PARK NATIONAL CORP /OH/
Form 10-Q/A
February 29, 2012

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

FORM 10-Q/A

Amendment No. 1

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

For the quarterly period ended September 30, 2011

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	31-1179518
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

50 North Third Street, Newark, Ohio 43055
(Address of principal executive offices) (Zip Code)

(740) 349-8451
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes x No ¨

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No x

15,405,921 Common shares, no par value per share, outstanding at November 4, 2011.

EXPLANATORY NOTE

Park National Corporation ("Park") is filing this Form 10-Q/A (Amendment No. 1) (this "Form 10-Q/A for September 30, 2011") with respect to its Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2011, as originally filed with the Securities and Exchange Commission (the "SEC") on November 9, 2011 (the "Original September 30, 2011 Form 10-Q"), in order to amend Part I – Items 1, 2 and 4, and Part II – Items 1A and 6. This Form 10-Q/A for September 30, 2011 is being filed to amend and restate our unaudited consolidated condensed financial statements as of and for the three and nine month periods ended September 30, 2011 included in "Item 1 – Financial Statements" of Part I and related disclosures in "Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations" of Part I to make the corrections identified below.

This Form 10-Q/A for September 30, 2011 is being filed to reflect the impact on the consolidated financial information as of and for the three and nine month periods ended September 30, 2011 of the restatement of Park's audited consolidated financial statements as of and for the year ended December 31, 2010. This Form 10-Q/A for September 30, 2011 should be read in conjunction with and follows the filing by Park of Form 10-K/A (Amendment No. 2) for the fiscal year ended December 31, 2010, which was filed on February 28, 2012. The restatement of consolidated financial information as of and for the three and nine month periods ended September 30, 2011 results in the following corrections:

Impact on Items Reported in Consolidated Condensed Statements of Income (Unaudited):

- The provision for loan losses decreased by $2.1 million to $16.4 million, compared to $18.5 million as originally reported for the three months ended September 30, 2011 (the "third quarter"). The provision for loan losses decreased by $12.9 million to $43.1 million, compared to $55.9 million as originally reported for the nine months ended September 30, 2011.
- Net interest income after provision for loan losses increased by $2.1 million to $51.2 million, compared to $49.1 million as originally reported for the third quarter. Net interest income after provision for loan losses increased by $12.9 million to $163.9 million, compared to $151.0 million as originally reported for the nine months ended September 30, 2011.
- Other real estate owned ("OREO") devaluations decreased by $1.1 million to $588,000, compared to $1.7 million as originally reported for the third quarter. OREO devaluations decreased by $4.8 million to $6.5 million, compared to $11.3 million as originally reported for the nine months ended September 30, 2011.
- Total other income increased by $1.1 million to $18.0 million, compared to $16.9 million as originally reported for the third quarter. Total other income increased by $4.9 million to $48.2 million, compared to $43.3 million as originally reported for the nine months ended September 30, 2011.
- Income before income taxes increased by $3.2 million to $27.1 million, compared to $23.9 million as originally reported for the third quarter. Income before income taxes increased by $17.7 million to $98.6 million, compared to $80.9 million as originally reported for the nine months ended September 30, 2011.
- Income taxes increased by $1.1 million to $6.7 million, compared to $5.6 million as originally reported for the third quarter. Income taxes increased by $6.2 million to $27.1 million, compared to $20.9 million as originally reported for the nine months ended September 30, 2011.
- Net income increased by $2.1 million to $20.4 million, compared to $18.3 million as originally reported for the third quarter. Net income increased by $11.5 million to $71.5 million, compared to $60.0 million as originally reported for the nine months ended September 30, 2011.

- Net income available to common shareholders increased by $2.1 million to $18.9 million, compared to $16.8 million as originally reported.
- Basic and diluted earnings per share increased by $0.14 to $1.23 per common share, compared to $1.09 per common share as originally reported for the third quarter. Diluted earnings per share increased by $0.75 to $4.36 per common share, compared to $3.61 per common share as originally reported for the nine months ended September 30, 2011.

Impact on Items Reported in Consolidated Condensed Balance Sheet (Unaudited):

- The allowance for loan losses increased by $7.1 million to $107.3 million, compared to $100.2 million as originally reported as of September 30, 2011.
- Loans, net of the allowance for loan losses decreased by $7.1 million to $4,573 million, compared to $4,580 million as originally reported as of September 30, 2011.
- Other assets increased by $2.5 million to $164.0 million, compared to $161.5 million as originally reported as of September 30, 2011. The only adjustment within other assets was to reflect the deferred tax asset impact of the restatement.
- Total assets decreased by $4.6 million to $7,095 million, compared to $7,100 million as originally reported as of September 30, 2011.
- Retained earnings decreased by $4.6 million to $430.1 million, compared to $434.7 million as originally reported as of September 30, 2011.
- Total stockholders' equity decreased by $4.6 million to $755.1 million, compared to $759.6 million as originally reported as of September 30, 2011.
- Total liabilities and stockholders' equity decreased by $4.6 million to $7,095 million, compared to $7,100 million as originally reported as of September 30, 2011.

For a more detailed description of the restatement of the consolidated condensed financial statements, see Note 1A, "Restatement of Financial Statements" in our Notes to Unaudited Consolidated Condensed Financial Statements.

Park has not modified or updated the information in the Original September 30, 2011 Form 10-Q, except as necessary to reflect the effects of the restated consolidated condensed financial statements which took into consideration subsequent additional information about conditions that existed at September 30, 2011. This Form 10-Q/A for September 30, 2011 continues to speak as of the dates described herein, and we have not updated the disclosures contained in the Original September 30, 2011 Form 10-Q to reflect any events that occurred subsequent to such dates except as necessitated by the restatement and to discuss a subsequent event in Note 19 - Sale of Vision Bank. Information not affected by the restatement is unchanged and reflects the disclosures made at the time of the filing of the Original September 30, 2011 Form 10-Q on November 9, 2011. With respect to management's discussion, within "Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part I, of the projected results for the fiscal year ending December 31, 2011, we have removed the portion of the discussion related to items that would no longer be appropriate given the nature of the restatement of the consolidated financial information as of and for the quarterly period ended September 30, 2011 and the impact it had on certain line items in the Consolidated Condensed Statements of Income for the three and nine month periods ended September 30, 2011, including the provision for loan losses. Accordingly, this Form 10-Q/A for September 30, 2011 should be read in conjunction with our subsequent filings with the SEC, as information in such filings may update or supersede certain information contained in this Form 10-Q/A for September 30, 2011.

Park has modified “Item 4 – Controls and Procedures” of Part I in order to reflect the reevaluation by Park’s management of the effectiveness of the design and operation of Park’s disclosure controls and procedures as of September 30, 2011 in connection with the restatement of the consolidated condensed financial statements as described in this Form 10-Q/A for September 30, 2011.

Park has also modified the risk factor included in “Item 1A – Risk Factors” of Part II to include the restated financial information for Vision Bank where appropriate. The risk factor, including the corrected information, remains applicable as of the filing date of the Original September 30, 2011 Form 10-Q.

Park has updated the Computation of Ratio of Earnings to Fixed Charges and the Computation of Ratio of Earnings to Fixed Charges and Preferred Dividends included as Exhibit 12 to this Form 10-Q/A for September 30, 2011, in order to reflect the corrected consolidated financial information. Additionally, updated certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 have been included as Exhibits 31.1 and 31.2 to this Form 10-Q/A for September 30, 2011, and updated certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 have been included as Exhibits 32.1 and 32.2 to this Form 10-Q/A for September 30, 2011, which have been reflected in “Item 6 – Exhibits” of Part II.

For the convenience of the reader, this Form 10-Q/A for September 30, 2011 sets forth the disclosures to be included in the Form 10-Q for the quarterly period ended September 30, 2011 in their entirety, although Park is only amending and restating Items 1, 2 and 4 of Part I and Items 1A and 6 of Part II from the Original September 30, 2011 Form 10-Q as these are the only Items affected by the corrected consolidated financial information.

Subsequent Event - Sale of Vision Bank

On November 16, 2011, Park and Vision Bank entered into a Purchase and Assumption Agreement (the “Purchase Agreement”) with Home BancShares, Inc. (“Home”) and its wholly-owned subsidiary Centennial Bank, an Arkansas state-chartered bank (“Centennial”), to sell substantially all of the operating assets and liabilities associated with Vision to Centennial for a purchase price of $27.9 million.

On February 16, 2012, Park and Vision Bank completed the transaction contemplated by the previously announced Purchase Agreement. In accordance with the Agreement, Vision sold approximately $354 million in performing loans, approximately $520 million of deposits, fixed assets of approximately $12.5 million and other miscellaneous assets and liabilities for a purchase price of $27.9 million.

Immediately following the closing of the transactions contemplated by the Agreement, Vision surrendered its Florida banking charter to the Florida Office of Financial Regulation (the “OFR”) and became a non-bank Florida corporation (the “Florida Corporation”). This Florida Corporation merged with and into a wholly-owned, non-bank subsidiary of Park, SE Property Holdings, LLC (“SE LLC”), with SE LLC being the surviving entity. Subsequent to the transactions contemplated by the Purchase Agreement, Vision will be left with approximately $22 million of performing loans and non-performing loans with a fair value of $88 million (both net of any necessary loan loss allowance that may have existed prior to the transactions). Park recognized a pre-tax gain, net of expenses directly related to the sale, of approximately $22 million.

PARK NATIONAL CORPORATION

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PARK NATIONAL CORPORATION
Consolidated Condensed Balance Sheets (Unaudited)
(in thousands, except share and per share data)

	September 30, 2011 **Restated**	December 31, 2010
Assets:		
Cash and due from banks	$ 132,988	$ 109,058
Money market instruments	139,109	24,722
Cash and cash equivalents	272,097	133,780
Investment securities		
Securities available-for-sale, at fair value (amortized cost of $772,910 and $1,274,258 at September 30, 2011 and December 31, 2010)	797,163	1,297,522
Securities held-to-maturity, at amortized cost (fair value of $861,369 and $686,114 at September 30, 2011 and December 31, 2010)	843,576	673,570
Other investment securities	67,892	68,699
Total investment securities	1,708,631	2,039,791
Loans	4,680,575	4,732,685
Allowance for loan losses	(107,310)	(143,575)
Net loans	4,573,265	4,589,110
Bank owned life insurance	153,159	146,450
Goodwill and other intangible assets	76,370	78,377
Bank premises and equipment, net	68,633	69,567
Other real estate owned	46,911	41,709
Accrued interest receivable	21,990	24,137
Mortgage loan servicing rights	10,069	10,488
Other	163,973	148,852
Total assets	$ 7,095,098	$ 7,282,261
Liabilities and Stockholders' Equity:		
Deposits:		
Noninterest bearing	$ 1,000,969	$ 937,719
Interest bearing	4,088,218	4,157,701
Total deposits	5,089,187	5,095,420
Short-term borrowings	243,071	663,669
Long-term debt	823,722	636,733
Subordinated debentures and notes	75,250	75,250
Accrued interest payable	5,416	6,123
Other	103,399	75,358
Total liabilities	6,340,045	6,552,553
COMMITMENTS AND CONTINGENCIES		

Stockholders' equity:		
Preferred stock (200,000 shares authorized; 100,000 shares issued with $1,000 per share liquidation preference)	97,932	97,290
Common stock (No par value; 20,000,000 shares authorized; 16,151,033 shares issued at September 30, 2011 and 16,151,062 shares issued at December 31, 2010)	301,203	301,204
Common stock warrants	4,406	4,473
Retained earnings	430,121	406,342
Treasury stock (752,129 shares at September 30, 2011 and 752,128 shares at December 31, 2010)	(77,733)	(77,733)
Accumulated other comprehensive (loss), net of taxes	(876)	(1,868)
Total stockholders' equity	755,053	729,708
Total liabilities and stockholders' equity	$ 7,095,098	$ 7,282,261

SEE ACCOMPANYING NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

PARK NATIONAL CORPORATION
Consolidated Condensed Statements of Income (Unaudited)
(in thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011 **Restated**	2010	2011 **Restated**	2010
Interest and dividend income:				
Interest and fees on loans	$65,645	$67,123	$196,961	$200,287
Interest and dividends on:				
Obligations of U.S. Government, its agencies and other securities	16,289	19,333	54,302	60,071
Obligations of states and political subdivisions	69	192	310	613
Other interest income	62	34	76	155
Total interest and dividend income	82,065	86,682	251,649	261,126
Interest expense:				
Interest on deposits:				
Demand and savings deposits	976	1,263	2,918	4,620
Time deposits	5,661	8,532	18,595	28,700
Interest on borrowings:				
Short-term borrowings	182	269	642	915
Long-term debt	7,626	7,173	22,539	21,345
Total interest expense	14,445	17,237	44,694	55,580
Net interest income	67,620	69,445	206,955	205,546
Provision for loan losses	16,438	14,654	43,054	44,454
Net interest income after provision for loan losses	51,182	54,791	**163,901**	161,092
Other income:				
Income from fiduciary activities	3,615	3,314	11,266	10,264
Service charges on deposit accounts	4,894	5,026	13,664	14,864
Other service income	3,087	3,909	8,122	10,367
Checkcard fee income	3,154	2,900	9,381	8,109
Bank owned life insurance income	1,229	1,313	3,686	3,783
ATM fees	726	699	2,062	2,296
OREO devaluations	(588)	(1,555)	(6,478)	(4,619)
Other	1,910	1,924	6,492	5,823
Total other income	18,027	17,530	48,195	50,887

Gain on sale of securities	3,465	-	25,462	11,819

Continued

PARK NATIONAL CORPORATION
Consolidated Condensed Statements of Income (Unaudited)
(Continued)
(in thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011 **Restated**	2010	2011 **Restated**	2010
Other expense:				
Salaries and employee benefits	$25,799	$24,500	$76,116	$73,684
Occupancy expense	2,665	2,840	8,429	8,750
Furniture and equipment expense	2,688	2,624	8,130	7,820
Data processing fees	1,184	1,403	3,572	4,390
Professional fees and services	5,005	4,477	15,199	14,632
Amortization of intangibles	669	822	2,007	2,600
Marketing	764	840	2,115	2,688
Insurance	681	2,316	5,295	6,847
Communication	1,475	1,696	4,516	5,112
State taxes	469	865	1,414	2,548
Other expense	4,200	3,313	12,159	11,516
Total other expense	45,599	45,696	138,952	140,587
Income before income taxes	**27,075**	26,625	98,606	83,211
Income taxes	6,694	7,048	27,076	21,689
Net income	$20,381	$19,577	$71,530	$61,522
Preferred stock dividends and accretion	1,464	1,452	4,392	4,355
Net income available to common shareholders	$18,917	$18,125	$67,138	$57,167
Per Common Share:				
Net income available to common shareholders				
Basic	$1.23	$1.19	$4.36	$3.79
Diluted	$1.23	$1.19	$4.36	$3.79
Weighted average common shares outstanding				
Basic	15,398,909	15,272,720	15,398,919	15,090,113
Diluted	15,398,909	15,272,720	15,400,641	15,090,113
Cash dividends declared	$0.94	$0.94	$2.82	$2.82

SEE ACCOMPANYING NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

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PARK NATIONAL CORPORATION
Consolidated Condensed Statements of Changes in Stockholders' Equity (Unaudited)
(in thousands, except per share data)

Nine Months ended September 30, 2011 and 2010	Preferred Stock	Common Stock	Retained Earnings	Treasury Stock at Cost	Accumulated Other Comprehensive Income (loss)	Comprehensive Income (loss)
Balance at December 31, 2009	$96,483	$306,569	$423,872	$(125,321)	$15,661	
Net Income			61,522			$61,522
Other comprehensive income (loss), net of tax:						
Unrealized net holding (loss) on cash flow hedge, net of income taxes of $(149)					(277)	(277)
Unrealized net holding (loss) on securities available-for-sale, net of income taxes of $(1,631)					(3,030)	(3,030)
Total comprehensive income						$58,215
Cash dividends on common stock at $2.82 per share			(42,668)			
Cash payment for fractional shares in dividend reinvestment plan		(2)				
Reissuance of common stock from treasury shares held for warrants issued		(852)	(9,495)	37,915		
Accretion of discount on preferred stock	605		(605)			
Preferred stock dividends			(3,750)			
Balance at September 30, 2010	$97,088	$305,715	$428,876	$(87,406)	$12,354	
Balance at December 31, 2010	$97,290	$305,677	$406,342	$(77,733)	$(1,868)	
Net Income (Restated)			71,530			$71,530
Other comprehensive income (loss), net of tax:						
Unrealized net holding gain on cash flow hedge, net of income taxes of $187					348	348
Unrealized net holding gain on securities available-for-sale, net of income taxes of $345					644	644
Total comprehensive income (Restated)						$72,522
Cash dividends on common stock at $2.82 per share			(43,425)			
Cash payment for fractional shares in dividend reinvestment plan		(2)				
Common stock warrants cancelled		(66)	66			
Accretion of discount on preferred stock	642		(642)			
Preferred stock dividends			(3,750)			
Balance at September 30, 2011 **(Restated)**	$97,932	$305,609	$430,121	$(77,733)	$(876)	

SEE ACCOMPANYING NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

PARK NATIONAL CORPORATION
Consolidated Condensed Statements of Cash Flows (Unaudited)
(in thousands)

	Nine Months Ended September 30, 2011 **Restated**	Nine Months Ended September 30, 2010
Operating activities:		
Net income	$71,530	$61,522
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, accretion and amortization	8,457	9,511
Provision for loan losses	43,054	44,454
Other-than-temporary impairment on investment securities	-	23
Amortization of core deposit intangibles	2,007	2,600
Realized net investment security gains	(25,462)	(11,819)
OREO devaluations	6,478	4,619
Changes in assets and liabilities:		
(Increase) in other assets	(35,456)	(30,621)
Increase in other liabilities	6,510	712
Net cash provided by operating activities	$77,118	$81,001
Investing activities:		
Proceeds from sales of available-for-sale securities	$535,768	$344,325
Proceeds from sales of Federal Home Loan Bank stock	807	111
Proceeds from maturity of:		
Available-for-sale securities	351,226	1,354,317
Held-to-maturity securities	281,159	166,321
Purchases of:		
Available-for-sale securities	(360,835)	(1,665,825)
Held-to-maturity securities	(429,993)	(77,478)
Net (increase) in loans	(22,149)	(60,036)
Purchases of bank owned life insurance, net	(3,000)	(4,562)
Purchases of premises and equipment, net	(4,765)	(6,579)
Net cash provided by investing activities	$348,218	$50,594

Continued

PARK NATIONAL CORPORATION
Consolidated Condensed Statements of Cash Flows (Unaudited)
(Continued)
(in thousands)

	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Financing activities:		
Net (decrease) in deposits	$(6,233)	$(88,022)
Net (decrease) in short-term borrowings	(420,598)	(38,562)
Proceeds from issuance of long-term debt	203,000	-
Repayment of long-term debt	(16,011)	(11,664)
Cash payment for fractional shares in dividend reinvestment plan	(2)	(2)
Proceeds from reissuance of common stock from treasury shares held	-	27,568
Cash dividends paid on common and preferred stock	(47,175)	(46,418)
Net cash (used in) financing activities	$(287,019)	$(157,100)
Increase (decrease) in cash and cash equivalents	138,317	(25,505)
Cash and cash equivalents at beginning of year	133,780	159,091
Cash and cash equivalents at end of period	$272,097	$133,586
Supplemental disclosures of cash flow information:		
Cash paid for:		
Interest	$45,401	$58,068
Income taxes	$16,700	$19,200
Non cash activities:		
Securities purchased, not yet settled	$21,172	$148,023

SEE ACCOMPANYING NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

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PARK NATIONAL CORPORATION
NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Note 1 – Basis of Presentation

The accompanying unaudited consolidated condensed financial statements included in this report have been prepared for Park National Corporation (the “Registrant”, “Corporation”, “Company”, or “Park”) and its subsidiaries. In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of results of operations for the interim periods included herein have been made. The results of operations for the three and nine month periods ended September 30, 2011 are not necessarily indicative of the operating results to be anticipated for the fiscal year ending December 31, 2011.

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with the instructions for Form 10-Q and, therefore, do not include all information and footnotes necessary for a fair presentation of the condensed balance sheets, condensed statements of income, condensed statements of changes in stockholders’ equity and condensed statements of cash flows in conformity with U.S. generally accepted accounting principles (“GAAP”). These financial statements should be read in conjunction with the audited consolidated financial statements included in the Annual Report on Form 10-K/A – Amendment No. 2 of Park for the fiscal year ended December 31, 2010 filed on February 28, 2012 (the “2010 Form 10-K/A”), which served to restate the audited consolidated financial statements which had been incorporated by reference in the Annual Report on Form 10-K of Park for the fiscal year ended December 31, 2010 filed on February 28, 2011, from Park’s 2010 Annual Report to Shareholders (the “2010 Annual Report”).

Park’s significant accounting policies are described in Note 1 of the Notes to Consolidated Financial Statements included in Park’s 2010 Form 10-K/A. For interim reporting purposes, Park follows the same basic accounting policies, as updated by the information contained in this report, and considers each interim period an integral part of an annual period. Management has evaluated events occurring subsequent to the balance sheet date, determining no events require additional disclosure in these consolidated condensed financial statements.

1A. RESTATEMENT OF FINANCIAL STATEMENTS

In a Current Report on Form 8-K filed on January 31, 2012 (the “January 31, 2012 Form 8-K”), Park announced that on January 27, 2012, management determined that (i) Park’s previously issued audited consolidated financial statements incorporated by reference in Park’s Annual Report on Form 10-K for the year ended December 31, 2010, filed on February 28, 2011, and (ii) Park’s unaudited condensed consolidated financial statements included in Park’s Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2011, June 30, 2011, and September 30, 2011 should be restated.

The accounting treatment giving rise to the restatement was the inclusion of estimated future cash flows supporting the allowance for loan losses related to certain impaired commercial loans. For the year ended December 31, 2010, as part of Park's process to measure impairment on certain impaired commercial loans at Vision Bank, management had relied on expected future cash flows from guarantors, as to whom we were in litigation. Management determined that reliance on expected future cash flows, which may require protracted litigation to actually be received, is inappropriate given the difficulty in obtaining objective verifiable evidence supporting a conclusion as to the amount and timing of the expected cash flows. GAAP requires that our assumptions be "reasonable and supportable" and the facts and circumstances around the existence of protracted litigation make this assumption more difficult to support.

The restatement also reflects certain OREO devaluations and additional loan loss provisions that are not related to guarantor support. These expense items are related to valuation issues identified at December 31, 2010, where Vision Bank management utilized (i) the work of a third-party contractor, which was not a licensed appraiser, when calculating the fair value of collateral for certain impaired loans and the fair value of certain OREO held by Vision Bank, and management did not have sufficient documentation to support the estimates of this third-party contractor, and (ii) internal estimates of collateral value when calculating specific reserves for certain impaired loans when, at times, such internal estimates were outdated. The impact is to reverse provisions for loan losses and OREO devaluations originally recorded in 2011 and recognize these provisions for loan losses and OREO devaluations in the restated audited consolidated financial statements for the year ended December 31, 2010.

The tables below detail the restated financial statement line items and Park's regulatory capital ratios for the three and nine months ended September 30, 2011.

Effect on Consolidated Condensed Balance Sheets

	September 30, 2011		
	As Previously Reported	As Restated	Effect of Change
Allowance for loan losses	$100,248	$107,310	$7,062
Net loans	4,580,327	4,573,265	(7,062)
Other assets	161,501	163,973	2,472
Total assets	7,099,688	7,095,098	(4,590)
Retained earnings	434,711	430,121	(4,590)
Total stockholders' equity	759,643	755,053	(4,590)
Total liabilities and stockholders' equity	7,099,688	7,095,098	(4,590)

Effect on Consolidated Condensed Statements of Income

	Three months ended September 30, 2011		
	As Previously Reported	As Restated	Effect of Change
Provision for loan losses	$ 18,525	$ 16,438	$ (2,087)
Net interest income after provision for loan losses	49,095	51,182	2,087
OREO devaluations	(1,688)	(588)	1,100
Other income	16,927	18,027	1,100

Income before income taxes	23,888	27,075	3,187
Income taxes	5,579	6,694	1,115
Net income	18,309	20,381	2,072
Net income available to common shareholders	16,845	18,917	2,072
Earnings per common share			
Basic	$ 1.09	$ 1.23	$ 0.14
Diluted	$ 1.09	$ 1.23	$ 0.14

Effect on Consolidated Condensed Statements of Income

	Nine months ended September 30, 2011		
	As Previously Reported	As Restated	Effect of Change
Provision for loan losses	$ 55,925	$ 43,054	$ (12,871)
Net interest income after provision for loan losses	151,030	163,901	12,871
OREO devaluations	(11,339)	(6,478)	4,861
Other income	43,334	48,195	4,861
Income before income taxes	80,874	98,606	17,732
Income taxes	20,870	27,076	6,206
Net income	60,004	71,530	11,526
Net income available to common shareholders	55,612	67,138	11,526
Earnings per common share			
Basic	$ 3.61	$ 4.36	$ 0.75
Diluted	$ 3.61	$ 4.36	$ 0.75

Effect on Consolidated Condensed Statements of Changes in Stockholders' Equity

	Nine months ended September 30, 2011		
	As Previously Reported	As Restated	Effect of Change
Retained earnings, December 31, 2010	$422,458	$406,342	$(16,116)
Net income	60,004	71,530	11,526
Total comprehensive income	60,996	72,522	11,526
Retained earnings, September 30, 2011	434,711	430,121	(4,590)

Effect on Consolidated Condensed Statements of Cash Flows

Nine months ended September 30, 2011

	As Previously Reported	As Restated	Effect of Change
Net income	$60,004	$71,530	$11,526
Provision for loan losses	55,925	43,054	(12,871)
OREO devaluations	11,339	6,478	(4,861)
(Increase) in other assets	(41,662)	(35,456)	6,206

Effect on Park National Corporation's Capital Ratios

	September 30, 2011		
	As Previously Reported	As Restated	Effect of Change
Tier 1 Leverage Ratio	9.73 %	9.67 %	-0.06 %
Tier 1 Risk-based Capital Ratio	14.04 %	13.96 %	-0.08 %
Total Risk-based Capital Ratio	16.52 %	16.44 %	-0.08 %

Note 2 – Recent Accounting Pronouncements

Adoption of New Accounting Pronouncements:

Improving Disclosures About Fair Value Measurements: In January 2010, the FASB issued an amendment to Fair Value Measurements and Disclosures, Topic 820, Improving Disclosures About Fair Value Measurements. This amendment requires new disclosures regarding significant transfers in and out of Level 1 and 2 fair value measurements and the reasons for the transfers. This amendment also requires that a reporting entity present separately information about purchases, sales, issuances and settlements, on a gross basis rather than a net basis for activity in Level 3 fair value measurements using significant unobservable inputs. This amendment also clarifies existing disclosures on the level of disaggregation, in that the reporting entity needs to use judgment in determining the appropriate classes of assets and liabilities, and that a reporting entity should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements for Level 2 and 3. The new disclosures and clarifications of existing disclosures for ASC 820 are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The adoption of Accounting Standard Codification (ASC) 820 on January 1, 2011 did not have a material effect on the Company’s consolidated financial statements.

Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses: In July 2010, FASB issued Accounting Standards Update 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses (ASU 2010-20), to address concerns about the sufficiency, transparency, and robustness of credit risk disclosures for finance receivables and the related allowance for credit losses. This ASU requires new and enhanced disclosures at disaggregated levels, specifically defined as “portfolio segments” and “classes”. Among other things, the expanded disclosures include roll-forward schedules of the allowance for credit losses and information regarding the credit quality of receivables as of the end of a reporting period. New and enhanced disclosures are required for interim and annual periods ending after December 15, 2010, although the disclosures of reporting period activity are required for interim and annual periods beginning after December 15, 2010. The adoption of the new guidance on January 1, 2011 impacted interim and annual disclosures included in the Company’s consolidated financial statements.

No. 2011-01 - Receivables (Topic 310) Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20: In January 2011, FASB issued Accounting Standards Update 2011-01, Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20 (ASU 2011-01). ASU 2011-01 was issued as a result of concerns raised from stakeholders that the introduction of new disclosure requirements (paragraphs 310-10-50-31 through 50-34 of the FASB Accounting Standards Codification) about troubled debt restructurings in one reporting period followed by a change in what constitutes a troubled debt restructuring shortly thereafter would be burdensome for preparers and may not provide financial statement users with useful information.

No. 2011-02 – Receivables (Topic 310) A Creditor’s Determination of Whether a Restructuring Is a Troubled Debt Restructuring: In April 2011, FASB issued Accounting Standards Update 2011-02, A Creditor’s Determination of Whether a Restructuring Is a Troubled Debt Restructuring (ASU 2011-02). The ASU provides additional guidance to creditors for evaluating whether a modification or restructuring of a receivable is a troubled debt restructuring (“TDR”). The new guidance requires creditors to evaluate modifications and restructurings of receivables using a more principles-based approach, which may result in more modifications and restructurings being considered TDRs. Additionally, creditors will be required to provide additional disclosures about their TDR activities in accordance with the requirements of ASU 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses, which was deferred by ASU 2011-01 Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20 (ASU 2011-01). The new guidance will be effective for the first interim or annual period beginning on or after June 15, 2011, with retrospective application required to the beginning of the annual period of adoption. Disclosure requirements will be effective for the first interim and annual period beginning on or after June 15, 2011. The adoption of the new guidance effective July 1, 2011 resulted in an increase in the number of modifications and restructuring deemed to be TDRs and impacted interim disclosures included in the Company’s consolidated financial statements.

No. 2011-04 – Fair Value Measurement (Topic 820) Amendments to Achieve Common Fair Value Measurement and Disclosure Requirement in U.S. GAAP and IFRSs: In May 2011, FASB issued Accounting Standards Update 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirement in U.S. GAAP and IFRSs (ASU 2011-04). The new guidance in this ASU results in common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs. Certain amendments clarify the FASBs intent about the application of existing fair value measurement requirements. Other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. These amendments also enhance disclosure requirements surrounding fair value measurement. Most significantly, an entity will be required to disclose additional information regarding Level 3 fair value measurements including quantitative information about unobservable inputs used, a description of the valuation processes used by the entity, and a qualitative discussion about the sensitivity of the measurements. The new guidance is effective for interim and annual periods beginning on or after December 15, 2011. Management is currently working through the guidance to determine the impact, if any, to the consolidated financial statements.

No. 2011-05 – Presentation of Comprehensive Income: In June 2011, FASB issued Accounting Standards Update 2011-05, Presentation of Comprehensive Income (ASU 2011-05). The ASU eliminates the option to report other comprehensive income and its components in the statement of changes in equity. An entity can elect to present the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The ASU does not change the items that must be reported in other comprehensive income, when an item of other comprehensive income must be reclassified to net income, or how earnings per share is calculated or presented. The new guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 and must be applied retrospectively. The adoption of the new guidance will impact the presentation of the consolidated financial statements.

No. 2011-08 – Intangibles – Goodwill and Other: In September 2011, FASB issued Accounting Standards Update 2011-08, Intangibles – Goodwill and Other (ASU 2011-08). The ASU allows an entity to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The new guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Management does not expect the adoption of this guidance will have an impact on the consolidated financial statements.

Note 3 – Goodwill and Intangible Assets

The following table shows the activity in goodwill and core deposit intangibles for the first nine months of 2011.

(in thousands)	Goodwill	Core Deposit Intangibles	Total
December 31, 2010	$ 72,334	$ 6,043	$ 78,377
Amortization	-	2,007	2,007
September 30, 2011	$ 72,334	$ 4,036	$ 76,370

The core deposit intangibles are being amortized to expense principally on the straight-line method, over periods ranging from six to ten years. Management expects that the core deposit intangibles amortization expense will be $669,000 for the fourth quarter of 2011.

Core deposit intangibles amortization expense is projected to be as follows for the remainder of 2011 and for each of the following years:

(in thousands)	Annual Amortization
Remainder of 2011	$ 669
2012	2,677
2013	690
Total	$ 4,036

Note 4 – Loans

The composition of the loan portfolio, by class of loan, as of September 30, 2011 and December 31, 2010 was as follows:

	September 30, 2011			December 31, 2010		
(In thousands)	Loan balance	Accrued interest receivable	Recorded investment	Loan balance	Accrued interest receivable	Recorded investment
Commercial, financial and agricultural *	$ 756,888	$ 2,992	$ 759,880	$ 737,902	$ 2,886	$ 740,788
Commercial real estate *	1,250,936	5,064	1,256,000	1,226,616	4,804	1,231,420
Construction real estate:						
Vision commercial land and development *	102,271	232	102,503	171,334	282	171,616
Remaining commercial	163,606	341	163,947	195,693	622	196,315
Mortgage	19,857	62	19,919	26,326	95	26,421
Installment	15,007	65	15,072	13,127	54	13,181
Residential real estate						
Commercial	456,670	1,276	457,946	464,903	1,403	466,306
Mortgage	968,330	1,355	969,685	906,648	2,789	909,437
HELOC	253,461	959	254,420	260,463	1,014	261,477
Installment	51,118	204	51,322	60,195	255	60,450
Consumer	640,267	2,679	642,946	666,871	3,245	670,116
Leases	2,164	40	2,204	2,607	56	2,663
Total loans	$ 4,680,575	$ 15,269	$ 4,695,844	$ 4,732,685	$ 17,505	$ 4,750,190

* Included within commercial, financial and agricultural loans, commercial real estate loans, and Vision commercial land and development loans are an immaterial amount of consumer loans that are not broken out by class.

Credit Quality

The following tables present the recorded investment in nonaccrual, accruing restructured, and loans past due 90 days or more and still accruing by class of loans as of September 30, 2011 and December 31, 2010:

	September 30, 2011			
(In thousands)	Nonaccrual loans	Accruing restructured loans	Loans past due 90 days or more and accruing	Total nonperforming loans
Commercial, financial and agricultural	$ 21,844	$ 3,081	$ 22	$ 24,947
Commercial real estate	41,856	2,243	-	44,099
Construction real estate:				
Vision commercial land and development	42,353	1,249	-	43,602
Remaining commercial	29,386	4,575	-	33,961
Mortgage	66	-	-	66
Installment	107	-	-	107
Residential real estate:				
Commercial	47,422	-	-	47,422
Mortgage	25,976	4,393	1,237	31,606
HELOC	1,420	-	-	1,420
Installment	1,953	22	112	2,087
Consumer	1,983	-	851	2,834
Leases	-	-	-	-
Total loans	$ 214,366	$ 15,563	$ 2,222	$ 232,151

	December 31, 2010			
(In thousands)	Nonaccrual loans	Accruing restructured loans	Loans past due 90 days or more and accruing	Total nonperforming loans
Commercial, financial and agricultural	$ 19,276	$ -	$ -	$ 19,276
Commercial real estate	57,941	-	20	57,961
Construction real estate:				
Vision commercial land and development	87,424	-	-	87,424
Remaining commercial	27,080	-	-	27,080
Mortgage	354	-	-	354
Installment	417	-	13	430
Residential real estate:				
Commercial	60,227	-	-	60,227
Mortgage	32,479	-	2,175	34,654
HELOC	964	-	149	1,113
Installment	1,195	-	277	1,472
Consumer	1,911	-	1,059	2,970
Leases	-	-	-	-
Total loans	$ 289,268	$ -	$ 3,693	$ 292,961

The following table provides additional information regarding those nonaccrual and accruing restructured loans that are individually evaluated for impairment and those collectively evaluated for impairment as of September 30, 2011 and December 31, 2010.

	September 30, 2011			December 31, 2010		
(In thousands)	Nonaccrual and accruing restructured loans	Loans individually evaluated for impairment	Loans collectively evaluated for impairment	Nonaccrual and accruing restructured loans	Loans individually evaluated for impairment	Loans collectively evaluated for impairment
Commercial, financial and agricultural	$ 24,925	$ 24,925	$ -	$ 19,276	$ 19,205	$ 71
Commercial real estate	44,099	44,099	-	57,941	57,930	11
Construction real estate:						
Vision commercial land and development	43,602	42,036	1,566	87,424	86,491	933
Remaining commercial	33,961	33,961	-	27,080	27,080	-
Mortgage	66	-	66	354	-	354
Installment	107	-	107	417	-	417
Residential real estate:						
Commercial	47,422	47,422	-	60,227	60,227	-
Mortgage	30,369	-	30,369	32,479	-	32,479
HELOC	1,420	-	1,420	964	-	964
Installment	1,975	-	1,975	1,195	-	1,195
Consumer	1,983	21	1,962	1,911	-	1,911
Leases	-	-	-	-	-	-
Total loans	$ 229,929	$ 192,464	$ 37,465	$ 289,268	$ 250,933	$ 38,335

All of the loans individually evaluated for impairment were evaluated using the fair value of the collateral or present value of expected future cash flows as the measurement method.

The following table presents loans individually evaluated for impairment by class of loans as of September 30, 2011 and December 31, 2010.

	September 30, 2011 (Restated)			December 31, 2010		
(in thousands)	Unpaid principal balance	Recorded investment	Allowance for loan losses allocated	Unpaid principal balance	Recorded investment	Allowance for loan losses allocated
With no related allowance recorded						
Commercial, financial and agricultural	$17,903	$ 12,329	$ —	$9,347	$ 8,891	$ —
Commercial real estate	39,400	30,680	—	21,526	17,170	—
Construction real estate:						
Vision commercial land and development	41,022	15,952	—	11,206	7,847	—
Remaining commercial	17,582	16,299	—	12,305	11,743	—
Residential real estate:						
Commercial	32,568	29,949	—	46,344	43,031	—
Consumer	—	—	—	—	—	—
With an allowance recorded						
Commercial, financial and agricultural	15,945	12,596	6,400	11,801	10,314	3,028
Commercial real estate	18,560	12,419	5,183	44,789	40,760	12,652
Construction real estate:						
Vision commercial land and development	52,623	26,084	15,133	103,937	78,644	39,887
Remaining commercial	30,813	17,662	8,940	23,563	15,337	5,425
Residential real estate:						
Commercial	21,847	17,473	4,681	19,716	17,196	5,912
Consumer	21	21	—	—	—	—
Total	$288,284	$ 192,464	$ 40,337	$304,534	$ 250,933	$ 66,904

Management's general practice is to proactively charge down loans individually evaluated for impairment to the fair value of the underlying collateral. At September 30, 2011 and December 31, 2010, there were $42.3 million and $12.0 million, respectively, of partial charge-offs on loans individually evaluated for impairment with no related allowance recorded and $53.6 million and $41.6 million, respectively, of partial charge-offs on loans individually evaluated for impairment that also had a specific reserve allocated.

The allowance for loan losses included specific reserves related to loans individually evaluated for impairment at September 30, 2011 and December 31, 2010, of $40.3 million and $66.9 million, respectively, related to loans with a recorded investment of $86.3 million and $162.3 million.

The following table presents the average recorded investment and interest income recognized on loans individually evaluated for impairment for the three and nine months ended September 30, 2011:

		Three months ended September 30, 2011		Nine months ended September 30, 2011	
(in thousands)	Recorded investment as of September 30, 2011	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized
Commercial, financial and agricultural	$ 24,925	$ 24,049	$ 49	$ 21,361	$ 155
Commercial real estate	44,099	45,162	26	50,874	150
Construction real estate:					
Vision commercial land and development	42,036	43,555	-	67,135	-
Remaining commercial	33,961	34,027	116	29,573	330
Residential real estate:					
Commercial	47,422	48,064	-	54,454	153
Consumer	21	21	-	15	1
Total	$ 192,464	$ 194,878	$ 191	$ 223,412	$ 789

The following tables present the aging of the recorded investment in past due loans as of September 30, 2011 and December 31, 2010 by class of loans.

	September 30, 2011				
(In thousands)	Accruing loans past due 30-89 days	Past due nonaccrual loans and loans past due 90 days or more and accruing*	Total past due	Total current	Total recorded investment
Commercial, financial and agricultural	$ 2,211	$ 16,457	$ 18,668	$ 741,212	$ 759,880
Commercial real estate	9,543	23,119	32,662	1,223,338	1,256,000
Construction real estate:					
Vision commercial land and development	425	35,654	36,079	66,424	102,503
Remaining commercial	-	17,807	17,807	146,140	163,947
Mortgage	145	66	211	19,708	19,919
Installment	202	69	271	14,801	15,072
Residential real estate:					
Commercial	1,264	17,295	18,559	439,387	457,946
Mortgage	14,015	21,618	35,633	934,052	969,685
HELOC	539	673	1,212	253,208	254,420
Installment	1,428	499	1,927	49,395	51,322
Consumer	9,799	2,061	11,860	631,086	642,946
Leases	-	-	-	2,204	2,204
Total loans	$ 39,571	$ 135,318	$ 174,889	$ 4,520,955	$ 4,695,844

* Includes $2.2 million of loans past due 90 days or more and accruing.

	December 31, 2010				
(In thousands)	Accruing loans past due 30-89 days	Past due nonaccrual loans and loans past due 90 days or more and accruing*	Total past due	Total current	Total recorded investment
Commercial, financial and agricultural	$ 2,247	$ 15,622	$ 17,869	$ 722,919	$ 740,788
Commercial real estate	9,521	53,269	62,790	1,168,630	1,231,420
Construction real estate:					
Vision commercial land and development	2,406	65,130	67,536	104,080	171,616
Remaining commercial	141	19,687	19,828	176,487	196,315
Mortgage	479	148	627	25,794	26,421
Installment	235	399	634	12,547	13,181
Residential real estate:					
Commercial	3,281	26,845	30,126	436,180	466,306
Mortgage	17,460	24,422	41,882	867,555	909,437
HELOC	1,396	667	2,063	259,414	261,477
Installment	1,018	892	1,910	58,540	60,450
Consumer	11,204	2,465	13,669	656,447	670,116
Leases	5	-	5	2,658	2,663
Total loans	$ 49,393	$ 209,546	$ 258,939	$ 4,491,251	$ 4,750,190

* Includes $3.6 million of loans past due 90 days or more and accruing.

Credit Quality Indicators

Management utilizes past due information as a credit quality indicator across the loan portfolio. The past due information is the primary credit quality indicator within the following classes of loans: (1) mortgage loans and installment loans in the construction real estate segment; (2) mortgage loans, HELOC and installment loans in the residential real estate segment; and (3) throughout the consumer loan segment. The primary credit indicator for commercial loans is based on an internal grading system that grades all commercial loans from 1 to 8. Credit grades are continuously monitored by the respective loan officer and adjustments are made when appropriate. A grade of 1 indicates little or no credit risk and a grade of 8 is considered a loss. Commercial loans with grades of 1 to 4.5 (pass-rated) are considered to be of acceptable credit risk. Commercial loans graded a 5 (special mention) are considered to be watch list credits and a higher loan loss reserve percentage is allocated to these loans. Loans classified as special mention have potential weaknesses that deserve management’s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loans or of the institution’s credit position at some future date. Commercial loans graded 6 (substandard), also considered watch list credits, are considered to represent higher credit risk and, as a result, a higher loan loss reserve percentage is allocated to these loans. Loans classified as substandard loans are inadequately protected by the current net worth and paying capacity of the obligor and/or of the collateral pledged, if any. Loans so classified have a well defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected. Commercial loans that are graded a 7 (doubtful) are shown as nonperforming and Park generally charges these loans down to their fair value by taking a partial charge-off or recording a specific reserve. Loans classified as doubtful have all the weaknesses inherent in those classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. Any commercial loan graded an 8 (loss) is completely charged-off. The tables below present the recorded investment by loan grade at September 30, 2011 and December 31, 2010 for all commercial loans.

	September 30, 2011				
(in thousands)	5 Rated	6 Rated	Impaired	Pass Rated	Recorded Investment
Commercial, financial and agricultural	$ 36,037	$ 7,150	$ 24,925	$ 691,768	$ 759,880
Commercial real estate	51,417	21,222	44,099	1,139,262	1,256,000
Construction real estate:					
Vision commercial land and development	10,791	2,040	42,036	47,636	102,503
Remaining commercial	7,954	14,626	33,961	107,406	163,947
Residential real estate:					
Commercial	22,825	14,096	47,422	373,603	457,946
Leases	-	-	-	2,204	2,204