

PARK NATIONAL CORP /OH/

Form 10-K

February 28, 2007

**Table of Contents**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-K**

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

**For the fiscal year ended December 31, 2006**

**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: 1-13006**

**Park National Corporation**

(Exact name of Registrant as specified in its charter)

**Ohio**

(State or other jurisdiction of  
incorporation or organization)

**31-1179518**

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

**50 North Third Street, P.O. Box 3500, Newark,**

**Ohio**

(Address of principal executive offices)

**43058-3500**

(Zip Code)

**(740) 349-8451**

(Registrant's telephone number, including area code)

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

Title of each class

Name of each exchange on which registered

Common Shares, without par value

American Stock Exchange LLC

Securities registered pursuant to Section 12(g) of the Act: **None**

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

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 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, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common

equity, as of the last business day of the Registrant's most recently completed second fiscal quarter: **As of June 30, 2006, the aggregate market value of the Registrant's common shares (the only common equity of the Registrant) held by non-affiliates of the Registrant was \$1,264,808,216 based on the closing sale price as reported on the American Stock Exchange LLC.**

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding at February 21, 2007
Common Shares, without par value	13,923,994 common shares

**DOCUMENTS INCORPORATED BY REFERENCE**

Document	Parts Into Which Incorporated
Portions of the Registrant's 2006 Annual Report	Parts I and II
Portions of the Registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on April 16, 2007	Part III

**TABLE OF CONTENTS**

**PART I**

**ITEM 1. BUSINESS**

**ITEM 1A. RISK FACTORS**

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

**ITEM 2. PROPERTIES**

**ITEM 3. LEGAL PROCEEDINGS**

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

**PART II**

**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

**ITEM 6. SELECTED FINANCIAL DATA**

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION**

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

**ITEM 9A. CONTROLS AND PROCEDURES**

**ITEM 9B. OTHER INFORMATION**

**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

**ITEM 11. EXECUTIVE COMPENSATION**

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

**SIGNATURES**

**INDEX TO EXHIBITS**

**EX-2.1(B)**

**EX-4**

**EX-10.7(A)**

**EX-10.7(B)**

**EX-10.17(B)**

**EX-12**

**EX-13**

**EX-23.1**

**EX-23.2**

**EX-24**

**EX-31.1**

**EX-31.2**

**EX-32**

**EX-99.1(B)**

**EX-99.2(B)**

**EX-99.3(B)**

**EX-99.4(B)**

**Table of Contents**

**PART I**

**ITEM 1. BUSINESS.**

**General**

Park National Corporation ( Park ) is a bank holding company registered under the Bank Holding Company Act of 1956, as amended (the Bank Holding Company Act ). Park was incorporated under Ohio law in 1992. Park s principal executive offices are located at 50 North Third Street, Newark, Ohio 43055, and its telephone number is (740) 349-8451. Park s common shares are listed on the American Stock Exchange LLC ( AMEX ) under the symbol PRK.

Park maintains an Internet website at www.parknationalcorp.com (this uniform resource locator, or URL, is an inactive textual reference only and is not intended to incorporate Park s Internet website into this Annual Report on Form 10-K). Park makes available free of charge on or through its Internet website, Park s annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act ), as soon as reasonably practicable after Park electronically files such material with, or furnishes it to, the Securities and Exchange Commission (the SEC ).

Park s principal business consists of owning and supervising its subsidiaries. Although Park directs the overall policies of its subsidiaries, including lending policies and financial resources, most day-to-day affairs are managed by its subsidiaries respective officers.

**Subsidiary Banks**

Through its subsidiary banks:

The Park National Bank ( Park National Bank ), a national banking association with its main office in Newark, Ohio and financial service offices in Butler, Clermont, Delaware, Fairfield, Franklin, Hamilton, Licking and Montgomery Counties in Ohio and Boone County in Kentucky;

The Richland Trust Company ( Richland Trust Company ), an Ohio state-chartered bank with its main office in Mansfield, Ohio and financial service offices in Richland County, Ohio;

Century National Bank, a national banking association with its main office in Zanesville, Ohio and financial service offices in Athens, Coshocton, Hocking, Muskingum, Perry and Tuscarawas Counties in Ohio;

The First-Knox National Bank of Mount Vernon ( First-Knox National Bank ), a national banking association with its main office in Mount Vernon, Ohio and financial service offices in Ashland, Holmes, Knox, Morrow and Richland Counties in Ohio;

**Table of Contents**

United Bank, N.A. ( United Bank ), a national banking association with its main office in Bucyrus, Ohio and financial service offices in Crawford and Marion Counties in Ohio;

Second National Bank, a national banking association with its main office in Greenville, Ohio and offices in Darke and Mercer Counties in Ohio;

The Security National Bank and Trust Co. ( Security National Bank ), a national banking association with its main office in Springfield, Ohio and financial service offices in Clark, Fayette, Greene and Miami Counties in Ohio; and

The Citizens National Bank of Urbana ( Citizens National Bank ), a national banking association with its main office in Urbana, Ohio and financial service offices in Champaign and Madison Counties in Ohio,

Through its subsidiary banks, Park engages in the commercial banking and trust business. This commercial banking and trust business is primarily conducted in small and medium population Ohio communities as of the date of this Annual Report on Form 10-K. Please see the discussion of the pending merger with Vision Bancshares, Inc. under the section captioned **Recent Developments Pending Merger with Vision Bancshares, Inc.** below.

Park National Bank operates through three banking divisions with the Park National Division headquartered in Newark, Ohio, the Fairfield National Division headquartered in Lancaster, Ohio, and The Park National Bank of Southwest Ohio & Northern Kentucky division headquartered in Milford, Ohio. First-Knox National Bank operates through two banking divisions with the First-Knox National Division headquartered in Mount Vernon, Ohio, and the Farmers and Savings Division headquartered in Loudonville, Ohio. Security National Bank also operates through two banking divisions with the Security National Division headquartered in Springfield, Ohio, and the Unity National Division (formerly The Third Savings and Loan Company) headquartered in Piqua, Ohio.

Park's subsidiary banks comprise Park's reportable segments. Financial information about Park's reportable segments is included in Note 20 of the Notes to Consolidated Financial Statements located on pages 60 and 61 of Park's 2006 Annual Report. That financial information is incorporated herein by reference.

At December 31, 2006 and as of the date of this Annual Report on Form 10-K, Park's subsidiary banks operated 138 financial service offices and a network of 142 automated teller machines. These financial service offices span 29 Ohio counties—Ashland, Athens, Butler, Champaign, Clark, Clermont, Coshocton, Crawford, Darke, Delaware, Fairfield, Fayette, Franklin, Greene, Hamilton, Hocking, Holmes, Knox, Licking, Madison, Marion, Mercer, Miami, Montgomery, Morrow, Muskingum, Perry, Richland and Tuscarawas—as well as Boone County in northern Kentucky.

Consolidated Computer Center, a division of Park National Bank, handles the data processing needs of Park's subsidiaries.

**Table of Contents**

**Consumer Finance Subsidiary**

Guardian Financial Services Company ( Guardian Finance ), an Ohio consumer finance company based in Hilliard, Ohio, also operates as a separate subsidiary of Park. Guardian Finance provides consumer finance services in the central Ohio area. As of the date of this Annual Report on Form 10-K, Guardian Finance had eight financial service offices spanning seven counties in Ohio: Clark, Delaware, Fairfield, Franklin, Licking, Montgomery and Richland. Financial information about Guardian Finance is included in the All Others category for purposes of the reportable segment information included in Note 20 of the Notes to Consolidated Financial Statements located on pages 60 and 61 of Park s 2006 Annual Report. This financial information is immaterial for purposes of separate disclosure.

**Leasing Subsidiaries**

Scope Leasing, Inc. ( Scope Leasing ), a subsidiary of Park National Bank, specializes in aircraft financing. Scope Leasing s customers include small businesses and entrepreneurs intending to use the aircraft for business or pleasure. Scope Leasing serves customers throughout the United States.

Another subsidiary of Park National Bank, Park Leasing Company ( Park Leasing ), was formed in 2001 for the purpose of participating in an automobile leasing program with a major national insurance company. However, that program was terminated during the fourth quarter of 2004 and Park Leasing is winding down its operations.

**Insurance Agency Subsidiary**

Park National Bank also has an insurance agency subsidiary, Park Insurance Group, Inc. ( Park Insurance Group ). Park Insurance Group was formed in 2002 and offers life insurance and other insurance products through licensed representatives who work for Park s subsidiary banks. However, Park Insurance Group s results to date have not been material to the consolidated entity.

**Title Agency Subsidiary**

Park National Bank holds 80% of the voting membership interest of Park Title Agency, LLC. ( Park Title Agency ). Park Title Agency is a traditional title agency serving the central Ohio area.

**Other Subsidiaries**

Park Investments, Inc., a subsidiary of Park National Bank, Richland Investments, Inc., a subsidiary of Richland Trust Company, and MFS Investments, Inc., a subsidiary of Century National Bank, operate as asset management companies. Their operations are not significant to the consolidated entity.

Park Capital Investments, Inc. ( Park Capital ), a subsidiary of Park; Park National Capital LLC, whose members are Park Capital and Park National Bank; First-Knox National Capital LLC, whose members are Park Capital and First-Knox National Bank; Security National Capital LLC, whose members are Park Capital and Security National Bank; and Century National Capital LLC,

**Table of Contents**

whose members are Park Capital and Century National Bank, operate as capital management companies. Their operations are also not significant to the consolidated entity.

Park's remaining subsidiaries are inactive.

**Recent Developments**

**Expansion within Ohio**

Park National Bank has concentrated on further expanding its operations in three metropolitan areas in Ohio during the past two years. The metropolitan areas are Columbus, Cincinnati and Dayton. During 2005, Park National Bank opened a financial service office in Worthington (near Columbus), opened a financial service office in West Chester (near Cincinnati) and relocated its downtown Dayton financial service office to the Dayton suburb of Centerville.

On June 12, 2006, the seven financial service offices which had comprised the First Clermont Division of Park National Bank (located in Amelia, Eastgate (2 offices), Milford (2 offices), New Richmond and Owensville, Ohio) were combined with the three Park National Bank financial service offices in southwest Ohio (located in Cincinnati, Dayton and West Chester) to form The Park National Bank of Southwest Ohio & Northern Kentucky division. On September 11, 2006, Park National Bank converted its loan production office located in Florence, Kentucky (near Cincinnati) into a full-service financial service office. Since Kentucky law permits an out-of-state bank, such as Park National Bank, to establish a full-service branch in Kentucky only through a merger transaction, Park had created a wholly-owned subsidiary, The Park National Bank of Kentucky. Immediately after its formation, The Park National Bank of Kentucky was merged with and into Park National Bank. The Florence, Kentucky financial service office is part of The Park National Bank of Southwest Ohio & Northern Kentucky division.

On December 18, 2006, Park completed the acquisition of Anderson Bank Company, an Ohio state-chartered commercial bank ( Anderson ), through the merger of Anderson into Park National Bank. The two offices of Anderson, located in Anderson Township on the east side of Cincinnati and in Amelia, Ohio, became part of The Park National Bank of Southwest Ohio & Northern Kentucky division. The shareholders of Anderson received aggregate consideration consisting of 86,137 common shares of Park (valued at \$8.665 million or \$100.60 per share) and \$9.052 million in cash.

Management of Park National Bank expects to continue to add to the financial service office locations in the Cincinnati, Columbus and Dayton markets over the next two years.

**Pending Merger with Vision Bancshares, Inc.**

On September 14, 2006, Park and Vision Bancshares, Inc. ( Vision ) jointly announced the signing of an agreement and plan of merger (the Vision Merger Agreement ) providing for the merger of Vision into Park. Vision is an Alabama bank holding company headquartered in Panama City, Florida. Vision has two community bank affiliates, both named Vision Bank. One bank is headquartered in Gulf Shores, Alabama ( Vision Alabama ) and the other in Panama City, Florida ( Vision Florida ). Pursuant to the terms of the Vision Merger Agreement, J. Daniel Sizemore is to



**Table of Contents**

become a director of Park as of the effective time of the merger. The Vision Merger Agreement provides that the members of the Boards of Directors of Vision Alabama and Vision Florida will continue to serve following the merger until their respective successors are duly qualified and elected. In addition, C. Daniel DeLawder, Park's Chairman of the Board and Chief Executive Officer, will become a director of each of Vision Alabama and Vision Florida following the merger. As contemplated by the terms of the Vision Merger Agreement, on September 14, 2006, Park, together with Vision Alabama and Vision Florida, as applicable, entered into employment agreements with five executive officers of Vision (J. Daniel Sizemore (Chairman of the Board, Chief Executive Officer and President of Vision and Chairman of the Board and Chief Executive Officer of Vision Alabama and Vision Florida), William E. Blackmon (Executive Vice President and Chief Financial Officer of Vision and Vision Alabama), Andrew W. Braswell (Executive Vice President and Senior Lending Officer of Vision Alabama), Joey W. Ginn (President of Vision Florida), and Robert S. McKean (President of Vision Alabama)) as well as with seven other senior officers of Vision Alabama and Vision Florida. Each of these employment agreements will become effective at the effective time of the merger.

At the special meeting of shareholders of Vision held on February 20, 2007, the Vision shareholders approved the Vision Merger Agreement.

Park and Vision have submitted applications to the Board of Governors of the Federal Reserve System (the Federal Reserve Board), the Alabama Banking Department and the Florida Office of Financial Regulation seeking approval of the merger and the acquisition by Park of Vision Alabama and Vision Florida as a result of the merger. The application submitted to the Federal Reserve Board was approved on February 21, 2007. The application submitted to the Alabama Banking Department was approved on February 23, 2007. As of the date of this Annual Report on Form 10-K, the application submitted to the Florida Office of Financial Regulation was still pending. The approvals by the Federal Reserve Board and the Alabama Banking Department are subject to compliance by Park, Vision, Vision Alabama and Vision Florida with certain representations, commitments and covenants. In addition, the merger may not be consummated for 15 days after the date of the approval by the Federal Reserve Board, during which time the United States Department of Justice may bring an action challenging the merger on antitrust grounds.

The merger transaction is also subject to the satisfaction of customary closing conditions in the Vision Merger Agreement. Park anticipates the transaction will close on or about March 9, 2007, assuming that all required conditions to closing have been satisfied.

Under the terms of the Vision Merger Agreement, the shareholders of Vision are entitled to receive, in exchange for their shares of Vision common stock, either (a) cash, (b) Park common shares, or (c) a combination of cash and Park common shares, subject to the election and allocation procedures set forth in the Vision Merger Agreement. Park will cause the requests of the Vision shareholders to be allocated on a pro-rata basis so that 50% of the shares of Vision common stock outstanding at the effective time of the merger will be exchanged for cash at the rate of \$25.00 per share of Vision common stock and the other 50% of the outstanding shares of Vision common stock will be exchanged for Park common shares at the exchange rate of 0.2475 Park common shares for each share of Vision common stock. This allocation is subject to adjustment for cash paid in lieu of fractional Park common shares in accordance with the terms of the Vision Merger Agreement.

**Table of Contents**

As of January 8, 2007 (the record date for the Vision special meeting of shareholders), 6,114,518 shares of Vision common stock were outstanding and 828,834 shares of Vision common stock were subject to outstanding stock options with a weighted average exercise price of \$8.21 per share. Each outstanding stock option (that is not exercised prior to the election deadline specified in the Vision Merger Agreement) granted under one of Vision's equity-based compensation plans will be cancelled and extinguished and converted into the right to receive an amount of cash equal to (1) (a) \$25.00 multiplied by (b) the number of shares of Vision common stock subject to the unexercised portion of the stock option minus (2) the aggregate exercise price for the shares of Vision common stock subject to the unexercised portion of the stock option.

The cash paid to the shareholders of Vision will be funded through the working capital of Park.

As of December 31, 2006, Vision, as consolidated with Vision Alabama and Vision Florida, had total assets of \$691 million, total loans of \$588 million and total deposits of \$587 million. Vision Alabama and its 100 employees provide general retail and commercial banking services principally to customers in Baldwin County, Alabama through Vision Alabama's seven locations in Gulf Shores, Orange Beach, Point Clear, Foley, Fairhope, Elberta and Daphne. Vision Florida and its 78 employees provide general retail and commercial banking services to customers in Bay, Gulf, Okaloosa and Walton Counties in the panhandle of Florida through Vision Florida's eight full-service offices located in Panama City, Panama City Beach (2 offices), Santa Rosa Beach, Wewahitchka, Port St. Joe, Port St. Joe Beach and Destin. All of the branch locations of Vision Alabama and Vision Florida are leased properties except for the Wewahitchka, Port St. Joe and Port St. Joe Beach locations. The markets served by Vision Alabama and Vision Florida are expected to grow much faster than many of the non-metropolitan markets in which Park's subsidiary banks operate in Ohio.

Vision Alabama is a state bank organized under the laws of the State of Alabama and its deposits are insured by the Federal Deposit Insurance Corporation ( FDIC ) up to the maximum amount permitted by law. Vision Alabama is subject to regulation, supervision and regular examination by the Superintendent of the Alabama State Banking Department and the FDIC. Federal and state banking laws and regulations regulate, among other things, the scope of the banking business conducted by Vision Alabama, its loans and investments, reserves against deposits, mergers and acquisitions, borrowings, dividends, minimum capital requirements and the locations of branch offices and certain facilities. The relationships of Vision Alabama with its executive officers, directors and affiliates are also the subject to statutory and regulatory requirements.

Under the Alabama Banking Code, a state bank may not declare or pay a dividend in excess of 90% of the net earnings of such bank until the surplus of the bank is equal to at least 20% of its capital, and thereafter the prior written approval of the Superintendent of the Alabama Banking Department is required if the total of all dividends declared by the bank in any calendar year exceeds the total of its net earnings for that year combined with its retained net earnings for the preceding two years less any required transfers to surplus. No dividends, withdrawals or transfers

**Table of Contents**

may be made from the bank's surplus without prior written approval of the Superintendent of the Alabama Banking Department.

Vision Florida is organized under the laws of the State of Florida and its deposits are insured by the FDIC up to the maximum amount permitted by law. Vision Florida is subject to regulation, supervision and regular examination by the State of Florida's Office of Financial Regulation and the FDIC. Federal and state banking laws and regulations regulate, among other things, the scope of the banking business conducted by Vision Florida, its loans and investments, reserves against deposits, mergers and acquisitions, borrowings, dividends, minimum capital requirements and the locations of branch offices and certain facilities. The relationships of Vision Florida to its executive officers, directors and affiliates are also the subject of statutory and regulatory requirements.

Under Florida law, a bank generally may pay dividends out of net profits for the period for which dividends are declared combined with retained net profits of the preceding two years. Before declaring a dividend on its common stock, a bank must carry 20% of its net profits for the preceding period that is covered by the dividend to its surplus fund, until the same shall at least equal the amount of its common and preferred stock then issued and outstanding. A bank may not declare any dividend at any time at which its net income from the current year combined with the retained net income from the preceding two years is a loss or which would cause the capital accounts of the bank to fall below the minimum amount required by law, regulation, order, or any written agreement with the office or a state or federal regulatory agency.

Vision Bancshares Financial Group, Inc., a wholly-owned subsidiary of Vision Alabama, conducts permissible insurance and securities networking activities and is licensed with the Alabama Department of Insurance as a provider. In an agency capacity, Vision Bancshares Financial Group, Inc. offers its customers fixed and variable annuities, life insurance, property and casualty insurance, and investment products. Vision Bancshares Financial Group, Inc. is subject to examination by the Alabama Department of Insurance and Alabama State Securities Commission.

On December 5, 2005, Vision, through its subsidiary, Vision Bancshares Trust I (the Vision Trust), a Delaware statutory trust, sold to institutional investors \$15.0 million of floating rate preferred securities. Holders of the preferred securities are entitled to receive preferential cumulative cash distributions from the Vision Trust, at a rate per annum reset quarterly equal to the sum of three-month LIBOR plus 148 basis points. Vision, through various contractual arrangements, fully and unconditionally guaranteed all of the Vision Trust's obligations with respect to the preferred securities. The sole asset of the Vision Trust is \$15.5 million of junior subordinated debentures issued by Vision. These junior subordinated debentures also carry the same floating rate as the preferred securities. Both the preferred securities and the junior subordinated debentures mature on December 30, 2035; however, the maturity of both may be shortened to a date not earlier than December 30, 2010. Vision can defer payment of interest on the junior subordinated debentures, and the Vision Trust can defer payment of the cash distributions on the preferred securities, at any time or from time to time for a period not to exceed twenty consecutive quarters. Following the merger of Vision into Park, Park, as successor to Vision, will assume and become bound by the terms of the indenture agreement governing the junior subordinated debentures issued by Vision to the Vision Trust.

**Table of Contents**

Vision and Vision Alabama currently lease real property associated with Vision Alabama's branch locations in Gulf Shores and Orange Beach, Alabama from Gulf Shores Investment Group, LLC, an Alabama limited liability company. The following directors and executive officers of Vision and Vision Alabama are members of Gulf Shores Investment Group, LLC: Gordon Barnhill, Jr., R. J. Billingsley, Julian Brackin, Joe C. Campbell, William D. Moody, James R. Owen, Jr., Donald W. Peak, Rick A. Phillips, Daniel M. Scarbrough, MD, J. Daniel Sizemore, George W. Skipper, III, Thomas Gray Skipper, J. Douglas Warren, Patrick Willingham and Royce T. Winborne. Vision and Vision Alabama also lease real property associated with Vision Alabama's branch location in Elberta, Alabama from Elberta Holdings, LLC, an Alabama limited liability company. J. Daniel Sizemore and James R. Owen, Jr., are both members of Elberta Holdings, LLC.

Vision and Vision Florida currently lease real property associated with Vision Florida's branch location in Panama City, Florida from Bay County Investment Group, LLC, a Florida limited liability company. The following directors and executive officers of Vision and Vision Florida are members of Bay County Investment Group, LLC: Warren Banach, Gordon Barnhill, Jr., Julian B. Brackin, R. J. Billingsley, James D. Campbell, DDS, Joe C. Campbell, Jr., Joey W. Ginn, Charles S. Isler, III, William D. Moody, James R. Owen, Jr., Donald W. Peak, Rick A. Phillips, Daniel M. Scarbrough, MD, George W. Skipper, III, Thomas Gray Skipper, J. Daniel Sizemore, J. Douglas Warren, Patrick Willingham, Lana Jane Lewis-Brent, Jimmy Patronis, Jr., John S. Robbins, Jerry F. Sowell, Jr., and James R. Strohmer, MD.

Following the closing of the merger of Vision with and into Park, the real property leased by Vision and Vision Alabama from Gulf Shores Investment Group, LLC in Gulf Shores, Alabama will be purchased by Vision Alabama for a purchase price of \$2,400,000, the real property leased by Vision and Vision Alabama from Gulf Shores Investment Group, LLC in Orange Beach, Alabama will be purchased for a purchase price of \$2,000,000, the real property leased by Vision and Vision Alabama from Elberta Holdings, LLC in Elberta, Alabama will be purchased by Vision Alabama for a purchase price of \$880,000 and the real property leased by Vision and Vision Florida from Bay County Investment Group, LLC in Panama City, Florida will be purchased by Vision Florida for a purchase price of \$2,975,000. Each purchase price represents the average of the appraised values obtained on behalf of each of Park and Vision. Each branch location will be purchased for cash. Prior to purchasing any such property, Vision Alabama or Vision Florida, as appropriate, will calculate its capital stock and surplus for purposes of 12 C.F.R. § 223.3 in order to confirm that the amount of the proposed covered transaction, when combined with other covered transactions, will satisfy the limitations in respect of covered transactions set forth in Regulation W promulgated by the Federal Reserve Board. Park intends to make any additional capital contributions to Vision Alabama or Vision Florida which may be necessary to ensure that the limitations in respect of covered transactions are satisfied.

**Services Provided by Park's Current Subsidiaries**

All of Park's subsidiary banks and their respective divisions provide the following principal services:  
the acceptance of deposits for demand, savings and time accounts and the servicing of those accounts;

**Table of Contents**

commercial, industrial, consumer and real estate lending, including installment loans, credit cards, home equity lines of credit and commercial and auto leasing;

trust services;

cash management;

safe deposit operations;

electronic funds transfers;

online Internet banking with bill pay service; and

a variety of additional banking-related services tailored to the needs of individual customers.

Park believes that the deposit mix of its subsidiary banks is such that no material portion has been obtained from a single customer and, consequently, the loss of any one customer of any subsidiary bank would not have a materially adverse effect on the business of that subsidiary bank or Park.

Guardian Finance also provides consumer finance services.

**Lending Activities**

Park's subsidiary banks deal with consumers as well as with a wide cross-section of businesses and corporations located primarily in the 29 Ohio counties and one Kentucky county served by their financial service offices. Relatively few loans are made to borrowers outside these counties. Each subsidiary bank makes lending decisions in accordance with the written loan policy adopted by Park which is designed to maintain loan quality. Each subsidiary bank originates and retains for its own portfolio commercial and commercial real estate loans, variable rate residential real estate loans, home equity lines of credit, installment loans and credit card loans. Each subsidiary bank also generates fixed rate residential real estate loans for the secondary market. In addition, Park's subsidiary banks purchased approximately \$27 million of loan participations from Vision Alabama and Vision Florida during the fourth quarter of 2006.

Guardian Finance originates and retains for its own portfolio consumer installment loans. Guardian Finance also makes lending decisions in accordance with the written loan policy adopted by Park.

There are certain risks inherent in making loans. These risks include interest rate changes over the time period in which the loans may be repaid, risks resulting from changes in the economy, risks inherent in dealing with borrowers and, in the case of loans secured by collateral, risks resulting from uncertainties about the future value of the collateral.

**Commercial Loans.** At December 31, 2006, Park's subsidiaries (including Scope Leasing) had approximately \$1,411.1 million in commercial loans outstanding (including commercial real

**Table of Contents**

estate loans) and commercial leases, representing approximately 40.5% of their total aggregate loan portfolio as of that date. Of this amount, approximately \$548.3 million represented commercial loans, \$854.9 million represented commercial real estate loans and \$7.9 million represented commercial leases.

Commercial loans are made for a wide variety of general corporate purposes, including financing for industrial and commercial properties, financing for equipment, inventories and accounts receivable and acquisition financing as well as commercial leasing. The term of each commercial loan varies by its purpose. Repayment terms are structured such that commercial loans will be repaid within the economic useful life of the underlying asset. Information concerning the loan maturity distribution within the commercial loan portfolio is provided in Table 4 included in the section of Park's 2006 Annual Report captioned "FINANCIAL REVIEW," on page 30, and is incorporated herein by reference.

The commercial loan portfolio includes loans to a wide variety of corporations and businesses across many industrial classifications in the 29 Ohio counties and one Kentucky county where Park's subsidiary banks operate. The primary industries represented by these customers include commercial real estate leasing, commercial real estate construction, manufacturing, retail trade, health care and other services.

Commercial loans are evaluated for the adequacy of repayment sources at the time of approval and are regularly reviewed for any possible deterioration in the ability of the borrower to repay the loan. The credit information required generally includes fully completed financial statements, two years of federal income tax returns and a current credit report. Loan terms include amortization schedules commensurate with the purpose of each loan, the source of each repayment and the risk involved. In most instances, collateral is required to provide an additional source of repayment in the event of default by a commercial borrower. The structure of the collateral package, including the type and amount of the collateral, varies from loan to loan depending on the financial strength of the borrower, the amount and terms of the loan and the collateral available to be pledged by the borrower. Most often, the collateral is inventory, machinery, accounts receivable or real estate. The guarantee of the principals will generally be required on loans made to closely-held business entities.

Commercial real estate loans include mortgage loans to developers and owners of commercial real estate. The lending policy for commercial real estate loans is the same as that for the commercial loan portfolio. The collateral for these loans is the underlying commercial real estate. Each subsidiary bank generally requires that the commercial real estate loan amount be no more than 85% of the purchase price or the appraised value of the real estate securing the loan. Commercial real estate loans made for each subsidiary bank's portfolio generally have a variable interest rate although occasionally a commercial real estate loan may be made with a fixed interest rate for a term generally not exceeding five years.

The regulatory limits for loans made to one borrower by Park National Bank, Richland Trust Company, Century National Bank, First-Knox National Bank, United Bank, Second National Bank, Security National Bank and Citizens National Bank were \$24.4 million, \$4.8 million, \$7.8 million, \$8.9 million, \$2.0 million, \$4.2 million, \$8.7 million and \$2.0 million, respectively, at

**Table of Contents**

December 31, 2006. Participations in loans of amounts larger than \$25.0 million are generally sold to other banks or financial institutions.

Park has a loan review program which annually evaluates substantially all (approximately 90%) of the loans with an outstanding balance greater than \$250,000. If deterioration has occurred, the lender subsidiary takes effective and prompt action designed to increase the likelihood of payment of the loan. Upon detection of the reduced ability of a borrower to service interest and/or principal on a loan, the subsidiary may downgrade the loan and, under certain circumstances, place it on nonaccrual status. The subsidiary then works with the borrower to develop a payment schedule which they anticipate will permit service of the principal and interest on the loan by the borrower. Loans which deteriorate and show the inability of a borrower to repay principal and do not meet the subsidiary's standards are charged off quarterly. Information about Park's policy for placing loans on nonaccrual status is included under the caption "Loans" in Note 1 of the Notes to Consolidated Financial Statements located on page 48 of Park's 2006 Annual Report. That information is incorporated herein by reference.

Commercial loans are generally viewed as having a higher credit risk than residential real estate or consumer loans because commercial loans usually involve larger loan balances to a single borrower and are more susceptible to a risk of default during an economic downturn. The total indebtedness of the largest single borrower within the commercial portfolio was \$21.9 million at December 31, 2006. Since commercial loans generally have variable interest rates, an increase in interest rates increases the debt service requirement for the borrowing. Credit risk for commercial loans arises from borrowers lacking the ability or willingness to pay principal or interest, and in the case of secured loans, by a shortfall in the collateral value in relation to the outstanding loan balance in the event of a default and subsequent liquidation of collateral. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers. Other collateral securing loans may depreciate over time, may be difficult to appraise and may fluctuate in value based on success of the business. Information concerning the loan loss experience and allowance for loan losses related to the commercial loan portfolio and the commercial real estate portfolio is provided in Tables 8 and 9 included in the section of Park's 2006 Annual Report captioned "FINANCIAL REVIEW," on page 34, and is incorporated herein by reference.

Park National Bank also leases equipment under terms similar to the commercial lending policies described above. Park Commercial Leasing, a division of Park National Bank, originates and services direct leases of equipment which it acquires with no outside financing. Commercial leases are primarily secured by equipment and have little residual risk since the residual values are generally ten percent or less of the financed amount. The estimated residual values of equipment leases are established at inception by determining the estimated residual value for the equipment from the appropriate industry leasing guide. Management re-evaluates the estimated residual values of equipment leases on a quarterly basis from a review of the industry leasing guides.

***Aircraft Financing.*** Scope Leasing specializes in aircraft financing. Scope Leasing's customers include small businesses and entrepreneurs intending to use the aircraft for business or pleasure. The customers of Scope Leasing are located throughout the United States. The lending officers of Scope Leasing are experienced in the aircraft financing industry and rely upon that experience and industry guides in determining whether to grant an aircraft loan or lease. At

**Table of Contents**

December 31, 2006, Scope Leasing had outstanding approximately \$68.1 million in loans primarily secured by aircraft (which are included in the commercial loan portfolio). In addition to the loans outstanding at December 31, 2006, Scope Leasing had \$4.2 million of operating leases primarily secured by aircraft.

**Consumer Loans.** At December 31, 2006, Park's subsidiary banks, together with Park Leasing and Guardian Finance, had outstanding consumer loans (including automobile leases and credit cards) in an aggregate amount of approximately \$534.3 million, constituting approximately 15.4% of their aggregate total loan portfolio. Of this amount, approximately \$532.1 million represented consumer loans and \$2.2 million represented automobile leases. These subsidiaries make installment credit available to customers and prospective customers in their primary market area of central and southern Ohio. Park Leasing had participated in an automobile leasing program with a major national insurance company. However, that program was terminated during the fourth quarter of 2004 and automobile lease lending is de-emphasized. Park Leasing had approximately \$1.1 million of automobile leases outstanding at December 31, 2006.

Credit approval for consumer loans requires demonstration of sufficient income to repay principal and interest due, stability of employment, a positive credit record and sufficient collateral for secured loans. It is the policy of Park's subsidiaries to adhere strictly to all laws and regulations governing consumer lending. A qualified compliance officer is responsible for monitoring each subsidiary's performance in this area and for advising and updating loan personnel. Each subsidiary reviews its consumer loan portfolio monthly and charges off loans which do not meet that subsidiary's standards. Information about Park's policy for placing loans on nonaccrual status is included under the caption Loans in Note 1 of the Notes to Consolidated Financial Statements located on page 48 of Park's 2006 Annual Report. That information is incorporated herein by reference. Each subsidiary bank (other than The Park National Bank of Southwest Ohio & Northern Kentucky division of Park National Bank) also offers credit card accounts through its consumer lending department. These accounts are administered under the same standards as other consumer loans and leases.

Consumer loans generally have a higher risk of default than real estate mortgage loans. Consumer loans typically have shorter terms and lower balances with higher yields as compared to real estate mortgage loans, but generally carry higher risks of default. Consumer loan collections are dependent on the borrower's continuing financial stability, and thus are more likely to be affected by adverse personal circumstances. Furthermore, the application of various federal and state laws, including bankruptcy and insolvency laws, may limit the amount that can be recovered on these loans. Information concerning the loan loss experience and allowance for loan losses related to the consumer loan portfolio is provided in Tables 8 and 9 included in the section of Park's 2006 Annual Report captioned FINANCIAL REVIEW, on page 34, and is incorporated herein by reference.

**Residential Real Estate and Construction Loans.** At December 31, 2006, Park's subsidiary banks had outstanding approximately \$1,535.3 million in residential real estate, home equity lines of credit and construction mortgages, representing approximately 44.1% of total loans outstanding. Of this amount, approximately \$1,079.0 million represented residential real estate loans, \$221.3 million represented home equity lines of credit and \$235.0 million represented construction loans.



**Table of Contents**

The market area for real estate lending by the subsidiary banks is concentrated in central and southern Ohio.

Credit approval for residential real estate loans requires demonstration of sufficient income to repay the principal and interest and the real estate taxes and insurance, stability of employment, a positive credit record and the appropriate appraised value of the real estate securing the loan. All loans are sent through automated underwriting to determine a risk classification. All loans receiving a risk classification of caution require review by a senior lender and generally require additional documentation if the loan is approved.

Each subsidiary bank generally requires that the residential real estate loan amount be no more than 80% of the purchase price or the appraised value of the real estate securing the loan, unless private mortgage insurance is obtained by the borrower. Loans made for each subsidiary bank's portfolio in this lending category are generally adjustable rate, fully amortized mortgages. Each subsidiary bank also originates fixed rate real estate loans for the secondary market. These loans are generally sold immediately after closing. All real estate loans are secured by first mortgages with evidence of title in favor of the subsidiary bank in the form of an attorney's opinion of title or a title insurance policy. Each subsidiary bank also requires proof of hazard insurance with the subsidiary bank named as the mortgagee and as the loss payee. Independent appraisals are generally obtained for consumer real estate loans.

Home equity lines of credit are generally made as second mortgages by Park's subsidiary banks. The maximum amount of a home equity line of credit is generally limited to 85% of the appraised value of the property less the balance of the first mortgage. The home equity lines of credit are written with ten-year terms. A variable interest rate is generally charged on the home equity lines of credit.

Information concerning the loan loss experience and allowance for loan losses related to the residential real estate portfolio is provided in Tables 8 and 9 included in the section of Park's 2006 Annual Report captioned FINANCIAL REVIEW, on page 34, and is incorporated herein by reference.

Construction loans include commercial construction loans as well as residential construction loans. Construction loans may be in the form of a permanent loan or a short-term construction loan, depending on the needs of the individual borrower. Generally, the permanent construction loans have a variable interest rate although occasionally a permanent construction loan may be made with a fixed interest rate for a term generally not exceeding five years. Short-term construction loans are made with variable interest rates. Information concerning the loan maturity distribution within the construction financing portfolio is provided in Table 4 included in the section of Park's 2006 Annual Report captioned FINANCIAL REVIEW, on page 30, and is incorporated herein by reference.

Construction financing is generally considered to involve a higher degree of risk of loss than long-term financing on improved, occupied real estate. Risk of loss on a construction loan depends largely upon the accuracy of the initial estimate of the property's value at completion of construction and the estimated cost (including interest) of construction. If the estimate of construction cost proves to be inaccurate, the subsidiary bank making the loan may be required to

**Table of Contents**

advance funds beyond the amount originally committed to permit completion of the project. If the estimate of value proves inaccurate, the subsidiary bank may be confronted, at or prior to the maturity of the loan, with a project having a value insufficient to assure full repayment, should the borrower default. In the event a default on a construction loan occurs and foreclosure follows, the subsidiary bank must take control of the project and attempt either to arrange for completion of construction or dispose of the unfinished project. Additional risk exists with respect to loans made to developers who do not have a buyer for the property, as the developer may lack funds to pay the loan if the property is not sold upon completion. Park's subsidiary banks attempt to reduce such risks on loans to developers by requiring personal guarantees and reviewing current personal financial statements and tax returns as well as other projects undertaken by the developer. Information concerning the loan loss experience and allowance for loan losses related to the construction financing portfolio is provided in Tables 8 and 9 included in the section of Park's 2006 Annual Report captioned FINANCIAL REVIEW, on page 34, and is incorporated herein by reference.

**Insurance Agency**

Park Insurance Group offers life insurance and other insurance products to its customers through licensed representatives who work for Park's subsidiary banks. Park Insurance Group's customers include current customers of Park's subsidiary banks and other residents in the 29 Ohio counties and one Kentucky county served by those subsidiaries. Park Insurance Group's results to date have not been material to the consolidated entity.

**Title Agency**

Park Title Agency is a traditional title agency serving residential and commercial customers in the central Ohio area who are seeking title insurance for purchases, construction and refinancing of real estate. Park Title Agency's customers include current customers of Park's subsidiary banks and other residents primarily in the 29 Ohio counties and one Kentucky county served by those subsidiary banks.

**Competition**

The financial services industry is highly competitive. Park's subsidiaries compete with other local, regional and national service providers, including banks, savings associations, credit unions and other types of financial institutions, finance companies, insurance agencies and title agencies. Other competitors include securities dealers, brokers, mortgage bankers, investment advisors, insurance companies and financial services subsidiaries of commercial and manufacturing companies. Many of these competitors enjoy the benefits of advanced technology, fewer regulatory constraints and lower cost structures. Many of the newer competitors offer one-stop financial services to their customers that may include services that banks and their subsidiaries may not have been able or legally permitted to offer their customers in the past. The primary factors in competing for loans are interest rates charged and overall services provided to borrowers. The primary factors in competing for deposits are interest rates paid on deposits, account liquidity, convenience and hours of office locations as well as having trained and competent staff to deliver services.

**Table of Contents**

**Employees**

As of December 31, 2006, Park and its subsidiaries had 1,892 full-time equivalent employees.

**Supervision and Regulation of Park and its Current Subsidiaries**

Park, its subsidiary banks and many of its other subsidiaries are subject to extensive regulation by federal and state agencies. The regulation of bank holding companies and their subsidiaries is intended primarily for the protection of depositors, federal deposit insurance funds and the banking system as a whole and not for the protection of shareholders.

As a bank holding company, Park is subject to regulation under the Bank Holding Company Act and to inspection, examination and supervision by the Federal Reserve Board. Park is also under the jurisdiction of the SEC and certain state securities commissions related to the offering and sale of its securities. Park is subject to the disclosure and regulatory requirements of the Securities Act of 1933, as amended, and the Exchange Act, as administered by the SEC. Park's common shares are listed on AMEX under the trading symbol PRK, and Park is subject to the AMEX rules for listed companies.

Park National Bank, Century National Bank, First-Knox National Bank, United Bank, Second National Bank, Security National Bank and Citizens National Bank, as national banking associations, are subject to regulation, supervision and examination primarily by the Office of the Comptroller of the Currency ( OCC ) and secondarily by the FDIC.

Richland Trust Company, as an Ohio state-chartered bank, is subject to regulation, supervision and examination primarily by the Ohio Division of Financial Institutions and secondarily by the FDIC.

Guardian Finance, as an Ohio state-chartered consumer finance company, is subject to regulation, supervision and examination by the Ohio Division of Financial Institutions.

Park Insurance Group, as an Ohio state-chartered insurance agency, and Park Title Agency, as an Ohio state-chartered title agency, are subject to regulation, supervision and examination by the Ohio Department of Insurance.

The following information describes selected federal and Ohio statutory and regulatory provisions and is qualified in its entirety by reference to the full text of the particular statutory or regulatory provisions. These statutes and regulations are continually under review by Congress and state legislatures and federal and state regulatory agencies. A change in statutes, regulations or regulatory policies applicable to Park and its subsidiaries could have a material effect on their respective businesses.

**Regulation of Bank Holding Companies**

Park is registered with the Federal Reserve Board as a bank holding company under the Bank Holding Company Act. Bank holding companies and their activities are subject to extensive regulation by the Federal Reserve Board. Bank holding companies are required to file reports with

**Table of Contents**

the Federal Reserve Board and such additional information as the Federal Reserve Board may require, and are subject to regular examinations by the Federal Reserve Board.

The Federal Reserve Board also has extensive enforcement authority over bank holding companies, including, among other things, the ability to:

assess civil money penalties;

issue cease and desist or removal orders; and

require that a bank holding company divest subsidiaries (including its subsidiary banks).

In general, the Federal Reserve Board may initiate enforcement actions for violations of laws and regulations and unsafe or unsound practices.

Under Federal Reserve Board policy, a bank holding company is expected to act as a source of financial strength to each subsidiary bank and to commit resources to support those subsidiary banks. Under this policy, the Federal Reserve Board may require a bank holding company to contribute additional capital to an undercapitalized subsidiary bank.

The Bank Holding Company Act requires the prior approval of the Federal Reserve Board in any case where a bank holding company proposes to:

acquire direct or indirect ownership or control of more than 5% of the voting shares of any bank that is not already majority-owned by it;

acquire all or substantially all of the assets of another bank or bank holding company; or

merge or consolidate with any other bank holding company.

The Bank Holding Company Act also prohibits a bank holding company, with certain exceptions, from acquiring more than 5% of the voting shares of any company that is not a bank and from engaging in any business other than banking or managing or controlling banks. The primary exception allows the ownership of shares by a bank holding company in any company the activities of which the Federal Reserve Board had determined as of November 19, 1999 to be so closely related to banking as to be a proper incident thereto. The Federal Reserve Board by regulation had determined that the following activities, among others, were so closely related to banking:

operating a savings association, mortgage company, finance company, credit card company or factoring company;

performing certain data processing operations;

providing investment and financial advice;

engaging in certain asset management services;

**Table of Contents**

leasing personal or real property, subject to certain restrictions; and

acting as an insurance agent for certain types of credit-related insurance.

Subsidiary banks of a bank holding company are subject to certain restrictions imposed by the Federal Reserve Act on the maintenance of reserves against deposits, extensions of credit to the bank holding company or any of its subsidiaries, investments in the stock or other securities of the bank holding company or its subsidiaries and the taking of such stock or securities as collateral for loans to any borrower. Further, a bank holding company and its subsidiaries are prohibited from engaging in certain tying arrangements in connection with any extension of credit, lease or sale of property or furnishing of any services. Various consumer laws and regulations also affect the operations of these subsidiaries.

**Transactions with Affiliates, Directors, Executive Officers and Shareholders**

Sections 23A and 23B of the Federal Reserve Act and Federal Reserve Board Regulation W restrict transactions by banks and their subsidiaries with their affiliates. An affiliate of a bank is any company or entity which controls, is controlled by or is under common control with the bank.

Generally, Sections 23A and 23B and Regulation W:

limit the extent to which a bank or its subsidiaries may engage in covered transactions with any one affiliate to an amount equal to 10% of that bank's capital stock and surplus (i.e., tangible capital);

limit the extent to which a bank or its subsidiaries may engage in covered transactions with all affiliates to 20% of that bank's capital stock and surplus; and

require that all such transactions be on terms substantially the same, or at least as favorable to the bank or subsidiary, as those provided to a non-affiliate.

The term covered transaction includes the making of loans to the affiliate, the purchase of assets from the affiliate, the issuance of a guarantee on behalf of the affiliate, the purchase of securities issued by the affiliate and other similar types of transactions.

A bank's authority to extend credit to executive officers, directors and greater than 10% shareholders, as well as entities such persons control, is subject to Sections 22(g) and 22(h) of the Federal Reserve Act and Regulation O promulgated thereunder by the Federal Reserve Board. Among other things, these loans must be made on terms substantially the same as those offered to unaffiliated individuals or be made as part of a benefit or compensation program and on terms widely available to employees, and must not involve a greater than normal risk of repayment. In addition, the amount of loans a bank may make to these persons is based, in part, on the bank's capital position, and specified approval procedures must be followed in making loans which exceed specified amounts.

**Table of Contents**

**Regulation of Nationally-Chartered Banks**

As national banking associations, Park National Bank, Century National Bank, First-Knox National Bank, United Bank, Second National Bank, Security National Bank and Citizens National Bank are subject to regulation under the National Banking Act and are periodically examined by the OCC. Furthermore, they are subject, as member banks, to certain rules and regulations of the Federal Reserve Board. Each is an insured institution as a member of the Deposit Insurance Fund. As a result, they are subject to regulation by the FDIC. In addition, the establishment of branches by each of Park National Bank, Century National Bank, First-Knox National Bank, United Bank, Second National Bank, Security National Bank and Citizens National Bank is subject to prior approval of the OCC.

**Regulation of Ohio State-Chartered Banks and Consumer Finance Companies**

The FDIC is the primary federal regulator of Richland Trust Company. The FDIC issues regulations governing the operations of Richland Trust Company and examines Richland Trust Company. The FDIC may initiate enforcement actions against insured depository institutions and persons affiliated with them for violations of laws and regulations or for engaging in unsafe or unsound practices. If the grounds provided by law exist, the FDIC may appoint a conservator or a receiver for a nonmember bank.

As a bank incorporated under Ohio law, Richland Trust Company is also subject to regulation and supervision by the Ohio Division of Financial Institutions. Division regulation and supervision affects the internal organization of Richland Trust Company, as well as its savings, mortgage lending and other investment activities. The Division of Financial Institutions may initiate supervisory measures or formal enforcement actions against Ohio commercial banks. Ultimately, if the grounds provided by law exist, the Division of Financial Institutions may place an Ohio bank in conservatorship or receivership. Whenever the Superintendent of Financial Institutions considers it necessary or appropriate, the Superintendent may also examine the affairs of any holding company or any affiliate or subsidiary of an Ohio bank.

As a consumer finance company incorporated under Ohio law, Guardian Finance is also subject to regulation and supervision by the Division of Financial Institutions. Division regulation and supervision designed to protect consumers affect the lending activities of Guardian Finance, including interest rates and certain loan terms, advertising and record retention. If grounds provided by law exist, the Division of Financial Institutions may suspend or revoke an Ohio consumer finance company's ability to make loans.

**Federal Deposit Insurance Corporation**

The FDIC is an independent federal agency which insures the deposits, up to prescribed statutory limits, of federally-insured banks and savings associations and safeguards the safety and soundness of the financial institution industry.

***Insurance Premiums***

Insurance premiums for each insured institution are determined based upon the institution's capital level and supervisory rating provided to the FDIC by the institution's primary federal

**Table of Contents**

regulator and other information the FDIC determines to be relevant to the risk posed to the deposit insurance fund by the institution. The assessment rate determined by considering such information is then applied to the amount of the institution's deposits to determine the institution's insurance premium. An increase in the assessment rate could have a material adverse effect on the earnings of the affected institutions, depending on the amount of the increase.

Insurance of deposits may be terminated by the FDIC upon a finding that the insured institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order or condition enacted or imposed by the institution's regulatory agency.

***Deposit Insurance Reform Act of 2005***

In February of 2006, President Bush signed into law the Deposit Insurance Reform Act of 2005 and its companion bill, the Deposit Insurance Reform Conforming Amendments Act of 2005 (collectively, the Deposit Insurance Reform Acts), pursuant to which the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF) were merged into a new Deposit Insurance Fund (DIF). The Deposit Insurance Reform Acts provide for several additional changes to the deposit insurance system, including the following:

Increasing the deposit insurance limit for retirement accounts from \$100,000 to \$250,000;

Adjusting the deposit insurance limits (currently \$100,000 for most accounts) every five years based on an inflation index, with the first adjustment to be effective on January 1, 2011;

Providing pass-through deposit insurance for the deposits of employee benefit plans (but prohibiting undercapitalized depository institutions from accepting employee benefit plan deposits);

Allocating an aggregate of \$4.7 billion of one-time credits to offset the premiums of depository institutions based on their assessment bases at the end of 1996;

Establishing rules for awarding cash dividends to depository institutions, based on their relative contributions to the DIF and its predecessor funds, when the DIF reserve ratio reaches certain levels; and

Revising the rules and procedures for risk-based premium assessments.

Park's management does not expect that the Deposit Insurance Reform Acts will have a significant impact on Park or its subsidiary banks in 2007.

***Liability of Commonly Controlled Banks***

Under the Federal Deposit Insurance Act, a bank is generally liable for any loss incurred, or reasonably expected to be incurred, by the FDIC in connection with (a) the default of a commonly controlled bank or (b) any assistance provided by the FDIC to a commonly controlled bank in

**Table of Contents**

danger of default. Default means generally the appointment of a conservator or receiver. In danger of default means generally the existence of conditions indicating that a default is likely to occur in the absence of regulatory assistance.

**Federal Home Loan Bank**

The Federal Home Loan Banks ( FHLBs ) provide credit to their members in the form of advances. As a member of the FHLB of Cincinnati, each of the subsidiary banks of Park must maintain an investment in the capital stock of the FHLB of Cincinnati. Each of Park's subsidiary banks is in compliance with this requirement.

Upon the origination or renewal of a loan or advance, each FHLB is required by law to obtain and maintain a security interest in certain types of collateral.

Each FHLB is required to establish standards of community investment or service that its members must maintain for continued access to long-term advances from the FHLB. The standards take into account a member's performance under the Community Reinvestment Act and its record of lending to first-time home buyers. All long-term advances by each FHLB must be made only to provide funds for residential housing finance.

**Regulatory Capital**

The Federal Reserve Board has adopted risk-based capital guidelines for bank holding companies and state member banks. The OCC and the FDIC have adopted risk-based capital guidelines for national banks and state non-member banks, respectively. The guidelines provide a systematic analytical framework which makes regulatory capital requirements sensitive to differences in risk profiles among banking organizations, takes off-balance sheet exposures expressly into account in evaluating capital adequacy, and minimizes disincentives to holding liquid, low-risk assets. Capital levels as measured by these standards are also used to categorize financial institutions for purposes of certain prompt corrective action regulatory provisions.

The minimum guideline for the ratio of total capital to risk-weighted assets (including certain off-balance sheet items such as standby letters of credit) is 8%. At least half of the minimum total risk-based capital ratio (4%) must be composed of common shareholders' equity, minority interests in certain equity accounts of consolidated subsidiaries and a limited amount of qualifying preferred stock and qualified trust preferred securities, less goodwill and certain other deductions, including the unrealized net gains and losses, after applicable taxes, on available-for-sale securities carried at fair value (commonly known as Tier 1 risk-based capital). The remainder of total risk-based capital (commonly known as Tier 2 risk-based capital) may consist of certain amounts of hybrid capital instruments, mandatory convertible debt, subordinated debt, preferred stock not qualifying as Tier 1 capital, loan and lease loss allowance and net unrealized gains on certain available-for-sale equity securities, all subject to limitations established by the guidelines.

Under the guidelines, capital is compared to the relative risk related to the balance sheet. To derive the risk included in the balance sheet, one of four risk weights (0%, 20%, 50% and 100%) is applied to different balance sheet and off-balance sheet assets, primarily based on the relative credit



**Table of Contents**

risk of the counterparty. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

The Federal Reserve Board has established minimum leverage ratio guidelines for bank holding companies. The Federal Reserve Board guidelines provide for a minimum ratio of Tier 1 capital to average assets (excluding the loan and lease loss allowance, goodwill and certain other intangibles), or leverage ratio, of 3% for bank holding companies that meet certain criteria, including having the highest regulatory rating, and 4% for all other bank holding companies. The guidelines further provide that bank holding companies making acquisitions will be expected to maintain strong capital positions substantially above the minimum levels. The OCC and the FDIC have each also adopted minimum leverage ratio guidelines for national banks and for state non-member banks, respectively.

The Federal Reserve Bank's review of certain bank holding company transactions is affected by whether the applying bank holding company is well-capitalized. To be deemed well-capitalized, the bank holding company must have a Tier 1 risk-based capital ratio of at least 6% and a total risk-based capital ratio of at least 10%, and must not be subject to any written agreement, order, capital directive or prompt corrective action directive issued by the Federal Reserve Board to meet and maintain a specific capital level for any capital measure. Park is well capitalized.

The federal banking agencies have established a system of prompt corrective action to resolve certain of the problems of undercapitalized institutions. This system is based on five capital level categories for insured depository institutions: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized.

The federal banking agencies may (or in some cases must) take certain supervisory actions depending upon a bank's capital level. For example, the banking agencies must appoint a receiver or conservator for a bank within 90 days after it becomes critically undercapitalized unless the bank's primary regulator determines, with the concurrence of the FDIC, that other action would better achieve regulatory purposes. Banking operations otherwise may be significantly affected depending on a bank's capital category. For example, a bank that is not well capitalized generally is prohibited from accepting brokered deposits and offering interest rates on deposits higher than the prevailing rate in its market, and the holding company of any undercapitalized depository institution must guarantee, in part, specific aspects of the bank's capital plan for the plan to be acceptable.

In order to be well-capitalized, a bank must have total risk-based capital of at least 10%, Tier 1 risk-based capital of at least 6% and a leverage ratio of at least 5%, and the bank must not be subject to any written agreement, order, capital directive or prompt corrective action directive to meet and maintain a specific capital level for any capital measure. Park's management believes that each of its subsidiary banks is well capitalized according to the guidelines described above. See Note 19 of the Notes to Consolidated Financial Statements located on page 59 of Park's 2006 Annual Report, which is incorporated herein by reference.

**Fiscal and Monetary Policies**

The business and earnings of Park are affected significantly by the fiscal and monetary policies of the United States Government and its agencies. Park is particularly affected by the

**Table of Contents**

policies of the Federal Reserve Board, which regulates the supply of money and credit in the United States. These policies are used in varying degrees and combinations to directly affect the availability of bank loans and deposits, as well as the interest rates charged on loans and paid on deposits.

**Limits on Dividends and Other Payments**

There are various legal limitations on the extent to which subsidiary banks may finance or otherwise supply funds to their parent holding companies. Under federal and Ohio law, subsidiary banks may not, subject to certain limited exceptions, make loans or extensions of credit to, or investments in the securities of, their bank holding companies. Subsidiary banks are also subject to collateral security requirements for any loans or extension of credit permitted by such exceptions.

None of the Park's subsidiary banks may pay dividends out of its surplus if, after paying these dividends, it would fail to meet the required minimum levels under the risk-based capital guidelines and minimum leverage ratio requirements established by the OCC and the FDIC. In addition, each subsidiary bank must have the approval of its regulatory authority if a dividend in any year would cause the total dividends for that year to exceed the sum of the subsidiary bank's current year's net profits (or net income, less dividends declared during the period based on regulatory accounting principles) and the retained net profits for the preceding two years, less required transfers to surplus. Payment of dividends by any of Park's subsidiary banks may be restricted at any time at the discretion of its regulatory authorities, if such regulatory authorities deem such dividends to constitute unsafe and/or unsound banking practices or if necessary to maintain adequate capital.

The ability of Park to obtain funds for the payment of dividends and for other cash requirements is largely dependent on the amount of dividends which may be declared by its subsidiary banks. However, the Federal Reserve Board expects Park to serve as a source of strength to its subsidiary banks, which may require Park to retain capital for further investment in its subsidiary banks, rather than pay dividends to the Park shareholders. Payment of dividends by one of Park's subsidiary banks may be restricted at any time at the discretion of its applicable regulatory authorities, if they deem such dividends to constitute an unsafe and/or unsound banking practice. These provisions could have the effect of limiting Park's ability to pay dividends on its common shares.

**Financial Activities Permitted**

Bank holding companies may become financial holding companies and thereby affiliate with securities firms and insurance companies and engage in other activities that are financial in nature. A bank holding company may become a financial holding company if each of its subsidiary banks is well capitalized, is well managed, and has at least a satisfactory rating under the Community Reinvestment Act, by filing a declaration that the bank holding company wishes to become a financial holding company. No regulatory approval will be required for a financial holding company to acquire a company, other than a bank or savings association, engaged in activities that are financial in nature or incidental to activities that are financial in nature, as determined by the Federal Reserve Board.

**Table of Contents**

Financial in nature is defined to include, in general:  
securities underwriting, dealing and market making;

sponsoring mutual funds and investment companies;

insurance underwriting and agency;

merchant banking activities; and

activities that the Federal Reserve Board has determined to be closely related to banking.

A national bank also may engage, subject to limitations on investment, in activities that are financial in nature (other than insurance underwriting, insurance company portfolio investment, real estate development and real estate investment) through a financial subsidiary of the bank, if the bank is well capitalized and well managed, has at least a satisfactory Community Reinvestment Act rating and has received the prior approval of the OCC to engage in such activities. Subsidiary banks of a financial holding company or national banks with financial subsidiaries must continue to be well capitalized and well managed in order to continue to engage in activities that are financial in nature without regulatory actions or restrictions, which could include divestiture of the financial-in-nature subsidiary or subsidiaries. In addition, a financial holding company or a bank may not acquire a company that is engaged in activities that are financial in nature unless each of the subsidiary banks of the financial holding company or the bank has a Community Reinvestment Act rating of satisfactory or better.

As of the date of this Annual Report on Form 10-K, Park had not elected to become a financial holding company.

**Privacy Provisions of Gramm-Leach-Bliley Act**

Under the Gramm-Leach-Bliley Act, federal banking regulators were required to adopt rules that limit the ability of banks and other financial institutions to disclose non-public information about consumers to nonaffiliated third parties. These limitations require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to a nonaffiliated third party.

**Patriot Act**

In response to the terrorist events of September 11, 2001, the Uniting and Strengthening of America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the Patriot Act) was signed into law in October 2001. The Patriot Act gives the United States Government new powers to address terrorist threats through enhanced domestic security measures, expanded surveillance powers, increased information sharing and broadened anti-money laundering requirements. Title III of the Patriot Act takes measures intended to encourage information sharing among bank regulatory agencies and law enforcement bodies. Further, certain provisions of Title III impose affirmative obligations on a broad range of financial institutions. Among other

**Table of Contents**

requirements, Title III and related regulations require regulated financial institutions to establish a program specifying procedures for obtaining identifying information from customers seeking to open new accounts and establish enhanced due diligence policies, procedures and controls designed to detect and report suspicious activity. Parks subsidiary banks have established policies and procedures to comply with the requirements of the Patriot Act.

**Corporate Governance**

As mandated by the Sarbanes-Oxley Act of 2002, the SEC has adopted rules and regulations governing, among other issues, corporate governance, auditing and accounting, executive compensation and enhanced and timely disclosure of corporate information. AMEX has also adopted corporate governance rules. The Board of Directors of Park has taken a series of actions to strengthen and improve Park's already strong corporate governance practices in light of the rules of the SEC and AMEX. The Board of Directors has adopted charters for the Audit Committee, the Compensation Committee and the Nominating Committee and a Code of Business Conduct and Ethics governing the directors, officers and associates of Park and its affiliates. In addition, Park has implemented a whistleblower hotline called the PRK Improvement Line. Calls that relate to accounting, internal accounting controls or auditing matters or that relate to possible wrongdoing by associates of Park or one of its affiliates can be made anonymously through this hotline. The calls are received by an independent third party service and the information received is forwarded directly to the Chair of the Audit Committee and the Head of Internal Audit. The PRK Improvement Line number is 1-800-418-6423, Ext. PRK (775).

The Board of Directors of Park also established a Risk Committee on November 21, 2006. The Risk Committee assists the Board of Directors in overseeing Park's enterprise-wide risks and conducts its business under a charter adopted by the Board.

The text of each of the Audit Committee Charter, the Compensation Committee Charter, the Nominating Committee Charter, the Risk Committee Charter and the Code of Business Conduct and Ethics is posted on the Governance Documents section of the Investor Relations page of Park's Internet website located at [www.parknationalcorp.com](http://www.parknationalcorp.com). Interested persons may also obtain copies of these documents, without charge, by writing to the President of Park at Park National Corporation, 50 North Third Street, P.O. Box 3500, Newark, Ohio 43058-3500, Attention: David L. Trautman.

**Statistical Disclosure**

The statistical disclosure relating to Park and its subsidiaries required under the SEC's Industry Guide 3, Statistical Disclosure by Bank Holding Companies, is included in the section of Park's 2006 Annual Report captioned FINANCIAL REVIEW, on pages 26 through 38, and in Note 1 of the Notes to Consolidated Financial Statements located on pages 48 through 51 of Park's 2006 Annual Report, Note 4 of the Notes to Consolidated Financial Statements located on pages 52 through 54 of Park's 2006 Annual Report, Note 5 of the Notes to Consolidated Financial Statements located on page 54 of Park's 2006 Annual Report and Note 9 of the Notes to Consolidated Financial Statements located on page 55 of Park's 2006 Annual Report. This statistical disclosure is incorporated herein by reference.

**Table of Contents**

**Effect of Environmental Regulation**

Compliance with federal, state and local provisions regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, has not had a material effect upon the capital expenditures, earnings or competitive position of Park and its subsidiaries. Park believes the nature of the operations of its subsidiaries has little, if any, environmental impact. Park, therefore, anticipates no material capital expenditures for environmental control facilities for its current fiscal year or for the foreseeable future.

Park believes its primary exposure to environmental risk is through the lending activities of its subsidiaries. In cases where management believes environmental risk potentially exists, Park's subsidiaries mitigate their environmental risk exposures by requiring environmental site assessments at the time of loan origination to confirm collateral quality as to commercial real estate parcels posing higher than normal potential for environmental impact, as determined by reference to present and past uses of the subject property and adjacent sites. Environmental assessments are typically required prior to any foreclosure activity involving non-residential real estate collateral.

**ITEM 1A. RISK FACTORS.**

**Cautionary Statement Regarding Forward-Looking Information**

Certain statements contained in this Annual Report on Form 10-K which are not statements of historical fact constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, without limitation, the statements specifically identified as forward-looking statements within this document. In addition, certain statements in future filings by Park with the SEC, in press releases, and in oral and written statements made by or with the approval of Park which are not statements of historical fact constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Examples of forward-looking statements include: (i) projections of income or expense, earnings per share, the payment or non-payment of dividends, capital structure and other financial items; (ii) statements of plans and objectives of Park or our management or Board of Directors, including those relating to products or services; (iii) statements of future economic performance; and (iv) statements of assumptions underlying such statements. Words such as *believes*, *anticipates*, *expects*, *intends*, *targeted*, and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying those statements.

The Private Securities Litigation Reform Act of 1995 provides a *safe harbor* for forward-looking statements to encourage companies to provide prospective information so long as those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those discussed in the forward-looking statements. We desire to take advantage of the *safe harbor* provisions of the Private Securities Litigation Reform Act of 1995.

Forward-looking statements involve risks and uncertainties. Actual results may differ materially from those predicted by the forward-looking statements because of various factors and possible events, including those factors and events identified below. There is also the risk that

**Table of Contents**

Park's management or Board of Directors incorrectly analyzes these risks and uncertainties or that the strategies Park develops to address them are unsuccessful.

Forward-looking statements speak only as of the date on which they are made, and, except as may be required by law, Park undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made to reflect unanticipated events. All subsequent written and oral forward-looking statements attributable to Park or any person acting on our behalf are qualified in their entirety by the following cautionary statements.

***Changes in interest rates could have a material adverse effect on our financial condition and results of operations.***

Our earnings depend substantially on our interest rate spread, which is the difference between (i) the rates we earn on loans, investment securities and other interest earning assets and (ii) the interest rates we pay on deposits and our borrowings. These rates are highly sensitive to many factors beyond our control, including general economic conditions and the policies of various governmental and regulatory authorities. While we have taken measures intended to manage the risks of operating in a changing interest rate environment, there can be no assurance that such measures will be effective in avoiding undue interest rate risk.

***We extend credit to a variety of customers based on internally set standards and judgment. We manage the credit risk through a program of underwriting standards, the review of certain credit decisions and an on-going process of assessment of the quality of the credit already extended. Our credit standards and on-going process of credit assessment might not protect us from significant credit losses.***

We take credit risk by virtue of making loans and leases, extending loan commitments and letters of credit and, to a lesser degree, purchasing non-governmental securities.

Our exposure to credit risk is managed through the use of consistent underwriting standards that emphasize in-market lending while avoiding highly leveraged transactions as well as excessive industry and other concentrations. Our credit administration function employs risk management techniques to ensure that loans and leases adhere to corporate policy and problem loans and leases are promptly identified. While these procedures are designed to provide us with the information needed to implement policy adjustments where necessary, and to take proactive corrective actions, there can be no assurance that such measures will be effective in avoiding undue credit risk.

***Changes in economic and political conditions could adversely affect our earnings, as our borrowers' ability to repay loans and the value of the collateral securing our loans decline.***

Our success depends, to a certain extent, upon economic and political conditions, local and national, as well as governmental monetary policies. Conditions such as inflation, recession, unemployment, changes in interest rates, money supply and other factors beyond our control may adversely affect our asset quality, deposit levels and loan demand and, therefore, our earnings.

**Table of Contents**

Because we have a significant amount of real estate loans, decreases in real estate values could adversely affect the value of property used as collateral. Adverse changes in the economy may also have a negative effect on the ability of our borrowers to make timely repayments of their loans, which would have an adverse impact on our earnings. The substantial majority of our loans are to individuals and businesses in Ohio. In addition, we purchased loan participations from Vision Alabama and Vision Florida during the fourth quarter. The substantial majority of the loans made by Vision Alabama and Vision Florida are to individuals and businesses in Gulf Coast communities in Alabama and the Florida panhandle. Consequently, a significant decline in the economy in Ohio or in Gulf Coast communities in Alabama or the panhandle of Florida could have a materially adverse effect on our financial condition and results of operations.

***We operate in an extremely competitive market, and our business will suffer if we are unable to compete effectively.***

In our market area, we encounter significant competition from other local, regional and national service providers, including banks, savings associations, credit unions and other types of financial institutions, finance companies, insurance agencies and title agencies. Other competitors include securities dealers, brokers, mortgage bankers, investment advisors, insurance companies and financial services subsidiaries of commercial and manufacturing companies. The increasingly competitive environment is a result primarily of changes in regulation, changes in technology and product delivery systems and the accelerating pace of consolidation among financial service providers. Many of our competitors enjoy the benefits of advanced technology, fewer regulatory constraints and lower cost structures. Many of the new competitors offer one-stop financial services to their customers that may include services that banks and their subsidiaries may not have been able or legally permitted to offer their customers in the past. Our ability to maintain our history of strong financial performance and return on investment to shareholders will depend in part on our continued ability to compete successfully in our market area and on our ability to expand our scope of available financial services as needed to meet the needs and demands of our customers.

***We are exposed to operational risk.***

Similar to any large organization, we are exposed to many types of operational risk, including reputational risk, legal and compliance risk, the risk of fraud or theft by employees or outsiders, unauthorized transactions by employees or operational errors, including clerical or record-keeping errors or those resulting from faulty or disabled computer or telecommunications systems.

Negative public opinion can result from our actual or alleged conduct in any number of activities, including lending practices, corporate governance and acquisitions and from actions taken by government regulators and community organizations in response to those activities. Negative public opinion can adversely affect our ability to attract and keep customers and can expose us to litigation and regulatory action.

Given the volume of transactions we process, certain errors may be repeated or compounded before they are discovered and successfully rectified. Our necessary dependence upon automated systems to record and process our transaction volume may further increase the risk that technical system flaws or employee tampering or manipulation of those systems will result in losses that are

**Table of Contents**

difficult to detect. We may also be subject to disruptions of our operating systems arising from events that are wholly or partially beyond our control (for example, computer viruses or electrical or telecommunications outages), which may give rise to disruption of service to customers and to financial loss of liability. We are further exposed to the risk that our external vendors may be unable to fulfill their contractual obligations (or will be subject to the same risk of fraud or operational errors by their respective employees as we are) and to the risk that our (or our vendors') business continuity and data security systems prove to be inadequate.

***We depend upon the accuracy and completeness of information about customers and counterparties.***

In deciding whether to extend credit or enter into other transactions with customers and counterparties, we may rely on information provided to us by customers and counterparties, including financial statements and other financial information. We may also rely on representations of customers and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. For example, in deciding whether to extend credit to a business, we may assume that the customer's audited financial statements conform with generally accepted accounting principles and present fairly, in all material respects, the financial condition, results of operations and cash flows of the customer. We may also rely on the audit report covering those financial statements. Our financial condition and results of operations could be negatively impacted to the extent we rely on financial statements that do not comply with generally accepted accounting principles or that are materially misleading.

***Legislative or regulatory changes or actions, or significant litigation, could adversely impact us or the businesses in which we are engaged.***

The financial services industry is extensively regulated. We are subject to extensive state and federal regulation, supervision and legislation that govern almost all aspects of our operations. Laws and regulations may change from time to time and are primarily intended for the protection of consumers, depositors and the deposit insurance funds, and not to benefit our shareholders. The impact of any changes to laws and regulations or other actions by regulatory agencies may negatively impact us or our ability to increase the value of our business. Regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities, including the imposition of restrictions on the operation of an institution, the classification of assets by the institution and the adequacy of an institution's allowance for loan losses. Additionally, actions by regulatory agencies or significant litigation against us could cause us to devote significant time and resources to defending our business and may lead to penalties that materially affect us and our shareholders. Proposals to change the laws governing financial institutions are frequently raised in Congress and before bank regulatory authorities. It is impossible to predict the ultimate form any proposed legislation might take or how it might affect us. Future changes in the laws or regulations or their interpretations or enforcement could be materially adverse to our business and our shareholders.



**Table of Contents**

***Environmental liability associated with commercial lending could have a material adverse effect on our business, financial condition and results of operations.***

In the course of our business, we may acquire, through foreclosure, commercial properties securing loans that are in default. There is a risk that hazardous substances could be discovered on those properties. In this event, we could be required to remove the substances from and remediate the properties at our cost and expense. The cost of removal and environmental remediation could be substantial. We may not have adequate remedies against the owners of the properties or other responsible parties and could find it difficult or impossible to sell the affected properties. These events could have a material adverse effect on our financial condition and results of operation.

***We have no prior operating experience in the Alabama and Florida markets in which Vision and its subsidiaries operate.***

As of the date of this Annual Report on Form 10-K, we and our subsidiaries operated 138 offices across 29 Ohio counties and one Kentucky county. The merger with Vision will result in the expansion of our banking operations into the Alabama and Florida markets currently served by Vision and its subsidiaries. We have no prior operating experience in these markets and, therefore, will rely to a large extent on the existing Boards of Directors and management of Vision and its subsidiaries with respect to the operation of Vision Alabama and Vision Florida after the merger. We, together with Vision Alabama and/or Vision Florida, as appropriate, entered into employment agreements with the following executive officers of Vision Alabama and Vision Florida: J. Daniel Sizemore, Chairman of the Board, Chief Executive Officer and President of Vision and Chairman of the Board and Chief Executive Officer of Vision Alabama and Vision Florida; William E. Blackmon, Executive Vice President and Chief Financial Officer of Vision and Vision Alabama; Andrew W. Braswell, Executive Vice President and Senior Lending Officer of Vision Alabama; Joey W. Ginn, President of Vision Florida; and Robert S. McKean, President of Vision Alabama; as well as seven other senior officers of Vision Alabama and Vision Florida. Each of these employment agreements, which will become effective at the effective time of the merger, continues the executive officer's or employee's employment relationship with Vision Alabama or Vision Florida, as applicable, after the effective time of the merger for at least a three-year term. However, there is no guarantee that we will be able to retain the services of these executive officers and employees of Vision Alabama and Vision Florida, or that we will be able to successfully manage the operations of the Vision subsidiaries in the Alabama and Florida markets.

***We could experience difficulties in effectively integrating Vision and Anderson.***

We may not be able to achieve fully the strategic objectives and operating efficiencies in the merger with Vision. The costs or difficulties relating to the integration of Vision and its subsidiaries with our organization may be greater than expected or the cost savings or any revenue synergies of the combined organization may be lower or take longer to realize than expected. Inherent uncertainties exist in integrating the operations of any acquired entity. In addition, the markets and industries in which we and Vision and our respective subsidiaries operate are highly competitive. We may lose our customers or the customers of Vision and its subsidiaries as a result of the merger. We may also lose key personnel as a result of the merger,

**Table of Contents**

although we have entered into employment agreements with J. Daniel Sizemore and eleven other executive officers and employees of Vision Alabama and Vision Florida as described in the previous risk factor. These factors could contribute to our not fully achieving the expected benefits from the merger. Similarly, our recently completed acquisition of Anderson involves the same risks described above.

***Our business strategy includes growth plans. Our financial condition and results of operations could be negatively affected if we fail to grow or fail to manage our growth effectively.***

We intend to continue pursuing a profitable growth strategy. Our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in growth stages of development. We cannot assure you that we will be able to expand our market presence in our existing markets or successfully enter new markets or that any such expansion will not adversely affect our results of operations. Failure to manage our growth effectively could have a material adverse effect on our business, future prospects, financial condition or results of operations and could adversely affect our ability to successfully implement our business strategy. Also, if we grow more slowly than anticipated, our operating results could be materially adversely affected.

Our ability to grow successfully will depend on a variety of factors including the continued availability of desirable business opportunities, the competitive responses from other financial institutions in our market areas and our ability to manage our growth. While we believe we have the management resources and internal systems in place to successfully manage our future growth, there can be no assurance growth opportunities will be available or growth will be successfully managed.

We may incur substantial costs to expand, and we can give no assurance such expansion will result in the levels of profits we seek. There can be no assurance integration efforts for any future mergers or acquisitions will be successful. Also, we may issue equity securities in connection with future acquisitions, which could cause ownership and economic dilution to our current shareholders. There is no assurance that, following any future mergers or acquisitions, our integration efforts will be successful or that, after giving effect to the acquisition, we will achieve profits comparable to or better than our historical experience.

***Impairment of goodwill or other intangible assets could require charges to earnings, which could result in a negative impact on our results of operations.***

Under current accounting standards, goodwill and certain other intangible assets with indeterminate lives are no longer amortized but, instead, are assessed for impairment periodically or when impairment indicators are present. Assessment of goodwill and such other intangible assets could result in circumstances where the applicable intangible asset is deemed to be impaired for accounting purposes. Under such circumstances, the intangible asset's impairment would be reflected as a charge to earnings in the period during which such impairment is identified.

**Table of Contents**

***Changes in accounting standards could impact reported earnings.***

The accounting standard setters, including the Financial Accounting Standards Board, the SEC and other regulatory bodies, periodically change the financial accounting and reporting standards that govern the preparation of our consolidated financial statements. These changes can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in the restatement of prior period financial statements.

***The preparation of our financial statements requires the use of estimates that may vary from actual results.***

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make significant estimates that affect the financial statements. Two of our most critical estimates are the level of the allowance for loan losses and the accounting for goodwill and other intangible assets. Due to the inherent nature of these estimates, we cannot provide absolute assurance that we will not be required to charge earnings for significant unexpected loan losses, nor that we will not recognize a significant provision for impairment of our goodwill. For more information on the sensitivity of these estimates, refer to the discussion of our Critical Accounting Policies included in the section of our 2006 Annual Report captioned FINANCIAL REVIEW on pages 27 and 28.

***Consumers may decide not to use banks to complete their financial transactions.***

Technology and other changes are allowing parties to complete through alternative methods financial transactions that historically have involved banks. For example, consumers can now maintain funds in brokerage accounts or mutual funds that would have historically been held as bank deposits. Consumers can also complete transactions such as paying bills and/or transferring funds directly without the assistance of banks. The process of eliminating banks as intermediaries, known as disintermediation, could result in the loss of fee income, as well as the loss of customer deposits and the related income generated from those deposits. The loss of these revenue streams and the lower cost deposits as a source of funds could have a material adverse effect on our financial condition and results of operations.

***We may be a defendant from time to time in the future in a variety of litigation and other actions, which could have a material adverse effect on our financial condition and results of operation.***

We and our subsidiaries may be involved from time to time in the future in a variety of litigation arising out of our business. Our insurance may not cover all claims that may be asserted against us, and any claims asserted against us, regardless of merit or eventual outcome, may harm our reputation. Should the ultimate judgments or settlements in any litigation exceed our insurance coverage, they could have a material adverse effect on our financial condition and results of operation. In addition, we may not be able to obtain appropriate types or levels of insurance in the future, nor may we be able to obtain adequate replacement policies with acceptable terms, if at all.

**Table of Contents**

***Unauthorized disclosure of sensitive or confidential client or customer information, whether through a breach of our computer systems or otherwise, could severely harm our business.***

As part of our financial institution business, we collect, process and retain sensitive and confidential client and customer information on behalf of our subsidiaries and other third parties. Despite the security measures we have in place, our facilities and systems, and those of our third party service providers, may be vulnerable to security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming and/or human errors, or other similar events. If information security is breached, information can be lost or misappropriated, resulting in financial loss or costs to us or damages to others. Any security breach involving the misappropriation, loss or other unauthorized disclosure of confidential customer information, whether by us or by our vendors, could severely damage our reputation, expose us to the risks of litigation and liability, disrupt our operations and have a material adverse effect on our business.

***Terrorism, acts of war or international conflicts could have a material adverse effect on our financial condition and results of operations.***

Acts or threats of war or terrorism, international conflicts, including ongoing military operations in Iraq and Afghanistan, and the actions taken by the United States and other governments in response to such events could negatively impact general business and economic conditions in the United States. If terrorist activity, acts of war or other international hostilities cause an overall economic decline, our financial condition and operating results could be materially adversely affected. The potential for future terrorist attacks, the national and international responses to terrorist attacks or perceived threats to national security and other actual or potential conflicts or acts of war, including conflict in the Middle East, have created many economic and political uncertainties that could seriously harm our business and results of operations in ways that cannot presently be predicted.

**ITEM 1B. UNRESOLVED STAFF COMMENTS.**

None.

**ITEM 2. PROPERTIES.**

Park's principal executive offices are located at 50 North Third Street, Newark, Ohio 43055.

**Park National Bank**

As of the date of this Annual Report on Form 10-K, Park National Bank and its divisions have a total of 43 financial service offices. Park National Bank has six financial service offices (including its main office) and its operations center in Newark in Licking County. In addition, within Ohio, Park National Bank has: (a) financial service offices in Granville, Heath (two offices), Hebron, Johnstown, Kirkersville, Pataskala, Reynoldsburg and Utica in Licking County; (b) a financial service office in Delaware in Delaware County; (c) financial service offices in Canal Winchester, Columbus, Gahanna and Worthington in Franklin County; (d) a financial service office in West Chester in Butler County; (e) a financial service office in Dayton in Montgomery County; (f) financial service offices in Baltimore, Pickerington (two offices) and Lancaster (seven offices) in

**Table of Contents**

Fairfield County; (g) financial service offices in Amelia (two offices), Cincinnati (two offices), Milford (two offices), New Richmond and Owensville in Clermont County; and (h) financial service offices in Anderson and Cincinnati in Hamilton County. Park National Bank also has one financial service office in Florence (Boone County), Kentucky. The financial service offices in Canal Winchester and Fairfield County comprise the Fairfield National Division. The financial service offices in Butler, Clermont, Hamilton and Montgomery Counties in Ohio and in Boone County, Kentucky comprise The Park National Bank of Southwest Ohio & Northern Kentucky.

Of the financial service offices described above, 21 are leased and the remainder are owned. Park National Bank also operates 12 off-site automated teller machines, three of which are operated by the Fairfield National Division and two of which are operated by The Park National Bank of Southwest Ohio & Northern Kentucky.

**Richland Trust Company**

As of the date of this Annual Report on Form 10-K, Richland Trust Company has a total of 13 financial service offices. Richland Trust Company has eight financial service offices in Mansfield (including its main office) as well as financial service offices in Butler, Lexington, Ontario and Shelby (two offices) in Richland County. Of these financial service offices, three are leased and the remainder are owned. Richland Trust Company also operates two off-site automated teller machines.

**Century National Bank**

As of the date of this Annual Report on Form 10-K, Century National Bank has a total of 16 financial service offices. Century National Bank has seven financial service offices (including its main office) and a mortgage lending office in Zanesville in Muskingum County. Century National Bank also has a financial service office in Athens in Athens County, two financial service offices in Coshocton in Coshocton County, a financial service office in Logan in Hocking County, financial service offices in New Concord and Dresden in Muskingum County, a financial service office in New Lexington in Perry County, and a financial service office in Newcomerstown in Tuscarawas County. Of these financial service offices, three are leased and the remainder are owned. Century National Bank also operates three off-site automated teller machines.

**First-Knox National Bank**

As of the date of this Annual Report on Form 10-K, First-Knox National Bank and its divisions have a total of 14 financial service offices. First-Knox National Bank has three financial service offices (including its main office) and its operations center in Mount Vernon in Knox County. First-Knox National Bank also has financial service offices in Ashland, Loudonville and Perrysville in Ashland County, two financial service offices in Millersburg in Holmes County, financial service offices in Centerburg, Danville and Fredericktown in Knox County, two financial service offices in Mount Gilead in Morrow County and a financial service office in Bellville in Richland County. The financial service offices in Ashland County comprise the Farmers and Savings Division. Of these financial service offices, two are leased and the remainder are owned. First-Knox National Bank also operates 11 off-site automated teller machines, one of which is operated by the Farmers and Savings Division.

**Table of Contents**

**United Bank**

As of the date of this Annual Report on Form 10-K, United Bank has a total of eight financial service offices. United Bank has its main office in Bucyrus and financial service offices in Crestline and Galion in Crawford County and financial service offices in Caledonia, Marion (two offices), Prospect and Waldo in Marion County. Of these financial service offices, three are leased and the remainder are owned. United Bank also operates one off-site automated teller machine.

**Second National Bank**

As of the date of this Annual Report on Form 10-K, Second National Bank has a total of nine financial service offices. Second National Bank has five financial service offices (including its main office) in Greenville in Darke County. Second National Bank also has two financial service offices in Arcanum (two offices) and Versailles in Darke County and a financial service office in Fort Recovery in Mercer County. Of these financial service offices, two are leased and the remainder are owned.

**Security National Bank**

As of the date of this Annual Report on Form 10-K, Security National Bank and its divisions have a total of 22 financial service offices. Security National Bank has six financial service offices (including its main office) in Springfield in Clark County. Security National Bank also has financial service offices in Enon, Medway, New Carlisle (two offices) and South Charleston in Clark County, a financial service office in Jeffersonville in Fayette County, financial service offices in Jamestown (two offices) and Xenia (two offices) in Greene County, and financial service offices in Piqua (three offices including an administrative building), Tipp City and Troy (two offices) in Miami County. The financial service offices in Miami County comprise the Unity National Division. Of these financial service offices, three are leased and the remainder are owned. Security National Bank also operates four off-site automated teller machines.

**Citizens National Bank**

As of the date of this Annual Report on Form 10-K, Citizens National Bank has a total of five financial service offices. Citizens National Bank has two financial service offices (including its main office) in Urbana in Champaign County. In addition, Citizens National Bank has financial service offices in Mechanicsburg and North Lewisburg in Champaign County and a financial service office in Plain City in Madison County. All of Citizens National Bank's financial service offices are owned. Citizens National Bank also operates two off-site automated teller machines.

**Guardian Finance**

As of the date of this Annual Report on Form 10-K, Guardian Finance has a total of eight financial service offices. Guardian Finance has its main office in Hilliard and a financial service office in Columbus in Franklin County, a financial service office in Springfield in Clark County, a financial service office in Delaware in Delaware County, a financial service office in Lancaster in Fairfield County where it leases space from the Fairfield National Division of Park National Bank, a financial service office in Heath in Licking County, a financial service office in Centerville in Montgomery County and a financial service office in Mansfield in Richland County where it leases

**Table of Contents**

space from Richland Trust Company. All of Guardian Finance's financial service offices are leased.

**Locations to be added in connection with merger with Vision**

Please see the description of the branch locations of Vision Alabama and Vision Florida included in **ITEM 1. BUSINESS** of this Annual Report on Form 10-K under the caption **Recent Developments Pending Merger with Vision Bancshares**.

**ITEM 3. LEGAL PROCEEDINGS.**

There are no pending legal proceedings to which Park or any of its subsidiaries is a party or to which any of their property is subject, except for routine legal proceedings to which Park's subsidiary banks are parties incidental to their respective banking businesses. Park considers none of those proceedings to be material.

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

There were no matters submitted to a vote of the shareholders of Park during the fourth quarter of the fiscal year ended December 31, 2006.

**PART II**

**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.**

The information called for in this Item 5 by Items 201(a) through (c) of SEC Regulation S-K is incorporated herein by reference from Table 15 Market and Dividend Information and the accompanying disclosure in the section of Park's 2006 Annual Report captioned FINANCIAL REVIEW, on page 38.

During the fiscal quarter ended December 31, 2006, there were no purchases of Park's common shares made by or on behalf of Park or any affiliated purchaser of Park, as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended. The following table provides information concerning changes in the maximum number of common shares that may be purchased under Park's previously announced repurchase programs as a result of the forfeiture of previously outstanding incentive stock options.

**Table of Contents**

Period	Total Number of Common Shares Purchased	Average Price Paid per Common Share	Total Number of Common Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Common Shares that May Yet Be Purchased under the Plans or Programs (1)
October 1 through October 31, 2006	0	n/a	0	1,715,363
November 1 through November 30, 2006	0	n/a	0	1,714,043
December 1 through December 31, 2006	0	n/a	0	1,711,662
Total	0	n/a	0	1,711,662

(1) The number shown represents, as of the end of each period, the maximum aggregate number of common shares that may yet be purchased under Park's publicly announced stock repurchase authorization to fund Park's 2005 Incentive Stock Option and 1995 Incentive Stock Option Plan as well as Park's publicly announced stock repurchase program.

On  
November 21,



2005, Park announced that its Board of Directors had granted management the authority to purchase up to an aggregate of 1,000,000 common shares from time to time over the three-year period ending November 20, 2008. At December 31, 2006, 662,180 common shares remained authorized for repurchase under this stock repurchase authorization.

The Park National Corporation 2005 Incentive Stock Option Plan (the 2005 Plan ) was adopted by the Board of Directors of Park on January 18, 2005 and was approved by the Park shareholders at the Annual Meeting of Shareholders on April 18, 2005. Under the 2005 Plan, 1,500,000 common shares are authorized

for delivery upon the exercise of incentive stock options granted under the 2005 Plan. All of the common shares delivered upon the exercise of incentive stock options granted under the 2005 Plan are to be treasury shares. As of December 31, 2006, incentive stock options covering 214,825 common shares were outstanding and 1,285,175 common shares were available for future grants under the 2005 Plan.

The Park National Corporation 1995 Incentive Stock Option Plan (as amended, the 1995 Plan ) was adopted April 17, 1995, and amended April 20, 1998 and April 16, 2001. Pursuant to the terms of the 1995 Plan, all of the common shares delivered upon exercise of

incentive stock options granted under the 1995 Plan are to be treasury shares. No further incentive stock options may be granted under the 1995 Plan. As of December 31, 2006, incentive stock options covering 457,480 common shares were outstanding under the 1995 Plan.

Incentive stock options, granted under both the 2005 Plan and 1995 Plan, covering 672,305 common shares were outstanding as of December 31, 2006 and 1,285,175 common shares were available for future grants. With 907,998 common shares held as treasury shares for

**Table of Contents**

purposes of the  
2005 Plan and  
1995 Plan at  
December 31,  
2006, an  
additional  
1,049,482  
common shares  
remained  
authorized for  
repurchase for  
purposes of  
funding the  
2005 Plan and  
1995 Plan.

**ITEM 6. SELECTED FINANCIAL DATA.**

The information called for in this Item 6 is incorporated herein by reference from Table 13 Consolidated Five-Year Selected Financial Data and the accompanying disclosure in the section of Park's 2006 Annual Report captioned FINANCIAL REVIEW, on page 37.

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION.**

The information called for in this Item 7 is incorporated herein by reference from the section of Park's 2006 Annual Report captioned FINANCIAL REVIEW, on pages 26 through 37.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

As noted in Note 1 of the Notes to Consolidated Financial Statements under the caption Derivative Instruments on page 50 of Park's 2006 Annual Report, Park and its subsidiaries did not use any derivative instruments in 2006, 2005 or 2004. The discussion of interest rate sensitivity included in the section of Park's 2006 Annual Report captioned FINANCIAL REVIEW CAPITAL RESOURCES Liquidity and Interest Rate Sensitivity Management, on pages 34 through 36, is incorporated herein by reference. In addition, the discussion of Park's commitments, contingent liabilities and off-balance sheet arrangements included on page 36 of Park's 2006 Annual Report under the caption FINANCIAL REVIEW CONTRACTUAL OBLIGATIONS Commitments, Contingent Liabilities, and Off-Balance Sheet Arrangements, and in Note 17 of the Notes to Consolidated Financial Statements included on page 58 of Park's 2006 Annual Report, is incorporated herein by reference.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

The Consolidated Balance Sheets of Park and its subsidiaries at December 31, 2006 and 2005, the related Consolidated Statements of Income, of Changes in Stockholders' Equity and of Cash Flows for the years ended December 31, 2006, 2005 and 2004, the related Notes to Consolidated Financial Statements and the Reports of Independent Registered Public Accounting Firm (Crowe Chizek & Company LLC) appearing on pages 40 through 62 of Park's 2006 Annual Report, are incorporated herein by reference. The Report of Ernst & Young LLP, Park's predecessor independent registered public accounting firm, on the Consolidated Balance Sheet of Park and its subsidiaries at December 31, 2005 and the related Consolidated Statements of Income, of Changes in Stockholders' Equity and of Cash Flows for each of the two years in the period ended December 31, 2005, is included on page 38 of this Annual Report on Form 10-K. Quarterly Financial Data provided in Table 14 Quarterly Financial Data and the accompanying disclosure included in the section of Park's 2006 Annual Report captioned FINANCIAL REVIEW, on page 37, is also incorporated herein by reference.

[Remainder of page intentionally left blank]

**Table of Contents**

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders

Park National Corporation

We have audited the accompanying consolidated balance sheet of Park National Corporation and subsidiaries as of December 31, 2005, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2005. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the 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 National Corporation and subsidiaries at December 31, 2005, and the consolidated results of their operations and their cash flows for each of the two years in the period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Columbus, Ohio

February 21, 2006

**Table of Contents**

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

No response required.

**ITEM 9A. CONTROLS AND PROCEDURES.**

**Evaluation of Disclosure Controls and Procedures**

With the participation of the Chairman of the Board and Chief Executive Officer (the principal executive officer) and the Chief Financial Officer (the principal financial officer) of Park, Park's management has evaluated the effectiveness of Park's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the fiscal year covered by this Annual Report on Form 10-K. Based on that evaluation, Park's Chairman of the Board and Chief Executive Officer and Park's Chief Financial Officer have concluded that:

information required to be disclosed by Park in this Annual Report on Form 10-K and the other reports that Park files or submits under the Exchange Act would be accumulated and communicated to Park's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure;

information required to be disclosed by Park in this Annual Report on Form 10-K and the other reports that Park files or submits under the Exchange Act would be recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms; and

Park's disclosure controls and procedures were effective as of the end of the fiscal year covered by this Annual Report on Form 10-K to ensure that material information relating to Park and its consolidated subsidiaries is made known to them, particularly during the period in which this Annual Report on Form 10-K was being prepared.

**Management's Annual Report on Internal Control over Financial Reporting**

The MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING on page 39 of Park's 2006 Annual Report is incorporated herein by reference.

**Attestation Report of the Registered Public Accounting Firm**

The REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM on page 40 of Park's 2006 Annual Report is incorporated herein by reference.

**Changes in Internal Control over Financial Reporting**

There were no changes in Park's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during Park's fiscal quarter ended December 31,

**Table of Contents**

2006, that have materially affected, or are reasonably likely to materially affect, Park's internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION.**

No response required.

**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.**

The information required by Item 401 of SEC Regulation S-K concerning the directors of Park and the nominees for re-election as directors of Park at the Annual Meeting of Shareholders to be held on April 16, 2007 (the 2007 Annual Meeting) is incorporated herein by reference from the disclosure to be included under the captions

ELECTION OF DIRECTORS and BENEFICIAL OWNERSHIP OF PARK COMMON SHARES Pending Merger with Vision Bancshares, Inc. in Park's definitive Proxy Statement relating to the 2007 Annual Meeting to be filed pursuant to SEC Regulation 14A (Park's 2007 Proxy Statement). The information required by Item 401 of SEC Regulation S-K concerning the executive officers of Park is incorporated herein by reference from the disclosure to be included under the caption EXECUTIVE OFFICERS in Park's 2007 Proxy Statement.

The information required by Item 405 of SEC Regulation S-K is incorporated herein by reference from the disclosure to be included under the caption BENEFICIAL OWNERSHIP OF PARK COMMON SHARES Section 16(a) Beneficial Ownership Reporting Compliance in Park's 2007 Proxy Statement.

Park's Board of Directors has adopted charters for each of the Audit Committee, the Compensation Committee, the Nominating Committee and the Risk Committee.

In accordance with the requirements of Section 807 of the AMEX Company Guide, the Board of Directors of Park has adopted a Code of Business Conduct and Ethics covering the directors, officers and employees of Park and its affiliates, including Park's Chairman of the Board and Chief Executive Officer (the principal executive officer), Park's President and Secretary and Park's Chief Financial Officer (the principal financial officer and principal accounting officer). Park intends to disclose the following in a current report on Form 8-K within the required four business days following their occurrence: (A) the date and nature of any amendment to a provision of Park's Code of Business Conduct and Ethics that (i) applies to Park's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, (ii) relates to any element of the code of ethics definition enumerated in Item 406(b) of SEC Regulation S-K, and (iii) is not a technical, administrative or other non-substantive amendment; and (B) a description of any waiver (including the nature of the waiver, the name of the person to whom the waiver was granted and the date of the waiver), including an implicit waiver, from a provision of the Code of Business Conduct and Ethics granted to Park's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions that relates to one or more of the elements of the code of ethics definition set forth in Item 406(b) of SEC Regulation S-K. In addition, Park will disclose any waivers from the provisions of the Code of Business Conduct and Ethics granted to a director or executive officer of Park in a current report on Form 8-K within four business days following their occurrence.

**Table of Contents**

The text of each of the Code of Business Conduct and Ethics, the Audit Committee Charter, the Compensation Committee Charter, the Nominating Committee Charter and the Risk Committee Charter is posted on the Governance Documents section of the Investor Relations page of Park's Internet website located at [www.parknationalcorp.com](http://www.parknationalcorp.com). Interested persons may also obtain copies of the Code of Business Conduct and Ethics, the Audit Committee Charter, the Compensation Committee Charter, the Nominating Committee Charter and the Risk Committee Charter, without charge, by writing to the President of Park at Park National Corporation, 50 North Third Street, P.O. Box 3500, Newark, Ohio 43058-3500, Attention: David L. Trautman. In addition, Park's Code of Business Conduct and Ethics, as amended on July 17, 2006, is incorporated by reference in Exhibit 14 to this Annual Report on Form 10-K.

The information required by Item 407(c)(3) of SEC Regulation S-K is incorporated herein by reference from the disclosure to be included under the caption CORPORATE GOVERNANCE Nominating Procedures in Park's 2007 Proxy Statement.

The information required by Items 407(d)(4) and 407(d)(5) of SEC Regulation S-K is incorporated herein by reference from the disclosure to be included under the caption BOARD OF DIRECTORS MEETINGS AND COMMITTEES OF THE BOARD Committees of the Board Audit Committee in Park's 2007 Proxy Statement.

**ITEM 11. EXECUTIVE COMPENSATION.**

The information required by Item 402 of SEC Regulation S-K is incorporated herein by reference from the disclosure to be included under the captions EXECUTIVE COMPENSATION and DIRECTOR COMPENSATION in Park's 2007 Proxy Statement.

The information required by Item 407(e)(4) of SEC Regulation S-K is incorporated herein by reference from the disclosure to be included under the caption COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION in Park's 2007 Proxy Statement.

The information required by Item 407(e)(5) of SEC Regulation S-K is incorporated herein by reference from the disclosure to be included under the caption EXECUTIVE COMPENSATION Compensation Committee Report in Park's 2007 Proxy Statement.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.**

The information required by Item 403 of SEC Regulation S-K is incorporated herein by reference from the disclosure to be included under the caption BENEFICIAL OWNERSHIP OF PARK COMMON SHARES in Park's 2007 Proxy Statement.

**Equity Compensation Plan Information**

Park has three compensation plans (excluding plans assumed by Park in the merger with Security Banc Corporation effective March 23, 2001 (the Assumed Security Plans )) under which common shares of Park are authorized for issuance to directors, officers or employees of Park and Park's subsidiaries in exchange for consideration in the form of goods or services the Park



**Table of Contents**

National Corporation 1995 Incentive Stock Option Plan (as amended, the 1995 Plan ), the Park National Corporation 2005 Incentive Stock Option Plan (the 2005 Plan ) and the Park National Corporation Stock Plan for Non-Employee Directors of Park National Corporation and Subsidiaries (the Directors Stock Plan ). In addition, Park maintains the Park National Corporation Employees Stock Ownership Plan (the Park KSOP ), which is intended to meet the qualification requirements of Section 401(a) of the Internal Revenue Code of 1986, as amended. The 1995 Plan (and amendments thereto), the 2005 Plan and the Directors Stock Plan have been approved by Park s shareholders.

The following table shows the number of common shares issuable upon exercise of incentive stock options ( ISOs ) granted under the 1995 Plan and the 2005 Plan outstanding at December 31, 2006, the weighted-average exercise price of those ISOs and the number of common shares remaining available for future issuance under the 2005 Plan and the Directors Stock Plan at December 31, 2006, excluding common shares issuable upon exercise of outstanding ISOs granted under the 2005 Plan. No further ISOs may be granted under the 1995 Plan. The table does not include common shares subject to outstanding options granted under the Assumed Security Plans. Footnote (2) to the table sets forth the total number of common shares issuable upon exercise of options granted under the Assumed Security Plans which were outstanding at December 31, 2006, and the weighted-average exercise price of those options. Park cannot grant additional options under the Assumed Security Plans.

Plan category	Number of common shares to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of common shares remaining available for future issuance under equity compensation plans (excluding common shares reflected in column (a)) (c)
Equity compensation plans approved by shareholders	672,305	\$ 101.61	1,366,935(1)
Equity compensation plans not approved by shareholders	(2)	(2)	(2)
Total	672,305	\$ 101.61	1,366,935(1)

(1) Includes 1,285,175 common shares remaining available for future issuance under the 2005 Plan and 81,760 common shares remaining available for

future issuance  
under the  
Directors Stock  
Plan.

-42-

---

**Table of Contents**

(2) The table does not include information for the Assumed Security Plans. A total of 13,719 common shares were issuable upon exercise of options granted under Assumed Security Plans which were outstanding at December 31, 2006. The weighted-average exercise price of all options granted under the Assumed Security Plans which were outstanding at December 31, 2006, was \$115.94. Park cannot grant additional options under the Assumed Security Plans.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.**

The information required by Item 404 of SEC Regulation S-K is incorporated herein by reference from the disclosure to be included under the caption "CORPORATE GOVERNANCE - Transactions with Related Persons" in Park's 2007 Proxy Statement.

The information required by Item 407(a) of SEC Regulation S-K is incorporated herein by reference from the disclosure to be included under the caption "CORPORATE GOVERNANCE - Independence of Directors" in Park's 2007 Proxy Statement.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.**

The information called for in this Item 14 is incorporated herein by reference from the disclosure to be included under the captions "AUDIT COMMITTEE MATTERS - Pre-Approval of Services Performed by Independent Registered Public Accounting Firms" and "AUDIT COMMITTEE MATTERS - Fees of Independent Registered Public Accounting Firms" in Park's 2007 Proxy Statement.

**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.**

(a)(1) Financial Statements.

The consolidated financial statements (and reports thereon) listed below are filed as a part of this Annual Report on Form 10-K or incorporated herein by reference from Park's 2006 Annual Report as noted:

Reports of Independent Registered Public Accounting Firm  
(Crowe Chizek and Company LLC) Incorporated  
by reference from pages 40 and 41 of Park's 2006 Annual Report

Report of Independent Registered Public Accounting Firm  
(Ernst & Young LLP) Included on page 38 of this Annual  
Report on Form 10-K

Consolidated Balance Sheets at December 31, 2006 and 2005  
Incorporated by reference from pages 42 and 43 of Park's  
2006 Annual Report

**Table of Contents**

Consolidated Statements of Income for the years ended  
December 31, 2006, 2005 and 2004 Incorporated by  
reference from pages 44 and 45 of Park's 2006 Annual Report  
Consolidated Statements of Changes in Stockholders' Equity for  
the years ended December 31, 2006, 2005 and 2004  
Incorporated by reference from page 46 of Park's 2006 Annual Report  
Consolidated Statements of Cash Flows for the years ended  
December 31, 2006, 2005 and 2004 Incorporated by  
reference from page 47 of Park's 2006 Annual Report  
Notes to Consolidated Financial Statements Incorporated by  
reference from pages 48 through 62 of Park's 2006 Annual Report  
(a)(2) Financial Statement Schedules.

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

(a)(3) Exhibits.

The documents listed below are filed with this Annual Report on Form 10-K as exhibits or incorporated into this Annual Report on Form 10-K by reference as noted:

**Exhibit No. Description of Exhibit**

- 2.1(a) Agreement and Plan of Merger, dated to be effective as of September 14, 2006, by and between Park National Corporation and Vision Bancshares, Inc. (the "Vision Bancshares Merger Agreement") (included as Annex A to the Prospectus of Park National Corporation/Proxy Statement of Vision Bancshares, Inc. dated January 9, 2007, filed on January 11, 2007 pursuant to Rule 424(b)(3) under the Securities Act of 1933 (Registration No. 333-139083))\*
- 2.1(b) First Amendment to Agreement and Plan of Merger, dated to be effective as of February 6, 2007, by and between Park National Corporation and Vision Bancshares, Inc. (filed herewith)

-44-

---

**Table of Contents**

**Exhibit No. Description of Exhibit**

- 2.2(a) Second Amended and Restated Agreement and Plan of Merger, dated to be effective as of August 14, 2006, by and among Park National Corporation, The Park National Bank and Anderson Bank Company (the Anderson Merger Agreement ) (incorporated herein by reference to Annex A to the Prospectus of Park National Corporation/Proxy Statement of Anderson Bank Company dated November 13, 2006, filed on November 16, 2006 pursuant to Rule 424(b)(3) under the Securities Act of 1933 (Registration No. 333-138028)\*\*
- 2.2(b) Amendment to the Second Amended and Restated Agreement and Plan of Merger, entered into as of December 15, 2006, by and among Park National Corporation, The Park National Bank and Anderson Bank Company (incorporated herein by reference to Exhibit 2.2 to Park National Corporation's Current Report on Form 8-K dated and filed on December 18, 2006 (File No. 1-13006))
- 3.1(a) Articles of Incorporation of Park National Corporation as filed with the Ohio Secretary of State on March 24, 1992 (incorporated herein by reference to Exhibit 3(a) to Park National Corporation's Form 8-B, filed on May 20, 1992 (File No. 0-18772) ( Park's Form 8-B ))
- 3.1(b) Certificate of Amendment to the Articles of Incorporation of Park National Corporation as filed with the Ohio Secretary of State on May 6, 1993 (incorporated herein by reference to Exhibit 3(b) to Park National Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1993 (File No. 0-18772))
- 3.1(c) Certificate of Amendment to the Articles of Incorporation of Park National Corporation as filed with the Ohio Secretary of State on April 16, 1996 (incorporated herein by reference to Exhibit 3(a) to Park National Corporation's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1996 (File No. 1-13006))
- 3.1(d) Certificate of Amendment by Shareholders to the Articles of Incorporation of Park National Corporation as filed with the Ohio Secretary of State on April 22, 1997 (incorporated herein by reference to Exhibit 3(a)(1) to Park National Corporation's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1997 (File No. 1-13006) ( Park's June 30, 1997 Form 10-Q ))
- 3.1(e) Articles of Incorporation of Park National Corporation (reflecting amendments through April 22, 1997) [for SEC reporting compliance purposes only not filed with Ohio Secretary of State] (incorporated herein by reference to Exhibit 3(a)(2) to Park's June 30, 1997 Form 10-Q)
- 3.2(a) Regulations of Park National Corporation (incorporated herein by reference to Exhibit 3(b) to Park's Form 8-B)

**Table of Contents**

**Exhibit No. Description of Exhibit**

- 3.2(b) Certified Resolution regarding Adoption of Amendment to Subsection 2.02(A) of the Regulations of Park National Corporation by Shareholders on April 21, 1997 (incorporated herein by reference to Exhibit 3(b)(1) to Park's June 30, 1997 Form 10-Q)
- 3.2(c) Certificate Regarding Adoption of Amendments to Sections 1.04 and 1.11 of Park National Corporation's Regulations by the Shareholders on April 17, 2006 (incorporated herein by reference to Exhibit 3.1 to Park National Corporation's Current Report on Form 8-K dated and filed on April 18, 2006 (File No. 1-13006))
- 3.2(d) Regulations of Park National Corporation (reflecting amendments through April 17, 2006) [for purposes of SEC reporting compliance only] (incorporated herein by reference to Exhibit 3.2 to Park National Corporation's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2006 (File No. 1-13006))
- 4 Agreement to furnish instruments and agreements defining rights of holders of long-term debt (filed herewith)
- 10.1 Summary of Base Salaries for Executive Officers of Park National Corporation (incorporated herein by reference to Exhibit 10.1 to Park National Corporation's Pre-Effective Amendment No. 1 to Form S-4 Registration Statement filed on January 5, 2007 (Registration No. 333-139083))
- 10.2 Summary of Incentive Compensation Plan of Park National Corporation (incorporated herein by reference to Exhibit 10.2 to Park National Corporation's Pre-Effective Amendment No. 1 to Form S-4 Registration Statement filed on January 5, 2007 (Registration No. 333-139083))
- 10.3(a) Split-Dollar Agreement, dated May 17, 1993, between William T. McConnell and The Park National Bank (incorporated herein by reference to Exhibit 10(f) to Park National Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1993 (File No. 0-18772))
- 10.3(b) Schedule identifying Split-Dollar Agreements between subsidiaries of Park National Corporation and executive officers or employees of such subsidiaries who are directors or executive officers of Park National Corporation, which Split-Dollar Agreements are identical to the Split-Dollar Agreement, dated May 17, 1993, between William T. McConnell and The Park National Bank (incorporated herein by reference to Exhibit 10.3(b) to Park National Corporation's Form S-4 Registration Statement filed on December 1, 2006 (Registration No. 333-139083))
- 10.4(a) Split-Dollar Agreement, dated September 3, 1993, between Leon Zazworsky and The Park

**Table of Contents**

**Exhibit No. Description of Exhibit**

- National Bank (incorporated herein by reference to Exhibit 10.3 to Park National Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2003 (File No. 1-13006) (Park's 2003 Form 10-K))
- 10.4(b) Schedule identifying Split-Dollar Agreements between directors of Park National Corporation and The Park National Bank, The Richland Trust Company or The First-Knox National Bank of Mount Vernon as identified in such Schedule, which Split-Dollar Agreements are identical to the Split-Dollar Agreement, dated September 3, 1993, between Leon Zazworsky and The Park National Bank (incorporated herein by reference to Exhibit 10.4(b) to Park National Corporation's Registration Statement on Form S-4 filed on October 16, 2006 (Registration No. 333-138028))
- 10.5 Park National Corporation 1995 Incentive Stock Option Plan (reflects amendments and share dividends through December 15, 2004) (incorporated herein by reference to Exhibit 10.5 to Park National Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2004 (File No. 1-13006) (Park's 2004 Form 10-K))
- 10.6 Form of Stock Option Agreement executed in connection with the grant of options under the Park National Corporation 1995 Incentive Stock Option Plan, as amended (incorporated herein by reference to Exhibit 10(i) to Park National Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 (File No. 1-13006))
- 10.7(a) Description of Park National Corporation Supplemental Executive Retirement Plan (filed herewith)
- 10.7(b) Form of Supplemental Executive Retirement Plan Agreement entered into by and between Park National Corporation or a wholly-owned subsidiary of Park National Corporation and each of C. Daniel DeLawder, John W. Kozak and William T. McConnell on December 27, 1996 (filed herewith)
- 10.8 Security Banc Corporation 1987 Stock Option Plan, which was assumed by Park National Corporation (incorporated herein by reference to Exhibit 10(a) to Park National Corporation's Registration Statement on Form S-8 filed April 23, 2001 (Registration No. 333-59378))
- 10.9 Security Banc Corporation 1995 Stock Option Plan, which was assumed by Park National Corporation (incorporated herein by reference to Exhibit 10(b) to Park National Corporation's Registration Statement on Form S-8 filed April 23, 2001 (Registration No. 333-59378))
- 10.10 Security Banc Corporation 1998 Stock Option Plan, which was assumed by Park National Corporation (incorporated herein by reference to Exhibit 10(c) to Park National Corporation's Registration Statement on Form S-8 filed April 23, 2001 (Registration No. 333-59378))



**Table of Contents**

**Exhibit No. Description of Exhibit**

- 10.11 Employment Agreement, made and entered into as of December 22, 1999, and the Amendment thereto, dated March 23, 2001, between The Security National Bank and Trust Co. (also known as Security National Bank and Trust Co.) and Harry O. Egger (incorporated herein by reference to Exhibit 10(e) to Park National Corporation's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2001 (File No. 1-13006))
- 10.12 Park National Corporation Stock Plan for Non-Employee Directors of Park National Corporation and Subsidiaries (incorporated herein by reference to Exhibit 10 to Park National Corporation's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2004 (File No. 1-13006))
- 10.13 Summary of Certain Compensation for Directors of Park National Corporation (incorporated herein by reference to Exhibit 10.13 to Park National Corporation's Pre-Effective Amendment No. 1 to Form S-4 Registration Statement filed on January 5, 2007 (Registration No. 333-139083))
- 10.14 Security National Bank and Trust Co. Amended and Restated 1988 Deferred Compensation Plan (incorporated herein by reference to Exhibit 10.16 to Park's 2004 Form 10-K)
- 10.15 Park National Corporation 2005 Incentive Stock Option Plan (incorporated herein by reference to Exhibit 10.1 to Park National Corporation's Current Report on Form 8-K dated and filed on April 20, 2005 (File No. 1-13006) ( Park's April 20, 2005 Form 8-K ))
- 10.16 Form of Stock Option Agreement to be used in connection with the grant of incentive stock options under the Park National Corporation 2005 Incentive Stock Option Plan (incorporated herein by reference to Exhibit 10.2 to Park's April 20, 2005 Form 8-K)
- 10.17(a) Employment Agreement for J. Daniel Sizemore, entered into September 14, 2006, by and among Park National Corporation; Vision Bank, an Alabama banking corporation; Vision Bank, a Florida banking corporation; and J. Daniel Sizemore (to be effective as of the effective time of the merger of Vision Bancshares, Inc. with and into Park National Corporation) (included as Exhibit C-1 to Annex A to the Prospectus of Park National Corporation/Proxy Statement of Vision Bancshares, Inc. dated January 9, 2007, filed on January 11, 2007 pursuant to Rule 424(b)(3) under the Securities Act of 1933 (Registration No. 333-139083))
- 10.17(b) First Amendment to Employment Agreement for J. Daniel Sizemore, entered into February 6, 2007, by and among Park National Corporation; Vision Bank, an Alabama banking corporation; Vision Bank, a Florida banking corporation; and J. Daniel Sizemore (filed herewith)

**Table of Contents**

**Exhibit No. Description of Exhibit**

12	Computation of ratios (filed herewith)
13	2006 Annual Report (not deemed filed except for portions thereof which are specifically incorporated by reference in this Annual Report on Form 10-K) (filed herewith)
14	Code of Business Conduct and Ethics as amended July 17, 2006 (incorporated herein by reference to Exhibit 14 to Park National Corporation's Current Report on Form 8-K dated and filed on July 21, 2006 (File No. 1-13006))
21	Subsidiaries of Park National Corporation (incorporated herein by reference to Exhibit 21 to Park National Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 (File No. 1-13006))
23.1	Consent of Crowe Chizek and Company LLC (filed herewith)
23.2	Consent of Ernst & Young LLP (filed herewith)
24	Powers of Attorney of Directors and Executive Officers of Park National Corporation (filed herewith)
31.1	Rule 13a-14(a)/15d-14(a) Certification Principal Executive Officer (filed herewith)
31.2	Rule 13a-14(a)/15d-14(a) Certification Principal Financial Officer (filed herewith)
32	Section 1350 Certification Principal Executive Officer and Principal Financial Officer (filed herewith)
99.1(a)	Employment Agreement for William E. Blackmon, entered into September 14, 2006, by and among Park National Corporation; Vision Bank, an Alabama banking corporation; and William E. Blackmon (to be effective as of the effective time of the merger of Vision Bancshares, Inc. with and into Park National Corporation) (included as Exhibit C-2 to Annex A to the Prospectus of Park National Corporation/Proxy Statement of Vision Bancshares, Inc. dated January 9, 2007, filed on January 11, 2007 pursuant to Rule 424(b)(3) under the Securities Act of 1933 (Registration No. 333-139083))
99.1(b)	First Amendment to Employment Agreement for William E. Blackmon, entered into February 6, 2007, by and among Park National Corporation; Vision Bank, an Alabama banking corporation; and William E. Blackmon (filed herewith)

**Table of Contents**

**Exhibit No. Description of Exhibit**

- 99.2(a) Employment Agreement for Andrew W. Braswell, entered into September 14, 2006, by and among Park National Corporation; Vision Bank, an Alabama banking corporation; and Andrew W. Braswell (to be effective as of the effective time of the merger of Vision Bancshares, Inc. with and into Park National Corporation) (included as Exhibit C-3 to Annex A to the Prospectus of Park National Corporation/Proxy Statement of Vision Bancshares, Inc. dated January 9, 2007, filed on January 11, 2007 pursuant to Rule 424(b)(3) under the Securities Act of 1933 (Registration No. 333-139083))
- 99.2(b) First Amendment to Employment Agreement for Andrew W. Braswell, entered into February 6, 2007, by and among Park National Corporation; Vision Bank, an Alabama banking corporation; and Andrew W. Braswell (filed herewith)
- 99.3(a) Employment Agreement for Joey W. Ginn, entered into September 14, 2006, by and among Park National Corporation; Vision Bank, a Florida banking corporation; and Joey W. Ginn (to be effective as of the effective time of the merger of Vision Bancshares, Inc. with and into Park National Corporation) (included as Exhibit C-4 to Annex A to the Prospectus of Park National Corporation/Proxy Statement of Vision Bancshares, Inc. dated January 9, 2007, filed on January 11, 2007 pursuant to Rule 424(b)(3) under the Securities Act of 1933 (Registration no. 333-139083))
- 99.3(b) First Amendment to Employment Agreement for Joey W. Ginn, entered into February 6, 2007, by and among Park National Corporation; Vision Bank, a Florida banking corporation; and Joey W. Ginn (filed herewith)
- 99.4(a) Employment Agreement for Robert S. McKean, entered into September 14, 2006, by and among Park National Corporation; Vision Bank, an Alabama banking corporation; and Robert S. McKean (to be effective as of the effective time of the merger of Vision Bancshares, Inc. with and into Park National Corporation) (included as Exhibit C-5 to Annex A to the Prospectus of Park National Corporation/Proxy Statement of Vision Bancshares, Inc. dated January 9, 2007, filed on January 11, 2007 pursuant to Rule 424(b)(3) under the Securities Act of 1933 (Registration No. 333-139083))

-50-

---

**Table of Contents**

**Exhibit No. Description of Exhibit**

99.4(b) First Amendment to Employment Agreement for Robert S. McKean, entered into February 6, 2007, by and among Park National Corporation; Vision Bank, an Alabama banking corporation; and Robert S. McKean (filed herewith)

\* The forms of employment agreements attached as Exhibits C-6 through C-12 to the Vision Bancshares Merger Agreement and the Vision Bancshares Disclosure Schedule referenced in the Vision Bancshares Merger Agreement have been omitted pursuant to Item 601(b)(2) of SEC Regulation S-K. Park National Corporation hereby undertakes to furnish supplementally a copy of the Vision Bancshares Disclosure Schedule and Exhibits C-6 through C-12 to the Vision Bancshares Merger Agreement upon request by the

SEC.

\*\* The Anderson Disclosure Schedule referenced in the Anderson Merger Agreement has been omitted pursuant to Item 601(b)(2) of SEC Regulation S-K. Park hereby undertakes to furnish supplementally a copy of the Anderson Disclosure Schedule upon request by the SEC.

Management contract or compensatory plan or arrangement.

(b) Exhibits.

The documents listed in Item 15(a)(3) are filed with this Annual Report on Form 10-K as exhibits or incorporated into this Annual Report on Form 10-K by reference.

(c) Financial Statement Schedules.

None

**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 NATIONAL CORPORATION

Date: February 28, 2007

By: /s/ C. Daniel DeLawder

C. Daniel DeLawder,  
Chairman of the Board and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on the 28th day of February, 2007.

Name	Capacity
/s/ C. Daniel DeLawder	Chairman of the Board, Chief Executive Officer and Director
C. Daniel DeLawder	
/s/ David L. Trautman	President, Secretary and Director
David L. Trautman	
/s/ John W. Kozak	Chief Financial Officer and Principal Accounting Officer
John W. Kozak	
/s/ Nicholas L. Berning*	Director
Nicholas L. Berning	
/s/ Maureen Buchwald*	Director
Maureen Buchwald	
/s/ James J. Cullers*	Director
James J. Cullers	
/s/ Harry O. Egger*	Director
Harry O. Egger	

-52-

---

**Table of Contents**

Name	Capacity
/s/ F. William Englefield IV*	Director
F. William Englefield IV	
/s/ William T. McConnell*	Director
William T. McConnell	
/s/ John J. O Neill*	Director
John J. O Neill	
/s/ William A. Phillips*	Director
William A. Phillips	
/s/ J. Gilbert Reese*	Director
J. Gilbert Reese	
/s/ Rick R. Taylor*	Director
Rick R. Taylor	
/s/ Leon Zazworsky*	Director
Leon Zazworsky	

\* The above-named directors of the Registrant sign this Annual Report on Form 10-K by C. Daniel DeLawder, their attorney-in-fact, pursuant to Powers of Attorney signed by the above-named directors, which Powers of Attorney are

filed with this  
Annual Report  
on Form 10-K as  
exhibits, in the  
capacities  
indicated and on  
the 28<sup>th</sup> day of  
February, 2007.

By: /s/ C. Daniel DeLawder

C. Daniel DeLawder  
Chairman of the Board and Chief Executive  
Officer

-53-

---



**Table of Contents**

**PARK NATIONAL CORPORATION**  
**Annual Report on Form 10-K**  
**for the**  
**Fiscal Year Ended December 31, 2006**  
**INDEX TO EXHIBITS**

**Exhibit No. Description of Exhibit**

- 2.1(a) Agreement and Plan of Merger, dated to be effective as of September 14, 2006, by and between Park National Corporation and Vision Bancshares, Inc. (the Vision Bancshares Merger Agreement ) (included as Annex A to the Prospectus of Park National Corporation/Proxy Statement of Vision Bancshares, Inc. dated January 9, 2007, filed on January 11, 2007 pursuant to Rule 424(b)(3) under the Securities Act of 1933 (Registration No. 333-139083))\*
- 2.1(b) First Amendment to Agreement and Plan of Merger, dated to be effective as of February 6, 2007, by and between Park National Corporation and Vision Bancshares, Inc. (filed herewith)
- 2.2(a) Second Amended and Restated Agreement and Plan of Merger, dated to be effective as of August 14, 2006, by and among Park National Corporation, The Park National Bank and Anderson Bank Company (the Anderson Merger Agreement ) (incorporated herein by reference to Annex A to the Prospectus of Park National Corporation/Proxy Statement of Anderson Bank Company dated November 13, 2006, filed on November 16, 2006 pursuant to Rule 424(b)(3) under the Securities Act of 1933 (Registration No. 333-138028)\*\*
- 2.2(b) Amendment to the Second Amended and Restated Agreement and Plan of Merger, entered into as of December 15, 2006, by and among Park National Corporation, The Park National Bank and Anderson Bank Company (incorporated herein by reference to Exhibit 2.2 to Park National Corporation's Current Report on Form 8-K dated and filed on December 18, 2006 (File No. 1-13006))
- 3.1(a) Articles of Incorporation of Park National Corporation as filed with the Ohio Secretary of State on March 24, 1992 (incorporated herein by reference to Exhibit 3(a) to Park National Corporation's Form 8-B, filed on May 20, 1992 (File No. 0-18772) ( Park's Form 8-B ))

E-1

---

**Table of Contents**

**Exhibit No. Description of Exhibit**

- 3.1(b) Certificate of Amendment to the Articles of Incorporation of Park National Corporation as filed with the Ohio Secretary of State on May 6, 1993 (incorporated herein by reference to Exhibit 3(b) to Park National Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1993 (File No. 0-18772))
- 3.1(c) Certificate of Amendment to the Articles of Incorporation of Park National Corporation as filed with the Ohio Secretary of State on April 16, 1996 (incorporated herein by reference to Exhibit 3(a) to Park National Corporation's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1996 (File No. 1-13006))
- 3.1(d) Certificate of Amendment by Shareholders to the Articles of Incorporation of Park National Corporation as filed with the Ohio Secretary of State on April 22, 1997 (incorporated herein by reference to Exhibit 3(a)(1) to Park National Corporation's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1997 (File No. 1-13006) ( Park's June 30, 1997 Form 10-Q ))
- 3.1(e) Articles of Incorporation of Park National Corporation (reflecting amendments through April 22, 1997) [for SEC reporting compliance purposes only not filed with Ohio Secretary of State] (incorporated herein by reference to Exhibit 3(a)(2) to Park's June 30, 1997 Form 10-Q)
- 3.2(a) Regulations of Park National Corporation (incorporated herein by reference to Exhibit 3(b) to Park's Form 8-B)
- 3.2(b) Certified Resolution regarding Adoption of Amendment to Subsection 2.02(A) of the Regulations of Park National Corporation by Shareholders on April 21, 1997 (incorporated herein by reference to Exhibit 3(b)(1) to Park's June 30, 1997 Form 10-Q)
- 3.2(c) Certificate Regarding Adoption of Amendments to Sections 1.04 and 1.11 of Park National Corporation's Regulations by the Shareholders on April 17, 2006 (incorporated herein by reference to Exhibit 3.1 to Park National Corporation's Current Report on Form 8-K dated and filed on April 18, 2006 (File No. 1-13006))
- 3.2(d) Regulations of Park National Corporation (reflecting amendments through April 17, 2006) [for purposes of SEC reporting compliance only] (incorporated herein by reference to Exhibit 3.2 to Park National Corporation's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2006 (File No. 1-13006))

**Table of Contents**

**Exhibit No. Description of Exhibit**

- 4 Agreement to furnish instruments and agreements defining rights of holders of long-term debt (filed herewith)
- 10.1 Summary of Base Salaries for Executive Officers of Park National Corporation (incorporated herein by reference to Exhibit 10.1 to Park National Corporation's Pre-Effective Amendment No. 1 to Form S-4 Registration Statement filed on January 5, 2007 (Registration No. 333-139083))
- 10.2 Summary of Incentive Compensation Plan of Park National Corporation (incorporated herein by reference to Exhibit 10.2 to Park National Corporation's Pre-Effective Amendment No. 1 to Form S-4 Registration Statement filed on January 5, 2007 (Registration No. 333-139083))
- 10.3(a) Split-Dollar Agreement, dated May 17, 1993, between William T. McConnell and The Park National Bank (incorporated herein by reference to Exhibit 10(f) to Park National Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1993 (File No. 0-18772))
- 10.3(b) Schedule identifying Split-Dollar Agreements between subsidiaries of Park National Corporation and executive officers or employees of such subsidiaries who are directors or executive officers of Park National Corporation, which Split-Dollar Agreements are identical to the Split-Dollar Agreement, dated May 17, 1993, between William T. McConnell and The Park National Bank (incorporated herein by reference to Exhibit 10.3(b) to Park National Corporation's Form S-4 Registration Statement filed on December 1, 2006 (Registration No. 333-139083))
- 10.4(a) Split-Dollar Agreement, dated September 3, 1993, between Leon Zazworsky and The Park National Bank (incorporated herein by reference to Exhibit 10.3 to Park National Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2003 (File No. 1-13006) ( Park's 2003 Form 10-K ))
- 10.4(b) Schedule identifying Split-Dollar Agreements between directors of Park National Corporation and The Park National Bank, The Richland Trust Company or The First-Knox National Bank of Mount Vernon as identified in such Schedule, which Split-Dollar Agreements are identical to the Split-Dollar Agreement, dated September 3, 1993, between Leon Zazworsky and The Park National Bank (incorporated herein by reference to Exhibit 10.4(b) to Park National Corporation's Registration Statement on Form S-4 filed on October 16, 2006 (Registration No. 333-138028))

**Table of Contents**

**Exhibit No. Description of Exhibit**

- 10.5 Park National Corporation 1995 Incentive Stock Option Plan (reflects amendments and share dividends through December 15, 2004) (incorporated herein by reference to Exhibit 10.5 to Park National Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2004 (File No. 1-13006) ( Park's 2004 Form 10-K ))
- 10.6 Form of Stock Option Agreement executed in connection with the grant of options under the Park National Corporation 1995 Incentive Stock Option Plan, as amended (incorporated herein by reference to Exhibit 10(i) to Park National Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 (File No. 1-13006))
- 10.7(a) Description of Park National Corporation Supplemental Executive Retirement Plan (filed herewith)
- 10.7(b) Form of Supplemental Executive Retirement Plan Agreement entered into by and between Park National Corporation or a wholly-owned subsidiary of Park National Corporation and each of C. Daniel DeLawder, John W. Kozak and William T. McConnell on December 27, 1996 (filed herewith)
- 10.8 Security Banc Corporation 1987 Stock Option Plan, which was assumed by Park National Corporation (incorporated herein by reference to Exhibit 10(a) to Park National Corporation's Registration Statement on Form S-8 filed April 23, 2001 (Registration No. 333-59378))
- 10.9 Security Banc Corporation 1995 Stock Option Plan, which was assumed by Park National Corporation (incorporated herein by reference to Exhibit 10(b) to Park National Corporation's Registration Statement on Form S-8 filed April 23, 2001 (Registration No. 333-59378))
- 10.10 Security Banc Corporation 1998 Stock Option Plan, which was assumed by Park National Corporation (incorporated herein by reference to Exhibit 10(c) to Park National Corporation's Registration Statement on Form S-8 filed April 23, 2001 (Registration No. 333-59378))
- 10.11 Employment Agreement, made and entered into as of December 22, 1999, and the Amendment thereto, dated March 23, 2001, between The Security National Bank and Trust Co. (also known as Security National Bank and Trust Co.) and Harry O. Egger (incorporated herein by reference to Exhibit 10(e) to Park National Corporation's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2001 (File No. 1-13006))
- 10.12 Park National Corporation Stock Plan for Non-Employee Directors of Park National Corporation and Subsidiaries (incorporated herein by reference to Exhibit 10 to Park National Corporation's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2004 (File No. 1-13006))

**Table of Contents**

**Exhibit No. Description of Exhibit**

- 10.13 Summary of Certain Compensation for Directors of Park National Corporation (incorporated herein by reference to Exhibit 10.13 to Park National Corporation's Pre-Effective Amendment No. 1 to Form S-4 Registration Statement filed on January 5, 2007 (Registration No. 333-139083))
- 10.14 Security National Bank and Trust Co. Amended and Restated 1988 Deferred Compensation Plan (incorporated herein by reference to Exhibit 10.16 to Park's 2004 Form 10-K)
- 10.15 Park National Corporation 2005 Incentive Stock Option Plan (incorporated herein by reference to Exhibit 10.1 to Park National Corporation's Current Report on Form 8-K dated and filed on April 20, 2005 (File No. 1-13006) ( Park's April 20, 2005 Form 8-K ))
- 10.16 Form of Stock Option Agreement to be used in connection with the grant of incentive stock options under the Park National Corporation 2005 Incentive Stock Option Plan (incorporated herein by reference to Exhibit 10.2 to Park's April 20, 2005 Form 8-K)
- 10.17(a) Employment Agreement for J. Daniel Sizemore, entered into September 14, 2006, by and among Park National Corporation; Vision Bank, an Alabama banking corporation; Vision Bank, a Florida banking corporation; and J. Daniel Sizemore (to be effective as of the effective time of the merger of Vision Bancshares, Inc. with and into Park National Corporation) (included as Exhibit C-1 to Annex A to the Prospectus of Park National Corporation/Proxy Statement of Vision Bancshares, Inc. dated January 9, 2007, filed on January 11, 2007 pursuant to Rule 424(b)(3) under the Securities Act of 1933 (Registration No. 333-139083))
- 10.17(b) First Amendment to Employment Agreement for J. Daniel Sizemore, entered into February 6, 2007, by and among Park National Corporation; Vision Bank, an Alabama banking corporation; Vision Bank, a Florida banking corporation; and J. Daniel Sizemore (filed herewith)
- 12 Computation of ratios (filed herewith)
- 13 2006 Annual Report (not deemed filed except for portions thereof which are specifically incorporated by reference in this Annual Report on Form 10-K) (filed herewith)
- 14 Code of Business Conduct and Ethics as amended July 17, 2006 (incorporated herein by reference to Exhibit 14 to Park National Corporation's Current Report on Form 8-K dated and filed on July 21, 2006 (File No. 1-13006))

**Table of Contents**

**Exhibit No. Description of Exhibit**

- 21 Subsidiaries of Park National Corporation (incorporated herein by reference to Exhibit 21 to Park National Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 (File No. 1-13006))
- 23.1 Consent of Crowe Chizek and Company LLC (filed herewith)
- 23.2 Consent of Ernst & Young LLP (filed herewith)
- 24 Powers of Attorney of Directors and Executive Officers of Park National Corporation (filed herewith)
- 31.1 Rule 13a-14(a)/15d-14(a) Certification Principal Executive Officer (filed herewith)
- 31.2 Rule 13a-14(a)/15d-14(a) Certification Principal Financial Officer (filed herewith)
- 32 Section 1350 Certification Principal Executive Officer and Principal Financial Officer (filed herewith)
- 99.1(a) Employment Agreement for William E. Blackmon, entered into September 14, 2006, by and among Park National Corporation; Vision Bank, an Alabama banking corporation; and William E. Blackmon (to be effective as of the effective time of the merger of Vision Bancshares, Inc. with and into Park National Corporation) (included as Exhibit C-2 to Annex A to the Prospectus of Park National Corporation/Proxy Statement of Vision Bancshares, Inc. dated January 9, 2007, filed on January 11, 2007 pursuant to Rule 424(b)(3) under the Securities Act of 1933 (Registration No. 333-139083))
- 99.1(b) First Amendment to Employment Agreement for William E. Blackmon, entered into February 6, 2007, by and among Park National Corporation; Vision Bank, an Alabama banking corporation; and William E. Blackmon (filed herewith)
- 99.2(a) Employment Agreement for Andrew W. Braswell, entered into September 14, 2006, by and among Park National Corporation; Vision Bank, an Alabama banking corporation; and Andrew W. Braswell (to be effective as of the effective time of the merger of Vision Bancshares, Inc. with and into Park National Corporation) (included as Exhibit C-3 to Annex A to the Prospectus of Park National Corporation/Proxy Statement of Vision Bancshares, Inc. dated January 9, 2007, filed on January 11, 2007 pursuant to Rule 424(b)(3) under the Securities Act of 1933 (Registration No. 333-139083))

**Table of Contents**

**Exhibit No. Description of Exhibit**

- 99.2(b) First Amendment to Employment Agreement for Andrew W. Braswell, entered into February 6, 2007, by and among Park National Corporation; Vision Bank, an Alabama banking corporation; and Andrew W. Braswell (filed herewith)
- 99.3(a) Employment Agreement for Joey W. Ginn, entered into September 14, 2006, by and among Park National Corporation; Vision Bank, a Florida banking corporation; and Joey W. Ginn (to be effective as of the effective time of the merger of Vision Bancshares, Inc. with and into Park National Corporation) (included as Exhibit C-4 to Annex A to the Prospectus of Park National Corporation/Proxy Statement of Vision Bancshares, Inc. dated January 9, 2007, filed on January 11, 2007 pursuant to Rule 424(b)(3) under the Securities Act of 1933 (Registration no. 333-139083))
- 99.3(b) First Amendment to Employment Agreement for Joey W. Ginn, entered into February 6, 2007, by and among Park National Corporation; Vision Bank, a Florida banking corporation; and Joey W. Ginn (filed herewith)
- 99.4(a) Employment Agreement for Robert S. McKean, entered into September 14, 2006, by and among Park National Corporation; Vision Bank, an Alabama banking corporation; and Robert S. McKean (to be effective as of the effective time of the merger of Vision Bancshares, Inc. with and into Park National Corporation) (included as Exhibit C-5 to Annex A to the Prospectus of Park National Corporation/Proxy Statement of Vision Bancshares, Inc. dated January 9, 2007, filed on January 11, 2007 pursuant to Rule 424(b)(3) under the Securities Act of 1933 (Registration No. 333-139083))
- 99.4(b) First Amendment to Employment Agreement for Robert S. McKean, entered into February 6, 2007, by and among Park National Corporation; Vision Bank, an Alabama banking corporation; and Robert S. McKean (filed herewith)

\* The forms of employment agreements attached as Exhibits C-6 through C-12 to the Vision Bancshares Merger Agreement and the Vision Bancshares Disclosure Schedule referenced in the Vision Bancshares Merger Agreement have been omitted

pursuant to  
Item 601(b)(2)  
of SEC  
Regulation S-K.  
Park National  
Corporation  
hereby  
undertakes to  
furnish  
supplementally a  
copy of the  
Vision  
Bancshares  
Disclosure  
Schedule and  
Exhibits C-6  
through C-12 to  
the Vision  
Bancshares  
Merger  
Agreement upon  
request by the  
Securities and  
Exchange  
Commission  
(the SEC ).

E-7

---



**Table of Contents**

\*\* The Anderson Disclosure Schedule referenced in the Anderson Merger Agreement has been omitted pursuant to Item 601(b)(2) of SEC Regulation S-K. Park hereby undertakes to furnish supplementally a copy of the Anderson Disclosure Schedule upon request by the SEC.

Management contract or compensatory plan or arrangement.

E-8