitation, machinery, motor~~

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~~vehicles, trade fixtures, office and other furniture and furnishings, tools, dies, jigs, and molds; (b) goods that are used or bought for use primarily in any Company's business; (c) goods that are not consumer goods, farm products (as defined in Chapter 1309 of the Ohio Revised Code as in effect from time to time), or Inventory; and (d) substitutes or replacements for, and all parts, accessories, additions, attachments or accessions to (a) through (c) above.~~

~~"Intellectual Property Collateral Assignment Agreement" shall mean each Intellectual Property Collateral Assignment Agreement executed and delivered to Agent, for the benefit of the Banks, by Borrower or a Guarantor of Payment after the Closing Date, as the same may from time to time be amended, restated or otherwise modified.~~

~~"Letter of Credit" shall mean any sight commercial documentary letter of credit or any standby letter of credit that shall be issued by Agent for the benefit of Borrower or a Guarantor of Payment, including amendments thereto, if any, and shall have an expiration date no later than the earlier of (a) one (1) year after its date of issuance or (b) thirty (30) days prior to the last day of the Commitment Period.~~

~~"Letter of Credit Commitment" shall mean the commitment of Agent, on behalf of the Banks, to issue Letters of Credit in an aggregate face amount of up to Seven Million Dollars (\$7,000,000).~~

~~"Letter of Credit Exposure" shall mean the sum of (a) the aggregate undrawn face amount of all issued and outstanding Letters of Credit, and (b) the aggregate of the draws made on Letters of Credit that have not been reimbursed by Borrower or converted to a Revolving Loan pursuant to Section 2.1B hereof.~~

~~"Mortgage" shall mean any mortgage, deed of trust or other similar instrument executed and delivered to Agent after the Closing Date by Borrower or any Guarantor of Payment with respect to real property owned by Borrower or any such Guarantor of Payment, including the Real Property, to further secure Borrower's obligations under the Notes, as the same may from time to time be amended, restated or otherwise modified.~~

~~"Real Property" shall mean (a) the real estate owned by Borrower or a Guarantor of Payment, as the case may be, located at the addresses set forth on Schedule 3 hereto and (b) any other real estate owned by Borrower or any Guarantor of Payment that shall become subject to a Mortgage, together with all improvements and buildings thereon and all appurtenances, easements or other rights belonging to any of the foregoing.~~



~~"Revolving Credit Exposure" shall mean, at any time, the sum of (a) the aggregate principal amount of all Revolving Loans outstanding, and (b) the Letter of Credit Exposure.~~

~~3. The Credit Agreement is hereby amended to delete Section 2.1 therefrom in its entirety and to insert in place thereof the following:~~

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~~Section 2.1. AMOUNT AND NATURE OF CREDIT. Subject to the terms and conditions of this Agreement, each Bank shall participate, to the extent hereinafter provided, in making Revolving Loans to Borrower, and issuing Letters of Credit at the request of Borrower, in such aggregate amount as Borrower shall request pursuant to the Commitment; provided, however, that in no event shall the aggregate principal amount of all Revolving Loans and Letters of Credit outstanding under this Agreement be in excess of the Total Commitment Amount.~~

~~Each Bank, for itself and not one for any other, agrees to participate in Loans made and Letters of Credit issued hereunder during the Commitment Period on such basis that (a) immediately after the completion of any borrowing by Borrower or issuance of a Letter of Credit, the aggregate principal amount then outstanding on the Note issued to such Bank, when combined with such Bank's pro rata share of the Letter of Credit Exposure shall not be in excess of the Maximum Amount for such Bank, and (b) such aggregate principal amount outstanding on the Note issued to such Bank shall represent that percentage of the aggregate principal amount then outstanding on all Notes (including the Note held by such Bank) that is such Bank's Commitment Percentage.~~

~~Each borrowing from the Banks hereunder shall be made pro rata according to the respective Commitment Percentages of the Banks. The Loans may be made as Revolving Loans, and Letters of Credit may be issued, as follows:~~

~~A. Revolving Loans.~~

~~Subject to the terms and conditions of this Agreement, during the Commitment Period, the Banks shall make a Revolving Loan or Revolving Loans to Borrower in such amount or amounts as Borrower may from time to time request, but not exceeding in aggregate principal amount at any time outstanding hereunder the Total Commitment Amount, when such Revolving Loans are combined with the Letter of Credit Exposure. Each Revolving Loan shall mature on the last day of the Commitment Period and shall bear interest at a Base Rate Option or one or more LIBOR Rate Options as selected by Borrower in accordance with the terms and conditions set forth herein.~~

~~With respect to the Base Interest Segment of each Revolving Loan, Borrower shall pay interest on the unpaid principal amount thereof outstanding from time to time from the date thereof until paid, commencing December 31, 2000, and on the last day of each succeeding March, June, September and December thereafter and at the maturity thereof, at the Derived Base Rate from time to time in effect.~~

~~With respect to each LIBOR Interest Segment of each Revolving Loan, Borrower shall pay interest on the unpaid principal amount thereof outstanding from time to time, from the first day of the Interest Period applicable thereto through the last day of the Interest Period applicable thereto. Interest on each such LIBOR Interest Segment shall be at the Derived LIBOR Rate, as calculated on the first day of the Interest Period applicable thereto (fixed for such Interest Period with respect to the LIBOR Rate, but subject to changes in the~~

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~~Applicable Margin), and shall be payable on the Interest Adjustment Date with respect to such Interest Period (provided that if an Interest Period exceeds three (3) months, the interest must be paid every three (3) months, commencing three (3) months from the beginning of such Interest Period). At the request of Borrower to Agent, subject to the notice and other provisions of Section 2.2 hereof, the Banks shall change all or any part of a Base Rate Segment of any Revolving Loan to a LIBOR Rate Option at any time, and shall change any LIBOR Interest Segment of any Revolving Loan to a Base Rate Option on the Interest~~

~~Adjustment Date applicable to such LIBOR Interest Segment.~~

~~The obligation of Borrower to repay the Revolving Loans made by each Bank and to pay interest thereon shall be evidenced by a Revolving Credit Note of Borrower in the form of Exhibit A hereto, payable to the order of such Bank in the principal amount of its Revolving Credit Commitment, or, if less, the aggregate unpaid principal amount of Revolving Loans made hereunder by such Bank. Subject to the provisions of this Agreement, Borrower shall be entitled under this Section 2.1A to borrow funds, repay the same in whole or in part and re-borrow hereunder at any time and from time to time during the Commitment Period.~~

~~B. Letters of Credit.~~

~~Subject to the terms and conditions of this Agreement, during the Commitment Period, Agent shall, in the name of KeyBank National Association, but only as Agent for the Banks, issue such Letters of Credit for the account of Borrower or any Guarantor of Payment, as Borrower may from time to time request. Borrower shall not request any Letter of Credit (and Agent shall not be obligated to issue any Letter of Credit) if, after giving effect thereto, (a) the aggregate undrawn face amount of all issued and outstanding Letters of Credit would exceed the Letter of Credit Commitment or (b) the Revolving Credit Exposure would exceed the aggregate amount of the Revolving Credit Commitments. The issuance of each Letter of Credit shall confer upon each Bank the benefits and liabilities of a participation consisting of an undivided pro rata interest in the Letter of Credit to the extent of such Bank's Commitment Percentage.~~

~~Each request for a Letter of Credit shall be delivered to Agent not later than 11:00 A.M. (Cleveland, Ohio time) three (3) Business Days prior to the day upon which the Letter of Credit is to be issued. Each such request shall be in a form acceptable to Agent and specify the face amount thereof, whether such Letter of Credit is a commercial documentary or a standby Letter of Credit, the account party, the beneficiary, the intended date of issuance, the expiry date thereof, and the nature of the transaction to be supported thereby. Concurrently with each such request, Borrower, and any Guarantor of Payment for whose benefit the Letter of Credit is to be issued, shall execute and deliver to Agent an appropriate application and agreement, being in the standard form of Agent for such letters of credit, as amended to conform to the provisions of this Agreement if required by Agent. Agent shall give each Bank notice of each such request for a Letter of Credit.~~

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~~In respect of each Letter of Credit that is a commercial documentary letter of credit and the drafts thereunder, whether issued for the account of Borrower or a Guarantor of Payment, Borrower agrees (i) to pay to Agent, for the pro rata benefit of the Banks, a non-refundable commission based upon the face amount of the Letter of Credit, which shall be paid quarterly in arrears, on the last day of each succeeding March, June, September and December of each year and at the expiration of such Letter of Credit, at the rate of one and one fourth percent (1 1/4%) per annum times the face amount of the Letter of Credit; (ii) to pay to Agent, for its sole account, an additional Letter of Credit fee, which shall be paid on each date that such Letter of Credit is issued or renewed at the rate of one eighth percent (1/8 of 1%) of the face amount of such Letter of Credit; and (iii) for its sole account, such other issuance, amendment, negotiation, draw, acceptance, telex, courier, postage and similar transactional fees as are generally charged by Agent under its fee schedule as in effect from time to time. In respect of each Letter of Credit that is a standby letter of credit and the drafts thereunder, if any, whether issued for the account of Borrower or a Guarantor of Payment, Borrower agrees (A) to pay to Agent, for the pro rata benefit of the Banks, a non-refundable commission based upon the face amount of the Letter of Credit, which shall be paid quarterly in arrears, on the last day of each succeeding March, June, September and December of each year and at the expiration of such Letter of Credit, at the rate of one and one fourth percent (1 1/4%) per annum times the face amount of the Letter of Credit; (B) to pay to Agent, for its sole account, an additional Letter of Credit fee, which shall be paid on each date that such Letter of Credit is issued or renewed at the rate of one eighth percent (1/8 of 1%) of the face amount of such Letter of Credit; and (C) to pay to Agent for its sole account, such other issuance, amendment, negotiation, draw, acceptance, telex, courier, postage and similar transactional fees as are generally charged by Agent under its~~

~~fee schedule as in effect from time to time.~~

~~4. Section 2.2 of the Credit Agreement is hereby amended to add the words "and of Agent to issue any Letter of Credit" immediately after the word "Loan" in the second line of the first paragraph thereof.~~

~~5. Section 2.2 of the Credit Agreement is hereby amended to add the following new subsection thereto:~~

~~(g) with respect to Letters of Credit, satisfaction of the notice provisions set forth in Section 2.1B hereof.~~

~~6. Section 2.2 of the Credit Agreement is hereby amended to add the words "or for the issuance of a Letter of Credit" immediately after the word "Loan" in the first line of the second to the last paragraph thereof.~~

~~7. Section 2.5 of the Credit Agreement is hereby amended to delete subsection (a) therefrom in its entirety and to insert in place thereof the following:~~

~~(a) Borrower shall pay to Agent, for the ratable account of the Banks, as a consideration for the Commitment hereunder, a commitment fee from the Closing Date to~~

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~~and including the last day of the Commitment Period, payable quarterly, equal to (i) the Applicable Commitment Fee Rate in effect on the payment date, times (ii) (A) the maximum Total Commitment Amount in effect during such quarter, less (B) the average daily Revolving Credit Exposure during such quarter. The commitment fee shall be payable, in arrears, on December 31, 2000, and on the last day of each March, June, September and December thereafter, and on the last day of the Commitment Period.~~

~~8. Section 2.5 of the Credit Agreement is hereby amended to delete subsection (c) therefrom in its entirety and to insert in place thereof the following:~~

~~(c) Borrower may at any time or from time to time permanently reduce in whole or ratably in part the Commitment of the Banks hereunder to an amount not less than the Revolving Credit Exposure then outstanding, by giving not fewer than three (3) Business Days' notice of such reduction, provided that any such partial reduction shall be in an aggregate amount, for all of the Banks, of not less than Five Million Dollars (\$5,000,000) or any multiple thereof. Agent shall promptly notify each Bank of the date of each such reduction and such Bank's proportionate share thereof. After each such reduction, the commitment fees payable hereunder shall be calculated upon the Total Commitment Amount as so reduced. If Borrower reduces in whole the Commitment of the Banks, on the effective date of such reduction (Borrower having prepaid in full the unpaid principal balance, if any, of the Notes, together with all interest and commitment and other fees accrued and unpaid), and provided that no issued and outstanding Letters of Credit shall exist, all of the Notes shall be delivered to Agent marked "Canceled" and Agent shall redeliver such Notes to Borrower. Any partial reduction in the Commitment of the Banks shall be effective during the remainder of the Commitment Period.~~

~~9. The Credit Agreement is hereby amended to delete Section 2.6 therefrom in its entirety and to insert in place thereof the following:~~

~~SECTION 2.6. COMPUTATION OF INTEREST AND FEES; DEFAULT RATE. Interest on Loans, Related Expenses and commitment and other fees and charges hereunder shall be computed on the basis of a year having three hundred sixty (360) days and calculated for the actual number of days elapsed. Anything herein to the contrary notwithstanding, if an Event of Default shall occur hereunder, at the option of the Required Banks, (a) the principal of each Note and the unpaid interest thereon shall bear interest, until paid, at the Default Rate, and (b) the fee for the aggregate undrawn face amount of all issued and outstanding Letters of Credit shall be increased to three percent (3%) in excess of the then applicable fee from time to time in effect pursuant to Section 2.1B hereof. In no event shall the rate of interest hereunder exceed the maximum rate allowable by law.~~

~~10. The Credit Agreement is hereby amended to delete Section 2.7 in its entirety and to insert in place thereof the following:~~

~~SECTION 2.7. MANDATORY PAYMENT. If, at any time, the Revolving Credit Exposure shall exceed the Total Commitment Amount, Borrower shall, as promptly~~

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~~as practicable, but in no event later than the next Business Day, prepay an aggregate principal amount of the Loans sufficient to bring the Revolving Credit Exposure within the Commitment of the Banks. Any prepayment of a LIBOR Interest Segment pursuant to this Section 2.7 shall be subject to the prepayment fees set forth in Section 2.4 hereof.~~

~~11. The Credit Agreement is hereby amended to delete Sections 5.7(a) and (c) in their entirety and to insert in place thereof, respectively, the following:~~

~~(a) INTEREST COVERAGE RATIO. Borrower shall not suffer or permit, at any time, for the most recently completed four (4) fiscal quarters of Borrower, the ratio of (i) Consolidated Pro Forma EBIT to (ii) Consolidated Pro Forma Interest Expense to be less than (A) 1.60 to 1.00 on the Closing Date through December 31, 2000, (B) 1.40 to 1.00 on January 1, 2001 through March 31, 2001, (C) 1.20 to 1.00 on April 1, 2001 through December 31, 2001, (D) 1.35 to 1.00 on January 1, 2002 through March 31, 2002, and (E) 1.60 to 1.00 on April 1, 2002 and thereafter.~~

~~(c) LEVERAGE RATIO. Borrower shall not suffer or permit, at any time, for the most recently completed four (4) fiscal quarters of Borrower, the Leverage Ratio to exceed (i) 4.80 to 1.00 on the Closing Date through December 31, 2000, (ii) 5.25 to 1.00 on January 1, 2001 through March 31, 2001, (iii) 6.00 to 1.00 on April 1, 2001 through December 31, 2001, (iv) 5.50 to 1.00 on January 1, 2002 through March 31, 2002, and (v) 4.80 to 1.00 on April 1, 2002 and thereafter.~~

~~12. Section 5.18 of the Credit Agreement is hereby amended to add the words "or Equipment" immediately after the word "Inventory" in both places that it appears in subsection (a) thereof.~~

~~13. Section 5.19 of the Credit Agreement is hereby amended to add the words "and Equipment" immediately after the word "Inventory" in subsection (a) thereof.~~

~~14. Section 5.19 of the Credit Agreement is hereby amended to add the following new subsection thereto:~~

~~(f) maintain Borrower's Equipment in good operating condition and repair, ordinary wear and tear excepted, making all necessary replacements thereof so that the value and operating efficiency thereof shall at all times be maintained and preserved, and promptly inform Agent of any additions to or deletions from Borrower's Equipment (other than in the ordinary course of business).~~

~~15. Section 5.19 of the Credit Agreement is hereby amended to add the words "or Equipment" immediately after the word "Inventory" in the last paragraph thereof and to add the following new sentence at the end of such paragraph:~~

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~~If Borrower fails to keep and maintain its Equipment in good operating condition, Agent may (but shall not be required to) so maintain or repair all or any part of Borrower's Equipment and the cost thereof shall be a Related Expense.~~

~~16. The Credit Agreement is hereby amended to delete Section 5.24 therefrom in its entirety and to insert in place thereof the following:~~

~~SECTION 5.24. RIGHT TO TAKE ADDITIONAL COLLATERAL.~~

~~(a) In addition to any other right that Agent and the Banks may have pursuant to this Agreement or otherwise and subject to subpart (b) hereof, Borrower shall, and shall cause each Guarantor of Payment to, at any time upon request of Agent (i) grant to Agent, for the benefit of the Banks, as additional security for the Secured Debt a first priority security interest in or Lien on any real or personal property of Borrower and each Guarantor of Payment in which Agent does not already have a first priority security interest or Lien (the~~

~~"Additional Collateral"), and (ii) execute and deliver to Agent, for the benefit of the Banks, such security agreements, intellectual property assignment agreements, pledge agreements, mortgages (or deeds of trust, if applicable) or other documents, instruments or agreements or such thereof as Agent and the Required Banks may reasonably require in connection with security interests and Liens to be granted in the Additional Collateral pursuant to subpart (i) above (collectively, the "Additional Collateral Documents"). In connection with the foregoing, Agent shall be authorized to file or record such UCC financing statements or mortgages or other evidence of the Liens granted pursuant to the Additional Collateral Documents. Borrower agrees to provide such assistance and further assurances as may be required by Agent in connection with the Additional Collateral.~~

~~(b) If, at any time after June 30, 2001, the Leverage Ratio shall have been less than or equal to 4.00 to 1.00 for two (2) consecutive fiscal quarters and so long as no Default or Event of Default shall exist or immediately thereafter shall begin to exist and the Fixed Charge Condition Period shall have ended, upon written request of Borrower to Agent, Agent, on behalf of the Banks, shall release the Additional Collateral, provided that no such release shall be effective until confirmed by Agent in writing. In connection with such release Agent shall provide to Borrower, and the Banks hereby authorize Agent to provide to Borrower, such UCC partial release statements and mortgage releases as are appropriate.~~

~~(c) At any time after the Additional Collateral has been released pursuant to subpart (b) above or otherwise, and in addition to any other right that Agent and the Banks may have pursuant to this Agreement or otherwise, upon written request of Agent whenever made after the occurrence of an Event of Default, Borrower shall, and shall cause each Guarantor of Payment, to promptly grant to Agent, for the benefit of the Banks, as additional security for the Secured Debt a first priority security interest in or Lien on the Additional Collateral pursuant to such security agreements, intellectual property assignment agreements, pledge agreements, mortgages (or deeds of trust, if applicable) or other documents, instruments or agreements or such thereof as Agent and the Required Banks may reasonably require.~~

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~~17. Section 6.4 of the Credit Agreement is hereby amended to add the words "and Equipment" immediately after the word "Inventory" in subsection (a) thereof.~~

~~18. Section 7.14 of the Credit Agreement is hereby deleted in its entirety and to insert in place thereof, respectively, the following:~~

~~SECTION 7.14. REGULATIONS. Borrower is not engaged principally or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any "margin stock" (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System of the United States of America). Neither the granting of any Loan (or any conversion thereof) or Letter of Credit nor the use of the proceeds of any Loan or Letter of Credit will violate, or be inconsistent with, the provisions of Regulation U or X or any other Regulation of such Board of Governors.~~

~~19. Sections 9.1 and 9.2 of the Credit Agreement are hereby amended to add the words "and the obligation of Agent to issue any Letter of Credit" immediately after the word "Loan" in the respective subsections (a) thereof.~~

~~20. Article IX of the Credit Agreement is hereby amended to add the following new Section 9.6 thereto:~~

~~Section 9.6. LETTERS OF CREDIT. If the maturity of the Notes shall be accelerated pursuant to Sections 9.1 or 9.2 hereof, Borrower shall immediately deposit with Agent, as security for Borrower's and any Guarantor of Payment's obligations to reimburse Agent and the Banks for any then outstanding Letters of Credit, cash equal to the Letter of Credit Exposure. Agent and the Banks are hereby authorized, at their option, to deduct any and all such amounts from any deposit balances then owing by any Bank to or for the credit or account of any Company, as security for Borrower's and any Guarantor of Payment's obligations to reimburse Agent and the Banks for any then outstanding Letters of Credit.~~

~~21. Section 11.10(A) of the Credit Agreement is hereby amended to add~~

~~the following new subsection (d) thereto:~~

~~(d) and that Bank's interest in any Letter of Credit;~~

~~22. Section 11.10(B) of the Credit Agreement is hereby amended to add the following new subsection (f) thereto:~~

~~(f) and that Bank's interest in any Letter of Credit.~~

~~23. The Credit Agreement is hereby amended to add a new Schedule 3 thereto in the form of Schedule 3 attached hereto.~~

~~24. Concurrently with the execution of this Amendment (except with respect to subpart (i) hereof), Borrower shall:~~

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~~(a) cause each Guarantor of Payment to consent and agree to and acknowledge the terms of this Amendment;~~

~~(b) execute and deliver to Agent an Intellectual Property Collateral Assignment Agreement, in form and substance satisfactory to Agent, dated as of June 30, 2001;~~

~~(c) execute and deliver to Agent a Pledge Agreement, in form and substance satisfactory to Agent, dated as of June 30, 2001, together with all of the stock certificates of Borrower's domestic Subsidiaries pledged thereunder and all accompanying stock transfer powers;~~

~~(d) execute and deliver to Agent each Mortgage, in form and substance satisfactory to Agent, dated as of June 30, 2001, with respect to the Real Property owned by Borrower as set forth on Schedule 3 hereto;~~

~~(e) cause each Guarantor of Payment to execute and deliver to Agent a First Amendment to Security Agreement, each in form and substance satisfactory to Agent, dated as of June 30, 2001;~~

~~(f) cause each Guarantor of Payment to execute and deliver to Agent an Intellectual Property Collateral Assignment Agreement, each in form and substance satisfactory to Agent, dated as of June 30, 2001;~~

~~(g) cause each Guarantor of Payment to execute and deliver to Agent a Pledge Agreement, each in form and substance satisfactory to Agent, dated as of June 30, 2001, together with all of the stock certificates of such Guarantor of Payment's domestic Subsidiaries pledged thereunder and all accompanying stock transfer powers;~~

~~(h) with respect to the Real Property owned by a Guarantor of Payment as set forth on Schedule 3 hereto, cause each such Guarantor of Payment to execute and deliver to Agent each of the Mortgages relating to such Real Property, each in form and substance satisfactory to Agent, dated as of June 30, 2001;~~

~~(i) cause its Subsidiary, TOCCO, Inc., an Alabama corporation, to execute and deliver to Agent a Debenture, in form and substance satisfactory to Agent, on or before July 31, 2001;~~

~~(j) pay to Agent, for the pro rata benefit of the Banks, an amendment fee of Seventy Five Thousand Dollars (\$75,000); and~~

~~(k) pay all legal fees and expenses of Agent in connection with this Amendment.~~

~~25. Borrower hereby represents and warrants to Agent and the Banks that (a) Borrower has the legal power and authority to execute and deliver this Amendment, (b) the officers executing this Amendment have been duly authorized to execute and deliver the same and bind Borrower with respect to the provisions hereof, (c) the execution and delivery hereof by Borrower and the performance and observance by Borrower of the provisions hereof do not violate or conflict with the organizational agreements of Borrower or any law applicable to Borrower or result in a breach~~

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~~of any provision of or constitute a default under any other agreement, instrument or document binding upon or enforceable against Borrower, (d) no~~

~~Default or Event of Default exists under the Credit Agreement, nor will any occur immediately after the execution and delivery of this Amendment or by the performance or observance of any provision hereof, (e) Borrower is not aware of any claim or offset against, or defense or counterclaim to, any of Borrower's obligations or liabilities under the Credit Agreement or any Related Writing and (f) this Amendment constitutes a valid and binding obligation of Borrower in every respect, enforceable in accordance with its terms.~~

~~26. Borrower, by signing below, hereby waives and releases Agent and each of the Banks and their respective directors, officers, employees, attorneys, affiliates and subsidiaries from any and all claims, offsets, defenses and counterclaims of which Borrower is aware, such waiver and release being with full knowledge and understanding of the circumstances and effect thereof and after having consulted legal counsel with respect thereto.~~

~~27. Each reference that is made in the Credit Agreement or any Related Writing to the Credit Agreement shall hereafter be construed as a reference to the Credit Agreement as amended hereby. Except as herein otherwise specifically provided, all provisions of the Credit Agreement shall remain in full force and effect and be unaffected hereby. This Amendment is a Related Writing as defined in the Credit Agreement.~~

~~28. This Amendment may be executed in any number of counterparts, by different parties hereto in separate counterparts and by facsimile signature, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.~~

~~29. The rights and obligations of all parties hereto shall be governed by the laws of the State of Ohio, without regard to principles of conflicts of laws.~~

~~[Remainder of page intentionally left blank.]~~

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~~30. JURY TRIAL WAIVER. BORROWER, AGENT AND EACH OF THE BANKS HEREBY WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG BORROWER, AGENT AND THE BANKS, OR ANY THEREOF, ARISING OUT OF, IN CONNECTION WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS AGREEMENT OR ANY NOTE OR OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith OR THE TRANSACTIONS RELATED THERETO. THIS WAIVER SHALL NOT IN ANY WAY AFFECT, WAIVE, LIMIT, AMEND OR MODIFY AGENT'S OR ANY BANK'S ABILITY TO PURSUE REMEDIES PURSUANT TO ANY CONFESSION OF JUDGMENT OR COGNOVIT PROVISION CONTAINED IN ANY NOTE OR OTHER INSTRUMENT, DOCUMENT OR AGREEMENT AMONG BORROWER, AGENT AND THE BANKS, OR ANY THEREOF.~~

\_\_\_\_\_  
PARK OHIO INDUSTRIES, INC.

\_\_\_\_\_  
By: /s/ Ronald J. Cozean

\_\_\_\_\_  
Ronald J. Cozean, Secretary

\_\_\_\_\_  
KEYBANK NATIONAL ASSOCIATION,  
as Agent and as a Bank

\_\_\_\_\_  
By: /s/ Babette C. Schubert

\_\_\_\_\_  
Babette C. Schubert, Vice President  
and Senior Banker

\_\_\_\_\_  
THE HUNTINGTON NATIONAL BANK,  
as Co-Agent and as a Bank

\_\_\_\_\_  
By: /s/ John R. Macks

\_\_\_\_\_  
Name: John R. Macks  
Title: Assistant Vice President

\_\_\_\_\_  
THE NORTHERN TRUST COMPANY

\_\_\_\_\_  
By: /s/ David Sullivan

\_\_\_\_\_  
Name: David Sullivan  
Title: Vice President

\_\_\_\_\_  
FIFTH THIRD BANK, NORTHEASTERN OHIO

\_\_\_\_\_  
By: /s/ Roy C. Lanctot

\_\_\_\_\_  
Name: Roy C. Lanctot  
Title: Vice President

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GUARANTOR ACKNOWLEDGMENT

\_\_\_\_\_  
The undersigned consents and agrees to and acknowledges the terms of the foregoing Second Amendment Agreement. The undersigned specifically agrees to the waivers set forth in such agreement, including, but not limited to, the jury trial waiver. The undersigned further agrees that the obligations of the undersigned pursuant to the Guaranty of Payment executed by the undersigned shall remain in full force and effect and be unaffected hereby.

\_\_\_\_\_  
The undersigned hereby waives and releases Bank and Bank's directors, officers, employees, attorneys, affiliates and subsidiaries from any and all claims, offsets, defenses and counterclaims of which the undersigned is aware, such waiver and release being with full knowledge and understanding of the circumstances and effect thereof and after having consulted legal counsel with respect thereto.

\_\_\_\_\_  
ATBD, INC.  
\_\_\_\_\_  
CASTLE RUBBER COMPANY  
\_\_\_\_\_  
CICERO FLEXIBLE PRODUCTS, INC.  
\_\_\_\_\_  
DONEGAL BAY LTD.  
\_\_\_\_\_  
GENERAL ALUMINUM MFG. COMPANY  
\_\_\_\_\_  
ILS TECHNOLOGY, INC.  
\_\_\_\_\_  
INTEGRATED HOLDING COMPANY  
\_\_\_\_\_  
INTEGRATED LOGISTICS SOLUTIONS, INC.  
\_\_\_\_\_  
INTEGRATED LOGISTICS SOLUTIONS LLC  
\_\_\_\_\_  
(for itself and as successor by merger to  
\_\_\_\_\_  
Columbia Nut & Bolt LLC, GIS Industries,  
\_\_\_\_\_  
Inc. and Industrial Fasteners LLC)  
\_\_\_\_\_  
INTEGRATED LOGISTICS HOLDING COMPANY  
\_\_\_\_\_  
PARK AVENUE TRAVEL LTD.  
\_\_\_\_\_  
PARK OHIO STRUCTURAL HARDWARE LLC  
\_\_\_\_\_  
PHARMACEUTICAL LOGISTICS, INC.  
\_\_\_\_\_  
PHARMACY WHOLESALE LOGISTICS, INC.  
\_\_\_\_\_  
PMC COLINET, INC.  
\_\_\_\_\_  
PMC INDUSTRIES CORP.  
\_\_\_\_\_  
PRECISION MACHINING CONNECTION LLC  
\_\_\_\_\_  
RB&W MANUFACTURING LLC  
\_\_\_\_\_  
THE AJAX MANUFACTURING COMPANY  
\_\_\_\_\_  
THE METALLOY CORPORATION  
\_\_\_\_\_  
TOCCO, INC.  
\_\_\_\_\_  
TRICKERATION, INC.

\_\_\_\_\_  
By: /s/ Ronald J. Cozean

\_\_\_\_\_  
Ronald J. Cozean, Secretary of each of  
\_\_\_\_\_  
the foregoing companies

\_\_\_\_\_  
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~~SCHEDULE 3~~  
~~(Real Property Locations)~~

<del>Castle Rubber Company</del>	<del>The Metalloy Corporation</del>
<del>1003 Railroad Street</del>	<del>103 W. Main Street</del>
<del>East Butler, PA 16029</del>	<del>Hudson, MI 49247</del>
<del>General Aluminum Mfg. Company</del>	<del>The Metalloy Corporation</del>
<del>1370 Chamberlain Avenue</del>	<del>393 Meridian Street</del>
<del>Conneaut, OH 44030</del>	<del>Hudson, MI 49247</del>
<del>Park Ohio Industries, Inc.</del>	<del>The Metalloy Corporation</del>
<del>46950 State Route 18 W.</del>	<del>110-116 W. Main Street</del>
<del>Wellington, OH 44090</del>	<del>Hudson, MI 49247</del>
<del>Park Ohio Industries, Inc.</del>	<del>The Metalloy Corporation</del>
<del>3800 Harvard Avenue</del>	<del>3985 Munson Highway</del>
<del>Cleveland, OH 44105</del>	<del>Hudson, MI 49247</del>
<del>Park Ohio Industries, Inc.</del>	<del>The Metalloy Corporation</del>
<del>777 East 79th Street</del>	<del>3420 East Swagger Road</del>
<del>Cleveland, OH 44103</del>	<del>Fremont, IN 46737</del>
<del>Pharmacy Wholesale Logistics, Inc.</del>	<del>The Metalloy Corporation</del>
<del>15625 Saranac Avenue</del>	<del>Tupelo Lee Industrial Park</del>
<del>Cleveland, OH 44110</del>	<del>193 CDF Boulevard</del>
	<del>Shannon, MS 38868</del>
<del>Precision Machining Connection LLC</del>	
<del>29100 Lakeland Boulevard</del>	<del>TOCCO, Inc.</del>
<del>Wickliffe, OH 44092</del>	<del>1506 Industrial Boulevard</del>
	<del>Boaz, AL 35957</del>
<del>RB&amp;W Manufacturing LLC</del>	
<del>700 London Road</del>	<del>TOCCO, Inc.</del>
<del>Delaware, OH 43015</del>	<del>30100 Stephenson Highway</del>
	<del>Madison Heights, MI 48071</del>
<del>RB&amp;W Manufacturing LLC</del>	
<del>9801 Harvard Avenue</del>	<del>TOCCO, Inc.</del>
<del>Cleveland, OH 44105</del>	<del>20 Fortnum Close, Kitts Green</del>
	<del>Birmingham, UK b3301g</del>
<del>RB&amp;W Manufacturing LLC</del>	
<del>540 Narrows Run Road</del>	<del>TOCCO, Inc.</del>
<del>Corapolis, PA 15108</del>	<del>5855 Grant Avenue</del>
	<del>Cleveland, OH 44105</del>
<del>The Ajax Manufacturing Company</del>	
<del>1441 Chardon Road</del>	
<del>Euclid, Ohio 44117</del>	

~~EX-15~~  
~~4~~  
~~189624bex15.txt~~  
~~EXHIBIT 15~~

~~EXHIBIT (15) LETTER RE: UNAUDITED FINANCIAL INFORMATION~~

~~Board of Directors and Shareholders~~  
~~Park Ohio Holdings Corp.~~

~~We are aware of the incorporation by reference in the following~~  
~~Registration Statements of Park Ohio Holdings Corp., for the registration of its~~  
~~common stock of our reports dated May 10, 2001 and August 8, 2001 relating to~~  
~~the unaudited consolidated interim financial statements of Park Ohio Holdings~~  
~~Corp., which are included in its Form 10-Q for the quarters ended March 31, 2001~~  
~~and June 30, 2001.~~

<del>REGISTRATION STATEMENT</del>	<del>DESCRIPTION</del>	<del>SHARES</del> <del>REGISTERED</del>
<del>-----</del>	<del>-----</del>	<del>-----</del>
<del>Form S-8 (33-01047)</del>	<del>Individual Account Retirement Plan</del>	<del>1,500,000</del>
<del>Form S-4 (333-46931)</del>	<del>Formation of PKOH Holding Corporation</del>	<del>11,000,000</del>
<del>Form S-8 (333-58161)</del>	<del>1998 Long Term Incentive Plan</del>	<del>550,000</del>

\_\_\_\_\_/s/ Ernst & Young LLP  
Cleveland, Ohio  
~~August 13, 2001~~