

PARK OHIO HOLDINGS CORP

Form 10-K

March 15, 2010

Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K**

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2009

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 number 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.)

**6065 Parkland Boulevard
Cleveland, Ohio**

44124

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (440) 947-2000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on which registered

Common Stock, Par Value \$1.00 Per Share

The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:

None

Park-Ohio Holdings Corp. is a successor issuer to Park-Ohio Industries, Inc.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

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Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 12 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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes No

Aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant: Approximately \$26,460,200, based on the closing price of \$3.42 per share of the registrant's Common Stock on June 30, 2009.

Number of shares outstanding of the registrant's Common Stock, par value \$1.00 per share, as of February 26, 2010: 11,799,873.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for the Annual Meeting of Shareholders to be held on May 27, 2010 are incorporated by reference into Part III of this Form 10-K.

PARK-OHIO HOLDINGS CORP.
FORM 10-K ANNUAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

TABLE OF CONTENTS

| Item No. | | Page No. |
|------------------------|---|-----------------|
| <u>PART I</u> | | |
| <u>1.</u> | <u>Business</u> | 1 |
| <u>1A.</u> | <u>Risk Factors</u> | 7 |
| <u>1B.</u> | <u>Unresolved Staff Comments</u> | 13 |
| <u>2.</u> | <u>Properties</u> | 13 |
| <u>3.</u> | <u>Legal Proceedings</u> | 14 |
| <u>4.</u> | <u>Reserved</u> | 15 |
| <u>4A.</u> | <u>Executive Officers of the Registrant</u> | 16 |
| <u>PART II</u> | | |
| <u>5.</u> | <u>Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u> | 17 |
| <u>6.</u> | <u>Selected Financial Data</u> | 18 |
| <u>7.</u> | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 20 |
| <u>7A.</u> | <u>Quantitative and Qualitative Disclosures about Market Risk</u> | 34 |
| <u>8.</u> | <u>Financial Statements and Supplementary Data</u> | 34 |
| <u>9.</u> | <u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u> | 64 |
| <u>9A.</u> | <u>Controls and Procedures</u> | 64 |
| <u>9B.</u> | <u>Other Information</u> | 65 |
| <u>PART III</u> | | |
| <u>10.</u> | <u>Directors, Executive Officers and Corporate Governance</u> | 66 |
| <u>11.</u> | <u>Executive Compensation</u> | 66 |
| <u>12.</u> | <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u> | 66 |
| <u>13.</u> | <u>Certain Relationships and Related Transactions, and Director Independence</u> | 67 |
| <u>14.</u> | <u>Principal Accountant Fees and Services</u> | 67 |
| <u>PART IV</u> | | |
| <u>15.</u> | <u>Exhibits and Financial Statement Schedules</u> | 68 |
| | Signatures | |
| <u>EX-21.1</u> | | |
| <u>EX-23.1</u> | | |
| <u>EX-24.1</u> | | |
| <u>EX-31.1</u> | | |
| <u>EX-31.2</u> | | |
| <u>EX-32.1</u> | | |

Table of Contents**Part I****Item 1. Business****Overview**

Park-Ohio Holdings Corp. (Holdings) was incorporated as an Ohio corporation in 1998. Holdings, primarily through the subsidiaries owned by its direct subsidiary, Park-Ohio Industries, Inc. (Park-Ohio), is an industrial supply chain logistics and diversified manufacturing business operating in three segments: Supply Technologies, Aluminum Products and Manufactured Products.

References herein to we or the Company include, where applicable, Holdings, Park-Ohio and Holdings other direct and indirect subsidiaries.

Supply Technologies provides our customers with Total Supply Management™ services for a broad range of high-volume, specialty production components. Our Aluminum Products business manufactures cast and machined aluminum components, and our Manufactured Products business is a major manufacturer of highly-engineered industrial products. Our businesses serve large, industrial original equipment manufacturers (OEMs) in a variety of industrial sectors, including the automotive and vehicle parts, heavy-duty truck, industrial equipment, steel, rail, electrical distribution and controls, aerospace and defense, oil and gas, power sports/fitness equipment, HVAC, electrical components, appliance and semiconductor equipment industries. As of December 31, 2009, we employed approximately 2,950 persons.

The following table summarizes the key attributes of each of our business segments:

| | Supply Technologies | Aluminum Products | Manufactured Products |
|----------------------------|--|--|---|
| NET SALES FOR 2009 | \$328.8 million (47% of total) | \$111.4 million (16% of total) | \$260.8 million (37% of total) |
| SELECTED PRODUCTS | Sourcing, planning and procurement of over 175,000 production components, including: Fasteners Pins Valves Hoses Wire harnesses Clamps and fittings Rubber and plastic components | Control arms Front engine covers Cooling modules Knuckles Pump housings Clutch retainers/pistons Master cylinders Pinion housings Oil pans Flywheel spacers | Induction heating and melting systems Pipe threading systems Industrial oven systems Injection molded rubber components Forging presses |
| SELECTED INDUSTRIES SERVED | Heavy-duty truck Automotive and vehicle parts Electrical distribution and controls | Automotive Agricultural equipment Construction equipment Heavy-duty truck | Ferrous and non-ferrous metals Coatings Forging Foundry |

| | | |
|-----------------------------------|------------------|--------------------------------------|
| Power sports/fitness equipment | Marine equipment | Heavy-duty truck |
| HVAC | | Construction equipment |
| Aerospace and defense | | Silicon |
| Electrical components | | Automotive |
| Appliance | | Oil and gas |
| Semiconductor equipment | | Rail and locomotive manufacturing |
| Recreational Vehicles | | Aerospace and defense |
| Lawn and Garden Equipment | | |

Table of Contents

Supply Technologies

Our Supply Technologies business provides our customers with Total Supply Management™, a proactive solutions approach that manages the efficiencies of every aspect of supplying production parts and materials to our customers manufacturing floor, from strategic planning to program implementation. Total Supply Management™ includes such services as engineering and design support, part usage and cost analysis, supplier selection, quality assurance, bar coding, product packaging and tracking, just-in-time and point-of-use delivery, electronic billing services and ongoing technical support. We operate 40 logistics service centers in the United States, Mexico, Canada, Puerto Rico, Scotland, Ireland, Hungary, China, Taiwan, Singapore and India, as well as production sourcing and support centers in Asia. Through our supply chain management programs, we supply more than 175,000 globally-sourced production components, many of which are specialized and customized to meet individual customers' needs.

Products and Services. Total Supply Management™ provides our customers with an expert partner in strategic planning, global sourcing, technical services, parts and materials, logistics, distribution and inventory management of production components. Some production components are characterized by low per unit supplier prices relative to the indirect costs of supplier management, quality assurance, inventory management and delivery to the production line. In addition, Supply Technologies delivers an increasingly broad range of higher-cost production components including valves, electro-mechanical hardware, fittings, steering components and many others. Applications engineering specialists and the direct sales force work closely with the engineering staff of OEM customers to recommend the appropriate production components for a new product or to suggest alternative components that reduce overall production costs, streamline assembly or enhance the appearance or performance of the end product. As an additional service, Supply Technologies recently began providing spare parts and aftermarket products to end users of its customers' products.

Total Supply Management™ services are typically provided to customers pursuant to sole-source arrangements. We believe our services distinguish us from traditional buy/sell distributors, as well as manufacturers who supply products directly to customers, because we outsource our customers' high-volume production components supply chain management, providing processes customized to each customer's needs and replacing numerous current suppliers with a sole-source relationship. Our highly-developed, customized, information systems provide transparency and flexibility through the complete supply chain. This enables our customers to: (1) significantly reduce the direct and indirect cost of production component processes by outsourcing internal purchasing, quality assurance and inventory fulfillment responsibilities; (2) reduce the amount of working capital invested in inventory and floor space; (3) reduce component costs through purchasing efficiencies, including bulk buying and supplier consolidation; and (4) receive technical expertise in production component selection and design and engineering. Our sole-source arrangements foster long-term, entrenched supply relationships with our customers and, as a result, the average tenure of service for our top 50 Supply Technologies clients exceeds six years. Supply Technologies' remaining sales are generated through the wholesale supply of industrial products to other manufacturers and distributors pursuant to master or authorized distributor relationships.

The Supply Technologies segment also engineers and manufactures precision cold formed and cold extruded products, including locknuts, SPAC® nuts and wheel hardware, which are principally used in applications where controlled tightening is required due to high vibration. Supply Technologies produces both standard items and specialty products to customer specifications, which are used in large volumes by customers in the automotive, heavy-duty truck and rail industries.

Markets and Customers. For the year ended December 31, 2009, approximately 85% of Supply Technologies' net sales were to domestic customers. Remaining sales were primarily to manufacturing facilities of large, multinational customers located in Canada, Mexico, Europe and Asia. Total Supply Management™ services and production components are used extensively in a variety of industries, and demand is generally related to the state of the economy

and to the overall level of manufacturing activity.

Table of Contents

Supply Technologies markets and sells its services to over 5,400 customers domestically and internationally. The principal markets served by Supply Technologies are the heavy-duty truck, automotive and vehicle parts, electrical distribution and controls, consumer electronics, power sports/fitness equipment, recreational vehicles, HVAC, agricultural and construction equipment, semiconductor equipment, aerospace and defense, and appliance industries. The five largest customers, within which Supply Technologies sells through sole-source contracts to multiple operating divisions or locations, accounted for approximately 24% and 35% of the sales of Supply Technologies for 2009 and 2008, respectively, with Navistar, Inc. (Navistar) representing 1% and 17%, respectively, of segment sales. The Company made a decision to exit its relationship with Navistar effective December 31, 2008, which, along with the general economic downturn, resulted in either the closure, downsizing or consolidation of eight facilities in the Company's distribution network. The Company also evaluated its long-lived assets in accordance with accounting guidance, to determine whether the carrying amount of its long-lived assets was recoverable by comparing the carrying amount to the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the assets. If the carrying value of the assets exceeded the expected cash flows, the Company estimated the fair value of these assets to determine whether an impairment existed. The Company recorded restructuring and asset impairment charges of \$13.4 million in 2008, related to the Supply Technologies segment. During the fourth quarter of 2009, the Company recorded restructuring and asset impairment charges of \$4.0 million. See Note O to the consolidated financial statements included elsewhere herein.

The loss of any two of its top five customers could have a material adverse effect on the results of operations and financial condition of this segment.

Competition. A limited number of companies compete with Supply Technologies to provide supply management services for production parts and materials. Supply Technologies competes in North America, Mexico, Europe and Asia, primarily on the basis of its Total Supply Managementtm services, including engineering and design support, part usage and cost analysis, supplier selection, quality assurance, bar coding, product packaging and tracking, just-in-time and point-of-use delivery, electronic billing services and ongoing technical support, and its geographic reach, extensive product selection, price and reputation for high service levels. Numerous North American and foreign companies compete with Supply Technologies in manufacturing cold-formed and cold-extruded products.

Aluminum Products

We believe that we are one of the few aluminum component suppliers that has the capability to provide a wide range of high-volume, high-quality products utilizing a broad range of processes, including gravity and low pressure permanent mold, die-cast and lost-foam, as well as emerging alternative casting technologies. Our ability to offer our customers this comprehensive range of capabilities at a low cost provides us with a competitive advantage. We produce our aluminum components at six manufacturing facilities in Ohio and Indiana.

Products and Services. Our Aluminum Products business casts and machines aluminum engine, transmission, brake, suspension and other components for automotive, agricultural equipment, construction equipment, heavy-duty truck and marine equipment OEMs, primarily on a sole-source basis. Aluminum Products' principal products include front engine covers, cooling modules, control arms, knuckles, pump housings, clutch retainers and pistons, master cylinders, pinion housings, oil pans and flywheel spacers. In addition, we also provide value-added services such as design engineering, machining and part assembly. Although these parts are lightweight, they possess high durability and integrity characteristics even under extreme pressure and temperature conditions.

Demand by automotive OEMs for aluminum castings has increased in recent years as they have sought lighter alternatives to steel and iron, primarily to increase fuel efficiency without compromising structural integrity. We believe that this replacement trend will continue as end-users and the regulatory environment require greater fuel efficiency.

Table of Contents

Markets and Customers. The five largest customers, within which Aluminum Products sells to multiple operating divisions through sole-source contracts, accounted for approximately 57% of Aluminum Products sales for 2009 and 64% for 2008. The loss of any one of these customers could have a material adverse effect on the results of operations and financial condition of this segment.

During 2008, due to volume declines and volatility in the automotive markets, the Company evaluated its long-lived assets in accordance with accounting guidance and based on the results of its tests recorded asset impairment charges of \$13.2 million related to the Aluminum Products segment. See Note O to the consolidated financial statements included elsewhere herein.

Competition. Aluminum Products competes principally on the basis of its ability to: (1) engineer and manufacture high-quality, cost-effective, machined castings utilizing multiple casting technologies in large volumes; (2) provide timely delivery; and (3) retain the manufacturing flexibility necessary to quickly adjust to the needs of its customers. There are few domestic companies with aluminum casting capabilities able to meet, the customers' stringent quality and service standards and lean manufacturing techniques. As one of these suppliers, Aluminum Products is well-positioned to benefit as customers continue to consolidate their supplier base.

Manufactured Products

Our Manufactured Products segment operates a diverse group of niche manufacturing businesses that design and manufacture a broad range of highly-engineered products, including induction heating and melting systems, pipe threading systems, rubber products and forged and machined products. We manufacture these products in eleven domestic facilities and ten international facilities in Canada, Mexico, the United Kingdom, Belgium, Germany, China and Japan.

Products and Services. Our induction heating and melting business utilizes proprietary technology and specializes in the engineering, construction, service and repair of induction heating and melting systems, primarily for the ferrous and non-ferrous metals, silicon, coatings, forging, foundry, automotive and construction equipment industries. Our induction heating and melting systems are engineered and built to customer specifications and are used primarily for melting, heating, and surface hardening of metals and curing of coatings. Approximately 45% of our induction heating and melting systems' revenues are derived from the sale of replacement parts and provision of field service, primarily for the installed base of our own products. Our pipe threading business serves the oil and gas industry. We also engineer and install mechanical forging presses, and sell spare parts and provide field service for the large existing base of mechanical forging presses and hammers in North America. We machine, induction harden and surface finish crankshafts and camshafts, used primarily in locomotives. We forge aerospace and defense structural components such as landing gears and struts, as well as rail products such as railcar center plates and draft lugs. We manufacture injection mold rubber and silicone products, including wire harnesses, shock and vibration mounts, spark plug boots and nipples and general sealing gaskets.

Markets and Customers. We sell induction heating and other capital equipment to component manufacturers and OEMs in the ferrous and non-ferrous metals, silicon, coatings, forging, foundry, automotive, truck, construction equipment and oil and gas industries. We sell forged and machined products to locomotive manufacturers, machining companies and sub-assemblers who finish aerospace and defense products for OEMs, and railcar builders and maintenance providers. We sell rubber products primarily to sub-assemblers in the automotive, food processing and consumer appliance industries.

During 2008, the Company evaluated its long-lived assets in accordance with accounting guidance and, based on the results of its tests, recorded an asset impairment charge of \$4.3 million related to the Manufactured Products segment. During the fourth quarter of 2009, the Company evaluated its long-lived assets at one of its forging units, in

accordance with accounting guidance, to determine whether the carrying amount of its long-lived assets was recoverable by comparing the carrying amount to the sum of undiscounted cash flows expected to result from the use and eventual disposition of the assets and recorded restructuring and asset impairment charges of \$3.0 million in 2009. See Note O to the consolidated financial statements.

Table of Contents

Competition. We compete with small to medium-sized domestic and international equipment manufacturers on the basis of service capability, ability to meet customer specifications, delivery performance and engineering expertise. We compete domestically and internationally with small to medium- sized forging and machining businesses on the basis of product quality and precision. We compete with other domestic small- to medium-sized manufacturers of injection molded rubber and silicone products primarily on the basis of price and product quality.

Sales and Marketing

Supply Technologies markets its products and services in the United States, Mexico, Canada, Western and Eastern Europe and East and South Asia primarily through its direct sales force, which is assisted by applications engineers who provide the technical expertise necessary to assist the engineering staff of OEM customers in designing new products and improving existing products. Aluminum Products primarily markets and sells its products in North America through internal sales personnel and independent sales representatives. Manufactured Products primarily markets and sells its products in North America through both internal sales personnel and independent sales representatives. Induction heating and pipe threading equipment is also marketed and sold in Europe, Asia, Latin America and Africa through both internal sales personnel and independent sales representatives. In some instances, the internal engineering staff assists in the sales and marketing effort through joint design and applications-engineering efforts with major customers.

Raw Materials and Suppliers

Supply Technologies purchases substantially all of its production components from third-party suppliers. Supply Technologies has multiple sources of supply for its products. An increasing portion of Supply Technologies delivered components are purchased from suppliers in foreign countries, primarily Canada, Taiwan, China, South Korea, Singapore, India and multiple European countries. We are dependent upon the ability of such suppliers to meet stringent quality and performance standards and to conform to delivery schedules. Aluminum Products and Manufactured Products purchase substantially all of their raw materials, principally metals and certain component parts incorporated into their products, from third-party suppliers and manufacturers. Most raw materials required by Aluminum Products and Manufactured Products are commodity products available from several domestic suppliers. Management believes that raw materials and component parts other than certain specialty products are available from alternative sources.

Backlog

Management believes that backlog is not a meaningful measure for Supply Technologies, as a majority of Supply Technologies customers require just-in-time delivery of production components. Management believes that Aluminum Products backlog as of any particular date is not a meaningful measure of sales for any future period as a significant portion of sales are on a release or firm order basis. The backlog of Manufactured Products orders believed to be firm at the end of 2009 was \$178.8 million compared with \$196.7 million at the end of 2008. Approximately \$6.1 million of the backlog at the end of 2009 is scheduled to be shipped after 2010. The remainder is scheduled to be shipped in 2010.

Environmental, Health and Safety Regulations

We are subject to numerous federal, state and local laws and regulations designed to protect public health and the environment, particularly with regard to discharges and emissions, as well as handling, storage, treatment and disposal, of various substances and wastes. Our failure to comply with applicable environmental laws and regulations and permit requirements could result in civil and criminal fines or penalties or enforcement actions, including regulatory or judicial orders enjoining or curtailing operations or requiring corrective measures. Pursuant to certain

environmental laws, owners or operators of facilities may be liable for the costs of response or other corrective actions for contamination identified at or emanating from current or former locations, without regard to whether the owner or operator knew of, or

Table of Contents

was responsible for, the presence of any such contamination, and for related damages to natural resources. Additionally, persons who arrange for the disposal or treatment of hazardous substances or materials may be liable for costs of response at sites where they are located, whether or not the site is owned or operated by such person.

From time to time, we have incurred and are presently incurring costs and obligations for correcting environmental noncompliance and remediating environmental conditions at certain of our properties. In general, we have not experienced difficulty in complying with environmental laws in the past, and compliance with environmental laws has not had a material adverse effect on our financial condition, liquidity and results of operations. Our capital expenditures on environmental control facilities were not material during the past five years and such expenditures are not expected to be material to us in the foreseeable future.

We are currently, and may in the future, be required to incur costs relating to the investigation or remediation of property, including property where we have disposed of our waste, and for addressing environmental conditions. For instance, we have been identified as a potentially responsible party at third-party sites under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, or comparable state laws, which provide for strict and, under certain circumstances, joint and several liability. We are participating in the cost of certain clean-up efforts at several of these sites. The availability of third-party payments or insurance for environmental remediation activities is subject to risks associated with the willingness and ability of the third party to make payments. However, our share of such costs has not been material and, based on available information, we do not expect our exposure at any of these locations to have a material adverse effect on our results of operations, liquidity or financial condition.

Information as to Industry Segment Reporting and Geographic Areas

The information contained under the heading **Note B Industry Segments** of the notes to the consolidated financial statements included herein relating to (1) net sales, income before income taxes, identifiable assets and other information by industry segment and (2) net sales and assets by geographic region for the years ended December 31, 2009, 2008 and 2007 is incorporated herein by reference.

Recent Developments

The information contained under the headings **Note C Acquisitions** , **Note D Goodwill and Other Intangible Assets** , **Note O Restructuring and Unusual Charges** and **Note P Subsequent Events** of the notes to the consolidated financial statements included herein is incorporated herein by reference.

Available Information

We file annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and other information, including amendments to these reports, with the Securities and Exchange Commission (**SEC**). The public can obtain copies of these materials by visiting the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549, by calling the SEC at 1-800-SEC-0330, or by accessing the SEC's website at <http://www.sec.gov>. In addition, as soon as reasonably practicable after such materials are filed with or furnished to the SEC, we make such materials available on our website at <http://www.pkoh.com>. The information on our website is not a part of this annual report on Form 10-K.

Table of Contents

Item 1A. Risk Factors

The following are certain risk factors that could affect our business, results of operations and financial condition. These risks are not the only ones we face. If any of the following risks occur, our business, results of operations or financial condition could be adversely affected.

Adverse credit market conditions may significantly affect our access to capital, cost of capital and ability to meet liquidity needs.

Disruptions, uncertainty or volatility in the credit markets may adversely impact our ability to access credit already arranged and the availability and cost of credit to us in the future. These market conditions may limit our ability to replace, in a timely manner, maturing liabilities and access the capital necessary to grow and maintain our business. Accordingly, we may be forced to delay raising capital or pay unattractive interest rates, which could increase our interest expense, decrease our profitability and significantly reduce our financial flexibility. Longer-term disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulation, reduced alternatives or failures of significant financial institutions could adversely affect our access to liquidity needed for our business. Any disruption could require us to take measures to conserve cash until the markets stabilize or until alternative credit arrangements or other funding for our business needs can be arranged. Such measures could include deferring capital expenditures and reducing or eliminating future share repurchases or other discretionary uses of cash. Overall, our results of operations, financial condition and cash flows could be materially adversely affected by disruptions in the credit markets.

The recent global financial crisis may have significant effects on our customers and suppliers that would result in material adverse effects on our business and operating results.

The recent global financial crisis, which included, among other things, significant reductions in available capital and liquidity from banks and other providers of credit, substantial reductions and fluctuations in equity and currency values worldwide, and concerns that the worldwide economy may enter into a prolonged recessionary period, may materially adversely affect our customers' access to capital or willingness to spend capital on our products or their ability to pay for products that they will order or have already ordered from us. In addition, the recent global financial crisis may materially adversely affect our suppliers' access to capital and liquidity with which to maintain their inventories, production levels and product quality, which could cause them to raise prices or lower production levels.

Also, availability under our revolving credit facility may be adversely impacted by credit quality and performance of our customer accounts receivable. The availability under the revolving credit facility is based on the amount of receivables that meet the eligibility criteria of the revolving credit facility. As receivable losses increase or credit quality deteriorates, the amount of eligible receivables declines and, in turn, lowers the availability under the facility.

These potential effects of the recent global financial crisis are difficult to forecast and mitigate. As a consequence, our operating results for a particular period are difficult to predict, and, therefore, prior results are not necessarily indicative of results to be expected in future periods. Any of the foregoing effects could have a material adverse effect on our business, results of operations and financial condition.

The recent global financial crisis may have significant effects on our customers that would result in our inability to borrow or to meet our debt service coverage ratio in our revolving credit facility

As of December 31, 2009, we were in compliance with our debt service coverage ratio covenant and other covenants contained in our revolving credit facility. While we expect to remain in compliance throughout 2010, declines in demand in the automotive industry and in sales volumes could adversely impact our ability to remain in compliance

with certain of these financial covenants. Additionally, to the extent our customers are adversely affected by the declines in demand in the automotive industry or the

Table of Contents

economy in general, they may not be able to pay their accounts payable to us on a timely basis or at all, which would make the accounts receivable ineligible for purposes of the revolving credit facility and could reduce our borrowing base and our ability to borrow.

The industries in which we operate are cyclical and are affected by the economy in general.

We sell products to customers in industries that experience cyclical (expectancy of recurring periods of economic growth and slowdown) in demand for products, and may experience substantial increases and decreases in business volume throughout economic cycles. Industries we serve, including the automotive and vehicle parts, heavy-duty truck, industrial equipment, steel, rail, electrical distribution and controls, aerospace and defense, power sports/fitness equipment, HVAC, electrical components, appliance and semiconductor equipment industries, are affected by consumer spending, general economic conditions and the impact of international trade. A downturn in any of the industries we serve, particularly the existing downturn in the domestic automotive and heavy-duty truck industry, would have, and continue to have, a material adverse effect on our financial condition, liquidity and results of operations.

Because a significant portion of our sales is to the automotive and heavy-duty truck industries, a decrease in the demand of these industries or the loss of any of our major customers in these industries could adversely affect our financial health.

Demand for certain of our products is affected by, among other things, the relative strength or weakness of the automotive and heavy-duty truck industries. The domestic automotive and heavy-duty truck industries are highly cyclical and may be adversely affected by international competition. In addition, the automotive and heavy-duty truck industries are significantly unionized and subject to work slowdowns and stoppages resulting from labor disputes. We derived 19% and 4% of our net sales during the year ended December 31, 2009 from the automobile and heavy-duty truck industries, respectively. Dramatically lower global automotive sales have resulted in lower demand for our products. Further economic decline that results in a reduction in automotive sales and production by our customers will have a material adverse effect on our business, results of operations and financial condition.

The loss of a portion of business to any of our major automotive or heavy-duty truck customers could have a material adverse effect on our financial condition, cash flow and results of operations. We cannot assure you that we will maintain or improve our relationships in these industries or that we will continue to supply these customers at current levels.

Our Supply Technologies customers are generally not contractually obligated to purchase products and services from us.

Most of the products and services are provided to our Supply Technologies customers under purchase orders as opposed to long-term contracts. When we do enter into long-term contracts with our customers, many of them only establish pricing terms and do not obligate our customers to buy required minimum amounts from us or to buy from us exclusively. Accordingly, many of our Supply Technologies customers may decrease the amount of products and services that they purchase from us or even stop purchasing from us altogether, either of which could have a material adverse effect on our net sales and profitability.

We are dependent on key customers.

We rely on several key customers. For the year ended December 31, 2009, our ten largest customers accounted for approximately 23% of our net sales. Many of our customers place orders for products on an as-needed basis and operate in cyclical industries and, as a result, their order levels have varied from period to period in the past and may

vary significantly in the future. Due to competitive issues, we have lost key customers in the past and may again in the future. Customer orders are dependent upon their markets and may be subject to delays or cancellations. As a result of dependence on our key customers, we could

Table of Contents

experience a material adverse effect on our business and results of operations if any of the following were to occur:

the loss of any other key customer, in whole or in part;

the insolvency or bankruptcy of any key customer;

a declining market in which customers reduce orders or demand reduced prices; or

a strike or work stoppage at a key customer facility, which could affect both their suppliers and customers.

If any of our key customers become insolvent or file for bankruptcy, our ability to recover accounts receivable from that customer would be adversely affected and any payments we received in the preference period prior to a bankruptcy filing may be potentially recoverable, which could adversely impact our results of operations.

During 2009, Chrysler's U.S. operations, General Motor's U.S. operations and Metaldyne Corporation filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code. The Company has collected substantially all amounts that were due from Chrysler and General Motors as of the dates of the respective bankruptcy filings and as such there was no charge to earnings as a result of these bankruptcies. The account receivable from Metaldyne at the time of the bankruptcy was \$4.2 million. The Company recorded a \$4.2 million charge to reserve for the collection of the account receivable when Metaldyne announced it had completed the sale of substantially all of its assets to MD Investors Corporation, effectively making no payments to the unsecured creditors, including Park-Ohio.

We operate in highly competitive industries.

The markets in which all three of our segments sell their products are highly competitive. Some of our competitors are large companies that have greater financial resources than we have. We believe that the principal competitive factors for our Supply Technologies segment are an approach reflecting long-term business partnership and reliability, sourced product quality and conformity to customer specifications, timeliness of delivery, price and design and engineering capabilities. We believe that the principal competitive factors for our Aluminum Products and Manufactured Products segments are product quality and conformity to customer specifications, design and engineering capabilities, product development, timeliness of delivery and price. The rapidly evolving nature of the markets in which we compete may attract new entrants as they perceive opportunities, and our competitors may foresee the course of market development more accurately than we do. In addition, our competitors may develop products that are superior to our products or may adapt more quickly than we do to new technologies or evolving customer requirements.

We expect competitive pressures in our markets to remain strong. These pressures arise from existing competitors, other companies that may enter our existing or future markets and, in some cases, our customers, which may decide to internally produce items we sell. We cannot assure you that we will be able to compete successfully with our competitors. Failure to compete successfully could have a material adverse effect on our financial condition, liquidity and results of operations.

The loss of key executives could adversely impact us.

Our success depends upon the efforts, abilities and expertise of our executive officers and other senior managers, including Edward Crawford, our Chairman and Chief Executive Officer, and Matthew Crawford, our President and Chief Operating Officer, as well as the president of each of our operating units. An event of default occurs under our revolving credit facility if Messrs. E. Crawford and M. Crawford or certain of their related parties own less than 15% of our outstanding common stock, or if they own less than 15% of such stock, then if either Mr. E. Crawford or

Mr. M. Crawford ceases to hold the office of chairman, chief executive officer or president. The loss of the services of Messrs. E. Crawford and

Table of Contents

M. Crawford, senior and executive officers, and/or other key individuals could have a material adverse effect on our financial condition, liquidity and results of operations.

We may encounter difficulty in expanding our business through targeted acquisitions.

We have pursued, and may continue to pursue, targeted acquisition opportunities that we believe would complement our business. We cannot assure you that we will be successful in consummating any acquisitions.

Any targeted acquisitions will be accompanied by the risks commonly encountered in acquisitions of businesses. We may not successfully overcome these risks or any other problems encountered in connection with any of our acquisitions, including the possible inability to integrate an acquired business operations, IT technologies, services and products into our business, diversion of management's attention, the assumption of unknown liabilities, increases in our indebtedness, the failure to achieve the strategic objectives of those acquisitions and other unanticipated problems, some or all of which could materially and adversely affect us. The process of integrating operations could cause an interruption of, or loss of momentum in, our activities. Any delays or difficulties encountered in connection with any acquisition and the integration of our operations could have a material adverse effect on our business, results of operations, financial condition or prospects of our business.

Our Supply Technologies business depends upon third parties for substantially all of our component parts.

Supply Technologies purchases substantially all of its component parts from third-party suppliers and manufacturers. Our business is subject to the risk of price fluctuations and periodic delays in the delivery of component parts. Failure by suppliers to continue to supply us with these component parts on commercially reasonable terms, or at all, would have a material adverse effect on us. We depend upon the ability of these suppliers, among other things, to meet stringent performance and quality specifications and to conform to delivery schedules. Failure by third-party suppliers to comply with these and other requirements could have a material adverse effect on our financial condition, liquidity and results of operations.

The raw materials used in our production processes and by our suppliers of component parts are subject to price and supply fluctuations that could increase our costs of production and adversely affect our results of operations.

Our supply of raw materials for our Aluminum Products and Manufactured Products businesses could be interrupted for a variety of reasons, including availability and pricing. Prices for raw materials necessary for production have fluctuated significantly in the past and significant increases could adversely affect our results of operations and profit margins. While we generally attempt to pass along increased raw materials prices to our customers in the form of price increases, there may be a time delay between the increased raw materials prices and our ability to increase the price of our products, or we may be unable to increase the prices of our products due to pricing pressure or other factors.

Our suppliers of component parts, particularly in our Supply Technologies business, may significantly and quickly increase their prices in response to increases in costs of the raw materials, such as steel, that they use to manufacture our component parts. We may not be able to increase our prices commensurate with our increased costs. Consequently, our results of operations and financial condition may be materially adversely affected.

The energy costs involved in our production processes and transportation are subject to fluctuations that are beyond our control and could significantly increase our costs of production.

Our manufacturing process and the transportation of raw materials, components and finished goods are energy intensive. Our manufacturing processes are dependent on adequate supplies of electricity and

Table of Contents

natural gas. A substantial increase in the cost of transportation fuel, natural gas or electricity could have a material adverse effect on our margins. We may experience higher than anticipated gas costs in the future, which could adversely affect our results of operations. In addition, a disruption or curtailment in supply could have a material adverse effect on our production and sales levels.

Potential product liability risks exist from the products that we sell.

Our businesses expose us to potential product liability risks that are inherent in the design, manufacture and sale of our products and products of third-party vendors that we use or resell. While we currently maintain what we believe to be suitable and adequate product liability insurance, we cannot assure you that we will be able to maintain our insurance on acceptable terms or that our insurance will provide adequate protection against potential liabilities. In the event of a claim against us, a lack of sufficient insurance coverage could have a material adverse effect on our financial condition, liquidity and results of operations. Moreover, even if we maintain adequate insurance, any successful claim could have a material adverse effect on our financial condition, liquidity and results of operations.

Some of our employees belong to labor unions, and strikes or work stoppages could adversely affect our operations.

As of December 31, 2009, we were a party to seven collective bargaining agreements with various labor unions that covered approximately 350 full-time employees. Our inability to negotiate acceptable contracts with these unions could result in, among other things, strikes, work stoppages or other slowdowns by the affected workers and increased operating costs as a result of higher wages or benefits paid to union members. If the unionized workers were to engage in a strike, work stoppage or other slowdown, or other employees were to become unionized, we could experience a significant disruption of our operations and higher ongoing labor costs, which could have a material adverse effect on our business, financial condition and results of operations.

We operate and source internationally, which exposes us to the risks of doing business abroad.

Our operations are subject to the risks of doing business abroad, including the following:

fluctuations in currency exchange rates;

limitations on ownership and on repatriation of earnings;

transportation delays and interruptions;

political, social and economic instability and disruptions;

government embargoes or foreign trade restrictions;

the imposition of duties and tariffs and other trade barriers;

import and export controls;

labor unrest and current and changing regulatory environments;

the potential for nationalization of enterprises;

disadvantages of competing against companies from countries that are not subject to U.S. laws and regulations including the U.S. Foreign Corrupt Practices Act (FCPA) ;

difficulties in staffing and managing multinational operations;
limitations on our ability to enforce legal rights and remedies; and
potentially adverse tax consequences.

Table of Contents

In addition, we could be adversely affected by violations of the FCPA and similar worldwide anti-bribery laws. The FCPA and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. Our policies mandate compliance with these anti-bribery laws. We operate in many parts of the world that have experienced governmental corruption to some degree and, in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices. We cannot assure you that our internal controls and procedures always will protect us from the reckless or criminal acts committed by our employees or agents. If we are found to be liable for FCPA violations (either due to our own acts or our inadvertence or due to the acts or inadvertence of others), we could suffer from criminal or civil penalties or other sanctions, which could have a material adverse effect on our business.

Any of the events enumerated above could have an adverse effect on our operations in the future by reducing the demand for our products and services, decreasing the prices at which we can sell our products or otherwise having an adverse effect on our business, financial condition or results of operations. We cannot assure you that we will continue to operate in compliance with applicable customs, currency exchange control regulations, transfer pricing regulations or any other laws or regulations to which we may be subject. We also cannot assure you that these laws will not be modified.

Unexpected delays in the shipment of large, long-lead industrial equipment could adversely affect our results of operations in the period in which shipment was anticipated.

Long-lead industrial equipment contracts are a significant and growing part of our business. We primarily use the percentage of completion method to account for these contracts. Nevertheless, under this method, a large proportion of revenues and earnings on such contracts are recognized close to shipment of the equipment. Unanticipated shipment delays on large contracts could postpone recognition of revenue and earnings into future periods. Accordingly, if shipment was anticipated in the fourth quarter of a year, unanticipated shipment delays could adversely affect results of operations in that year.

We are subject to significant environmental, health and safety laws and regulations and related compliance expenditures and liabilities.

Our businesses are subject to many foreign, federal, state and local environmental, health and safety laws and regulations, particularly with respect to the use, handling, treatment, storage, discharge and disposal of substances and hazardous wastes used or generated in our manufacturing processes. Compliance with these laws and regulations is a significant factor in our business. We have incurred and expect to continue to incur significant expenditures to comply with applicable environmental laws and regulations. Our failure to comply with applicable environmental laws and regulations and permit requirements could result in civil or criminal fines or penalties or enforcement actions, including regulatory or judicial orders enjoining or curtailing operations or requiring corrective measures, installation of pollution control equipment or remedial actions.

We are currently, and may in the future be, required to incur costs relating to the investigation or remediation of property, including property where we have disposed of our waste, and for addressing environmental conditions. Some environmental laws and regulations impose liability and responsibility on present and former owners, operators or users of facilities and sites for contamination at such facilities and sites without regard to causation or knowledge of contamination. In addition, we occasionally evaluate various alternatives with respect to our facilities, including possible dispositions or closures. Investigations undertaken in connection with these activities may lead to discoveries of contamination that must be remediated, and closures of facilities may trigger compliance requirements that are not applicable to operating facilities. Consequently, we cannot assure you that existing or future circumstances, the development of new facts or the failure of third parties to address contamination at current or former facilities or

properties will not require significant expenditures by us.

Table of Contents

We expect to continue to be subject to increasingly stringent environmental and health and safety laws and regulations. It is difficult to predict the future interpretation and development of environmental and health and safety laws and regulations or their impact on our future earnings and operations. We anticipate that compliance will continue to require increased capital expenditures and operating costs. Any increase in these costs, or unanticipated liabilities arising for example out of discovery of previously unknown conditions or more aggressive enforcement actions, could adversely affect our results of operations, and there is no assurance that they will not exceed our reserves or have a material adverse effect on our financial condition.

If our information systems fail, our business will be materially affected.

We believe that our information systems are an integral part of the Supply Technologies segment and, to a lesser extent, the Aluminum Products and Manufactured Products segments. We depend on our information systems to process orders, manage inventory and accounts receivable collections, purchase products, maintain cost-effective operations, route and re-route orders and provide superior service to our customers. We cannot assure you that a disruption in the operation of our information systems used by Supply Technologies, including the failure of the supply chain management software to function properly, or those used by Aluminum Products and Manufactured Products will not occur. Any such disruption could have a material adverse effect on our financial condition, liquidity and results of operations.

Operating problems in our business may materially adversely affect our financial condition and results of operations.

The occurrence of material operating problems at our facilities may have a material adverse effect on our operations as a whole, both during and after the period of operational difficulties. We are subject to the usual hazards associated with manufacturing and the related storage and transportation of raw materials, products and waste, including explosions, fires, leaks, discharges, inclement weather, natural disasters, mechanical failure, unscheduled downtime and transportation interruption or calamities.

Our Chairman of the Board and Chief Executive Officer and our President and Chief Operating Officer collectively beneficially own a significant portion of our company's outstanding common stock and their interests may conflict with yours.

As of February 26, 2010, Edward Crawford, our Chairman of the Board and Chief Executive Officer, and Matthew Crawford, our President and Chief Operating Officer, collectively beneficially owned approximately 30% of our common stock. Mr. E. Crawford is Mr. M. Crawford's father. Their interests could conflict with your interests. For example, if we encounter financial difficulties or are unable to pay our debts as they mature, the interests of Messrs. E. Crawford and M. Crawford may conflict with your interests as a shareholder.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of December 31, 2009, our operations included numerous manufacturing and supply chain logistics services facilities located in 23 states in the United States and in Puerto Rico, as well as in Asia, Canada, Europe and Mexico. Approximately 88% of the available square footage was located in the United States. Approximately 46% of the available square footage was owned. In 2009, approximately 29% of the available domestic square footage was used by the Supply Technologies segment, 46% was used by the Manufactured Products segment and 26% was used by the

Aluminum Products segment. Approximately 49% of the available foreign square footage was used by the Supply Technologies segment and 51% was used by the Manufactured Products segment. In the opinion of management, our facilities are generally well maintained and are suitable and adequate for their intended uses.

Table of Contents

The following table provides information relative to our principal facilities as of December 31, 2009.

| Related Industry | Owned or | Approximate | Use |
|--------------------------|-------------------|-----------------------|--------------------------------------|
| Segment | Leased | Square Footage | |
| | Location | | |
| SUPPLY TECHNOLOGIES(1) | Leased | 60,450(2) | Supply Technologies Corporate Office |
| | Leased | 112,960 | Logistics |
| | Leased | 116,000 | Logistics and Manufacturing |
| | Leased | 87,100 | Logistics |
| | Leased | 62,600 | Logistics |
| | Leased | 56,000 | Logistics |
| | Leased | 50,000 | Logistics |
| | Leased | 48,750 | Logistics |
| | Leased | 30,000 | Logistics |
| | Leased | 30,000 | Logistics |
| | Leased | 44,900 | Logistics |
| | Leased | 40,000 | Logistics |
| | Leased | 30,000 | Logistics |
| | Leased | 32,000 | Logistics |
| | Leased | 45,000 | Logistics |
| | Leased | 145,000 | Manufacturing |
| | Leased | 54,000 | Logistics |
| | Leased | 40,000 | Logistics |
| | Owned | 45,000 | Manufacturing |
| | ALUMINUM PRODUCTS | Leased/Owned | 304,000 |
| Leased | | 125,000 | Manufacturing |
| Owned | | 112,000 | Manufacturing |
| Owned | | 188,000 | Manufacturing |
| Owned | | 177,000 | Manufacturing |
| Owned | | 64,000 | Manufacturing |
| Owned | | 427,000 | Manufacturing |
| MANUFACTURED PRODUCTS(4) | Owned | 450,000 | Manufacturing |
| | Owned | 120,000 | Manufacturing |
| | Owned | 110,000 | Manufacturing |
| | Owned | 100,000 | Manufacturing |
| | Owned | 195,000 | Manufacturing |
| | Leased | 125,000 | Manufacturing |
| | Leased | 128,000 | Manufacturing |
| | Leased | 200,000 | Manufacturing |
| | Leased | 150,000 | Manufacturing |
| | Leased | | |

(1) Supply Technologies has 39 other facilities, none of which is deemed to be a principal facility.

- (2) Includes 20,150 square feet used by Holdings and Park-Ohio's corporate office.
- (3) Includes three leased properties with square footage of 91,800, 64,000 and 45,700, respectively, and two owned properties with 82,300 and 20,200 square feet, respectively.
- (4) Manufactured Products has 14 other owned and leased facilities, none of which is deemed to be a principal facility.

Item 3. Legal Proceedings

We are subject to various pending and threatened lawsuits in which claims for monetary damages are asserted in the ordinary course of business. While any litigation involves an element of uncertainty, in the opinion of management, liabilities, if any, arising from currently pending or threatened litigation are not expected to have a material adverse effect on our financial condition, liquidity or results of operations.

At December 31, 2009, we were a co-defendant in approximately 290 cases asserting claims on behalf of approximately 1,200 plaintiffs alleging personal injury as a result of exposure to asbestos. These

Table of Contents

asbestos cases generally relate to production and sale of asbestos-containing products and allege various theories of liability, including negligence, gross negligence and strict liability and seek compensatory and, in some cases, punitive damages.

In every asbestos case in which we are named as a party, the complaints are filed against multiple named defendants. In substantially all of the asbestos cases, the plaintiffs either claim damages in excess of a specified amount, typically a minimum amount sufficient to establish jurisdiction of the court in which the case was filed (jurisdictional minimums generally range from \$25,000 to \$75,000), or do not specify the monetary damages sought. To the extent that any specific amount of damages is sought, the amount applies to claims against all named defendants.

There are only five asbestos cases, involving 25 plaintiffs, that plead specified damages. In each of the five cases, the plaintiff is seeking compensatory and punitive damages based on a variety of potentially alternative causes of action. In three cases, the plaintiff has alleged compensatory damages in the amount of \$3.0 million for four separate causes of action and \$1.0 million for another cause of action and punitive damages in the amount of \$10.0 million. In the fourth case, the plaintiff has alleged against each named defendant, compensatory and punitive damages, each in the amount of \$10.0 million for seven separate causes of action. In the fifth case, the plaintiff has alleged compensatory damages in the amount of \$20.0 million for three separate causes of action and \$5.0 million for another cause of action and punitive damages in the amount of \$20.0 million.

Historically, we have been dismissed from asbestos cases on the basis that the plaintiff incorrectly sued one of our subsidiaries or because the plaintiff failed to identify any asbestos-containing product manufactured or sold by us or our subsidiaries. We intend to vigorously defend these asbestos cases, and believe we will continue to be successful in being dismissed from such cases. However, it is not possible to predict the ultimate outcome of asbestos-related lawsuits, claims and proceedings due to the unpredictable nature of personal injury litigation. Despite this uncertainty, and although our results of operations and cash flows for a particular period could be adversely affected by asbestos-related lawsuits, claims and proceedings, management believes that the ultimate resolution of these matters will not have a material adverse effect on our financial condition, liquidity or results of operations. Among the factors management considered in reaching this conclusion were: (a) our historical success in being dismissed from these types of lawsuits on the bases mentioned above; (b) many cases have been improperly filed against one of our subsidiaries; (c) in many cases, the plaintiffs have been unable to establish any causal relationship to us or our products or premises; (d) in many cases, the plaintiffs have been unable to demonstrate that they have suffered any identifiable injury or compensable loss at all, that any injuries that they have incurred did in fact result from alleged exposure to asbestos; and (e) the complaints assert claims against multiple defendants and, in most cases, the damages alleged are not attributed to individual defendants. Additionally, we do not believe that the amounts claimed in any of the asbestos cases are meaningful indicators of our potential exposure because the amounts claimed typically bear no relation to the extent of the plaintiff's injury, if any.

Our cost of defending these lawsuits has not been material to date and, based upon available information, our management does not expect its future costs for asbestos-related lawsuits to have a material adverse effect on our results of operations, liquidity or financial position.

Item 4. Reserved

Table of Contents**Item 4A. Executive Officers of the Registrant**

Information with respect to the executive officers of the Company as of March 15, 2010 is as follows:

| Name | Age | Position |
|-----------------------|-----|---|
| Edward F. Crawford | 70 | Chairman of the Board, Chief Executive Officer and Director |
| Matthew V. Crawford | 40 | President and Chief Operating Officer and Director |
| Jeffrey L. Rutherford | 49 | Vice President and Chief Financial Officer |
| Robert D. Vilsack | 49 | Secretary and General Counsel |
| Patrick W. Fogarty | 48 | Director of Corporate Development |

Mr. E. Crawford has been a director and our Chairman of the Board and Chief Executive Officer since 1992. He has also served as the Chairman of Crawford Group, Inc., a management company for a group of manufacturing companies, since 1964 and is also a Director of Continental Global Group, Inc.

Mr. M. Crawford has been President and Chief Operating Officer since 2003 and joined us in 1995 as Assistant Secretary and Corporate Counsel. He was also our Senior Vice President from 2001 to 2003. Mr. M. Crawford became one of our directors in August 1997 and has served as President of Crawford Group, Inc. since 1995. Mr. E. Crawford is the father of Mr. M. Crawford.

Mr. Rutherford has been Vice President and Chief Financial Officer since joining us in July 2008. From 2007 until his employment with us, Mr. Rutherford served as Senior Vice President, Chief Financial Officer of UAP Holding Corp., an independent distributor of agricultural inputs and professional non-crop products. Mr. Rutherford previously served as President and Chief Executive Officer of Lesco, Inc., a provider of professional turf care products and a division of John Deere & Co., from 2005 to 2007, and as Lesco's Chief Financial Officer from 2002 to 2005. From 1998 to 2002, he was the Senior Vice President, Treasurer and Chief Financial Officer of Office Max, Inc., an office products company. Prior to joining Office Max, he spent fourteen years with the accounting firm Arthur Andersen & Co.

Mr. Vilsack has been Secretary and General Counsel since joining us in 2002. From 1999 until his employment with us, Mr. Vilsack was engaged in the private practice of law. From 1997 to 1999, Mr. Vilsack was Vice President, General Counsel and Secretary of Medusa Corporation, a manufacturer of Portland cement, and prior to that he was Vice President, General Counsel and Secretary of Figgie International Inc., a manufacturing conglomerate.

Mr. Fogarty has been Director of Corporate Development since 1997 and served as Director of Finance from 1995 to 1997.

Table of Contents**Part II****Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

The Company's common stock, par value \$1.00 per share, trades on the Nasdaq Global Select Market under the symbol PKOH. The table below presents the high and low sales prices of the common stock during the periods presented. No dividends were paid during the five years ended December 31, 2009. There is no present intention to pay dividends. Additionally, the terms of the Company's revolving credit facility and the indenture governing the Company's 8.375% senior subordinated notes restrict the Company's ability to pay dividends.

Quarterly Common Stock Price Ranges

| Quarter | 2009 | | 2008 | |
|---------|---------|---------|----------|----------|
| | High | Low | High | Low |
| 1st | \$ 6.63 | \$ 1.65 | \$ 25.20 | \$ 13.70 |
| 2nd | 5.24 | 2.67 | 18.24 | 14.56 |
| 3rd | 9.32 | 2.69 | 22.16 | 11.77 |
| 4th | 8.69 | 4.01 | 18.49 | 3.76 |

The number of shareholders of record for the Company's common stock as of February 26, 2010 was 645.

Issuer Purchases of Equity Securities

Set forth below is information regarding the Company's stock repurchases during the fourth quarter of the fiscal year ended December 31, 2009.

| Period | Total | | Total Number of Shares | | Maximum Number of Shares That May Yet Be Purchased Under the Plans or Program |
|--------------------------------|----------------------------|------------------------------|--|--|---|
| | Number of Shares Purchased | Average Price Paid Per Share | Purchased as Part of Publicly Announced Plans(1) | | |
| October 1 - October 31, 2009 | 30,445(2) | \$ 8.26 | -0- | | 340,920 |
| November 1 - November 30, 2009 | -0- | -0- | -0- | | 340,920 |
| December 1 - December 31, 2009 | -0- | -0- | -0- | | 340,920 |
| TOTAL | 30,445 | \$ 8.26 | -0- | | 340,920 |

- (1) In 2006, the Company announced a share repurchase program whereby the Company may repurchase up to 1.0 million shares of its common stock. During the fourth quarter of 2009, no shares were purchased as part of this program.
- (2) Consist of shares of common stock the Company acquired from recipients of restricted stock awards at the time of vesting of such awards in order to settle recipient withholding tax liabilities.

Table of Contents**Item 6. Selected Financial Data**

(Dollars in thousands, except per share data)

| | Year Ended December 31, | | | | |
|--|--------------------------------|--------------|--------------|--------------|-------------|
| | 2009 | 2008 | 2007 | 2006 | 2005 |
| Selected Statement of Operations Data(a): | | | | | |
| Net sales | \$ 701,047 | \$ 1,068,757 | \$ 1,071,441 | \$ 1,056,246 | \$ 932,900 |
| Cost of products sold(b) | 597,200 | 919,297 | 912,337 | 908,095 | 796,283 |
| Gross profit | 103,847 | 149,460 | 159,104 | 148,151 | 136,617 |
| Selling, general and administrative expenses | 87,786 | 105,546 | 98,679 | 90,296 | 82,133 |
| Goodwill impairment charge | -0- | 95,763 | -0- | -0- | -0- |
| Gain on sale of assets held for sale | -0- | -0- | (2,299) | -0- | -0- |
| Restructuring and impairment charges (credits)(b) | 5,206 | 25,331 | -0- | (809) | 943 |
| Operating income (loss)(b) | 10,855 | (77,180) | 62,724 | 58,664 | 53,541 |
| Gain on purchase of 8.375% senior subordinated notes | (6,297) | (6,232) | -0- | -0- | -0- |
| Interest expense(c) | 23,189 | 27,869 | 31,551 | 31,267 | 27,056 |
| (Loss) income before income taxes | (6,037) | (98,817) | 31,173 | 27,397 | 26,485 |
| Income tax (benefit) expense(d) | (828) | 20,986 | 9,976 | 3,218 | (4,323) |
| Net (loss) income | \$ (5,209) | \$ (119,803) | \$ 21,197 | \$ 24,179 | \$ 30,808 |
| Amounts per common share: | | | | | |
| Basic | \$ (.47) | \$ (10.88) | \$ 1.91 | \$ 2.20 | \$ 2.82 |
| Diluted | \$ (.47) | \$ (10.88) | \$ 1.82 | \$ 2.11 | \$ 2.70 |

| | Year Ended December 31, | | | | |
|--|--------------------------------|-------------|-------------|-------------|-------------|
| | 2009 | 2008 | 2007 | 2006 | 2005 |
| Other Financial Data: | | | | | |
| Net cash flows provided by operating activities | \$ 43,865 | \$ 8,547 | \$ 31,466 | \$ 6,063 | \$ 34,501 |
| Net cash flows used by investing activities | (4,772) | (20,398) | (21,991) | (31,407) | (31,376) |
| Net cash flows (used) provided by financing activities | (33,820) | 15,164 | (16,600) | 28,285 | 8,414 |

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| | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|
| Depreciation and amortization | 18,918 | 20,933 | 20,611 | 20,140 | 17,346 |
| Capital expenditures, net | 5,575 | 17,466 | 21,876 | 20,756 | 20,295 |
| Selected Balance Sheet Data (as of period end): | | | | | |
| Cash and cash equivalents | \$ 23,098 | \$ 17,825 | \$ 14,512 | \$ 21,637 | \$ 18,696 |
| Working capital | 229,348 | 252,873 | 270,939 | 268,825 | 208,051 |
| Property, plant and equipment | 76,631 | 90,642 | 105,557 | 101,085 | 110,310 |
| Total assets | 502,268 | 619,220 | 769,189 | 783,751 | 662,854 |
| Total debt | 333,997 | 374,646 | 360,049 | 374,800 | 346,649 |
| Shareholders' equity | 22,810 | 12,755 | 171,478 | 138,737 | 103,521 |

Table of Contents

- (a) The selected consolidated financial data is not directly comparable on a year-to-year basis, primarily due to acquisitions and divestitures we made throughout the five years ended December 31, 2009, which include the following acquisitions:

2008 Ravenna Aluminum

2006 Foundry Service GmbH (Foundry Service) and NABS, Inc. (NABS)

2005 Purchased Parts Group, Inc. (PPG) and Lectrotherm, Inc. (Lectrotherm)

All of the acquisitions were accounted for as purchases.

- (b) In each of the years ended December 31, 2009, 2008, 2007, 2006 and 2005, we recorded restructuring and asset impairment charges related to exiting product lines and closing or consolidating operating facilities. The restructuring charges related to the write-down of inventory have no cash impact and are reflected by an increase in cost of products sold in the applicable period. The restructuring charges relating to asset impairment attributable to the closing or consolidating of operating facilities have no cash impact and are reflected in the restructuring and impairment charges. The charges for restructuring and severance and pension curtailment are accruals for cash expenses. We made cash payments of \$.5 million, \$.3 million, \$.3 million, and \$.3 million in the years ended December 31, 2009, 2007, 2006, and 2005, respectively, related to our severance and pension curtailment accrued liabilities. The table below provides a summary of these restructuring and impairment charges.

| | 2009 | Year Ended December 31, | | | 2005 |
|---|-----------------|--------------------------------|-----------------|---------------|-----------------|
| | | 2008 | 2007 | 2006 | |
| | | (Dollars in thousands) | | | |
| Non-cash charges: | | | | | |
| Cost of products sold (inventory write-down) | \$ 1,797 | \$ 5,544 | \$ 2,214 | \$ 800 | \$ 833 |
| Asset impairment | 5,206 | 24,767 | -0- | -0- | 391 |
| Restructuring and severance | -0- | 564 | -0- | -0- | 400 |
| Pension and postretirement benefits curtailment (credits) | -0- | -0- | -0- | (809) | 152 |
| Total | \$ 7,003 | \$ 30,875 | \$ 2,214 | \$ (9) | \$ 1,776 |
| Charges reflected as restructuring and impairment charges (credits) on income statement | \$ 5,206 | \$ 25,331 | \$ -0- | \$ (809) | \$ 943 |

- (c) In 2006 and 2005, the Company reversed \$5.0 million and \$7.3 million, respectively, of its domestic deferred tax asset valuation allowances as it has been determined the realization of these amounts is more likely than not. In 2008, the Company recorded a valuation allowance of \$33.5 million for its net deferred tax asset.

No dividends were paid during the five years ended December 31, 2009.

Table of Contents

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Our consolidated financial statements include the accounts of Park-Ohio Holdings Corp. and its subsidiaries. All significant intercompany transactions have been eliminated in consolidation. The historical financial information is not directly comparable on a year-to-year basis, primarily due to a goodwill impairment charge in 2008, recording of a tax valuation allowance in 2008, restructuring and unusual charges in 2009, 2008, 2007 and 2006, reversal of a tax valuation allowance in 2007 and acquisitions in 2008 and 2006.

Executive Overview

We are an industrial Total Supply Managementtm and diversified manufacturing business, operating in three segments: Supply Technologies, Aluminum Products and Manufactured Products. Our Supply Technologies business provides our customers with Total Supply Managementtm, a proactive solutions approach that manages the efficiencies of every aspect of supplying production parts and materials to our customers' manufacturing floor, from strategic planning to program implementation. Total Supply Managementtm includes such services as engineering and design support, part usage and cost analysis, supplier selection, quality assurance, bar coding, product packaging and tracking, just-in-time and point-of-use delivery, electronic billing services and ongoing technical support. The principal customers of Supply Technologies are in the heavy-duty truck, automotive and vehicle parts, electrical distribution and controls, consumer electronics, power sports/fitness equipment, HVAC, agricultural and construction equipment, semiconductor equipment, plumbing, aerospace and defense, and appliance industries. Aluminum Products casts and machines aluminum engine, transmission, brake, suspension and other components such as pump housings, clutch retainers/pistons, control arms, knuckles, master cylinders, pinion housings, brake calipers, oil pans and flywheel spacers for automotive, agricultural equipment, construction equipment, heavy-duty truck and marine equipment OEMs, primarily on a sole-source basis. Aluminum Products also provides value-added services such as design and engineering and assembly. Manufactured Products operates a diverse group of niche manufacturing businesses that design and manufacture a broad range of highly-engineered products including induction heating and melting systems, pipe threading systems, industrial oven systems, injection molded rubber components, and forged and machined products. Manufactured Products also produces and provides services and spare parts for the equipment it manufactures. The principal customers of Manufactured Products are OEMs, sub-assemblers and end users in the steel, coatings, forging, foundry, heavy-duty truck, construction equipment, bottling, automotive, oil and gas, rail and locomotive manufacturing and aerospace and defense industries. Sales, earnings and other relevant financial data for these three segments are provided in Note B to the consolidated financial statements.

On March 8, 2010, we amended our revolving credit facility to, among other things, extend its maturity to June, 2013 and reduce the loan commitment from \$270.0 million to \$210.0 million, including the borrowing under a term loan A for \$28.0 million, which is secured by real estate and machinery and equipment, and an unsecured term loan B for \$12.0 million. See Note G.

In October 2006, we acquired all of the capital stock of NABS for \$21.2 million in cash. NABS is a premier international supply chain manager of production components, providing services to high technology companies in the computer, electronics, and consumer products industries. NABS had 14 international operations in China, India, Taiwan, Singapore, Ireland, Hungary, Scotland and Mexico plus five locations in the United States.

In January 2006, we completed the acquisition of all of the capital stock of Foundry Service for approximately \$3.2 million in cash, which resulted in additional goodwill of \$2.3 million. The acquisition was funded with borrowings from foreign subsidiaries of the Company.

In December 2005, we acquired substantially all of the assets of Lectrotherm, which is primarily a provider of field service and spare parts for induction heating and melting systems, located in Canton,

Table of Contents

Ohio, for \$5.1 million cash funded with borrowings under our revolving credit facility. This acquisition augments our existing, high-margin aftermarket induction business.

In July 2005, we acquired substantially all the assets of PPG, a provider of supply chain management services for a broad range of production components for \$7.0 million cash funded with borrowings from our revolving credit facility, \$.5 million in a short-term note payable and the assumption of approximately \$13.3 million of trade liabilities. This acquisition added significantly to the customer and supplier bases, and expanded our geographic presence of our Supply Technologies segment.

The domestic and international automotive markets were significantly impacted in 2008, which adversely affected our business units serving those markets. During the third quarter of 2008, the Company recorded asset impairment charges associated with the recent volume declines and volatility in the automotive markets. The charges were composed of \$.6 million of inventory impairment included in Cost of Products Sold and \$17.5 million for impairment of property and equipment and other long-term assets. See Note O to the consolidated financial statements included in this annual report on Form 10-K.

During the fourth quarter of 2008, the Company recorded a non-cash goodwill impairment charge of \$95.8 million and restructuring and asset impairment charges of \$13.4 million associated with the decision to exit its relationship with its largest customer, Navistar, along with the general economic downturn. The charges were composed of \$5.0 million of inventory impairment included in Cost of Products Sold and \$8.4 million for impairment of property and equipment, loss on disposal of a foreign subsidiary and severance costs. Impairment charges were offset by a gain of \$.6 million recorded in the Aluminum Products segment relating to the sale of certain facilities that were previously written off.

During the fourth quarter of 2009, the Company recorded \$7.0 million of asset impairment charges associated with general weakness in the economy including the railroad industry. The charges were composed of \$1.8 million of inventory impairment included in Cost of Products Sold and \$5.2 million for impairment of property and equipment

In 2009, the Company recorded a gain of \$6.3 million on the purchase of \$15.2 million principal amount of Park-Ohio Industries, Inc. 8.375% senior subordinated notes due 2014 (the 8.375% Notes). In 2008, the Company recorded a gain of \$6.2 million on the purchase of \$11.0 million principal amount of the 8.375% Notes.

Approximately 20% of the Company's consolidated net sales are to the automotive markets. The recent deterioration in the global economy and global credit markets continues to negatively impact the automotive markets. General Motors, Ford and Chrysler have encountered severe financial difficulty, which ultimately resulted in the bankruptcy of Chrysler and General Motors and could result in bankruptcy for more automobile manufacturers and their suppliers such as the bankruptcy of Metaldyne, which in turn, would adversely affect the financial condition of the Company's automobile OEM customers. In 2009, the Company recorded a charge of \$4.2 million to fully reserve for the account receivable from Metaldyne. In 2010, the Company expects that its business, results of operations and financial condition will continue to be negatively impacted by the performance of the automotive markets.

Table of Contents**Results of Operations***2009 versus 2008****Net Sales by Segment:***

| | Year-Ended December 31, | | | Percent Change |
|------------------------|------------------------------------|-------------|---------------|---------------------------|
| | 2009 | 2008 | Change | |
| | (Dollars in millions) | | | |
| Supply Technologies | \$ 328.8 | \$ 521.3 | \$ (192.5) | (37)% |
| Aluminum Products | 111.4 | 156.3 | (44.9) | (29)% |
| Manufactured Products | 260.8 | 391.2 | (130.4) | (33)% |
| Consolidated Net Sales | \$ 701.0 | \$ 1,068.8 | \$ (367.8) | (34)% |

Consolidated net sales declined \$367.8 million to \$701.0 million compared to \$1,068.8 million in 2008 as the Company experienced volume declines in each segment resulting from the challenging global economic downturn. Supply Technologies sales decreased 37% primarily due to volume reductions in the heavy-duty truck industry, of which \$83.0 million resulted from the Company's decision to exit its relationship with its largest customer in the fourth quarter of 2008. The remaining sales reductions were due to the overall declining demand from customers in most end-markets partially offset by the addition of new customers. Aluminum Products sales decreased 29% as the general decline in auto industry sales volumes exceeded additional sales from new contracts starting production ramp-up. Manufactured Products sales decreased 33% primarily from the declining business environment in each of its business reporting units. Approximately 20% of the Company's consolidated net sales are to the automotive markets. Net sales to the automotive markets as a percentage of sales by segment were approximately 8%, 83% and 5% for the Supply Technologies, Aluminum Products and Manufactured Products Segments, respectively for the year ended December 31, 2009.

Cost of Products Sold & Gross Profit:

| | Year-Ended December 31, | | | Percent Change |
|------------------------------------|------------------------------------|-------------|---------------|---------------------------|
| | 2009 | 2008 | Change | |
| | (Dollars in millions) | | | |
| Consolidated cost of products sold | \$ 597.2 | \$ 919.3 | \$ (322.1) | (35)% |
| Consolidated gross profit | \$ 103.8 | \$ 149.5 | \$ (45.7) | (31)% |
| Gross margin | 14.8% | 14.0% | | |

Cost of products sold decreased \$322.1 million in 2009 to \$597.2 million compared to \$919.3 million in 2008, primarily due to reduction in sales volume, while gross margin increased to 14.8% in 2009 from 14.0% in the same period of 2008.

Supply Technologies gross margin remained unchanged from the prior year, as increased product profitability improvements were offset by volume declines. Aluminum Products gross margin increased primarily due to cost cutting measures, a plant closure and improved efficiencies at another plant location. Gross margin in the Manufactured Products segment remained essentially unchanged from the prior year.

Selling, General & Administrative (SG&A) Expenses:

| | Year-Ended December 31, | | | |
|----------------------------|------------------------------------|-------------|---------------|---------------------------|
| | 2009 | 2008 | Change | Percent Change |
| | (Dollars in millions) | | | |
| Consolidated SG&A expenses | \$ 87.8 | \$ 105.5 | \$ (17.7) | (17)% |
| SG&A percent | 12.5% | 9.9% | | |

Table of Contents

Consolidated SG&A expenses decreased \$17.7 million to \$87.8 million in 2009 compared to \$105.5 million in 2008 representing a 260 basis point increase in SG&A expenses as a percent of sales. SG&A expenses decreased on a dollar basis in 2009 compared to 2008 primarily due to employee workforce reductions, salary cuts, suspension of the Company's voluntary contribution to its 401(k) defined contribution plan, less business travel and a reduction in volume of business offset by a reduction in pension income. SG&A expenses benefited in 2009 from a reduction of \$3.6 million resulting from a second quarter change in our vacation benefit, which is now earned throughout the calendar year rather than earned in full at the beginning of the year, but was offset by a \$4.2 million charge to fully reserve for an account receivable from a customer in bankruptcy.

Interest Expense:

| | Year-Ended December 31, | | | Percent Change |
|--------------------------------|------------------------------------|-------------|---------------|---------------------------|
| | 2009 | 2008 | Change | |
| | (Dollars in millions) | | | |
| Interest expense | \$ 23.2 | \$ 27.9 | \$ (4.7) | (17)% |
| Average outstanding borrowings | \$ 363.9 | \$ 385.8 | \$ (21.9) | (6)% |
| Average borrowing rate | 6.38% | 7.23% | (85) | basis points |

Interest expense decreased \$4.7 million in 2009 compared to 2008, primarily due to a lower average borrowing rate during 2009, lower average borrowings and the effect of the purchase of the 8.375% Notes. The decrease in average borrowings in 2009 resulted primarily from the reduction in working capital requirements. The lower average borrowing rate in 2009 was due primarily to decreased interest rates under our revolving credit facility compared to 2008.

Impairment Charges:

During 2009, the Company recorded asset impairment charges totaling \$5.2 million associated with general weakness in the economy, including the railroad industry.

During 2008, the Company recorded goodwill impairment charges of \$95.8 million. The Company also recorded asset impairment charges of \$25.3 million associated with the volume declines and volatility in the automotive markets, loss from the disposal of a foreign subsidiary and restructuring expenses associated with the Company's exit from its relationship with its largest customer, Navistar, along with realignment of its distribution network.

Gain on Purchase of 8.375% Senior Subordinated Notes:

In 2009, the Company recorded a gain of \$6.3 million on the purchase of \$15.2 million aggregate principal amount of the 8.375% Notes due in 2014.

In 2008, the Company purchased \$11.0 million aggregate principal amount of the 8.375% Notes for \$4.7 million. After writing off \$.1 million of deferred financing costs, the Company recorded a net gain of \$6.2 million. The 8.375% Notes were not contributed to Park-Ohio Industries, Inc. in 2008 but were held by Holdings. During the fourth quarter of 2009, these notes were sold to a wholly-owned foreign subsidiary of Park-Ohio Industries, Inc.

Income Taxes:

| | Year-Ended December 31, | |
|------------------------------|------------------------------------|-------------|
| | 2009 | 2008 |
| | (Dollars in millions) | |
| Income before income taxes | \$ (6.0) | \$ (98.8) |
| Income tax (benefit) expense | \$ (.8) | \$ 21.0 |
| Effective income tax rate | 13% | (21)% |

Table of Contents

In the fourth quarter of 2009, the Company released \$1.8 million of the valuation allowance attributable to continuing operations. In the fourth quarter of 2008, the Company recorded a \$33.6 million valuation allowance against its net U.S. and certain foreign deferred tax assets. As of December 31, 2009 and 2008, the Company determined that it was not more likely than not that its net U.S. and certain foreign deferred tax assets would be realized.

The provision for income taxes was \$(.8) million in 2009 compared to \$21.0 million in 2008. The effective income tax rate was 13% in 2009, compared to (21)% in 2008.

The Company's net operating loss carryforward precluded the payment of most federal income taxes in both 2009 and 2008, and should similarly preclude such payments in 2010. At December 31, 2009, the Company had net operating loss carryforwards for federal income tax purposes of approximately \$38.5 million, which will expire between 2022 and 2029.

2008 versus 2007

Net Sales by Segment:

| | Year-Ended December 31, | | | Percent |
|------------------------|------------------------------------|-------------|---------------|----------------|
| | 2008 | 2007 | Change | Change |
| | (Dollars in millions) | | | |
| Supply Technologies | \$ 521.3 | \$ 531.4 | \$ (10.1) | (2)% |
| Aluminum Products | 156.3 | 169.1 | (12.8) | (8)% |
| Manufactured Products | 391.2 | 370.9 | 20.3 | 5% |
| Consolidated Net Sales | \$ 1,068.8 | \$ 1,071.4 | \$ (2.6) | 0% |

Consolidated net sales were essentially flat in 2008 compared to 2007 as growth in Manufactured Products segment nearly offset declines in Aluminum Products sales resulting from reduced automotive sales and Supply Technologies sales resulting from reduced sales to the semiconductor, lawn and garden, auto, plumbing and heavy-duty truck markets. Supply Technologies sales decreased 2% primarily due to volume reductions in the heavy-duty truck industry, partially offset by the addition of new customers and increases in product range to existing customers. Aluminum Products sales decreased 8% as the general decline in auto industry sales volumes exceeded additional sales from new contracts starting production ramp-up. Manufactured Products sales increased 5% primarily in the induction, pipe threading equipment and forging businesses, due largely to worldwide strength in the steel, oil & gas, aerospace and rail industries. Approximately 20% of the Company's consolidated net sales are to the automotive markets. Net sales to the automotive markets as a percentage of sales by segment were approximately 13%, 79% and 5% for the Supply Technologies, Aluminum Products and Manufactured Products Segments, respectively.

Cost of Products Sold & Gross Profit:

| | Year-Ended December 31, | | | Percent |
|--|------------------------------------|-------------|---------------|----------------|
| | 2008 | 2007 | Change | Change |
| | (Dollars in millions) | | | |

| | | | | |
|------------------------------------|----------|----------|----------|------|
| Consolidated cost of products sold | \$ 919.3 | \$ 912.3 | \$ 7.0 | 1% |
| Consolidated gross profit | \$ 149.5 | \$ 159.1 | \$ (9.6) | (6)% |
| Gross margin | 14.0% | 14.8% | | |

Cost of products sold increased \$7.0 million in 2008 compared to the same period in 2007, while gross margin decreased to 14.0% in 2008 from 14.8% in the same period of 2007.

Supply Technologies gross margin decreased slightly, as the effect of reduced heavy-duty truck sales volume and restructuring charges outweighed the margin benefit from new sales. Aluminum Products gross margin decreased primarily due to both the costs associated with starting up new contracts and

Table of Contents

reduced volume. Gross margin in the Manufactured Products segment increased in 2008 compared to 2007 primarily due to increased volume in the induction, pipe threading equipment and forging businesses.

Selling, General & Administrative Expenses:

| | Year-Ended December 31, 2008 2007 | | | Change | Percent Change |
|----------------------------|---|---------|--------|---------------|---------------------------|
| | (Dollars in millions) | | | | |
| Consolidated SG&A expenses | \$ 105.5 | \$ 98.7 | \$ 6.8 | 7% | |
| SG&A percent | 9.9% | 9.2% | | | |

Consolidated SG&A expenses increased \$6.8 million in 2008 compared to 2007 representing a .7% increase in SG&A expenses as a percent of sales. SG&A expenses increased primarily due to higher professional fees in the Supply Technologies and Manufactured Products segments, expenses related to a new office building and other one-time charges at the corporate office consisting of losses on the sales of securities, severance costs and legal and professional fees, partially offset by a \$.6 million increase in net pension credits and a reversal of year end bonus accruals.

Interest Expense:

| | Year-Ended December 31, 2008 2007 | | | Change | Percent Change |
|--------------------------------|---|----------|----------|---------------|---------------------------|
| | (Dollars in millions) | | | | |
| Interest expense | \$ 27.9 | \$ 31.6 | \$ (3.7) | (12)% | |
| Average outstanding borrowings | \$ 385.8 | \$ 383.6 | \$ 2.2 | 1% | |
| Average borrowing rate | 7.23% | 8.23% | 100 | basis points | |

Interest expense decreased \$3.7 million in 2008 compared to 2007, primarily due to a lower average borrowing rate during 2008 offset by slightly higher average borrowings. The increase in average borrowings in 2008 resulted primarily from decreased cash flow and increased working capital. The lower average borrowing rate in 2008 was due primarily to decreased interest rates under our revolving credit facility compared to 2007.

Impairment Charges:

During 2008, the Company recorded goodwill impairment charges of \$95.8 million. The Company also recorded asset impairment charges of \$25.3 million associated with the volume declines and volatility in the automotive markets, loss from the disposal of a foreign subsidiary and restructuring expenses associated with the Company's exit from its relationship with its largest customer, Navistar, Inc., along with realignment of its distribution network.

Gain on Purchase of 8.375% Senior Subordinated Notes:

In 2008, Holdings purchased \$11.0 million aggregate principal amount of the 8.375% Notes for \$4.7 million. After writing off \$.1 million of deferred financing costs, the Company recorded a net gain of \$6.2 million. The

8.375% Notes were not contributed to Park-Ohio Industries, Inc. but were held by Holdings.

Table of Contents***Income Taxes:***

| | Year-Ended December 31, 2008 2007 (Dollars in millions) | |
|-----------------------------------|---|---------|
| (Loss) income before income taxes | \$ (98.8) | \$ 31.2 |
| Income taxes | \$ 21.0 | \$ 10.0 |
| Effective income tax rate | (21)% | 32% |

In the fourth quarter of 2008, the Company recorded a \$33.6 million valuation allowance against its net U.S. and certain foreign deferred tax assets. As of December 31, 2008, the Company determined that it was not more likely than not that its net U.S. and certain foreign deferred tax assets would be realized.

The provision for income taxes was \$21.0 million in 2008 compared to \$10.0 million in 2007. The effective income tax rate was (21)% in 2008, compared to 32% in 2007.

The Company's net operating loss carryforward precluded the payment of most federal income taxes in both 2008 and 2007, and should similarly preclude such payments in 2009. At December 31, 2008, the Company had net operating loss carryforwards for federal income tax purposes of approximately \$42.1 million, which will expire between 2022 and 2028.

Liquidity and Sources of Capital

Our liquidity needs are primarily for working capital and capital expenditures. Our primary sources of liquidity have been funds provided by operations and funds available from existing bank credit arrangements and the sale of our senior subordinated notes. In 2003, we entered into a revolving credit facility with a group of banks which, as subsequently amended, matures at June 30, 2013 and provides for availability of up to \$170 million subject to an asset-based formula. We have the option to increase the availability under the revolving loan portion of the credit facility by \$25 million. The revolving credit facility is secured by substantially all our assets in the United States and Canada. Borrowings from this revolving credit facility will be used for general corporate purposes.

As of December 31, 2009, the Company had \$141.2 million outstanding under the revolving credit facility, and approximately \$34.2 million of unused borrowing availability.

On March 8, 2010, the revolving credit facility was amended and restated to, among other things, extend its maturity date to June 30, 2013, reduce the loan commitment from \$270.0 million to \$210.0 million which includes a term loan A for \$28.0 million that is secured by real estate and machinery and equipment and an unsecured term loan B for \$12.0 million. Amounts borrowed under the revolving credit facility may be borrowed at either (i) LIBOR plus 3% to 4% or (ii) the bank's prime lending rate plus 1%, at the Company's election. The LIBOR-based interest rate is dependent on the Company's debt service coverage ratio, as defined in the revolving credit facility. Under the revolving credit facility, a detailed borrowing base formula provides borrowing availability to the Company based on percentages of eligible accounts receivable and inventory. Interest on the term loan A is at either (i) LIBOR plus 4% to 5% or (ii) the bank's prime lending rate plus 2%, at the Company's election. Interest on the term loan B is at either (i) LIBOR plus 6% to 7% or (ii) the bank's prime lending rate plus 4.5%, at the Company's election. The term loan A is

amortized based on a ten-year schedule with the balance due at maturity. The term loan B is amortized over a two-year period plus 50% of debt service coverage excess capped at \$3.5 million.

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 for at least the next twelve months. The future availability of bank borrowings under the revolving loan portion of the credit facility is based on the Company's ability to meet a debt service ratio covenant, which could be materially impacted by negative economic trends. Failure to meet the debt service ratio could materially impact the availability and interest rate of future borrowings.

Table of Contents

In 2009, the Company purchased \$15.2 million aggregate principal amount of the 8.375% Notes for \$8.9 million. After writing off \$.1 million of deferred financing costs, the Company recorded a net gain of \$6.3 million.

The Company may from time to time seek to retire or purchase its outstanding debt through cash purchases and/or exchanges for equity securities, in open market purchases, privately negotiated transactions or otherwise. It may also repurchase shares of its outstanding common stock. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

Disruptions, uncertainty or volatility in the credit markets may adversely impact the availability of credit already arranged and the availability and cost of credit in the future. These market conditions may limit the Company's ability to replace, in a timely manner, maturing liabilities and access the capital necessary to grow and maintain its business. Accordingly, the Company may be forced to delay raising capital or pay unattractive interest rates, which could increase its interest expense, decrease its profitability and significantly reduce its financial flexibility.

At December 31, 2009, the Company was in compliance with the debt service ratio covenant and other covenants contained in the revolving credit facility. While we expect to remain in compliance throughout 2010, further declines in demand in the automotive industry and in sales volumes in 2010 could adversely impact our ability to remain in compliance with certain of these financial covenants. Additionally, to the extent our customers are adversely affected by the declines in demand in the automotive industry or the economy in general, they may not be able to pay their accounts payable to us on a timely basis or at all, which would make those accounts receivable ineligible for purposes of the revolving credit facility and could reduce our borrowing base.

The ratio of current assets to current liabilities was 2.90 at December 31, 2009 versus 2.22 at December 31, 2008. Working capital decreased by \$23.6 million to \$229.3 million at December 31, 2009 from \$252.9 million at December 31, 2008. Accounts receivable decreased \$61.1 million to \$104.6 million in 2009 from \$165.8 million in 2008. Inventory decreased by \$46.7 million in 2009 to \$182.1 million from \$228.8 million in 2008 while accrued expenses decreased by \$35.3 million to \$39.1 million in 2009 from \$74.4 in 2008 and accounts payable decreased \$46.9 million to \$75.1 million in 2009 from \$122.0 million in 2008.

During 2009, the Company provided \$43.9 million from operating activities as compared to providing \$8.5 million in 2008. The increase in cash provision of \$35.4 million was primarily the result of a decrease in net operating assets in 2009 compared to an increase in 2008 (\$30.7 million compared to \$(9.6) million, respectively) and a decrease in net loss of \$114.6 million. The decrease in net loss was partially offset by approximately \$5.2 million of noncash restructuring and impairment charges in 2009. During 2009, the Company also invested \$5.6 million in capital expenditures, reduced its bank and other debt by \$34.4 million, and purchased \$.2 million of its common stock.

During 2008, the Company provided \$8.5 million from operating activities as compared to \$31.5 million from operating activities in 2007. The decrease in cash provision of \$23.0 million was primarily the result of a decrease in net operating assets in 2008 compared to 2007 (\$(9.6) million compared to \$(19.0) million), a net income in 2007 of \$21.2 million compared to a net loss of \$119.8 million in 2008 offset by non-cash restructuring and impairment charges of \$121.1 million in 2008 compared to \$2.2 million in 2007. During 2008, the Company also invested \$17.5 million in capital expenditures, \$5.3 million for business acquisitions, received proceeds from bank arrangements of \$25.6 million and \$3.0 million from the sales of marketable securities and used \$4.7 million to purchase \$11.0 million aggregate principal amount of the 8.375% Notes and purchased \$5.9 million of its common stock.

Off-Balance Sheet Arrangements

We do not have off-balance sheet arrangements, financing or other relationships with unconsolidated entities or other persons. There are occasions whereupon we enter into forward contracts on foreign

Table of Contents

currencies, primarily the euro, purely for the purpose of hedging exposure to changes in the value of accounts receivable in those currencies against the U.S. dollar. At December 31, 2009, none were outstanding. We currently have no other derivative instruments.

The following table summarizes our principal contractual obligations and other commercial commitments over various future periods as of December 31, 2009:

| (In thousands) | Total | Payments Due or Commitment Expiration Per Period | | | |
|---|------------|--|-----------|------------|-------------------|
| | | Less Than 1 Year | 1-3 Years | 4-5 Years | More than 5 Years |
| Long-term debt obligations(1) | \$ 333,792 | \$ 10,689 | \$ 13,936 | \$ 306,358 | \$ 2,809 |
| Capital lease obligations | 205 | 205 | -0- | -0- | -0- |
| Interest obligations(2) | 75,056 | 15,396 | 30,792 | 28,868 | -0- |
| Operating lease obligations | 36,815 | 12,477 | 14,955 | 5,785 | 3,598 |
| Purchase obligations | 90,218 | 84,238 | 5,980 | -0- | -0- |
| Postretirement obligations(3) | 19,059 | 2,434 | 4,543 | 4,086 | 7,996 |
| Standby letters of credit and bank guarantees | 19,461 | 13,114 | 5,530 | -0- | 817 |
| Total | \$ 574,606 | \$ 138,553 | \$ 75,736 | \$ 345,097 | \$ 15,220 |

(1) Maturities on long-term debt obligations consider the March 8, 2010 amendment to the credit agreement.

(2) Interest obligations are included on the 8.375% Notes only and assume the notes are paid at maturity. The calculation of interest on debt outstanding under our revolving credit facility and other variable rate debt (\$2.0 million based on 1.43% average interest rate and outstanding borrowings of \$141.2 million at December 31, 2009) is not included above due to the subjectivity and estimation required.

(3) Postretirement obligations include projected postretirement benefit payments to participants only through 2019.

The table above excludes the liability for unrecognized income tax benefits disclosed in Note H to the consolidated financial statements, since the Company cannot predict with reasonable reliability, the timing of potential cash settlements with the respective taxing authorities.

We expect that funds provided by operations plus available borrowings under our revolving credit facility to be adequate to meet our cash requirements for at least the next twelve months.

Critical Accounting Policies

Preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make certain estimates and assumptions which affect amounts reported in our consolidated financial statements. Management has made their best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. We do not believe that there is great likelihood that materially

different amounts would be reported under different conditions or using different assumptions related to the accounting policies described below. However, application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates.

Revenue Recognition: The Company recognizes revenue, other than from long-term contracts, when title is transferred to the customer, typically upon shipment. Revenue from long-term contracts (approximately 10% of consolidated revenue) is accounted for under the percentage of completion method, and recognized on the basis of the percentage each contract's cost to date bears to the total estimated contract cost. Revenue earned on contracts in process in excess of billings is classified in other current assets in the accompanying consolidated balance sheet. The Company's revenue recognition

Table of Contents

policies are in accordance with the SEC's Staff Accounting Bulletin (SAB) No. 104, Revenue Recognition.

Allowance for Doubtful Accounts: Accounts receivable have been reduced by an allowance for amounts that may become uncollectible in the future. Allowances are developed by the individual operating units based on historical losses, adjusting for economic conditions. Our policy is to identify and reserve for specific collectibility concerns based on customers' financial condition and payment history. The establishment of reserves requires the use of judgment and assumptions regarding the potential for losses on receivable balances.

Allowance for Obsolete and Slow Moving Inventory: Inventories are stated at the lower of cost or market value and have been reduced by an allowance for obsolete and slow-moving inventories. The estimated allowance is based on management's review of inventories on hand with minimal sales activity, which is compared to estimated future usage and sales. Inventories identified by management as slow-moving or obsolete are reserved for based on estimated selling prices less disposal costs. Though we consider these allowances adequate and proper, changes in economic conditions in specific markets in which we operate could have a material effect on reserve allowances required.

Impairment of Long-Lived Assets: In accordance with Accounting Standards Codification (ASC) 360, Property, Plant and Equipment, management performs impairment tests of long-lived assets, including property and equipment, whenever an event occurs or circumstances change that indicate that the carrying value may not be recoverable or the useful life of the asset has changed. We reviewed our long-lived assets for indicators of impairment such as a decision to idle certain facilities and consolidate certain operations, a current-period operating or cash flow loss or a forecast that demonstrates continuing losses associated with the use of a long-lived asset and the expectation that, more likely than not, a long-lived asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life especially in light of the recent volume declines and volatility in the automotive markets along with the general economic downturn and our goodwill impairment. When we identified impairment indicators, we determined whether the carrying amount of our long-lived assets was recoverable by comparing the carrying value to the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the assets. We considered whether impairments existed at the lowest level of independent identifiable cash flows within a reporting unit (for example, plant location, program level or asset level). If the carrying value of the assets exceeded the expected cash flows, the Company estimated the fair value of these assets by using appraisals or recent selling experience in selling similar assets or for certain assets with reasonably predictable cash flows by performing discounted cash flow analysis using the same discount rate used as the weighted average cost of capital in the respective goodwill impairment analysis to estimate fair value when market information wasn't available to determine whether an impairment existed. Certain assets were abandoned and written down to scrap or appraised value. During 2008, the Company recorded asset impairment charges of approximately \$23.0 million, of which approximately \$13.8 million was determined based on appraisals or scrap value and approximately \$9.2 million was based on discounted cash flow analysis. The impact of a one percentage point change in the discount rate used in performing the discounted cash flow analysis would have been less than \$1.0 million with respect to the asset impairment charges. In 2009, the Company recorded \$7.0 million of asset impairment charges of which \$5.2 million was based on appraisals and \$1.8 million was based on other valuation methods. See Note O to the consolidated financial statements.

Restructuring: We recognize costs in accordance with ASC 420, Exit or Disposal Cost Obligations. Detailed contemporaneous documentation is maintained and updated on a quarterly basis to ensure that accruals are properly supported. If management determines that there is a change in the estimate, the accruals are adjusted to reflect the changes.

Goodwill: As required by ASC 350, Intangibles—Goodwill and Other, (ASC 350) management performs impairment testing of goodwill at least annually as of October 1 of each year or more frequently if impairment indicators arise.

Table of Contents

In accordance with ASC 350, management tests goodwill for impairment at the reporting unit level. A reporting unit is a reportable operating segment pursuant to ASC 280 Segment Reporting, or one level below the reportable operating segment (component level) as determined by the availability of discrete financial information that is regularly reviewed by operating segment management or an aggregate of component levels of a reportable operating segment having similar economic characteristics. Prior to our 2008 impairment analysis, we had four reporting units with recorded goodwill including Supply Technologies (included in the Supply Technologies Segment) with \$64.6 million of goodwill, Engineered Specialty Products (included in the Supply Technology Segment) with \$14.7 million of goodwill, Aluminum Products with \$16.5 million of goodwill and Capital Equipment (included in the Manufactured Products segment) with \$4.1 million of goodwill. At the time of goodwill impairment testing, management determined fair value of the reporting units through the use of a discounted cash flow valuation model incorporating discount rates commensurate with the risks involved for each reporting unit. If the calculated fair value is less than the carrying value, impairment of the reporting unit may exist. The use of a discounted cash flow valuation model to determine estimated fair value is common practice in impairment testing in the absence of available domestic and international transactional market evidence to determine the fair value. The key assumptions used in the discounted cash flow valuation model for impairment testing include discount rates, growth rates, cash flow projections and terminal value rates. Discount rates are set by using the weighted average cost of capital (WACC) methodology. The WACC methodology considers market and industry data as well as company-specific risk factors for each reporting unit in determining the appropriate discount rates to be used. The discount rate utilized for each reporting unit, which ranged from 12% to 18%, is indicative of the return an investor would expect to receive for investing in such a business. Operational management, considering industry and company-specific historical and projected data, develops growth rates and cash flow projections for each reporting unit. Terminal value rate determination follows common methodology of capturing the present value of perpetual cash flow estimates beyond the last projected period assuming a constant WACC and low long-term growth rates. The projections developed for the 2008 impairment test reflected managements view considering the significant market downturn during the fourth quarter of 2008. As an indicator that each reporting unit has been valued appropriately through the use of the discounted cash flow model, the aggregate fair value of all reporting units is reconciled to the market capitalization of the Company, which had a significant decline in the fourth quarter of 2008. We have completed the annual impairment test as of October 1, 2007, 2006 and 2005 and have determined that no goodwill impairment existed as of those dates. We completed the annual impairment tests as of October 1, 2008 and updated these tests, as necessary, as of December 31, 2008. We concluded that all of the goodwill in three of the reporting units for a total of \$95.8 million was impaired and written off in the fourth quarter of 2008. At December 31, 2008 the Company had remaining goodwill of \$4.1 million in the Capital Equipment reporting unit. We completed the annual impairment tests as of October 1, 2009 and concluded that no goodwill impairment existed for the remaining goodwill in the Capital Equipment reporting unit.

Income Taxes: In accordance with ASC 740, Income Taxes, (ASC 740) the Company accounts for income taxes under the asset and liability method, whereby deferred tax assets and liabilities are determined based on temporary differences between the financial reporting and the tax bases of assets and liabilities and are measured using the currently enacted tax rates. Specifically, we measure gross deferred tax assets for deductible temporary differences and carryforwards, such as operating losses and tax credits, using the applicable enacted tax rates and apply the more likely than not measurement criterion.

ASC 740 provides that future realization of the tax benefit of an existing deductible temporary difference or carryforward ultimately depends on the existence of sufficient taxable income of the appropriate character within the carryback, carryforward period available under the tax law. The Company analyzed the four possible sources of taxable income as set forth in ASC 740 and concluded that the only relevant sources of taxable income is the reversal of its existing taxable temporary differences. The Company reviewed the projected timing of the reversal of its taxable temporary differences and determined that such reversals will offset the Company s deferred tax assets prior to their expiration.

Table of Contents

Accordingly, a valuation reserve was established against the Company's domestic deferred tax assets net of its deferred tax liabilities (taxable temporary differences).

Pension and Other Postretirement Benefit Plans: We and our subsidiaries have pension plans, principally noncontributory defined benefit or noncontributory defined contribution plans and postretirement benefit plans covering substantially all employees. The measurement of liabilities related to these plans is based on management's assumptions related to future events, including interest rates, return on pension plan assets, rate of compensation increases, and health care cost trends. Pension plan asset performance in the future will directly impact our net income. We have evaluated our pension and other postretirement benefit assumptions, considering current trends in interest rates and market conditions and believe our assumptions are appropriate.

Stock-Based Compensation:

ASC 718 Compensation-Stock Compensation requires that the cost resulting from all share-based payment transactions be recognized in the financial statements and establishes a fair-value measurement objective in determining the value of such a cost and was effective as of January 1, 2006. The adoption of fair-value recognition provisions for stock options increased the Company's 2009, 2008 and 2007 compensation expense by \$.4 million, \$.4 million and \$.3 million (before-tax), respectively.

Recent Accounting Pronouncements

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 168, The FASB Accounting Standards Codification and Hierarchy of Generally Accepted Accounting Principles. The statement makes the ASC the single source of authoritative U.S. accounting and reporting standards, but it does not change U.S. GAAP. The Company adopted the statement as of September 30, 2009. Accordingly, the financial statements for the interim period ending September 30, 2009, and the financial statements for future interim and annual periods will reflect the ASC references. The statement has no impact on the Company's results of operations, financial condition or liquidity.

In December 2007, the FASB issued new guidance that modifies the accounting for business combinations by requiring that acquired assets and assumed liabilities be recorded at fair value, contingent consideration arrangements be recorded at fair value on the date of the acquisition and pre-acquisition contingencies will generally be accounted for in purchase accounting at fair value. The new guidance was adopted prospectively by the Company, effective January 1, 2009.

In December 2008, the FASB issued new guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan. The guidance addresses disclosures related to the categories of plan assets and fair value measurements of plan assets. The new guidance was adopted by the Company effective January 1, 2009 and had no effect on its consolidated financial position or results of operations.

Effective January 1, 2008, the Company measures financial assets and liabilities at fair value in three levels of inputs. The three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies, is:

Level 1 Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 Valuations based on unobservable inputs reflecting our own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

Table of Contents

In April 2009, the FASB issued new guidance that if an entity determines that the level of activity for an asset or liability has significantly decreased and that a transaction is not orderly, further analysis of transactions or quoted prices is needed, and a significant adjustment to the transaction or quoted prices may be necessary to estimate fair value. This new guidance is to be applied prospectively and is effective for interim and annual periods ending after June 15, 2009 with early adoption permitted for periods ending after March 15, 2009. The Company adopted this guidance for its quarter ended June 30, 2009. There was no impact on the consolidated financial statements. In April 2009, the FASB issued guidance which requires that publicly traded companies include the fair value disclosures in their interim financial statements. This guidance is effective for interim reporting periods ending after June 15, 2009. The Company adopted this guidance at June 30, 2009. At December 31, 2009 the approximate fair value of Park-Ohio Industries, Inc 8.375% senior subordinated notes due 2014 was \$144.3 million based on Level 1 inputs. The company had other investments having Level 2 inputs totaling \$6.8 million.

In May 2009, the FASB issued guidance which addresses the types and timing of events that should be reported in the financial statements for events occurring between the balance sheet date and the date the financial statements are issued or available to be issued. This guidance was effective for the Company on June 30, 2009. The adoption of this guidance did not impact the Company's consolidated financial position or results of operations. Refer to Note P to the consolidated financial statements for information on subsequent events.

Environmental

We have been identified as a potentially responsible party at third-party sites under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, or comparable state laws, which provide for strict and, under certain circumstances, joint and several liability. We are participating in the cost of certain clean-up efforts at several of these sites. However, our share of such costs has not been material and based on available information, our management does not expect our exposure at any of these locations to have a material adverse effect on our results of operations, liquidity or financial condition.

We have been named as one of many defendants in a number of asbestos-related personal injury lawsuits. Our cost of defending such lawsuits has not been material to date and, based upon available information, our management does not expect our future costs for asbestos-related lawsuits to have a material adverse effect on our results of operations, liquidity or financial condition. We caution, however, that inherent in management's estimates of our exposure are expected trends in claims severity, frequency and other factors that may materially vary as claims are filed and settled or otherwise resolved.

Seasonality; Variability of Operating Results

Our results of operations are typically stronger in the first six months 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 due 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. Such 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 annual report on Form 10-K 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. The words believes , anticipates , plans , expects , intends , estimates and similar expressions are intended to identify forward-looking statements. These forward-looking statements involve known and unknown

Table of Contents

risks, uncertainties and other factors that may cause our actual results, performance and achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. These factors include, but are not limited to the following: our substantial indebtedness; continuation of the current negative global economic environment; general business conditions and competitive factors, including pricing pressures and product innovation; demand for our products and services; raw material availability and pricing; component part availability and pricing; changes in our relationships with customers and suppliers; the financial condition of our customers, including the impact of any bankruptcies; our ability to successfully integrate recent and future acquisitions into existing operations; changes in general domestic economic conditions such as inflation rates, interest rates, tax rates, unemployment rates, higher labor and healthcare costs, recessions and changing government policies, laws and regulations, including the uncertainties related to the recent global financial crisis; adverse impacts to us, our suppliers and customers from acts of terrorism or hostilities; our ability to meet various covenants, including financial covenants, contained in the agreements governing our indebtedness; disruptions, uncertainties or volatility in the credit markets that may limit our access to capital; 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; our dependence on the automotive and heavy-duty truck industries, which are highly cyclical; the dependence of the automotive industry on consumer spending, which could be lower due to the effects of the current financial crisis; our ability to negotiate contracts with labor unions; our dependence on key management; our dependence on information systems; and the risk factors we describe under

Item 1A. Risk Factors . 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, except as required by law. 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.

Item 7A. Quantitative and Qualitative Disclosures 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 \$141.2 million at December 31, 2009. A 100 basis point increase in the interest rate would have resulted in an increase in interest expense of approximately \$1.4 million for the year ended December 31, 2009.

Our foreign subsidiaries generally conduct business in local currencies. During 2009, we recorded an unfavorable foreign currency translation adjustment of \$3.0 million related to net assets located outside the United States. This foreign currency translation adjustment resulted primarily from weakening of the U.S. dollar. Our foreign operations are also subject to other customary risks of operating in a global environment, such as unstable political situations, the effect of local laws and taxes, tariff increases and regulations and requirements for export licenses, the potential imposition of trade or foreign exchange restrictions and transportation delays.

Our largest exposures to commodity prices relate to steel and natural gas prices, which have fluctuated widely in recent years. We do not have any commodity swap agreements, forward purchase or hedge contracts for steel but have entered into forward purchase contracts for a portion of our anticipated natural gas usage through April 2010.

Item 8. Financial Statements and Supplementary Data**Index to Consolidated Financial Statements and Supplementary Financial Data**

| | Page |
|--|-------------|
| <u>Report of Independent Registered Public Accounting Firm</u> | 35 |
| <u>Report of Independent Registered Public Accounting Firm</u> | 36 |
| <u>Consolidated Balance Sheets December 31, 2009 and 2008</u> | 37 |
| <u>Consolidated Statements of Operations Years Ended December 31, 2009, 2008 and 2007</u> | 38 |
| <u>Consolidated Statements of Shareholders Equity Years Ended December 31, 2009, 2008 and 2007</u> | 39 |
| <u>Consolidated Statements of Cash Flows Years Ended December 31, 2009, 2008 and 2007</u> | 40 |
| <u>Notes to Consolidated Financial Statements</u> | 41 |
| <u>Supplementary Financial Data</u> | 62 |
| <u>Selected Quarterly Financial Data (Unaudited) Years Ended December 31, 2009 and 2008</u> | 62 |
| <u>Schedule II Valuation and Qualifying accounts</u> | 64 |

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Park-Ohio Holdings Corp.

We have audited the accompanying consolidated balance sheets of Park-Ohio Holdings Corp. and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2009. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Park-Ohio Holdings Corp. and subsidiaries at December 31, 2009 and 2008 and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2009 in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Park-Ohio Holdings Corp. and subsidiaries internal control over financial reporting as of December 31, 2009, based on criteria established in the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 15, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Cleveland, Ohio
March 15, 2010

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Park-Ohio Holdings Corp.

We have audited Park-Ohio Holding Corp. s and subsidiaries internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Park-Ohio Holdings Corp. s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Park-Ohio Holdings Corp. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Park-Ohio Holdings Corp. and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of operations, shareholders equity, and cash flows for each of the three years in the period ended December 31, 2009 of Park-Ohio Holdings Corp. and subsidiaries and our report dated March 15, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Cleveland, Ohio
March 15, 2010

Table of Contents**Park-Ohio Holdings Corp. and Subsidiaries****Consolidated Balance Sheets**

| | December 31, | |
|---|-------------------------------|-------------|
| | 2009 | 2008 |
| | (Dollars in thousands) | |
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 23,098 | \$ 17,825 |
| Accounts receivable, less allowances for doubtful accounts of \$8,388 in 2009 and \$3,044 in 2008 | 104,643 | 165,779 |
| Inventories | 182,116 | 228,817 |
| Deferred tax assets | 8,104 | 9,446 |
| Unbilled contract revenue | 19,411 | 25,602 |
| Other current assets | 12,700 | 12,818 |
| Total Current Assets | 350,072 | 460,287 |
| Property, plant and equipment: | | |
| Land and land improvements | 3,948 | 3,723 |
| Buildings | 46,181 | 42,464 |
| Machinery and equipment | 195,111 | 202,287 |
| | 245,240 | 248,474 |
| Less accumulated depreciation | 168,609 | 157,832 |
| | 76,631 | 90,642 |
| Other Assets: | | |
| Goodwill | 4,155 | 4,109 |
| Other | 71,410 | 64,182 |
| | \$ 502,268 | \$ 619,220 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | |
| Current Liabilities | | |
| Trade accounts payable | \$ 75,083 | \$ 121,995 |
| Accrued expenses | 39,150 | 74,351 |
| Current portion of long-term debt | 10,894 | 8,778 |
| Current portion of other postretirement benefits | 2,197 | 2,290 |
| Total Current Liabilities | 127,324 | 207,414 |
| Long-Term Liabilities, less current portion | | |
| 8.375% senior subordinated notes due 2014 | 183,835 | 198,985 |
| Revolving credit | 134,600 | 164,600 |
| Other long-term debt | 4,668 | 2,283 |
| Deferred tax liability | 7,200 | 9,090 |

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| | | |
|---|------------|------------|
| Other postretirement benefits and other long-term liabilities | 21,831 | 24,093 |
| | 352,134 | 399,051 |
| Shareholders' Equity | | |
| Capital stock, par value \$1 per share | | |
| Serial preferred stock: | | |
| Authorized 632,470 shares; Issued and outstanding none | -0- | -0- |
| Common stock: | | |
| Authorized 40,000,000 shares; Issued 13,273,842 shares in 2009 and 12,237,392 in 2008 | 13,274 | 12,237 |
| Additional paid-in capital | 66,323 | 64,212 |
| Retained (deficit) | (34,230) | (29,021) |
| Treasury stock, at cost, 1,473,969 shares in 2009 and 1,443,524 shares in 2008 | (17,443) | (17,192) |
| Accumulated other comprehensive (loss) | (5,114) | (17,481) |
| | 22,810 | 12,755 |
| | \$ 502,268 | \$ 619,220 |

See notes to consolidated financial statements.

Table of Contents**Park-Ohio Holdings Corp. and Subsidiaries****Consolidated Statements of Operations**

| | Year Ended December 31, | | |
|--|--|--------------|--------------|
| | 2009 | 2008 | 2007 |
| | (Dollars in thousands, except per share data) | | |
| Net sales | \$ 701,047 | \$ 1,068,757 | \$ 1,071,441 |
| Cost of products sold | 597,200 | 919,297 | 912,337 |
| Gross profit | 103,847 | 149,460 | 159,104 |
| Selling, general and administrative expenses | 87,786 | 105,546 | 98,679 |
| Goodwill impairment charge | -0- | 95,763 | -0- |
| Gain on sale of assets held for sale | -0- | -0- | (2,299) |
| Restructuring and impairment charges | 5,206 | 25,331 | -0- |
| Operating income (loss) | 10,855 | (77,180) | 62,724 |
| Gain on purchase of 8.375% senior subordinated notes | (6,297) | (6,232) | -0- |
| Interest expense | 23,189 | 27,869 | 31,551 |
| (Loss) income before income taxes | (6,037) | (98,817) | 31,173 |
| Income tax (benefit) expense | (828) | 20,986 | 9,976 |
| Net (loss) income | \$ (5,209) | \$ (119,803) | \$ 21,197 |
| Amounts per common share: | | | |
| Basic | \$ (.47) | \$ (10.88) | \$ 1.91 |
| Diluted | \$ (.47) | \$ (10.88) | \$ 1.82 |

See notes to consolidated financial statements.

Table of Contents**Park-Ohio Holdings Corp. and Subsidiaries****Consolidated Statements of Shareholders Equity**

| | Common Stock | Additional Paid-In Capital | Retained Earnings (Deficit) (Dollars in thousands) | Treasury Stock | Accumulated Other Comprehensive Income (Loss) | Total |
|---|-------------------------|---|---|---------------------------|--|--------------|
| Balance at January 1, 2007 | \$ 12,110 | \$ 59,676 | \$ 70,193 | \$ (9,066) | \$ 5,824 | \$ 138,737 |
| Adjustment relating to adoption of FIN 48 | | | (608) | | | (608) |
| Comprehensive income (loss): | | | | | | |
| Net income | | | 21,197 | | | 21,197 |
| Foreign currency translation adjustment | | | | | 7,328 | 7,328 |
| Unrealized loss on marketable securities, net of income tax of \$182 | | | | | (323) | (323) |
| Pension and postretirement benefit adjustments, net of income tax of \$2,834 | | | | | 4,933 | 4,933 |
| Comprehensive income | | | | | | 33,135 |
| Restricted stock award | 17 | (17) | | | | -0- |
| Amortization of restricted stock | | 1,651 | | | | 1,651 |
| Purchase of treasury stock (92,253 shares) | | | | (2,189) | | (2,189) |
| Exercise of stock options (106,084 shares) | 106 | 234 | | | | 340 |
| Share-based compensation | | 412 | | | | 412 |
| Balance at December 31, 2007 | 12,233 | 61,956 | 90,782 | (11,255) | 17,762 | 171,478 |
| Comprehensive (loss): | | | | | | |
| Net loss | | | (119,803) | | | (119,803) |
| Foreign currency translation adjustment | | | | | (8,730) | (8,730) |
| Unrealized loss on marketable securities, net of income tax of \$-0- | | | | | (90) | (90) |
| Pension and postretirement benefit adjustments, net of income tax of \$13,460 | | | | | (26,423) | (26,423) |
| Comprehensive (loss) | | | | | | (155,046) |
| Restricted stock award | 23 | (23) | | | | -0- |

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| | | | | | | |
|--|-----------|-----------|-------------|-------------|------------|-----------|
| Restricted stock exchange for restricted share units | (62) | 62 | | | | -0- |
| Amortization of restricted stock | | 1,677 | | | | 1,677 |
| Purchase of treasury stock (614,863 shares) | | | | (5,937) | | (5,937) |
| Exercise of stock options (43,003 shares) | 43 | 104 | | | | 147 |
| Share-based compensation | | 436 | | | | 436 |
| Balance at December 31, 2008 | 12,237 | 64,212 | (29,021) | (17,192) | (17,481) | 12,755 |
| Comprehensive income (loss): | | | | | | |
| Net loss | | | (5,209) | | | (5,209) |
| Foreign currency translation adjustment | | | | | 2,968 | 2,968 |
| Unrealized loss on marketable securities, net of income tax of \$182 | | | | | 413 | 413 |
| Pension and postretirement benefit adjustments, net of income tax of \$1,179 | | | | | 8,986 | 8,986 |
| Comprehensive income (loss) | | | | | | 7,158 |
| Restricted stock award, net of forfeiture | 627 | (627) | | | | -0- |
| Amortization of restricted stock | | 1,969 | | | | 1,969 |
| Purchase of treasury stock (30,445 shares) | | | | (251) | | (251) |
| Exercise of stock options (410,000 shares) | 410 | 373 | | | | 783 |
| Share-based compensation | | 396 | | | | 396 |
| Balance at December 31, 2009 | \$ 13,274 | \$ 66,323 | \$ (34,230) | \$ (17,443) | \$ (5,114) | \$ 22,810 |

See notes to consolidated financial statements.

Table of Contents**Park-Ohio Holdings Corp. and Subsidiaries****Consolidated Statements of Cash Flows**

| | Year Ended December 31, | | |
|---|--------------------------------|--------------|-------------|
| | 2009 | 2008 | 2007 |
| | (Dollars in thousands) | | |
| OPERATING ACTIVITIES | | | |
| Net (loss) income | \$ (5,209) | \$ (119,803) | \$ 21,197 |
| Adjustments to reconcile net (loss) income to net cash provided by operations: | | | |
| Depreciation and amortization | 18,918 | 20,933 | 20,611 |
| Restructuring and impairment charges | 5,206 | 121,094 | 2,214 |
| Gain on purchase of 8.375% senior subordinated notes | (6,297) | (6,232) | -0- |
| Deferred income taxes | (1,842) | -0- | 4,342 |
| Stock based compensation expense | 2,365 | 2,113 | 2,063 |
| Changes in operating assets and liabilities excluding acquisitions of businesses: | | | |
| Accounts receivable | 61,136 | 6,578 | 9,536 |
| Inventories | 46,701 | (12,547) | 8,527 |
| Accounts payable and accrued expenses | (82,113) | 7,247 | (22,246) |
| Other | 5,000 | (10,836) | (14,778) |
| Net cash provided by operating activities | 43,865 | 8,547 | 31,466 |
| INVESTING ACTIVITIES | | | |
| Purchases of property, plant and equipment | (5,575) | (17,466) | (21,876) |
| Business acquisitions, net of cash acquired | -0- | (5,322) | -0- |
| Purchases of marketable securities | (62) | (853) | (5,142) |
| Sales of marketable securities | 865 | 2,983 | 662 |
| Proceeds from the sale of assets held for sale | -0- | 260 | 4,365 |
| Net cash used by investing activities | (4,772) | (20,398) | (21,991) |
| FINANCING ACTIVITIES | | | |
| (Payments) proceeds on bank arrangements, net | (25,499) | 25,612 | (14,751) |
| Purchase of 8.375% senior subordinated notes | (8,853) | (4,658) | -0- |
| Issuance of common stock under stock option plan | 783 | 147 | 340 |
| Purchase of treasury stock | (251) | (5,937) | (2,189) |
| Net cash (used) provided by financing activities | (33,820) | 15,164 | (16,600) |
| Increase (decrease) in cash and cash equivalents | 5,273 | 3,313 | (7,125) |
| Cash and cash equivalents at beginning of year | 17,825 | 14,512 | 21,637 |
| Cash and cash equivalents at end of year | \$ 23,098 | \$ 17,825 | \$ 14,512 |
| Income taxes paid | \$ 3,146 | \$ 6,847 | \$ 6,170 |
| Interest paid | 23,018 | 26,115 | 30,194 |

See notes to consolidated financial statements.

Table of Contents**PARK-OHIO HOLDINGS CORP. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2009, 2008 and 2007
(Dollars in thousands, except per share data)

NOTE A Summary of Significant Accounting Policies

Consolidation and Basis of Presentation: The consolidated financial statements include the accounts of the Company and all of its subsidiaries. All significant intercompany accounts and transactions have been eliminated upon consolidation. The Company does not have off-balance sheet arrangements or financings with unconsolidated entities or other persons. In the ordinary course of business, the Company leases certain real properties as described in Note L. Transactions with related parties are in the ordinary course of business, are conducted on an arm's-length basis, and are not material to the Company's financial position, results of operations or cash flows.

Accounting Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents: The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Inventories: Inventories are stated at the lower of first-in, first-out (FIFO) cost or market value. Inventory reserves were \$21,456 and \$22,312 at December 31, 2009 and 2008, respectively. Inventory consigned to others was \$3,160 and \$5,025 at December 31, 2009 and 2008, respectively.

Major Classes of Inventories

| | December 31, | |
|----------------------------|---------------------|-------------------|
| | 2009 | 2008 |
| Finished goods | \$ 100,309 | \$ 129,939 |
| Work in process | 26,778 | 29,648 |
| Raw materials and supplies | 55,029 | 69,230 |
| | \$ 182,116 | \$ 228,817 |

Property, Plant and Equipment: Property, plant and equipment are carried at cost. Additions and associated interest costs are capitalized and expenditures for repairs and maintenance are charged to operations. Depreciation of fixed assets is computed principally by the straight-line method based on the estimated useful lives of the assets ranging from 25 to 60 years for buildings, and 3 to 20 years for machinery and equipment. The Company reviews long-lived assets for impairment when events or changes in business conditions indicate that their full carrying value may not be recoverable. See Note O.

Impairment of Long-Lived Assets: We assess the recoverability of long-lived assets (excluding goodwill) and identifiable acquired intangible assets with finite useful lives, whenever events or changes in circumstances indicate that we may not be able to recover the assets' carrying amount. We measure the recoverability of assets to be held and used by a comparison of the carrying amount of the asset to the expected net future undiscounted cash flows to be generated by that asset, or, for identifiable intangibles with finite useful lives, by determining whether the amortization of the intangible asset balance over its remaining life can be recovered through undiscounted future cash flows. The amount of impairment of identifiable intangible assets with finite useful lives, if any, to be recognized is measured based on projected discounted future cash flows. We measure the amount of impairment of other long-lived assets (excluding goodwill) as the amount by which the carrying value of the asset exceeds the fair market value of the asset,

Table of Contents

PARK-OHIO HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

which is generally determined, based on projected discounted future cash flows or appraised values. We classify long-lived assets to be disposed of other than by sale as held and used until they are disposed.

Goodwill and Other Intangible Assets: In accordance with Accounting Standards Codification (ASC) 350 Intangibles Goodwill and Other (ASC 350), the Company does not amortize goodwill recorded in connection with business acquisitions. The Company completed the annual impairment tests required by ASC 350 as of October 1, 2009. Other intangible assets, which consist primarily of non-contractual customer relationships, are amortized over their estimated useful lives.

We use an income approach and other valuation techniques to estimate the fair value of our reporting units. Absent an indication of fair value from a potential buyer or similar specific transactions, we believe that using this methodology provides reasonable estimates of a reporting unit's fair value. The income approach is based on projected future debt-free cash flow that is discounted to present value using factors that consider the timing and risk of the future cash flows. We believe that this approach is appropriate because it provides a fair value estimate based upon the reporting unit's expected long-term operating and cash flow performance. This approach also mitigates most of the impact of cyclical downturns that occur in the reporting unit's industry. The income approach is based on a reporting unit's projection of operating results and cash flows that is discounted using a weighted-average cost of capital. The projection is based upon our best estimates of projected economic and market conditions over the related period including growth rates, estimates of future expected changes in operating margins and cash expenditures. Other significant estimates and assumptions include terminal value growth rates, terminal value margin rates, future capital expenditures and changes in future working capital requirements based on management projections. There are inherent uncertainties, however, related to these factors and to our judgment in applying them to this analysis. Nonetheless, we believe that this method provides a reasonable approach to estimate the fair value of our reporting units. See Note D for the results of this testing.

Stock-Based Compensation: The Company follows the provisions of ASC 718 Compensation Stock Compensation, (ASC 718), which requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative.

ASC 718 also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as required under previous accounting guidance. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after adoption. While the Company cannot estimate what those amounts will be in the future (because they depend on, among other things, when employees exercise stock options), the amount of operating cash flows recognized in prior years was zero because the Company did not owe federal income taxes due to the recognition of net operating loss carryforwards for which valuation allowances had been provided.

Additional information regarding our share-based compensation program is provided in Note I.

Accounting for Asset Retirement Obligations: In accordance with ASC 410 Asset Retirement and Environmental Obligations , the Company has identified certain conditional asset retirement obligations at various current manufacturing facilities. These obligations relate primarily to asbestos abatement. Using investigative, remediation, and disposal methods that are currently available to the Company, the estimated cost of these obligations is not significant and management does not believe that any potential liability ultimately attributed to the Company for its

conditional asset retirement obligations will have a material adverse effect on the Company's financial condition, liquidity, or cash flow due to the extended period of time during which investigation and remediation takes place. An estimate of the potential impact on the Company's operations cannot be made due to the aforementioned uncertainties. Management expects these contingent asset retirement obligations to be resolved over an extended period of time. Management is

Table of Contents

PARK-OHIO HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

unable to provide a more specific time frame due to the indefinite amount of time to conduct investigation activities at any site, the indefinite amount of time to obtain governmental agency approval, as necessary, with respect to investigation and remediation activities, and the indefinite amount of time necessary to conduct remediation activities.

Income Taxes: The Company accounts for income taxes under the asset and liability method, whereby deferred tax assets and liabilities are determined based on temporary differences between the financial reporting and the tax bases of assets and liabilities and are measured using the current enacted tax rates. In determining these amounts, management determined the probability of realizing deferred tax assets, taking into consideration factors including historical operating results, cumulative earnings and losses, expectations of future earnings, taxable income and the extended period of time over which the postretirement benefits will be paid and accordingly records valuation allowances if, based on the weight of available evidence it is more likely than not that some portion or all of our deferred tax assets will not be realized as required by ASC 740 *Income Taxes* (ASC 740).

Revenue Recognition: The Company recognizes revenue, other than from long-term contracts, when title is transferred to the customer, typically upon shipment. Revenue from long-term contracts (approximately 10% of consolidated revenue) is accounted for under the percentage of completion method, and recognized on the basis of the percentage each contract's cost to date bears to the total estimated contract cost. Revenue earned on contracts in process in excess of billings is classified in unbilled contract revenues in the accompanying consolidated balance sheet.

Accounts Receivable and Allowance for Doubtful Accounts: Accounts receivable are recorded at net realizable value. Accounts receivable are reduced by an allowance for amounts that may become uncollectible in the future. The Company's policy is to identify and reserve for specific collectibility concerns based on customers' financial condition and payment history. On November 16, 2007, the Company entered into a five-year Accounts Receivable Purchase Agreement whereby one specific customer's accounts receivable may be sold without recourse to a third-party financial institution on a revolving basis. During 2009 and 2008, we sold approximately \$20,832 and \$33,814, respectively, of accounts receivable to mitigate accounts receivable concentration risk and to provide additional financing capacity. In compliance with ASC 860, *Transfers and Servicing*, sales of accounts receivable are reflected as a reduction of accounts receivable in the Consolidated Balance Sheets and the proceeds are included in the cash flows from operating activities in the Consolidated Statements of Cash flows. In 2009 and 2008, a loss in the amount of \$86 and \$200, respectively, related to the sale of accounts receivable is recorded in the Consolidated Statements of Operations. These losses represented implicit interest on the transactions.

Software Development Costs: Software development costs incurred subsequent to establishing feasibility through the general release of the software products are capitalized and included in other assets in the consolidated balance sheet. Technological feasibility is demonstrated by the completion of a working model. All costs prior to the development of the working model are expensed as incurred. Capitalized costs are amortized on a straight-line basis over five years, which is the estimated useful life of the software product. Amortization expense was \$1,454, \$1,288 and \$1,287 in 2009, 2008 and 2007, respectively.

Concentration of Credit Risk: The Company sells its products to customers in diversified industries. The Company performs ongoing credit evaluations of its customers' financial condition but does not require collateral to support customer receivables. The Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information. As of December 31, 2009, the Company

had uncollateralized receivables with six customers in the automotive industry, each with several locations, aggregating \$17,363, which represented approximately 16% of the Company's trade accounts receivable. During 2009, sales to these customers amounted to approximately \$77,297, which represented approximately 11% of the Company's net sales.

Table of Contents

PARK-OHIO HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Shipping and Handling Costs: All shipping and handling costs are included in cost of products sold in the Consolidated Statements of Operations.

Environmental: The Company accrues environmental costs related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible. Costs that extend the life of the related property or mitigate or prevent future environmental contamination are capitalized. The Company records a liability when environmental assessments and/or remedial efforts are probable and can be reasonably estimated. The estimated liability of the Company is not discounted or reduced for possible recoveries from insurance carriers.

Foreign Currency Translation: The functional currency for all subsidiaries outside the United States is the local currency. Financial statements for these subsidiaries are translated into U.S. dollars at year-end exchange rates as to assets and liabilities and weighted-average exchange rates as to revenues and expenses. The resulting translation adjustments are recorded in accumulated comprehensive income (loss) in shareholders' equity.

Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 168, The FASB Accounting Standards Codification and Hierarchy of Generally Accepted Accounting Principles . The statement makes the ASC the single source of authoritative U.S. accounting and reporting standards, but it does not change U.S. GAAP. The Company adopted the statement as of September 30, 2009. Accordingly, the financial statements for the interim period ending September 30, 2009, and the financial statements for future interim and annual periods will reflect the ASC references. The statement has no impact on the Company's results of operations, financial condition or liquidity.

In December 2007, the FASB issued new guidance that modifies the accounting for business combinations by requiring that acquired assets and assumed liabilities be recorded at fair value, contingent consideration arrangements be recorded at fair value on the date of the acquisition and pre-acquisition contingencies will generally be accounted for in purchase accounting at fair value. The new guidance was adopted prospectively by the Company, effective January 1, 2009.

In December 2008, the FASB issued new guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan. The guidance addresses disclosures related to the categories of plan assets and fair value measurements of plan assets. The new guidance was adopted by the Company effective January 1, 2009 and had no effect on its consolidated financial position or results of operations.

Effective January 1, 2008, the Company measures financial assets and liabilities at fair value in three levels of inputs. The three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies, is:

Level 1 Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 Valuations based on unobservable inputs reflecting our own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

Table of Contents

PARK-OHIO HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In April 2009, the FASB issued new guidance that if an entity determines that the level of activity for an asset or liability has significantly decreased and that a transaction is not orderly, further analysis of transactions or quoted prices is needed, and a significant adjustment to the transaction or quoted prices may be necessary to estimate fair value. This new guidance is to be applied prospectively and is effective for interim and annual periods ending after June 15, 2009 with early adoption permitted for periods ending after March 15, 2009. The Company adopted this guidance for its quarter ended June 30, 2009. There was no impact on the consolidated financial statements. In April 2009, the FASB issued guidance which requires that publicly traded companies include the fair value disclosures in their interim financial statements. This guidance is effective for interim reporting periods ending after June 15, 2009. The Company adopted this guidance at June 30, 2009. At December 31, 2009 the approximate fair value of Park-Ohio Industries, Inc 8.375% senior subordinated notes due 2014 was \$144,310 based on Level 1 inputs. The Company had other investments having Level 2 inputs totaling \$6,809.

In May 2009, the FASB issued guidance which addresses the types and timing of events that should be reported in the financial statements for events occurring between the balance sheet date and the date the financial statements are issued or available to be issued. This guidance was effective for the Company on June 30, 2009. The adoption of this guidance did not impact the Company's consolidated financial position or results of operations. Refer to Note P to the consolidated financial statements for information on subsequent events.

NOTE B Segments

The Company operates through three segments: Supply Technologies, Aluminum Products and Manufactured Products. Supply Technologies provides our customers with Total Supply Managementtm services for a broad range of high-volume, specialty production components. Total Supply Managementtm manages the efficiencies of every aspect of supplying production parts and materials to our customers' manufacturing floor, from strategic planning to program implementation and includes such services as engineering and design support, part usage and cost analysis, supplier selection, quality assurance, bar coding, product packaging and tracking, just-in-time and point-of-use delivery, electronic billing services and ongoing technical support. The principal customers of Supply Technologies are in the heavy-duty truck, automotive and vehicle parts, electrical distribution and controls, consumer electronics, power sports/fitness equipment, HVAC, agricultural and construction equipment, semiconductor equipment, plumbing, aerospace and defense, and appliance industries. Aluminum Products manufactures cast aluminum components for automotive, agricultural equipment, construction equipment, heavy-duty truck and marine equipment industries. 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 original equipment manufacturers and end users in the steel, coatings, forging, foundry, heavy-duty truck, construction equipment, bottling, automotive, oil and gas, rail and locomotive manufacturing and aerospace and defense industries.

The Company's sales are made through its own sales organization, distributors and representatives. Intersegment sales are immaterial and eliminated in consolidation and are not included in the figures presented. Intersegment sales are accounted for at values based on market prices. Income allocated to segments excludes certain corporate expenses and interest expense. Identifiable assets by industry segment include assets directly identified with those operations.

Corporate assets generally consist of cash and cash equivalents, deferred tax assets, property and equipment, and other assets.

Table of Contents**PARK-OHIO HOLDINGS CORP. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

| | Year Ended December 31, | | |
|--|--------------------------------|--------------|--------------|
| | 2009 | 2008 | 2007 |
| Net sales: | | | |
| Supply Technologies | \$ 328,805 | \$ 521,270 | \$ 531,417 |
| Aluminum Products | 111,388 | 156,269 | 169,118 |
| Manufactured Products | 260,854 | 391,218 | 370,906 |
| | \$ 701,047 | \$ 1,068,757 | \$ 1,071,441 |
| Income before income taxes: | | | |
| Supply Technologies | \$ 6,325 | \$ (74,884) | \$ 27,175 |
| Aluminum Products | (5,155) | (36,042) | 3,020 |
| Manufactured Products | 23,472 | 50,534 | 45,798 |
| | 24,642 | (60,392) | 75,993 |
| Corporate costs | (7,490) | (10,556) | (13,269) |
| Interest expense | (23,189) | (27,869) | (31,551) |
| | \$ (6,037) | \$ (98,817) | \$ 31,173 |
| Identifiable assets: | | | |
| Supply Technologies | \$ 207,729 | \$ 256,161 | \$ 354,165 |
| Aluminum Products | 76,443 | 87,215 | 98,524 |
| Manufactured Products | 178,715 | 242,057 | 231,459 |
| General corporate | 39,381 | 33,787 | 85,041 |
| | \$ 502,268 | \$ 619,220 | \$ 769,189 |
| Depreciation and amortization expense: | | | |
| Supply Technologies | \$ 4,812 | \$ 5,153 | \$ 4,832 |
| Aluminum Products | 7,556 | 8,564 | 8,563 |
| Manufactured Products | 6,022 | 6,586 | 6,723 |
| General corporate | 528 | 630 | 493 |
| | \$ 18,918 | \$ 20,933 | \$ 20,611 |
| Capital expenditures: | | | |
| Supply Technologies | \$ 2,380 | \$ 931 | \$ 7,751 |
| Aluminum Products | 1,385 | 7,750 | 4,775 |
| Manufactured Products | 2,006 | 8,101 | 6,534 |
| General corporate | (196) | 684 | 2,816 |

\$ 5,575 \$ 17,466 \$ 21,876

Table of Contents**PARK-OHIO HOLDINGS CORP. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The Company's approximate percentage of net sales by geographic region were as follows:

| | Year Ended December 31, | | |
|---------------|------------------------------------|-------------|-------------|
| | 2009 | 2008 | 2007 |
| United States | 73% | 68% | 70% |
| Asia | 9% | 11% | 9% |
| Canada | 6% | 6% | 5% |
| Mexico | 2% | 6% | 6% |
| Europe | 9% | 6% | 6% |
| Other | 1% | 3% | 4% |
| | 100% | 100% | 100% |

At December 31, 2009, 2008 and 2007, approximately 77%, 81% and 85%, respectively, of the Company's assets were maintained in the United States.

NOTE C Acquisitions

During 2008, the Company purchased certain assets of two companies for a total cost of \$5,322. These acquisitions were funded with borrowings under the Company's revolving credit facility. These acquisitions were not deemed significant as defined in Regulation S-X.

NOTE D Goodwill and Other Intangible Assets

ASC 350, requires that our annual, and any interim, impairment assessment be performed at the reporting unit level. At October 1, 2008, the Company had four reporting units that had goodwill. Under the provisions of ASC 350, these four reporting units were tested for impairment as of October 1, 2008 and updated as of December 31, 2008, as necessary. During the fourth quarter of 2008, indicators of potential impairment caused us to update our impairment tests. Those indicators included the following: a significant decrease in market capitalization; a decline in recent operating results; and a decline in our business outlook primarily due to the macroeconomic environment. In accordance with ASC 350, we completed an impairment analysis and concluded that all of the goodwill in three of the reporting units for a total of \$95,763 was impaired and written off in the fourth quarter of 2008.

The changes in the carrying amount of goodwill by reportable segment for the years ended December 31, 2009 and 2008 were as follows:

| Supply Technologies | Aluminum | Manufactured Products | Total |
|--------------------------------|-----------------|----------------------------------|--------------|
|--------------------------------|-----------------|----------------------------------|--------------|

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| | | | | | | | | |
|------------------------------|----|----------|----|----------|----|-------|----|----------|
| Balance at January 1, 2008 | \$ | 80,249 | \$ | 16,515 | \$ | 4,233 | \$ | 100,997 |
| Foreign Currency Translation | | (1,001) | | -0- | | (124) | | (1,125) |
| Impairment Charge | | (79,248) | | (16,515) | | -0- | | (95,763) |
| Balance at December 31, 2008 | | -0- | | -0- | | 4109 | | 4,109 |
| Foreign Currency Translation | | -0- | | -0- | | 46 | | 46 |
| Balance at December 31, 2009 | \$ | -0- | \$ | -0- | \$ | 4,155 | \$ | 4,155 |

Table of Contents**PARK-OHIO HOLDINGS CORP. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Other intangible assets were acquired in connection with the acquisition of NABS, Inc. Information regarding other intangible assets as of December 31, 2009 and 2008 follows:

| | Acquisition Costs | 2009 Accumulated Amortization | Net | Acquisition Costs | 2008 Accumulated Amortization | Net |
|--|------------------------------|--|-----------------|------------------------------|--|-----------------|
| Non-contractual customer relationships | \$ 7,200 | \$ 1,800 | \$ 5,400 | \$ 7,200 | \$ 1,200 | \$ 6,000 |
| Other | 820 | 372 | 448 | 820 | 248 | 572 |
| | \$ 8,020 | \$ 2,172 | \$ 5,848 | \$ 8,020 | \$ 1,448 | \$ 6,572 |

Amortization of other intangible assets was \$724 for each of the years ended December 31, 2009 and 2008. Amortization expense for each of the five years following December 31, 2009 is approximately \$724 in 2010, \$724 in 2011 and \$600 for each of the three subsequent years thereafter.

NOTE E Other Assets

Other assets consists of the following:

| | December 31, 2009 | 2008 |
|---|------------------------------|------------------|
| Pension assets | \$ 49,435 | \$ 38,985 |
| Deferred financing costs, net | 1,345 | 2,951 |
| Tooling | 384 | 139 |
| Software development costs | 3,893 | 4,096 |
| Intangible assets subject to amortization | 5,848 | 6,572 |
| Other | 10,505 | 11,439 |
| Totals | \$ 71,410 | \$ 64,182 |

NOTE F Accrued Expenses

Accrued expenses include the following:

| December 31, 2009 | 2008 |
|------------------------------|-------------|
|------------------------------|-------------|

| | | |
|--------------------------------------|-----------|-----------|
| Accrued salaries, wages and benefits | \$ 8,978 | \$ 13,173 |
| Advance billings | 14,189 | 28,412 |
| Warranty accrual | 2,760 | 5,402 |
| Interest payable | 2,191 | 2,837 |
| Taxes | 1,788 | 6,386 |
| Other | 9,244 | 18,141 |
| Totals | \$ 39,150 | \$ 74,351 |

Substantially all advance billings and warranty accruals relate to the Company's capital equipment businesses.

Table of Contents**PARK-OHIO HOLDINGS CORP. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The changes in the aggregate product warranty liability are as follows for the year ended December 31, 2009, 2008 and 2007:

| | 2009 | 2008 | 2007 |
|------------------------------|-------------|-------------|-------------|
| Balance at beginning of year | \$ 5,402 | \$ 5,799 | \$ 3,557 |
| Claims paid during the year | (3,367) | (3,944) | (2,402) |
| Warranty expense | 704 | 4,202 | 4,526 |
| Other | 21 | (655) | 118 |
| Balance at end of year | \$ 2,760 | \$ 5,402 | \$ 5,799 |

NOTE G Financing Arrangements

Long-term debt consists of the following:

| | December 31, | |
|---|---------------------|-------------|
| | 2009 | 2008 |
| 8.375% senior subordinated notes due 2014 | \$ 183,835 | \$ 198,985 |
| Revolving credit facility maturing on June 30, 2013 | 141,200 | 164,600 |
| Other | 8,962 | 11,061 |
| | 333,997 | 374,646 |
| Less current maturities | 10,894 | 8,778 |
| Total | \$ 323,103 | \$ 365,868 |

The Company is a party to a credit and security agreement dated November 5, 2003, as amended (Credit Agreement), with a group of banks, under which it may borrow or issue standby letters of credit or commercial letters of credit up to \$270,000 at December 31, 2009. The Credit Agreement contains a detailed borrowing base formula that provides borrowing capacity to the Company based on negotiated percentages of eligible accounts receivable, inventory and fixed assets. At December 31, 2009, the Company had approximately \$34,172 of unused borrowing capacity available under the Credit Agreement. Up to \$40,000 in standby letters of credit and commercial letters of credit may be issued under the Credit Agreement. As of December 31, 2009, in addition to amounts borrowed under the Credit Agreement, there was \$8,552 outstanding primarily for standby letters of credit. An annual fee of .75% is imposed by the bank on the unused portion of available borrowings.

On March 8, 2010, the Credit Agreement was amended and restated to, among other things, extend its maturity date to June 30, 2013, reduce the loan commitment from \$270,000 to \$210,000, which includes a term loan A for

\$28,000 that is secured by real estate and machinery and equipment and an unsecured term loan B for \$12,000. Amounts borrowed under the revolving credit facility may be borrowed at either (i) LIBOR plus 3% to 4% or (ii) the bank's prime lending rate plus 1% at the Company's election. The LIBOR-based interest rate is dependent on the Company's debt service coverage ratio, as defined in the Credit Agreement. Under the Credit Agreement, a detailed borrowing base formula provides borrowing availability to the Company based on percentages of eligible accounts receivable and inventory. Interest on the term loan A is at either (i) LIBOR plus 4% to 5% or (ii) the bank's prime lending rate plus 2% at the Company's election. Interest on the term loan B is at either (i) LIBOR plus 6% to 7% or (ii) the bank's prime lending rate plus 4.5%, at the Company's election. The term loan A is amortized based on a ten year schedule with the balance due at maturity. The term loan B is amortized over a two-year period plus 50% of debt service coverage excess capped at \$3,500.

Table of Contents**PARK-OHIO HOLDINGS CORP. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Considering the amendment of the Credit Agreement on March 8, 2010, maturities of long-term debt during each of the five years following December 31, 2009 are approximately \$10,894 in 2010, \$9,136 in 2011, \$4,800 in 2012, \$122,000 in 2013 and \$523 in 2014.

Foreign subsidiaries of the Company had borrowings of \$3,787 and \$10,319 at December 31, 2009 and 2008, respectively and outstanding bank guarantees of \$10,909 at December 31, 2009 under their credit arrangements.

The 8.375% senior subordinated notes due 2014 (8.375% Notes) are general unsecured senior subordinated obligations of the Company and are fully and unconditionally guaranteed on a joint and several basis by all material domestic subsidiaries of the Company. Provisions of the indenture governing the 8.375% Notes and the Credit Agreement contain restrictions on the Company's ability to incur additional indebtedness, to create liens or other encumbrances, to make certain payments, investments, loans and guarantees and to sell or otherwise dispose of a substantial portion of assets or to merge or consolidate with an unaffiliated entity. At December 31, 2009, the Company was in compliance with all financial covenants of the Credit Agreement.

The weighted average interest rate on all debt was 5.26% at December 31, 2009.

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and borrowings under the Credit Agreement approximate fair value at December 31, 2009 and 2008. The approximate fair value of the 8.375% Notes was \$144,310 and \$79,594 at December 31, 2009 and 2008, respectively.

In 2009, a foreign subsidiary of the Company purchased \$15,150 aggregate principal amount of the 8.375% Notes for \$8,853. After writing off \$147 of deferred financing costs, the Company recorded a net gain of \$6,297.

In 2008, the Company purchased \$11,015 aggregate principal amount of the 8.375% Notes for \$4,658. After writing off \$125 of deferred financing costs, the Company recorded a net gain of \$6,232. The 8.375% Notes were not contributed to Park-Ohio Industries, Inc. in 2008 but were held by Park-Ohio Holdings Corp. During the fourth quarter of 2009, these notes were sold to a wholly-owned subsidiary of Park-Ohio Industries, Inc.

NOTE H Income Taxes

Income taxes consisted of the following:

| | Year Ended December 31, | | |
|----------------------------|--------------------------------|-------------|-------------|
| | 2009 | 2008 | 2007 |
| Current expense (benefit): | | | |
| Federal | \$ (147) | \$ 229 | \$ (9) |
| State | 179 | 1,518 | 299 |
| Foreign | 982 | 6,156 | 5,344 |
| | 1,014 | 7,903 | 5,634 |
| Deferred: | | | |

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| | | | |
|------------------------------|----------|-----------|----------|
| Federal | (1,231) | 12,421 | 3,639 |
| State | (39) | 923 | 198 |
| Foreign | (572) | (261) | 505 |
| | (1,842) | 13,083 | 4,342 |
| Income tax (benefit) expense | \$ (828) | \$ 20,986 | \$ 9,976 |

Table of Contents**PARK-OHIO HOLDINGS CORP. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The reasons for the difference between income tax expense and the amount computed by applying the statutory federal income tax rate to income before income taxes are as follows:

| Rate Reconciliation | 2009 | 2008 | 2007 |
|-----------------------------------|-------------|-------------|-------------|
| Tax at statutory rate | \$ (2,113) | \$ (34,586) | \$ 10,911 |
| Effect of state income taxes, net | (161) | (1,834) | 266 |
| Effect of foreign operations | 1,247 | 293 | (1,082) |
| Goodwill | -0- | 23,241 | -0- |
| Valuation allowance | (1,815) | 33,625 | 238 |
| Equity compensation | 148 | 18 | 51 |
| Tax credits | (192) | (240) | (207) |
| Prior year adjustments | 141 | (304) | 504 |
| Non-deductable items | 735 | 802 | 572 |
| Other, net | 1,182 | (29) | (1,277) |
| Total | \$ (828) | \$ 20,986 | \$ 9,976 |

Significant components of the Company's net deferred tax assets and liabilities are as follows:

| | December 31, | |
|---|---------------------|-------------|
| | 2009 | 2008 |
| Deferred tax assets: | | |
| Postretirement benefit obligation | \$ 7,060 | \$ 7,579 |
| Inventory | 10,342 | 12,126 |
| Net operating loss and credit carryforwards | 22,478 | 22,133 |
| Goodwill | 4,381 | 5,465 |
| Other | 8,348 | 10,832 |
| Total deferred tax assets | 52,609 | 58,135 |
| Deferred tax liabilities: | | |
| Depreciation and amortization | 692 | 5,824 |
| Pension | 18,010 | 14,389 |
| Intangible assets and other | 2,335 | 2,645 |
| Total deferred tax liabilities | 21,037 | 22,858 |
| Net deferred tax assets prior to valuation allowances | 31,572 | 35,277 |
| Valuation allowances | (30,668) | (34,921) |

| | | | | |
|------------------------|----|-----|----|-----|
| Net deferred tax asset | \$ | 904 | \$ | 356 |
|------------------------|----|-----|----|-----|

At December 31, 2009, the Company has federal, state and foreign net operating loss carryforwards for income tax purposes. The U.S. federal net operating loss carryforward is approximately \$38,538 which expires between 2022 and 2029. The foreign net operating loss carryforward is \$3,619 of which \$1,181 expires in 2016 and \$2,438 has no expiration date. The Company also has a state net operating loss carryforward of \$4,589 which expires between 2010 and 2029.

At December 31, 2009, the Company has research and development credit carryforwards of approximately \$2,923 which expire between 2012 and 2029. The Company also has foreign tax credit carryforwards of \$1,778, which expire between 2015 and 2019, and alternative minimum tax credit carryforwards of \$1,083 which have no expiration date.

Table of Contents**PARK-OHIO HOLDINGS CORP. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The Company is subject to taxation in the U.S. and various state and foreign jurisdictions. The Company's tax years for 2006 through 2009 remain open for examination by the U.S. and various state and foreign taxing authorities.

As of December 31, 2009 and 2008, the Company was in a cumulative three-year loss position and it was determined that it was not more likely than not that its U.S. net deferred tax assets will be realized. As of December 31, 2009 and 2008, the Company recorded full valuation allowances of \$28,813 and \$34,475, respectively, against its U.S. net deferred tax assets. In addition, the Company determined that it was not more likely than not that certain foreign net deferred tax assets will be realized. As of December 31, 2009 and 2008, the Company recorded valuation allowances of \$1,855 and \$447, respectively, against certain foreign net deferred tax assets. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income (including reversals of deferred tax liabilities). The Company reviews all valuation allowances related to deferred tax assets and will reverse these valuation allowances, partially or totally, when appropriate under ASC 740.

The Company adopted the provisions of Accounting for Uncertainty in Income Taxes, primarily codified under ASC 740, on January 1, 2007. As a result of this implementation the Company recognized a \$608 increase in the liability for unrecognized tax benefits which was accounted for as a reduction in retained earnings. The total amount of unrecognized tax benefits on the date of the adoption was approximately \$4,691. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

| | 2009 | 2008 | 2007 |
|---|-------------|-------------|-------------|
| Unrecognized Tax Benefit January 1, | \$ 5,806 | \$ 5,255 | \$ 4,691 |
| Gross Increases Tax Positions in Prior Period | 101 | -0- | 72 |
| Gross Decreases Tax Positions in Prior Period | (55) | (39) | (133) |
| Gross Increases Tax Positions in Current Period | 97 | 590 | 625 |
| Settlements | -0- | -0- | -0- |
| Lapse of Statute of Limitations | (231) | -0- | -0- |
| Unrecognized Tax Benefit December 31, | \$ 5,718 | \$ 5,806 | \$ 5,255 |

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is \$4,633 at December 31, 2009 and \$4,692 at December 31, 2008. The Company recognizes accrued interest and penalties related to unrecognized tax benefits in income tax expense. During the year ended December 31, 2009 and 2008, the Company recognized approximately \$42 and \$94, respectively, in net interest and penalties. The Company had approximately \$673 and \$631 for the payment of interest and penalties accrued at December 31, 2009 and 2008, respectively. The Company does not expect that the unrecognized tax benefit will change significantly within the next twelve months.

Deferred taxes have not been provided on undistributed earnings of the Company's foreign subsidiaries as it is the Company's policy and intent to permanently reinvest such earnings. The Company has determined that it is not practical to determine the deferred tax liability on such undistributed earnings.

NOTE I Stock Plan

Under the provisions of the Company's 1998 Long-Term Incentive Plan, as amended (1998 Plan), which is administered by the Compensation Committee of the Company's Board of Directors, incentive stock options, non-statutory stock options, stock appreciation rights (SARs), restricted shares, performance shares or stock awards may be awarded to directors and all employees of the Company and its subsidiaries. Stock options will be exercisable in whole or in installments as may be determined provided that no options will be exercisable more than ten years from date of grant. The exercise price will be the fair

Table of Contents**PARK-OHIO HOLDINGS CORP. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

market value at the date of grant. The aggregate number of shares of the Company's common stock that may be awarded under the 1998 Plan is 3,100,000, all of which may be incentive stock options. No more than 500,000 shares shall be the subject of awards to any individual participant in any one calendar year.

The fair value of significant stock option awards granted during 2008 and 2007 was estimated at the date of grant using a Black-Scholes option-pricing method with the following assumptions:

Assumptions:

| | 2008 | 2007 |
|--|-------------|-------------|
| Weighted average fair value per option | \$ 7.48 | \$ 12.92 |
| Risk-free interest rate | 3.33% | 4.62% |
| Dividend yield | 0% | 0% |
| Expected stock volatility | 53% | 57% |
| Expected life years | 6.0 | 6.0 |

The weighted average fair market value of options issued for the fiscal year ended December 31, 2008 and 2007 was estimated to be \$7.48 and \$12.92 per share, respectively. There were no options awarded in 2009.

There were no options awarded during the year ended December 31, 2009.

Historical information was the primary basis for the selection of the expected dividend yield, and expected volatility. The SEC simplified method per Staff Accounting Bulletin No. 107 is the basis for the assumptions of the expected lives of the options. The Company uses the simplified method, pursuant to the guidance in Staff Accounting Bulletins No. 107 and 110, to value the expected lives of its plain vanilla options in accordance with ASC 718 because it believes that it is unable to rely on its historical exercise data as a reasonable basis upon which to estimate the expected lives based upon the following:

Most of our historical grant and exercise data are from options granted with an option exercise price of \$1.91 in November 2001. The employees included in this grant were middle management to executive level whereas current option grants are at the executive level. Therefore, exercise data from the November 2001 grant are not representative of current option grants. The size of our recent option grants is small, and only a select few executives now receive options. Exercises for the executives are particularly driven by their individual tax considerations. Other factors are share price growth and elapsed time. The data on these drivers are insufficient to support estimates of future expected lives of new grants and historical exercise data for the executives are sparse due to short elapsed option lives and unfavorable share price paths. The Company will discontinue using the simplified method when it can rely on its historical exercise data.

The risk-free interest rate was based upon yields of U.S. zero coupon issues and U.S. Treasury issues, with a term equal to the expected life of the option being valued. Forfeitures were estimated at 3% for 2008 and 2007.

Table of Contents**PARK-OHIO HOLDINGS CORP. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

A summary of option activity as of December 31, 2009 and changes during the year then ended is presented below:

| | | | 2009 | | |
|-------------------------------|-----------------------------|--|--|----|--|
| | Number of Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term | | Aggregate Intrinsic Value |
| Outstanding beginning of year | 901,050 | \$ 4.28 | | | |
| Granted | -0- | -0- | | | |
| Exercised | (410,000) | 1.91 | | | |
| Canceled or Expired | -0- | -0- | | | |
| Outstanding end of year | 491,050 | \$ 6.26 | 4.0 years | \$ | 931 |
| Options Exercisable | 421,050 | 7.31 | 3.6 years | | 877 |

Exercise prices for options outstanding as of December 31, 2009 range from \$1.91 to \$6.28, \$13.40 to \$15.61 and \$20.00 to \$24.92. The number of options outstanding at December 31, 2009, which correspond with these ranges, are 283,300, 161,500 and 46,250, respectively. The number of options exercisable at December 31, 2009, which correspond to these ranges are 276,633, 113,583 and 30,834, respectively. The weighted average contractual life of these options is 4.0 years.

The fair value provisions for option awards resulted in compensation expense of \$396, \$436, and \$412 (before tax), for 2009, 2008 and 2007, respectively.

The number of shares available for future grants for all plans at December 31, 2009 is 408,200.

The total intrinsic value of options exercised during the years ended December 31, 2009, 2008 and 2007 was \$104, \$343 and \$2,318, respectively. Net cash proceeds from the exercise of stock options were \$783, \$147 and \$340, respectively. There were no income tax benefits because the Company had a net operating loss carryforward.

A summary of restricted share activity for the year ended December 31, 2009 is as follows:

| | | | 2009 | |
|-------------------------------|---------------------------------|----|---|--|
| | Number of Shares | | Weighted Average Grant Date Fair Value | |
| Outstanding beginning of year | 174,501 | \$ | 14.93 | |

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| | | |
|-------------------------|-----------|---------|
| Granted | 644,700 | 3.50 |
| Vested | (105,541) | 13.39 |
| Canceled or expired | (18,250) | 3.49 |
| Outstanding end of year | 695,410 | \$ 4.58 |

The Company recognized compensation expense of \$1,969, \$1,677 and \$1,651 for the years ended December 31, 2009, 2008 and 2007, respectively, relating to restricted shares.

The total fair value of restricted stock units vested during the years ended December 31, 2009, 2008 and 2007 was \$797, \$1,235 and \$2,953, respectively.

On September 11, 2008, the Company delayed the vesting of 61,970 restricted shares of the Company's common stock held by two of the Company's officers. In lieu of vesting the restricted shares, the officers agreed to exchange 61,970 shares of restricted stock for 61,970 restricted stock units. The restricted stock

Table of Contents

PARK-OHIO HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

units were fully vested and will be paid in shares of the Company's common stock either upon termination of employment with the Company or when the deduction by the Company for such payment would not be prohibited under Section 162(m) of the Internal Revenue Code.

The Company recognizes compensation cost of all share-based awards as an expense on a straight-line basis over the vesting period of the awards.

As of December 31, 2009, the Company had unrecognized compensation expense of \$2,599, before taxes, related to stock option awards and restricted shares. The unrecognized compensation expense is expected to be recognized over a total weighted average period of 1.8 years.

NOTE J Legal Proceedings

The Company is subject to various pending and threatened lawsuits in which claims for monetary damages are asserted in the ordinary course of business. While any litigation involves an element of uncertainty, in the opinion of management, liabilities, if any, arising from currently pending or threatened litigation is not expected to have a material adverse effect on the Company's financial condition, liquidity and results of operations.

NOTE K Pensions and Postretirement Benefits

The Company and its subsidiaries have pension plans, principally noncontributory defined benefit or noncontributory defined contribution plans, covering substantially all employees. In addition, the Company has two unfunded postretirement benefit plans. For the defined benefit plans, benefits are based on the employee's years of service. For the defined contribution plans, the costs charged to operations and the amount funded are based upon a percentage of the covered employees' compensation.

Table of Contents**PARK-OHIO HOLDINGS CORP. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following tables set forth the change in benefit obligation, plan assets, funded status and amounts recognized in the consolidated balance sheet for the defined benefit pension and postretirement benefit plans as of December 31, 2009 and 2008:

| | Pension | | Postretirement Benefits | |
|---|----------------|-------------|--------------------------------|-------------|
| | 2009 | 2008 | 2009 | 2008 |
| Change in benefit obligation | | | | |
| Benefit obligation at beginning of year | \$ 48,383 | \$ 48,320 | \$ 19,961 | \$ 18,711 |
| Service cost | 471 | 439 | 61 | 87 |
| Interest cost | 2,748 | 2,892 | 1,053 | 1,215 |
| Amendments | 10 | -0- | (920) | -0- |
| Actuarial losses (gains) | 1,446 | 1,150 | 279 | 2,348 |
| Benefits and expenses paid, net of contributions | (4,238) | (4,418) | (2,146) | (2,400) |
| Benefit obligation at end of year | \$ 48,820 | \$ 48,383 | \$ 18,288 | \$ 19,961 |
| Change in plan assets | | | | |
| Fair value of plan assets at beginning of year | \$ 87,368 | \$ 118,878 | \$ -0- | \$ -0- |
| Actual return on plan assets | 16,725 | (27,092) | -0- | -0- |
| Company contributions | -0- | -0- | 2,146 | 2,400 |
| Cash transfer to fund postretirement benefit payments | (1,600) | -0- | -0- | -0- |
| Benefits and expenses paid, net of contributions | (4,238) | (4,418) | (2,146) | (2,400) |
| Fair value of plan assets at end of year | \$ 98,255 | \$ 87,368 | \$ -0- | \$ -0- |
| Funded (underfunded) status of the plans | \$ 49,435 | \$ 38,985 | \$ (18,288) | \$ (19,961) |

Amounts recognized in the consolidated balance sheets consist of:

| | Pension | | Postretirement Benefits | |
|---|----------------|-------------|--------------------------------|-------------|
| | 2009 | 2008 | 2009 | 2008 |
| Noncurrent assets | \$ 49,435 | \$ 38,985 | \$ -0- | \$ -0- |
| Noncurrent liabilities | -0- | -0- | 11,111 | 11,757 |
| Current liabilities | -0- | -0- | 2,197 | 2,290 |
| Accumulated other comprehensive (income) loss | 15,900 | 25,131 | 4,980 | 5,914 |
| Net amount recognized at the end of the year | \$ 65,335 | \$ 64,116 | \$ 18,288 | \$ 19,961 |

Amounts recognized in accumulated other comprehensive (income) loss

| | | | | |
|---|-----------|-----------|----------|----------|
| Net actuarial loss/(gain) | \$ 15,819 | \$ 24,972 | \$ 4,980 | \$ 5,914 |
| Net prior service cost (credit) | 253 | 372 | -0- | -0- |
| Net transition obligation (asset) | (172) | (213) | -0- | -0- |
| Accumulated other comprehensive (income) loss | \$ 15,900 | \$ 25,131 | \$ 4,980 | \$ 5,914 |

As of December 31, 2009 and 2008, the Company's defined benefit pension plans did not hold a material amount of shares of the Company's common stock.

Table of Contents**PARK-OHIO HOLDINGS CORP. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The pension plan weighted-average asset allocation at December 31, 2009 and 2008 and target allocation for 2010 are as follows:

| Asset Category | Target 2010 | Plan Assets | |
|-----------------------|--------------------|--------------------|-------------|
| | | 2009 | 2008 |
| Equity securities | 60-65% | 69.3% | 54.0% |
| Debt securities | 25-30 | 9.9 | 11.6 |
| Other | 15-20 | 20.8 | 34.4 |
| | 100% | 100% | 100% |

The following table sets forth, by level within the fair value hierarchy, the pension plans assets:

| | Level 2 | Total |
|---|----------------|--------------|
| Collective trust and pooled insurance funds: | | |
| Common stock | \$ 52,507 | \$ 52,507 |
| Equity Funds | 12,727 | 12,727 |
| Foreign Stock | 2,590 | 2,590 |
| Convertible Securities | 1,063 | 1,063 |
| U.S. Government Obligations | 4,900 | 4,900 |
| Fixed income funds | 4,588 | 4,588 |
| Cash and Cash Equivalents | 19,779 | 19,779 |
| Other | 100 | 100 |
| | \$ 98,254 | \$ 98,254 |

The following tables summarize the assumptions used by the consulting actuary and the related cost information.

| | Weighted-Average assumptions as of December 31, | | | | | |
|--------------------------------|--|-------------|-------------|--------------------------------|-------------|-------------|
| | Pension | | | Postretirement Benefits | | |
| | 2009 | 2008 | 2007 | 2009 | 2008 | 2007 |
| Discount rate | 5.50% | 6.00% | 6.25% | 5.50% | 6.00% | 6.25% |
| Expected return on plan assets | 8.25% | 8.25% | 8.25% | N/A | N/A | N/A |
| Rate of compensation increase | N/A | N/A | N/A | N/A | N/A | N/A |

In determining its expected return on plan assets assumption for the year ended December 31, 2009, the Company considered historical experience, its asset allocation, expected future long-term rates of return for each major asset class, and an assumed long-term inflation rate. Based on these factors, the Company derived an expected return on plan assets for the year ended December 31, 2009 of 8.25%. This assumption was supported by the asset return generation model, which projected future asset returns using simulation and asset class correlation.

Table of Contents**PARK-OHIO HOLDINGS CORP. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

For measurement purposes, a 7.0% and a 9.5% annual rate of increase in the per capita cost of covered medical health care benefits and drug benefits, respectively were assumed for 2009. The rates were assumed to decrease gradually to 5.0% for medical for 2011 and 5.0% for drug for 2012 and remain at that level thereafter.

| | Pension Benefits | | | Postretirement Benefits | | |
|---|------------------|-------------|-------------|-------------------------|----------|----------|
| | 2009 | 2008 | 2007 | 2009 | 2008 | 2007 |
| Components of net periodic benefit cost | | | | | | |
| Service costs | \$ 471 | \$ 439 | \$ 334 | \$ 61 | \$ 87 | \$ 180 |
| Interest costs | 2,748 | 2,892 | 2,842 | 1,053 | 1,215 | 1,103 |
| Expected return on plan assets | (7,036) | (9,634) | (9,049) | -0- | -0- | -0- |
| Transition obligation | (40) | (47) | (38) | -0- | -0- | -0- |
| FAS 88 one-time charge | -0- | -0- | 80 | -0- | -0- | -0- |
| Amortization of prior service cost | 129 | 137 | 138 | -0- | (52) | (63) |
| Recognized net actuarial (gain) loss | 910 | (100) | 13 | 294 | 369 | 227 |
| Benefit (income) costs | \$ (2,818) | \$ (6,313) | \$ (5,680) | \$ 1,408 | \$ 1,619 | \$ 1,447 |
| Other changes in plan assets and benefit obligations recognized in other comprehensive (income) loss | | | | | | |
| AOCI at beginning of year | \$ 25,131 | \$ (12,756) | \$ (8,144) | \$ 5,914 | \$ 3,884 | \$ 7,038 |
| Net (gain)/loss | (8,241) | 37,876 | (4,499) | 280 | 2,347 | (2,990) |
| Recognition of prior service cost/(credit) | (120) | (137) | (138) | (920) | 52 | 63 |
| Recognition of (gain)/loss | (870) | 148 | 25 | (294) | (369) | (227) |
| Total recognized in other comprehensive (income) loss at end of year | \$ 15,900 | \$ 25,131 | \$ (12,756) | \$ 4,980 | \$ 5,914 | \$ 3,884 |

The estimated net (gain), prior service cost and net transition (asset) for the defined benefit pension plans that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the year ending December 31, 2010 are \$330, \$62 and \$(40), respectively.

The estimated net loss and prior service cost for the postretirement plans that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the year ending December 31, 2010 is \$386 and \$(96), respectively.

Below is a table summarizing the Company's expected future benefit payments and the expected payments due to Medicare subsidy over the next ten years:

| | Pension | | Postretirement Benefits | |
|--------------|-----------------|--------------|--|---|
| | Benefits | Gross | Expected Medicare Subsidy | Net including Medicare Subsidy |
| 2010 | 4,088 | 2,434 | 237 | 2,197 |
| 2011 | 3,988 | 2,353 | 235 | 2,118 |
| 2012 | 3,901 | 2,190 | 236 | 1,954 |
| 2013 | 3,873 | 2,087 | 229 | 1,858 |
| 2014 | 3,802 | 1,999 | 218 | 1,781 |
| 2015 to 2019 | 18,172 | 7,996 | 916 | 7,080 |

Table of Contents**PARK-OHIO HOLDINGS CORP. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The Company has two postretirement benefit plans. Under both of these plans, health care benefits are provided on both a contributory and noncontributory basis. The assumed health care cost trend rate has a significant effect on the amounts reported. A one-percentage-point change in the assumed health care cost trend rate would have the following effects:

| | 1-Percentage Point Increase | 1-Percentage Point Decrease |
|---|--|--|
| Effect on total of service and interest cost components in 2009 | \$ 91 | \$ (79) |
| Effect on postretirement benefit obligation as of December 31, 2009 | \$ 1,309 | \$ (1,170) |

The total contribution charged to pension expense for the Company's defined contribution plans was \$301 in 2009, \$2,081 in 2008 and \$2,068 in 2007. During March 2009, the Company suspended indefinitely its voluntary contribution to its 401(k) defined contribution plan covering substantially all U.S. employees. The Company expects to have no contributions to its defined benefit plans in 2010.

In January 2008, a Supplemental Executive Retirement Plan (SERP) for the Company's Chairman of the Board of Directors and Chief Executive Officer (CEO) was approved by the Compensation Committee of the Board of Directors of the Company. The SERP provides an annual supplemental retirement benefit for up to \$375 upon the CEO's termination of employment with the Company. The vested retirement benefit will be equal to a percentage of the Supplemental Pension that is equal to the ratio of the sum of his credited service with the Company prior to January 1, 2008 (up to a maximum of thirteen years), and his credited service on or after January 1, 2008 (up to a maximum of seven years) to twenty years of credited service. In the event of a change in control before the CEO's termination of employment, he will receive 100% of the Supplemental Pension. The Company recorded an expense of \$389 related with the SERP in 2009 and 2008. Additionally, a non-qualified defined contribution retirement benefit was also approved in which the Company will credit \$94 quarterly (\$375 annually) for a seven year period to an account in which the CEO will always be 100% vested. The seven year period began on March 31, 2008.

NOTE L Leases

Future minimum lease commitments during each of the five years following December 31, 2009 and thereafter are as follows: \$12,477 in 2010, \$9,216 in 2011, \$5,739 in 2012, \$3,600 in 2013, \$2,185 in 2014 and \$3,598 thereafter. Rental expense for 2009, 2008 and 2007 was \$12,812, \$14,400 and \$14,687, respectively.

Certain of the Company's leases are with related parties at an annual rental expense of approximately \$2,000. Transactions with related parties are in the ordinary course of business, are conducted on an arms length basis, and are not material to the Company's financial position, results of operations or cash flows.

Table of Contents**PARK-OHIO HOLDINGS CORP. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE M Earnings Per Share**

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

| | Year Ended December 31, | | |
|--|--------------------------------|--------------|-------------|
| | 2009 | 2008 | 2007 |
| NUMERATOR | | | |
| Net (loss) income | \$ (5,209) | \$ (119,803) | \$ 21,197 |
| DENOMINATOR | | | |
| Denominator for basic earnings per share weighted average shares | 10,968 | 11,008 | 11,106 |
| Effect of dilutive securities: | | | |
| Employee stock options | -0- | -0- | 545 |
| Denominator for diluted earnings per share weighted average shares and assumed conversions | 10,968 | 11,008 | 11,651 |
| Amounts per common share: | | | |
| Basic | \$ (.47) | \$ (10.88) | \$ 1.91 |
| Diluted | \$ (.47) | \$ (10.88) | \$ 1.82 |

Basic earnings per common share is computed as net income available to common shareholders divided by the weighted average basic shares outstanding. Diluted earnings per common share is computed as net income available to common shareholders divided by the weighted average diluted shares outstanding. Pursuant to ASC 260 Earnings Per Share when a loss is reported the denominator of diluted earnings per share cannot be adjusted for the dilutive impact of stock options and awards because doing so will result in anti-dilution. Therefore, for the years ended December 31, 2009 and 2008, basic weighted-average shares outstanding are used in calculating diluted earnings per share.

Outstanding stock options with exercise prices greater than the average price of the common shares are anti-dilutive and are not included in the computation of diluted earnings per share. Stock options for 32,000 shares of common stock were excluded in the year ended December 31, 2007.

NOTE N Accumulated Comprehensive Loss

The components of accumulated comprehensive loss at December 31, 2009 and 2008 are as follows:

| | December 31, |
|--|-----------------------|
| | 2009 2008 |

| | | |
|--|------------|-------------|
| Foreign currency translation adjustment | \$ 6,950 | \$ 3,982 |
| Unrealized net losses on marketable securities, net of tax | -0- | (413) |
| Pension and postretirement benefit adjustments, net of tax | (12,064) | (21,050) |
| Total | \$ (5,114) | \$ (17,481) |

NOTE O Restructuring and Unusual Charges

In 2009 and 2008, due to volume declines and volatility in the automotive markets along with the general economic downturn, the Company evaluated its long-lived assets in accordance with ASC 360 Property, Plant and Equipment. The Company determined whether the carrying amount of its long-lived assets was recoverable by comparing the carrying amount to the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the assets. If the carrying value of the assets

Table of Contents**PARK-OHIO HOLDINGS CORP. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

exceeded the expected cash flows, the Company estimated the fair value of these assets to determine whether an impairment existed. During 2008, based on the results of these tests, the Company recorded asset impairment charges. In addition, the Company made a decision to exit its relationship with its largest customer, Navistar, effective December 31, 2008 which along with the general economic downturn resulted in either the closure, downsizing or consolidation of eight facilities in its distribution network. The Company's restructuring activities were substantially completed in 2009. In 2008, the Company recorded asset impairment charges of \$30,875, which were composed of \$5,544 of inventory impairment included in Cost of Products Sold, \$1,758 for a loss on disposition of a foreign subsidiary, \$564 of severance costs (80 employees) and \$23,009 for impairment of property and equipment and other long-term assets. Below is a summary of these charges by segment.

| | Asset Impairment | Cost of Products Sold | Loss on Disposal of Foreign Subsidiary | Severance Costs | Total |
|-----------------------|-----------------------------|--------------------------------------|---|----------------------------|--------------|
| Supply Technologies | \$ 6,143 | \$ 4,965 | \$ 1,758 | \$ 564 | \$ 13,430 |
| Aluminum Products | 12,575 | 579 | -0- | -0- | 13,154 |
| Manufactured Products | 4,291 | -0- | -0- | -0- | 4,291 |
| | \$ 23,009 | \$ 5,544 | \$ 1,758 | \$ 564 | \$ 30,875 |

The accrued liability for severance costs and related cash payments consisted of:

| | |
|----------------------------------|--------|
| Balance at January 1, 2008 | \$ -0- |
| Severance costs recorded in 2008 | 564 |
| Cash payments made in 2008 | (19) |
| Balance at December 31, 2008 | 545 |
| Cash payments made in 2009 | (460) |
| Balance at December 31, 2009 | \$ 85 |

In the fourth quarter of 2009, due to weakness in the general economy including the railroad industry, the Company recorded \$7,003 of asset impairment charges which were composed of \$1,797 for inventory impairment and \$5,206 for impairment of property and equipment and other long-term assets. Below is a summary of these charges by segment.

Asset Cost of

| | Impairment | Products Sold | Total |
|-----------------------|-------------------|----------------------|--------------|
| Supply Technologies | \$ 2,206 | \$ 1,797 | \$ 4,003 |
| Manufactured Products | 3,000 | -0- | \$ 3,000 |
| | \$ 5,206 | \$ 1,797 | \$ 7,003 |

NOTE P Subsequent Event

On March 8, 2010 the Company amended and restated its existing credit facility to, along with other changes, extend the term of the facility to June 30, 2013. See Note G.

Table of Contents**Supplementary Financial Data****Selected Quarterly Financial Data (Unaudited)**

| | Quarter Ended | | | |
|---------------------------|--|----------------|-----------------|----------------|
| | March 31 | June 30 | Sept. 30 | Dec. 31 |
| | (Dollars in thousands, except per share data) | | | |
| 2009 | | | | |
| Net sales | \$ 181,250 | \$ 163,405 | \$ 168,597 | \$ 187,795 |
| Gross profit | 23,862 | 29,328 | 22,659 | 27,998 |
| Net income (loss) | \$ (5,462) | \$ 3,272 | \$ (3,224) | \$ 205 |
| Amounts per common share: | | | | |
| Basic | \$ (.50) | \$.30 | \$ (.29) | \$.02 |
| Diluted | \$ (.50) | \$.29 | \$ (.29) | \$.02 |
| 2008 | | | | |
| Net sales | \$ 267,090 | \$ 285,940 | \$ 266,148 | \$ 249,579 |
| Gross profit | 38,693 | 43,735 | 39,389 | 27,643 |
| Net income (loss) | \$ 3,482 | \$ 5,717 | \$ (9,068) | \$ (119,934) |
| Amounts per common share: | | | | |
| Basic | \$.31 | \$.52 | \$ (.82) | \$ (10.96) |
| Diluted | \$.30 | \$.49 | \$ (.82) | \$ (10.96) |

Note 1 In the second quarter of 2009, the Company recorded a gain of \$3,096 on the purchase of \$6,125 aggregate principal amount of 8.375% senior subordinated notes due 2014 issued by Park-Ohio Industries, Inc.

Note 2 In the second quarter of 2009, the Company recorded a charge of \$2,015 to reserve for an account receivable from a customer in bankruptcy.

Note 3 In the third quarter of 2009, the Company recorded a gain of \$2,011 on the purchase of \$4,090 aggregate principal amount of 8.375% senior subordinated notes due 2014 issued by Park-Ohio Industries, Inc.

Note 4 In the third quarter of 2009, the Company recorded a charge of \$2,139 to reserve for an account receivable from a customer in bankruptcy.

Note 5 In the fourth quarter of 2009, the Company recorded a gain of \$1,190 on the purchase of \$4,935 aggregate principal amount of 8.375% senior subordinated notes due 2014 issued by Park-Ohio Industries, Inc.

Note 6 In the fourth quarter of 2009, the Company recorded \$7,003 of restructuring and asset impairment charges associated with weakness in the general economy, including in the railroad industry.

Note 7 In the third quarter of 2008, the Company recorded \$18,059 of restructuring and asset impairment charges associated with the weakness and volatility in the automotive markets (\$13,189 in the Aluminum Products segment and \$4,291 in the Manufactured Products segment). Inventory impairment charges of \$579 were included in Cost of Products Sold and \$17,480 were included in Restructuring and impairment charges.

Note 8 In the fourth quarter of 2008, the Company recorded a non-cash goodwill impairment charge of \$95,763.

Table of Contents

- Note 9** In the fourth quarter of 2008, the Company recorded a gain of \$6,232 on the purchase of \$11,015 aggregate principal amount of 8.375% senior subordinated notes due 2014 issued by Park-Ohio Industries, Inc. The notes were not contributed to Park-Ohio Industries, Inc., but were held by Park-Ohio Holdings Corp.
- Note 10** In the fourth quarter of 2008, the Company recorded \$13,430 of restructuring and asset impairment charges associated with the decision to exit its relationship with its largest customer along with the general economic downturn resulting in either the closure, downsizing or consolidation of eight facilities in its distribution network. Impairment charges were offset by a gain of \$614 recorded in the Aluminum Products segment relating to the sale of certain facilities that were previously written off.
- Note 11** In the fourth quarter of 2008, the Company recorded a valuation allowance of \$33,466 for its net deferred tax asset.

Table of Contents**Schedule II****PARK-OHIO HOLDINGS CORP.
SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS AND RESERVES**

| Description | Balance at Beginning of Period | Charged to Costs and Expenses | Deductions and Other | Balance at End of Period |
|----------------------------------|---|--|-------------------------------------|---|
| Year Ended December 31, 2009: | | | | |
| Allowances deducted from assets: | | | | |
| Trade receivable allowances | \$ 3,044 | \$ 6,527 | \$ (1,183)(A) | \$ 8,388 |
| Inventory Obsolescence reserve | 22,313 | 7,153 | (8,010)(B) | 21,456 |
| Tax valuation allowances | 34,921 | (1,815) | (2,438)(D) | 30,668 |
| Product warranty liability | 5,402 | 704 | (3,346)(C) | 2,760 |
| Year Ended December 31, 2008: | | | | |
| Allowances deducted from assets: | | | | |
| Trade receivable allowances | \$ 3,724 | \$ 1,429 | \$ (2,109)(A) | \$ 3,044 |
| Inventory Obsolescence reserve | 20,432 | 5,385 | (3,505)(B) | 22,312 |
| Tax valuation allowances | 2,217 | 33,625 | (921) | 34,921 |
| Product warranty liability | 5,799 | 4,202 | (4,599)(C) | 5,402 |
| Year Ended December 31, 2007: | | | | |
| Allowances deducted from assets: | | | | |
| Trade receivable allowances | \$ 4,305 | \$ 1,609 | \$ (2,190)(A) | \$ 3,724 |
| Inventory Obsolescence reserve | 22,978 | 4,383 | (6,929)(B) | 20,432 |
| Tax valuation allowances | 316 | 1,901 | -0-(D) | 2,217 |
| Product warranty liability | 3,557 | 4,526 | (2,284)(C) | 5,799 |

Note (A)- Uncollectible accounts written off, net of recoveries.

Note (B)- Amounts written off or payments incurred, net of acquired reserves.

Note (C)- Loss and loss adjustment.

Note (D)- Amounts recorded in other comprehensive income.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

There were no changes in or disagreements with the Company's independent auditors on accounting and financial disclosure matters within the two-year period ended December 31, 2009.

Item 9A. Controls and Procedures

Evaluation of disclosure controls and procedures

As of the end of the period covered by this report, we carried out an evaluation , under the supervision and with the participation of our Chairman and Chief Executive Officer and our Vice President and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(e) and Rule 15d-15(e) of the Securities Exchange Act of 1934, as amended (Exchange Act). Based upon this evaluation, our Chairman and Chief Executive Officer and Vice President and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective.

Table of Contents

Management's Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. As required by Rule 13a-15(c) under the Exchange Act, management carried out an evaluation, with participation of the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of its internal control over financial reporting as of December 31, 2009. The framework on which such evaluation was based is contained in the report entitled "Internal Control

Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO Report). Based upon the evaluation described above under the framework contained in the COSO Report, the Company's management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2009.

Ernst & Young LLP, the Company's independent registered public accounting firm, has issued an audit report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2009 based on the framework contained in the COSO Report. This report is included at page 36 of this annual report on Form 10-K and is incorporated herein by reference.

Changes in internal control over financial reporting

There have been no changes in the Company's internal control over financial reporting that occurred during the fourth quarter of 2009 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None.

Table of Contents**Part III****Item 10. Directors, Executive Officers and Corporate Governance**

The information concerning directors, the identification of the audit committee and the audit committee financial expert and the Company's code of ethics required under this item is incorporated herein by reference from the material contained under the captions "Election of Directors" and "Certain Matters Pertaining to the Board of Directors and Corporate Governance," as applicable, in the Company's definitive proxy statement for the 2010 annual meeting of shareholders to be filed with the SEC pursuant to Regulation 14A not later than 120 days after the close of the fiscal year (the "Proxy Statement"). The information concerning Section 16(a) beneficial ownership reporting compliance is incorporated herein by reference from the material contained under the caption "Principal Shareholders - Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement. Information relating to executive officers is contained in Part I of this annual report on Form 10-K.

Item 11. Executive Compensation

The information relating to executive officer and director compensation and the compensation committee report contained under the heading "Executive Compensation" in the Proxy Statement is incorporated herein by reference. The information relating to compensation committee interlocks contained under the heading "Certain Matters Pertaining to the Board of Directors and Corporate Governance - Compensation Committee Interlocks and Insider Participation" in the Proxy Statement is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required under this item is incorporated herein by reference from the material contained under the caption "Principal Shareholders" in the Proxy Statement, except that information required by Item 201(d) of Regulation S-K can be found below.

The following table provides information about the Company's common stock that may be issued under the Company's equity compensation plan as of December 31, 2009.

Equity Compensation Plan Information

| Plan Category | Number of securities to be issued upon | Weighted-average exercise price of | Number of securities remaining available for future issuance under equity compensation plans |
|----------------------|---|---|---|
| | exercise price of outstanding options, warrants and rights | outstanding options, warrants and rights | (excluding securities reflected in column (a)) |
| | (a) | (b) | (c) |
| | | | |

| | | | | |
|--|---------|----|------|---------|
| Equity compensation plans approved by security holders(1) | 408,200 | \$ | 6.26 | 899,250 |
| Equity compensation plans not approved by security holders | -0- | | -0- | -0- |
| Total | 408,200 | \$ | 6.26 | 899,250 |

(1) Includes the Company's Amended and Restated 1998 Long-Term Incentive Plan.

Table of Contents

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required under this item is incorporated herein by reference to the material contained under the captions Certain Matters Pertaining to the Board of Directors and Corporate Governance Company Affiliations with the Board of Directors and Nominees and Transactions With Related Persons in the Proxy Statement.

Item 14. Principal Accountant Fees and Services

The information required under this item is incorporated herein by reference to the material contained under the caption Audit Committee Independent Auditor Fee Information in the Proxy Statement.

Table of Contents

Part IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) The following financial statements are included in Part II, Item 8 of this annual report on Form 10-K:

| | Page |
|--|-------------|
| Report of Independent Registered Public Accounting Firm | 35 |
| Report of Independent Registered Public Accounting Firm | 36 |
| Consolidated Balance Sheets December 31, 2009 and 2008 | 37 |
| Consolidated Statements of Operations Years Ended December 31, 2009, 2008 and 2007 | 38 |
| Consolidated Statements of Shareholders Equity Years Ended December 31, 2009, 2008 and 2007 | 39 |
| Consolidated Statements of Cash Flows Years Ended December 31, 2009, 2008 and 2007 | 40 |
| Notes to Consolidated Financial Statements | 41 |
| Selected Quarterly Financial Data (Unaudited) Years Ended December 31, 2009 and 2008 | 62 |
| (2) Financial Statement Schedules | |
| The following consolidated financial statement schedule of Park-Ohio Holdings Corp. is included in Item 8: | |
| Schedule II Valuation and Qualifying accounts | 64 |

All other schedules for which provision is made in the applicable accounting regulations of the SEC are not required under the related instructions or are not applicable and, therefore, have been omitted.

(3) Exhibits:

The exhibits filed as part of this annual report on Form 10-K are listed on the Exhibit Index immediately preceding such exhibits and are incorporated herein by reference.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PARK-OHIO HOLDINGS CORP. (Registrant)

By: /s/ Jeffrey L. Rutherford

Jeffrey L. Rutherford, Vice President
and Chief Financial Officer

Date: March 15, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons in the capacities and on the dates indicated.

| | | |
|-----------------------|--|----------------|
| * | Chairman, Chief Executive Officer and Director | March 15, 2010 |
| Edward F. Crawford | | |
| * | Vice President and Chief Financial Officer (Principal Financial and Accounting Officer) | |
| Jeffrey L. Rutherford | | |
| * | President, Chief Operating Officer and Director | |
| Matthew V. Crawford | | |
| * | Director | |
| Patrick V. Auletta | | |
| * | Director | |
| Kevin R. Greene | | |
| * | Director | |
| A. Malachi Mixon, III | | |
| * | Director | |
| Dan T. Moore | | |
| * | Director | |
| Ronna Romney | | |
| * | Director | |
| James W. Wert | | |

*

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The undersigned, pursuant to a Power of Attorney executed by each of the directors and officers identified above and filed with the Securities and Exchange Commission, by signing his name hereto, does hereby sign and execute this report on behalf of each of the persons noted above, in the capacities indicated.

March 15, 2010

By: /s/ Robert D. Vilsack

Robert D. Vilsack, Attorney-in-Fact

69

Table of Contents

**ANNUAL REPORT ON FORM 10-K
PARK-OHIO HOLDINGS CORP.**

For the Year Ended December 31, 2009

EXHIBIT INDEX

Exhibit

- 3.1 Amended and Restated Articles of Incorporation of Park-Ohio Holdings Corp. (filed as Exhibit 3.1 to the Form 10-K of Park-Ohio Holdings Corp. for the year ended December 31, 1998, SEC File No. 000-03134 and incorporated by reference and made a part hereof)
- 3.2 Code of Regulations of Park-Ohio Holdings Corp. (filed as Exhibit 3.2 to the Form 10-K of Park-Ohio Holdings Corp. for the year ended December 31, 1998, SEC File No. 000-03134 and incorporated by reference and made a part hereof)
- 4.1 Second Amended and Restated Credit Agreement, dated June 20, 2007, among Park-Ohio Industries, Inc., the other loan parties thereto, the lenders thereto and JP Morgan Chase Bank, N.A. (successor by merger to Bank One, NA), as agent (filed as exhibit 4.1 to Form 10-Q of Park-Ohio Holdings Corp. on November 9, 2009, SEC File No. 000-03134 and incorporated by reference and made a part hereof)
- 4.2 Indenture, dated as of November 30, 2004, among Park-Ohio Industries, Inc., the Guarantors (as defined therein) and Wells Fargo Bank, NA, as trustee (filed as Exhibit 4.1 to the Form 8-K of Park-Ohio Holdings Corp. filed on December 6, 2004, SEC File No. 000-03134 and incorporated herein by reference and made a part hereof)
- 10.1 Form of Indemnification Agreement entered into between Park-Ohio Holdings Corp. and each of its directors and certain officers (filed as Exhibit 10.1 to the Form 10-K of Park-Ohio Holdings Corp. for the year ended December 31, 1998, SEC File No. 000-03134 and incorporated by reference and made a part hereof)
- 10.2* Amended and Restated 1998 Long-Term Incentive Plan (filed as Exhibit 10.1 to Form 8-K of Park-Ohio Holdings Corp., filed on June 3, 2009, SEC File No. 000-03134 and incorporated by reference and made a part hereof)
- 10.3* Form of Restricted Share Agreement between the Company and each non-employee director (filed as Exhibit 10.1 to Form 8-K of Park-Ohio Holdings Corp. filed on January 25, 2005, SEC File No. 000-03134 and incorporated herein by reference and made a part hereof).
- 10.4* Form of Restricted Share Agreement for Employees (filed as Exhibit 10.1 to Form 10-Q for Park-Ohio Holdings Corp. for the quarter ended September 30, 2006, SEC File No. 000-03134 and incorporated herein by reference and made a part hereof)
- 10.5* Form of Incentive Stock Option Agreement (filed as Exhibit 10.5 to Form 10-K of Park-Ohio Holdings Corp. for the year ended December 31, 2004, SEC File No. 000-03134 and incorporated by reference and made a part hereof)
- 10.6* Form of Non-Statutory Stock Option Agreement (filed as Exhibit 10.6 to Form 10-K of Park-Ohio Holdings Corp. for the year ended December 31, 2004, SEC File No. 000-03134 and incorporated herein by reference and made a part hereof)
- 10.7* Summary of Annual Cash Bonus Plan for Chief Executive Officer (filed as Exhibit 10.1 to Form 10-Q for Park-Ohio Holdings Corp. for the quarter ended March 31, 2005, SEC File No. 000-03134 and incorporated herein by reference and made a part hereof)
- 10.8* Supplemental Executive Retirement Plan for Edward F. Crawford, effective as of March 10, 2008 (filed as Exhibit 10.9 to Form 10-K of Park-Ohio Holdings Corp. for the year ended December 31, 2007, SEC

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- File No. 000-03134 and incorporated by reference and made a part hereof)
- 10.9* Non-qualified Defined Contribution Retirement Benefit Letter Agreement for Edward F. Crawford, dated March 10, 2008 (filed as Exhibit 10.10 to Form 10-K of Park-Ohio Holdings Corp. for the year ended December 31, 2007, SEC File No. 000-03134 and incorporated by reference and made a part hereof)
- 10.11 Agreement of Settlement and Release, dated July 1, 2008 (filed as Exhibit 10.1 to Form 10-Q of Park-Ohio Holdings Corp. for the quarter ended September 30, 2008, SEC File No. 000-03134 and incorporated herein by reference and made a part hereof)

Table of Contents

Exhibit

- 21.1 List of Subsidiaries of Park-Ohio Holdings Corp.
- 23.1 Consent of Independent Registered Public Accounting Firm
- 24.1 Power of Attorney
- 31.1 Principal Executive Officer's Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Principal Financial Officer's Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification requirement under Section 906 of the Sarbanes-Oxley Act of 2002

* Reflects management contract or other compensatory arrangement required to be filed as an exhibit pursuant to Item 15(c) of this Report.