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1
PARK-OHIO HOLDINGS CORP. 10-Q

1

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

FORM 10-Q

(MARK ONE)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1999, 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 [X] NO [ ]

Number of shares outstanding of registrant's Common Stock, par value $1.00 per share, as of October 31, 1999: 11,147,462 including 572,271 shares in treasury.

The Exhibit Index is located on page 20.

2

PARK-OHIO HOLDINGS CORP. AND SUBSIDIARIES

INDEX

PART I

FINANCIAL INFORMATION

PARK-OHIO HOLDINGS CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	(UNAUDITED) SEPTEMBER 30, 1999	DECEMBER 31, 1998
	(DOLLARS IN THOUSANDS)	
ASSETS		
Current Assets		
Cash and cash equivalents	$ 2,174	$ 4,320
Accounts receivable, less allowances for doubtful accounts of $2,805 at September 30, 1999 and $2,803 at December 31, 1998	116,080	95,718
Inventories	183,706	150,052
Deferred tax assets	2,232	2,232
Other current assets	7,040	5,468
Total Current Assets	311,232	257,790
Property, Plant and Equipment	213,670	160,625
Less accumulated depreciation	82,174	70,468
	131,496	90,157
Other Assets		
Excess purchase price over net assets acquired, net of accumulated amortization of $10,831 at September 30, 1999 and $8,105 at December 31, 1998	131,328	99,351
Deferred taxes	8,900	8,900
Other	48,561	33,356
	$631,517	$489,554
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Trade accounts payable	$ 63,437	$ 46,410
Accrued expenses	57,166	32,076
Current portion of long term liabilities	2,120	2,372
Total Current Liabilities	122,723	80,858
Long-Term Liabilities, less current portion		
Long-term debt	327,708	237,483
Other postretirement benefits	25,625	26,286
Other	3,688	3,740
	357,021	267,509
Shareholders' Equity		
Capital stock, par value $1 a share:		
Serial Preferred Stock	-0-	-0-
Common Stock	11,148	11,148
Additional paid-in capital	55,684	55,755
Retained earnings	93,180	80,420
Treasury stock, at cost	(7,245)	(4,554)
Accumulated other comprehensive earnings (loss)	(994)	(1,582)
	151,773	141,187
	$631,517	$489,554

Note: The balance sheet at December 31, 1998 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.

PARK-OHIO HOLDINGS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	1999	1998	1999	1998
	(DOLLARS IN THOUSANDS-EXCEPT PER SHARE DATA)			
Net sales	$178,087	$133,370	$536,407	$410,638
Cost of products sold	146,542	109,474	440,082	339,824
Gross profit	31,545	23,896	96,325	70,814
Selling, general and administrative expenses	18,108	14,547	56,255	42,077
Operating income	13,437	9,349	40,070	28,737
Interest expense	6,658	4,233	17,729	12,727
Income before income taxes	6,779	5,116	22,341	16,010
Income taxes	2,903	2,200	9,581	6,885
Net income	$ 3,876	$ 2,916	$ 12,760	$ 9,125
Net income per common share:				
Basic	$ .36	$ .27	$ 1.19	$ .83
Diluted	$ .36	$ .26	$ 1.17	$ .81
Common shares used in the computation:				
Basic	10,664	10,995	10,723	10,994
Diluted	10,827	11,176	10,868	11,230

See notes to consolidated financial statements.

PARK-OHIO HOLDINGS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (UNAUDITED)

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK	ACCUMULATED OTHER COMPREHENSIVE EARNINGS (LOSS)	TOTAL
	(DOLLARS IN THOUSANDS)					
Balance January 1, 1999	$11,148	$55,755	$80,420	$(4,554)	$(1,582)	$141,187
Comprehensive income:						
Net income			12,760			12,760
Foreign currency translation adjustment					588	588
Comprehensive income						13,348
Exercise of stock options		(71)		330		259
Purchase of treasury stock				(3,021)		(3,021)
Balance September 30, 1999	$11,148	$55,684	$93,180	$(7,245)	$ (994)	$151,773

See notes to consolidated financial statements.

PARK-OHIO HOLDINGS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	NINE MONTHS ENDED SEPTEMBER 30	
	1999	1998
	(DOLLARS IN THOUSANDS)	
OPERATING ACTIVITIES		
Net income	$12,760	$ 9,125
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	15,090	10,393
	27,850	19,518
Changes in operating assets and liabilities excluding acquisitions of businesses:		
Accounts receivable	(8,312)	(5,599)
Inventories and other current assets	(25,268)	(15,930)
Accounts payable and accrued expenses	12,660	6,990
Other	(9,147)	(1,106)
Net Cash (Used) Provided by Operating Activities	(2,217)	3,873
INVESTING ACTIVITIES		
Purchases of property, plant and equipment, net	(13,226)	(20,677)
Costs of acquisitions, net of cash acquired	(65,237)	(6,036)
Other	(445)	(101)
Net Cash (Used) by Investing Activities	(78,908)	(26,814)
FINANCING ACTIVITIES		
Proceeds from bank arrangements	88,500	36,500
Issuance of 9.25% Senior Subordinated Notes, net of deferred financing costs	49,508	-0-
Payments on debt	(56,267)	(11,039)
Purchase of treasury stock	(3,021)	(816)
Issuance of common stock under stock option plan	259	253
Net Cash Provided by Financing Activities	78,979	24,898
(Decrease) Increase in Cash and Cash Equivalents	(2,146)	1,957
Cash and Cash Equivalents at Beginning of Period	4,320	1,814
Cash and Cash Equivalents at End of Period	$ 2,174	$ 3,771

See notes to consolidated financial statements.

PARK-OHIO HOLDINGS CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
SEPTEMBER 30, 1999
(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 and nine month periods ended September 30, 1999 are not necessarily indicative of the results that may be expected for the year ending December 31, 1999. 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, 1998.

NOTE B -- ACQUISITIONS AND DISPOSITION

During the first nine months of 1999, the Company acquired all of the stock of The Metalloy Corporation ("Metalloy"), Columbia Nut and Bolt Corp. ("Columbia"), Industrial Fasteners Corporation ("Industrial"), M.P. Colinet ("Colinet") and substantially all of the assets of St. Louis Screw & Bolt Co. ("St. Louis Screw") and PMC Industries ("PMC") for cash. Metalloy is a full service aluminum casting and machining company. Columbia and Industrial are logistics providers of fastener related components. St. Louis Screw is a manufacturer of bolts and PMC and Colinet provide capital equipment and associated parts for the oil drilling industry. Each of these transactions has been accounted for as a purchase. The purchase price and the results of operations of each of these businesses prior to their respective dates of acquisition were not deemed to be significant as defined in Regulation S-X.

During 1998, the Company completed the acquisitions of Direct Fasteners Limited ("Direct") and GIS Industries, Inc. ("Gateway"). The transactions have been accounted for as purchases. Direct is a logistics provider of fastener related components. Gateway is a logistics provider of fastener related components and manufacturer of fabricated metal products and fasteners. The aggregate purchase price and the results of operations of Direct and Gateway prior to their respective dates of acquisition were not deemed to be significant as defined in Regulation S-X.

During September 1998, the Company completed the sale of the assets of Friendly and Safe Packaging Systems, Inc. to Kerr Group. The transaction had an immaterial effect on the consolidated results of operations and financial position of the Company.

NOTE C -- INVENTORIES

The components of inventory consist of the following:

	SEPTEMBER 30, 1999	DECEMBER 31, 1998
In process and finished goods..............................	$152,898	$124,783
Raw materials and supplies.................................	30,808	25,269
	$183,706	$150,052

NOTE D -- SHAREHOLDERS' EQUITY

At September 30, 1999, 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 11,147,462 shares were issued including 521,271 shares held in treasury.

NOTE E -- NET INCOME PER COMMON SHARE

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

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	1999	1998	1999	1998
	(DOLLARS IN THOUSANDS -- EXCEPT PER SHARE DATA)			
NUMERATOR				
Net income..	$ 3,876	$2,916	$12,760	$ 9,125
DENOMINATOR				
Denominator for basic earnings per share-weighted average shares....................................	10,664	10,995	10,723	10,994
Effect of dilutive securities:				
Employee stock options............................	163	181	145	236
Denominator for diluted earnings per share adjusted weighted average shares and assumed conversions....	10,827	11,176	10,868	11,230
Net income per common share basic....................	$ .36	$ .27	$ 1.19	$ .83
Net income per common share diluted..................	$ .36	$ .26	$ 1.17	$ .81

NOTE G -- ACCOUNTING PRONOUNCEMENTS

In March 1998, the American Institute of Certified Public Accountants ("AICPA") issued Statement of Position ("SOP") 98-1, "Accounting for the Cost of Computer Software Developed or Obtained for Internal Use". The SOP requires companies to capitalize qualifying computer software costs incurred during the application development stage. This statement was applied prospectively and is effective for financial statements for fiscal years beginning after December 15, 1998. The impact of this new standard did not have a significant effect on the Company's financial position or results of operations.

In April 1998, the AICPA issued SOP 98-5, "Accounting for the Costs of Start-up Activities". The SOP requires that costs of start-up activities be expensed as incurred. The SOP is effective for fiscal years beginning after December 15, 1998. The Company adopted the SOP in the first quarter of 1999. The impact of adoption of the SOP on the Company's financial position, results of operations or cash flows was immaterial.

The Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" was issued in June 1998. Statement 133 requires derivatives to be recorded on the balance sheet at fair value and establishes accounting for three different types of hedges: hedges of changes in fair value of assets, liabilities, or firm commitments; hedges of the variable cash flows of forecasted transactions; and hedges of foreign currency exposures of net investments in foreign operations. Statement 133 is effective for years beginning after June 15, 2000 and is not expected to have a significant impact on the Company's financial position or results of operations.

NOTE H -- SEGMENTS

During the first quarter of 1999 the Company, upon completion of the acquisition of Metalloy, redefined its operating segments. The Company retained its Integrated Logistics Solutions ("ILS") segment and further segregated its former Manufactured Products segment into an Aluminum Products segment and a Manufactured Products segment. ILS is a leading national supplier of fasteners (e.g. nuts, bolts and screws) and other industrial products to original equipment manufacturers, other manufacturers and distributors. In connection with the supply of such industrial products, ILS provides a variety of value added, cost-effective procurement solutions. Aluminum Products manufactures cast aluminum components primarily for automotive original equipment manufacturers. In addition, Aluminum Products also provides value added services such as design and engineering, machining and assembly. Manufactured Products is a diverse group of manufacturing businesses that design and manufacture a broad range of high quality products which includes capital equipment, rubber products and forged and machined products for specific customer applications.

Results by Business Segment were as follows:

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	1999	1998	1999	1998
Net sales, including intersegment sales:				
ILS	$112,710	$ 86,781	$328,245	$270,243
Aluminum products	29,686	9,620	98,433	29,383
Manufactured products	35,691	36,969	109,729	111,012
	$178,087	$133,370	$536,407	$410,638
Income before income taxes:				
ILS	$ 10,215	$ 8,421	$ 31,210	$ 25,125
Aluminum products	1,860	306	8,975	1,411
Manufactured products	3,957	2,861	6,694	7,305
	16,032	11,588	46,879	33,841
Amortization of excess purchase price over net assets acquired	(1,018)	(506)	(2,726)	(1,496)
Corporate costs	(1,577)	(1,732)	(4,083)	(3,608)
Interest expense	(6,658)	(4,234)	(17,729)	(12,727)
	$ 6,779	$ 5,116	$ 22,341	$ 16,010

	SEPTEMBER 30, 1999	DECEMBER 31, 1998
Identifiable assets were as follows:		
ILS	$357,702	$288,713
Aluminum products	93,875	40,063
Manufactured products	162,138	147,009
General corporate	17,802	13,769
	$631,517	$489,554

NOTE I -- FINANCING ARRANGEMENTS

On June 3, 1999, the Company sold an additional $50 million of its 9.25% Senior Subordinated Notes due 2007. The Company used the net proceeds to reduce the amount borrowed under its credit facility. Interest on the Senior Subordinated Notes is payable semi-annually on June 1 and December 1 of each year.

On November 1, 1999, the Company amended its credit agreement with a group of banks under which it may borrow up to $175 million on an unsecured basis. Interest is payable quarterly at the prime lending rate less 1% to plus .2% or at Park-Ohio's election at LIBOR plus .9% to 2.2%. The interest rate is dependent on the aggregate amounts borrowed under the agreement.

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors and Shareholders
Park-Ohio Holdings Corp.

We have reviewed the accompanying consolidated balance sheet of Park-Ohio Holdings Corp. and subsidiaries as of September 30, 1999, and the related consolidated statements of income for the three months and nine months ended September 30, 1999 and 1998, the consolidated statement of shareholders' equity for the nine months ended September 30, 1999 and the consolidated statements of cash flows for the nine months ended September 30, 1999 and 1998. 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 generally accepted auditing standards, 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 generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of Park-Ohio Holdings Corp. and subsidiaries as of December 31, 1998 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 February 15, 1999, 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, 1998, 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
October 20, 1999

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 intercompany transactions have been eliminated in consolidation. The financial information for the nine and three-month periods ended September 30, 1999 is not directly comparable on a period-to-period basis to the financial information for the nine and three-month periods ended September 30, 1998 due to acquisitions made in 1998 and 1999. During 1998, the Company acquired two businesses for $40.2 million. In October the Company acquired all of the shares of GIS Industries, Inc. ("Gateway"). Gateway is a logistics provider of fastener related components and a manufacturer of metal products and fasteners. In April the Company acquired all of the shares of Direct Fasteners Limited ("Direct"), a logistics provider of fastener related components located in Ontario, Canada. During the first nine months of 1999, the Company acquired six businesses for an aggregate purchase price of $65.2 million. In January, the Company acquired all of the shares of The Metalloy Corporation ("Metalloy") and substantially all of the assets of St. Louis Screw & Bolt Co. ("St. Louis Screw"). Metalloy is a full service aluminum casting and machining company. St. Louis Screw is a manufacturer of bolts. In February, the Company acquired substantially all of the assets of PMC Industries, ("PMC") and, in September, the Company acquired all of the shares of M.P. Colinet ("Colinet"). PMC and Colinet provide capital equipment and associated parts for the oil drilling industry. In July, the Company acquired all of the shares of Columbia Nut and Bolt Corp. ("Columbia") and Industrial Fasteners Corporation ("Industrial"). Columbia and Industrial are logistics providers of fastener related components. Each of these transactions has been accounted for as a purchase and consequently their results are included

~~in the consolidated financial statements from their respective dates of acquisition.~~

~~OVERVIEW~~

~~The Company operates diversified manufacturing and logistics businesses that serve a wide variety of industrial markets. The Company manages its businesses based upon three operating segments: Integrated Logistics Solutions ("ILS"), Aluminum Products, and Manufactured Products. ILS is a leading national supplier of fasteners (e.g., nuts, bolts and screws) and other industrial products 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 procurement solutions. The principal customers of ILS are in the transportation, industrial, electrical 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 and aerospace industries.~~

~~Between 1993 and 1998, the Company has grown significantly, both internally and through acquisitions. Over this period, the Company's net sales increased at a 42% compounded annual growth rate ("CAGR"), from $94.5 million to $551.8 million, and income from continuing operations on a fully taxed basis increased at a 40% CAGR from $2.4 million to $12.9 million.~~

~~Recent growth has been primarily attributable to the Company's strategy of making selective acquisitions in order to complement internal growth. The Company has acquired 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 total fastening service ("TFS") contracts and by the leveraging of existing customer relationships in the Aluminum and Manufactured Products segments.~~

~~Between January 1, 1994 and September 30, 1999, the Company's continuing operations incurred $77.4 million of capital expenditures, the majority of which was used to expand and upgrade existing manufacturing facilities and enhance the Company's management information systems.~~

~~RESULTS OF OPERATIONS~~

~~FIRST NINE MONTHS OF 1999 VERSUS FIRST NINE MONTHS OF 1998~~

~~Net sales increased by $125.8 million, or 31%, from $410.6 million for the first nine months of 1998 to $536.4 million for the first nine months of 1999. This growth results primarily from acquisitions that the Company has made subsequent to September 30, 1998 and relates primarily to the ILS and the Aluminum Products segments. For ILS, the growth in net sales amounted to $55.8 million of which $42.5 million related to acquisitive growth and the remainder to internal growth. For Aluminum Products, net sales increased by $69.0 million and related primarily to the acquisition of Metalloy.~~

~~Gross profit increased by $25.5 million, or 36%, from $70.8 million for the first nine months of 1998 to $96.3 million for the first nine months of 1999 and is directly related to acquisitions made in the preceding twelve months. The Company's consolidated gross margin increased to 18.0% for the first nine months of 1999 from 17.2% for the first nine months of 1998. This increase in consolidated gross margin was due to increased margins in both the Aluminum Products and ILS segments offset by a slight decline in gross margins in the Manufactured Products segment. The increase in Aluminum Products was due to increased production at General Aluminum thereby allocating fixed manufacturing overhead over a greater production base and to the acquisition of Metalloy that has a higher overall gross margin than the existing business. The increase in margins in the ILS segment is primarily the result of the acquisitions having a higher gross margin than the existing business.~~

~~Selling, general and administrative costs increased by 34% to $56.3 million for the first nine months of 1999 from $42.1 million for the first nine months of 1998. The increase was related to the acquisitions consummated subsequent to September 30, 1998. Consolidated selling, general and administrative expenses as a percentage of net sales were 10.5% during the current period and 10.2% for the first nine months of 1998. The increase in rate for 1999 is caused by the acquisitions having a higher administrative expense relationship to sales than the existing core operations.~~

~~Interest expense increased by $5.0 million from $12.7 million for the nine-month period ended September 30, 1998 to $17.7 million for the nine-month period ended September 30, 1999 due to higher average debt outstanding during the current period offset by lower average interest rates in 1999 versus 1998. For the nine-month period ended September 30, 1999, the Company averaged outstanding borrowings of $284.0 million as compared to $196.7 million for the nine months ended September 30, 1998. The $87.3 million increase related~~

~~primarily to acquisitions completed during the latter part of 1998 and the first nine months of 1999. The average borrowing rate of 8.3% for the nine months ended September 30, 1999 is 31 basis points lower than the average rate of 8.6% for the nine months ended September 30, 1998 primarily because of increased borrowings under the Company's bank revolving credit which carries a lower effective interest rate.~~

~~The effective income tax rate for the nine month periods ended September 30, 1999 and 1998 was 43%. At December 31, 1998, subsidiaries of the Company had $1.1 million of net operating loss carryforwards for federal tax purposes.~~

~~THIRD QUARTER 1999 VERSUS THIRD QUARTER 1998~~

~~Net sales increased by $44.7 million, or 34%, from $133.4 million for the quarter ended September 30, 1998 to $178.1 million for the three months ended September 30, 1999. This growth results primarily from acquisitions made subsequent to September 30, 1998 and relates primarily to the ILS and the Aluminum Products segments. For ILS, the growth in net sales amounted to $25.1 million of which $20.5 million related to acquisitive growth and the remainder to internal growth. For Aluminum Products, net sales increased by $20.1 million of which $18.3 related to the acquisition of Metalloy and the remaining $1.8 million related to internal growth.~~

~~Gross profit increased by $7.6 million, or 32%, from $23.9 million for the quarter ended September 30, 1998 to $31.5 million for the quarter ended September 30, 1999. This increase was a result of acquisitions made in the last twelve months increasing gross profit by $10.5 million offsetting a decline in gross profit from~~

~~the existing businesses of $2.9 million. The decrease in gross profit from the existing businesses primarily related to ILS and was the result of production decreases at two agricultural customers, product mix changes and not realizing certain cost of goods improvements with vendors. All segments experienced increased margins compared to the year earlier period and were primarily due to acquisitions made in the preceding twelve months which had higher overall gross margins than the existing business. However, the Company's consolidated gross margin decreased slightly to 17.7% for the current period from 17.9% for the quarter ended September 30, 1998. This decrease in overall gross margins results from increased sales in the ILS and Aluminum Products segments which have lower gross margins compared to Manufactured Products.~~

~~Selling, general and administrative costs increased by 25% to $18.1 million for the quarter ended September 30,1999 from $14.5 million for the quarter ended September 30, 1998. The entire increase was related to acquisitions that have been consummated subsequent to the third quarter of 1998. Consolidated selling, general and administrative expenses as a percentage of net sales were 10.2% in the current period and 10.9% in the corresponding period of the prior year. The decrease in rates results from cost reduction efforts and efficiencies realized in the core operations.~~

~~Interest expense increased by $2.4 million from $4.2 million for the quarter ended September 30, 1998 to $6.6 million for the quarter ended September 30, 1999 due to higher average debt outstanding during the current period and higher average interest rates in 1999 versus 1998. For the quarter ended September 30, 1999, the Company averaged outstanding borrowings of $308.0 million as compared to $203.9 million outstanding for the quarter ended September 30, 1998. The $104.1 million increase related to acquisitions completed during the latter part of 1998 and the first nine months of 1999. The average borrowing rate of 8.7% for the quarter ended September 30, 1999 is 40 basis points higher than the average rate of 8.3% for the quarter ended September 30, 1998 primarily because of the $50 million add-on in June 1999, to the Company's Senior Subordinated Notes which carries a rate of 9.25% versus 6.6% on the bank debt it replaced.~~

~~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 November 1, 1999, Park-Ohio amended its credit agreement with a group of banks under which it may borrow up to $175 million on an unsecured basis. The proceeds from the amended credit agreement, which expires on April 30, 2001, 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 less 100 basis points to plus 20 basis points or (ii) LIBOR plus 90-220 basis points depending on the aggregate amount borrowed under the new credit agreement. As of October 31, 1999, $125.5 million was outstanding under the facility.~~

~~On June 3, 1999, the Company sold an additional $50 million of its 9.25% Senior Subordinated Notes due 2007 bringing the amount of Notes outstanding to $200 million. The Company used the net proceeds from the sale of the Notes ($49.5 million) to repay outstanding bank borrowings.~~

~~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. Capital expenditures for 1999 are projected to be approximately $15 million that will be used to invest in the Company's current facilities for projected new business, for scheduled improvements and new equipment to expand existing products.

The ratio of current assets to current liabilities was 2.54 at September 30, 1999 versus 3.19 at December 31, 1998. Working capital increased by $11.6 million, after giving effect to acquisitions made subsequent to December 31, 1998, to $188.5 million at September 30, 1999 from $176.9 million at December 31, 1998.

During the first nine months of 1999, the Company generated $27.9 million from operations before changes in operating assets and liabilities. After giving effect to the use of $30.1 million in the operating accounts, the Company used $2.2 million from operating activities compared to providing $3.9 million for the

first nine months of 1998. During the period, the Company invested $13.2 million in capital expenditures, used $65.2 for acquisitions and used $3.2 million for other purposes, primarily the purchase of treasury shares. These activities were funded by issuing $49.5 million of 9.25% Senior Subordinated Notes, a net increase of $32.2 million in bank borrowings and cash of $2.1 million.

YEAR 2000 CONVERSION

The Year 2000 issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of our computer programs or hardware that have date-sensitive software or embedded chips may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruption of operations, including, among other things, a temporary inability to process transactions, send invoices, or engage in similar normal business activities.

During 1996, we developed a Year 2000 Task Force, which was established to monitor and track the Year 2000 compliance at our operating units. The Task Force developed a Year 2000 plan in order to minimize the risk to our operating units and its customers. The plan to resolve the Year 2000 issues involves four phases: assessment, remediation, testing and implementation.

To date, the Task Force has completed its assessment of our computer hardware and software applications, process control equipment, and other non-information technology equipment. After taking into consideration investments in new equipment and systems that have already been made, this assessment has determined that with only a few exceptions, the systems are Year 2000 compliant. The exceptions require upgrades of software programs or changes to existing programs, which are nearly complete. The remediation and testing phases are currently underway, and upgrades and software corrections are being completed. The target for completion of all phases is by the end of November, 1999. We also expect critical contingency plans to be developed by the end of November, 1999, as well. Based upon the assessments and remediations completed to date, we do not expect that the Year 2000 issue with respect to our internal systems will have a material effect on our business operations, consolidated financial condition, cash flows, or results of operations.

In addition, the Task Force is continuing to review the Year 2000 compliance of our key suppliers, customers and service providers ("significant third parties") in an effort to reduce the potential adverse effect on our operations from non-compliance by those parties. Interfaces to external suppliers and customers are part of this assessment and validation process. As these significant third parties are reviewed, the Task Force intends to develop contingency plans, if necessary, for those parties that exhibit possible Year 2000 problems. We have identified the most likely risk of Year 2000 non-compliance as the risk that significant third parties will not be Year 2000 compliant. Due to the general uncertainty inherent in the Year 2000 problem, we are unable to determine at this time whether the consequence of third party Year 2000 compliance failures will have a material affect on our results of operations or financial condition. If Year 2000 compliance is not achieved by these significant third parties, over which we have no control, it could, depending on duration, have a material adverse effect on our operations.

We are utilizing both internal and external resources to remedy, test, and implement the software and operating equipment for Year 2000 modifications. The total cost to achieve Year 2000 compliance is estimated at $9 million. Approximately 75% of this cost represents new systems, which the Company may have initiated during the period, notwithstanding the Year 2000 issue. To date, the Company has incurred approximately $8.8 million for Year 2000 modifications, with the majority of these costs for the conversion/development of systems. The remaining $.2 million will be funded through operating cash flows. We generally do not separately identify the direct costs of internal employees working on Year 2000 projects.

SEASONALITY; VARIABILITY OF OPERATING RESULTS

As a result of the significant growth in our net sales and operating income in recent years, seasonal fluctuations have been mitigated. However, the Company's results of operations are stronger in the first six months rather than the last six months due to scheduled plant maintenance in the third quarter to coincide with customer plant shut downs and 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, financial resources and the Year 2000 conversion. 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 and quality; raw material availability and pricing; changes in our relationships with customers and suppliers; our ability to successfully integrate recent and future acquisitions into existing operations; changes in general domestic economic conditions such as inflation rates, interest rates and tax rates; 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 industry; dependence on key management; dependence on information systems; and our ability, as well as the ability of our vendors and customers to achieve Year 2000 compliance. 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 September 30, 1999, and for the nine and three-month periods ended September 30, 1999 and 1998, have been reviewed, prior to filing, by Ernst & Young LLP, our independent accountants, and their report is included herein.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to market risk including changes in interest rates. We are subject to interest rate risk on our floating rate revolving credit facility which consisted of borrowings of $125 million at September 30, 1999. A 100 basis point increase in the interest rate would have resulted in an increase in interest expense of $.3 million for the three-month period ended September 30, 1999.

PART II

OTHER INFORMATION

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

There were no matters submitted to a vote of security holders during the third quarter of 1999.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

The following exhibits are included herein:

(4) Second Amendment Agreement to the Amended and Restated Credit Agreement among Park-Ohio Industries, Inc. and various financial institutions dated November 1, 1999.

(15) Letter re: unaudited financial information

(27) Financial data schedule (Electronic filing only)

We did not file any reports on Form 8-K during the three months ended September 30, 1999.

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/ J. S. WALKER

Name: J. S. Walker
Title: Vice President and Chief Financial Officer

Dated November 12, 1999

EXHIBIT INDEX

QUARTERLY REPORT ON FORM 10-Q

PARK-OHIO HOLDINGS CORP. AND SUBSIDIARIES
FOR THE QUARTER ENDED SEPTEMBER 30, 1999

EXHIBIT	
(4)	Second Amendment Agreement to the Amended and Restated Credit Agreement among Park Ohio Industries, Inc. and various financial institutions dated November 1, 1999.
(15)	Letter re: unaudited financial information
(27)	Financial data schedule (Electronic filing only)

EX-4
2
EXHIBIT 4

Exhibit 4

SECOND AMENDMENT AGREEMENT

This Second Amendment Agreement is made as of the 1st day of November, 1999, 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 ("Administrative Agent"), and THE HUNTINGTON NATIONAL BANK, as co-agent for the Banks ("Co-Agent" and, together with Administrative Agent, "Agents").

WHEREAS, Borrower, Agents and the Banks are parties to a certain Amended and Restated Credit Agreement dated as of November 2, 1998, as amended and as it may from time to time be further amended, restated or otherwise modified, which provides, among other things, for loans aggregating One Hundred Fifty Million Dollars ($150,000,000), all upon certain terms and conditions (the "Credit Agreement");

WHEREAS, Borrower, Agents and the Banks desire to amend the Credit Agreement to provide for an additional revolving credit tranche thereunder and to modify certain other provisions thereof; and

WHEREAS, each term used herein shall be defined in accordance with the Credit Agreement:

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

1. Article I of the Credit Agreement is hereby amended to delete the definitions of "Advantage", "Applicable Margin", "Commitment", "Commitment Percentage", "Commitment Period", "Indenture", "Loan", "Note", "Senior Subordinated Note", "Senior Subordinated Noteholders", "Total Commitment Amount" and "Total Senior Funded Indebtedness" therefrom and to insert in place thereof the following:

"Advantage" shall mean any payment (whether made voluntarily or involuntarily, by offset of any deposit or other indebtedness or otherwise) received by any Bank in respect of the Debt, if such payment

~~results in that Bank having less than its Pro Rata Share of the Applicable Debt then outstanding, than was the case immediately before such payment.~~

~~"Applicable Margin" shall mean, with respect to any Loan, the number of basis points (depending upon whether such Loan is a Prime Rate Loan or a LIBOR Loan) set forth in the following matrix:~~

TYPE OF LOAN	APPLICABLE BASIS POINTS FOR LIBOR LOANS	APPLICABLE BASIS POINTS FOR PRIME RATE LOANS
~~Tranche A Loan~~	~~90 basis points~~	~~100 basis points~~
~~Tranche B Loan~~	~~150 basis points~~	~~50 basis points~~
~~Tranche C Loan (at any time that there is no Tranche D Loan outstanding)~~	~~170 basis points~~	~~30 basis points~~
~~Tranche C Loan (at any time that there is a Tranche D Loan outstanding)~~	~~185 basis points~~	~~15 basis points~~
~~Tranche D Loan~~	~~220 basis points~~	~~20 basis points~~

~~Each change in the Applicable Margin with respect to any Tranche C Loan shall be effective immediately. 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 Agents and the Banks pursuant to Articles VII and VIII hereof.~~

~~"Commitment" shall mean the obligation hereunder of the Banks, during the applicable Commitment Period, to make Loans pursuant to the Tranche A Commitments, the Tranche B Commitments, the Tranche C Commitments and the Tranche D Commitments, up to the Total Commitment Amount.~~

~~"Commitment Percentage" shall mean Applicable Commitment Percentage.~~

~~"Commitment Period" shall mean (a) with respect to the Tranche A Commitments, the Tranche B Commitments and the Tranche C Commitments, the period from the Closing Date to April 30, 2001, and (b) with respect to the Tranche D Commitments, the period from the Tranche D Closing Date to April 30, 2001; or such earlier date on which the Commitment shall have been terminated pursuant to Article VIII hereof.~~

~~"Indenture" shall mean both of the following and any thereof (a) the 1997 Indenture and (b) the 1999 Indenture; as either of the foregoing may, with the prior written consent of Administrative Agent and the Majority Banks, be from time to time amended, restated or otherwise modified or replaced.~~

~~"Loan" shall mean the credit extended to Borrower by the Banks in accordance with Section 2.1A, B, C or D hereof.~~

~~"Note" shall mean any Tranche A Note, Tranche B Note, Tranche C Note, Tranche D Note or other note delivered pursuant to this Agreement.~~

~~"Senior Subordinated Noteholder" shall mean any one of the Senior Subordinated Noteholders under any Indenture.~~

~~"Senior Subordinated Notes" shall mean the Senior Subordinated Notes issued pursuant to any Indenture.~~

~~"Total Commitment Amount" shall mean the principal amount of One Hundred Seventy-Five Million Dollars ($175,000,000) (or such lesser amount as shall be determined pursuant to Section 2.5 hereof).~~

~~"Total Senior Funded Indebtedness" shall mean, on a Consolidated basis and in accordance with GAAP, (a) Total Funded Indebtedness minus (b) all Subordinated Indebtedness.~~

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

~~"Applicable Commitment Percentage" shall mean, for each Bank, (a) with respect to the Tranche A Commitments, the Tranche B Commitments and the Tranche C Commitments, the percentage set forth opposite such Bank's name under the column headed "Tranche A through Tranche C Commitment Percentage" as described in SCHEDULE 1 hereof; and (b) with respect to the Tranche D Commitments, the percentage set forth opposite such Bank's name under the column headed "Tranche D Commitment Percentage" as described in SCHEDULE 1 hereof.~~

~~"Applicable Debt" shall mean (a) with respect to the Tranche A Commitments, the Tranche B Commitments and the Tranche C Commitments, collectively, (i) all Indebtedness incurred by Borrower to Agents or the Banks pursuant to this Agreement (other than pursuant to the Tranche D Commitments) and includes the principal of and interest on~~

~~all Notes (other than the Tranche D Notes), (ii) each extension, renewal or refinancing thereof in whole or in part, and (iii) the commitment fees, other fees and any prepayment fees payable hereunder (other than the commitment fees and any prepayment fees payable in connection with the Tranche D Commitments); and (b) with respect to the Tranche D Commitments, collectively, (i) all Indebtedness incurred by Borrower to Agents or the Banks pursuant to the Tranche D Commitments and includes the principal of and interest on the Tranche D Notes, (ii) each extension, renewal or refinancing thereof in whole or in part, and (iii) the commitment fees and any prepayment fees payable in connection with the Tranche D Commitments.~~

~~"Fixed Charge Coverage Ratio Condition" shall mean any time that (a) Borrower's Consolidated Fixed Charge Coverage Ratio (as defined in the Indenture) is less than 2.25 to 1.00, as calculated in accordance with the terms and conditions of the Indenture, or (b) any Subsidiary's Consolidated Fixed Charge Coverage Ratio (as defined in the Indenture) is less than 2.50 to 1.00, as calculated in accordance with the terms and conditions of the Indenture.~~

~~"1997 Indenture" shall mean that certain Indenture dated as of November 25, 1997, between Borrower and Norwest Bank Minnesota, National Association, as trustee, pursuant to which the Senior Subordinated Notes were issued to the Senior Subordinated Noteholders,~~

~~as the same may, with the prior written consent of Administrative Agent and the Majority Banks, be from time to time amended, restated or otherwise modified or replaced.~~

~~"1999 Indenture" shall mean that certain Indenture dated as of June 2, 1999, between Borrower and Norwest Bank Minnesota, National Association, as trustee, pursuant to which the Senior Subordinated Notes were issued to the Senior Subordinated Noteholders, as the same may, with the prior written consent of Administrative Agent and the Majority Banks, be from time to time amended, restated or otherwise modified or replaced.~~

~~"Pro Rata Basis" or "pro rata basis" shall mean distribution to the Banks by Administrative Agent in accordance with the Applicable Commitment Percentages.~~

~~"Pro Rata Share" or "pro rata share" shall mean, with respect to the Applicable Debt, a Bank's share in accordance with such Bank's Applicable Commitment Percentage.~~

~~"Ratable Account" or "ratable account" shall mean each Bank's share of the Applicable Debt in accordance with such Bank's Applicable Commitment Percentage.~~

~~"Ratable Share" or "ratable share" shall mean each Bank's share of the Applicable Debt in accordance with such Bank's Applicable Commitment Percentage.~~

~~"Ratably" or "ratably" shall mean in accordance with each Bank's Ratable Share.~~

~~"Tranche D Bank" shall mean any Bank with a Tranche D Commitment.~~

~~"Tranche D Closing Date" shall mean November 1, 1999.~~

~~"Tranche D Commitments" shall mean the obligation hereunder of each Tranche D Bank to make Tranche D Loans, during the applicable Commitment Period, up to the amount set forth opposite such Tranche D Bank's name under the column headed "Tranche D Commitment Amount" as set forth on SCHEDULE 1 hereof (or such lesser amount as shall be determined pursuant to Section 2.5 hereof); provided that the aggregate amount of the Tranche D Commitments shall not exceed Twenty-Five Million Dollars ($25,000,000).~~

~~"Tranche D Conditions" shall include the following: (a) any payment of principal under this Agreement shall be applied first to the principal then outstanding on the Tranche D Commitments; (b) any payment of interest under this Agreement shall be applied first to the interest then outstanding on the Tranche D Commitments; and (c) any payment of commitment fees or other fees owing under this Agreement shall be applied first to the commitment and other fees then owing with respect to the Tranche D Commitments.~~

~~"Tranche D Leverage Ratio Condition" shall mean any time that a Tranche D Loan is outstanding.~~

~~"Tranche D Loan" shall mean a Loan granted to Borrower by the Tranche D Banks in accordance with Section 2.1D hereof.~~

~~"Tranche D Note" shall mean the Tranche D Note executed and delivered pursuant to Section 2.1D hereof.~~

3. Section 2.1 of the Credit Agreement is hereby amended to delete the second and third paragraphs therefrom and to insert in place thereof the following:

> Each Bank, for itself and not one for any other, agrees to participate in Loans made hereunder during the Commitment Period on such basis that (a) immediately after the completion of any borrowing by Borrower, the aggregate principal amount then outstanding on the Notes issued to such Bank shall not be in excess of the Maximum Amount for such Bank, and (b) such aggregate principal amounts outstanding on the Tranche A Note, the Tranche B Note and the Tranche C Note, respectively, issued to such Bank shall represent that percentage of the aggregate principal amount then outstanding on all Tranche A Notes, Tranche B Notes and Tranche C Notes (including all such Notes held by such Bank), respectively, which is such Bank's Applicable Commitment Percentage; and (c) such aggregate principal amount outstanding on the Tranche D Note issued to such Bank shall represent that percentage of the aggregate principal amount then outstanding on all Tranche D Notes (including the Tranche D Note held by such Bank) which is such Bank's Applicable Commitment Percentage.
>
> Each borrowing from the Banks hereunder shall be made pro rata according to the Banks' respective Applicable Commitment Percentages. The Loans may be made as Tranche A Loans, Tranche B Loans, Tranche C Loans and Tranche D Loans as follows:

4. Section 2.1 of the Credit Agreement is hereby amended to add the following new subsection D thereto:

> D. Tranche D Loans. Subject to the terms and conditions of this Agreement, during the applicable Commitment Period, the Tranche D Banks shall make a Tranche D Loan or Tranche D 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 aggregate amount of the Tranche D Commitments; provided, however, that Borrower shall not request any Tranche D Loan hereunder unless the Tranche A Commitments, Tranche B Commitments and Tranche C Commitments have been fully funded. Borrower shall have the option, subject to the terms and conditions set forth herein, to borrow Tranche D Loans, maturing on the last day of the Commitment Period, by means of any combination of (a) Prime Rate Loans, or (b) LIBOR Loans.
>
> Borrower shall pay interest, for the benefit of the Tranche D Banks, on the unpaid principal amount of Prime Rate Loans outstanding from time to time from the date thereof until paid at the Derived Prime Rate from time to time in effect. Interest on such Prime Rate

> Loans shall be payable, commencing December 31, 1999, and on the last day of each succeeding March, June, September and December of each year and at the maturity thereof.
>
> Borrower shall pay interest, for the benefit of the Tranche D Banks, on the unpaid principal amount of each LIBOR Loan outstanding from time to time, from the date thereof until paid, at the Derived LIBOR Rate, fixed in advance for each Interest Period as herein provided for each such Interest Period. Interest on such LIBOR Loans shall be payable on each Interest Adjustment Date with respect to an 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).
>
> The obligation of Borrower to repay the Prime Rate Loans and the LIBOR Loans made by each Tranche D Bank and to pay interest thereon shall be evidenced by a Tranche D Note of Borrower in the form of EXHIBIT F hereto, dated as of the Tranche D Closing Date, and payable to the order of such Tranche D Bank in the principal amount of its Tranche D Commitment, or, if less, the aggregate unpaid principal amount of Tranche D Loans made hereunder by such Bank. Subject to the provisions of this Agreement, Borrower shall be entitled under this Section 2.1D 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 applicable Commitment Period.

5. The Credit Agreement is hereby amended to delete Section 2.3 therefrom and to insert in place thereof the following:

> SECTION 2.3. PAYMENT ON NOTES, ETC. Each payment made on Loans hereunder shall be applied first to Tranche D Loans, if any are outstanding, then to Tranche C Loans, if any are outstanding, then to Tranche B Loans, if any are outstanding, and then to Tranche A Loans. All payments of principal, interest and commitment and other fees shall be made to Administrative Agent in immediately available funds for the account of the Banks on a Pro Rata Basis (except as to payments made exclusively for the benefit of Administrative Agent pursuant to the Agent Fee Letter), and Administrative Agent, within one (1) Business Day, shall distribute to each Bank, in accordance with the Tranche D Conditions, its Ratable Share of the amount of principal, interest, and commitment and other fees received by it for the account of such Bank.

~~Whenever payments are made to Administrative Agent "for the benefit of the Banks", "for the benefit of the Banks" shall mean on a Pro Rata Basis. Each Bank shall record (a) any principal, interest or other payment, and (b) the principal amount of the Prime Rate Loans and the LIBOR Loans and all prepayments thereof and the applicable dates with respect thereto, by such method as such Bank may generally employ; provided, however, that failure to make any such entry shall in no way detract from Borrower's obligations under each such Note. The aggregate unpaid amount of Loans set forth on the records of Administrative Agent shall be rebuttably presumptive evidence of the principal and interest owing and unpaid on each Note. Whenever any payment to be made hereunder, including, without limitation, any payment to be made on any Note, shall be stated to be due on a day that is not a Business Day, such~~

~~payment shall be made on the next succeeding Business Day and such extension of time shall in each case be included in the computation of the interest payable on such Note; provided, however, that with respect to any LIBOR Loan, if the next succeeding Business Day falls in the succeeding calendar month, such payment shall be made on the preceding Business Day and the relevant Interest Period shall be adjusted accordingly.~~

~~6. Section 2.4 of the Credit Agreement is hereby amended to delete the first paragraph therefrom and to insert in place thereof the following:~~

~~SECTION 2.4. PREPAYMENT. Borrower shall have the right at any time or from time to time to prepay, on a Pro Rata Basis for all of the Banks, all or any part of the principal amount of the Notes then outstanding as designated by Borrower, plus interest accrued on the amount so prepaid to the date of such prepayment, subject, however, to the Tranche D Conditions. Borrower shall give Administrative Agent notice of prepayment of any Prime Rate Loan by not later than 11:00 A.M. (Cleveland, Ohio time) on the Business Day such prepayment is to be made and written notice of the prepayment of any LIBOR Loan not later than 1:00 P.M. (Cleveland, Ohio time) three (3) Business Days before the Business Day on which such prepayment is to be made. Prepayments of Prime Rate Loans shall be without any premium or penalty.~~

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

~~(e) Borrower may at any time or from time to time permanently reduce in whole or in part the Commitment of the Banks hereunder to an amount not less than the aggregate principal amount of the Loans then outstanding, by giving Agents not fewer than five (5) Business Days' notice, provided that (i) any partial reduction shall be applied, on a Pro Rata Basis for all of the Banks, first to the Tranche D Commitments, then to the Tranche C Commitments, then to the Tranche B Commitments and, finally, to the Tranche A Commitments, and (ii) any partial reduction shall be in an aggregate amount of Five Million Dollars ($5,000,000) or any multiple thereof. Administrative 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 Commitment of the Banks 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), all of the Notes shall be delivered to Administrative Agent marked "Canceled" and Administrative 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.~~

~~8. Section 2.5 of the Credit Agreement is hereby amended to add new a subsection (f) thereto as follows:~~

~~(f) Borrower shall pay to Administrative Agent, for the account of the Tranche D Banks, as a consideration for the Tranche D Commitments, a commitment fee from the Tranche D Closing Date to and including the last day of the Commitment Period equal to (i) one half percent (1/2%) per annum, times (ii) the average daily unborrowed amount of the Tranche D Commitments. The commitment fee shall be payable, in arrears, on December 31, 1999 and on the last day of each March, June, September and December thereafter, and on the last day of the Commitment Period.~~

~~9. The Credit Agreement is hereby amended to add a new Section 2.9 thereto as follows:~~

~~SECTION 2.9. FIXED CHARGE COVERAGE RATIO CONDITION. Borrower shall provide immediate written notice to Agents and the Banks at any~~

time that the Fixed Charge Coverage Ratio Condition exists or, within the next three (3) months, is likely to exist, and, so long as the Fixed Charge Coverage Ratio exists, Borrower shall not request any Loan, and the Banks shall not be obligated to make any Loan, unless (a) the proceeds of such Loan shall constitute Permitted Indebtedness (as defined in the Indenture), and (b) upon request of Administrative Agent, Borrower shall provide to the Banks such evidence of use of proceeds of the Loans and such opinion of counsel with respect to the Indenture, as Administrative Agent may require in its reasonable discretion.

10. Section 5.7 of the Credit Agreement is hereby amended to delete subsection (c) therefrom and to insert in place thereof the following:

(c) LEVERAGE RATIO. Borrower shall not suffer or permit at any time the Leverage Ratio to exceed (i) 5.00 to 1.00 for the period from the Closing Date through December 30, 1999 at any time that the Leverage Ratio Condition exists during such period, (ii) on December 31, 1999 through June 29, 2000, 5.00 to 1.00 or, in the event that the Tranche D Leverage Ratio Condition exists, 4.50 to 1.00, and (iii) on June 30, 2000 and thereafter, 5.00 to 1.00 or, in the event that the Tranche D Leverage Ratio Conditions exists, 4.00 to 1.00.

11. The Credit Agreement is hereby amended to delete Section 6.18 therefrom and to insert in place thereof the following:

SECTION 6.18. INDENTURE. (a) No Event of Default (as defined in the Indenture) or Default (as defined in the Indenture) exists, nor will any such Event of Default or Default exist immediately after the granting of any Loan, under the Indenture, the Senior Subordinated Notes or any agreement executed by Borrower in connection therewith; (b) no Company has incurred (as defined in the Indenture) any Designated Senior Indebtedness (as defined in the Indenture) other than the Debt; and (c) no Company has "incurred" (as defined in the Indenture) either prior to or after the granting of any Loan, any Indebtedness (as

defined in the Indenture) in violation of Section 4.06 (Limitation on Additional Indebtedness) of the Indenture.

12. The Credit Agreement is hereby amended to delete Section 6.19 therefrom and to insert in place thereof the following:

SECTION 6.19. REVOLVING CREDIT FACILITY. This Agreement (a) constitutes "Revolving Credit Facility" (as defined in the 1999 Indenture), and (b) is a replacement of the Credit Agreement dated as of April 11, 1995, as amended, among Borrower, KeyBank National Association (successor by merger to Society National Bank), as Agent, and the banking institutions listed on Annex 1 attached thereto, and the Credit Agreement dated as of January 14, 1998 among Borrower, KeyBank National Association, as Administrative Agent, The Huntington National Bank, as Co-Agent, and the banking institutions listed on Schedule 1 attached thereto.

13. The Credit Agreement is hereby amended to delete Section 7.10 therefrom and to insert in place thereof the following:

SECTION 7.10. INDENTURE. If (a) any Event of Default (as defined in the Indenture), or any event or condition that with the lapse of time or giving of notice or both would constitute an Event of Default (as defined in the Indenture), shall exist under the Indenture, the Senior Subordinated Notes or any agreement executed by Borrower in connection therewith, (b) without the prior written consent of Agents and the Majority Banks, the Indenture or the Senior Subordinated Notes shall be amended or modified in any respect or replaced, or (c) the Senior Subordinated Notes shall be accelerated for any reason.

14. The Credit Agreement is hereby amended to delete Section 8.4 therefrom and to insert in place thereof the following:

SECTION 8.4. EQUALIZATION PROVISION. Each Bank agrees with the other Banks that if it, at any time, shall obtain any Advantage over the other Banks or any thereof in respect of the Debt (except under Article III hereof), it shall purchase from the other Banks, for cash and at par, such additional participation in the Applicable Debt as shall be necessary to nullify the Advantage. If any such Advantage resulting in the purchase of an additional participation as aforesaid shall be recovered in whole or in part from the Bank receiving the Advantage, each such purchase shall be rescinded, and the purchase price restored (but without interest unless the Bank receiving the Advantage is required to pay interest on the Advantage to the Person recovering the Advantage from such Bank) to the extent of the recovery. Each Bank further agrees with the other Banks that if it at any time shall receive any payment for or on behalf of Borrower on any indebtedness owing by Borrower to that Bank by reason of offset of any deposit or other indebtedness, it will apply such payment first to the Debt owing by Borrower to that Bank (including, without limitation, any participation purchased or to be purchased pursuant to this Section

~~or any~~

~~other Section of this Agreement), subject to the Tranche D Conditions. Borrower agrees that any Bank so purchasing a participation from the other Banks or any thereof pursuant to this Section may exercise all its rights of payment (including the right of set off) with respect to such participation as fully as if such Bank was a direct creditor of Borrower in the amount of such participation.~~

~~15. The Credit Agreement is hereby amended to delete Section 9.9 therefrom and to insert in place thereof the following:~~

~~SECTION 9.9. INDEMNIFICATION OF AGENTS. The Banks agree to indemnify Agents (to the extent not reimbursed by Borrower), in accordance with their Commitment Percentages applicable to the Tranche A Commitments from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against Agents in their capacity as agent in any way relating to or arising out of this Agreement or any Loan Document or any action taken or omitted by Agents with respect to this Agreement or any Loan Document, provided that no Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including attorney fees) or disbursements resulting from Agents' respective gross negligence, willful misconduct or from any action taken or omitted by Agents, or either thereof, in any capacity other than as agent under this Agreement.~~

~~16. The Credit Agreement is hereby amended to delete Section 10.13 therefrom and to insert in place thereof the following:~~

~~SECTION 10.13. ENTIRE AGREEMENT. This Agreement, any Note and any other Loan Document or other agreement, document or instrument attached hereto or referred to herein or executed on or as of the Closing Date integrate all of the terms and conditions mentioned herein or incidental hereto and supersede all oral representations and negotiations and prior writings with respect to the subject matter hereof. This Agreement is intended to, and Borrower, Agents and the Banks agree that this Agreement shall, (a) constitute "Revolving Credit Facility" (as defined in the Indenture), and (b) be a replacement of the Credit Agreement dated as of April 11, 1995, as amended, among Borrower, KeyBank National Association (successor by merger to Society National Bank), as Agent, and the banking institutions listed on Annex 1 attached thereto, and the Credit Agreement dated as of January 14, 1998 among Borrower, KeyBank National Association, as Administrative Agent, The Huntington National Bank, as Co-Agent, and the banking institutions listed on Schedule 1 attached thereto.~~

~~17. The Credit Agreement is hereby amended to delete SCHEDULE 1 and SCHEDULE 2 thereof in their entirety and to insert in place thereof a new SCHEDULE 1 and a new SCHEDULE 2, in the form of SCHEDULE 1 and SCHEDULE 2, respectively, attached hereto.~~

~~18. The Credit Agreement is hereby amended to add a new EXHIBIT F thereto in the form of EXHIBIT F attached hereto.~~

~~19. In connection with the fee specified in Section 2.8 of the Credit Agreement, Borrower, Agents and the Banks agree that Borrower shall not be obligated to pay the one-fourth percent (1/4%) increase fee set forth in such Section 2.8 with respect to the increase of the Commitment as a result of the addition of the Tranche D Commitments contemplated in this Second Amendment Agreement, provided that nothing contained in this paragraph shall affect Borrower's obligations with respect to the commitment fees relating to the Tranche D Commitments set forth in subpart (f) of Section 2.5 of the Credit Agreement (as amended by this Second Amendment Agreement).~~

~~20. Concurrently with the execution of this Second Amendment Agreement, Borrower shall:~~

~~(a) execute and deliver to each Tranche D Bank a Tranche D Note dated as of the Tranche D Closing Date, and such Tranche D Note shall be in the form and substance of Exhibit F attached hereto;~~

~~(b) pay to Administrative Agent, for the pro rata benefit of the Tranche D Banks, a facility fee in the amount of One Hundred Sixty Thousand Dollars ($160,000);~~

~~(c) deliver to Administrative Agent a Guaranty of Payment executed by each of Columbia Nut & Bolt Corp., Geneva Rubber Company, Industrial Fasteners Corporation, Integrated Logistics Solutions, Inc., Integrated Logistics Holding Company, Park-Ohio Structural Hardware LLC, Pharmaceutical Logistics, Inc., and Pharmacy Wholesale Logistics, Inc., together with such other corporate governance and authorization documents as requested by Agents;~~

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

~~(e) pay all legal fees and expenses of Administrative Agent in connection with this Second Amendment Agreement.~~

~~21. Borrower hereby represents and warrants to Agents and the Banks that (a) Borrower has the legal power and authority to execute and deliver this Second Amendment Agreement, (b) the officers executing this Second Amendment Agreement 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 of any provision of or constitute a default under any other agreement, instrument or document binding upon or enforceable against Borrower, (d) no Unmatured Event of Default or Event of Default exists under the Credit Agreement, nor will any occur immediately after the execution and delivery of this Second Amendment Agreement 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 Second Amendment Agreement constitutes a valid and binding obligation of Borrower in every respect, enforceable in accordance with its terms.~~

~~22. Each reference that is made in the Credit Agreement or any other 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 Second Amendment Agreement is a Related Writing as defined in the Credit Agreement.~~

~~23. Borrower and each Guarantor of Payment, by signing below, hereby waives and releases Administrative Agent, Co-Agent and each of the Banks and the respective directors, officers, employees, attorneys, affiliates and subsidiaries of each of the foregoing from any and all claims, offsets, defenses and counterclaims of which Borrower or such Guarantor of Payment 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.~~

~~24. This Second Amendment Agreement 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.~~

~~25. 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.]~~

~~26. JURY TRIAL WAIVER. BORROWER, AGENTS AND EACH OF THE BANKS WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG BORROWER, AGENTS 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 AGENTS' 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, AGENTS AND THE BANKS, OR ANY THEREOF.~~

~~PARK OHIO INDUSTRIES, INC.~~

~~By: ______________________________~~
~~James S. Walker, Vice President~~

~~and ______________________________~~
~~Ronald J. Cozean, Secretary~~

~~KEYBANK NATIONAL ASSOCIATION,~~
~~as a Bank and as Administrative Agent~~

~~By: ________________________________~~
~~Kenneth M. Merhar, Vice President~~

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

~~By:~~ ___________________________
~~Timothy M. Ward, Vice President~~

~~SCHEDULE 1~~

BANKING INSTITUTIONS	TRANCHE A COMMITMENT AMOUNT	TRANCHE B COMMITMENT AMOUNT	TRANCHE C COMMITMENT AMOUNT	TRANCHE A THROUGH TRANCHE C COMMITMENT PERCENTAGE	TRANCHE D COMMITMENT AMOUNT	TRANCHE D COMMITMENT PERCENTAGE	MAXIMUM AMOUNT
~~KeyBank National Association~~	~~$50,000,000~~	~~$12,500,000~~	~~$12,500,000~~	~~50%~~	~~$25,000,000~~	~~100%~~	~~$100,000,000~~
~~The Huntington National Bank~~	~~$50,000,000~~	~~$12,500,000~~	~~$12,500,000~~	~~50%~~	~~$0~~	~~0%~~	~~$ 75,000,000~~
~~Total~~	~~$100,000,000~~	~~$25,000,000~~	~~$25,000,000~~	~~100%~~	~~$25,000,000~~	~~100%~~	
~~Total Commitment Amount~~							~~$175,000,000~~

~~SCHEDULE 2~~

~~GUARANTORS OF PAYMENT~~

~~Advance Vehicles, Inc.~~
~~Blue Falcon Forge, Inc.~~
~~Castle Rubber Company~~
~~Cicero Flexible Products, Inc.~~
~~Columbia Nut & Bolt Corp.~~
~~GIS Industries, Inc. (formerly known as Charken Company, Inc.)~~
~~General Aluminum Manufacturing Company II~~
~~General Aluminum Mfg. Company~~
~~Geneva Rubber Company~~
~~Industrial Fasteners Corporation~~
~~Integrated Logistics Solutions, Inc.~~
~~Integrated Logistics Solutions LLC (successor by merger to Arden Industrial Products, Inc.)~~
~~Integrated Logistics Holding Company~~
~~Kay Home Products, Inc.~~
~~Park-Ohio Structural Hardware LLC~~
~~Pharmaceutical Logistics, Inc.~~
~~Pharmacy Wholesale Logistics, Inc.~~
~~RB&W Manufacturing LLC (successor by merger to RB&W Corporation)~~
~~The Ajax Manufacturing Company~~
~~The Metalloy Corporation~~
~~Tocco, Inc.~~

~~EXHIBIT F~~

~~TRANCHE D NOTE~~

~~$~~_________________ ~~Cleveland, Ohio~~
~~November 1, 1999~~

~~FOR VALUE RECEIVED, the undersigned, PARK-OHIO INDUSTRIES, INC. ("Borrower") promises to pay on the last day of the Commitment Period, as defined in the Credit Agreement (as hereinafter defined), to the order of~~ _______________________ ~~("Bank") at the Main Office of KEYBANK NATIONAL ASSOCIATION, as Administrative Agent, 127 Public Square, Cleveland, Ohio 44114-1306 the principal sum of~~

.... ~~DOLLARS~~

~~or the aggregate unpaid principal amount of all Tranche D Loans made by Bank to Borrower pursuant to Section 2.1D of the Credit Agreement, whichever is less, in lawful money of the United States of America. As used herein, "Credit Agreement" means the Amended and Restated Credit Agreement dated as of November 2, 1998, as amended, among Borrower, the banks named therein, KeyBank National Association, as Administrative Agent, and The Huntington National Bank, as Co- Agent, as the same may from time to time be further amended, restated or otherwise modified. Capitalized terms used herein shall have the meanings ascribed to them in the Credit Agreement.~~

~~Borrower also promises to pay interest on the unpaid principal amount of each Tranche D Loan from time to time outstanding, from the date of such Tranche D Loan until the payment in full thereof, at the rates per annum which shall be determined in accordance with the provisions of Section 2.1D of the Credit Agreement. Such interest shall be payable on each date provided for in such Section 2.1D; provided, however, that interest on any principal portion which is not paid when due shall be payable on demand.~~

~~The portions of the principal sum hereof from time to time representing Prime Rate Loans and LIBOR Loans, and payments of principal of any thereof, will be shown on the records of Bank by such method as Bank may generally employ; provided, however, that failure to make any such entry shall in no way detract from Borrower's obligations under this Note.~~

~~If this Note shall not be paid at maturity, whether such maturity occurs by reason of lapse of time or by operation of any provision for acceleration of maturity contained in the Credit Agreement, the principal hereof and the unpaid interest thereon shall bear interest, until paid, at a rate per annum which shall be the Default Rate. All payments of principal of and interest on this Note shall be made in immediately available funds. In the event of a failure to pay interest or principal, when the same becomes due, Bank may collect and Borrower agrees to pay a late charge of an amount equal to the greater of (a) ten percent (10%) of the amount of such late payment, or (b) Twenty Five Dollars ($25).~~

~~This Note is one of the Tranche D Notes referred to in the Credit Agreement. Reference is made to the Credit Agreement for a description of the right of the undersigned to anticipate payments hereof, the right of the holder hereof to declare this Note due prior to its stated maturity, and other terms and conditions upon which this Note is issued.~~

~~Except as expressly provided in the Credit Agreement, Borrower expressly waives presentment, demand, protest and notice of any kind.~~

~~The undersigned authorizes any attorney at law at any time or times after the maturity hereof (whether maturity occurs by lapse of time or by acceleration) to appear in any state or federal court of record in the United States of America, to waive the issuance and service of process, to admit the maturity of this Note and the nonpayment thereof when due, to confess judgment against the undersigned in favor of the holder of this Note for the amount then appearing due, together with interest and costs of suit, and thereupon to release all errors and to waive all rights of appeal and stay of execution. The foregoing warrant of attorney shall survive any judgment, and if any judgment be vacated for any reason, the holder hereof nevertheless may thereafter use the foregoing warrant of attorney to obtain an additional judgment or judgments against the undersigned. The undersigned agrees that Agents' or the Banks' attorney may confess judgment pursuant to the foregoing warrant of attorney. The undersigned further agrees that the attorney confessing judgment pursuant to the foregoing warrant of attorney may receive a legal fee or other compensation from Agents or the Banks.~~

~~PARK-OHIO INDUSTRIES, INC.~~

~~By: ______________________________~~
~~James S. Walker, Vice President~~

~~and ______________________________~~
~~Ronald J. Cozean, Secretary~~

~~"WARNING -- BY SIGNING THIS PAPER YOU GIVE UP YOUR RIGHT TO NOTICE AND COURT TRIAL. IF YOU DO NOT PAY ON TIME A COURT JUDGMENT MAY BE TAKEN AGAINST YOU WITHOUT YOUR PRIOR KNOWLEDGE AND THE POWERS OF A COURT CAN BE USED TO COLLECT FROM YOU REGARDLESS OF ANY CLAIMS YOU MAY HAVE AGAINST THE CREDITOR WHETHER FOR RETURNED GOODS, FAULTY GOODS, FAILURE ON HIS PART TO COMPLY WITH THE AGREEMENT OR ANY OTHER CAUSE."~~

~~GUARANTOR ACKNOWLEDGMENT~~

~~Each of the undersigned consents and agrees to and acknowledges the terms of the foregoing Second Amendment Agreement. Each of 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.~~

~~ADVANCE VEHICLES, INC.~~
~~INTEGRATED LOGISTICS SOLUTIONS LC (successor by merger to~~

Arden Industrial Products, Inc.)
BLUE FALCON FORGE, INC.
CASTLE RUBBER COMPANY
GIS INDUSTRIES, INC.,
(formerly known as Charken Company, Inc.)
CICERO FLEXIBLE PRODUCTS, INC.
GENERAL ALUMINUM MANUFACTURING COMPANY II
GENERAL ALUMINUM MFG. COMPANY
KAY HOME PRODUCTS, INC.
RB&W MANUFACTURING LLC (successor by merger to RB&W Corporation)
THE AJAX MANUFACTURING COMPANY
TOCCO, INC.
THE METALLOY CORPORATION

By:____________________________________
James S. Walker, Vice President
of each of the foregoing Companies

By: ____________________________________
Ronald J. Cozean, Secretary
of each of the foregoing Companies

EX-15
3
EXHIBIT 15

1

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 report dated October 20, 1999 relating to the unaudited consolidated interim financial statements of Park-Ohio Holdings Corp., which are included in its Form 10-Q for the quarter ended September 30, 1999.

REGISTRATION STATEMENT	DESCRIPTION	SHARES REGISTERED
Form S-8 (33-64420)	1992 Stock Option Plan	350,000
Form S-8 (33-01047)	Individual Account Retirement Plan	1,500,000
Form S-8 (333-28407)	Amended and Restated 1992 Stock Option Plan and 1996 Non-Employee Director Stock Option Plan	750,000
Form S-4 (333-46931)	Formation of PKOH Holding Corporation	11,000,000
Form S-8 (333-58161)	1998 Long-Term Incentive Plan	550,000

Pursuant to Rule 436(c) of the Securities Act of 1933 our reports are not a part of the registration statement prepared or certified by accountants within the meaning of Section 7 or 11 of the Securities Act of 1933.

/s/ Ernst & Young LLP

Cleveland, Ohio
November 12, 1999

EX-27
4
EXHIBIT 27

5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM FORM 10-Q FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

0000076282
PARK OHIO HOLDINGS CORP.
1000

U.S. DOLLARS

9-MOS
DEC-31-1999
JAN-01-1999
SEP-30-1999
1
2,174
0
116,080
2,805
183,706
311,232
213,670
82,174
631,517
122,723
327,708
0
0
11,148
140,625
631,517
536,407
536,407
440,082
440,082
0
0
17,729
22,341
9,581
12,760
0
0
0
12,760
1.19
1.17