McCauley Jennifer N.
Form 4
February 28, 2019

FORM 4

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

(Print or Type Responses)

1. Name and Address of Reporting Person *
McCauley Jennifer N.

(Last) (First) (Middle)

10000 ENERGY DRIVE

(Street)

SPRING, TX 77389

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
SOUTHWESTERN ENERGY CO [SWN]

3. Date of Earliest Transaction (Month/Day/Year)
02/26/2019

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer
(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
SVP - Administration

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	02/27/2019		M		18,360	A	$ 0 (1)	54,807	D	
Common Stock	02/27/2019		D		18,360	D	$ 4.29	36,447	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Restricted Stock Unit	$ 0 (1)	02/27/2019		M			18,360	(2)	(2)	Common Stock	18,360
Restricted Stock Unit	(3)	02/26/2019		A		72,740		(4)	(4)	Common Stock	72,740

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
McCauley Jennifer N. 10000 ENERGY DRIVE SPRING, TX 77389			SVP - Administration	

Signatures

/s/ Melissa D. McCarty, attorney-in-fact for Jennifer N. McCauley	02/28/2019
**Signature of Reporting Person	Date

Explanation of Responses:

***** If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

****** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Each Restricted Stock Unit ("RSU") has the economic equivalent of one share of Southwestern Energy Company ("SWN") common stock. The RSUs vesting on February 27, 2019 were settled in cash based on the closing price of SWN common stock on the vesting date.

(2) On February 27, 2018, the reporting person was granted 73,440 RSUs, vesting in four equal installments beginning on the first anniversary of the grant date, or immediately upon death, disability, retirement at age 65 with required years of service, or a change in control. Vesting RSUs will be settled in shares of SWN common stock, cash, or a combination of shares of SWN common stock and cash.

(3) Each RSU represents a contingent right to receive one share of SWN common stock or an amount in cash equal to the Fair Market Value of one share of SWN common stock.

(4) On February 26, 2019, the reporting person was granted RSUs, vesting in four equal installments beginning on the first anniversary of the grant date, or immediately upon death, disability, retirement at age 65 with the required years of service, or a change in control. Vesting RSUs will be settled in shares of SWN common stock, cash, or a combination of shares of SWN common stock and cash.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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PART I FINANCIAL INFORMATION

Item 1 Consolidated Condensed Financial Statements

POWER-ONE, INC.

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(In thousands, except per share data, unaudited)

	Three Months Ended		Six Months Ended	
	June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007
NET SALES	$ 149,273	$ 123,771	$ 267,031	$ 247,792
COST OF GOODS SOLD	118,692	98,021	215,124	198,125
GROSS PROFIT	30,581	25,750	51,907	49,667
EXPENSES:				
Selling, general and administrative	18,834	18,931	39,048	39,445
Engineering and quality assurance	11,796	12,552	23,824	25,113
Amortization of intangible assets	540	972	1,408	2,381
Restructuring costs		2,018		2,018
Asset impairment		734		734
Total expenses	31,170	35,207	64,280	69,691
LOSS FROM OPERATIONS	(589)	(9,457)	(12,373)	(20,024)
INTEREST AND OTHER INCOME (EXPENSE):				
Interest income	165	271	383	671
Interest expense	(3,149)	(1,764)	(5,120)	(3,417)
Other income (expense), net	(968)	539	(2,686)	832
Total interest and other income (expense), net	(3,952)	(954)	(7,423)	(1,914)
LOSS BEFORE INCOME TAX	(4,541)	(10,411)	(19,796)	(21,938)
PROVISION (BENEFIT) FOR INCOME TAXES	240	665	(200)	1,448
LOSS BEFORE EQUITY IN EARNINGS OF JOINT VENTURE	(4,781)	(11,076)	(19,596)	(23,386)
EQUITY IN EARNINGS OF JOINT VENTURE, net of tax	872		2,048	
NET LOSS	$ (3,909)	$ (11,076)	$ (17,548)	$ (23,386)
BASIC AND DILUTED LOSS PER SHARE	$ (0.04)	$ (0.13)	$ (0.20)	$ (0.27)
BASIC AND DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING	87,554	86,989	87,473	86,855

See notes to consolidated condensed financial statements.

POWER-ONE, INC.

CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands, except per share data, unaudited)

	June 29, 2008	December 30, 2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 37,738	$ 28,364
Investments		7,477
Accounts receivable:		
Trade, less allowance for doubtful accounts: $5,708 at June 29, 2008; $5,454 at December 30, 2007	146,719	129,984
Other	5,621	5,634
Inventories	120,389	105,930
Prepaid expenses and other current assets	10,794	7,487
Total current assets	321,261	284,876
PROPERTY AND EQUIPMENT, net of depreciation and amortization: $89,929 at June 29, 2008; $77,750 at December 30, 2007	63,814	62,809
GOODWILL	62,929	59,487
OTHER INTANGIBLE ASSETS, net	22,360	23,261
OTHER ASSETS	7,172	1,163
TOTAL	$ 477,536	$ 431,596
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Bank credit facilities and notes payable	$ 31,916	$ 21,843
Accounts payable	120,719	107,751
Restructuring reserve	4,783	6,726
Long-term debt, current portion	1,480	2,338
Other accrued expenses and current liabilities	29,227	24,410
Total current liabilities	188,125	163,068
INDEBTEDNESS TO RELATED PARTIES		50,000
LONG-TERM DEBT, net of current portion	75,594	550
OTHER LIABILITIES	16,785	18,552
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock, par value $0.001; 300,000 shares authorized; 87,766 and 87,356 shares issued and outstanding at June 29, 2008 and December 30, 2007, respectively	88	87
Additional paid-in capital	617,047	615,040
Accumulated other comprehensive income	53,673	40,527
Accumulated deficit	(473,776)	(456,228)
Total stockholders' equity	197,032	199,426
TOTAL	$ 477,536	$ 431,596

See notes to consolidated condensed financial statements

POWER-ONE, INC.

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(In thousands, unaudited)

	Six Months Ended	
	June 29, 2008	July 1, 2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(17,548)	$(23,386)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	10,079	10,582
Undistributed earnings of joint venture	(872)	
Asset impairment charge		734
Investment write-off	243	
Stock-based compensation	1,367	1,360
Exchange gain (loss)	1,067	(89)
Deferred income taxes	(1,350)	81
Write-off of unamortized debt issue costs	908	
Net loss on disposal of property and equipment	364	39
Changes in operating assets and liabilities:		
Accounts receivable, net	(9,464)	6,282
Inventories	(8,139)	(105)
Prepaid expenses and other current assets	(3,830)	151
Accounts payable	6,809	5,394
Other accrued expenses	3,014	56
Restructuring reserve	(2,070)	143
Other liabilities	(42)	1,002
Net cash provided by (used in) operating activities	(19,464)	2,244
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of available-for-sale investments	(115)	(88)
Proceeds from available-for-sale investments	7,590	1,488
Acquisition of property & equipment	(5,762)	(4,405)
Proceeds from sale of property and equipment	15	21
Other assets	(117)	30
Investment in Power Electronics Group, net of purchase price adjustment		1,386
Net cash provided by (used in) investing activities	1,611	(1,568)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings on bank credit facilities, net	8,297	913
Repayments of borrowings on notes payable	(239)	(210)
Bank overdraft		(628)
Proceeds from issuance of long-term debt, net of debt issue costs	70,309	
Repayments of borrowings on long-term debt	(1,822)	(1,072)
Repayments of indebtedness to related parties	(50,000)	
Issuance of common stock		544
Net cash provided by (used in) financing activities	26,545	(453)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	682	(1,002)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,374	(779)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	28,364	34,422

CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 37,738	$ 33,643
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	$ 3,618	$ 2,294
Income taxes	$ 243	$ 775

See notes to consolidated condensed financial statements.

Explanation of Responses:

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES

On October 23, 2006, the Company completed its acquisition of certain assets and liabilities of Magnetek, Inc. and all of the outstanding common stock of Magnetek, SpA, a subsidiary of Magnetek, Inc. (collectively the "Power Electronics Group"). In the first quarter of 2007, the Company received $1.8 million of cash from Magnetek, Inc. for adjustments made to the preliminary purchase price based on the closing balance sheet of the Power Electronics Group. Additionally, the company incurred $0.4 million of acquisition costs during the six months ended July 1, 2007 for a net cash inflow of $1.4 million in the first six months of 2007.

During the six months ended June 29, 2008, the Company recorded the fair value of $0.6 million related to the warrants issued pursuant to a Warrant Agreement dated as of March 6, 2008 between the company and PWER Bridge, LLC, entered into in connection with the $50 million PWER Bridge loan extension as a discount on the Indebtedness to related parties and an increase to Additional paid-in capital. The discount was subsequently written off and recorded as Interest expense during the quarter ended June 29, 2008 as a result of the repayment of the $50 million PWER Bridge loan.

During the six months ended June 29, 2008 and July 1, 2007, an additional $0.8 million and $1.6 million, respectively, of property and equipment had been purchased but not yet paid.

See notes to consolidated condensed financial statements.

POWER-ONE, INC.

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands, unaudited)

	Three Months Ended		Six Months Ended	
	June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007
NET LOSS	$(3,909)	$(11,076)	$(17,548)	$(23,386)
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized gain (loss) on investments		(19)	(7)	464
Foreign currency translation adjustment	170	280	13,153	1,312
COMPREHENSIVE LOSS	$(3,739)	$(10,815)	$ (4,402)	$(21,610)

See notes to consolidated condensed financial statements.

POWER-ONE, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 BASIS OF PRESENTATION

The accompanying consolidated condensed financial statements have been prepared without audit and reflect all adjustments, consisting of normal recurring adjustments, which are, in the opinion of management, necessary for a fair statement of financial position and the results of operations for the interim periods. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. Estimates are used for, but not limited to, the accounting for the allowance for doubtful accounts, inventory valuation, restructuring costs, impairment costs, depreciation and amortization, sales returns and discounts, warranty costs, uncertain tax positions and the recoverability of deferred tax assets, stock compensation, business combinations and contingencies. Actual results and outcomes may differ from management's estimates and assumptions. The statements have been prepared in accordance with accounting principles generally accepted in the United States of America and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures, normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been condensed or omitted pursuant to such SEC rules and regulations. Operating results for the period ended June 29, 2008 are not necessarily indicative of the results that may be expected for the year ending December 28, 2008.

The balance sheet at December 30, 2007 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. The accompanying interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in Power-One, Inc.'s ("the Company") Form 10-K for the year ended December 30, 2007.

The Company's reporting period coincides with the 52- to 53-week period ending on the Sunday closest to December 31, and its fiscal quarters are the 13- to 14-week periods ending on the Sunday nearest to March 31, June 30, September 30 and December 31. The three and six month periods ended June 29, 2008 and July 1, 2007 were 13- and 26-week periods, respectively.

NOTE 2 CHANGES TO SIGNIFICANT ACCOUNTING POLICIES AND RELATED DISCLOSURES

Recent Pronouncements and Accounting Changes In May 2008, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position ("FSP") No. APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement) ("FSP No. APB 14-1"). FSP No. APB 14-1 applies to convertible debt instruments that, by their stated terms, may be settled in cash (or other assets) upon conversion, including partial cash settlement, unless the embedded conversion option is required to be separately accounted for as a derivative under SFAS 133 "Accounting for Derivative Instruments and Hedging Activities." FSP No. APB 14-1 specifies that issuers of convertible debt instruments should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. FSP No. APB 14-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. FSP No. APB 14-1 shall be applied retrospectively to all periods presented. The cumulative effect of the change in accounting principle on periods prior to those presented shall be recognized as of the beginning of the first period presented. An offsetting adjustment shall be made to the opening balance

POWER-ONE, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 2 CHANGES TO SIGNIFICANT ACCOUNTING POLICIES AND RELATED DISCLOSURES (Continued)

of retained earnings for that period, presented separately. The Company does not believe that FSP No. APB 14-1 will have a material impact on its consolidated financial statements.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles" ("SFAS No. 162"). SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements presented in conformity with generally accepted accounting principles in the United States of America. SFAS No. 162 will be effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board (PCAOB) amendments to AU Section 411, "The Meaning of, Present fairly in conformity with generally accepted accounting principles". The Company does not believe the implementation of SFAS No. 162 will have a material impact on its consolidated financial statements.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133." ("SFAS No. 161") SFAS No. 161 amends and expands the disclosure requirements of SFAS No. 133 with the intent to provide users of financial statements with an enhanced understanding of: (i) how and why an entity uses derivative instruments; (ii) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations and (iii) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. This statement is effective for fiscal years beginning after November 15, 2008, with early application encouraged. The Company is in the process of evaluating the impact, if any, of SFAS No. 161 on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141(revised 2007), "Business Combinations". SFAS No. 141R will significantly change the accounting for business combinations in a number of areas, including the treatment of contingent consideration, contingencies, acquisition costs, in-process research and development and restructuring costs. SFAS No. 141R includes an amendment to SFAS No. 109, "Accounting for Income Taxes." Under SFAS No. 141R an acquiring entity is required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. SFAS No. 141R also includes a substantial number of new disclosure requirements. SFAS No. 141R applies to us prospectively for business combinations with acquisition dates on or after October 1, 2009. The Company expects that SFAS No. 141R will have an impact on accounting for business combinations once adopted, but the effect is dependent upon acquisitions at that time.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities," which permits entities to choose to measure many financial instruments and certain other items at fair value. SFAS No. 159 also includes an amendment to SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities" which applies to all entities with available-for-sale and trading securities. This Statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The Company adopted SFAS No. 159 effective December 31, 2007 and did not elect the fair value option for any existing eligible items.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." The Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements, and does not require any new fair

POWER-ONE, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 2 CHANGES TO SIGNIFICANT ACCOUNTING POLICIES AND RELATED DISCLOSURES (Continued)

value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements. The Statement is effective for the fiscal years beginning after November 15, 2007. The Company adopted the provisions of SFAS No. 157 for the financial assets and liabilities recognized at fair value on a recurring and non-recurring basis effective December 31, 2007. FSP No. 157-2 delays the effective date of FAS Statement No. 157 for nonfinancial assets and nonfinancial liabilities. The adoption of SFAS No. 157 did not have a material impact on the Company's consolidated financial statements.

NOTE 3 INVESTMENTS

Debt and Other Fixed Income Investments Investments in certain debt securities have been classified on the balance sheet as available-for-sale securities in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Available-for-sale securities are recorded at fair value based upon quoted market prices, with unrealized gains and losses (net of applicable deferred income taxes) included in accumulated other comprehensive income. Realized gains and losses on sales of investments are determined using the specific identification method. During the six months ended June 29, 2008 and July 1, 2007, the Company received $1.8 million and $1.5 million, respectively, from the sale of investments classified as available-for-sale securities and realized an immaterial gain on the transactions. During the quarter ended July 1, 2007 the Company received $1.5 million, from the sale of investments classified as available-for-sale securities and realized an immaterial gain on the transactions.

Other fixed income investments include insurance products that were recorded at the value guaranteed by the issuer in accordance with the contract terms. The guaranteed value is the contract price and the sum of interest earned to date and represents the investments' fair value. During the three and six months period ended June 29, 2008, the Company received cash proceeds of $5.8 million from the sale of these annuities and realized immaterial gains on the transactions.

At June 29, 2008, the Company had no debt or fixed income investments. The following table summarizes the Company's debt and other fixed income investments at December 30, 2007 (in millions):

	Amortized Cost	Unrealized Pretax Net Gains (Losses)	Fair Value
U.S. government and agencies notes and bonds	$ 1.8	$	$ 1.8
Other fixed income investments	5.7		5.7
	$ 7.5	$	$ 7.5

Equity Investments The Company has investments in privately-held companies that were included in other assets on the Company's consolidated condensed balance sheets and were accounted for using the cost or equity methods, depending on the nature and circumstances surrounding each investment.

POWER-ONE, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 3 INVESTMENTS (Continued)

During the three and six months ended June 29, 2008, the Company recorded equity in earnings in joint venture of $0.9 million and $2.1 million, respectively. See Note 14.

During the three and six months period ended June 29, 2008, the Company wrote off approximately $0.2 million related to an investment in a privately-held company.

NOTE 4 INVENTORIES

Inventories consist of the following (in millions):

	June 29, 2008	December 30, 2007
Raw materials	$ 84.2	$ 63.5
Subassemblies-in-process	8.7	12.1
Finished goods	27.5	30.3
	$ 120.4	$ 105.9

The Company looks at historical and projected usage for inventory in determining what is excess and obsolete. The methodology for forecasting demand may be modified depending on specific product lifecycles and local circumstances. Any inventory in excess of this demand is written off. During the six months ended June 29, 2008 and July 1, 2007 the Company wrote off approximately $4.6 million and $1.9 million, respectively, related to excess inventory and other inventory adjustments, and recorded the charges as costs of goods sold. During the three months ended June 29, 2008 and July 1, 2007 the Company wrote off approximately $2.7 million and $0.7 million, respectively, related to excess inventory and other inventory adjustments, and recorded the charges as cost of goods sold.

NOTE 5 GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consist of the following (in millions):

	June 29, 2008			
	Gross Intangible Assets	Accumulated Amortization	Net Intangible Assets	Weighted Average Life (In Years)
Non-amortizable intangibles				
Goodwill	$ 62.9	$	$ 62.9	
Trade name	11.4		11.4	
Subtotal	74.3		74.3	
Amortizable intangibles				
Product technology	6.1	3.1	3.0	12
Customer relationships	11.2	6.0	5.2	8
Other	6.5	3.7	2.8	17
Subtotal	23.8	12.8	11.0	12

Total	$ 98.1	$ 12.8	$ 85.3

Explanation of Responses:

POWER-ONE, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 5 GOODWILL AND INTANGIBLE ASSETS (Continued)

	December 30, 2007			
	Gross Intangible Assets	Accumulated Amortization	Net Intangible Assets	Weighted Average Life (In Years)
Non-amortizable intangibles				
Goodwill	$ 59.5	$	$ 59.5	
Trade name	11.4		11.4	
Subtotal	70.9		70.9	
Amortizable intangibles				
Product technology	18.7	15.4	3.3	9
Customer relationships	10.7	5.2	5.5	8
Other	6.9	3.9	3.0	16
Subtotal	36.3	24.5	11.8	10
Total	$ 107.2	$ 24.5	$ 82.7	

Total amortization expense for the six months ended June 29, 2008 and July 1, 2007 was $1.5 million, and $2.5 million, respectively. Of the $1.5 million of expense recorded during the six months ended June 29, 2008, $1.4 million was recorded as amortization of intangibles and $0.1 million recorded as cost of goods sold. Of the $2.5 million of amortization expense recorded during the six months ended July 1, 2007, $2.4 million was recorded as amortization of intangibles and $0.1 million recorded as cost of goods sold. Estimated amortization expense related to amortizable intangibles for 2008 through 2012 is as follows (in millions):

Year Ending December 31,	Amortization Expense
2008 (six months)	$ 1.2
2009	2.0
2010	1.9
2011	1.7
2012	1.5
Total	$ 8.3

The changes in the carrying amount of goodwill for the six months ended June 29, 2008 is as follows (in millions):

	June 29, 2008
Beginning balance	$ 59.5
Changes due to foreign currency fluctuations	3.4
Ending balance	$ 62.9

POWER-ONE, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 6 CREDIT FACILITIES AND NOTES PAYABLE

Credit facilities and notes payable outstanding consist of the following (in millions):

	June 29, 2008	December 30, 2007
Revolving credit facilities	$ 24.8	$ 14.9
Secured credit facility	7.1	6.7
Total credit facilities	31.9	21.6
Notes payable		0.2
Total credit facilities and notes payable	$ 31.9	$ 21.8

The Company maintains credit facilities with various banks in Europe and Asia. These credit facilities were acquired primarily as a result of acquisitions in 1998, 2000 and 2006. The aggregate limit on all credit facilities is approximately $35.3 million. The credit facilities bear interest on amounts outstanding at various intervals based on published market rates. At June 29, 2008, the total outstanding balance on all credit facilities was $31.9 million at a weighted average interest rate of 6.5%, and $1.5 million was committed to guarantee letters of credit. After consideration of these commitments, $1.9 million of additional borrowing capacity was available to the Company as of June 29, 2008. At December 30, 2007, the total outstanding balance on all credit facilities was $21.6 million at a weighted average interest rate of 6.1%, and $1.2 million was committed to guarantee letters of credit. After consideration of these commitments, $13.1 million of additional borrowing capacity was available to the Company as of December 30, 2007. Some credit agreements require the Company's subsidiaries to provide certain financial reports to the lenders and meet certain financial ratios.

At June 29, 2008, $30.7 million of the total $31.9 million credit facilities outstanding were held at a subsidiary that the Company acquired in connection with the acquisition of the Power Electronics Group of Magnetek, Inc. in October 2006 of which $23.7 million relates to revolving credit arrangements with various banks. These revolving credit arrangements bear interest at various rates based on the European Interbank Offering Rate (EURIBOR) and bore a weighted average interest rate of 6.6% at June 29, 2008.

In addition, this acquired subsidiary has an agreement with a European bank to provide borrowings secured by the subsidiary's land and building over a ten-year period. The initial commitment to lend under this agreement was $9.2 million, with the commitment amount reduced ratably on a quarterly basis beginning March 31, 2004 and ending December 30, 2013. Borrowings outstanding under this agreement were $7.1 million at June 29, 2008 and bore interest at the EURIBOR plus one and one-half percent (6.4% at June 29, 2008). The agreement contains financial covenants that require a minimum EBITDA as a percentage of net revenue and a maximum percentage of debt to equity. At June 29, 2008, this subsidiary was not in compliance with these financial covenants. The $7.1 million outstanding balance under this credit agreement at a 6.4% interest has been classified as a current liability as the Company has not sought to obtain a waiver and considers this debt potentially callable by the bank.

The remaining $1.2 million balance outstanding under credit facilities is held by another European subsidiary of the Company and bore interest of 4.1% at June 29, 2008. The credit agreement requires

POWER-ONE, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 6 CREDIT FACILITIES AND NOTES PAYABLE (Continued)

the Company's subsidiary to provide certain financial reports to the lender but does not require compliance with any financial covenants.

NOTE 7 OTHER ACCRUED EXPENSES

Other accrued expenses consist of the following (in millions):

	June 29, 2008	December 30, 2007
Accrued payroll and related expenses	$ 9.6	$ 7.9
Income tax payable	3.0	2.5
Accrued warranties	3.7	3.1
Accrued bonuses	3.4	1.0
Other accrued expenses	9.5	9.9
	$ 29.2	$ 24.4

Included in other accrued expenses at December 30, 2007 was approximately $0.6 million of accrued interest owed to PWER Bridge, LLC related to the $50 million related party indebtedness. No interest was owed to PWER Bridge, LLC at June 29, 2008.

NOTE 8 WARRANTIES

The Company offers its customer warranties on products sold based on product type and application. Management reviews and adjusts the warranty accrual based on actual warranty repair costs and the rate of return. Actual repair costs are offset against the reserve. A tabular presentation of the activity within the warranty accrual account for the six months ended June 29, 2008 and July 1, 2007 is presented below, in millions:

	Six Months Ended	
	June 29, 2008	July 1, 2007
Balance, beginning of period	$ 3.1	$ 2.0
Charges and costs accrued	2.0	2.2
Less repair costs incurred	(1.5)	(1.5)
Changes due to foreign currency	0.1	
Balance, end of period	$ 3.7	$ 2.7

POWER-ONE, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 9 RESTRUCTURING COSTS

A summary of the restructuring reserve activity during the six months ended June 29, 2008 is as follows:

	Worldwide Workforce Reduction	Facilities Closure	Total
Balance at December 30, 2007	$ 2.0	$ 4.7	$ 6.7
Applications of reserve	(1.0)	(1.0)	(2.0)
Changes due to foreign currency fluctuations	0.1		0.1
Balance at June 29, 2008	$ 1.1	$ 3.7	$ 4.8

In connection with the acquisition of the Power Electronics Group of Magnetek, Inc. in October 2006, the Company developed and implemented a plan to exit certain activities of the acquired business. The Company's plan included the integration and restructure of the operations of the acquired business in order to more closely align the Company's consolidated operations. The plan included costs related to severance, facility lease costs and termination, and contract termination costs that were incurred as a direct result of these integration and restructuring efforts. The restructuring liabilities related to this plan at June 29, 2008 were approximately $1.1 million of severance liabilities expected to be paid out by the end of the first quarter of 2009 and $0.4 million of facility closure costs expected to be paid out during 2008.

The restructuring liabilities related to facilities closure include $2.9 million and $0.4 million continuing lease obligations incurred during 2005 and 2007, respectively, upon consolidation of the Company's North American facilities. The 2005 and 2007 liabilities are expected to be paid over the life of the leases, which extend into 2011 and 2014, respectively. All restructuring charges have been or will be settled with cash.

NOTE 10 LONG-TERM DEBT

Long-term debt consists of the following (in millions):

	June 29, 2008	December 30, 2007
8% Senior Secured Convertible Notes, due 2013	$ 75.0	$
Promissory Note (related party indebtedness)		50.0
Installment notes ranging from 2% to 6%, due through 2011	2.1	2.9
Total long-term debt	77.1	52.9
Less current portion	1.5	2.3
Total long-term debt, less current portion	$ 75.6	$ 50.6

On March 6, 2008, the Company entered into an Amended and Restated Term Loan Agreement (the "Amended Loan Agreement") with PWER Bridge, pursuant to which the maturity date of the $50 million promissory note (the "PWER Bridge Note") issued by the Company to PWER Bridge, which was originally due on April 30, 2008, was extended to April 30, 2010. The original Term Loan Agreement was entered into in connection with the acquisition of the Power Electronics Group of

POWER-ONE, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 10 LONG-TERM DEBT (Continued)

Magnetek, Inc. In connection with obtaining the extension during the quarter ended March 30, 2008, the Company paid PWER Bridge a loan extension fee of $0.5 million, equal to 1% of the outstanding amount of the PWER Bridge Note. The Company also entered into a warrant agreement (the "Warrant Agreement") with PWER Bridge, pursuant to which the Company issued PWER Bridge warrants for 0.5 million shares which vested immediately upon the closing on March 6, 2008. The Warrants have an exercise price of $2.50 per share. The Company recorded the fair value of the Warrants of $0.6 million as an increase to Additional paid-in capital in the consolidated condensed balance sheet. The fair value of the warrants was determined using the Black-Scholes valuation model, using a risk-free interest rate of 2.5%, a contract life of five years and a volatility factor of 60%. During the quarter ended June 29, 2008, the Company repaid the loan to PWER Bridge using proceeds from the issuance of 8% Senior Secured Convertible Notes. The Company recorded interest expense of approximately $0.9 million related to the write-off of unamortized debt discount costs and extension fees associated with the PWER Bridge loan.

On June 12, 2008, the Company entered into a purchase agreement (the "Purchase Agreement") under which the Company agreed to sell $75 million aggregate principal amount of its 8% Senior Secured Convertible Notes due 2013 (the "Notes") to Lehman Brothers Inc., as initial purchaser (the "Initial Purchaser") for resale to certain qualified institutional buyers in compliance with Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"). On June 17, 2008, the Company issued $75 million of the Notes. The Company also granted the Initial Purchaser a 30-day option to purchase up to an additional $5 million aggregate principal amount of the Notes. On July 16, 2008, the Company issued the additional $5 million of the Notes.

The Notes are governed by an indenture, dated as of June 17, 2008 (the "Indenture") between the Company and The Bank of New York Trust Company, N.A., as trustee. The Notes bear interest at a rate of 8% per annum, payable in cash in arrears on March 31, June 30, September 30 and December 31 of each year, beginning September 30, 2008. The Notes will mature on June 17, 2013. The Notes will rank equal in right of payment with all of the Company's existing and any future senior unsecured indebtedness that is not subordinated by its terms.

The Notes are convertible, at any time prior to the close of business on the business day immediately preceding the maturity date, into shares of common stock of the Company, $0.001 par value per share (the "Common Stock"), at an initial conversion rate of 304.8780 shares of Common Stock per $1,000 in principal amount of the Notes (which is equivalent to an initial conversion price of approximately $3.28 per share), subject to certain adjustments set forth therein, including a potential reset to the conversion rate on June 18, 2009 if the average Common Stock price is lower than the initial conversion price during the five trading days preceding the reset date, subject to a conversion price floor and limitations on conversion under the rules of The Nasdaq Global Market. In certain circumstances if the conversion price is reset, the Indenture may require us to a make a cash payment upon conversion in lieu of issuing certain shares of Common Stock if that is permissible under the rules of The Nasdaq Global Market. However, the current rules of The Nasdaq Global Market do not allow for the Company to make a cash payment. The Company has agreed to seek stockholder approval so that the rules of The Nasdaq Global Market will not restrict its ability to make in full the conversion rate adjustments otherwise contemplated by the terms of the Notes, which would result in the Company only issuing shares of its common stock upon any conversion of the Notes.

POWER-ONE, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 10 LONG-TERM DEBT (Continued)

The Company will have the right to redeem for cash (i) some or all of the outstanding Notes, if on or after June 17, 2010, the closing price of the Common Stock as reported on The Nasdaq Global Market exceeds for twenty (20) or more trading days out of a thirty (30) consecutive trading day period, 175% of the then current conversion price of the Notes, or (ii) all the outstanding Notes if at any time less than 10% of the aggregate principal amount of the Notes initially issued remain outstanding. The redemption price will be equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest to, but excluding, the redemption date, and the present value of all remaining interest on the Notes through and including the maturity date.

In addition, on or after June 17, 2011, holders may require the Company to repurchase all or a portion of their Notes at a repurchase price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest if the Company's ratio of total net debt to last twelve months' EBITDA exceeds 3.0x, measured as of the end of the preceding fiscal quarter. Holders may also require the Company to repurchase all or a portion of the Notes upon a fundamental change (as described therein) at a repurchase price equal to 100% of the principal amount plus accrued and unpaid interest to, but not including, the repurchase date.

The Notes contain customary representations and warranties, events of default and affirmative and restrictive covenants. Specifically, the Notes contain covenants that, in general, limit the repayment of certain indebtedness, the payment of dividends on, or repurchase of Common Stock, the granting of liens and the incurrence of indebtedness. Under the terms of the Indenture, the Company must also maintain certain financial ratios related to debt, cash and cash equivalents, and tangible net worth. The Notes provide for events of default that would permit the trustee, or the holders of at least 25% in aggregate principal amount of the Notes then outstanding and the trustee to accelerate the maturity of the Notes upon, in general, failure to make payments thereon, failure to comply with conversion obligations, failure to timely comply with the covenants and agreements contained therein for a period of time after notice has been provided, certain events of insolvency or dissolution, the occurrence of certain legal judgments against the Company, or the suspension from trading of the Common Stock for a certain period of time.

The net proceeds received from the offering during the quarter ended June 29, 2008, after deducting the Initial Purchaser's discount and estimated offering expenses, which have been included as debt issue costs on the consolidated condensed balance sheet, were approximately $70.3 million. The Company used the net proceeds to retire approximately $50.2 million of previously incurred acquisition indebtedness (including interest) provided by PWER Bridge, LLC.

In connection with the offering, on June 17, 2008, the Company and certain of its subsidiaries entered into a pledge and security agreement with The Bank of New York Trust Company, N.A., as collateral agent, pursuant to which the Notes will be secured by a first-priority pledge of all of the Company's equity interests in its first tier domestic subsidiaries and up to 66% of the Company's equity interests in certain of its foreign subsidiaries, and, subject to certain exceptions, all of the inventory, accounts receivable and other property and assets (other than capital stock) of the Company and its first tier domestic subsidiaries.

POWER-ONE, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 10 LONG-TERM DEBT (Continued)

The Company has certain long-term notes payable due through fiscal year 2011 acquired through its 2006 acquisition. Amounts outstanding at June 29, 2008 were $2.1 million and bore interest at various rates ranging from 2% to 6% at a weighted-average interest rate of 3.2%. Amounts outstanding at December 30, 2007 were $2.9 million and bore interest at various rates ranging from 2% to 6% at a weighted-average interest rate of 3.6%. The long-term notes payable agreements require the Company's subsidiary to provide certain financial reports to the lender but do not require compliance with any financial covenants.

At June 29, 2008 and December 30, 2007, the Company was in compliance with the debt covenants related to these long-term borrowing arrangements.

Aggregate principal maturities on long-term debt outstanding at June 29, 2008 are as follows:

Year Ending December 31,	
2008 (six months)	$ 1.5
2009	0.2
2010	0.2
2011	0.2
2012	
Thereafter	75.0
Total	$77.1

NOTE 11 CONTINGENCIES

The Company is involved in certain claims and legal proceedings which have arisen in the normal course of business. Management does not believe that the outcome of any currently pending claims or legal proceedings in which the Company is currently involved will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flow.

Power-One, Inc. v. Artesyn Technologies, Inc. United States District Court, Eastern District of Texas, Civil Action No. 2-05-CV-463 (LED). This action was initiated by the Company against Artesyn Technologies on September 30, 2005. The complaint alleged that certain product of Artesyn Technologies infringes certain patents held by the Company that focus on technologies relating to digital power management and control. The complaint sought certain injunctive relief against and compensatory damages from Artesyn Technologies. A trial by jury was held in November, 2007. The jury found that all Power-One patents in the suit were valid, and found that the accused Artesyn product infringed Power-One's U.S. patent No. 7,000,125. The Court issued rulings on April 11, 2008 favorable to the Company, including issuance of a permanent injunction against Artesyn Technologies and its successors. Final judgment was issued by the Court on July 1, 2008 confirming the jury verdict and the entry of the permanent injunction. Notice of Appeal was filed by Artesyn Technologies on July 29, 2008.

Astec America, Inc. v. Power-One, Inc. United States District Court, Eastern District of Texas, Civil Action No. 6:07-CV-464 (LED) (JDL). This action was initiated by Astec America on July 27, 2007 and originally filed in the United States District Court, Central District of California. The action

POWER-ONE, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 11 CONTINGENCIES (Continued)

seeks a declaratory judgment in favor of Astec America that certain products of Astec America do not infringe certain patents of Power-One. The patents at issue in this matter are essentially the same patents as are at issue in the Power-One v. Artesyn Technologies matter noted above. Per motion of Power-One, the action was transferred to the Eastern District Court in Texas, and placed before the same judge handling the Power-One v. Artesyn Technologies matter. The Court denied Power-One's motion to dismiss on April 11, 2008. The Court issued an Order on July 15, 2008 under which all proceedings in this matter were stayed and put on indefinite hold pending completion of appellate proceedings in *Power-One, Inc. v. Artesyn Technologies, Inc.*

SynQor, Inc. v Power-One, Inc, et. al. United States District Court, Eastern District of Texas, Civil Action No. 2:07cv497 TJW/CE. This action was initiated by SynQor, Inc. against the Company and eight other power supply manufacturers on November 13, 2007. The complaint alleges that certain products of the Company infringe certain patents held by SynQor in relation to unregulated and semi-regulated bus converters and/or point of load (POL) converters used in intermediate bus architecture power supply systems. The Company has filed its answer to the complaint denying infringement of the patents alleged, denying all claims of SynQor for entitlement to damages or other relief, and asserting various affirmative defenses, to include invalidity and unenforceability of the applicable patents. Proceedings are currently in the discovery phase.

Antonio Canova v. Power-One Italy S.p.A. and Magnetek, Inc. Labor Court, Arezzo, Italy. The former Managing Director of our Italian subsidiary has brought suit in Italy against the Italian subsidiary, and against his former U.S. employer Magnetek, Inc., alleging various causes of action and rights to damages relating to (i) claims of wrongful dismissal from employment, (ii) specific Italian employment indemnities, (iii) general economic losses, and (iv) contractual claims relating specifically to his employment relationship and contracts entered into between the individual and Magnetek, Inc. The various claims and assertions arise from and relate to the individual's removal from office with the Italian subsidiary, and his contractual relationships with Magnetek, Inc., which actions occurred in connection with our acquisition of Magnetek, Inc.'s Power Electronics Group in October 2006. Proceedings are pending before the applicable Italian civil court. An initial hearing was held on July 2, 2008, at which hearing claimant agreed to waive and dismiss certain claims for damages relating to his theory of wrongful dismissal from employment. The Court set a hearing for October 10, 2008 for further proceedings on claimant's other theories of damages.

The Company accounts for unrecognized tax positions under FASB Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109." The total amount of unrecognized tax positions that would impact the effective tax rate is approximately $3.5 million at June 29, 2008 and includes $1.1 million of interest and penalties. The Company recognizes interest and penalties related to unrecognized tax benefits in income tax expense.

The Company is currently under audit by several tax authorities. Because timing of the resolution and/or closure of these audits is highly uncertain, it is not possible to estimate resulting changes to the amount of unrecognized tax benefits for positions existing at June 29, 2008. During 2007, the Company determined that in certain of its 2006 income tax filings that it inadvertently omitted information regarding the restructuring of certain foreign operations. The Company is in the process of supplying this information and believes that it is more likely than not that it will receive reasonable cause relief

POWER-ONE, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 11 CONTINGENCIES (Continued)

with respect to the late submission of the omitted information. Accordingly, the Company has not accrued any taxes, penalties or interest with respect to these items. The Company does not currently anticipate such uncertain income tax positions will significantly increase or decrease prior to December 31, 2008; however, developments in this area could differ from those currently expected. Such unrecognized tax positions, if ever recognized in the financial statements, would be recorded in the consolidated statement of operations as part of the income tax provision.

NOTE 12 STOCK BASED COMPENSATION PLANS

The Company accounts for stock-based awards in accordance with SFAS No. 123(R), "Share-Based Payment." Upon adoption of SFAS No. 123(R) in 2006, the Company elected the modified prospective method.

The Company has granted stock awards under its 1996 and 2004 stock incentive plans, which generally vest between one and four years from the date of grant. The fair value of non-vested share units awarded by the Company is measured using the closing fair market value as reported on the NASDAQ Stock Market of the Company's stock on the date the awards are granted. The following table presents the activity under the Company's stock based compensation plans:

	Three Months Ended		Six Months Ended	
	June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007
Non-vested share units granted, in millions	0.1	0.5	0.6	0.6
Weighted average grant date fair value of non-vested share units	$ 2.82	$3.49	$ 2.53	$4.06
Stock compensation expense related to non-vested share units, in millions	$ 0.6	$ 0.6	$ 1.2	$ 1.3

During the quarter ended March 30, 2008, the Company's Board of Directors approved an amendment to the stock options and non-vested share units previously granted by the Company to its former Chief Executive Officer as part of the "Employment Separation and General Release Agreement" dated March 18, 2008. The amendment effectively extended the exercise term of certain of his vested stock options and non-vested share units for approximately one year. The Company recorded approximately $0.1 million in compensation expense related to the stock option and award modifications during the six months ended June 29, 2008.

On February 19, 2008, Richard J. Thompson was appointed as the Company's Chief Executive Officer. Pursuant to his Employment Agreement, Mr. Thompson was granted 0.5 million non-vested share units, 0.5 million stock options and 0.3 million stock appreciation rights. The non-vested share units, stock options and stock appreciation rights were each granted pursuant to written award agreements and are scheduled to vest over a four-year term. The stock options and stock appreciation rights are scheduled to become 100% vested on the anniversary of the fourth year. However, the stock options and stock appreciation rights will vest earlier if certain market and performance conditions are achieved. The Company expects to settle the stock appreciation rights in shares of its common stock. During the six month ended June 29, 2008, the Company recorded an immaterial amount of stock

POWER-ONE, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 12 STOCK BASED COMPENSATION PLANS (Continued)

compensation expense related to these non-vested share units, stock options and stock appreciation rights. The stock compensation expense related to the non-vested share units is included in the table above in the caption "Stock compensation expense related to non-vested share units."

The fair value of the options and stock appreciation rights granted during the six months ended June 29, 2008 was estimated on the date of grant using the Black-Scholes valuation model and securities weighted average time to vest using the Monte Carlo Simulation method, with the assumptions shown below.

	Six Months Ended June 29, 2008
Risk-free interest rate	3.1%
Volatility	65%
Option life, years	6.7
Dividends	
Expected stock return/discount rate	2.5%
Stock options granted, in millions	0.5
Stock appreciation rights granted, in millions	0.3
Weighted-average grant date fair value of stock options and stock appreciation rights granted	$ 1.52

No stock options were granted by the Company during the quarters ended June 29, 2008 or July 1, 2007, or the six months ended July 1, 2007. The Company recorded stock compensation expense of approximately $0.1 million related to stock options during each of the quarters ended June 29, 2008 and July 1, 2007. The Company recorded stock compensation expense of approximately $0.2 million and $0.1 million related to stock options and stock appreciation rights during the six months ended June 29, 2008 and July 1, 2007, respectively.

NOTE 13 EARNINGS PER SHARE

Components of basic and diluted earnings (loss) per share are calculated as follows (in millions, except per share data):

	Three Months Ended		Six Months Ended	
	June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007
Net loss	$ (3.9)	$ (11.1)	$ (17.5)	$ (23.4)
Weighted average outstanding shares basic	87.6	87.0	87.5	86.9
Dilutive effect of stock options and awards				
Weighted average outstanding shares diluted	87.6	87.0	87.5	86.9
Basic loss per share	$ (0.04)	$ (0.13)	$ (0.20)	$ (0.27)
Diluted loss per share	$ (0.04)	$ (0.13)	$ (0.20)	$ (0.27)

POWER-ONE, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 13 EARNINGS PER SHARE (Continued)

Basic earnings per share are computed based upon the weighted average number of common shares outstanding and diluted earnings per share are computed based upon the weighted average number of common shares outstanding and dilutive common share equivalents (consisting of incentive stock options, non-qualified stock options and non-vested share units) outstanding during the periods using the treasury stock method. Due to the Company's net loss in both of the three-month and six-month periods ended June 29, 2008 and July 1, 2007, the inclusion of dilutive common share equivalents in the calculation of diluted earnings per share would be anti-dilutive, therefore such common share equivalents have been excluded from the computation of diluted loss per share.

Had the Company been in a net income position for the respective periods, the weighted average common share equivalents of 0.5 million which were outstanding during both three-month periods ended June 29, 2008 and July 1, 2007, and 0.3 million and 1.0 million which were outstanding during the six-month periods ended June 29, 2008 and July 1, 2007, respectively, would have been dilutive.

The weighted average common share equivalents outstanding during each period that were excluded from the computation of diluted earnings per share because the exercise price for these options was greater than the average market price of the Company's shares of common stock during the three-month periods ended June 29, 2008 and July 1, 2007 were 7.8 million and 8.8 million, respectively, and 8.4 million and 6.7 million during the six-month periods ended June 29, 2008 and July 1, 2007, respectively.

The Company has excluded its convertible securities from the diluted earnings per share computation as the effect would be antidilutive. The weighted average common share equivalents, under the if-converted method, excluded from the diluted earnings per share calculation for the three- and six-month periods ended June 29, 2008 were 3.3 million and 1.6 million, respectively.

NOTE 14 RELATED PARTIES

On March 6, 2008, the Company extended the maturity date of the PWER Bridge Note to April 30, 2010 pursuant to the terms of an Amended and Restated Loan Agreement. During the quarter ended March 30, 2008 and in connection with obtaining the extension, the Company paid PWER Bridge a loan extension fee of $0.5 million, equal to 1% of the outstanding amount of the PWER Bridge Note. The Company recorded approximately $1.2 million and $1.3 million of interest expense in its consolidated condensed statements of operations related to PWER Bridge, LLC during the quarters ended June 29, 2008 and July 1, 2007, respectively, and $2.7 million and $2.5 million of interest expense during the six months ended June 29, 2008 and July 1, 2007, respectively. During the quarter ended June 29, 2008, the Company used proceeds received from the issuance of 8% Senior Secured Convertible Notes to repay PWER Bridge, LLC the principal balance of $50 million and interest accrued.

PWER Bridge is 100% owned by Warren A. Stephens, who owned approximately 6.4% of the Company's outstanding common stock as of August 1, 2008. Mr. Stephens also owns 100% of Stephens Insurance. The Company paid Stephens Insurance approximately $0.2 million for insurance brokerage services provided during the quarter and six months ended June 29, 2008 and six months ended July 1, 2007. No amounts were paid to Stephens Insurance during the quarter ended July 1, 2007.

The Company maintains minority ownership in a joint venture located in China. The joint venture is accounted for and recorded on the consolidated condensed balance sheet as other assets under the

POWER-ONE, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 14 RELATED PARTIES (Continued)

equity method. During 2005 and through fiscal 2007, the Company impaired the entire investment in the joint venture as a result of its analysis of the future discounted cash flows combined with other unfavorable indicators. However, during March 2008, the Company received a cash dividend of $1.2 million from the joint venture, representing a return on its investment. The cash dividend along with $0.4 million dividend receivable related to a declared dividend not yet paid, and approximately $0.5 million related to the Company's share in the earnings of the joint venture for the six months ended June 29, 2008 were recorded in "Equity in earnings of joint venture" in the consolidated condensed statements of operations during the six months ended June 29, 2008. During the quarter ended June 29, 2008, the Company recorded approximately $0.9 million in "Equity in earnings of joint venture" related to the dividend receivable and the Company's share in the joint venture earnings.

The joint venture may purchase raw components and other goods from the Company and may sell finished goods to the Company as well as to other third parties. The Company records revenue on sales to the joint venture only when the components and goods are for sales to third parties. When the joint venture purchases components that will be assembled and sold back to the Company, no revenue is recorded. The Company also has significant and similar relationships with contract manufacturers. These contract manufacturers may purchase raw components from and sell finished goods back to the Company. No revenue is recognized for these transactions. Revenue is recognized only when the products are for sale to third parties.

No revenue was recognized relating to the joint venture during the quarters or six months ended June 29, 2008 and July 1, 2007. The Company paid $2.4 million and $1.8 million for inventory purchased from the joint venture during the quarters ended June 29, 2008 and July 1, 2007, respectively, and $8.0 million and $3.9 million for inventory purchased from the joint venture during the six months ended June 29, 2008 and July 1, 2007, respectively. At June 29, 2008, the Company owed the joint venture approximately $4.4 million.

One of the members of the Company's Board of Directors is the President of Benchmark Electronics, a contract manufacturer to whom products are sold. During the quarters ended June 29, 2008 and July 1, 2007, the Company recognized revenue on sales to Benchmark Electronics in the amounts of approximately $0.1 million and $0.4 million, respectively. During the six months ended June 29, 2008 and July 1, 2007, the Company recognized revenue on sales to Benchmark Electronics in the amounts of approximately $2.1 million and $0.8 million, respectively. At June 29, 2008, Benchmark Electronics owed the Company approximately $0.5 million.

NOTE 15 SUBSEQUENT EVENTS

In connection with the Purchase Agreement under which the Company agreed to sell $75 million aggregate principal amount of its 8% Senior Secured Convertible Notes due 2013 to Lehman Brothers Inc., as Initial Purchaser for resale to certain qualified institutional buyers in compliance with Rule 144A under the Securities Act of 1933, as amended, the Company granted a 30-day option to the Initial Purchaser to purchase up to an additional $5 million aggregate principal amount of the Notes. On July 12, 2008 the Initial Purchaser exercised their option to purchase the additional notes and on July 16, 2008, the Company issued the additional $5 million principal amount of the 8% Senior Secured Convertible Notes to the Initial Purchaser at an aggregate discount of approximately $0.2 million.

Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations

The following management's discussion and analysis should be read in conjunction with our management's discussion and analysis of financial condition and results of operations included in our Annual Report on Form 10-K for the year ended December 30, 2007 filed with the SEC, and all of our other filings, including Current Reports on Form 8-K, filed with the SEC after such date and through the date of this report.

This Quarterly Report on Form 10-Q may contain certain statements that we believe are, or may be considered to be, "forward-looking statements" within the meaning of various provisions of the Securities Act of 1933 and of the Securities Exchange Act of 1934. These forward-looking statements generally can be identified by use of statements that include phrases such as we "forecast," "expect," "anticipate," "estimate," "plan," "intend," "continue," "will," "may," "can," "believe" or other similar words or phrases. Similarly, statements that describe our objectives, plans or goals also are forward-looking statements. All of these forward-looking statements are subject to certain risks and uncertainties that could cause our actual results to differ materially from historical results or from those expressed or implied by the relevant forward-looking statement. We discuss these risks and uncertainties in detail in Part I, Item 1A of our 2007 Form 10-K.

Introduction

We are a worldwide organization and leading designer and manufacturer of hundreds of high-quality brand name AC/DC power supplies and DC/DC converters, inverters and power management products. We sell our products to original equipment manufacturers, distributors and service providers who value quality, reliability, technology and service. We have hundreds of customers in the communications, networking equipment, server/storage, computer, instrumentation, industrial, renewable energy, and other electronic equipment industries.

Our AC/DC power supplies are typically embedded in our customers' products and convert alternating current to direct current. We engage in the design, manufacture and sale of standard, modified-standard and custom AC/DC and DC/DC products to original equipment manufacturers (OEMs). Our board-mounted DC/DC products provide precise levels of DC power to sensitive electronic components embedded in our customers' equipment. Our power management products also provide precise levels of DC power to sensitive electronic components, but include elements of communications and control. In addition, many of our power management products are programmable via a graphical user interface and offer our customers significant cost and time savings over traditional DC/DC converters. Our DC power systems, which provide back-up power, are sold primarily to telecommunications and Internet service providers worldwide. Our inverters for renewable energy provide conversion from either wind generators or photovoltaic energy into useable AC power for the grid.

We are engaged in the design and production of renewable energy inverters. Our renewable energy products, also called alternative energy products, are generally stand alone units that are sometimes called "inverters." These products are DC-to-AC converters that convert DC voltage from solar arrays, wind generators, or fuel cells into useable AC power; and range in size from a briefcase to a large cabinet. The global demand for harvesting power from the sun (called solar or photovoltaic energy) and wind to be converted into useable power is one of the fastest growing markets due to increasing energy costs and concern for the overall environment. Additionally, the cost of renewable energy products is decreasing and with many countries offering incentives to individuals and companies, we expect this market to expand rapidly throughout the world.

We are also engaged in the design and production of highly innovative and efficient silicon-based digital power management solutions for next generation DC/DC power conversion products in the Intermediate Bus Architecture (IBA) market. These products are marketed and sold under our

maXyz® and Z-One® digital power management product lines. These products are covered by a wide range of patents, and are considered strategically significant to the Company. Market acceptance and adoption remains in very early stages.

We have two main product lines, referred to as "embedded products" and "power systems." Embedded products include AC/DC power supplies, DC/DC converters (including "brick" converters and POL converters), and smart motor control products. Power systems products include DC power systems and renewable energy products.

During 2007, we entered into a restructuring plan to reduce our fixed spending by approximately $20 million annually by significantly downsizing the Company's operations in North America, as certain functions were moved to other existing Power-One facilities in low-cost locations, and reducing operations and overhead in other foreign locations. The anticipated savings resulting from this restructuring plan were substantially achieved by the end of the first fiscal quarter of 2008.

We generate a significant percentage of our revenue internationally through sales offices located throughout Europe and Asia. In addition, manufacturing is performed in our own facilities in the Dominican Republic, China, Italy and Slovakia, and at contract manufacturers in Asia. We are significantly increasing our presence in Asia to take advantage of a lower cost structure and closer proximity to suppliers and certain major customers. We are in the process of implementing detailed plans to improve our operational and financial performance and drive long-term growth and profitability. Based on these plans we have already launched initiatives addressing supply chain issues, including programs to lower material costs, the acceleration of the transfer of manufacturing to China, and the implementation of new sales and operations planning processes. The aim of these steps is to improve on-time delivery, reduce manufacturing inefficiencies, and increase gross margin. However, we recognize that there are inherent risks to our international operations that may impact our business, which include but are not limited to the following:

Currency risk, since we will increasingly receive payments and purchase components in foreign currencies and we have historically not engaged in foreign currency hedging activities;

Risk associated with expanding sales or manufacturing operations into economies and markets that may experience financial, economic or political instability;

Differing degrees of intellectual property protection outside of the United States;

Frequent changes in laws and policies affecting trade, investment and taxes, including laws and policies relating to repatriation of funds and to withholding taxes, that are administered under very different judicial systems;

Reliance on overseas contract manufacturers that may not be able to manufacture and deliver products in the quantity, quality, and timeline required;

Increasing energy costs and oil prices putting pressure on global economic conditions; and

Unionized labor at certain of our foreign manufacturing facilities.

We operate in an industry where quantity discounts, price erosion (and corresponding decreases in revenues and margins), and product obsolescence due to technological improvements are normal. While we see price erosion on most of the products we sell, we also see price erosion on many of the components we purchase for inclusion in our products, thereby decreasing our costs. Product obsolescence refers to the tendency of small and less expensive products to replace larger and more expensive products. For example, the functions of a full-size DC/DC brick converter were replaced by a half-brick, which was subsequently replaced by a quarter brick and then a $^{1}/_{8}^{th}$-brick, and currently is at a $^{1}/_{16}^{th}$-brick size. Each successive product is smaller but has retained or expanded the functionality of its predecessor. In addition to the reduction in size, the dollar cost per watt is also reduced, which results

in lower prices for the customer as well as lower system cost for the manufacturer. Sales of each successor product typically replace sales of the predecessor product, making the predecessor product obsolete. These phenomena are normal in our industry, and we have experienced price erosion and product obsolescence in line with industry trends. Price erosion and product obsolescence may negatively impact gross margins and result in inventory write-offs, and price erosion may also mask increases in unit sales (as opposed to revenues) of certain products.

On June 12, 2008, we entered into a purchase agreement (the "Purchase Agreement") under which we agreed to sell $75 million aggregate principal amount of our 8% Senior Secured Convertible Notes due 2013 (the "Notes") to Lehman Brothers Inc., as initial purchaser (the "Initial Purchaser") for resale to certain qualified institutional buyers in compliance with Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"). On June 17, 2008, we issued $75 million of the Notes. We also granted the Initial Purchaser a 30-day option to purchase up to an additional $5 million aggregate principal amount of the Notes. On July 16, 2008, we issued the additional $5 million of the Notes. During the quarter ended June 29, 2008, we used a portion of the net proceeds of approximately $70.3 million to retire approximately $50.0 million related to the PWER Bridge Notes.

Recent Pronouncements and Accounting Changes In May 2008, the FASB issued FASB Staff Position No. APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement) ("FSP No. APB 14-1"). FSP No. APB 14-1 applies to convertible debt instruments that, by their stated terms, may be settled in cash (or other assets) upon conversion, including partial cash settlement, unless the embedded conversion option is required to be separately accounted for as a derivative under SFAS 133. FSP No. APB 14-1 specifies that issuers of convertible debt instruments should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. FSP No. APB 14-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. FSP No. APB 14-1 shall be applied retrospectively to all periods presented. The cumulative effect of the change in accounting principle on periods prior to those presented shall be recognized as of the beginning of the first period presented. An offsetting adjustment shall be made to the opening balance of retained earnings for that period, presented separately. We do not believe FSP No. APB 14-1 will have a material impact on our consolidated financial statements.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles" ("SFAS No. 162"). SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements presented in conformity with generally accepted accounting principles in the United States of America. SFAS No. 162 will be effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board (PCAOB) amendments to AU Section 411, "The Meaning of, Present fairly in conformity with generally accepted accounting principles". We do not believe the implementation of SFAS No. 162 will have an material impact on our consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133" (SFAS No. 161). SFAS No. 161 amends and expands the disclosure requirements of SFAS No. 133 with the intent to provide users of financial statements with an enhanced understanding of: (i) how and why an entity uses derivative instruments; (ii) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations and (iii) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. This statement is effective for fiscal years beginning after November 15, 2008, with early application encouraged. We are in the process of evaluating the impact, if any, of SFAS No. 161 on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141(revised 2007), "Business Combinations". SFAS No. 141R will significantly change the accounting for business combinations in a number of areas, including the treatment of contingent consideration, contingencies, acquisition costs, in-process research and development and restructuring costs. SFAS No. 141R includes an amendment to SFAS No. 109, "Accounting for Income Taxes." Under SFAS No. 141R an acquiring entity is required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. SFAS No. 141R also includes a substantial number of new disclosure requirements. SFAS No. 141R applies to us prospectively for business combinations with acquisition dates on or after October 1, 2009. We expect that SFAS No. 141R will have an impact on accounting for business combinations once adopted, but the effect is dependent upon acquisitions at that time.

In February 2007, the Financial Accounting Standards Board ("FASB") issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities," which permits entities to choose to measure many financial instruments and certain other items at fair value. SFAS No. 159 also includes an amendment to SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities" which applies to all entities with available-for-sale and trading securities. This Statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. We adopted SFAS No. 159 effective December 31, 2007 and did not elect the fair value option for any existing eligible items.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." The Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements, and does not require any new fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements. The Statement is effective for the fiscal years beginning after November 15, 2007. We adopted the provisions of SFAS No. 157 for the financial assets and liabilities recognized at fair value on a recurring and non-recurring basis effective December 31, 2007. FSP No. 157-2 delays the effective date of FAS Statement No. 157 for nonfinancial assets and nonfinancial liabilities. The adoption of SFAS No. 157 did not have a material impact on our consolidated financial statements.

Results of Operations

Net Sales. Net sales increased $19.2 million, or 8%, to $267.0 million for the six months ended June 29, 2008 from $247.8 million for the six months ended July 1, 2007. As a result of the strengthening of the functional currencies at our international locations, primarily the Euro and Swiss Franc, our consolidated revenue levels increased as compared with the same period in 2007. A substantial portion of our European revenue is transacted in foreign currencies such as the Euro, the Swiss Franc, and the British Pound. As these currencies strengthened over the US Dollar in 2008, our consolidated revenue was favorably impacted by approximately $12.9 million for the six months ended June 29, 2008. Net sales were also favorably impacted by demand across our core markets, with particular strength in the renewable energy market.

Net sales increased $25.5 million, or 21%, to $149.3 million for the quarter ended June 29, 2008 from $123.8 million for the quarter ended July 1, 2007. As a result of the strengthening of the functional currencies at our international locations, our consolidated revenue levels increased by approximately $8.2 million as compared with the same period in 2007. Net sales were also favorably impacted during the quarter ended June 29, 2008 by demand across our core markets, with particular strength in the renewable energy market. We also fulfilled a substantial amount of past due orders which further contributed to the strong results.

Net sales by customer category were as follows, in millions:

	Three Months Ended				Six Months Ended			
	June 29, 2008		July 1, 2007		June 29, 2008		July 1, 2007	
OEMs	$110.3	74%	$ 94.2	76%	$196.0	73%	$192.8	78%
Distributors	29.2	20%	22.3	18%	55.9	21%	41.7	17%
Service providers	9.8	6%	7.3	6%	15.1	6%	13.3	5%
Total	$149.3	100%	$123.8	100%	$267.0	100%	$247.8	100%

During the three and six months ended June 29, 2008 and July 1, 2007, no customer exceeded 10% of net sales.

We have defined our end-markets based on the customers we serve. Net sales for the three and six months ended June 29, 2008 and July 1, 2007 by end-markets were as follows:

	Three Months Ended		Six Months Ended	
	June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007
Communications	47%	49%	49%	49%
Instrumentation and Industrial	14%	23%	17%	23%
Renewable Energy	13%	3%	11%	2%
Server, Storage and Computer	12%	14%	11%	14%
Other	14%	11%	12%	12%
Total	100%	100%	100%	100%

The Company's combined quarter-end 180-day and 90-day backlog were as follows, in millions:

	June 29, 2008	December 30, 2007
Combined 180-day backlog	$ 134.3	$ 83.4
Combined 90-day backlog	$ 106.9	$ 75.7

We generally sell our products pursuant to purchase orders rather than long-term contracts. 180-day backlog consists of purchase orders on-hand having delivery dates scheduled within the next six months. Our backlog may not necessarily be a reliable indicator of future revenue because our customers are able to cancel or modify their orders up to 30 days prior to delivery (up to 60 days prior to delivery without penalty.) In addition, a significant portion of our revenues is derived from "turns" business (that is, revenues from orders that are booked and shipped within the same reporting period.) Since a portion of our business is engaged in the design, manufacture and sale of AC/DC products that are customized to the particular customer, lead times can be longer and orders may be booked earlier than they would be for our standard products. Our bookings were not significantly impacted by any new Vendor Managed Inventory ("VMI") programs during the quarter and six months ended June 29, 2008. Under a VMI program, we manufacture products for our customers based on their forecast. As a result, the booking and billing occur simultaneously upon use of the product, and therefore there is always a book-to-bill ratio of 1.0 for these programs. We may bring additional VMI programs on-line in the future, which would result in higher "turns" business, lower backlog, and higher finished goods inventory.

Gross Profit. Gross profit and gross profit margin for the three and six months ended June 29, 2008 and July 1, 2007 were as follows:

	Three Months Ended		Six Months Ended	
	June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007
Gross profit, in millions	$ 30.6	$25.8	$ 51.9	$49.7
Gross profit margin	20.5%	20.8%	19.4%	20.0%

Gross profit for the six months ended June 29, 2008 increased by $2.2 million to $51.9 million compared with a gross profit of $49.7 million in the comparable period in 2007. As a percentage of net sales, gross margin decreased to 19.4% for the first six months of 2008 from a gross margin of 20.0% for the same period in 2007. Gross profit was favorably impacted by approximately $4.1 million related to higher sales volume and by approximately $2.0 million related to increased net sales due to foreign currency fluctuations at our international locations during the six months ended June 29, 2008. These favorable impacts to the gross profit were offset by unfavorable variances related to manufacturing inefficiencies, supply chain constraints and costs associated with expediting past due orders, and unfavorable changes in product mix. The gross profit for the six months ended June 29, 2008 was impacted by $4.6 million of inventory related charges recorded in cost of goods sold, compared to approximately $1.9 million recorded in costs of goods sold related to the write-off of inventory and other related inventory adjustments during the six months ended July 1, 2007.

Gross profit for the quarter ended June 29, 2008 increased by $4.8 million to $30.6 million compared with a gross profit of $25.8 million in the comparable period in 2007. As a percentage of net sales, gross margin decreased to 20.5% for the second quarter of 2008 from a gross margin of 20.8% for the same period in 2007. Gross profit was favorably impacted by approximately $4.9 million related to higher sales volume and approximately $1.7 million related to increased net sales due to foreign currency fluctuations at our international locations during the quarter ended June 29, 2008. These favorable impacts were offset by manufacturing inefficiencies, supply chain constraints and costs associated with expediting past due orders, and unfavorable changes in product mix. The gross profit for the quarter ended June 29, 2008 was impacted by $2.7 million of inventory related charges recorded in cost of goods sold, compared to approximately $0.7 million recorded in costs of goods sold related to the write-off of inventory and other related inventory adjustments during the quarter ended July 1, 2007.

Selling, General and Administrative Expense. As a percentage of net sales, selling, general and administrative expense decreased to 15% for the six months ended June 29, 2008 from 16% in the comparable period in 2007. Selling, general and administrative expense decreased $0.4 million, or 1%, to $39.0 million for the six months ended June 29, 2008 from $39.4 million for the same period in 2007. As a percentage of net sales, selling, general and administrative expense decreased to 13% for the quarter ended June 29, 2008 from 15% for the same period in 2007. Selling, general and administrative expense decreased $0.1 million, or 1%, to $18.8 million for the quarter ended June 29, 2008 from $18.9 million for the same period in 2007.

Selling expense decreased $0.6 million, or 4%, to $16.4 million for the six months ended June 29, 2008 from $17.0 million for the same period in 2007. We achieved approximately $2.1 million in savings related to our 2007 restructuring plan. These savings were partially offset by increased commissions of approximately $1.1 million related to increased renewable energy sales, approximately $0.2 million related to one-time severance charges recorded during the six month period ended June 29, 2008, and fluctuations in foreign currencies. As a result of the strengthening of the functional currencies at our international locations, primarily the Euro and Swiss Franc, our consolidated expense levels increased as compared with the same period in 2007. The translation of the functional currencies at our

international locations to our reporting currency of the US Dollar negatively impacted our expense levels as the US Dollar has weakened against most other foreign currencies during 2008 as compared with 2007.

Selling expense decreased $0.1 million, or 1%, to $7.9 million for the quarter ended June 29, 2008 from $8.0 million for the same period in 2007. We achieved approximately $1.0 million in savings related to our 2007 restructuring plan. These savings were partially offset by increased commissions of approximately $0.6 million related to increased renewable energy sales, and increased expense levels resulting from foreign currency fluctuations.

Administrative expense increased $0.2 million or 1%, to $22.6 million for the six months ended June 29, 2008, compared with $22.4 million for the comparable period in 2007. The increase in expense during this period was mainly due to approximately $1.3 million in one-time severance charges related to the reorganization of the company's management personnel in North America, approximately $0.8 million in legal fees and costs related to the extension of the $50 million PWER Bridge loan, as well as to unfavorable variances resulting from foreign currency fluctuations. The increased expense was offset in part by achieving approximately $2.8 million in savings related to the Company's 2007 restructuring plan.

Administrative expense was $10.9 million for each of the three-month periods ended June 29, 2008 and July 1, 2007. During the quarter ended June 29, 2008, we reduced expense by approximately $1.3 million compared to the same period last year as a result of the execution of our 2007 restructuring plan. Partially offsetting this expense reduction were approximately $0.2 million in one-time severance charges associated with the reorganization of the company's management personnel in North America, $0.2 million legal fees and costs related to the extension of the $50 million PWER Bridge loan, as well as negative impacts related to foreign currency fluctuations.

Engineering and Quality Assurance Expense. As a percentage of net sales, engineering and quality assurance expense decreased to 9% for the six months ended June 29, 2008 from 10% for the same period in 2007. Engineering and quality assurance expense decreased $1.3 million, or 5%, to $23.8 million for the six-month period ended June 29, 2008 from $25.1 million in the comparable period in 2007. As a percentage of net sales, engineering and quality assurance expense decreased to 8% for the quarter ended June 29, 2008 from 10% for the same period in 2007. Engineering and quality assurance expense decreased by $0.8 million, or 6%, to $11.8 million for the quarter ended June 29, 2008 from $12.6 million in the comparable period in 2007.

Engineering expense decreased $0.3 million, or 2%, to $19.2 million for the six months ended June 29, 2008 from $19.5 million for the same period in 2007. Engineering expense decreased $0.5 million, or 4%, to $9.4 million during the quarter ended June 29, 2008 from $9.9 million during the comparable period in 2007. For the three- and six-month periods ended June 29, 2008, we achieved approximately $0.7 million and $1.6 million, respectively, of estimated savings as compared to the same periods in the prior year as a result of the execution of our 2007 restructuring plan. The decrease in engineering expense was partially offset by one-time severance charges, fees related to patented technology, R&D expenditures as well as negative impacts related to foreign currency fluctuations.

Quality Assurance expense decreased $1.0 million, or 17%, to $4.6 million for the six months ended June 29, 2008 from $5.6 million for the same period in 2007. Quality assurance expense decreased $0.3 million or 13% to $2.4 million for the quarter ended June 29, 2008 from $2.7 million for the same period in 2007. The decrease in quality assurance expense during these periods is primarily due to the 2007 restructuring plan executed savings.

Amortization of Intangible Assets. Amortization of intangible assets was $1.5 million for the six-month period ended June 29, 2008 compared to $2.4 million for the same period in 2007. Amortization of intangible assets was $0.6 million for the quarter ended June 29, 2008 compared to

$1.0 million for the same period in 2007. The decrease in amortization expense during the periods was primarily due to certain intangibles reaching the end of their amortizable life.

Restructuring and Asset Impairment. No restructuring or asset impairment charges were recorded during the three- and six-month periods ended June 29, 2008. During the three- and six-month periods ended July 1, 2007, we recorded pre-tax restructuring charges of $2.0 million in accordance with SFAS 146, "Accounting for Costs Associated with Disposal Activities." We recorded approximately $1.0 million related to severance payments for a reduction in headcount, $0.8 million related to facility closures, and $0.2 million related to consolidation of excess facilities and other contract termination costs. The charges were a result of our plan to restructure our organization domestically, as we move certain functions to our other existing facilities in low-cost locations.

As a result of the restructuring, we recorded $0.7 million in asset impairment charges during the three-and six-month periods ended July 1, 2007, in accordance with SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." These charges were incurred by our North American facilities primarily related to leasehold improvements for leased facilities whose operations were closed or downsized, and for other long-lived assets that will no longer be used.

Income (Loss) from Operations. As a result of the items above, loss from operations was $12.4 million for the six months ended June 29, 2008 compared with an operating loss of $20.0 million for the same period in 2007. Loss from operations was $0.6 million for the quarter ended June 29, 2008 compared with an operating loss of $9.5 million for the comparable period in 2007.

Interest Income (Expense), Net. Net interest expense was $4.7 million for the six months ended June 29, 2008, compared with net interest expense of $2.7 million for the same period in 2007. Net interest expense was $2.9 million for the quarter ended June 29, 2008, compared with net interest expense of $1.5 million for the same period in 2007. Included in interest expense for the three and six month ended June 29, 2008 is the write-off of $0.9 million debt issue costs and debt discount related to the $50 million PWER Bridge loan. The resulting increase in net interest expense is a result of a decrease in interest income of approximately $0.1 million and $0.3 million in the three and six months ended June 29, 2008, respectively, as compared with the same periods in 2007. The decreases in interest income were primarily due to short-term investments sold during the quarter ended June 29, 2008.

Other Income (Expense), Net. Net other expense was $2.7 million for the six months ended June 29, 2008, compared with net other income of $0.8 million for the same period in 2007. Net other expense was $1.0 million for the quarter ended June 29, 2008, compared with net other income of $0.5 million for the same period in 2007. Included in net other expense for the three and six months ended June 29, 2008 was approximately $1.2 million expense related to the write-off of certain assets including $0.2 million related to an investment in a privately-held company. The resulting change in other income and expense between periods is primarily attributable to foreign currency fluctuations.

Provision (Benefit) for Income Taxes. The benefit for income taxes was $0.2 million for the six months ended June 29, 2008 compared with a tax provision of $1.4 million for the six months ended July 1, 2007. The provision for income taxes was $0.2 and $0.7 million for the quarters ended June 29, 2008 and July 1, 2007 respectively.

Although we record deferred income tax assets in jurisdictions where we generate a loss for income tax purposes, we also record a valuation allowance against these deferred income tax assets in accordance with SFAS No. 109 when, in management's judgment, the deferred tax assets may not be realized in the immediate future. As a result, we may record no tax benefit in jurisdictions where we incur a loss, but record tax expense in jurisdictions where we record taxable income and have no net operating loss (NOL) carryforward. As a result, few meaningful comparisons can be made on our consolidated tax rates between periods.

Equity in earnings of joint venture. During 2005 through fiscal 2007, we impaired our equity investment in our joint venture in Asia as a result of our analysis of the future discounted cash flows combined with other impairment indicators. However, during March 2008, we received a cash dividend of $1.2 million from the joint venture, representing a return on our investment. The cash dividend along with $0.4 million dividend receivable related to a declared dividend not yet paid, and approximately $0.5 million related to our share in the earnings of the joint venture for the six months ended June 29, 2008 were recorded in Equity in earnings of joint venture during the six months ended June 29, 2008. During the quarter ended June 29, 2008, we recorded approximately $0.9 million in Equity in earnings of joint venture related to the dividend receivable and the Company's share in the joint venture earnings.

Liquidity and Capital Resources

Our cash and cash equivalents balance increased $9.3 million, or 33%, to $37.7 million at June 29, 2008 from $28.4 million at December 30, 2007. Our primary uses of cash in the first six months of 2008 consisted of $51.8 million for the repayment of long-term debt, $19.5 million for operating activities and $5.8 million for the acquisition of property and equipment. Our primary sources of cash in the first six months of 2008 consisted of $70.3 million related to net proceeds from the issuance of an aggregate amount of $75 million of 8% Senior Secured Convertible notes, $8.3 million from borrowings on our bank credit facilities, and $7.5 million related to cash proceeds from the sale of investments during the quarter.

Cash used in operating activities of $19.5 million included an increase in accounts receivable, net, inventories, and accounts payable of $9.5 million, $8.1 million and $6.8 million, respectively. In addition, cash used in operating activities included $3.6 million for cash paid for interest and $2.1 million of cash payments related to the Company's restructuring programs.

We maintain credit facilities with various banks in Europe and Asia. These credit facilities were acquired primarily as a result of acquisitions in 1998, 2000 and 2006. The aggregate limit on all credit facilities is approximately $35.3 million. The credit facilities bear interest on amounts outstanding at various intervals based on published market rates. At June 29, 2008, the total outstanding balance on all credit facilities was $31.9 million at a weighted average interest rate of 6.5%, and $1.5 million was committed to letters of credit. After consideration of these commitments, $1.9 million of additional borrowing capacity was available to us as of June 29, 2008. Some credit agreements require our subsidiaries to maintain certain financial covenants and to provide certain financial reports to the lenders. From time to time the newly acquired subsidiary has been in default with certain of its debt covenants and was not in compliance with a financial covenant requiring a maximum percentage of debt to equity at June 29, 2008. The $7.1 million outstanding balance under this credit agreement at a 6.4% interest rate has been classified as a current liability as we did not seek to obtain a waiver and consider this debt potentially callable by the bank. At June 29, 2008, we were in compliance with all other debt covenants.

On June 12, 2008, we entered into a purchase agreement (the "Purchase Agreement") under which we agreed to sell $75 million aggregate principal amount of our 8% Senior Secured Convertible Notes due 2013 (the "Notes") to Lehman Brothers Inc., as initial purchaser (the "Initial Purchaser") for resale to certain qualified institutional buyers in compliance with Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"). On June 17, 2008, we issued $75 million of the Notes. The Company also granted the Initial Purchaser a 30-day option to purchase up to an additional $5 million aggregate principal amount of the Notes. On July 16, 2008, we issued the additional $5 million of the Notes. During the quarter ended June 29, 2008, we repaid the loan using proceeds from the issuance of 8% Senior Secured Convertible Notes.

The Notes bear Interest at a rate of 8% per annum, payable in cash in arrears on March 31, June 30, September 30, and December 31 of each year, beginning September 30, 2008. The Notes mature on June 17, 2013 and are convertible until maturity. We have the right to redeem some or all of the Notes on or after June 17, 2010, if the closing price of our common stock achieves certain levels of approximately 175% of the then conversion price. In addition, on or after June 17, 2011, the holders of the Notes may require us to repurchase all or a portion of their Notes if the Company's ratio of total net debt to last twelve months' EBITDA exceeds 3.0x. The holder may also require us to repurchase such Notes upon a fundamental change (as described in the Indenture). (See Note 10 to the Consolidated Condensed Financial Statements in Part I, Item I)

The net proceeds received from the offering during the quarter ended June 29, 2008, after deducting the Initial Purchaser's discount and estimated offering expenses, which have been included as debt issue costs on the consolidated condensed balance sheet, were approximately $70.3 million. The Company used the net proceeds to retire approximately $50.2 million of previously incurred acquisition indebtedness (including interest) provided by PWER Bridge, LLC. At June 29, 2008, $75.0 million was included in long-term debt in our consolidated condensed balance sheet and we were in compliance with all debt covenants.

In connection with the offering, on June 17, 2008, the Company and certain of its subsidiaries entered into a pledge and security agreement with The Bank of New York Trust Company, N.A., as collateral agent, pursuant to which the Notes will be secured by a first-priority pledge of all of the Company's equity interests in its first tier domestic subsidiaries and up to 66% of the Company's equity interests in certain of its foreign subsidiaries, and, subject to certain exceptions, all of the inventory, accounts receivable and other property and assets (other than capital stock) of the Company and its first tier domestic subsidiaries.

Additionally, through our acquisition of the Power Electronics Group we have certain long-term notes payable through fiscal year 2011. Amounts outstanding at June 29, 2008, were $2.1 million and bore interest at various rates ranging from 2% to 6% at a weighted-average interest rate of 3.2%. The long-term notes payable agreements require our subsidiary to provide certain financial reports to the lender but do not require compliance with any financial covenants.

We currently anticipate that our total capital expenditures for 2008 will be in the range of $8 to $10 million, of which $5.8 million has already been expended, primarily for manufacturing equipment and process improvements, equipment related to research and development and product development, additions and upgrades to our facilities and information technology infrastructure, and other administrative requirements. However, the amount of these anticipated capital expenditures likely will change during the year based on changes in expected revenues, our financial condition and the general economic climate.

Based on current plans and business conditions, we believe our existing working capital and borrowing capacity, coupled with the funds that we expect to generate from our operations, will be sufficient to meet our liquidity requirements for the next twelve months. We will continue to evaluate our liquidity position and explore alternatives to maximize our position and we may determine to raise additional funding through the issuance of equity or incurrence of debt. In addition, if the subsidiary debt in default with its covenants is called by the bank it may be necessary to raise additional equity or debt.

Off-Balance Sheet Arrangements

Below we identify and disclose all of our significant off balance sheet arrangements and related party transactions. We do not utilize special purpose entities or have any known financial relationships with other companies' special purpose entities.

Operating Leases. We enter into operating leases where and when the economic climate is favorable. The liquidity impact of operating leases generally is not material.

Purchase Commitments. We may have purchase commitments for materials, supplies, services, and property, plant and equipment as part of the normal course of business. Commitments to purchase inventory at above-market prices have been reserved. Certain supply contracts may contain penalty provisions for early termination. At June 29, 2008, we had not entered into any non-cancellable purchase commitments.

Other Contractual Obligations. We do not have material financial guarantees that are reasonably likely to affect liquidity.

Related Party Transactions. We have entered into certain transactions, or have other arrangements with related parties. (See Note 14 to the Consolidated Condensed Financial Statements in Part I, Item I)

Summary of Contractual Obligations and Commitments. A summary of our future contractual payments related to lease obligations and long-term debt is as follows (in millions):

Year Ending December 31,	Operating Leases(1)	Long-Term Debt Obligations	Estimated Interest Obligations(2)	Total
2008 (six months)	$ 3.2	$ 1.5	$ 4.3	$ 9.0
2009	4.2	0.2	6.9	11.3
2010	3.5	0.2	6.9	10.6
2011	2.3	0.2	6.9	9.4
2012	1.1		6.9	8.0
2013 and thereafter	2.0	75.0	3.2	80.2
Total	$ 16.3	$ 77.1	$ 35.1	$ 128.5

(1) Our restructuring reserve at June 29, 2008 includes approximately $3.5 million relating to the above operating lease commitments. The Company intends to seek sub-leases for unused facilities.

(2) We calculated estimated interest payments for long-term debt as follows: for fixed-rate term debt, we calculated interest based on the applicable rates and payment dates; for variable-rate term debt, we calculated interest based on the most recent applicable interest rates in effect.

(3) The table above does not include the additional $5 million of 8% Senior Secured Convertible Notes issued by us on July 16, 2008 to cover the Initial Purchaser's over-allotment option.

For the quarter ended June 29, 2008, our calculation of estimated interest payments includes $0.6 million of interest payments contractually due between 2009 and 2013 related to a $7.1 million credit agreement, payable through 2013 that was reclassified from long term debt to current liabilities at June 29, 2008 as we did not seek to obtain a waiver for our noncompliance with the required financial covenants and consider the debt potentially callable by the bank.

At June 29, 2008, the Company also has recorded a tax liability of $3.5 million related to uncertain tax positions recorded under FIN 48. This amount has been excluded from the summary table of contractual obligations and commitments because we could not reasonably estimate the timing of future cash flows associated with our FIN 48 liabilities.

Item 3 Quantitative and Qualitative Disclosures About Market Risk

Market risks relating to our operations result primarily from changes in interest rates on outstanding financial debt instruments and changes in foreign currency exchange rates.

Debt. Our exposure to interest rate risk results from financial debt instruments that we enter. We may also enter into derivative financial instrument transactions, such as swaps, in order to manage or reduce our exposure to interest rate changes related to our indebtedness. However, under no circumstances do we enter into derivative or other financial instrument transactions for speculative purposes. We are exposed to cash flow risk due to changes in market interest rates related to our outstanding debt. For example, in Europe our variable long term debt bears interest on borrowings outstanding at various time intervals and is based on the Euro Interbank Offered Rate (EURIBOR). Our principal risk with respect to our variable long-term debt is to changes in this market rate.

The table below presents principal cash flows and related weighted-average interest rates for our credit facilities and long-term debt obligations at June 29, 2008 by expected maturity dates. The information is presented in U.S. dollar equivalents, our reporting currency, and parenthetically in Eurodollar or Swiss Francs, where applicable. Additionally, the U.S. dollar equivalent carrying value of Eurodollars or Swiss Francs denominated debt is sensitive to foreign currency exchange rates. However, a 10% change in the U.S. dollar exchange rate against these currencies would not be expected have a significant effect on our future earnings.

	Expected Maturity Date							Fair
	2008	2009	2010	2011	2012	Thereafter	Total	Value
	(Amounts in millions, except for percentages)							
Credit Facilities:								
Variable Rate (EUR 19.5)	$30.7	$	$	$	$	$	$30.7	$30.7
Average Interest Rate	6.6%						6.6%	
Variable Rate (CHF 1.2)	$ 1.2	$	$	$	$	$	$ 1.2	$ 1.2
Average Interest Rate	4.1%						4.1%	
Long-term Debt:								
Fixed Rate (USD)	$	$	$	$	$	$ 75.0	$75.0	$75.0
Average Interest Rate						9.2%	9.2%	
Fixed Rate (EUR 0.9)	$ 0.8	$0.2	$0.2	$0.1	$	$	$ 1.4	$ 1.3
Average Interest Rate	2.0%	2.0%	2.0%	2.0%			2.0%	
Variable Rate (EUR 0.4)	$ 0.7	$	$	$	$	$	$ 0.7	$ 0.7
Average Interest Rate	5.9%						5.9%	

Foreign Currency. A significant portion of our business operations are conducted in various countries in Europe and Asia. As a result, we have a certain degree of market risk with respect to our cash flows due to changes in foreign currency exchange rates when transactions are denominated in currencies other than our functional currency, including inter-company transactions. Historically, we have not actively engaged in substantial exchange rate hedging activities, and at June 29, 2008, we had not entered into any significant foreign exchange contracts.

Item 4 Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed in our periodic reports filed or submitted under the Securities Exchange Act of 1934 ("Exchange Act") is recorded, processed, summarized and reported within the required time periods.

As of June 29, 2008, we had carried out an evaluation of our disclosure controls and procedures under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer of the effectiveness of our disclosure controls and procedures. Based on this evaluation, our

Chief Executive Officer and Chief Financial Officer concluded that such disclosure controls and procedures, as defined in Exchange Act Rules 13a-15(e) and 15d-15(e), are effective in that they are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. We review our disclosure controls and procedures on an ongoing basis and may from time to time make changes aimed at enhancing their effectiveness and to ensure that they evolve with our business.

There have been no changes in our internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f), during the quarter ended June 29, 2008 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including the Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as codified in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended from time to time. The forward-looking statements include comments and predictions regarding future events and our future results that are based on current expectations, estimates, forecasts, and projections about the industries in which we operate and the beliefs and assumptions of our management. Words such as "forecast," "expect," "anticipate," "estimate," "plan," "intend," "continue," "will," "may," "can," "believe" and similar expressions reflecting something other than historical fact are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements. Any statements which refer to projections of our future financial performance, our anticipated growth and trends in our businesses, and other characterizations of future events or circumstances are forward-looking statements. Forward-looking statements are not guarantees, but rather are predictions of and make certain assumptions regarding anticipated future results. Achievement of actual results is dependent upon and will involve a variety of risks and uncertainties that could cause actual results to differ materially from assumptions and predictions. Such risks and uncertainties include, but are not limited to, the risk that the market for the sale of certain products and services may not develop as expected; the impact of competitive products or technologies and competitive pricing pressures; the ability to secure sufficient quantities of components in the timeline required to meet customers' needs; the increases in raw material costs; the ability to resolve contract manufacturer supply chain constraints that have caused an inability to deliver product on time; inventory increases tied to component acquisitions or end product build up based on forecasts that do not materialize in part or in full; delays or cancellations of new product designs by customers; the difficulty of efficiently managing the company's cost structure for capital expenditures, materials and overhead, as well as operating expenses such as wages and benefits due to the vertical integration of the company's manufacturing processes; the ability to achieve and execute upon planned movements of the location of manufacturing of selected products, specifically the achievement of projected manufacturing realignment to, and increase in manufacturing utilization and output in, our China facilities; the ability to implement our plans to improve our operational efficiency; potential business disruptions, including labor unrest, work stoppages, or other short or longer term labor disruptions; the existence or enactment of adverse U.S. and foreign government regulation; the risk that the development of products and services may not proceed as planned; general adverse domestic and international economic conditions including interest rate and currency exchange rate fluctuations; costs involved (i.e. the total amount, and/or the amount incurred in any given quarter) due to attacks and challenges to, or assertions by us of, our intellectual property rights; the possibility that current outstanding debt obligations may be called due before the date anticipated by the Company as a result of the Company's non-compliance with applicable debt

covenants; the risk that the Company may face liquidity challenges and not have immediately available funds to meet its debt obligations and may need to raise additional funding including, through private or public sales of equity securities; the ability to attract and retain key personnel; the ability to manage our international operations and currency exchange rate fluctuations relating to transactions or accounts conducted or maintained in currencies other than U.S. dollars; the ability to capture customers in new markets that we are pursuing; market fluctuations or volatility that could cause the trading price of our common stock to decline and limit our ability to raise capital; and changes in the regulatory environment in which our business operates. Persons reading this Quarterly Report on Form 10-Q are cautioned that such forward-looking statements are only predictions, and actual events or results may differ materially and adversely. In evaluating such statements, readers should specifically consider the various factors which could cause actual events or results to differ materially and adversely from those indicated by such forward-looking statements. For a detailed description of such factors, see "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 30, 2007, as well as those set forth in "Part II Item 1A. Risk Factors" in this Quarterly Report on Form 10-Q. We undertake no obligation to modify or revise any forward-looking statement to take into account or otherwise reflect subsequent events or circumstances arising after the date that the forward-looking statement was made.

PART II OTHER INFORMATION

Item 1 Legal Proceedings

The Company is involved in certain claims and legal proceedings which have arisen in the normal course of business. Management does not believe that the outcome of any currently pending claims or legal proceedings in which the Company is currently involved will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flow.

Power-One, Inc. v. Artesyn Technologies, Inc. United States District Court, Eastern District of Texas, Civil Action No. 2-05-CV-463 (LED). This action was initiated by the Company against Artesyn Technologies on September 30, 2005. The complaint alleged that certain product of Artesyn Technologies infringes certain patents held by the Company that focus on technologies relating to digital power management and control. The complaint sought certain injunctive relief against and compensatory damages from Artesyn Technologies. A trial by jury was held in November, 2007. The jury found that all Power-One patents in the suit were valid, and found that the accused Artesyn product infringed Power-One's U.S. patent No. 7,000,125. The Court issued rulings on April 11, 2008 favorable to the Company, including issuance of a permanent injunction against Artesyn Technologies and its successors. Final judgment was issued by the Court on July 1, 2008 confirming the jury verdict and the entry of the permanent injunction. Notice of Appeal was filed by Artesyn Technologies on July 29, 2008.

Astec America, Inc. v. Power-One, Inc. United States District Court, Eastern District of Texas, Civil Action No. 6:07-CV-464 (LED) (JDL). This action was initiated by Astec America on July 27, 2007, originally filed in the United States District Court, Central District of California. The action seeks a declaratory judgment in favor of Astec America that certain products of Astec America do not infringe certain patents of Power-One. The patents at issue in this matter are essentially the same patents as are at issue in the Power-One v. Artesyn Technologies matter noted above. Per motion of Power-One, the action was transferred to the Eastern District Court in Texas, and placed before the same judge handling the Power-One v. Artesyn Technologies matter. The Court denied Power-One's motion to dismiss on April 11, 2008. The Court issued an Order on July 15, 2008 under which all proceedings in this matter were stayed and put on indefinite hold pending completion of appellate proceedings in *Power-One, Inc. v. Artesyn Technologies, Inc.*

SynQor, Inc. v Power-One, Inc, et. al. United States District Court, Eastern District of Texas, Civil Action No. 2:07cv497 TJW/CE. This action was initiated by SynQor, Inc. against the Company and eight other power supply manufacturers on November 13, 2007. The complaint alleges that certain products of the Company infringe certain patents held by SynQor in relation to unregulated and semi-regulated bus converters and/or point of load (POL) converters used in intermediate bus architecture power supply systems. The Company has filed its answer to the complaint denying infringement of the patents alleged, denying all claims of SynQor for entitlement to damages or other relief, and asserting various affirmative defenses, to include invalidity and unenforceability of the applicable patents. Proceedings are currently in the discovery phase.

Antonio Canova v. Power-One Italy S.p.A. and Magnetek, Inc. Labor Court, Arezzo, Italy. The former Managing Director of our Italian subsidiary has brought suit in Italy against the Italian subsidiary, and against his former U.S. employer Magnetek, Inc., alleging various causes of action and rights to damages relating to (i) claims of wrongful dismissal from employment, (ii) specific Italian employment indemnities, (iii) general economic losses, and (iv) contractual claims relating specifically to his employment relationship and contracts entered into between the individual and Magnetek, Inc. The various claims and assertions arise from and relate to the individual's removal from office with the Italian subsidiary, and his contractual relationships with Magnetek, Inc., which actions occurred in connection with our acquisition of Magnetek, Inc.'s Power Electronics Group in October 2006.

Proceedings are pending before the applicable Italian civil court. An initial hearing was held on July 2, 2008, at which hearing claimant agreed to waive and dismiss certain claims for damages relating to his theory of wrongful dismissal from employment. The Court set a hearing for October 10, 2008 for further proceedings on claimant's other theories of damages.

Item 1A Risk Factors

Other than with respect to the risk factors below, there have been no material changes from the risk factors disclosed in the "Risk Factors" section of our Annual Report on Form 10-K for the fiscal year ended December 30, 2007.

In addition to the risk factors in our Annual Report on Form 10-K, the following risk factors should also be considered:

We have experienced manufacturing and supply chain problems that have caused an inability to deliver product on time.

We have experienced problems in the coordination and execution of our manufacturing operations, as well as our management of our supply chain, resulting in an inability to deliver certain product on time. We have experienced difficulties in aligning demand forecast with factory loading, materials procurement, and manpower utilization, such that certain delivery commitments have been missed, delayed, or rescheduled. While we have initiated actions that we believe will result in an elimination of such problems, the initiatives may take longer than anticipated to achieve expected results, and the operational and supply chain problems may continue for longer than projected, or may reoccur in the future.

Our success depends on our ability to implement our plans to improve our operational efficiency and drive long-term growth and profitability.

We are in the process of implementing detailed plans to improve our operational and financial performance and drive long-term growth and profitability. In the implementation of these plans, we may lose senior management personnel or we may seek to replace senior management personnel to improve implementation of these our plans. We have recently appointed a new chief executive officer and it may take time for the new management team to be able to work together effectively to successfully develop and implement our business strategies. In addition, it could be difficult, time consuming and expensive to replace senior management personnel and we cannot assure you that we will be able to recruit suitable replacements or assimilate new senior management personnel into our organization to achieve our operating objectives. Even if we are successful in the long term, turnover in key management positions could temporarily harm our financial performance and results of operations until new management become familiar with our business.

A prolonged economic slowdown or a lengthy or severe recession could hurt our operations, particularly if it results in a decline in profitability in the communications infrastructure and server/storage industries.

The risks associated with our business are more acute during periods of economic slowdown or recession. In addition to other consequences, these periods may be accompanied by decreased demand for our customers' products and weakness in our customers' businesses that result in decreased demand for, or additional downward pricing pressure on, our products. Accordingly, any prolonged economic slowdown or a lengthy or severe recession could have a material adverse effect on our results of operations, financial condition and business prospects.

Item 4 Submission of Matters to a Vote of Security Holders

The annual meeting of stockholders of the Company was held on April 22, 2008. Proxies were solicited by the Company, pursuant to Regulation 14 under the Securities Exchange Act of 1934, to elect directors of the Company for the ensuing year, amend the 2004 Stock Incentive Plan and ratify Deloitte & Touche LLP as the Independent Auditors for the Company.

Proxies representing 83,172,901 shares of common stock eligible to vote at the meeting, or 95.2 percent of the 87,414,203 outstanding shares, were voted.

All directors nominated by the Company were re-elected. The following is a separate tabulation with respect to the vote for each nominee:

Name	Total Votes For	Total Votes Withheld
Kendall R. Bishop	75,203,257	7,969,644
Gayla J. Delly	75,181,634	7,991,267
Steven Goldman	74,408,208	8,764,693
Jon E. M. Jacoby	75,160,248	8,012,653
Mark Melliar-Smith	75,509,232	7,663,669
Richard J. Thompson	75,696,806	7,476,095
Jay Walters	75,617,133	7,555,768

The proposal to amend the 2004 Stock Incentive Plan was approved by 51 percent of the voting shares. The following is a breakdown of the vote on such matter:

Total Votes For	Total Votes Against	Abstain	Broker Non-Votes
42,235,572	19,788,647	40,927	21,107,755

The ratification of the Appointment of Deloitte & Touche LLP as the independent auditors of Power-One Inc., was approved by 97 percent of the shares voting. The following is a breakdown of the vote on such matter:

Total Votes For	Total Votes Against	Abstain	Broker Non-Votes
80,669,957	2,455,924	47,020	

Item 6 Exhibits

(a) Exhibits

3.1(a)	Restated Certificate of Incorporation of Power-One, Inc.
3.2(b)	Certificate of Amendment of Restated Certificate of Incorporation of Power-One, Inc., filed with the Secretary of State of the State of Delaware on August 31, 2000
3.3(c)	Certificate of Amendment of Restated Certificate of Incorporation of Power-One, Inc., filed with the Secretary of State of the State of Delaware on May 16, 2005
3.4(d)	Amended and Restated Bylaws of the Company dated February 6, 2006
10.1(e)	Power-One, Inc. 2004 Stock Incentive Plan, as amended.
10.2(f)	Indenture dated as of June 17, 2008 among Power-One, Inc. and The Bank of New York Trust Company, N.A. as trustee.
10.3(f)	Form of 8% Senior Secured Convertible Note due 2013.
10.4(f)	Purchase Agreement dated as of June 12, 2008 among Power-One, Inc. and Lehman Brothers Inc., as initial purchaser.
10.5(f)	Pledge and Security Agreement dated as of June 17, 2008 among Power-One, Inc. and its subsidiaries named therein and The Bank of New York Trust Company, N.A., as collateral agent.
10.6	Summary of Director Compensation.
31.1	Rule 13a-14(a) Certification of Principal Executive Officer
31.2	Rule 13a-14(a) Certification of Principal Financial Officer
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of Sarbanes-Oxley Act of 2002

(a) Previously filed as an exhibit to the Registration Statement on Form S-1, as amended, of Power-One, Inc. filed on September 12, 1997.

(b) Previously filed as an exhibit to the Quarterly Report on Form 10-Q for the Quarterly Period Ended October 1, 2000.

(c) Previously filed as an exhibit to the Annual Report on Form 10-K for the Fiscal Year Ended January 1, 2006.

(d) Previously filed as an exhibit to the Current Report on Form 8-K dated and filed on February 6, 2006.

(e) Previously filed as an exhibit to the Current Report on Form 8-K filed on April 28, 2008.

(f) Previously filed as an exhibit to the Current Report on Form 8-K filed on June 18, 2008.

SIGNATURES

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

Dated: August 7, 2008

POWER-ONE, INC.

By: /s/ LINDA C. HELLER

Senior Vice President Finance, Treasurer and
Chief Financial Officer
(Principal Financial Officer)

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36

Table of Contents

Allocation

Subject to adjustment for cash paid in lieu of fractional shares, the merger agreement requires the aggregate consideration received by Anderson shareholders in the merger to consist of (i) 86,137 Park common shares and (ii) $9,054,343 *less* the sum of the exercise prices of all Anderson common shares subject to outstanding Anderson stock options which have not been exercised in full prior to the deadline set forth in the merger agreement. If the elections by Anderson shareholders result in an oversubscription of cash or Park common shares, the allocation procedures described below will be used to allocate the available cash and Park common shares among the Anderson shareholders to preserve the required amounts of cash and stock consideration, except that Anderson shareholders who held 100 or fewer Anderson common shares of record as of August 14, 2006 and who make the all cash election will not be required to have any of their Anderson common shares converted into Park common shares.

Reduction of Anderson Common Shares Deposited for Cash. The available cash consideration will be considered to be oversubscribed if the product of (a) the Per Share Consideration multiplied by (b) the sum of the number of Anderson common shares deposited with the exchange agent at the election deadline for cash pursuant to the all cash election and the mixed election and not withdrawn (including Anderson common shares which are deemed to be non-electing shares and which are allocated to be converted into cash) *plus* the number of dissenting Anderson common shares *is greater than* the Cash Consideration. If the available cash consideration is oversubscribed, Park will reallocate or cause the exchange agent to reallocate a sufficient number of Anderson common shares deposited for cash to Anderson common shares deposited for Park common shares so that the sum of the total number of Anderson common shares on deposit for cash following such reallocation *plus* the number of dissenting Anderson common shares multiplied by the Per Share Consideration equals the Cash Consideration. This reallocation will take into account any specific designations by Anderson shareholders as to which of their Anderson common shares are to be exchanged for Park common shares. The exchange agent will first reallocate non-electing shares, if any, which had been designated by the exchange agent to be converted into cash. If necessary, the exchange agent will then reallocate Anderson common shares deposited for cash pursuant to the all cash election and the mixed election on a pro rata basis in relation to the total number of Anderson common shares deposited for cash pursuant to the all cash election and the mixed election (excluding any Anderson common shares deposited pursuant to the all cash election by Anderson shareholders with 100 or fewer Anderson common shares of record as of August 14, 2006) so that the sum of the total number of Anderson common shares on deposit for cash following such reallocation *plus* the number of dissenting Anderson common shares multiplied by the Per Share Consideration equals the Cash Consideration. Notice will be provided promptly to each Anderson shareholder whose Anderson common shares are reallocated from Anderson common shares on deposit for cash to Anderson common shares on deposit for Park common shares.

Increase of Anderson Common Shares Deposited for Cash. The available stock consideration will be considered to be oversubscribed if the product of (a) the Per Share Consideration multiplied by (b) the sum of the number of Anderson common shares deposited with the exchange agent at the election deadline for cash pursuant to the all cash election and the mixed election and not withdrawn (including Anderson common shares which are deemed to be non-electing shares and which are allocated to be converted into cash) *plus* the number of dissenting Anderson common shares *is less than* the Cash Consideration. If the available stock consideration is oversubscribed, Park will reallocate or cause the exchange agent to reallocate a sufficient number of Anderson common shares deposited for Park common shares to Anderson common shares deposited for cash so that the sum of the total number of Anderson common shares on deposit for cash following such reallocation *plus* the number of dissenting Anderson common shares multiplied by the Per Share Consideration equals the Cash Consideration. This reallocation will take into account any specific designations by Anderson shareholders as to which of their Anderson common shares are to be exchanged for Park common shares. The exchange agent will first reallocate non-electing shares, if any, which had been designated by the exchange agent to be converted into Park common shares. If necessary, the exchange agent will then reallocate

Anderson common shares deposited for Park common shares pursuant to the all stock election and the mixed election on a pro rata basis in relation to the total number of Anderson common shares deposited for Park common shares pursuant to the all stock election and the mixed election so that the sum of the total number of Anderson common shares on deposit for cash following such reallocation *plus* the number of dissenting Anderson common shares multiplied by the Per Share Consideration equals the Cash Consideration. Notice will be provided promptly to each Anderson shareholder whose Anderson

Table of Contents

common shares are reallocated from Anderson common shares on deposit for Park common shares to Anderson common shares on deposit for cash.

Because the federal income tax consequences of receiving all Park common shares, all cash, or a mixture of Park common shares and cash will differ, Anderson shareholders are urged to read carefully the information set forth under the heading The Proposed Merger (Proposal One) Material federal income tax consequences and to consult their own tax advisors for a full understanding of the merger s tax consequences to them.

Surrender of certificates

Within three business days after the effective time of the merger, the exchange agent will mail to each holder of record of a certificate which represented Anderson common shares prior to the merger, but which was not deposited with the exchange agent prior to the merger (or which was deposited with the exchange agent and subsequently withdrawn), a Letter of Transmittal and instructions for surrendering Anderson common share certificates in exchange for the merger consideration. The Letter of Transmittal will specify that delivery of the Anderson common share certificates will be effected, and risk of loss and title to the certificates will pass, only upon proper delivery of the certificates to the exchange agent.

Upon the surrender of an Anderson common share certificate for cancellation to the exchange agent, together with a duly executed Letter of Transmittal, after the effective time of the merger, the holder of such Anderson common share certificate will receive within five business days of the later of (i) the expiration of the period during which holders of Anderson common shares may seek relief as dissenting shareholders or (ii) the surrender of such Anderson common share certificate, (a) a new certificate representing the number of whole Park common shares that the holder has the right to receive under the merger agreement, and/or (b) a check in an amount equal to the sum of the cash to be paid to the holder as part of the merger consideration, any cash to be paid in lieu of any fractional Park common share to which the holder is entitled under the merger agreement and any cash to be paid in respect of any dividends or distributions to which the holder may be entitled with respect to his or her Park common shares. The surrendered Anderson common share certificate(s) will be canceled.

If you own Anderson common shares, the transfer of which has not been registered in the transfer records of Anderson, you may nevertheless exchange these Anderson common shares for Park common shares if you provide the exchange agent with the certificate representing your Anderson common shares, along with all documents required by Park to evidence and effect the transfer and to evidence that any applicable stock transfer taxes have been paid.

Until surrendered, each Anderson common share certificate will be deemed at any time after the effective time of the merger to represent only the right to receive, upon surrender of such certificate, a Park common share certificate and/or a check in an amount equal to the sum of the cash to be paid to the holder as part of the merger consideration, any cash to be paid in lieu of any fractional Park common shares to which the holder is entitled under the merger agreement and any cash to be paid in respect of any dividends or distributions to which the holder may be entitled with respect to his or her Park common shares.

You will not be entitled to payment of any dividends or other distributions with respect to Park common shares until you have followed the procedures described above for surrendering your Anderson common share certificate(s). After properly surrendering your Anderson common shares certificate(s) in exchange for Park common shares, you will be entitled to receive any dividends or other distributions with respect to such Park common shares with a record date occurring on or after the effective time of the merger. You will not be entitled to the payment of any interest on such dividends or distributions.

If any Anderson common share certificate has been lost, stolen or destroyed, the exchange agent will deliver the consideration properly payable under the merger agreement with respect to the Anderson common shares represented by the certificate upon receipt of an appropriate affidavit by the person claiming that the certificate has been lost, stolen or destroyed and, if required by Park, the posting by such person of a bond in an amount reasonably determined by Park as indemnity against any claim that may be made against Park with respect to the certificate.

Table of Contents

Cancellation of Anderson stock options

Under the merger agreement, each Anderson stock option that is outstanding and not exercised in full prior to the deadline set forth in the merger agreement will be cancelled and cease to entitle the holder to any rights or claims with respect to such Anderson stock option.

Conditions to completion of the merger

The respective obligations of Park, PNB and Anderson to complete the merger are subject to the satisfaction of the following conditions:

- the Anderson shareholders must adopt the merger agreement by the required vote;
- we must have received all required regulatory approvals and all applicable statutory waiting periods must have expired or been terminated, and no regulatory approval or statute, rule or order may contain any conditions, restrictions or requirements that Park and PNB reasonably determine would have a material adverse effect or be unduly burdensome on Park, PNB or Park s other subsidiaries after giving effect to the consummation of the merger;
- there must not be any temporary restraining order, preliminary or permanent injunction or other order, statute, rule, regulation, judgment, decree, or other legal restraint issued by or imposed by any court or any other governmental authority, prohibiting consummation of the merger or making the merger illegal, or any proceeding commenced by any court or other governmental authority seeking to prohibit consummation of the merger or to make the merger illegal;
- the registration statement filed with the Securities and Exchange Commission in connection with the issuance of the Park common shares in the merger must be effective with no stop order or similar restraining order suspending such effectiveness issued or proposed by the Securities and Exchange Commission;
- the Park common shares to be issued in the merger must have been approved for listing on AMEX, subject to official notice of issuance; and
- Park s legal counsel must have delivered a written opinion to the effect that, on the basis of facts, representations and assumptions set forth in such opinion, the merger will be treated for federal income tax purposes as a reorganization within the meaning of Sections 368(a)(1)(A) and 368(a)(2)(D) of the Code.

In addition, Anderson will not be required to complete the merger unless the following conditions are satisfied:

- the representations and warranties of Park contained in the merger agreement must be true and correct in all material respects as of the date of the merger agreement and as of the closing of the merger (or if any representation or warranty speaks as of a specific date, as of that date);
- each of Park and PNB must have performed in all material respects all of their covenants and obligations under the merger agreement which are required to be performed prior to the closing of the merger;
- Park and PNB must have obtained all material third-party consents required in connection with the merger;

Anderson must have received an opinion from its financial advisor reasonably acceptable to Anderson, dated as of the date of this prospectus/proxy statement, to the effect that the merger consideration to be received by Anderson shareholders in the merger is fair from a financial point of view; and

There shall not have occurred any material adverse effect on Park or PNB between the date of the merger agreement and the closing of the merger.

Park and PNB will not be required to complete the merger unless the following conditions are also satisfied:

the representations and warranties of Anderson contained in the merger agreement must be true and correct in all material respects as of the date of the merger agreement and as of the closing of the merger (or if any representation or warranty speaks as of a specific date, as of that date);

Table of Contents

Anderson must have performed in all material respects all of its covenants and obligations under the merger agreement which are required to be performed prior to the closing of the merger;

Anderson must have obtained all material third-party consents required in connection with the merger;

There shall not have occurred any material adverse effect on Anderson between the date of the merger agreement and the closing of the merger; and

Park must have received an executed affiliate agreement from each affiliate of Anderson.

Park and PNB, on the one hand, or Anderson, on the other, could waive some of these conditions, unless the waiver is prohibited by law.

Representations and warranties

Park and Anderson have each made representations and warranties in the merger agreement relating to:

corporate organization, qualification and good standing;

capitalization;

corporate power and authority to execute, deliver and perform the merger agreement;

enforceability of the merger agreement;

absence of conflicts with organizational documents, laws and material agreements;

accuracy of financial statements and, with respect to Park, reports filed with the Securities and Exchange Commission;

absence of undisclosed liabilities;

absence of certain material changes or events;

allowance for loan losses;

taxes;

legal proceedings;

regulatory matters;

brokers and finders;

employee benefit plans;

compliance with laws;

government and third-party proceedings;

books and records;

accuracy and completeness of representations and warranties; and

compliance with the Bank Secrecy Act, anti-money laundering laws and customary privacy laws.

In addition, Anderson has made representations and warranties in the merger agreement relating to:

the absence of subsidiaries;

accounting controls;

loans;

property and title;

labor matters;

Table of Contents

insurance;

contracts;

environmental matters;

takeover laws;

risk management instruments;

repurchase agreements;

investment securities;

off balance sheet transactions;

fiduciary responsibilities;

intellectual property;

CRA compliance;

ownership of Park common shares;

receipt of a fairness opinion; and

related party transactions.

The representations and warranties in the merger agreement will not survive the closing of the merger.

Conduct of business pending the merger

From August 14, 2006 until the closing of the merger, unless Park otherwise consents in writing, Anderson must conduct its business in the ordinary and usual course consistent with past practice, use its reasonable efforts to preserve intact its present business organization and assets, and use its reasonable efforts to preserve its relationships with customers, suppliers, employees and business associates. During the same period, Anderson has agreed not to take any of the following actions without the prior written consent of Park:

voluntarily take any action that, at the time taken, is reasonably likely to have a material adverse effect on Anderson s ability to perform any of its obligations under the merger agreement, or prevent or materially delay the consummation of the merger;

enter into any new line of business or materially change its lending, investment, underwriting, risk, asset liability management or other banking and operating policies;

issue, sell or otherwise permit to become outstanding any Anderson common shares or permit additional Anderson common shares to become outstanding other than pursuant to previously granted stock options, or authorize the creation of additional Anderson common shares;

permit any additional Anderson common shares to become subject to new grants of stock options or similar rights;

effect any recapitalization, reclassification, stock split or similar change in capitalization;

enter into, or take any action to cause any holders of Anderson common shares to enter into, any agreement, understanding or commitment relating to the right of holders of Anderson common shares to vote their Anderson common shares, or cooperate in the formation of any voting trust or similar arrangement relating to any Anderson common shares;

enter into, amend, modify, renew or terminate any employment, consulting, severance, change in control or similar agreements or arrangements with directors, officers, employees or consultants;

hire or retain any full-time employee or consultant, other than as replacements for existing positions;

Table of Contents

increase employee compensation, severance or other benefits except with respect to increases in the ordinary course of business and consistent with past practice, as required by law and to satisfy contractual obligations existing as of August 14, 2006;

enter into, establish, adopt, amend, modify or terminate any pension, retirement, stock option, stock purchase, savings, profit sharing, deferred compensation, consulting, bonus, group insurance or other employee benefit, incentive or welfare contract, plan or arrangement, or any trust agreement or similar arrangement, with respect to any director, officer, employee or consultant except as may be required by law or to satisfy contractual obligations existing as of August 14, 2006;

take any action to accelerate the vesting or exercisability of, or the payment or distribution with respect to, stock options, restricted stock or other compensation or benefits payable;

sell, transfer, mortgage, pledge or subject to any lien or otherwise encumber or dispose of any of its assets, deposits, business or properties other than in the ordinary and usual course of business for full and fair consideration actually received;

acquire (other than by way of foreclosure, in a bona fide fiduciary capacity or in satisfaction of debts previously contracted in the ordinary and usual course of business) all or any portion of the assets, business, deposits or properties of any other entity, or acquire mortgage servicing rights, except in connection with existing correspondent lending relationships in the ordinary and usual course of business;

amend its organizational documents;

implement or adopt any change in its accounting principles, practices or methods other than as required by U.S. generally accepted accounting principles or regulatory accounting principles;

enter into, amend, modify or terminate any material contract, except in the ordinary and usual course of business or in connection with the merger agreement or the transactions contemplated by the merger agreement;

settle any material claim, action or proceeding, except in the ordinary and usual course of business or in connection with the merger agreement or the transactions contemplated by the merger agreement;

knowingly take any action that would disqualify the merger as a reorganization within the meaning of Section 368(a) of the Code;

knowingly take any action that is intended or is reasonably likely to result in any representations or warranties in the merger agreement being untrue in any material respect, any conditions in the merger agreement not being satisfied or a material violation of any provision of the merger agreement except, in each case, as may be required by applicable law, rule or regulation;

except pursuant to applicable law or regulation, implement or adopt any material change in its credit risk and interest rate risk management and other risk management policies, procedures or practices, fail to follow in any material respect its existing policies or practices with respect to managing its exposure to interest rate and other risk, or fail to use commercially reasonable means to avoid any material increase in its aggregate exposure to interest rate risk;

incur any indebtedness for borrowed money other than in the ordinary and usual course of business;

make any capital expenditure or commitment in an amount in excess of $50,000 for any item or project, or $250,000 in the aggregate for any related items or projects;

close or relocate any offices at which business is conducted or open any new officers or ATMs;

fail to prepare and file all tax returns that are required to be filed, fail to pay any tax, or make, change or revoke any material tax election or settle any material tax audit or proceeding;

fail to maintain and keep its properties and facilities in their present condition and working order, ordinary wear and tear excepted;

Table of Contents

fail to perform all of its obligations under all of its contracts;

fail to maintain insurance coverage;

establish any new lending programs or make any changes in its policies concerning which persons may approve, originate or issue a commitment to originate any loan in excess of $500,000;

enter into any interest rate swaps or derivatives or hedge contracts;

increase or decrease the rate of interest paid on time deposits or certificates of deposit, except in a manner that is consistent with past practices and in relation to prevailing market rates;

foreclose upon or otherwise take title or possession or control of any real property without obtaining a Phase I environmental report that indicates the property is free of hazardous material;

cause any material adverse change in the amount or general composition of deposit liabilities, except in the ordinary and usual course of business;

cause or enable an employee or consultant to terminate employment or an employment agreement without cause and continue to receive compensation;

borrow or agree to borrow any funds or indirectly guarantee or agree to guaranty any obligations of others, except for amounts as may be obtained with the right of prepayment at any time without penalty or premium, borrowings on an overnight or daily basis, and deposit taking in the ordinary and usual course of business;

make any payment of cash or other consideration to, or make any loan to or on behalf of, or enter into, amend or grant a consent or waiver under, or fail to enforce, any contract with any related person; or

agree or commit to do any of the foregoing.

From August 14, 2006 until the closing of the merger, Anderson also has agreed not to take any of the following actions:

make, declare, pay or set aside for payment any dividend or distribution of any shares of its capital stock;

declare or make any distribution on any shares or its capital stock; or

adjust, split, combine, redeem, reclassify, purchase or otherwise acquire, any shares of its capital stock.

In addition, from August 14, 2006 until the closing of the merger, Park has agreed not to, and to cause its subsidiaries not to, take any of the following actions without the prior written consent of Anderson:

voluntarily take any action that, at the time taken, is reasonably likely to have a material adverse affect on the ability of Park or PNB to perform any of its material obligations under the merger agreement;

declare, set aside, make or pay any extraordinary or special dividends on Park common shares or make any other extraordinary or special distributions in respect of any of its capital stock other than dividends from any subsidiary to its parent;

amend the organizational documents of Park, PNB or any other subsidiary of Park in a manner that would adversely affect the economic or other benefits of the merger to the Anderson shareholders or employees;

knowingly take any action that would disqualify the merger as a reorganization within the meaning of Section 368(a) of the Code;

knowingly take any action that is intended or is reasonably likely to result in any representations or warranties in the merger agreement being untrue in any material respect, any conditions in the merger agreement not being satisfied or a material violation of any provision of the merger agreement except, in each case, as may be required by law; or

agree or commit to do any of the foregoing.

Table of Contents

Expenses of the merger

Park, PNB and Anderson are each required to bear their own expenses incurred in connection with the merger agreement and the transactions contemplated by the merger agreement, including, without limitation, fees and disbursements of legal counsel, financial advisors and accountants, except that the costs (excluding the fees and disbursements of legal counsel, financial advisors and accountants) incurred in connection with preparing (including copying, printing and distributing) this prospectus/proxy statement will be shared equally by Park and PNB, on one hand, and Anderson, on the other.

Termination of the merger agreement

The parties may mutually agree to terminate the merger agreement and abandon the merger at any time before the merger is effective, whether before or after shareholder approval, if the respective boards of directors of Anderson, Park and PNB so determine by vote of a majority of their respective boards of directors.

In addition, either Park and PNB, on the one hand, or Anderson, on the other, acting alone may terminate the merger agreement and abandon the merger at any time before the merger is effective, whether before or after shareholder approval, if:

- the other party breaches a material representation, warranty, covenant or agreement contained in the merger agreement, which breach cannot be or has not been cured within 30 days of giving notice of the breach to the breaching party, provided that the party seeking to terminate the merger agreement is not itself in material breach of any provision of the merger agreement;

- the merger has not been completed on or before February 28, 2007, unless the failure to complete the merger by that date results from the knowing action or inaction of the party seeking to terminate the merger agreement;

- the approval of any governmental entity required for consummation of the merger has been denied by final nonappealable action;

- the Anderson shareholders fail to adopt the merger agreement and approve the merger at the special meeting of shareholders; or

- any of the closing conditions have not been met or waived.

Anderson, acting alone, may terminate the merger agreement and abandon the merger at any time prior to the adoption of the merger agreement and approval of the merger by its shareholders, if its Board of Directors authorizes the execution of a definitive written agreement concerning a transaction that constitutes a superior proposal, as defined in the merger agreement, provided that Anderson has provided at least five business days prior notice of such superior proposal to Park and has satisfied certain other conditions set forth in the merger agreement.

Park, acting alone, may terminate the merger agreement if the Anderson Board of Directors:

- fails to recommend that the Anderson shareholders adopt the merger agreement and approve the merger, withdraws, modifies or qualifies its recommendation in any manner adverse to Park, or takes any other action or makes any other statement in connection with the special meeting of shareholders that is inconsistent with its recommendation;

fails to call the special meeting of shareholders or to prepare and mail to the Anderson shareholders this prospectus/proxy statement in accordance with the merger agreement; or

takes certain actions permitted by the merger agreement with respect to discussing or negotiating with any person who has made a proposal with respect to a tender or exchange offer, or a merger, consolidation or other business combination, involving Anderson, or a proposal or offer to acquire in any manner 25% of any class of equity securities in, or 25% or more of the assets or deposits of, Anderson which the Anderson Board of Directors determines to be, or is reasonably likely to be, a superior proposal.

Table of Contents

Termination fee

Anderson must pay to Park a termination fee of $600,000 if the merger agreement is terminated upon the occurrence of specified events. Anderson must pay the termination fee if:

- the merger agreement is terminated by Anderson because its Board of Directors has authorized the execution of a definitive written agreement concerning a transaction that constitutes a superior proposal, as defined in the merger agreement; or

- the merger agreement is terminated either (i) by Park because the Anderson Board of Directors has willfully failed to recommend that the Anderson shareholders adopt the merger agreement and approve the merger, withdrawn, modified or qualified its recommendation in any manner adverse to Park, or taken any other action or made any other statement in connection with the special meeting of shareholders that is inconsistent with its recommendation, (ii) by Park as a result of a willful material breach of any covenant or agreement by Anderson which cannot be or has not been cured within 30 days or (iii) by Park or Anderson because the Anderson shareholders have failed to adopt the merger agreement and approve the merger and at any time after August 14, 2006 and prior to the termination of the merger agreement, an acquisition proposal with respect to Anderson was publicly announced, publicly proposed or commenced and within 12 months after the date of the termination of the merger agreement, Anderson entered into an agreement relating to the previously announced acquisition proposal or the previously announced acquisition proposal was consummated.

In addition to the termination fee, if (a) an acquisition proposal has been made known to the Anderson shareholders or publicly announced, (b) the merger agreement is subsequently terminated by Park because the merger has not been completed on or before February 28, 2007 as a result of knowing action or inaction of Anderson and (c) within 6 months following the termination of the merger agreement, Anderson enters into an agreement with the person making the acquisition proposal, Anderson must pay Park s documented out-of-pocket expenses and fees, up to $250,000, and Park will be entitled to pursue recovery of any additional amounts available to it at law or in equity, provided that such additional amounts, together with the documented out-of-pocket expenses and fees, may not exceed $600,000 in the aggregate.

Anderson agreed to these termination fee and expense reimbursement arrangements in order to induce Park to enter into the merger agreement.

Amendment

The merger agreement may be amended, at any time before or after the Anderson shareholders adopt the merger agreement and approve the merger, by an agreement in writing signed by Park, PNB and Anderson. However, after the Anderson special meeting, the merger agreement may not be amended if it would violate the applicable provisions of Titles 11 and 17 of the Ohio Revised Code, the laws of the United States applicable to national banking associations or the federal securities laws.

Description of Park Common Shares and Comparison of Certain Rights of Park and Anderson Shareholders

Anderson shareholders who receive Park common shares as consideration in the merger will become shareholders of Park at the effective time of the merger. Park is an Ohio corporation and a bank holding company registered under the Bank Holding Company Act of 1956, as amended; while Anderson is an Ohio state-chartered bank. Although the

rights of the holders of Park common shares and those of holders of Anderson common shares are similar in many respects, there are some differences. These differences relate to differences between the provisions of Ohio law governing corporations and the provisions of Ohio law governing state-chartered banks, as well as differences between provisions of the Park articles of incorporation and regulations and the Anderson articles of incorporation and regulations.

Set forth below is a description of the Park common shares and the Anderson common shares, including a summary of the material differences and similarities between the rights of Park shareholders and the rights of

Table of Contents

Anderson shareholders. This description is not intended to be a complete statement of the differences affecting the rights of Anderson shareholders, but rather describes the more significant differences affecting the rights of Anderson shareholders and certain important similarities. This description is qualified in its entirety by reference to the relevant provisions of Ohio law and the articles of incorporation and regulations of each of Anderson and Park.

Authorized shares

Park. Park s authorized capital stock consists of 20,000,000 common shares, without par value. As of November 6, 2006, 13,828,469 Park common shares were outstanding, and an additional 690,295 Park common shares were reserved for issuance upon the exercise of outstanding Park stock options. Park common shares are listed on AMEX under the symbol PRK.

Anderson. Anderson s authorized capital stock consists of 550,000 common shares, with a par value of $4.00 per share. As of November 6, 2006, 533,550 Anderson common shares were outstanding, and an additional 16,050 Anderson common shares were reserved for issuance upon the exercise of outstanding Anderson stock options. There exists no established public trading market for Anderson common shares.

Preemptive rights

If shareholders are entitled to preemptive rights, a corporation offering its shares for cash must provide those shareholders with the opportunity to purchase the offered shares in proportion to their current holdings at a fixed price before the corporation may offer the shares for sale to the public. Under Ohio law as currently enacted, shareholders do not have preemptive rights unless the corporation s articles of incorporation provide otherwise. However, at the time the articles of incorporation of Anderson and Park were adopted, Ohio law stated that shareholders had preemptive rights unless the corporation s articles of incorporation provided otherwise.

Park. Shareholders of Park have preemptive rights unless the Park common shares offered or sold are (1) treasury shares; (2) issued as a share dividend or distribution; (3) offered or sold in connection with any merger or consolidation to which Park is a party or any acquisition of or investment in, another corporation, partnership, proprietorship or other business entity or its assets by Park, whether directly or indirectly, by any means; (4) offered or sold pursuant to the terms of a stock option plan or employee benefit, compensation or incentive plan which has been approved by the holders of three-fourths of the issued and outstanding shares of Park; or (5) released from preemptive rights by the affirmative vote or written consent of holders of two-thirds of the shares entitled to preemptive rights.

Anderson. The articles of incorporation of Anderson provide that the shareholders of Anderson do not have preemptive rights.

Liquidation rights

Park. Each Park common share entitles the holder thereof to share ratably in Park s net assets legally available for distribution to shareholders in the event of Park s liquidation, dissolution or winding up, after payment in full of all amounts required to be paid to creditors or provision for such payment.

Anderson. Each Anderson common share entitles the holder thereof to share ratably in Anderson s net assets legally available for distribution to shareholders in the event of Anderson s liquidation, dissolution or winding up, after payment in full of all amounts required to be paid to creditors or provision for such payment.

Subscription, conversion and redemption rights; shares non-assessable

Neither the holders of Park common shares nor the holders of Anderson common shares have subscription or conversion rights, and there are no mandatory redemption provisions applicable to the Park common shares or the Anderson common shares. The Park common shares to be issued in exchange for Anderson common shares in the merger, when issued in accordance with the terms of the merger agreement, will be validly issued, fully paid and non-assessable.

Table of Contents

Dividends

Park. As an Ohio corporation, Park may, in the discretion of its board of directors, generally pay dividends to its shareholders out of surplus, however created, but must notify the shareholders if a dividend is paid out of capital surplus. The ability of Park to obtain funds for the payment of dividends and for other cash requirements largely depends on the amount of dividends which may be declared and paid by its subsidiaries. In addition, the Federal Reserve Board expects Park to serve as a source of strength to its subsidiary banks, which may require it to retain capital for further investments in its subsidiary banks, rather than for dividends for its shareholders.

Anderson. In certain instances, the approval of the Ohio Division of Financial Institutions (the Division) must be obtained before a dividend may be declared and paid by Anderson. The approval of the Division is required if a dividend in any year would cause the total dividends for that year to exceed the sum of Anderson s current year s net income and the retained net income for the preceding two years, less required transfers to surplus. Payment of dividends by Anderson may be restricted at any time at the discretion of the regulatory authorities if they deem such dividends to constitute an unsafe and/or unsound banking practice or if necessary to maintain adequate capital for Anderson.

Number of directors

Under Ohio law, a corporation s articles of incorporation or regulations determine the number of directors, but, in most circumstances, the number may not be less than three unless the corporation has less than three shareholders. Unless the articles of incorporation or regulations provide otherwise, the shareholders may fix or change the number of directors at a shareholder meeting called for the purpose of electing directors by the affirmative vote of a majority of the shares represented at the meeting and entitled to vote.

Pursuant to Section 1105.01 of the Ohio Revised Code, the board of directors of an Ohio bank must consist of not less than five directors.

Park. The Park regulations provide for a board of directors consisting of not less than five and not more than 16 directors. The board of directors may not increase the number of directors to a number which exceeds by more than two the number of directors last elected by shareholders. The number of Park directors was last fixed at 14 directors and currently consists of 12 directors. Pursuant to the agreement and plan of merger entered into between Park and Vision on September 14, 2006, Park has agreed to take all actions necessary to cause J. Daniel Sizemore, Chairman of the Board and Chief Executive Officer of Vision, to become a director of Park upon the closing of the merger of Vision with and into Park.

Anderson. The Anderson articles of incorporation provided for a board of directors consisting initially of nine directors. In addition to the authority given to Anderson s shareholders to fix or change the number of directors, the shareholders may authorize the Anderson board of directors to fix or change the number of directors upon the affirmative vote of two-thirds of the directors, provided that the Anderson board of directors may not increase the number of directors to more than 15 nor reduce the number of directors to less than nine and may not change the number of directors by more than two from the last number fixed by the shareholders. On April 28, 2005, Anderson s shareholders approved a proposal to fix the number of directors at six. Consistent with Ohio law, which requires that each class of directors consist of at least three directors, the six directors have been divided into two classes of three directors each. However, as discussed below under Classification of the board of directors, the Anderson articles of incorporation provide for the board of directors to be divided into three classes consisting of three directors each. The Anderson articles of incorporation have not been amended to reflect the effect of the reduction in the number of

directors on the number of classes.

Classification of the board of directors

Under Ohio law, a corporation s articles of incorporation or regulations may provide for the classification of directors into either two or three classes so long as (a) each class consists of at least three directors and (b) no director serves a term of office greater than three years.

Park. Park s regulations provide for the board of directors to be divided into three classes, with the term of office of one class expiring each year.

Table of Contents

Anderson. Anderson s articles of incorporation provide for the board of directors to be divided into three classes, with the term of office of one class expiring each year.

Nomination of directors

Park. Under the Park regulations, either the board of directors or any shareholder entitled to vote in the election of directors may nominate a candidate for election to the board of directors. Shareholder nominations must be made in writing and must be received by the president of Park not less than 14 days and not more than 50 days prior to the shareholder meeting at which directors are to be elected. If, however, notice of the meeting is mailed or disclosed to shareholders less than 21 days before the meeting date, shareholder nominations must be received by the close of business on the 7th day after notice is mailed. A shareholder s notice to Park nominating a director must set forth:

the name and address of each proposed nominee;

the principal occupation of each proposed nominee;

the total number of Park common shares that will be voted for each proposed nominee;

the name and residence address of the notifying shareholder; and

the number of Park common shares beneficially owned by the notifying shareholder.

Anderson. Under the Anderson articles of incorporation, either the board of directors or any shareholder entitled to vote in the election of directors may nominate a candidate for election to the board of directors. Shareholders nominations must be made in writing and must be delivered or mailed to the president of Anderson not less than 14 days nor more than 50 days prior to the shareholder meeting at which directors are to be elected. If, however, notice of the meeting is mailed or disclosed to shareholders less than 21 days before the meeting date, shareholder nominations must be received by the close of business on the 7th day after notice is mailed. A shareholder s notice must set forth:

the name and address of each proposed nominee;

the principal occupation of each proposed nominee;

the total number of Anderson common shares that will be voted for each proposed nominee;

the name and residence address of the notifying shareholder; and

the number of Anderson common shares beneficially owned by the notifying shareholder.

Vacancies on the board

Under Ohio law, unless a corporation s articles of incorporation or regulations provide otherwise, the remaining directors of a corporation may fill any vacancy in the board by the affirmative vote of a majority of the remaining directors. Directors elected to fill a vacancy serve the balance of the unexpired term.

Park. Park s regulations provide that the remaining directors, though less than a majority of the whole authorized number of directors, may, by the vote of a majority of their number, fill any vacancy in the board for the unexpired term.

Anderson. Anderson s regulations provide that the remaining directors, though less than a majority of the whole authorized number of members of the board of directors, by affirmative vote of a majority of those present at a duly convened meeting may fill any vacancy in the board for the unexpired term.

Removal of directors

Park. Park s regulations provide that a director or directors may be removed from office, with or without assigning cause, only by the vote of the holders of shares entitling them to exercise not less than a majority of the voting power of Park to elect directors in place of those to be removed, provided that unless all of the directors (or all of the directors of a particular class) are removed, no individual director may be removed if the votes of a sufficient

Table of Contents

number of shares are cast against his removal that, if cumulatively voted at an election of all directors (or all of the directors of a particular class) would be sufficient to elect at least one director. However, under current Ohio law (Section 1701.58 of the Ohio Revised Code), the directors of an issuing public corporation with a classified board of directors may only be removed for cause. Because Park is an issuing public corporation and has a classified board of directors, the directors of Park may only be removed for cause.

Anderson. Section 1105.10 of the Ohio Revised Code provides that, unless the articles of incorporation or the regulations of an Ohio bank expressly provide that removal of members of the board of directors shall require a greater vote, the shareholders may remove all of the directors, all of the directors of a particular class, or any individual director from office, without assigning any cause, by the vote of the holders of a majority of the voting power entitling them to elect directors in place of those to be removed. Additionally, if the shareholders of an Ohio bank have the right to vote cumulatively in the election of directors, unless all of the directors (or all of the directors of a particular class) are removed, no individual director may be removed if the votes of a sufficient number of shares are cast against his removal that, if cumulatively voted at an election of all directors (or all of the directors of a particular class) would be sufficient to elect at least one director. Anderson s articles of incorporation provide that directors may be removed, with or without assigning cause, only by the affirmative vote of not less than eighty percent of the voting power of Anderson.

Special meetings of shareholders

Park. Pursuant to Ohio law and the Park regulations, any of the following persons may call a special meeting of shareholders: the Chairman of the Board, the President, or, in case of the President s absence, death or disability, the vice president authorized to exercise the authority of the President, the secretary, the directors by action at a meeting or a majority of the directors acting without a meeting, or the holders of at least 25% of the outstanding shares entitled to vote at the meeting.

Anderson. Pursuant to Ohio law and the Anderson regulations, any of the following persons may call a special meeting of shareholders: the Chairman of the Board, the President, or in the case of the President s absence, death or disability, the vice president authorized to exercise the authority of the President, the secretary, the directors by action at a meeting or a majority of the directors acting without a meeting, or the holders of at least 50% of the outstanding shares entitled to vote at the meeting.

Voting rights

Park. Under Ohio law, shareholders have the right to make a request, in accordance with applicable procedures, to cumulate their votes in the election of directors unless a corporation s articles of incorporation are amended, in accordance with applicable procedures, to eliminate that right. Park s articles of incorporation have not been amended to eliminate cumulative voting in the election of directors. Accordingly, if, in accordance with Ohio law, any Park shareholder makes a proper request and announcement of such request is made at a meeting to elect directors, each shareholder will have votes equal to the number of directors to be elected, multiplied by the number of Park common shares owned by such shareholder, and will be entitled to distribute such votes among the candidates in any manner the shareholder wishes. Except with respect to an election of directors for which cumulative voting has been properly requested, each Park common share entitles the holder thereof to one vote on each matter submitted to the shareholders of Park for consideration.

Anderson. Anderson s articles of incorporation have not been amended to eliminate cumulative voting in the election of directors. Accordingly, if, in accordance with Ohio law, any Anderson shareholder makes a proper request and announcement of such request is made at a meeting to elect directors, each shareholder will have votes equal to the number of directors to be elected, multiplied by the number of Anderson common shares owned by such shareholder,

and will be entitled to distribute such votes among the candidates in any manner the shareholder wishes. Except with respect to an election of directors for which cumulative voting has been properly requested, each Anderson common share entitles the holder thereof to one vote on each matter submitted to the shareholders of Anderson for consideration.

Table of Contents

Special voting requirements

Park. The Park articles of incorporation contain special voting requirements that may be deemed to have anti-takeover effects. These voting requirements are described in Article Eighth and apply when any of the following actions are contemplated:

any merger or consolidation of Park with a beneficial owner of 20% or more of the voting power of Park or an affiliate or associate of that 20% beneficial owner;

any sale, lease, exchange, mortgage, pledge, transfer or other disposition of at least 10% of the total assets of Park to or with a 20% beneficial owner or its affiliates or associates;

any merger of Park or one of its subsidiaries with a 20% beneficial owner or its affiliates or associates;

any sale, lease, exchange, mortgage, pledge, transfer or other disposition to Park or one of its subsidiaries of all or any part of the assets of a 20% beneficial owner (or its affiliates or associates), excluding any disposition which, if included with all other dispositions consummated during the fiscal year by the 20% beneficial owner or its affiliates or associates, would not result in dispositions having an aggregate fair value in excess of 1% of the total consolidated assets of Park, unless all such dispositions by the 20% beneficial owner or its affiliates or associates during the same and four preceding fiscal years would result in disposition of assets having an aggregate fair value in excess of 2% of the total consolidated assets of Park;

any reclassification of Park common shares or any recapitalization involving the common shares of Park consummated within five years after a 20% beneficial owner becomes such;

any agreement providing for any of the previously described business combinations; and

any amendment to Article Eighth of the Park articles of incorporation.

The enlarged majority vote required when Article Eighth applies is the greater of:

four-fifths of the outstanding Park common shares entitled to vote on the proposed business combination, or

that fraction of the outstanding Park common shares having:

as the numerator a number equal to the sum of:

the number of Park common shares beneficially owned by the 20% beneficial owner *plus*

two-thirds of the remaining number of Park common shares outstanding,

and as the denominator, a number equal to the total number of outstanding Park common shares entitled to vote.

Article Eighth does not apply where (1) the shareholders who do not vote in favor of the transaction and whose proprietary interest will be terminated in connection with a transaction are paid a minimum price per share and (2) a proxy statement satisfying the requirements of the Securities Exchange Act of 1934 is mailed to the Park shareholders

for the purpose of soliciting shareholder approval of the transaction. If the price criteria and procedural requirements are satisfied, the approval of a business combination would require only that affirmative vote (if any) required by law or by the Park articles of incorporation or regulations.

Anderson. Anderson s articles of incorporation provide that, unless at least two-thirds of the authorized number of directors recommends approval, the affirmative vote of the holders of Anderson common shares entitling them to exercise not less than 80% of the voting power of Anderson is required to approve:

an amendment to the articles of incorporation;

an agreement of merger or consolidation providing for the merger or consolidation of Anderson with or into one or more other corporations;

a proposed combination or majority share acquisition involving the issuance of shares of Anderson and requiring shareholder approval;

Table of Contents

a proposal to sell, lease, or exchange all or substantially all of the property and assets of Anderson;

a proposed dissolution of Anderson; or

a proposal to fix or change the number of directors by action of the shareholders of the corporation.

In the event that at least two-thirds of the authorized number of Anderson directors recommends approval of the foregoing transactions, such transactions only require the affirmative vote of the holders of Anderson common shares entitling them to exercise a majority of the voting power of Anderson for approval.

The merger of Anderson with and into PNB has been approved and recommended by at least two-thirds of the authorized number of Anderson directors. Therefore, approval and adoption of the merger agreement requires the affirmative vote of the holders of a majority of the voting power of Anderson under Anderson s articles of incorporation. However, under provisions of federal law applicable to mergers of state banks into national banks (12 U.S.C. Section 215a), the adoption of the merger agreement and approval of the merger requires the affirmative vote of the holders of at least two-thirds of the Anderson common shares outstanding and entitled to vote at the Anderson special meeting.

Amendments to articles of incorporation

Under Ohio law, shareholders may adopt amendments to the articles of incorporation by the affirmative vote of two-thirds of the shares entitled to vote on the proposal unless the corporation s articles of incorporation provide for a different vote requirement, which cannot be less than a majority of the shares entitled to vote.

Park. As discussed above under Special voting requirements, the Park articles of incorporation provided that, when there is one or more controlling persons of Park (*i.e.*, persons who beneficially own shares of Park entitling them to exercise at least 20% of the voting power in the election of directors), Article Eighth cannot be altered, changed or repealed unless the amendment is adopted by a specified proportion of Park s shareholders.

Anderson. As discussed above under Special voting requirements, the Anderson articles of incorporation provide that the articles of incorporation may be amended only by the affirmative vote of not less than 80% of the outstanding Anderson common shares entitled to vote on such proposal, unless at least two-thirds of the authorized number of directors recommend approval of such amendment, in which case the articles of incorporation may be amended by the affirmative vote of not less than a majority of the Anderson common shares entitled to vote on such proposal.

Amendments to regulations

Under Ohio law, shareholders may amend the regulations or adopt revised regulations consistent with Ohio law and the corporation s articles of incorporation, by the affirmative vote of a majority of shares entitled to vote if done at a shareholder meeting. Shareholders may amend the regulations without a meeting by the affirmative vote of the holders of two-thirds of the shares entitled to vote on the proposal. Ohio law provides that a corporation s articles of incorporation or regulations may increase or decrease the required shareholder vote, but may not allow approval by less than a majority of the voting power.

Park. The Park regulations provide that the regulations may be amended by the shareholders at a meeting by the affirmative vote of the holders of not less than two-thirds of the voting power of Park entitled to vote on such proposal, or without a meeting by the written consent of the holders of not less than two-thirds of the voting power of Park entitled to vote on such proposal.

Anderson. The Anderson regulations provide that the regulations may be amended by the shareholders at a meeting by the affirmative vote of shareholders entitled to exercise a majority of the voting power of Anderson on such proposal. Shareholders of Anderson can amend the regulations without a meeting by written consent of the shareholders entitled to exercise two-thirds of the voting power of Anderson on such proposal.

Table of Contents

Corporate action without a shareholder meeting

Under Ohio law, unless a corporation s articles of incorporation or regulations prohibit action by shareholders without a meeting, shareholders may act without a meeting on any action required or permitted to be taken at a shareholder meeting, provided that all shareholders entitled to notice of the meeting sign a writing authorizing the action, and the shareholders file the writing with the records of the corporation. Neither Park s nor Anderson s articles of incorporation or regulations alter this right.

Indemnification of directors, officers and employees

Park. The regulations of Park provide that Park will indemnify any of its directors or officers against expenses (including attorneys fees, filing fees, court reporters fees and transcript costs), judgments, fines and amounts paid in settlement by reason of the fact that the director or officer is or was a director, officer, employee or agent of Park or, at the request of Park, was serving another entity in a similar capacity. In order to receive indemnification, the director or officer must have acted in good faith and in a manner he or she reasonably believed to be in the best interests of Park. With regard to criminal matters, Park will indemnify a director or officer if the director or officer had no reasonable cause to believe his or her conduct was unlawful. Directors and officers claiming indemnification will be presumed to have acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of Park and, with respect to any criminal matter, to have had no reasonable cause to believe their conduct was unlawful.

Park will not indemnify any officer or director of Park who was a party to any completed action or suit instituted by, or in the right of, Park for any matter asserted in the action as to which the officer or director has been adjudged to be liable for acting with reckless disregard for the best interests of Park or misconduct, other than negligence, in the performance of the individual s duty to Park. If, however, the Court of Common Pleas of Licking County, Ohio or the court in which the action was brought determines that the officer or director is fairly and reasonably entitled to indemnity, Park must indemnify the officer or director to the extent permitted by the court.

Park will make any indemnification not precluded by Park s regulations only upon a determination that the director or officer has met the applicable standard of conduct. The determination may be made only:

by a majority vote of a quorum of disinterested directors;

if a quorum is not obtainable or if a majority of a quorum of disinterested directors so directs, in a written opinion by independent legal counsel;

by the shareholders; or

by the Court of Common Pleas of Licking County, Ohio or the court, if any, in which the action was brought.

Park will pay expenses incurred in defending any action, suit or proceeding in advance upon receipt of an undertaking by or on behalf of the director or officer to repay that amount if the director or officer is not entitled to be indemnified by Park.

The regulations of Park state that the indemnification provided therein is not exclusive of any other rights to which any individual seeking indemnification may be entitled. Additionally, the Park regulations provide that Park may purchase and maintain insurance on behalf of any individual who is or was a director, officer, employee or agent of Park, or who is or was serving another entity in a similar capacity at the request of Park, against any liability asserted

against the individual and incurred by the individual in that capacity, or arising out of the individual s status as such, whether or not Park would have the obligation or power to indemnify the individual under the Park regulations. Park has purchased and maintains insurance policies that insure directors and officers against certain liabilities that might be incurred by them in their capacities as directors and officers.

Anderson. The regulations of Anderson provide that Anderson will indemnify any of its present or former directors against expenses (including attorneys fees, filing fees, court reporters fees and transcript costs), judgments, fines and amounts paid in settlement by reason of the fact that the director is or was a director, officer, employee or agent of Anderson or, at the request of Anderson, was serving another entity in a similar capacity. In order to receive indemnification, the director must have acted in good faith and in a manner he or she

Table of Contents

reasonably believed to be in the best interests of Anderson. With regard to criminal matters, Anderson will indemnify a director if the director had no reasonable cause to believe his or her conduct was unlawful. Directors claiming indemnification will be presumed to have acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of Anderson and, with respect to any criminal matter, to have had no reasonable cause to believe their conduct was unlawful.

Anderson will not indemnify any present or former director of Anderson who was a party to any completed action or suit instituted by, or in the right of, Anderson for any matter asserted in the action as to which the director has been adjudged to be liable for acting with reckless disregard for the best interests of Anderson or misconduct, other than negligence, in the performance of the individual s duty to Anderson. If, however, the Court of Common Pleas of Hamilton County, Ohio or the court in which the action was brought determines that the director is fairly and reasonably entitled to indemnity, Anderson must indemnify the director to the extent permitted by the court.

Anderson will make any indemnification not precluded by Anderson s regulations only upon a determination that the director has met the applicable standard of conduct. The determination may be made only:

by a majority vote of a quorum of disinterested directors;

if a quorum is not obtainable or if a majority of a quorum of disinterested directors so directs, in a written opinion by independent legal counsel;

by the shareholders; or

by the Court of Common Pleas of Hamilton County, Ohio or the court, if any, in which the action was brought.

Anderson will pay expenses incurred in defending any action, suit or proceeding in advance upon receipt of an undertaking by or on behalf of the director to repay that amount if the director is not entitled to be indemnified by Anderson.

The regulations of Anderson state that the indemnification provided therein is not exclusive of any other rights to which any person seeking indemnification may be entitled. Additionally, the Anderson regulations provide that Anderson may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of Anderson, or who is or was serving another entity in a similar capacity at the request of Anderson, against any liability asserted against the person and incurred by the person in that capacity, or arising out of the person s status as such, whether or not Anderson would have the obligation or power to indemnify the persons under the Anderson regulations. Anderson has purchased and maintains insurance policies that insure directors and officers against certain liabilities that might be incurred by them in their capacities as directors and officers.

Park also has agreed to indemnify the present and former directors, officers and employees of Anderson for certain actions or omissions in the course of their duties as directors, officers and employees of Anderson occurring prior to the merger, including, without limitation, the transactions contemplated by the merger agreement, to the fullest extent that Anderson is permitted to indemnify (and advance expenses to) its directors, officers and employees under Ohio law and consistent with the provisions of the articles of incorporation and regulations of Anderson as in effect on the date of the merger agreement. In addition, for a period of three years from the closing of the merger, Park has agreed to use its reasonable best efforts to procure directors and officers liability insurance that serves to reimburse the present and former officers and directors of Anderson with respect to claims against them arising from facts or events that occurred before the closing of the merger. However, Park is not required to expend, on an annual basis, more than 200% of the amount expended by Anderson to maintain or procure its current directors and officers liability policy.

Personal liability of directors

Under Ohio law, a director of an Ohio corporation will not be found to have violated his or her fiduciary duties to the corporation or its shareholders unless there is proof by clear and convincing evidence that the director has not acted in good faith, in a manner he or she reasonably believes to be in or not opposed to the best interests of the corporation, or with the care that an ordinarily prudent person in a like position would use under similar circumstances. In addition, under Ohio law, a director is liable in damages for any action or failure to act as a

Table of Contents

director only if it is proved by clear and convincing evidence that such act or omission was undertaken either with deliberate intent to cause injury to the corporation or with reckless disregard for the best interests of the corporation, unless the corporation s articles of incorporation or regulations make this provision inapplicable by specific reference. Neither Park s nor Anderson s articles of incorporation or regulations make this provision inapplicable.

Notwithstanding the foregoing, pursuant to Section 1105.11 of the Ohio Revised Code, any director of an Ohio state-chartered bank, such as Anderson, who knowingly violates or knowingly permits any of the officers, agents or employees of the bank to violate the provisions of Ohio law applicable to banks is liable personally and individually for all damages the bank, its shareholders, or any other person sustains in consequence of the violation.

Anti-takeover statutes

Certain state laws make a change in control of an Ohio corporation more difficult, even if desired by the holders of the majority of the corporation s shares. Provided below is a summary of the Ohio anti-takeover statutes.

Ohio Control Share Acquisition Statute. Section 1701.831 of the Ohio Revised Code, known as the Ohio Control Share Acquisition Statute, provides that specified notice and informational filings and special shareholder meetings and voting procedures must occur before consummation of a proposed control share acquisition. A control share acquisition is defined as any acquisition of shares of an issuing public corporation that would entitle the acquirer, directly or indirectly, alone or with others, to exercise or direct the voting power of the issuing public corporation in the election of directors within any of the following ranges:

one-fifth or more, but less than one-third, of the voting power;

one-third or more, but less than a majority, of the voting power; or

a majority or more of the voting power.

An issuing public corporation is an Ohio corporation with 50 or more shareholders that has its principal place of business, principal executive offices, or substantial assets within the State of Ohio, and as to which no close corporation agreement exists. Assuming compliance with the notice and information filing requirements prescribed by the Ohio Control Share Acquisition Statute, the proposed control share acquisition may take place only if, at a duly convened special meeting of shareholders, the acquisition is approved by both:

a majority of the voting power of the corporation represented in person or by proxy at the meeting; and

a majority of the voting power at the meeting exercised by shareholders, excluding:

the acquiring shareholder,

officers of the corporation elected or appointed by the directors of the corporation,

employees of the corporation who are also directors of the corporation, and

persons who acquire specified amounts of shares after the first public disclosure of the proposed control share acquisition.

The Ohio Control Share Acquisition Statute does not apply to a corporation whose articles of incorporation or regulations so provide. Park has opted out of the application of the Ohio Control Share Acquisition Statute in its

regulations, and Anderson has opted out of the application of the Ohio Control Share Acquisition Statute in its articles of incorporation.

Ohio Merger Moratorium Statute. Chapter 1704 of the Ohio Revised Code, known as the Ohio Merger Moratorium Statute, prohibits specified business combinations and transactions between an issuing public corporation and a beneficial owner of shares representing 10% or more of the voting power of the corporation in the election of directors (an interested shareholder) for at least three years after the interested shareholder became such, unless the board of directors of the issuing public corporation approves either (1) the transaction or (2) the acquisition of the corporation s shares that resulted in the person becoming an interested shareholder, in each case before the interested shareholder became such.

Table of Contents

For three years after a person becomes an interested shareholder, the following transactions between the corporation and the interested shareholder (or persons related to the interested shareholder) are prohibited:

- the sale or acquisition of an interest in assets meeting thresholds specified in the statute,
- mergers and similar transactions,
- a voluntary dissolution,
- the issuance or transfer of shares or any rights to acquire shares having a fair market value at least equal to 5% of the aggregate fair market value of the corporation s outstanding shares,
- a transaction that increases the interested shareholder s proportionate ownership of the corporation, and
- any other benefit that is not shared proportionately by all shareholders.

After the three-year period, transactions between the corporation and the interested shareholder are permitted if:

- the transaction is approved by the holders of shares with at least two-thirds of the voting power of the corporation in the election of directors (or a different proportion specified in the corporation s articles of incorporation), including at least a majority of the outstanding shares after excluding shares controlled by the interested shareholder, or
- the business combination results in shareholders, other than the interested shareholder, receiving a fair market value for their shares determined by the method described in the statute.

A corporation may elect not to be covered by the provisions of the Ohio Merger Moratorium Statute by the adoption of an appropriate amendment to its articles of incorporation. Both Park and Anderson have opted out of the Ohio Merger Moratorium Statute in their respective articles of incorporation.

Change in Control of Ohio Banks and Bank Holding Companies. Section 1115.06 of the Ohio Revised Code and the regulations promulgated thereunder contain change in control provisions which prohibit any person, acting directly or indirectly or in concert with one or more persons, from acquiring control of any Ohio bank or any bank holding company that has control of any Ohio bank unless the person has given the Superintendent of Financial Institutions 60 days prior written notice and the Superintendent has not disapproved the acquisition. Control, as defined in Section 1115.06, means the power, directly or indirectly, to direct the management or policies of a state bank or bank holding company or to vote 25% or more of any class of voting securities of a state bank or bank holding company. Pursuant to the regulations promulgated under Section 1115.06, it is presumed, subject to rebuttal, that a person controls an Ohio bank or bank holding company if the person owns or has the power to vote 10% or more of any class of voting securities and either the bank or bank holding company has a class of securities registered under Section 12 of the Securities Exchange Act of 1934 or no other person owns or has the power to vote a greater percentage of that class of voting securities. Section 1115.06 of the Ohio Revised Code does not apply to the merger of Anderson with and into PNB because PNB will survive the merger as a national banking association and, therefore, Park will not acquire control of an Ohio bank as a result of the merger.

Adjournment of the Special Meeting
(Proposal Two)

In the event there are not sufficient votes to adopt the merger agreement and approve the merger at the time of the special meeting, the Anderson shareholders cannot adopt the merger agreement and approve the merger unless the special meeting is adjourned to a later date or dates in order to permit the solicitation of additional proxies. Pursuant to the provisions of Anderson s regulations, no notice of an adjourned meeting need be given to shareholders if the date, time and place of the adjourned meeting are announced at the special meeting.

In order to permit proxies that have been received by Anderson at the time of the special meeting to be voted for an adjournment, if necessary, Anderson has submitted the proposal to adjourn the special meeting to the Anderson shareholders as a separate matter for their consideration. The proposal to adjourn the special meeting must be

Table of Contents

approved by the holders of a majority of the Anderson common shares present, in person or by proxy, at the special meeting.

The Board of Directors of Anderson recommends that you vote **FOR** the proposal to adjourn the special meeting.

Other Matters

As of the date of this prospectus/proxy statement, the Board of Directors of Anderson is not aware of any matters that will be presented for consideration at the special meeting other than the two proposals described in this prospectus/proxy statement.

Experts

The consolidated financial statements of Park and subsidiaries as of December 31, 2005 and 2004 and for the three years ended December 31, 2005, incorporated by reference in Park s Annual Report (Form 10-K) for the fiscal year ended December 31, 2005, and Park management s assessment of the effectiveness of internal control over financial reporting as of December 31, 2005 incorporated by reference therein, have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon, incorporated by reference therein, and incorporated herein by reference. Such consolidated financial statements and management s assessment are incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

Legal Matters

Vorys, Sater, Seymour and Pease LLP has rendered an opinion that the Park common shares to be issued to the Anderson shareholders in connection with the merger have been duly authorized and, if issued and delivered as contemplated by this prospectus/proxy statement and the merger agreement, will be validly issued, fully paid and non-assessable under the laws of the State of Ohio. Vorys, Sater, Seymour and Pease LLP also has delivered an opinion regarding the material federal income tax consequences of the merger. As of November 6, 2006, Vorys, Sater, Seymour and Pease LLP attorneys, together with members of their immediate families, owned an aggregate of 1,110 Park common shares.

Where You Can Find More Information

Park has filed with the Securities and Exchange Commission a Registration Statement on Form S-4 under the Securities Act of 1933, as amended, for the Park common shares to be issued to Anderson shareholders in the merger. This prospectus/proxy statement is a part of the Registration Statement on Form S-4. The rules and regulations of the Securities and Exchange Commission permit us to omit from this prospectus/proxy statement information, exhibits and undertakings that are contained in the Registration Statement on Form S-4.

In addition, Park files reports, proxy statements and other information with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. You can read and copy the Registration Statement on Form S-4 and its exhibits, as well as the reports, proxy statements and other information filed with the Securities and Exchange Commission by Park, at the following location:

Securities and Exchange Commission s Public Reference Room
100 F Street, N.E.
Room 1580
Washington, D.C. 20549

Please call the Securities and Exchange Commission for more information on the operation of the Public Reference Room at 1-800-SEC-0330.

Table of Contents

Park is an electronic filer, and the Securities and Exchange Commission maintains a website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Securities and Exchange Commission at the following website: http://www.sec.gov. Reports of Park can also be found on the Internet website maintained by Park at http://www.parknationalcorp.com (this uniform resource locator, or URL, is an inactive textual reference only and is not intended to incorporate Park s website into this prospectus/proxy statement).

Only limited financial information of Anderson is provided in this prospectus/proxy statement. You may request a free copy of Anderson s financial statements for the fiscal years ended December 31, 2005 and 2004, by writing or calling James R. Gudmens, Anderson Bank Company, 1075 Nimitzview Drive, Cincinnati, Ohio 45230, (513) 232-9599.

If you would like to request documents from Park or Anderson, please do so by December 7, 2006 in or order to receive the documents prior to the Anderson special meeting.

Table of Contents

ANNEX A

The second amended and restated agreement and plan of merger contains representations and warranties of Anderson Bank Company, on the one hand, and Park National Corporation and The Park National Bank, on the other. The assertions embodied in those representations and warranties are qualified by information in confidential disclosure schedules that the parties delivered in connection with the execution of the second amended and restated agreement and plan of merger. In addition, certain representations and warranties were made as of a specific date, may be subject to a contractual standard of materiality different from those generally applicable to shareholders, or may have been used for purposes of allocating risk between the respective parties rather than establishing matters as facts. Accordingly, you should not rely on the representations and warranties as characterizations of the actual state of facts, or for any other purpose, at the time they were made or otherwise.

SECOND AMENDED AND RESTATED
AGREEMENT AND PLAN OF MERGER
dated to be effective as of
August 14, 2006
by and among
PARK NATIONAL CORPORATION
and
THE PARK NATIONAL BANK
and
ANDERSON BANK COMPANY

Table of Contents

TABLE OF CONTENTS

A-i

Table of Contents

Table of Contents

Table of Contents

GLOSSARY OF DEFINED TERMS

The following terms, when used in this Agreement, have the meanings ascribed to them in the corresponding Sections of this Agreement listed below:

Acquisition Proposal	Section 6.06(b)
Affiliate	Section 3.37(c)
Agreement	Preamble
All Cash Election	Section 2.01(c)(ii)(A)
All Stock Election	Section 2.01(c)(ii)(B)
AMEX	Section 2.01(b)(ii)
Anderson	Preamble
Anderson 2006 Plan	Preamble
Anderson Affiliate	Section 6.07
Anderson Balance Sheet Date	Section 3.06(a)
Anderson Disclosure Schedule	Article Three
Anderson Dissenting Share	Section 2.06
Anderson Financial Statements	Section 3.06(a)
Anderson Meeting	Section 3.04(b)
Anderson Off Balance Sheet Transaction	Section 3.29
Anderson Real Properties	Section 3.13
Anderson Recommendation	Section 6.02
Anderson Shares	Preamble
Anderson Stock Option Plan	Preamble
Anderson Stock Options	Preamble
Anderson s Financial Advisors	Section 3.17
BHCA	Section 4.01(a)
CERCLA	Section 3.24(b)
CRA	Section 3.20(a)
Cash Consideration	Section 2.01(a)
Cash Exchange Amount	Section 2.01(c)(i)
Change in Recommendation	Section 8.01(f)
Closing	Section 1.02(a)
Closing Date	Section 1.02(a)
Code	Preamble
Compensation and Benefit Plans	Section 3.19(a)
Consultants	Section 3.19(a)
Continuing Employees	Section 6.15(a)
Directors	Section 3.19(a)
ERISA	Section 3.19(b)
ERISA Affiliate	Section 3.19(c)
ERISA Affiliate Plan	Section 3.19(c)
Effective Time	Section 1.02(d)
Election	Section 2.01(c)(v)
Election Deadline	Section 2.01(c)(v)
Election Form/Letter of Transmittal	Section 2.01(c)(v)
Election Period	Section 2.01(c)(v)

Table of Contents

Employees	Section 3.19(a)
Environmental Laws	Section 3.24(b)
Exchange Act	Section 3.19(b)
Exchange Agent	Section 2.04(a)
Exchange Fund	Section 2.04(a)
409A	Section 3.19(k)
FDIA	Section 3.01(a)
FDIC	Section 3.01(a)
FHLB	Section 3.01(a)
GAAP	Section 3.06(a)
Governmental Authority	Section 3.16
Hazardous Material	Section 3.24(c)
IRS	Section 3.12(a)
Indemnified Party	Section 6.14(a)
Information	Section 6.05(b)
Intellectual Property	Section 3.31(f)
knowledge	Section 3.08
Letter of Transmittal	Section 2.04(c)
Lien	Section 3.13
Loans	Section 3.09(b)
material	Section 3.01(b)
material adverse effect	Section 3.01(b)
Material Interest	Section 3.37(b)
Maximum Amount	Section 6.14(b)
Merger	Preamble
Merger Consideration	Section 2.01(a)
Mixed Election	Section 2.01(c)(ii)(C)
New Certificates	Section 2.04(c)
NQDC Plan	Section 3.19(k)
ODFI	Section 3.01(a)
Off Balance Sheet Transaction	Section 3.29
Officers	Section 3.19(a)
Ohio SOS	Section 1.02(d)
Ohio Superintendent	Section 1.02(d)
Old Certificate	Section 2.04(c)
Out-of-Pocket Expenses	Section 8.03(c)
Park	Preamble
Park Financial Statements	Section 4.07
Park Measuring Price	Section 2.01(b)(ii)
Park SEC Documents	Section 4.06
Park Shares	Preamble
Patriot Act	Section 3.20(a)
Pension Plan	Section 3.19(b)
Per Share Consideration	Section 2.01(b)(i)
PNB	Preamble

Table of Contents

PNB Common Stock	Preamble
PNB Compensation and Benefit Plans	Section 4.20(a)
PNB Employees	Section 4.20(a)
Proxy Statement	Section 6.03(a)
Proxy Statement/Prospectus	Section 6.03(a)
RCRA	Section 3.24(b)
Registration Statement	Section 6.03(a)
Regulations	Section 1.02(c)(iii)
Regulatory Authorities	Section 3.15
Related Person	Section 3.37(b)
Required Party	Section 6.05(b)
Rights	Section 3.02(b)
SEC	Section 3.01(b)
Securities Act	Section 3.19(b)
Stock Consideration	Section 2.01(a)
Stock Exchange Ratio	Section 2.01(b)(iii)
Subsidiary	Section 3.01(b)
Superior Proposal	Section 6.06(c)
Surviving Association	Section 1.01
Takeover Laws	Section 3.25
Tax	Section 3.12(b)
Tax Returns	Section 3.12(b)
Termination Fee	Section 8.03(a)
United States	Section 1.01

Table of Contents

SECOND AMENDED AND RESTATED
AGREEMENT AND PLAN OF MERGER

This SECOND AMENDED AND RESTATED AGREEMENT AND PLAN OF MERGER (the **Agreement**), dated to be effective as of August 14, 2006, is made and entered into by and among Park National Corporation, an Ohio corporation (**Park**); The Park National Bank, a national banking association (**PNB**); and Anderson Bank Company, an Ohio state-chartered commercial bank (**Anderson**).

W I T N E S S E T H:

WHEREAS, Park, PNB and Anderson entered into that certain Agreement and Plan of Merger dated to be effective as of August 14, 2006; and

WHEREAS, Park, PNB and Anderson entered into that certain Amended and Restated Agreement and Plan of Merger dated to be effective as of August 14, 2006 in order to correct certain clerical errors in the Agreement and Plan of Merger dated to be effective as of August 14, 2006; and

WHEREAS, in order to clarify certain provisions within the Amended and Restated Agreement and Plan of Merger dated to be effective as of August 14, 2006, Park, PNB and Anderson desire to amend and restate the Amended and Restated Agreement and Plan of Merger in its entirety; and

WHEREAS, Park is a bank holding company, having its principal place of business located at 50 North Third Street, Newark, County of Licking, State of Ohio 43055; and

WHEREAS, the authorized capital stock of Park consists of 20,000,000 common shares, without par value (the **Park Shares**); and

WHEREAS, PNB is a national banking association and a wholly owned subsidiary of Park, having its principal place of business located at 50 North Third Street, Newark, County of Licking, State of Ohio 43055; and

WHEREAS, the authorized capital stock of PNB consists of 1,250,000 shares of common stock, par value of $8.00 each (the **PNB Common Stock**), all of which are issued and outstanding as of the date of this Agreement, and 32,600 shares of Class A non-cumulative, perpetual preferred stock, par value of $1,000 each, none of which are issued as of the date of this Agreement; and

WHEREAS, PNB had outstanding capital stock of $10,000,000, divided into 1,250,000 shares of PNB Common Stock, surplus of $63,869,767 and retained earnings of $64,449,188 as of June 30, 2006; and

WHEREAS, Anderson is an Ohio state-chartered commercial bank, having its principal place of business located at 1075 Nimitzview Drive, Cincinnati, County of Hamilton, State of Ohio 45230; and

WHEREAS, the authorized capital stock of Anderson consists of 550,000 common shares, par value of $4.00 each (the **Anderson Shares**), 533,550 of which are issued and outstanding as of the date of this Agreement, and 16,250 of which are subject to outstanding options (the **Anderson Stock Options**) granted pursuant to the Anderson Bank Company 1999 Stock Option Plan (the **Anderson Stock Option Plan**); and

WHEREAS, in early 2006, Anderson adopted a new stock option plan, the Anderson Bank Company 2006 Stock Option Plan (the **Anderson 2006 Plan**), but Anderson has not filed the necessary amendment to its charter documents to increase its authorized capital stock and has not granted or agreed to grant any options under the Anderson 2006

Plan; and

WHEREAS, Anderson had outstanding capital stock consisting of $2,335,650, divided into 533,550 Anderson Shares, surplus of $2,926,330 and retained earnings of $2,032,624, as of June 30, 2006; and

WHEREAS, each of the Boards of Directors of Park, PNB and Anderson has determined that it is in the best interests of their respective entities and shareholders for Anderson to merge with and into PNB (the **Merger**), upon the terms and subject to the conditions set forth in and pursuant to the terms of this Agreement; and

Table of Contents

WHEREAS, each of the Boards of Directors of Park, PNB and Anderson has authorized and approved this Agreement and the consummation of the transactions contemplated hereby by resolutions duly authorized by them; and

WHEREAS, the parties intend that the Merger be treated as a reorganization described in Section 368(a) of the Internal Revenue Code of 1986, as amended (the **Code**), and intend for this Agreement to constitute a plan of reorganization within the meaning of the Code;

NOW, THEREFORE, in consideration of the premises and of the mutual representations, warranties, covenants and agreements hereinafter set forth, intending to be legally bound hereby, the parties agree as follows:

ARTICLE ONE

THE MERGER

1.01 *Merger of PNB and Anderson*

Upon the terms and subject to the conditions set forth in this Agreement, at the Effective Time (as defined in Section 1.02 below), Anderson shall merge with and into PNB under the national banking charter of PNB. PNB shall be the surviving association in the Merger (the **Surviving Association**), shall continue to exist as a national banking association under the laws of the United States of America (the **United States**) and shall be the only one of PNB and Anderson to continue its separate existence after the Effective Time. The name of the Surviving Association shall be The Park National Bank. The shares of PNB Common Stock issued and outstanding immediately prior to the Effective Time shall remain issued and outstanding after the Effective Time and shall be and constitute the issued and outstanding shares of common stock of the Surviving Association, and the amount of outstanding capital stock of the Surviving Association shall be $10,000,000, divided into 1,250,000 shares of common stock, par value of $8.00 each. The Anderson Shares issued and outstanding immediately prior to the Effective Time shall be automatically cancelled and converted into the right to receive the consideration described in Article Two below. The business of the Surviving Association shall be that of a national banking association and shall be conducted at the Surviving Association s main office to be located at 50 North Third Street, Newark, Ohio 43055, and at its legally established branches. The articles of association of PNB, as in effect immediately prior to the Effective Time, shall be the articles of association of the Surviving Association until amended in accordance with applicable law. The by-laws of PNB, as in effect immediately prior to the Effective Time, shall be the by-laws of the Surviving Association until amended in accordance with applicable law. The Board of Directors of PNB immediately prior to the Effective Time shall serve as the Board of Directors of the Surviving Association until the next annual meeting of shareholders and until such time as their respective successors have been duly elected and qualified, or until their earlier death, resignation or removal from office. The officers of PNB immediately prior to the Effective Time shall be the officers of the Surviving Association, each to hold office until changed in accordance with law. Park and PNB may at any time prior to the Effective Time change the method of effecting the Merger (including, without limitation, the provisions of this Article One) if and to the extent Park and PNB deem such change to be necessary, appropriate or desirable; *provided, however*, that no such change shall (a) alter or change the amount or kind of consideration to be issued to the holders of Anderson Shares as provided for in Article Two of this Agreement; (b) adversely affect the treatment of the Merger as a reorganization described in Section 368(a) of the Code; or (c) materially impede or delay consummation of the transactions contemplated by this Agreement. If Park and PNB make such an election, Park, PNB and Anderson shall execute an appropriate amendment to this Agreement in order to reflect such election.

1.02 *Closing; Effective Time*

(a) Subject to the satisfaction or waiver of the conditions set forth in Article Seven, the closing of the transactions contemplated by this Agreement (the **Closing**) shall be held at the offices of Park, 50 North Third Street, Newark,

Ohio 43055, (i) on a date and at a time mutually agreeable to the parties, which date shall not be earlier than the third business day to occur after the last of the conditions set forth in Article Seven shall have been satisfied or waived in accordance with the terms of this Agreement (excluding conditions that, by their terms, cannot be satisfied until the date of the Closing) or later than the last business day of the month in which such third business day occurs, provided no such election shall cause the Closing to occur on a date after that specified in Section 8.01(c) of this Agreement or after the date or dates on which any Governmental Authority or Regulatory Authority approval

Table of Contents

or any extension thereof expires; or (ii) such other date to which the parties agree in writing. The date of the Closing is sometimes herein called the **Closing Date.**

(b) At the Closing, Park and PNB shall cause all of the following to be delivered to Anderson:

(i) The certificates of Park and PNB contemplated by Sections 7.02(a) and 7.02(b) of this Agreement;

(ii) Copies of all resolutions adopted by the Executive Committee of the Board of Directors of Park and by the Board of Directors of Park, approving and adopting this Agreement and authorizing the consummation of the transactions described herein, accompanied by a certificate of the secretary of Park, dated as of the Closing Date, and certifying (A) the date and manner of adoption of each resolution; and (B) that each such resolution is in full force and effect, without amendment or repeal, as of the Closing Date; and

(iii) Copies of all resolutions adopted by the Board of Directors (or any committee thereof) of PNB and by Park, in its capacity as the sole shareholder of PNB, approving and adopting this Agreement and authorizing the consummation of the transactions described herein, accompanied by a certificate of the secretary of PNB, dated as of the Closing Date, and certifying (A) the date and manner of adoption of each resolution; and (B) that each such resolution is in full force and effect, without amendment or repeal, as of the Closing Date.

(c) At the Closing, Anderson shall cause all of the following to be delivered to Park and PNB:

(i) The certificates of Anderson contemplated by Sections 7.01(a) and 7.01(b) of this Agreement.

(ii) Copies of all resolutions adopted by the Board of Directors (or any committee thereof) and the shareholders of Anderson, approving and adopting this Agreement and authorizing the consummation of the transactions described herein, accompanied by a certificate of the secretary of Anderson, dated as of the Closing Date, and certifying (A) the date and manner of the adoption of each such resolution; and (B) that each such resolution is in full force and effect, without amendment or repeal, as of the Closing Date; and

(iii) A statement executed on behalf of Anderson, in the form attached hereto as Exhibit A, dated as of the Closing Date, certifying that the Anderson Shares do not represent United States real property interests within the meaning of Treasury Department regulations (the **Regulations**) Sections 1.897-2(b)(1) and (h).

(d) On the Closing Date, Park, PNB and Anderson shall cause a certificate of merger in respect of the Merger to be executed and delivered to the Ohio Superintendent of Financial Institutions (the **Ohio Superintendent**) in the form required by Ohio law, and the Ohio Superintendent shall cause the same to be filed with the Ohio Secretary of State (the **Ohio SOS**). The Merger shall become effective upon the filing of the Certificate of Merger with the Ohio SOS, or such time thereafter as is agreed to in writing by Park, PNB and Anderson and so provided in the Certificate of Merger filed with the Ohio SOS. The date and time at which the Merger shall become effective is referred to in this Agreement as the **Effective Time** .

1.03 *Effects of the Merger*

At the Effective Time:

(a) the Merger shall have the effects prescribed in Section 1115.11 and Chapter 1701 of the Ohio Revised Code and under the laws of the United States applicable to national banking associations, including, without limitation, 12 U.S.C. Section 215a and the regulations promulgated thereunder; and

(b) all assets of PNB and Anderson as they exist at the Effective Time shall pass to and vest in the Surviving Association without any conveyance or other transfer. The Surviving Association shall be responsible for all of the liabilities of every kind and description, including liabilities arising from the operation of a trust department, of each of PNB and Anderson existing as of the Effective Time.

Table of Contents

ARTICLE TWO

CONSIDERATION; EXCHANGE PROCEDURES

2.01 *Merger Consideration*

(a) Subject to adjustment for cash paid in lieu of fractional shares in accordance with Section 2.03, the holders of the Anderson Shares will receive aggregate consideration consisting of (i) 86,137 Park Shares (the **Stock Consideration**) and (ii) (A) $9,054,343 less (B) an amount equal to the sum of the exercise prices of each of the Anderson Shares subject to an outstanding Anderson Stock Option which has not been exercised in full immediately prior to the Election Deadline (the **Cash Consideration**) (collectively the Stock Consideration and the Cash Consideration are referred to herein as the **Merger Consideration**).

(b) For purposes of this Agreement, the following terms shall have the following meanings:

(i) **Per Share Consideration** means an amount equal to the sum of (A) the Cash Consideration plus (B) 86,137 multiplied by the Park Measuring Price, divided by the number of Anderson Shares issued and outstanding as of Effective Time.

(ii) **Park Measuring Price** means the average closing price of Park Shares as reported on the American Stock Exchange (**AMEX**) over the ten (10) consecutive trading day period ending on the third business day prior to the Effective Time.

(iii) **Stock Exchange Ratio** is the ratio determined by dividing the Per Share Consideration by the Park Measuring Price.

(c) Subject to the provisions of this Agreement, at the Effective Time, automatically by virtue of the Merger and without any action on the part of any person:

(i) *Outstanding Anderson Shares.* Except as otherwise provided in this Article Two, at the Effective Time, each Anderson Share (excluding Anderson Shares held by Anderson as treasury shares and Anderson Shares held by Park) issued and outstanding immediately prior to the Effective Time shall, by virtue of the Merger and at the Effective Time, be converted at the election of the holder thereof (in accordance with the election and allocation procedures set forth in Sections 2.01(c)(ii), 2.01(c)(v), 2.01(c)(viii) and 2.01(c)(ix)) into either (i) cash in the amount of Per Share Consideration for each Anderson Share (the **Cash Exchange Amount**); (ii) Park Shares based upon an exchange ratio, which shall be equal to the Stock Exchange Ratio; or (iii) a combination of such Anderson Shares and cash, as more fully set forth in Section 2.01(c)(ii)(C).

(ii) *Election as to Outstanding Anderson Shares.* The holders of Anderson Shares will have the following alternatives in connection with the exchange of their Anderson Shares in connection with the Merger (which alternatives shall in each case be subject to the allocation procedures set forth in Sections 2.01(c)(viii) and 2.01(c)(ix)):

(A) AT THE OPTION OF THE HOLDER, all of such holder s Anderson Shares deposited with the Exchange Agent (as defined in Section 2.04(a)) shall be converted into and become Park Shares at the Stock Exchange Ratio (such election, the **All Stock Election**); provided, however, that fractional shares will not be issued and cash (payable by check) will be paid in lieu thereof as provided in Section 2.03; or

(B) AT THE OPTION OF THE HOLDER, all of such holder s Anderson Shares deposited with the Exchange Agent shall be converted into and become cash (payable by check) at the Cash Exchange Amount (such election, the **All**

Cash Election); or

(C) AT THE OPTION OF THE HOLDER, any whole number of such holder s Anderson Shares deposited with the Exchange Agent shall be converted into and become Park Shares at the rate of the Stock Exchange Ratio and the remainder of such holder s Anderson Shares deposited with the Exchange Agent shall be converted into and become cash (payable by check) at the rate of the Cash Exchange Amount (such election, the **Mixed Election**); provided, however, that fractional shares will not be issued and cash (payable by check) will be paid in lieu thereof as provided in Section 2.03; or

Table of Contents

(D) IF NO ELECTION (AS DEFINED IN SECTION 2.01(c)(v)) IS MADE BY THE HOLDER BY THE ELECTION DEADLINE (AS DEFINED IN SECTION 2.01(c)(v)), all of such holder s Anderson Shares will be converted into the right to receive Park Shares as set forth in Section 2.01(c)(ii)(A), cash as set forth in Section 2.01(c)(ii)(B), or any combination of Park Shares and cash as determined by Park or, at Park s direction, by the Exchange Agent at the Stock Exchange Ratio and the Cash Exchange Amount, as applicable; provided, however, that fractional shares will not be issued and cash will be paid in lieu thereof as provided in Section 2.03.

(E) In connection with any election made by a holder of Anderson Shares, such holder may designate specifically which of the Anderson Shares being exchanged are to be converted into and become Park Shares, and such designation shall be contained in the Election Form/Letter of Transmittal (as defined in Section 2.01(c)(v)).

(iii) *Treasury Shares and Anderson Shares Held by Park.* Each Anderson Share held by Anderson as a treasury share, or held by Park or PNB other than in a fiduciary capacity, immediately prior to the Effective Time shall be canceled and retired at the Effective Time and no consideration shall be issued in exchange therefor.

(iv) *Outstanding Park Shares and Shares of PNB Common Stock.* Each Park Share issued and outstanding immediately prior to the Effective Time shall remain issued and outstanding and shall be unaffected by the Merger. Each share of PNB Common Stock issued and outstanding immediately prior to the Effective Time shall remain issued and outstanding and shall be unaffected by the Merger.

(v) *Procedures for Election.* An election form and other appropriate transmittal materials in such form as Anderson, Park and PNB shall mutually agree (the **Election Form/Letter of Transmittal**) shall be mailed to shareholders of Anderson prior to the Election Period (defined below). The Election Form/Letter of Transmittal will permit holders of Anderson Shares to elect the form of Merger Consideration set forth in Section 2.01(c)(ii) (the **Election**) that they choose to receive in the Merger (including specifically designating which Anderson Shares are to be exchanged for Park Shares rather than for cash), will specify that delivery will be effected, and risk of loss and title to Old Certificates (as defined in Section 2.04(c)) will pass, only upon proper delivery of the Old Certificates to the Exchange Agent and will include instructions and procedures for surrendering Old Certificates in exchange for New Certificates (as defined in Section 2.04(c)). The **Election Period** shall be such period of time as Anderson, Park and PNB shall mutually agree, within which holders of Anderson Shares may validly make an Election, occurring between (A) the date of the mailing by Anderson of the Proxy Statement (as defined in Section 6.03(a)) for the special meeting of holders of Anderson Shares at which this Agreement is presented for approval and (B) the Election Deadline. The **Election Deadline** shall be the time, specified by Park after consultation with Anderson, on the last day of the Election Period, which shall be the second trading day prior to the Effective Time.

(vi) *Perfection of the Election.* An Election shall be considered to have been validly made by a holder of Anderson Shares only if (A) the Exchange Agent shall have received an Election Form/Letter of Transmittal properly completed and executed by such Holder of Anderson Shares, accompanied by a certificate or certificates representing the Anderson Shares as to which such Election is being made, duly endorsed in blank or otherwise in form acceptable for transfer on the books of Anderson, or containing an appropriate guaranty of delivery in the form customarily used in transactions of this nature from a member of a national securities exchange or a member of the NASD or a commercial bank or trust company in the United States and (B) such Election Form/Letter of Transmittal and such certificate(s) or such guaranty of delivery shall have been received by the Exchange Agent prior to the Election Deadline.

(vii) *Withdrawal of Election.* Any holder of Anderson Shares may at any time prior to the Election Deadline revoke such shareholder s election and either (A) submit a new Election Form/Letter of Transmittal in accordance with the procedures in Section 2.01(c)(vi), or (B) withdraw the certificate(s) for Anderson Shares deposited therewith by providing written notice that is received by the Exchange Agent by 5:00 p.m., local time for the Exchange Agent, on

the business day prior to the Election Deadline. Elections may be similarly revoked if this Agreement is terminated.

Table of Contents

(viii) *Reduction of Anderson Shares Deposited for Cash.* If (x) the product of the Per Share Consideration multiplied by the number of Anderson Shares deposited with the Exchange Agent at the Election Deadline for cash pursuant to the All Cash Election and the Mixed Election and not withdrawn pursuant to Section 2.01(c)(vii) (including Anderson Shares for which no Election has been made by the holder by the Election Deadline and which are allocated to be converted into cash pursuant to Section 2.01(c)(ii)(D)), *plus* (y) the product of the Per Share Consideration multiplied by the number of Anderson Dissenting Shares, if any, is greater than the Cash Consideration, Park (taking into account the specific designation made pursuant to Section 2.01(c)(v) and the Election Form/Letter of Transmittal) will promptly eliminate, or cause to be eliminated by the Exchange Agent (taking into account the specific designation made pursuant to Section 2.01(c)(v) and the Election Form/Letter of Transmittal), from the Anderson Shares deposited for cash pursuant to the All Cash Election and the Mixed Election (subject to the limitations described in Section 2.01(c)(viii)(D)), a sufficient number of such Anderson Shares so that the sum of the total number of Anderson Shares remaining on deposit for cash pursuant to the All Cash Election and the Mixed Election (after giving effect to Section 2.01(c)(ii)(D)) multiplied by the Per Share Consideration, *plus* the number of Anderson Dissenting Shares, if any, multiplied by the Per Share Consideration equals the Cash Consideration. After giving effect to Section 2.01(c)(ii)(D), such elimination will be effected as follows:

(A) Subject to the limitations described in Section 2.01(c)(viii)(D), the Exchange Agent will eliminate from the Anderson Shares deposited for cash pursuant to the All Cash Election and the Mixed Election, and will add or cause to be added to the Anderson Shares deposited for Park Shares, on a pro rata basis in relation to the total number of Anderson Shares deposited pursuant to the All Cash Election and the Mixed Election minus the number of Anderson Shares so deposited by the holders described in Section 2.01(c)(viii)(D), such whole number of Anderson Shares on deposit for cash pursuant to the All Cash Election and the Mixed Election as may be necessary so that the total number of Anderson Shares remaining on deposit for cash pursuant to the All Cash Election and the Mixed Election multiplied by the Per Share Consideration, *plus* the number of Anderson Dissenting Shares, if any, multiplied by the Per Share Consideration equals the Cash Consideration;

(B) All Anderson Shares that are eliminated pursuant to Section 2.01(c)(viii)(A) from the Anderson Shares deposited for cash shall be converted into Park Shares as provided by Sections 2.01(c)(ii)(A) and 2.01(c)(ii)(C);

(C) Notice of such allocation shall be provided promptly to each shareholder whose Anderson Shares are eliminated from the Anderson Shares on deposit for cash pursuant to Section 2.01(c)(viii)(A); and

(D) Notwithstanding the foregoing, the holders of 100 or fewer Anderson Shares of record on the date of this Agreement who have elected the All Cash Election shall not be required to have any of their Anderson Shares converted into Park Shares.

(ix) *Increase of Anderson Shares Deposited for Cash.* If (x) the product of the Per Share Consideration multiplied by number of Anderson Shares deposited with the Exchange Agent at the Election Deadline for cash pursuant to the All Cash Election and the Mixed Election and not withdrawn pursuant to Section 2.01(c)(vii) (including Anderson Shares for which no Election has been made by the holder by the Election Deadline and which are allocated to be converted into cash pursuant to Section 2.01(c)(ii)(D)), *plus* (y) the product of the Per Share Consideration multiplied by the number of Anderson Dissenting Shares, if any, is less than the Cash Consideration, Park (taking into account the specific designation made pursuant to Section 2.01(c)(v) and the Election Form/Letter of Transmittal) will promptly add, or cause to be added by the Exchange Agent (taking into account the specific designation made pursuant to Section 2.01(c)(v) and the Election Form/Letter of Transmittal), to the Anderson Shares deposited for cash, a sufficient number of Anderson Shares deposited for Park Shares pursuant to the All Stock Election and the Mixed Election so that the sum of the total number of Anderson Shares on deposit for cash pursuant to the All Cash Election and the Mixed Election (after giving effect to Section 2.01(c)(ii)(D)) multiplied by the Per Share Consideration, *plus*

Table of Contents

the number of Anderson Dissenting Shares, multiplied by the Per Share Consideration equals the Cash Consideration. After giving effect to Section 2.01(c)(ii)(D), such addition will be effected as follows:

(A) Subject to the limitation described in Section 2.01(c)(viii)(D), Park will add or cause to be added to the Anderson Shares deposited for cash, and the Exchange Agent will eliminate or cause to be eliminated from the Anderson Shares deposited for Park Shares pursuant to the All Stock Election and the Mixed Election, on a pro rata basis in relation to the total number of Anderson Shares deposited for Park Shares pursuant to the All Stock Election and the Mixed Election, such whole number of Anderson Shares not then on deposit for cash as may be necessary so that the sum of the total number of Anderson Shares on deposit for cash multiplied by the Per Share Consideration, *plus* the number of Anderson Dissenting Shares, if any, multiplied by the Per Share Consideration equals the Cash Consideration;

(B) All Anderson Shares that are eliminated pursuant to Section 2.01(c)(ix)(A) from the Anderson Shares to be converted into Park Shares shall be converted into cash, as provided by Sections 2.01(c)(ii)(B) and 2.01(c)(ii)(C); and

(C) Notice of such allocation shall be provided promptly to each shareholder whose Anderson Shares are added to the Anderson Shares on deposit for cash pursuant to Section 2.01(c)(ix)(A).

(x) *Anderson Stock Options.* Any Anderson Stock Option that is not exercised in full on or before the Election Deadline for a payment by the holder in the form of cash or personal check shall be cancelled and shall cease to entitle the holder hereof to any rights or claims thereunder.

2.02 *Rights as Shareholders; Stock Transfers*

At the Effective Time, the Anderson Shares shall no longer be outstanding and shall automatically be canceled and cease to exist and holders of Anderson Shares shall cease to be, and shall have no rights as, shareholders of Anderson, other than the consideration provided under this Article Two and the appraisal rights in the case of Anderson Dissenting Shares. After the Effective Time, there shall be no transfers on the stock transfer books of Anderson or the Surviving Association of any Anderson Shares (other than Anderson Dissenting Shares, if applicable).

2.03 *Fractional Shares*

Notwithstanding any other provision hereof, no fractional Park Shares and no certificates or scrip therefor, or other evidence of ownership thereof, will be issued in the Merger and no Park dividend or other distribution or stock split or combination will relate to any fractional Park Share, and such fractional Park Shares will not entitle the owner thereof to vote or to any rights of a security holder of Park; instead, Park shall pay to each holder of Anderson Shares who would otherwise be entitled to a fractional Park Share (after taking into account all Old Certificates delivered by such holder) an amount in cash (without interest) determined by multiplying such fractional Park Share to which the holder would be entitled by the Park Measuring Price.

2.04 *Exchange Procedures*

(a) *Establishment of Exchange Fund.* The First-Knox National Bank of Mount Vernon, Mount Vernon, Ohio will act as agent (the **Exchange Agent**) for purposes of conducting the exchange and payment procedures as described in this Article Two. Park shall provide to the Exchange Agent the aggregate number of Park Shares issuable pursuant to Section 2.01, and the aggregate amount of cash payable pursuant to Section 2.01, and the amount of all other cash payable in respect of the Merger, if any, on an as needed basis to the Exchange Agent, all of which shall be held by the Exchange Agent in trust for the holders of Anderson Shares (collectively, the **Exchange Fund**). The Exchange Agent shall distribute Park Shares and make payment of such cash as provided herein. The Exchange Agent shall not be entitled to vote or exercise any rights of ownership with respect to the Park Shares held by it from time to time

hereunder, except that it shall receive and hold in trust for the recipients of Park Shares until distributed thereto pursuant to the provisions of this Agreement all dividends or other distributions paid or distributed with respect to such Park Shares for the account of the persons entitled thereto. The Exchange Fund shall not be used for any purpose other than as set forth in this Section 2.04.

Table of Contents

(b) *No Interest.* No interest will be paid on any cash, including any cash to be paid in lieu of fractional Park Shares or in respect of dividends or distributions, that any such person shall be entitled to receive pursuant to this Article Two.

(c) *Surrender Procedures.* Within three (3) business days after the Effective Time, Park shall cause the Exchange Agent to mail to each holder of record of a certificate representing Anderson Shares (an **Old Certificate**) that was converted pursuant to Section 2.01, but that was not deposited with the Exchange Agent pursuant to Section 2.01(c)(v), both (i) a form of letter of transmittal (the **Letter of Transmittal**) specifying that delivery will be effected, and risk of loss and title to the Old Certificates will pass, only upon proper delivery of the Old Certificates to the Exchange Agent and (ii) instructions and procedures for surrendering Old Certificates in exchange for certificates representing Park Shares (**New Certificates**) that such holder has the right to receive pursuant to the provisions of this Article Two and/or a check in an amount equal to the sum of cash to be paid to such holder as part of the Merger Consideration, the cash to be paid in lieu of any fractional Park Common Shares to which such holder is entitled pursuant to Section 2.03 and/or the cash to be paid in respect of any dividends or distributions to which such holder may be entitled pursuant to Section 2.04(e). Upon surrender of an Old Certificate for cancellation to the Exchange Agent, together with such Letter of Transmittal, duly executed, following the Effective Time, the holder of such Old Certificate shall receive within five (5) business days of the later of (A) the expiration of the period during which holders of Anderson Shares may seek relief as dissenting shareholders as provided in Section 2.06, and (B) such surrender of the Old Certificate in exchange therefor (X) a New Certificate representing that number of whole Park Shares that such holder has the right to receive pursuant to the provisions of this Article Two, and/or (Y) a check in an amount equal to the sum of the cash to be paid to such holder as part of the Merger Consideration, the cash to be paid in lieu of any fractional Park Shares to which such holder is entitled pursuant to Section 2.03 and/or the cash to be paid in respect of any dividends or distributions to which such holder may be entitled pursuant to Section 2.04(e), after giving effect to any required tax withholdings, and the Old Certificate so surrendered shall forthwith be canceled. In the event of a transfer of ownership of Anderson Shares that is not registered in the transfer records of Anderson, a New Certificate representing the proper number of Park Shares may be issued, and/or the cash to be paid as part of the Merger Consideration, in lieu of any fractional Park Shares and/or in respect of any dividends or distributions may be paid, to a transferee if the Old Certificate is presented to the Exchange Agent, accompanied by all documents required to evidence and effect such transfer, and by evidence that any applicable stock transfer taxes have been paid. Until surrendered as contemplated by this Section 2.04(c), each Old Certificate will be deemed at any time after the Effective Time to represent only the right to receive upon such surrender a New Certificate and/or a check in an amount equal to the sum of the cash to be paid as part of the Merger Consideration, the cash to be paid in lieu of any fractional Park Shares and/or the cash to be paid in respect of any dividends or distributions to which the holder may be entitled pursuant to Section 2.04(e) hereof.

(d) *Termination of Exchange Fund.* Promptly following the date that is six months after the Effective Time, the Exchange Agent shall deliver to Park all cash, certificates and other documents in its possession relating to the transactions described in this Agreement; and any holders of Anderson Shares who have not theretofore complied with this Article Two may look thereafter only to Park for the Park Shares, any dividends or distributions thereon and any cash to be paid as part of the Merger Consideration or in lieu of fractional Park Shares to which they are entitled pursuant to this Article Two, in each case, without any interest thereon. Notwithstanding the foregoing, neither the Exchange Agent nor any party hereto shall be liable to any former holder of Anderson Shares for any Park Shares, any dividends or distributions thereon or any cash to be paid as part of the Merger Consideration or in lieu of fractional Park Shares delivered to a public official pursuant to applicable abandoned property, escheat or similar laws.

(e) *Park Dividends and Distributions.* No dividends or other distributions with respect to Park Shares with a record date occurring on or after the Effective Time shall be paid to the holder of any unsurrendered Old Certificate representing Anderson Shares converted in the Merger into the right to receive such Park Shares until the holder thereof shall be entitled to receive New Certificates in exchange therefor in accordance with the procedures set forth in this Section 2.04. After becoming so entitled in accordance with this Section 2.04, the record holder thereof also shall

be entitled to receive any such dividends or other distributions, without any interest thereon, which theretofore

Table of Contents

had become payable with respect to Park Shares such holder had the right to receive upon surrender of the Old Certificates.

(f) *Lost, Stolen or Destroyed Anderson Certificates.* If any Old Certificate has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such Old Certificate to be lost, stolen or destroyed and, if required by Park, the posting by such person of a bond in such reasonable amount as Park may direct as indemnity against any claim that may be made against it with respect to such Old Certificate, the Exchange Agent shall deliver in exchange for such lost, stolen or destroyed Old Certificate (i) the number of Park Shares to which such person is entitled pursuant to Section 2.01(c)(i) with respect to the Anderson Shares formerly represented thereby, and/or (ii) a check in an amount equal to the sum of the cash to be paid to such person as part of the Merger Consideration, the cash to be paid in lieu of any fractional Park Shares to which such person is entitled pursuant to Section 2.03 and/or the cash to be paid in respect of any dividends or distributions to which such person may be entitled pursuant to Section 2.04(e).

(g) *Tax Withholding.* Park is entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement to any holder of Anderson Shares such amounts as it is required to deduct and withhold with respect to the making of such payment under the Code and the Regulations, or any other provision of domestic or foreign tax law (whether national, federal, state, provincial, local or otherwise). To the extent that amounts are so withheld by Park, such withheld amounts may be treated for all purposes of this Agreement as having been paid to the holders of Anderson Shares in respect of which such deduction and withholding were made by Park.

2.05 *Anti-Dilution Provisions*

In the event Park changes (or establishes a record date for changing) the number of Park Shares issued and outstanding between the date hereof and the Effective Time as a result of a stock split, stock dividend, recapitalization, reclassification, split up, combination, exchange of shares, readjustment or similar transaction with respect to the outstanding Park Shares and the record date therefor shall be prior to the Effective Time, the Stock Consideration shall be proportionately adjusted.

2.06 *Dissenting Anderson Shares*

Anything contained in this Agreement or elsewhere to the contrary notwithstanding, if any holder of an outstanding Anderson Share as of the Effective Time seeks relief as a dissenting shareholder under the provisions of 12 U.S.C. Section 215a(b) and Sections 1115.19 and 1701.85 of the Ohio Revised Code (an **Anderson Dissenting Share**), then such Anderson Dissenting Share shall not be converted into the right to receive the consideration described in Section 2.01 and instead:

(a) Each such Anderson Dissenting Share shall nevertheless be deemed to be extinguished at the Effective Time as provided elsewhere in this Agreement; and

(b) Each holder perfecting such dissenters rights shall thereafter have only such rights (and shall have such obligations) as are provided in the provisions of 12 U.S.C. Section 215a(b) through (d) and in the provisions of Sections 1115.19 and 1701.85 of the Ohio Revised Code governing the determination of the fair cash value of the Anderson Dissenting Shares, and Park shall be required to deliver only such cash payments to which the Anderson Dissenting Shares are entitled pursuant to the provisions of 12 U.S.C. Section 215a(b) through (d) and the provisions of Sections 1115.19 and 1701.85 of the Ohio Revised Code governing the determination of fair cash value of the Anderson Dissenting Shares; provided, however, that if any such person shall forfeit such right to payment of the fair cash value under the applicable provisions of 12 U.S.C. Section 215a(b) through (d) and Sections 1115.19 and 1701.85 of the Ohio Revised Code, each such holder s Anderson Dissenting Shares shall thereupon be deemed to have

been converted as of the Effective Time into the right to receive the consideration for their Anderson Shares, as shall have been designated by each such holder, pursuant and subject to Section 2.01.

Any Election Form/Letter of Transmittal or Letter of Transmittal submitted by a holder of Anderson Dissenting Shares shall be invalid, unless and until the demand for payment under the provisions of 12 U.S.C. Section 215a(b) in respect of such Anderson Dissenting Shares shall have been or is deemed to have been withdrawn or forfeited.

Any payments made in respect of Anderson Dissenting Shares shall be made by Park.

Table of Contents

ARTICLE THREE

REPRESENTATIONS AND WARRANTIES OF ANDERSON

Anderson has delivered to Park and PNB, concurrently with the execution of this Agreement, a disclosure schedule prepared by Anderson (the **Anderson Disclosure Schedule**). Anderson represents and warrants to Park and PNB that each of the following statements is true and accurate:

3.01 *Organization, Qualification and Standing*

(a) Anderson is an Ohio state-chartered commercial bank, duly organized, validly existing and in good standing under the laws of the State of Ohio and has the full corporate power and authority to own or hold under lease all of its property and assets, to conduct its business and operations as presently conducted, and to enter into and, subject to the required approval of this Agreement by the Anderson shareholders and the obtaining of appropriate approvals of Regulatory Authorities and Governmental Authorities (as defined in Sections 3.15 and 3.16, respectively), perform its obligations under this Agreement and consummate the transactions contemplated by this Agreement. Anderson is an insured depository institution as defined in the Federal Deposit Insurance Act (the **FDIA**) and the applicable regulations thereunder and is a member of the Federal Home Loan Bank (the **FHLB**) of Cincinnati. The savings accounts and deposits of Anderson are insured up to the applicable limits by the Federal Deposit Insurance Corporation (the **FDIC**). Anderson is not qualified to do business in any jurisdiction other than the State of Ohio, except where the failure to be so qualified individually or in the aggregate would not reasonably be expected to have a material adverse effect on Anderson. Anderson is regulated by the Ohio Division of Financial Institutions (the **ODFI**) and the FDIC. True and complete copies of the articles of incorporation, code of regulations and other governing instruments of Anderson, in each case as amended to the date of this Agreement, have been delivered to Park and PNB by Anderson in Section 3.01(a) of the Anderson Disclosure Schedule.

(b) As used in this Agreement, (i) any reference to any event, change, effect, development, circumstance or occurrence being **material** with respect to any entity means an event, change, effect, development, circumstance or occurrence that is or is reasonably likely to be material in relation to the financial condition, properties, assets, liabilities, businesses or results of operations of such entity and its Subsidiaries (as defined below), if any, taken as a whole, and (ii) the term **material adverse effect** means, with respect to any entity, an event, change, effect, development, circumstance or occurrence that, individually or together with any other event, change, effect, development, circumstance or occurrence, (A) has or would be reasonably likely to have a material adverse effect on the business, condition (financial or otherwise), capitalization, assets (tangible or intangible), liabilities (accrued, contingent or otherwise), operations, regulatory affairs or financial performance of such entity and its Subsidiaries, if any, taken as a whole, or (B) materially impairs the ability of such entity to perform its obligations under this Agreement or to consummate the Merger and the other transactions contemplated by this Agreement; provided that **material adverse effect** shall not be deemed to include the impact of (1) actions and omissions of Park or PNB, on the one hand, or Anderson, on the other, taken with the prior written consent of the other in contemplation of the transactions contemplated hereby; (2) the direct effects of compliance with this Agreement on the operating performance or financial condition of the parties, including expenses incurred by the parties in consummating the transactions contemplated by this Agreement, any modifications or changes to valuation policies and practices in connection with the Merger to the extent requested by Park and PNB, and restructuring charges requested by Park and PNB and taken in connection with the Merger; (3) changes after the date of this Agreement in banking and similar laws of general applicability or interpretations thereof by any Regulatory Authority or Governmental Authority (except to the extent that such changes affect Park and its Subsidiaries, on the one hand, or Anderson, on the other hand, in a manner disproportionate to the effect on depository institutions generally); (4) changes after the date of this Agreement affecting depository institutions generally, including changes in general economic conditions or prevailing interest or deposit rates (except to the extent that such changes affect Park and its Subsidiaries, on the one hand, or Anderson, on

the other hand, in a manner disproportionate to the effect on depository institutions generally); (5) changes after the date of this Agreement in the United States securities markets in general; or (6) changes or effects directly resulting from and directly attributable to the announcement of this Agreement and the transactions contemplated herein, including (to the extent directly resulting therefrom and directly attributable thereto) the loss of any employees or customers.

Table of Contents

For purposes of this Agreement, **Subsidiary** has the meaning ascribed to such term in Rule 1-02 of Regulation S-X promulgated by the Securities and Exchange Commission (the **SEC**).

3.02 *Capitalization of Anderson*

(a) The authorized capital stock of Anderson consists solely of 550,000 Anderson Shares, of which 533,550 Anderson Shares were issued and outstanding as of the date of this Agreement and held of record by approximately 162 shareholders. As of the date of this Agreement, no Anderson Shares were held in treasury by Anderson and none were otherwise owned by Anderson. All of the outstanding Anderson Shares have been duly authorized, are validly issued and outstanding, fully paid and non-assessable, and are not subject to any preemptive rights (and were not issued in violation of any preemptive rights). All Anderson Shares issued have been issued in compliance in all material respects with all applicable federal and state securities laws. As of the date of this Agreement, 16,250 Anderson Shares were reserved for issuance upon the exercise of outstanding Anderson Stock Options granted under the Anderson Stock Option Plan. Anderson has furnished to Park and PNB, as part of Section 3.02(a) of the Anderson Disclosure Schedule, a true, complete and correct copy of the Anderson Stock Option Plan, and a list of all participants in the Anderson Stock Option Plan as of the date of this Agreement, which list identifies the number of Anderson Shares subject to Anderson Stock Options held by each such participant, the exercise price of each such Anderson Stock Option and the dates each such Anderson Stock Option was granted, becomes exercisable and expires. Anderson has furnished to Park and PNB, as part of Section 3.02(a) of the Anderson Disclosure Schedule, a true, complete and correct copy of the Anderson 2006 Plan. As of the date of this Agreement, there are no participants in the Anderson 2006 Plan and there will be no participants, or actions taken to cause any individual to become a participant, in the Anderson 2006 Plan during the period from and including the date of this Agreement until the Effective Time.

(b) As of the date of this Agreement, except for this Agreement and the Anderson Stock Options, there are no Anderson Shares authorized and reserved for issuance and there are no options, warrants, calls, rights, commitments or agreements of any character to which Anderson is a party or by which it is bound, obligating Anderson to issue, deliver or sell, or cause to be issued, delivered or sold, any additional shares of capital stock of, or other equity or voting interests in, or securities convertible into, or exchangeable or exercisable for, shares of capital stock, or other equity or voting interests in Anderson (collectively, **Rights**). As of the date of this Agreement, except pursuant to this Agreement and the Anderson Stock Option Plan, Anderson did not have any commitment to authorize, issue or sell any Anderson Shares or Rights. As of the date of this Agreement, Anderson did not have any commitment to issue or sell, or cause to be issued or sold, any Anderson Shares or Rights pursuant to the Anderson 2006 Plan. As of the date of this Agreement, there are no outstanding contractual obligations of Anderson to repurchase, redeem or otherwise acquire any Anderson Shares.

(c) Except as disclosed in Section 3.02(c) of the Anderson Disclosure Schedule, since December 31, 2005, Anderson has not (i) issued or permitted to be issued any Anderson Shares, or securities exercisable for or convertible into Anderson Shares, other than upon exercise of the Anderson Stock Options granted prior to the date hereof under the Anderson Stock Option Plan; (ii) repurchased, redeemed or otherwise acquired any Anderson Shares; or (iii) declared, set aside, made or paid to the shareholders of Anderson dividends or other distributions on or in respect of the outstanding Anderson Shares.

(d) As of the date of this Agreement, there are no bonds, debentures, notes or other indebtedness of Anderson, and no securities or other instruments or obligations of Anderson, the value of which is in any way based upon or derived from any capital or voting stock of Anderson, having the right to vote (or convertible into, or exchangeable for, securities having the right to vote) on any matters on which Anderson shareholders may vote.

3.03 *No Subsidiaries*

Anderson has no Subsidiaries and does not own beneficially, directly or indirectly, any equity securities or similar interests of any person, or any interest in a partnership or joint venture of any kind, other than its stock of the FHLB of Cincinnati.

Table of Contents

3.04 *Corporate Proceedings*

(a) All corporate proceedings of Anderson necessary to authorize the execution, delivery and performance of this Agreement, and the consummation of the Merger and the other transactions contemplated hereby, have been duly and validly taken, except for the approval of this Agreement by the holders of at least two-thirds of the outstanding Anderson Shares entitled to vote thereon (which is the only required shareholder vote with respect to the Merger) and subject, in the case of the consummation of the Merger, to the delivery and filing of the certificate of merger contemplated by Section 1.02(d) of this Agreement.

(b) The Board of Directors of Anderson has duly adopted resolutions (i) approving and declaring advisable this Agreement, the Merger and the other transactions contemplated hereby; (ii) declaring that it is in the best interests of the holders of Anderson Shares that Anderson enter into this Agreement and consummate the Merger on the terms and subject to the conditions set forth in this Agreement, (iii) declaring that this Agreement is fair to the holders of Anderson Shares; (iv) directing that this Agreement be submitted to a vote at a meeting of the holders of Anderson Shares to be held as promptly as practicable (the **Anderson Meeting**); and (v) recommending that the holders of Anderson Shares adopt this Agreement, which resolutions have not been subsequently rescinded, modified or withdrawn in any way as of the date of execution of this Agreement and which will not be subsequently rescinded, modified or withdrawn in any way prior to the Closing Date, except as permitted by Section 6.06.

3.05 *Authorized and Effective Agreement*

This Agreement has been duly executed and delivered by Anderson and, assuming the due authorization, execution and delivery by Park and PNB, this Agreement constitutes the valid and legally binding obligation of Anderson, enforceable against Anderson in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and other similar laws relating to or affecting the enforcement of creditors rights generally, by general equitable principles (regardless of whether enforceability is considered in a proceeding in equity or at law) and except to the extent such enforceability may be limited by laws relating to the safety and soundness of insured depository institutions as set forth in 12 U.S.C. Section 1818(b) or the appointment of a conservator by the FDIC. Anderson has the right, power, authority and capacity to execute and deliver this Agreement and, subject to the required approval of this Agreement by the holders of Anderson Shares, the obtaining of appropriate approvals by Regulatory Authorities and Governmental Authorities and the expiration of applicable regulatory waiting periods, to perform its obligations under this Agreement.

3.06 *Financial Statements of Anderson; Accounting Controls*

(a) The audited financial statements of Anderson consisting of balance sheets or statements of condition as of December 31, 2005 and 2004, and the related statements of income or results of operations and changes in shareholders equity for the fiscal years ended December 31, 2005, 2004, and 2003, including the accompanying notes and the related reports thereon of Grant Thornton LLP and the unaudited balance sheet or statement of condition as of June 30, 2006 (the **Anderson Balance Sheet Date**) and the related unaudited statements of income or results of operations for the three months and six months ended June 30, 2006, of Anderson (collectively, all of such financial statements are referred to as the **Anderson Financial Statements**), copies of which have been delivered to Park and PNB by Anderson in Section 3.06 of the Anderson Disclosure Schedule, comply as to form in all material respects with applicable accounting requirements and have been prepared in accordance with United States generally accepted accounting principles (**GAAP**) applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto) and present fairly, in all material respects, the financial condition of Anderson as of the dates thereof and its results of operations for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments which are not expected to be, individually or in the aggregate, materially adverse to Anderson and the absence of full footnotes).

(b) Anderson has devised and maintained systems of internal accounting controls sufficient to provide reasonable assurances, in the judgment of the Anderson Board of Directors, that (i) transactions are executed in accordance with management s general or specific authorization; (ii) transactions are recorded as necessary to permit the preparation of financial statements in conformity with GAAP consistently applied with respect to any criteria applicable to such financial statements; (iii) access to the material property and assets of Anderson is permitted only in accordance with management s general or specific authorization; and (iv) the recorded

Table of Contents

accountability for items is compared with the actual levels at reasonable intervals and appropriate action is taken with respect to any differences.

3.07 *Absence of Undisclosed Liabilities*

Except as set forth in the Anderson Financial Statements or in Section 3.07 of the Anderson Disclosure Schedule and except as arising under this Agreement, Anderson has no debts, liabilities, guarantees or obligations (whether accrued, absolute, contingent or otherwise and whether due or to become due) as of the date hereof, other than debts, liabilities, guarantees and obligations which, individually or in the aggregate, do not exceed $10,000. Except as set forth in Section 3.07 of the Anderson Disclosure Schedule, all debts, liabilities, guarantees and obligations of Anderson since the Anderson Balance Sheet Date have been incurred in the ordinary course of business and are usual and normal in amount both individually and in the aggregate.

3.08 *Absence of Changes*

Except (a) as otherwise publicly disclosed in press releases issued by Anderson before the date of this Agreement or (b) as set forth in Section 3.08 of the Anderson Disclosure Schedule, since the Anderson Balance Sheet Date: (i) there has not been any material adverse change in the business, operations, assets or financial condition of Anderson and, to the knowledge of Anderson, no fact or condition exists which Anderson believes will cause a material adverse change in the future; and (ii) Anderson has not taken or permitted any of the actions described in Section 5.01 of this Agreement. For purposes of this Agreement, an individual will be deemed to have **knowledge** of a particular fact or other matter if:

(A) such individual is actually aware of such fact or other matter; or

(B) a prudent individual would be reasonably expected to discover or otherwise become aware of such fact or other matter in the course of conducting a reasonably comprehensive investigation concerning the existence of such fact or other matter.

A party to this Agreement will be deemed to have **knowledge** of a particular fact or other matter if any individual who is serving as an officer with the title of not less than a senior vice president or a director of such party or of a Subsidiary of such party, has, or at any time had, knowledge of such fact or other matter.

3.09 *Loans*

(a) Each Loan (as defined below) reflected as an asset in the Anderson Financial Statements and each balance sheet date subsequent thereto (i) is evidenced by notes, agreements or other evidences of indebtedness that are true, genuine and what they purport to be and legally sufficient for the purposes intended thereby, (ii) to the extent secured, has been secured by valid liens and security interests that have been perfected, and (iii) is the legal, valid and binding obligation of the obligor named therein, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and other similar laws of general applicability relating to or affecting the enforcement of creditors rights and to general equitable principles. No obligor under any of such Loans has asserted any claim or defense with respect to the subject matter thereof. Except as set forth in Section 3.09 of the Anderson Disclosure Schedule, as of the date of this Agreement, Anderson is not a party to a Loan with any director, executive officer or holder of 5% or more of the outstanding Anderson Shares, or any person, corporation or enterprise controlling, controlled by or under common control with Anderson. All Loans that have been made by Anderson and that are subject to Part 349 of the rules and regulations promulgated by the FDIC, comply therewith. All Loans that have been made by Anderson comply in all material respects with applicable regulatory limitations and procedures.

(b) For purposes of this Agreement, **Loans** means loans, extensions of credit (including guarantees), commitments to extend credit and other similar assets or obligations, as the case may be.

3.10 *Allowance for Loan Losses*

Except as set forth in Section 3.10 of the Anderson Disclosure Schedule, as of the last business day of the month prior to the date of this Agreement, there is no Loan which was made by Anderson and which is reflected as an asset of Anderson on the Anderson Financial Statements that (a)(i) is 90 days or more delinquent, (ii) has been classified by examiners (regulatory or internal) as Substandard, Doubtful or Loss or (iii) has been designated

Table of Contents

by management of Anderson as special mention, and (b) the default by the borrower under which would reasonably be expected to have a material adverse effect on Anderson. The allowance for loan losses reflected on the Anderson Financial Statements was, as of each respective date, determined in accordance with GAAP and in accordance with all rules and regulations applicable to Anderson and was as of the respective date thereof adequate in all material respects under the requirements of GAAP and applicable regulatory requirements and guidelines to provide for reasonably anticipated losses on outstanding Loans net of recoveries.

3.11 *Reports and Records*

To the knowledge of Anderson, Anderson has filed all reports and maintained all books and records required to be filed or maintained by it under the rules and regulations of the ODFI, the FHLB of Cincinnati and the FDIC. The books and records of Anderson have been fully, properly and accurately maintained in all material respects and have been maintained in accordance with sound business practices, there are no material inaccuracies or discrepancies of any kind contained or reflected therein, and they fairly reflect the substance of events and transactions included therein. All such documents and reports complied in all material respects with applicable requirements of laws, rules and regulations in effect at the time such documents and reports were filed and contained in all material respects the information required to be stated therein. None of such documents or reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

3.12 *Taxes*

(a) Except as set forth in Section 3.12 of the Anderson Disclosure Schedule, Anderson has timely filed all Tax Returns (as defined below) required to be filed with the appropriate Governmental Authority. Such Tax Returns are and will be true, correct and complete in all material respects. Anderson has paid and discharged all Taxes (as defined below) due (whether reflected on such Tax Returns or otherwise), other than such Taxes that are adequately reserved as shown on the Anderson Financial Statements or have arisen in the ordinary course of business since the Anderson Balance Sheet Date. Except as set forth in Section 3.12 of the Anderson Disclosure Schedule, neither the Internal Revenue Service (the **IRS**) nor any other Governmental Authority, domestic or foreign, has asserted, is now asserting or, to the knowledge of Anderson, is threatening to assert against Anderson any deficiency or claim for additional Taxes. No federal, state, local, or foreign Tax audits or administrative or judicial Tax proceedings are pending or being conducted with respect to Anderson and, to the knowledge of Anderson, no such audit or proceeding is threatened. There are no unexpired waivers by Anderson of any statute of limitations with respect to Taxes. No extension of time within which to file any Tax Return (for a period with respect to which the statute of limitations has not expired) has been filed, or has been requested or granted. The accruals and reserves for Taxes reflected in the Anderson Financial Statements are adequate for the periods covered. Anderson has withheld or collected and paid over to the appropriate Governmental Authorities or is properly holding for such payment all Taxes required by law to be withheld or collected. There are no liens for Taxes upon the assets of Anderson, other than liens for current Taxes not yet due and payable. Anderson has not filed a consent under Section 341(f) of the Code concerning collapsible corporations. Anderson has not agreed to make, and is not required to make, any adjustment under Section 481(a) of the Code. Anderson has never been a member of an affiliated group of corporations, within the meaning of Section 1504 of the Code. Anderson has no liability for the Taxes of any other person or entity under Regulations Section 1.1502-6 (or any similar provision of state, local or foreign law), as a transferee or successor, by contract or otherwise. No Tax is required to be withheld pursuant to Section 1445 of the Code as a result of the transactions contemplated by this Agreement. As of the date hereof, Anderson has no reason to believe that any conditions exist that might prevent or impede the Merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code. At the Effective Time and pursuant to the Merger, the Surviving Association will acquire and succeed to at least 70% of the gross value of the assets held by Anderson immediately prior to the Merger and to at least 90% of the net value of the assets held by Anderson immediately prior to the Merger. For purposes of the preceding sentence,

amounts paid by Anderson to holders of Anderson Dissenting Shares, amounts paid by Anderson to holders of Anderson Shares who receive cash or other property, Anderson assets used to pay its reorganization expenses, all redemptions and distributions (except for regular, normal dividends) made by Anderson immediately preceding the Merger, and assets disposed of by Anderson in contemplation of the Merger are included as assets of Anderson held immediately prior to the Merger.

Table of Contents

(b) For purposes of this Agreement, (i) **Tax** or **Taxes** means (A) all federal, state, local or foreign taxes, charges, fees, levies or other assessments, however denominated, including, without limitation, all net income, gross income, gross receipts, gains, premium, sales, use, ad valorem, goods and services, capital, production, transfer, franchise, windfall profits, license, withholding, payroll, employment, disability, employer health, excise, estimated, severance, stamp, occupation, property, environmental, unemployment or other taxes, custom duties, fees, assessments or charges of any kind whatsoever, together with any interest and any penalties, additions to tax or additional amounts imposed by any taxing authority; and (B) any transferee liability in respect of any items described in clause (A) above, and (ii) **Tax Returns** means any return, amended return or other report (including elections, declarations, disclosures, schedules, estimates and information returns) required to be filed with respect to any Tax.

3.13 *Property and Title*

Section 3.13 of the Anderson Disclosure Schedule lists and describes all real property, and any leasehold interest in real property, owned or held by Anderson and used in the business of Anderson (collectively, the **Anderson Real Properties**). The Anderson Real Properties constitute all of the real property and interests in real property used in the business of Anderson. True and complete copies of all leases of real property to which Anderson is a party have been provided to Park and PNB in Section 3.13 of the Anderson Disclosure Schedule. Such leasehold interests have not been assigned or subleased. Anderson has good and (as to real property) marketable title, free and clear of any charge, mortgage, pledge, security interest, hypothecation, restriction, claim, option, lien, encumbrance or like interest of any nature whatsoever (individually, a **Lien** and collectively, **Liens**) to all of the properties and assets, real and personal, reflected on the Anderson Financial Statements as being owned by Anderson as of December 31, 2005 or acquired after such date, except (a) statutory Liens for amounts not yet due and payable, (b) pledges to secure deposits and other Liens incurred in the ordinary and usual course of banking business, (c) with regard to real property only, such easements, covenants, conditions and restrictions of public record, if any, as do not affect the use of the properties or assets subject thereto or affected thereby or otherwise materially impair business operations at such properties, (d) dispositions and encumbrances in the ordinary course of business, and (e) Liens on properties acquired in foreclosure or on account of debts previously contracted. All leases pursuant to which Anderson, as lessee, leases real or personal property (except for leases that have expired by their terms or that Anderson has agreed to terminate) are listed and described in Section 3.13 of the Anderson Disclosure Schedule and are valid leases enforceable in accordance with their respective terms (except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or other similar laws of general applicability relating to or affecting the enforcement of creditors rights and to general equitable principles) without default thereunder by Anderson or, to Anderson s knowledge, the lessor. To Anderson s knowledge, the physical condition, occupancy and operation of all real property owned and leased by Anderson is in compliance with all applicable governmental or regulatory laws, statutes, ordinances, codes, regulations or resolutions, and Anderson has not received any notice from any Regulatory Authority or any Governmental Authority (as defined in Sections 3.15 and 3.16, respectively) alleging any violation of any such laws, statutes, ordinances, codes, regulations or resolutions.

All of the assets of Anderson are in good operating condition, except for normal maintenance and routine repairs, and are adequate to continue to conduct the business of Anderson as such business is presently being conducted.

3.14 *Legal Proceedings*

Except as set forth in Section 3.14 of the Anderson Disclosure Schedule, there are no actions, suits, investigations, audits or proceedings (whether judicial, arbitral, administrative or other) pending or, to the knowledge of Anderson, threatened against or affecting Anderson, nor is there any judgment, decree, injunction, rule or order of any Governmental Authority (as defined in Section 3.16) or arbitration panel outstanding against Anderson.

3.15 *Regulatory Matters*

Neither Anderson nor any of its properties is a party to or subject to any order, judgment, decree, agreement, memorandum of understanding or similar arrangement with, or a commitment letter or similar submission to, or

Table of Contents

extraordinary supervisory letter from, any court or federal or state governmental agency or authority charged with the supervision or regulation of financial institutions or issuers of securities or engaged in the insurance of deposits (including, without limitation, the ODIF, the FHLB of Cincinnati, the Federal Reserve Board, the FDIC, the Office of the Comptroller of the Currency, the SEC or the Ohio Division of Securities) (collectively, the **Regulatory Authorities**). Except as set forth in Schedule 3.15 of the Anderson Disclosure Schedule, Anderson has not been advised by any Regulatory Authority that such Regulatory Authority is contemplating issuing or requesting (or is considering the appropriateness of issuing or requesting) any such order, judgment, decree, agreement, memorandum of understanding or similar arrangement, commitment letter, supervisory letter or similar submission nor to Anderson s knowledge, has any Regulatory Authority commenced an investigation in connection therewith.

3.16 *No Conflict*

Except as set forth in Section 3.16 of the Anderson Disclosure Schedule, subject to the satisfaction of the requirements referred to in Section 3.22, the required approval of this Agreement by the shareholders of Anderson, receipt of the required approvals of Governmental Authorities and Regulatory Authorities and the expiration of applicable regulatory waiting periods, and required filings under federal and state securities laws, the execution, delivery and performance of this Agreement, and the consummation of the transactions contemplated hereby, by Anderson do not and will not (a) conflict with, or result in a violation of, or result in the breach of or a default (or with notice or lapse of time would result in a default) under, or give rise to any Lien, any acceleration of remedies or any right of termination under any provision of: (i) any federal, state or local law, regulation, ordinance, order, rule or administrative ruling of any court, arbitration panel, administrative agency or commission or other federal, state or local governmental authority or instrumentality (each, a **Governmental Authority**) applicable to Anderson or any of its properties; (ii) the articles of incorporation, code of regulations or other governing instruments of Anderson, (iii) any agreement, indenture or instrument or any governmental permit or license to which Anderson is a party or by which Anderson or any of its property or assets may be bound; or (iv) any order, judgment, writ, injunction or decree of any Governmental Authority applicable to Anderson; or (b) require any consent or approval under any such law, regulation, ordinance, order, rule, administrative ruling, judgment, writ, injunction, decree, agreement, indenture or instrument, or governmental permit or license.

3.17 *Brokers, Finders and Others*

Except for the fees paid or payable to Professional Bank Services, Incorporated, and its wholly owned subsidiary, Investment Bank Services, Inc. (**Anderson s Financial Advisors**), Frost Brown Todd LLC and Wallace Boggs Colvin Rouse Bushelman PLLC, which fees shall be paid in full by Anderson prior to the Effective Time, there are no fees or commissions of any sort whatsoever claimed by, or payable by Anderson to, any broker, finder, intermediary, attorney, accountant or any other similar person in connection with effecting this Agreement or the transactions contemplated hereby, except for ordinary and customary legal and accounting fees.

3.18 *Labor Matters*

Anderson is not a party to, bound by or negotiating, any collective bargaining agreement, contract or other understanding with a labor union or labor organization, nor is Anderson the subject of a proceeding asserting that Anderson has committed an unfair labor practice (within the meaning of the National Labor Relations Act) or seeking to compel Anderson to bargain with any labor organization as to wages or conditions of employment, nor is there any strike or other labor dispute involving Anderson pending or, to Anderson s knowledge, threatened, nor is Anderson aware of any activity involving its employees seeking to certify a collective bargaining unit or engage in other organizational practice, terms and conditions of employment and wages and hours activity. Anderson is in compliance in all material respects with all applicable laws respecting employment and employment practices, terms and conditions of employment and wages and hours.

3.19 *Employee Benefit Plans*

(a) Section 3.19(a) of the Anderson Disclosure Schedule contains a complete and accurate list of all bonus, incentive, deferred compensation, pension, retirement, profit-sharing, thrift, savings, employee stock ownership, stock bonus, stock purchase, restricted stock, stock option, severance, welfare and fringe benefit plans, employment or severance agreements and all similar practices, policies and arrangements maintained or contributed to (currently or within the last five years), by Anderson and in which any employee or former employee (the **Employees**),

Table of Contents

consultant or former consultant (the **Consultants**), officer or former officer (the **Officers**), or director or former director (the **Directors**) of Anderson participates or to which any such Employees, Consultants, Officers or Directors are parties (collectively, the **Compensation and Benefit Plans**), in each case with respect to services performed for Anderson. Anderson has no commitment to create any additional Compensation and Benefit Plan or to modify or change any existing Compensation and Benefit Plan.

(b) Each Compensation and Benefit Plan has been operated and administered in all material respects in accordance with its terms and with applicable law, including, but not limited to, the Employee Retirement Income Security Act of 1974, as amended (**ERISA**), the Code, the Securities Act of 1933, as amended (the **Securities Act**), the Securities Exchange Act of 1934, as amended (the **Exchange Act**), the Age Discrimination in Employment Act, or any regulations or rules promulgated thereunder, and all filings, disclosures and notices required by ERISA, the Code, the Securities Act, the Exchange Act, the Age Discrimination in Employment Act and any other applicable law have been timely made. Each Compensation and Benefit Plan which is an employee pension benefit plan within the meaning of Section 3(2) of ERISA (a **Pension Plan**) and which is intended to be qualified under Section 401(a) of the Code has received a favorable determination letter or a letter has been issued to the prototype document on which they plan is maintained, or opinion letter, as applicable, from the IRS, and Anderson is not aware of any circumstances likely to result in revocation of any such favorable determination letter. There is no material pending or, to the knowledge of Anderson, threatened, legal action, suit or claim relating to the Compensation and Benefit Plans other than routine claims for benefits thereunder. Anderson has not engaged in a transaction, or omitted to take any action, with respect to any Compensation and Benefit Plan that would reasonably be expected to subject Anderson to a tax or penalty imposed by either Section 4975 of the Code or Section 502 of ERISA, assuming for purposes of Section 4975 of the Code that the taxable period of any such transaction expired as of the date hereof. Anderson has made a timely top-hat filing under Title I of ERISA with respect to all nonqualified deferred compensation arrangements to which it is a party.

(c) None of the Compensation and Benefit Plans is subject to Title IV of ERISA. No liability under Title IV of ERISA has been or is expected to be incurred by Anderson with respect to any ongoing, frozen or terminated single-employer plan, within the meaning of Section 4001(a)(15) of ERISA, currently or formerly maintained by Anderson, or any single-employer plan of any entity (an **ERISA Affiliate**) which is considered one employer with Anderson under Section 4001(a)(14) of ERISA or Section 414(b), (c), (m) or (o) of the Code (an **ERISA Affiliate Plan**). No ERISA Affiliate Plan is subject to Title IV of ERISA. Neither Anderson nor any ERISA Affiliate has contributed, or has been obligated to contribute, to a multiemployer plan under Subtitle E of Title IV of ERISA at any time since September 26, 1980. To the knowledge of Anderson, there is no pending investigation or enforcement action by the Department of Labor, the IRS or any other Governmental Authority with respect to any Compensation and Benefit Plan.

(d) All contributions required to be made under the terms of any Compensation and Benefit Plan or ERISA Affiliate Plan have been timely made in cash or have been reflected on the Anderson Financial Statements as of June 30, 2006. Neither any Pension Plan nor any ERISA Affiliate Plan has an accumulated funding deficiency (whether or not waived) within the meaning of Section 412 of the Code or Section 302 of ERISA.

(e) Except as disclosed in Section 3.19(e) of the Anderson Disclosure Schedule, Anderson has no obligations to provide retiree health or retiree life insurance or other retiree death benefits under any Compensation and Benefit Plan, other than benefits mandated by Section 4980B of the Code. There has been no communication to Employees by Anderson that would reasonably be expected to promise or guarantee such Employees retiree health or retiree life insurance or other retiree death benefits on a permanent basis.

(f) Anderson does not maintain any Compensation and Benefit Plans covering foreign Employees.

(g) With respect to each Compensation and Benefit Plan, if applicable, Anderson has provided or made available to Park, true and complete copies of existing: (i) Compensation and Benefit Plan documents and amendments thereto; (ii) trust instruments and insurance contracts; (iii) two most recent Form 5500s filed with the IRS; (iv) most recent actuarial report and financial statement; (v) the most recent summary plan description; (vi) all top hat notices filed with the Department of Labor; (vii) most recent determination letter issued by the IRS with respect to each Compensation and Benefit Plan that is intended to comply with Code Section 401(a); (viii) any

Table of Contents

Form 5310 or Form 5300 filed with the IRS; and (ix) most recent nondiscrimination tests performed under ERISA and the Code (including but not limited to Code Section 401(k) and 401(m) tests).

(h) Except as disclosed in Section 3.19(h) of the Anderson Disclosure Schedule, the consummation of the transactions contemplated by this Agreement would not, directly or indirectly (including, without limitation, as a result of any termination of employment prior to or following the Effective Time), reasonably be expected to (i) entitle any Employee, Officer, Consultant or Director to any payment (including severance pay or similar compensation) or any increase in compensation, (ii) result in the vesting or acceleration of any benefits under any Compensation and Benefit Plan or (iii) result in any material increase in benefits payable under any Compensation and Benefit Plan.

(i) Anderson does not maintain any compensation plans, programs or arrangements the payments under which would not reasonably be expected to be deductible as a result of the limitations under Section 162(m) of the Code and the Regulations issued thereunder.

(j) Except as disclosed on Section 3.19(j) of the Anderson Disclosure Schedule, as a result, directly or indirectly, of the transactions contemplated by this Agreement (including, without limitation, as a result of any termination of employment prior to or following the Effective Time), none of Anderson, Park or the Surviving Association, or any of their respective Subsidiaries will be obligated to make a payment that would be characterized as an excess parachute payment to an individual who is a disqualified individual (as such terms are defined in Section 280G of the Code) of Anderson regardless of whether such payment is reasonable compensation for personal services performed or to be performed in the future.

(k) Section 3.19(k) of the Anderson Disclosure Schedule identifies each Compensation and Benefit Plan that is or has ever been a nonqualified deferred compensation plan within the meaning of Code Section 409A and associated Treasury Department guidance, including IRS Notice 2005-1 and Proposed Treasury Regulations Sections 1.409A-1 et seq. (collectively, **409A**) (each such plan, a **NQDC Plan**). Each NQDC Plan has been operated, notwithstanding any terms to the contrary, in good faith compliance with 409A, to the extent required under 409A.

3.20 *Compliance with Laws*

Except as disclosed in Section 3.20 of the Anderson Disclosure Schedule, Anderson:

(a) has been and is in compliance in all material respects with all applicable federal, state, local and foreign statutes, laws, regulations, ordinances, rules, judgments, orders or decrees applicable thereto or to the employees conducting such business, including, without limitation, the USA Patriot Act of 2001 (the **Patriot Act**), the International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001, the Equal Credit Opportunity Act, the Fair Housing Act, the Community Reinvestment Act (the **CRA**), the Home Mortgage Disclosure Act, and all other applicable fair lending laws and other laws relating to discriminatory business practices.

(b) has all permits, licenses, authorizations, orders and approvals of, and has made all filings, applications and registrations with, all Governmental Authorities and Regulatory Authorities that are required in order to permit it to own or lease its property and assets and to conduct its business as presently conducted; all such permits, licenses, certificates of authority, orders and approvals are in full force and effect; to Anderson s knowledge, no suspension or cancellation of any of them has been threatened or would reasonably be expected to occur; and all such filings, applications and registrations are current;

(c) has received no written notification or written communication from any Governmental Authority or Regulatory Authority, (i) asserting that Anderson is not in compliance with any of the statutes, regulations or ordinances which such Governmental Authority or Regulatory Authority enforces; (ii) threatening to revoke any license, franchise,

permit or governmental authorization (nor do any grounds for any of the foregoing exist); or (iii) restricting or disqualifying its activities (except for restrictions generally imposed by rule, regulation or administrative policy on banking organizations generally);

(d) is not aware of any pending or threatened investigation, review or disciplinary proceedings by any Governmental Authority against Anderson or any of its Officers, Directors or Employees; and

Table of Contents

(e) is not subject to any order or decree issued by, or a party to any agreement or memorandum of understanding with, or a party to any commitment letter or similar undertaking to, or subject to any order or directive by, or a recipient of any supervisory letter from, and has not adopted any board resolutions at the request of, any Governmental Authority and has not been advised by any Governmental Authority that it is considering issuing or requesting any such agreement or other action.

3.21 *Insurance*

(a) Section 3.21 of the Anderson Disclosure Schedule sets forth a list of all of the insurance policies, binders or bonds maintained by Anderson and a description of all claims filed by Anderson against the insurers of Anderson since January 1, 2003. Anderson is insured with reputable insurers against such risks and in such amounts as the management of Anderson reasonably has determined to be prudent in accordance with industry practices. All such insurance policies are in full force and effect, Anderson is not in material default thereunder and all claims thereunder have been filed in due and timely fashion.

(b) The savings accounts and deposits of Anderson are insured up to applicable limits by the FDIC in accordance with the FDIA, and Anderson has paid all assessments and filed all reports required by the FDIA.

3.22 *Governmental and Third-Party Proceedings*

Except as set forth in Section 3.22 of the Anderson Disclosure Schedule, no consent or approval of, or registration, declaration or filing with, any Governmental Authority or Regulatory Authority or with any other third party is required to be made or obtained by Anderson in connection with the execution, delivery or performance by Anderson of this Agreement or to consummate the Merger or the other transactions contemplated hereby, except for: (a) filings of applications or notices, as applicable, with and the approval of certain federal and state banking authorities; (b) filings with the SEC and state securities authorities; and (c) the filing of the appropriate certificate of merger with the Ohio Secretary of State pursuant to Titles 11 and 17 of the Ohio Revised Code. As of the date hereof, Anderson is not aware of any reason why the approvals set forth in Section 7.03(b) will not be received without the imposition of a condition, restriction or requirement of the type described in Section 7.03(b).

3.23 *Contracts*

Section 3.23 of the Anderson Disclosure Schedule sets forth a true and complete list of all contracts, agreements, commitments, arrangements or other instruments in existence as of the date of this Agreement (other than those which have been performed completely and those related to Loans made by Anderson, deposits in Anderson, investment securities held by Anderson, borrowings by Anderson or contracts listed or referenced elsewhere in the Anderson Disclosure Schedule): (a) which involve the payment by or to Anderson of more than $10,000 in connection with the purchase of property or goods or the performance of services; or (b) which are not in the ordinary course of Anderson s business; or (c) which restrict or limit in any way the conduct of business by Anderson (including, without limitation, a non-compete or similar provision). True, complete and correct copies of all such contracts, agreements, commitments, arrangements and instruments have been delivered to Park and PNB. Neither Anderson nor, to the knowledge of Anderson, any other party thereto, is in default under any contract, agreement, commitment, arrangement or other instrument to which it is a party, by which its respective assets, business or operations may be bound or affected in any way, or under which it or its respective assets, business or operations receive benefits, and there has not occurred any event that, with the lapse of time or the giving of notice or both, would constitute such a default.

3.24 *Environmental Matters*

(a) Except as otherwise disclosed in Section 3.24 of the Anderson Disclosure Schedule, to Anderson s knowledge, neither the conduct nor operation of Anderson nor any condition of any property presently or previously owned, leased or operated by it (including, without limitation, in a fiduciary or agency capacity), or on which it holds a Lien, violates or violated Environmental Laws and to Anderson s knowledge, no condition has existed or event has occurred with respect to it or any such property that, with notice or the passage of time or both, is reasonably likely to result in any liability under Environmental Laws. Anderson has not used or stored any Hazardous Material in, on or at any property presently owned, leased or operated by it or, to Anderson s knowledge, any property previously owned, leased or operated by it, in violation of any Environmental Law. To Anderson s

Table of Contents

knowledge, there is no asbestos contained in or forming part of any building, building component, structure or office space owned or leased by Anderson. No underground storage tanks are present or, to Anderson s knowledge, have ever been present at any property presently owned or leased by Anderson. No property presently owned by Anderson or, to Anderson s knowledge, on which it holds a Lien is subject to any Lien or encumbrance arising under Environmental Law. To Anderson s knowledge, Anderson has not received any notice from any person that Anderson or the operation or condition of any property ever owned, leased, operated or held as collateral or in a fiduciary capacity by it is or was in violation of or otherwise is alleged to have liability under any Environmental Law, including, without limitation, responsibility (or potential responsibility) for the cleanup or other remediation of any pollutants, contaminants, or hazardous, dangerous or toxic wastes, substances or materials at, on, beneath or originating from any such property. To Anderson s knowledge, Anderson is not the subject of any action, claim, litigation, dispute, investigation or other proceeding with respect to any violations of, or liability under, any Environmental Law. To Anderson s knowledge, Anderson has timely filed all reports and notifications required to be filed with respect to all of its operations and properties presently or previously owned, leased or operated by it and has generated and maintained all required records and data under all applicable Environmental Laws.

(b) For purposes of this Agreement, **Environmental Laws** means all applicable local, state and federal environmental, health and safety laws and regulations, including, without limitation, the Resource Conservation and Recovery Act (**RCRA**), the Comprehensive Environmental Response, Compensation and Liability Act (**CERCLA**), the Clean Water Act, the Federal Clean Air Act, and the Occupational Safety and Health Act, each as amended, the regulations promulgated thereunder, and their respective state counterparts.

(c) For purposes of this Agreement, **Hazardous Material** means, collectively, (i) any hazardous substance as defined by CERCLA, as amended through the date hereof, or regulations promulgated thereunder, (ii) any hazardous waste as defined by RCRA, as amended through the date hereof or regulations promulgated thereunder, and (iii) other than common office supplies, any pollutant or contaminant or hazardous, dangerous or toxic chemical, material or substance within the meaning of any other applicable federal, state or local law, regulation, ordinance or requirement (including consent decrees and administrative orders) relating to or imposing liability or standards of conduct concerning any hazardous, toxic or dangerous waste, substance or material, all as now in effect.

3.25 *Takeover Laws*

Anderson has taken all action required to be taken by it in order to exempt this Agreement and the transactions contemplated hereby from, and this Agreement and the transactions contemplated hereby are exempt from, (a) the requirements of any moratorium , control share , fair price , affiliate transaction , business combination or other anti-takeover law or regulation of the State of Ohio (collectively, **Takeover Laws**) applicable to it and (b) any other applicable provision of the articles of incorporation, code of regulations and other governing instruments of Anderson.

3.26 *Risk Management Instruments*

Anderson does not have any interest rate swaps, caps, floors, option agreements, futures or forward contracts or other similar risk management arrangements, whether entered into for Anderson s own account or for the account of any of its customers.

3.27 *Repurchase Agreements*

With respect to all agreements pursuant to which Anderson has purchased securities subject to an agreement to resell, if any, Anderson has a valid, perfected first lien or security interest in or evidence of ownership in book entry form of the government securities or other collateral securing the repurchase agreement, and the value of such collateral equals or exceeds the amount of the debt secured thereby.

3.28 *Investment Securities*

Anderson has good title to all securities held by it (except securities sold under repurchase agreement, if any, or held in any fiduciary or agency capacity), free and clear of any Lien, except to the extent such securities are pledged in the ordinary course of business consistent with prudent banking practices to secure the obligations of Anderson or as collateral for public funds. Such securities are valued on the books of Anderson in accordance with GAAP.

Table of Contents

3.29 *Off Balance Sheet Transactions.*

Section 3.29 of the Anderson Disclosure Schedule sets forth a true and complete list of all affiliated Anderson entities, including, without limitation, all special purpose entities, limited purpose entities and qualified special purpose entities, in which Anderson or any Officer or Director of Anderson has an economic or management interest and with which Anderson conducts business. Section 3.29 of the Anderson Disclosure Schedule also sets forth a true and complete list of all transactions, arrangements and other relationships between or among any such Anderson affiliated entity, Anderson and any Officer or Director of Anderson that are not reflected in the financial statements of Anderson (each, an **Anderson Off Balance Sheet Transaction**), along with the following information with respect to each such Anderson Off Balance Sheet Transaction: (a) the business purpose, activities, and economic substance; (b) the key terms and conditions; (c) the potential risk to Anderson; (d) the amount of any guarantee, line of credit, standby letter of credit or commitment, or any other type of arrangement, that would require Anderson to fund any obligations under any such transaction; and (e) any other information that could have a material adverse effect on Anderson.

3.30 *Fiduciary Responsibilities*

During the applicable statute of limitations period, (a) Anderson has properly administered all accounts (if any) for which it acts as a fiduciary or agent, including, but not limited to, accounts for which it serves as a trustee, agent, custodian, personal representative, guardian or conservator in accordance with the terms of the governing documents and applicable state and federal law and regulation and common law, and (b) neither Anderson nor any Director, Officer or Employee of Anderson acting on behalf of Anderson has committed any breach of trust with respect to any such fiduciary or agency account and the accountings of each such fiduciary or agency account are true and correct and accurately reflect the assets of such fiduciary or agency account. Anderson has not acted as an investment advisor. To the knowledge of Anderson, there is no investigation or inquiry by any Regulatory Authority pending or threatened against or affecting Anderson relating to the compliance by Anderson with sound fiduciary principles and applicable regulations.

3.31 *Intellectual Property*

(a) Except as set forth in Section 3.31(a) of the Anderson Disclosure Schedule, (i) Anderson owns, or has all rights necessary to use (in each case, free and clear of any Liens, obligations for royalties or transfer restrictions, except for licenses for commonly available software and licenses to use interfaces or data that are contained in services agreements), all Intellectual Property (as defined below) used in or necessary for the conduct of its business as currently conducted; (ii) with respect to each item of Intellectual Property owned or used by Anderson immediately prior to the Effective Time: (A) such item is not, to Anderson s knowledge, subject to any outstanding injunction, judgment, order, decree, ruling, or charge to which Anderson is a party; (B) no action, suit, proceeding, hearing, investigation, charge, complaint, claim or demand to which Anderson is a party or of which Anderson has knowledge is pending, or, to the knowledge of Anderson, is threatened, claimed or asserted which challenges the legality, validity, enforceability, use or ownership of such item; and (C) Anderson has not agreed to indemnify any person for or against any interference, infringement, misappropriation or other conflict with respect to such item, excluding agreements to indemnify under licenses for commonly available software and pertaining to licenses to use interfaces or data that are contained in services agreements; and (iii) to Anderson s knowledge, no Intellectual Property owned by Anderson is being used or enforced in a manner that would result in the abandonment, cancellation or unenforceability of such Intellectual Property and no person is challenging, infringing or otherwise violating Anderson s rights in such Intellectual Property.

(b) To the extent that any Intellectual Property is held by Anderson pursuant to any license, sublicense, agreement or permission (excluding licenses for commonly available software and licenses to use interfaces or data that are contained in services agreements): (i) such license, sublicense, agreement or permission covering the item is legal,

valid, binding, enforceable and in full force and effect; and (ii) to Anderson s knowledge, no event has occurred which with notice or lapse of time would constitute a breach or default or permit termination, modification or acceleration thereunder.

(c) With respect to all Intellectual Property of Anderson which constitutes trade secrets, Anderson has taken all reasonable security precautions to prevent disclosure or misuse.

Table of Contents

(d) To Anderson s knowledge, Anderson has not interfered with, infringed upon, misappropriated or otherwise violated any Intellectual Property rights of third parties, and none of the Directors, Officers or Employees of Anderson has received any written charge, complaint, claim, demand or notice alleging any such interference, infringement, misappropriation or violation (including without limitation any claim that Anderson must license or refrain from using any Intellectual Property right of any party).

(e) Anderson has not granted any material license or other permission to any third party to use any of its Intellectual Property.

(f) For purposes of this Agreement, **Intellectual Property** shall mean trademarks, service marks, trade names, trade dress, logos or insignia, domain names or other source or business identifiers, including the goodwill associated with any of the foregoing and registrations in any jurisdiction of, and applications in any jurisdiction to register, the foregoing, including any extension, modification or renewal of any such registration or application; inventions and discoveries that may be patentable, in any jurisdiction; patents, applications for patents (including, without limitation, divisions, continuations, continuations in part and renewal applications), and any renewals, extensions or reissues thereof, in any jurisdiction; trade secrets; copyrightable works; and registrations or applications for registration of copyrights in any jurisdiction, and any renewals or extensions thereof.

3.32 *Anderson Books and Records*

The books and records of Anderson have been fully, properly and accurately maintained in all material respects, have been maintained in accordance with sound business practice, and there are no material inaccuracies or discrepancies of any kind contained or reflected therein and they fairly reflect the substance of events and transactions included therein.

3.33 *CRA Compliance*

Except as set forth in Section 3.33 of the Anderson Disclosure Schedule, Anderson has not received any notice of non-compliance with the applicable provisions of CRA and the regulations promulgated thereunder, and Anderson has received a CRA rating of satisfactory or better as a result of its most recent CRA examination. Anderson does not know of any fact or circumstance or set of facts or circumstances which would be reasonably likely to cause Anderson to receive any notice of non-compliance with such provisions or cause the CRA rating of Anderson to fall below satisfactory.

3.34 *Ownership of Park Shares*

As of the date hereof, neither Anderson nor, to the knowledge of Anderson, any of its affiliates or associates (as such terms are defined under the Exchange Act), (a) beneficially owns, directly or indirectly, any Park Shares or (b) is a party to any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any Park Shares.

3.35 *Fairness Opinion*

The board of directors of Anderson has received the opinion of Anderson s Financial Advisor dated the date of this Agreement to the effect that the consideration to be received by the Anderson shareholders in the Merger is fair, from a financial point of view, to the Anderson shareholders.

3.36 *Disclosure*

The representations and warranties contained in this Article Three do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements and information contained in this Article Three, in light of the circumstances under which they were made, not misleading.

3.37 *Related Party Transactions*

(a) Except as set forth in Section 3.37 of the Anderson Disclosure Schedule, Anderson has not entered any transactions with a Related Person (as defined below).

(b) For purposes of this Agreement, **Related Person** means any person (or family member of any person) (i) that, directly or indirectly, controls, or is under common control with Anderson or any of its Affiliates (as defined

Table of Contents

below), (ii) that serves as a director, officer, employee, partner, member, executor or trustee of Anderson or any of its Affiliates (or in any other similar capacity), (iii) that has, or is a member of a group having, direct or indirect beneficial ownership (as defined for purposes of Rule 13d-3 under the Exchange Act) of voting securities or other voting interests representing at least 5% of the outstanding voting power or equity securities or other equity interests representing at least 5% of the outstanding equity interests (a **Material Interest**) in Anderson or any of its Affiliates or (iv) in which any person (or family member of such person) that falls under clause (i), (ii) or (iii) above directly or indirectly holds a Material Interest or serves as a director, officer, employee, partner, member, executor or trustee (or in any similar capacity).

(c) For purposes of this Agreement, **Affiliate** means, with respect to any person, another person that directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with, such first person.

3.38 *Bank Secrecy Act, Anti-Money Laundering and OFAC and Customer Information*

Anderson is not aware of, has not been advised in writing of, and has no reason to believe that any facts or circumstances exist, which would cause Anderson to be deemed (a) to be operating in violation in any material respect of the Bank Secrecy Act, the Patriot Act, any order issued with respect to anti-money laundering by the U.S. Department of Treasury s Office of Foreign Assets Control, or any other applicable anti-money laundering statute, rule or regulation; or (b) not to be in satisfactory compliance in any material respect with the applicable privacy and customer information requirements contained in any federal or state privacy laws and regulations, including, without limitation, in Title V of the Gramm-Leach-Bliley Act of 1999 and the regulations promulgated thereunder. Anderson is not aware of any facts or circumstances that would cause Anderson to believe that any non-public customer information has been disclosed to or accessed by an unauthorized third party in a manner that would cause Anderson to undertake any material remedial action. The Board of Directors of Anderson has adopted and implemented an anti-money laundering program that contains adequate and appropriate customer identification verification procedures that comply with Section 326 of the Patriot Act and such anti-money laundering program meets the requirements in all material respects of Section 352 of the Patriot Act and the regulations thereunder, and Anderson has complied in all material respects with any requirements to file reports and other necessary documents as required by the Patriot Act and the regulations thereunder.

ARTICLE FOUR

REPRESENTATIONS AND WARRANTIES OF PARK

Park hereby represents and warrants to Anderson that each of the following statements is true and accurate:

4.01 *Organization, Qualification and Standing*

(a) Park is an Ohio corporation and a bank holding company registered under the Bank Holding Company Act of 1956, as amended (**BHCA**). Park is duly organized, validly existing and in good standing under the laws of the State of Ohio and has full corporate power and authority to own or hold under lease all of its property and assets, to conduct its business and operations as presently conducted, and to enter into and, subject to the obtaining of appropriate approvals of Governmental Authorities and Regulatory Authorities and expiration of applicable regulatory waiting periods, the making of required filings under federal and state securities laws and the declaration of effectiveness by the SEC of the Registration Statement (as defined in Section 6.03(a)), perform its obligations under this Agreement and consummate the transactions contemplated by this Agreement. Park is duly qualified or licensed to do business and is in good standing in each jurisdiction in which the conduct of its business or the ownership, leasing or operation of its property or assets makes such qualification or licensing necessary, other than where the failure to be so qualified

or licensed or in good standing individually or in the aggregate would not reasonably be expected to have a material adverse effect on Park. Park has made available to Anderson true and complete copies of Park s articles of incorporation and code of regulations as amended to the date of this Agreement.

(b) PNB is a national banking association, is a member of the FHLB of Cincinnati and is subject to regulation by the Office of the Comptroller of the Currency. PNB is duly organized, validly existing and in good standing under

Table of Contents

the laws of the United States and has full corporate power and authority to own or hold under lease all of its property and assets, to conduct its business and operations as presently conducted, and to enter into and, subject to the obtaining of appropriate approvals of Governmental Authorities and Regulatory Authorities and expiration of applicable regulatory waiting periods, the making of required filings under federal and state securities laws and the declaration of effectiveness by the SEC of the Registration Statement (as defined in Section 6.03(a)), perform its obligations under this Agreement and consummate the transactions contemplated by this Agreement.

4.02 *Corporate Proceedings*

All corporate proceedings of Park and PNB necessary to authorize the execution, delivery and performance of this Agreement, and the consummation of the transactions contemplated by this Agreement, have been duly and validly taken, subject, in the case of the consummation of the Merger, to the delivery and filing of the certificate of merger contemplated by Section 1.02(d) of this Agreement. No approval on the part of Park s shareholders is required to be obtained in connection with the consummation of the transactions contemplated hereby.

4.03 *Park Shares*

(a) As of the date of this Agreement, the authorized capital stock of Park consists solely of 20,000,000 Park Shares, of which 13,845,494 Park Shares were issued and outstanding and 1,426,764 Park Shares are held in treasury by Park. The outstanding Park Shares have been duly authorized and are validly issued and outstanding, fully paid and non-assessable, and were not issued in violation of the preemptive rights of any shareholders of Park.

(b) The Park Shares to be issued in exchange for Anderson Shares in the Merger, when issued in accordance with the terms of this Agreement, will be duly authorized, validly issued, fully paid and non-assessable and will not be subject to any preemptive rights. As of the date hereof there are, and as of the Effective Time there will be, sufficient authorized and unissued Park Shares to enable Park to issue in the Merger the portion of the Merger Consideration consisting of Park Shares.

4.04 *Authorized and Effective Agreement*

This Agreement has been duly executed and delivered by Park and PNB and, assuming the due authorization, execution and delivery by Anderson, constitutes the valid and legally binding obligation of each of Park and PNB, enforceable against them in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and other similar laws relating to or affecting the enforcement of creditors rights generally, by general equitable principles (regardless of whether enforceability is considered in a proceeding in equity or at law) and except to the extent such enforceability may be limited by laws relating to the safety and soundness of insured depository institutions as set forth in 12 U.S.C. Section 1818(b) or the appointment of a conservator by the FDIC. Each of Park and PNB has the right, power, authority and capacity to execute and deliver this Agreement and, subject to the obtaining of appropriate approvals by Governmental Authorities and Regulatory Authorities and the expiration of applicable regulatory waiting periods, the making of required filings under federal and state securities laws and the declaration of effectiveness by the SEC of the Registration Statement (as defined in Section 6.03(a)) to perform their obligations under this Agreement.

4.05 *No Conflict*

Subject to satisfaction of the requirements referred to in Section 4.09, the receipt of the required approvals of Governmental Authorities and Regulatory Authorities and expiration of applicable regulatory waiting periods, the making of required filings under federal and state securities laws and the declaration of effectiveness by the SEC of the Registration Statement (as defined in Section 6.03(a)), the execution, delivery and performance of this Agreement,

and the consummation of the transactions contemplated hereby, by Park and PNB do not and will not (a) conflict with, or result in a violation of, or result in the breach of or a default (or with notice or lapse of time would result in a default) under, or give rise to any material Lien, any acceleration of remedies or any right of termination under, any provision of: (i) any federal, state or local law, regulation, ordinance, order, rule or administrative ruling of any Governmental Authority applicable to Park or PNB or any of their respective properties; (ii) the articles of incorporation or code of regulations of Park; (iii) the articles of association or by-laws of PNB; (iv) any material agreement, indenture or instrument or any material government permit or license

Table of Contents

to which Park or PNB is a party or by which either of them or any of their respective properties or assets may be bound; or (v) any material order, judgment, writ, injunction or decree of any court, arbitration panel or any Governmental Authority applicable to Park or PNB; or (b) require any consent or approval under any such law, regulation, ordinance, order, rule, administrative ruling, judgment, writ, injunction, decree, agreement, indenture or instrument or governmental permit or license, except for such consents and approvals the failure of which to be obtained would not reasonably be expected to have a material effect on Park or PNB.

4.06 *SEC Documents*

Park s Annual Reports on Form 10-K for the fiscal years ended December 31, 2004 and 2005, and all other reports, registration statements, definitive proxy statements or information statements filed by Park with the SEC subsequent to December 31, 2005 under the Securities Act or under Section 13, 14 or 15(d) of the Exchange Act, in the form filed with the SEC as of the date filed (or if amended or superceded by a filing prior to the date of this Agreement then on the date of such amended or superceded filing) (collectively, **Park SEC Documents**), (a) complied in all material respects with the applicable requirements under the Securities Act or the Exchange Act, as the case may be, and (b) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

4.07 *Financial Statements of Park*

The consolidated financial statements of Park (including the related notes) contained in or incorporated by reference into any of the Park SEC Documents (the **Park Financial Statements**), comply as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, have been prepared in accordance with GAAP (except, in the case of unaudited financial statements, as permitted by Form 10-Q of the SEC) applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto) and fairly present, in all material respects, the consolidated financial position of Park and its Subsidiaries as of the dates thereof and their respective consolidated results of operations and cash flows for the periods to which they relate (subject, in the case of unaudited consolidated financial statements, to normal year-end audit adjustments which are not expected to be, individually or in the aggregate, materially adverse to Park and the absence of full footnotes).

4.08 *Brokers, Finders and Others*

There are no fees or commissions of any sort whatsoever claimed by, or payable by Park or PNB to, any broker, finder, intermediary, attorney, accountant or any other similar person in connection with effecting this Agreement or the transactions contemplated hereby, except for ordinary and customary legal and accounting fees.

4.09 *Governmental and Third-Party Proceedings*

No consent or approval of, or registration, declaration or filing with, any Governmental Authority or Regulatory Authority or with any other third party is required to be made or obtained by Park or PNB in connection with the execution, delivery or performance by Park or PNB of this Agreement or the consummation by Park or PNB of the transactions contemplated hereby, except for: (a) filings of applications or notices, as applicable, with and the approval of certain federal and state banking authorities; (b) the filing of the appropriate certificate of merger with the Ohio Secretary of State pursuant to Section 1115.11 and Section 1701.81 of the Ohio Revised Code; (c) the filing with the SEC and declaration of effectiveness by the SEC of the Registration Statement (as defined in Section 6.03(a)) and the filing with the SEC of such reports under the Exchange Act as may be required in connection with this Agreement, the Merger and the other transactions contemplated hereby; (d) such filings as are required to be made or approvals as

are required to be obtained under the securities or Blue Sky laws of various states in connection with the issuance of the Park Shares in the Merger; (e) any filings required under the rules and regulations of AMEX, including the filing and approval of a listing application in respect of the Park Shares to be issued in the Merger; and (f) such other consents, approvals, filings or registrations, the failure of which to be obtained or made individually or in the aggregate would not reasonably be expected to have a material adverse effect on Park. As of the date hereof, Park and PNB are not aware of any reason why the approvals set forth in Section 7.03(b) will not be received without the imposition of a condition, restriction or requirement of the type described in Section 7.03(b).

Table of Contents

4.10 *Legal Proceedings*

There are no actions, suits, investigations, audits or proceedings (whether judicial, arbitral, administrative or other) pending or, to the knowledge of Park, threatened against Park or any of its Subsidiaries which, if adversely determined against Park or the relevant Subsidiary of Park, would have a material adverse effect on Park or would prevent the consummation of the Merger or any of the transactions contemplated by this Agreement or declare the same to be unlawful or cause the recession thereof. There is no judgment, decree, injunction, rule or order of any Governmental Authority or arbitration panel outstanding against Park or any of its Subsidiaries which is reasonably expected to have a material adverse effect on Park or would prevent the consummation of the Merger or any of the transactions contemplated by this Agreement or declare the same to be unlawful or cause the rescission thereof.

4.11 *Compliance with Laws*

Each of Park and its Subsidiaries:

(a) is in compliance with all applicable federal, state, local and foreign statutes, laws, regulations, ordinances, rules, judgments, orders or decrees applicable thereto or to the employees conducting such business, including, without limitation, the Patriot Act, the International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001, the Sarbanes-Oxley Act of 2002 and the related rules and regulations promulgated under such Act or the Exchange Act, the Equal Credit Opportunity Act, the Fair Housing Act, the CRA, the Home Mortgage Disclosure Act, and all other applicable fair lending laws and other laws relating to discriminatory business practices, except for failures to be in compliance which, individually or in the aggregate, have not had or would not reasonably be expected to have a material adverse effect on Park;

(b) has all permits, licenses, authorizations, orders and approvals of, and has made all filings, applications and registrations with, all Governmental Authorities and Regulatory Authorities that are required in order to permit it to own or lease its property and assets and to conduct its business as presently conducted, except where the failure to obtain any of the foregoing or to make any such filing, application or registration has not had or would not reasonably be expected to have a material adverse effect on Park; and all such permits, licenses, certificates of authority, orders and approvals are in full force and effect and no suspension or cancellation of any of them has been threatened in writing; and

(c) has received, since December 31, 2005, no written notification or written communication from any Governmental Authority or Regulatory Authority, (i) asserting that Park or any of its Subsidiaries is not in compliance with any of the statutes, regulations or ordinances which such Governmental Authority or Regulatory Authority enforces; (ii) threatening to revoke any license, franchise, permit or governmental authorization, which has not been resolved to the satisfaction of the Governmental or Regulatory Authority that sent such notification or communication (nor, to Park s knowledge, do grounds for any of the foregoing exist); or (iii) restricting or disqualifying their activities (except for restrictions generally imposed by rule, regulation or administrative policy on banking organizations generally);

(d) is not aware of any pending or threatened investigation, review or disciplinary proceedings by any Governmental Authority against Park, any of its Subsidiaries or any officer, director or employee thereof; and

(e) is not subject to any order or decree issued by, or a party to any agreement or memorandum of understanding with, or a party to any commitment letter or similar undertaking to, or subject to any order or directive by, or a recipient of any supervisory letter from, and has not adopted any board resolutions at the request of, any Governmental Authority and has not been advised by any Governmental Authority that it is considering issuing or requesting any such agreement or other action.

4.12 *Regulatory Matters*

Neither Park nor any of its Subsidiaries or their respective properties is a party to or subject to any order, judgment, decree, agreement, memorandum of understanding or similar arrangement with, or a commitment letter or similar submission to, or extraordinary supervisory letter from, any Regulatory Authority, and none of Park or any of its Subsidiaries has been advised by any Regulatory Authority that such Regulatory Authority is contemplating issuing or requesting (or is considering the appropriateness of issuing or requesting) any such order, judgment, decree, agreement, memorandum of understanding, commitment letter, supervisory letter or similar

Table of Contents

submission nor to Park s knowledge, has any Regulatory Authority commenced an investigation in connection therewith.

4.13 *Taxes*

Park and its Subsidiaries have timely filed all Tax Returns required to be filed with the appropriate Governmental Authority. Such Tax Returns are and will be true, correct and complete in all material respects. Park and its Subsidiaries have paid and discharged all Taxes due (whether reflected on such Tax Returns or otherwise), other than such Taxes that are adequately reserved as shown on the Park Financial Statements or have arisen in the ordinary course of business since June 30, 2006 or Taxes the nonpayment of which would not have a material adverse effect on Park. Neither the IRS nor any other Governmental Authority, domestic or foreign, has asserted, is now asserting or, to the knowledge of Park, is threatening to assert against Park or any of its Subsidiaries any material deficiency or claim for additional Taxes. No federal, state, local, or foreign Tax audits or administrative or judicial Tax proceedings are pending or being conducted with respect to Park or any of its Subsidiaries and, to the knowledge of Park, no such audit or proceeding is threatened. There are no unexpired waivers by Park or any of its Subsidiaries of any statute of limitations with respect to Taxes, and neither Park nor its Subsidiaries is the beneficiary of any extension of time within which to file any Tax Return. The accruals and reserves for Taxes reflected in the Park Financial Statements are adequate in all material respects for the periods covered. Park and its Subsidiaries have withheld or collected and paid over to the appropriate Governmental Authorities or are properly holding for such payment all material Taxes required by law to be withheld or collected. There are no Liens for Taxes upon the assets of Park or any of its Subsidiaries, other than Liens for current Taxes not yet due and payable. Neither Park nor any of its Subsidiaries has filed a consent under Section 341(f) of the Code concerning collapsible corporations. Neither Park nor any of its Subsidiaries has agreed to make, or is required to make, any adjustment under Section 481(a) of the Code. Neither Park nor PNB has ever been a member of an affiliated group of corporations, within the meaning of Section 1504 of the Code, other than an affiliated group of which Park is or was the common parent corporation. Neither Park nor any of its Subsidiaries has any liability for the Taxes of any other person or entity (other than members of the Park affiliated group) under Treasury Department Regulation Section 1.1502-6 (or any similar provision of state, local or foreign law), as a transferee or successor, by contract or otherwise. As of the date hereof, neither Park nor any of its Subsidiaries has any reason to believe that any conditions exist that might prevent or impede the Merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code.

4.14 *Disclosure*

The representations and warranties contained in this Article Four do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements and information contained in this Article Four, in light of the circumstances under which they were made, not misleading.

4.15 *Allowance for Loan Losses*

The allowance for loan losses reflected on the Park Financial Statements, as of their respective dates, is adequate in all material respects under the requirements of GAAP and applicable regulatory requirements and guidelines to provide for reasonably incurred losses on outstanding Loans, net of recoveries.

4.16 *Bank Secrecy Act, Anti-Money Laundering and OFAC and Customer Information*

Park is not aware of, has not been advised in writing of, and has no reason to believe that any facts or circumstances exist, which would cause Park or any of its Subsidiaries to be deemed (a) to be operating in violation in any material respect of the Bank Secrecy Act, the Patriot Act, any order issued with respect to anti-money laundering by the U.S. Department of the Treasury s Office of Foreign Assets Control, or any other applicable anti-money laundering

statute, rule or regulation; or (b) not to be in satisfactory compliance in any material respect with the applicable privacy and customer information requirements contained in any federal and state privacy laws and regulations, including, without limitation, in Title V of the Gramm-Leach-Bliley Act of 1999 and the regulations promulgated thereunder. Park is not aware of any facts or circumstances that would cause Park to believe that any non-public customer information has been disclosed to or accessed by an unauthorized third party in a manner that would cause Park or any of its Subsidiaries to undertake any material remedial action. The Park Board of Directors (or, where appropriate, the board of directors of any of Park s Subsidiaries) has adopted and implemented an anti-

Table of Contents

money laundering program that contains adequate and appropriate customer identification verification procedures that comply with Section 326 of the Patriot Act and such anti-money laundering program meets the requirements in all material respects of Section 352 of the Patriot Act and the regulations thereunder, and Park (or such other of its Subsidiaries) has complied in all material respects with any requirements to file reports and other necessary documents as required by the Patriot Act and the regulations thereunder.

4.17 *Books and Records*

The books and records of Park and its Subsidiaries have been fully, properly and accurately maintained in all material respects, have been maintained in accordance with sound business practices and the requirements of Section 13(b)(2) of the Exchange Act, and there are no material inaccuracies or discrepancies of any kind contained or reflected therein, and they fairly present the substance of events and transactions included therein.

4.18 *Absence of Undisclosed Liabilities*

Neither Park nor any of its Subsidiaries has any liability (whether accrued, absolute, contingent or otherwise) that is material to Park on a consolidated basis, or that, when combined with all liabilities as to similar matters would be material to Park on a consolidated basis, except (a) as disclosed in the Park Financial Statements or (b) would not be required to be publicly disclosed by Park pursuant to the Exchange Act and the rules and regulations promulgated thereunder.

4.19 *Absence of Changes*

Except as otherwise publicly disclosed in press releases issued by Park before the date of this Agreement, since June 30, 2006, there has not been any material adverse change in the business, operations, assets or financial condition of Park and, to the knowledge of Park, no fact or condition exists that Park believes will cause such a material adverse change before the Closing.

4.20 *Employee Benefit Plans*

(a) **PNB Compensation and Benefit Plans**, collectively, means all bonus, incentive, deferred compensation, pension, retirement, profit-sharing, thrift, savings, employee stock ownership, stock bonus, stock purchase, restricted stock, stock option, severance, welfare and fringe benefit plans, employment or severance agreements and all similar practices, policies and arrangements maintained or contributed to (currently or within the last five years), by Park or PNB and in which any employee or former employee (the **PNB Employees**) of PNB participates or to which any such PNB Employees are parties.

(b) Each PNB Compensation and Benefit Plan has been operated and administered in all material respects in accordance with its terms and with applicable law, including, but not limited to ERISA, the Code, the Securities Act, the Exchange Act, the Age Discrimination in Employment Act, or any regulations or rules promulgated thereunder, and all filings, disclosures and notices required by ERISA, the Code, the Securities Act, the Exchange Act, the Age Discrimination in Employment Act and any other applicable law have been timely made. Each PNB Compensation and Benefit Plan which is a Pension Plan and which is intended to be qualified under Section 401(a) of the Code has received a favorable determination letter (including a determination that the related trust under such PNB Compensation and Benefit Plan is exempt from tax under Section 501(a) of the Code) or opinion letter, as applicable, from the IRS, and neither PNB nor Park is aware of any circumstances likely to result in revocation of any such favorable determination letter. There is no material pending or, to the knowledge of Park and PNB, threatened, legal action, suit or claim relating to the PNB Compensation and Benefit Plans other than routine claims for benefits thereunder. Neither Park nor PNB has engaged in a transaction, or omitted to take any action, with respect to any PNB

Compensation and Benefit Plan that would reasonably be expected to subject Park or PNB to a tax or penalty imposed by either Section 4975 of the Code or Section 502 of ERISA, assuming for purposes of Section 4975 of the Code that the taxable period of any such transaction expired as of the date hereof. Park or PNB, as appropriate, has made a timely top-hat filing under Title I of ERISA with respect to all nonqualified deferred compensation arrangements to which any PNB Employee is a party.

(c) All contributions required to be made under the terms of any PNB Compensation and Benefit Plan have been timely made in cash or have been reflected on the Park consolidated financial statements as of June 30, 2006.

Table of Contents

No Pension Plan of Park or PNB has an accumulated funding deficiency (whether or not waived) within the meaning of Section 412 of the Code or Section 302 of ERISA.

(d) Neither Park nor PNB maintains any PNB Compensation and Benefit Plans covering foreign Employees.

(e) Each PNB Compensation and Benefit Plan that is or has ever been a NQDC Plan has been operated, notwithstanding any terms to the contrary, in good faith compliance with 409A, to the extent required under 409A.

4.21 *Financial Capacity*

At the date hereof and on the Closing Date, (i) Park has, and will have readily available to it in connection with the Merger an amount of cash equal to the Cash Consideration and (ii) Park and PNB are and will be well-capitalized under applicable regulatory definitions, and PNB s examination rating under the CRA is and will be satisfactory or better.

ARTICLE FIVE

ACTIONS PENDING MERGER

5.01 *Forbearances of Anderson*

(a) From the date of this Agreement until the Effective Time, except as expressly contemplated or permitted by this Agreement and except for renewals of loans existing on the date hereof in the ordinary and usual course of Anderson s business and consistent with past practice and in compliance with all applicable laws, rules and regulations, without the prior written consent of Park, which consent shall not be unreasonably withheld and shall be delivered by Park within two (2) business days following receipt by Park of any written request for such consent, Anderson shall not:

(i) *Ordinary Course.* Conduct the business of Anderson other than in the ordinary and usual course consistent with past practice or fail to use reasonable efforts to preserve intact its business organization and assets and maintain its rights, franchises and existing relations with customers, suppliers, employees and business associates, or voluntarily take any action which, at the time taken, is reasonably likely to have an adverse affect upon Anderson s ability to perform any of its obligations under this Agreement, or prevent or materially delay the consummation of transactions contemplated by this Agreement, or enter into any new line of business or materially change its lending, investment, underwriting, risk, asset liability management or other banking and operating policies, except as required by applicable laws, rules, regulations or policies imposed by any Governmental Authority or Regulatory Authority.

(ii) *Capital Stock.* Other than pursuant to Anderson Stock Options outstanding as of the date of this Agreement, (A) issue, sell or otherwise permit to become outstanding, or authorize the creation of, any additional Anderson Shares or any Rights, including, without limitation, under the Anderson Stock Option Plan or under the Anderson 2006 Plan, (B) enter into any agreement with respect to the foregoing, or (C) permit any additional Anderson Shares to become subject to new grants of stock options, other Rights or similar stock-based employee rights, including, without limitation, under the Anderson Stock Option Plan or under the Anderson 2006 Plan, (D) effect any recapitalization, reclassification, stock split or like change in capitalization or (E) enter into, or take any action to cause any holders of Anderson Shares to enter into, any agreement, understanding or commitment relating to the right of holders of Anderson Shares to vote any Anderson Shares, or cooperate in the formation of any voting trust or similar arrangement relating to such Anderson Shares.

(iii) *Compensation; Employment Agreements; Etc.* Enter into, amend, modify, renew or terminate any employment, consulting, severance, change in control or similar agreements or arrangements with any Director, Officer, Employee

or Consultant of Anderson, hire or retain any full-time employee or consultant, other than as replacements for positions then existing, or grant any salary or wage increase or bonus or increase any employee benefit (including incentive or bonus payments), except (A) for normal individual increases in compensation to Employees in the ordinary and usual course of business consistent with past practice, (B) for other changes that are required by applicable law, and (C) to satisfy contractual obligations existing as of the date hereof which have previously been disclosed to Park.

Table of Contents

(iv) *Benefit Plans.* Enter into, establish, adopt, amend, modify or terminate (except (A) as may be required by applicable law, (B) to satisfy contractual obligations existing as of the date hereof which have previously been disclosed to Park, or (C) the regular annual renewal of insurance contracts), any pension, retirement, stock option, stock purchase, savings, profit sharing, deferred compensation, consulting, bonus, group insurance or other employee benefit, incentive or welfare contract, plan or arrangement, or any trust agreement (or similar arrangement) related thereto, in respect of any Director, Officer, Employee or Consultant of Anderson (or any dependent or beneficiary of any of the foregoing persons), or take any action to accelerate the vesting or exercisability of, or the payment or distribution with respect to, stock options, restricted stock or other compensation or benefits payable thereunder, other than pursuant to this Agreement. Pursuant to this Agreement, and with Park s and PNB s consent given herein, Anderson will accelerate prior to the Closing Date the vesting of Anderson Stock Options outstanding as of the date of this Agreement pursuant to the Anderson Stock Option Plan.

(v) *Dispositions.* Sell, transfer, mortgage, pledge or subject to any Lien or otherwise encumber or otherwise dispose of any of its assets, tangible or intangible, deposits, business or properties except in the ordinary and usual course of business for full and fair consideration actually received.

(vi) *Acquisitions.* Acquire (other than by way of foreclosures or acquisitions of control in a bona fide fiduciary capacity or in satisfaction of debts previously contracted in good faith, in each case in the ordinary and usual course of business consistent with past practice) all or any portion of, the assets, business, deposits or properties of any other entity, or acquire mortgage servicing rights, except in connection with existing correspondent lending relationships in the ordinary and usual course of business consistent with past practice.

(vii) *Governing Instruments.* Amend or propose to amend the articles of incorporation, code of regulations or other governing instruments of Anderson.

(viii) *Accounting Methods.* Implement or adopt any change in its accounting principles, practices or methods, other than as may be required by GAAP or regulatory accounting principles.

(ix) *Contracts.* Except in the ordinary and usual course of business consistent with past practice or in connection with this Agreement or the transactions contemplated by this Agreement, enter into or terminate any contract which would be required to be disclosed pursuant to Section 3.23, amend or modify in any material respect any of its existing contracts, or enter into any new contract that would be required to be disclosed pursuant to the standards set forth in Section 3.23.

(x) *Claims.* Except in the ordinary and usual course of business consistent with past practice or in connection with this Agreement or the transactions contemplated by this Agreement, settle any claim, action or proceeding which, individually or in the aggregate for all such settlements, is material to Anderson.

(xi) *Adverse Actions.* Take any action while knowing that such action would, or is reasonably likely to, prevent or impede the Merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code; or knowingly take any action that is intended or is reasonably likely to result in (A) any of its representations and warranties set forth in this Agreement being or becoming untrue in any material respect at any time at or prior to the Effective Time, (B) any of the conditions to the Merger set forth in Article Seven not being satisfied, or (C) a material violation of any provision of this Agreement except, in each case, as may be required by applicable law, rule or regulation or Governmental Authority or Regulatory Authority.

(xii) *Risk Management.* Except pursuant to applicable law, rule or regulation or Governmental Authority or Regulatory Authority, (A) implement or adopt any material change in its credit risk and interest rate risk management and other risk management policies, procedures or practices; (B) fail to follow its existing policies or practices with

respect to managing its exposure to interest rate and other risk; or (C) fail to use commercially reasonable means to avoid any material increase in its aggregate exposure to interest rate risk and other risk.

(xiii) *Indebtedness.* Incur any indebtedness for borrowed money other than in the ordinary and usual course of business consistent with past practice.

Table of Contents

(xiv) *Capital Expenditures.* Make any capital expenditure or commitments with respect thereto in an amount in excess of $50,000 for any item or project, or $250,000 in the aggregate for any related items or projects.

(xv) *New Offices, Office Closures, Etc.* Close or relocate any offices at which business is conducted or open any new offices or ATMs.

(xvi) *Taxes.* (A) Fail to prepare and file or cause to be prepared and filed in a timely manner consistent with past practice all Tax Returns that are required to be filed (with extensions) on or before the Effective Time; provided, however, that Park shall have a reasonable opportunity, beginning at least fifteen days prior to the due date thereof, to review and comment on the form and substance of any Tax Returns relating to the U.S. Federal income tax, or Ohio State franchise or commercial activity tax, (B) fail to pay any Tax shown, or required to be shown, on any such Tax Return, or (C) make, change or revoke any election in respect of Taxes, change an annual accounting period, consent to any waiver or extension of the limitation period applicable to any Tax claim or assessment, enter into any closing agreement, settle any claim or assessment in respect of Taxes or offer or agree to do any of the foregoing or surrender its rights to do any of the foregoing or to claim any refund in respect of Taxes or file any amended Tax Return.

(xvii) *Maintenance of Properties and Facilities.* Fail to use its commercially reasonable efforts to maintain and keep its properties and facilities in their present condition and working order, ordinary wear and tear excepted.

(xviii) *Perform Obligations.* Fail to perform all of its obligations under all contracts.

(xix) *Maintain Insurance Coverage.* Fail to maintain insurance coverage with reputable insurers, which in respect of insurers, amounts, premiums, types and risks insured, were maintained by it at June 30, 2006, and upon the renewal or termination of such insurance, fail to use its commercially reasonable efforts to renew or replace such insurance coverage with reputable insurers, which in respect of the amounts, premiums, types and risks insured, were maintained by it at June 30, 2006.

(xx) *Lending.* Establish any new lending programs or make any changes in its policies concerning which persons may approve loans or originate or issue a commitment to originate any loan in a principal amount in excess of $500,000; provided, however, that Park shall indemnify Anderson for all losses, expenses, costs and damages that Anderson shall incur as the direct and sole result of the failure of Park to consent to the origination or issuance of a commitment to originate any such loan in excess of $500,000 if such losses, expenses, costs and damages directly arise from or are directly related to the claims of the customer whose loan was not originated solely as a result of the failure of Park to consent to such origination or commitment to originate any such loan; and provided, further, that if Park fails to respond to Anderson s written request for approval within two (2) business days after receipt by Park of such written request, such loan shall be deemed approved by Park.

(xxi) *Interest Rate Swaps and Derivatives.* Enter into any interest rate swaps or derivatives or hedge contracts.

(xxii) *Interest Rates.* Increase or decrease the rate of interest paid on time deposits or certificates of deposit, except in a manner and consistent with past practices in relation to rates prevailing in the relevant market.

(xxiii) *Foreclosures.* Foreclose upon or otherwise take title to or possession or control of any real property without first obtaining a Phase I environmental report thereon which indicates that the property is free of Hazardous Material.

(xxiv) *Deposit Liabilities.* Cause any material adverse change in the amount or general composition of deposit liabilities other than in the ordinary and usual course of business.

(xxv) *Employment Relationships.* Other than with respect to employment agreements previously disclosed to Park, take any action nor omit to take any action which would terminate or enable any employee

Table of Contents

or consultant of Anderson to terminate such employee s employment or employment agreement (or such consultant s relationship) without cause and continue thereafter to receive compensation.

(xxvi) *Borrowings.* Except for amounts as may be obtained with the right of prepayment at any time without penalty or premium, borrowings on an overnight or daily basis, and deposit taking in the ordinary and usual course of its business, borrow or agree to borrow any funds, including but not limited to repurchase transactions, or indirectly guarantee or agree to guarantee any obligations of others.

(xxvii) *Related Party Transactions.* Make any payment of cash or other consideration to, or make any Loan to or on behalf of, or enter into, amend or grant a consent or waiver under, or fail to enforce, any contract with, any Related Person.

(xxviii) *Commitments.* Agree or commit to do any of the foregoing items in this Section 5.01.

(b) *Dividends, Etc.* From the date of this Agreement until the Effective Time, Anderson shall not: (i) make, declare, pay or set aside for payment any dividend or distribution on any shares of its capital stock; (ii) otherwise declare or make any distribution on any shares of its capital stock; or (iii) directly or indirectly adjust, split, combine, redeem, reclassify, purchase or otherwise acquire, any shares of its capital stock.

5.02 *Forbearances of Park*

From the date hereof until the Effective Time, except as expressly contemplated or permitted by this Agreement, without the prior written consent of Anderson, which consent shall not be unreasonably withheld and shall be delivered by Anderson within two (2) business days following receipt by Anderson of any written request for such consent, Park will not, and will cause each of its Subsidiaries not to:

(a) *Ordinary Course.* Voluntarily take any action which, at the time taken, has or is reasonably likely to have an adverse affect upon the ability of Park or PNB to perform any of its material obligations under this Agreement;

(b) *Extraordinary Dividend.* Declare, set aside, make or pay any extraordinary or special dividends on Park Shares or make any other extraordinary or special distributions in respect of any of its capital stock other than dividends from any Subsidiary to its parent;

(c) *Governing Instruments.* Amend the articles of incorporation or code of regulations of Park, the articles of association or by-laws of PNB, or the articles of incorporation, code of regulations or similar governing instruments of any of the Park Subsidiaries in a manner that would adversely affect the economic or other benefits of the Merger to the holders of Anderson Shares or to the employees of Anderson;

(d) *Adverse Actions.* Take any action while knowing that such action would, or is reasonably likely to, prevent or impede the Merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code; or knowingly take any action that is intended or is reasonably likely to result in (i) any of its representations and warranties set forth in this Agreement being or becoming untrue in any material respect at any time at or prior to the Effective Time, (ii) any of the conditions to the Merger set forth in Article Seven not being satisfied, or (iii) a material violation of any provision of this Agreement except, in each case, as may be required by applicable law or regulation or Governmental Authority or Regulatory Authority; or

(e) *Commitments.* Agree or commit to do any of the foregoing items in this Section 5.02.

ARTICLE SIX

COVENANTS

6.01 *Reasonable Best Efforts*

Subject to the terms and conditions of this Agreement, each of Anderson, on the one hand, and Park and PNB, on the other, agrees to use its reasonable best efforts in good faith to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or desirable, or advisable under applicable laws, so as to permit consummation of the Merger as promptly as practicable and otherwise to enable consummation of the transactions contemplated hereby and shall cooperate fully with the other party hereto to that end.

Table of Contents

6.02 *Shareholder Approval*

Anderson agrees to take, in accordance with all applicable laws, rules and regulations, including without limitation 12 U.S.C. Section 215a and the provisions of the Ohio Revised Code applicable to state-chartered commercial banks, and Anderson s articles of incorporation and code of regulations, all action necessary to convene and hold the Anderson Meeting for holders of Anderson Shares to consider and vote upon the approval of this Agreement and any other matters required to be approved or adopted by holders of Anderson Shares for consummation of the Merger, as promptly as practicable after the Registration Statement (as defined in Section 6.03(a)) is declared effective and in any event not later than 45 days after the effectiveness of the Registration Statement. The Anderson Board of Directors shall recommend that Anderson s shareholders approve this Agreement at the Anderson Meeting (the **Anderson Recommendation**) unless the Anderson Board of Directors, after consultation with independent legal counsel, determines in good faith that it would constitute, or could reasonably be expected to constitute, a breach of its applicable fiduciary duties. Without limiting the generality of the foregoing, Anderson agrees that its obligations to hold the Anderson Meeting pursuant to this Section 6.02 shall not be affected by the commencement, public proposal, public disclosure or communication to Anderson or any other person of an Acquisition Proposal (as defined in Section 6.06(b)).

6.03 *Registration Statement*

(a) *Preparation and Filing.* Park agrees to prepare, pursuant to all applicable laws, rules and regulations, a registration statement on Form S-4 (such registration statement and all amendments or supplements thereto, the **Registration Statement**) to be filed by Park with the SEC in connection with the issuance of Park Shares in the Merger (including the proxy statement and other proxy solicitation materials of Anderson constituting a part thereof (the **Proxy Statement**) and all related documents). Anderson agrees to cooperate with Park, its legal counsel and its accountants, in the preparation of the Registration Statement and the Proxy Statement; and provided that Anderson has cooperated as required above, Park agrees to file the Registration Statement, which will include the Proxy Statement and a prospectus in respect of the Park Shares to be issued in the Merger (together, the **Proxy Statement/Prospectus**) with the SEC as promptly as reasonably practicable. Park and Anderson shall cause the Proxy Statement/Prospectus to comply as to form and substance in all material respects with the applicable requirements of the Exchange Act, the Securities Act and the rules and regulations of AMEX. Each of Anderson and Park agrees to use all commercially reasonable efforts to cause the Registration Statement, including the Proxy Statement/Prospectus, to be declared effective under the Securities Act as promptly as reasonably practicable after filing thereof. Park also agrees to use all reasonable efforts to obtain, prior to the effective date of the Registration Statement, all necessary state securities law or Blue Sky permits and approvals required to carry out the transactions contemplated by this Agreement. Anderson agrees to promptly furnish to Park all information concerning Anderson and Anderson s officers, directors and shareholders as may be reasonably requested in connection with the foregoing. Each of Park and Anderson shall promptly notify the other upon the receipt of any comments from the SEC or its staff or any request from the SEC or its staff for amendments or supplements to the Registration Statement or the Proxy Statement/Prospectus and shall promptly provide the other with copies of all correspondence between it and its representatives, on the one hand, and the SEC and its staff, on the other hand. Notwithstanding the foregoing, prior to filing the Registration Statement (or any amendment or supplement thereto), filing or mailing the Proxy Statement/Prospectus (or any amendment or supplement thereto), or responding to any comments of the SEC with respect thereto, each of Park and Anderson, as the case may be, (i) shall provide the other party with a reasonable opportunity to review and comment on such document or response, (ii) shall include in such document or response all comments reasonably proposed by such other party, and (iii) shall not file or mail such document or respond to the SEC without receiving such other s approval, which approval shall not be unreasonably withheld or delayed.

(b) *Information Supplied.* Each of Anderson and Park agrees, as to itself and its Subsidiaries, that none of the information supplied or to be supplied by it for inclusion or incorporation by reference in (i) the Registration

Statement will, at the time the Registration Statement and each amendment or supplement thereto, if any, is filed with the SEC and at the time the Registration Statement becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading, and (ii) the Proxy Statement/Prospectus and any amendment or supplement thereto will, at the date of mailing to the

Table of Contents

Anderson shareholders and at the time of the Anderson Meeting, as the case may be, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading or any statement which, in the light of the circumstances under which such statement is made, will be false or misleading with respect to any material fact, or which will omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not false or misleading or necessary to correct any statement in any earlier statement in the Proxy Statement/Prospectus or any amendment or supplement thereto. Each of Anderson and Park further agrees that if it shall become aware prior to the Effective Time of any information furnished by it that would cause any of the statements in the Registration Statement and the Proxy Statement/Prospectus to be false or misleading with respect to any material fact, or to omit to state any material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not false or misleading, to promptly inform the other party thereof and to take the necessary steps to correct the Registration Statement and the Proxy Statement/Prospectus.

(c) *Notice of Effectiveness and Changes.* Park agrees to advise Anderson, promptly after Park receives notice thereof, of the time when the Registration Statement has become effective or any supplement or amendment has been filed, of the issuance of any stop order or the suspension of the qualification of Park Shares for offering or sale in any jurisdiction, of the initiation or threat of any proceeding for any such purpose, or of any request by the SEC for the amendment or supplement of the Registration Statement or for additional information.

6.04 *Press Releases*

Each of Anderson, on the one hand, and Park and PNB, on the other, agrees that it will not, without the prior approval of the other party, issue any press release or written statement for general circulation relating to the transactions contemplated hereby, except to the extent that such press release or written statement may be required by applicable law, rule or regulation, or AMEX rules to be made before such consent can be obtained.

6.05 *Access; Confidentiality*

(a) Each party agrees that upon reasonable notice and subject to applicable laws, rules and regulations relating to the exchange of information, it shall afford the other party and its officers, employees, legal counsel, accountants and other authorized representatives, such access during normal business hours throughout the period prior to the Effective Time, or to the termination of this Agreement, to the books, records (including, without limitation, Tax Returns and work papers of independent auditors), and to such other information as the other party may reasonably request and, during such period,

(i) Anderson shall furnish promptly to Park all information concerning the business, properties and personnel of Anderson as Park may reasonably request;

(ii) Anderson shall furnish promptly to Park a copy of each material report, schedule and other document filed by Anderson pursuant to any federal or state securities or banking laws;

(iii) Park and PNB shall furnish promptly to Anderson all information concerning the business and properties of Park and PNB as Anderson may reasonably request; and

(iv) Park and PNB shall furnish promptly to Anderson a copy of each material report, schedule and other document filed by Park or PNB pursuant to federal or state securities or banking laws.

No party shall be required to provide access to another party or to disclose information where such access or disclosure would violate or prejudice the rights of a party s customers, jeopardize any attorney-client privilege or contravene any law, rule, regulation, order, judgment, decree, fiduciary duty or binding agreement entered into prior to the date of this Agreement. The parties hereto will make appropriate substitute disclosure arrangements under circumstances in which the restrictions of the preceding sentence apply.

(b) *Use of Information; Confidentiality.* Each of Park and PNB, on the one hand, and Anderson, on the other, agrees that it will not, and will cause its representatives not to, use any information obtained pursuant to this Section 6.05 (as well as any other information obtained prior to the date hereof in connection with the entering into of this Agreement) for any purpose unrelated to the consummation of the transactions contemplated by this

Table of Contents

Agreement. Except for the use of information in connection with the Registration Statement described in Section 6.03(a) hereof and any other governmental filings required in order to complete the transactions contemplated by this Agreement, all information (collectively, the **Information**) received by each of Anderson, on the one hand, and Park and PNB, on the other, pursuant to the terms of this Agreement shall be kept in strictest confidence; provided, however, that subsequent to the filing of the Registration Statement with the SEC, this Section 6.05 shall not apply to information included in the Registration Statement or to be included in the Proxy Statement/Prospectus to be sent to the shareholders of Anderson under Section 6.03. Anderson, Park and PNB agree that the Information will be used only for the purpose of completing the transactions contemplated by this Agreement. Subject to the requirements of all applicable laws, rules and regulations, each party will keep confidential, and will cause its representatives to keep confidential, all Information and documents obtained (as well as any other Information obtained prior to the date hereof in connection with the entering into of this Agreement) unless such Information (i) was already known to such party, (ii) becomes available to such party from other sources not known by such party to be bound by a confidentiality obligation, (iii) is disclosed with the prior written approval of the party to which such Information pertains, (iv) is or becomes readily ascertainable from published information or trade sources, or (v) is such that such party is required by law or court order to disclose. If any party is required or reasonably believes that it is required to disclose any Information described in this Section 6.05(b) by (A) law, (B) any court of competent jurisdiction or (C) any inquiry or investigation by any Governmental Authority that is lawfully entitled to require any such disclosure, such party (the **Required Party**) shall, so far so it is lawful, notify the other party of such required disclosure on the same day that the Required Party (1) is notified of a request for such disclosure from the relevant Governmental Authority or (2) determines that such disclosure is required, whichever is earlier. Immediately thereafter, and to the extent practical on the same day, and subject to applicable laws, rules and regulations, the parties shall discuss and use their reasonable best efforts to agree as to the mandatory nature, the required timing and the required consent of such disclosure. The Required Party shall furnish only that portion of the Information described in this Section 6.05 that is legally required to be disclosed and shall exercise its reasonable best efforts to obtain an order or other reliable assurance that confidential treatment will be accorded to the Information described in this Section 6.05 so furnished. In the event that this Agreement is terminated or the transactions contemplated by this Agreement shall otherwise fail to be consummated, each party shall promptly cause all copies of documents or extracts thereof containing Information and data as to another party hereto to be returned to the party that furnished the same. No investigation by any party of the business and affairs of the other shall affect or be deemed to modify or waive any representation, warranty, covenant or agreement in this Agreement, or the conditions to any party s obligation to consummate the transactions contemplated by this Agreement.

(c) *Subsequent Financial Information.* During the period from the date of this Agreement to the Effective Time, Anderson shall promptly furnish Park and PNB with copies of all monthly and other interim financial statements produced in the ordinary course of business as the same shall become available.

6.06 *Acquisition Proposals*

(a) Anderson agrees that it shall not, and shall cause its officers, directors, agents, advisors and affiliates not to, solicit, initiate or encourage inquiries or proposals with respect to, or engage in any negotiations concerning, or provide any confidential information to, or have any discussions with, any person relating to, any Acquisition Proposal (as defined below); *provided, however*, that nothing contained in this Agreement shall prevent the Anderson Board of Directors from (a) making any disclosure to the Anderson shareholders if, in the good faith judgment of the Anderson Board of Directors, after having consulted with and considered the advise of outside legal counsel to the Anderson Board of Directors, failure so to disclose would be a breach of its fiduciary duties under applicable law; *provided further*, *however*, that any such disclosure regarding an Acquisition Proposal shall be deemed to be a Change in Recommendation (as defined in Section 8.01(f) unless the Anderson Board of Directors reaffirms the Anderson Recommendation; (b) before the date of the Anderson Meeting, providing (or authorizing the provision of) information to, or engaging in (or authorizing) such discussions or negotiations with, any person who has made an

unsolicited bona fide written Acquisition Proposal received after the date of this Agreement that did not result from a breach of this Section 6.06; or (c) recommending such an Acquisition Proposal to the Anderson shareholders if and only to the extent that, in the case of actions referred to in clause (b) and/or (c), (i) such Acquisition Proposal is, or is reasonably expected to lead to, a Superior Proposal (as defined below), (ii) the

Table of Contents

Anderson Board of Directors after having consulted with and considered the advise of outside legal counsel to the Anderson Board of Directors determines in good faith that providing such information or engaging in such negotiations or discussions, or making such recommendation is required in order to discharge the directors fiduciary duties to Anderson and its shareholders in accordance with applicable law, and (iii) Anderson receives from such person a confidentiality agreement. Anderson also shall immediately cease and cause to be terminated any activities, discussions or negotiations conducted prior to the date of this Agreement with any parties other than Park and PNB, with respect to any of the foregoing. Anderson shall promptly (within one business day) advise Park and PNB following the receipt by Anderson of any Acquisition Proposal and the material terms thereof (including the identity of the person making such Acquisition Proposal), and advise Park and PNB of any developments (including any change in such terms) with respect to such Acquisition Proposal promptly upon the occurrence thereof. Anderson shall not terminate, amend, modify or waive any provision of or release any of its rights under any confidentiality or standstill agreement to which it is a party. Anderson shall enforce, to the fullest extent permitted under applicable laws, rules and regulations, the provisions of any such agreement, including, but not limited to, by obtaining injunctions to prevent any breaches of such agreement and to enforce specifically the terms and provisions thereof in any court having jurisdiction. Nothing contained in this Section 6.06 or any other provision of this Agreement will prohibit Anderson or the Anderson Board of Directors from notifying any third party that contacts Anderson on an unsolicited basis after the date of this Agreement concerning an Acquisition Proposal of Anderson s obligations under this Section 6.06.

(b) For purposes of this Agreement, an **Acquisition Proposal** means any tender or exchange offer, proposal for a merger, consolidation or other business combination involving Anderson, or any proposal or offer to acquire in any manner 25% or more of any class of equity securities in, or 25% or more of the assets or deposits of, Anderson, other than the transactions contemplated by this Agreement.

(c) For purposes of this Agreement, a **Superior Proposal** means any Acquisition Proposal by a third party on terms that the Anderson Board of Directors determines in its good faith judgment, after receiving the advice of its financial advisors, to be materially more favorable from a financial point of view to Anderson and its shareholders than the Merger and the other transactions contemplated hereby, after taking into account the likelihood of consummation of such transaction on the terms set forth therein, taking into account all legal, financial (including the financing terms of any such proposal), regulatory and other aspects of such proposal and any other relevant factors permitted under applicable laws, rules and regulations.

6.07 *Affiliate Agreements*

Not later than the 15th day prior to the mailing of the Proxy Statement/Prospectus, Anderson shall deliver to Park a schedule of each person that, to Anderson s knowledge, is or is reasonably likely to be, as of the date of the Anderson Meeting, deemed to be an affiliate of Anderson (each, an **Anderson Affiliate**) as that term is used in Rule 145 under the Securities Act. Anderson shall cause each person who may be deemed to be a Anderson Affiliate to execute and deliver to Anderson on or before the date of mailing of the Proxy Statement/Prospectus an agreement in the form attached hereto as Exhibit B. Anderson shall deliver such executed affiliate agreements to Park at the Closing.

6.08 *Takeover Laws*

No party hereto shall take any action that would cause the transactions contemplated by this Agreement to be subject to requirements imposed by any Takeover Law and each of them shall take all necessary steps within its control to exempt (or ensure the continued exemption of) the transactions contemplated by this Agreement from, or, if necessary, challenge the validity or applicability of, any applicable Takeover Law, as now or hereafter in effect.

6.09 *No Rights Triggered*

Except for the acceleration by Anderson prior to the Closing Date of the vesting of Anderson Stock Options outstanding as of the date of this Agreement under the Anderson Stock Option Plan, Anderson shall take all reasonable steps necessary to ensure that the entering into of this Agreement and the consummation of the transactions contemplated hereby and any other action or combination of actions, or any other transactions contemplated hereby, do not and will not result in the grant of any rights to any person (a) under the articles of

Table of Contents

incorporation, code of regulations or other governing instruments of Anderson or (b) under any material contract to which it is a party except as contemplated by this Agreement.

6.10 *Conformance of Policies and Practices*

Prior to the Effective Time, Anderson shall, consistent with GAAP and on a basis and on timing mutually satisfactory to it and Park and PNB, modify and change its loan, litigation and real estate valuation policies and practices (including loan classifications and levels of reserves) as well as other management and operating policies and practices so as to be applied on a basis that is consistent with that of PNB; *provided, however,* that Anderson shall not be obligated to take any such action pursuant to this Section 6.10 involving a valuation adjustment or earnings charge earlier than 30 days prior to the Effective Time, and unless and until Park and PNB acknowledge that all conditions to the obligations of Park and PNB to consummate the Merger have been satisfied and certify to Anderson that Park s representations and warranties are true and correct as of such date and that Park and PNB are otherwise materially in compliance with this Agreement. Anderson s representations, warranties and covenants contained in this Agreement shall not be deemed to be untrue or breached in any respect for any purpose as a consequence of any modifications or changes undertaken solely on account of this Section 6.10.

6.11 *Transition*

Anderson shall reasonably cooperate with Park and its Subsidiaries in order to facilitate an orderly transition of the management of the business of Anderson to PNB and in order to facilitate the integration of the operations of Anderson and PNB and to permit the coordination of their related operations on a timely basis. To accelerate to the earliest time possible following the Effective Time the realization of synergies, operating efficiencies and other benefits expected to be realized by Anderson and PNB as a result of the Merger, Anderson shall consult with Park and PNB on all strategic and operational matters to the extent such consultation is not in violation of applicable laws, including laws regarding the exchange of information and other laws regarding competition. Without in any way limiting the provisions of Section 6.05(b), Park, PNB, and their respective officers, employees, legal counsel, financial advisors and other representatives shall, upon reasonable written notice to Anderson, be entitled to review the operations and visit the facilities of Anderson at all times as may be deemed reasonably necessary by Park and PNB in order to accomplish the foregoing arrangements. Notwithstanding the foregoing, nothing contained in this Agreement gives Park or PNB, directly or indirectly, the right to control or direct or to unreasonably interfere with Anderson s operations prior to the Effective Time. Prior to the Effective Time, Anderson shall exercise, consistent with the terms and conditions of this Agreement, complete control and supervision over its operations.

6.12 *Exchange Listing*

Park will use all reasonable best efforts to cause the Park Shares to be issued in the Merger to be approved for listing on the AMEX, subject to official notice of issuance, as promptly as practicable, and in any event before the Effective Time.

6.13 *Regulatory Applications*

(a) *Preparation and Filing.* Park and PNB, on the one hand, and Anderson, on the other, shall cooperate and use their respective reasonable best efforts to prepare all documentation and requests for regulatory approval, to timely effect all filings and to obtain all permits, consents, approvals and authorizations of all third parties and Governmental Authorities and Regulatory Authorities necessary to consummate the transactions contemplated by this Agreement. Each of Park and PNB, on the one hand, and Anderson, on the other, shall provide all information required from them in order to enable the other to make necessary filings. Such information shall be delivered within five business days of a written request for such information. Each of Park and PNB, on the one hand, and Anderson, on the other, shall have

the right to review in advance, and to the extent practicable, each will consult with the other, in each case subject to applicable laws, rules and regulations relating to the exchange of information, with respect to, and shall be provided in advance so as to reasonably exercise its right to review in advance, all material written information submitted to any third party or any Governmental Authority or Regulatory Authority in connection with the transactions contemplated by this Agreement. In exercising the foregoing right, each of the parties hereto agrees to act reasonably and as promptly as practicable. Each party hereto agrees that it will consult with the other party hereto with respect to the obtaining of all material permits, consents, approvals and authorizations of all third parties and Governmental Authorities and Regulatory Authorities necessary or advisable

Table of Contents

to consummate the transactions contemplated by this Agreement and each party will keep the other party apprised of the status of material matters relating to completion of the transactions contemplated hereby.

(b) *Information to be Furnished.* Each party agrees, upon request, to furnish the other party with all information concerning itself, its Subsidiaries, directors, officers and shareholders and such other matters as may be reasonably necessary or advisable in connection with any filing, notice or application made by or on behalf of such other party to any third party, Governmental Authority or Regulatory Authority.

6.14 *Indemnification*

(a) *Indemnity by Park.* Following the Effective Time, Park shall indemnify, defend and hold harmless all Directors, Officers and Employees of Anderson (each, an **Indemnified Party**) against all costs or expenses (including reasonable attorneys fees), judgments, fines, losses, claims, damages or liabilities incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of actions or omissions or alleged actions or omissions in the course of the Indemnified Party s duties as a director, officer or employee of Anderson occurring on or prior to the Effective Time (including, without limitation, the transactions contemplated by this Agreement) to the fullest extent that Anderson is permitted to indemnify (and advance expenses to) its directors, officers and employees under the laws of the State of Ohio, and consistent with the terms and conditions of the articles of incorporation and code of regulations of Anderson as in effect on the date hereof. Notwithstanding the foregoing, Park shall not be obligated to indemnify a director, officer or employee for acts or omissions of such director, officer or employee that were beyond the scope of the duties of such director, officer or employee as a director, officer or employee of Anderson. Any determination required to be made with respect to whether an Indemnified Party s conduct complies with the standards set forth under applicable law for indemnification shall be made by the court in which the claim, action, suit or proceeding was brought or by independent legal counsel (which shall not be legal counsel that provides services to Park) selected by Park and reasonably acceptable to such Indemnified Party or selected by the Indemnified Party and reasonably acceptable to Park. As a condition to receiving such indemnification, the Indemnified Party shall assign to Park, by separate writing, all right, title and interest in and to the proceeds of the Indemnified Party s applicable insurance coverage, if any, including insurance maintained or provided by Park or Anderson to the extent of such indemnity. No Indemnified Party shall be entitled to such indemnification with respect to a claim (i) if such Indemnified Party fails to cooperate in the defense and investigation of such claim as to which indemnification may be made, (ii) made by such Indemnified Party against Park, any Subsidiary of Park or Anderson arising out of or in connection with this Agreement, the transactions contemplated hereby or the conduct of the business of Park, the Subsidiary of Park or Anderson, or (iii) if such person fails to deliver such notices as may be required under any applicable directors and officers liability insurance policy to preserve any possible claims of which the Indemnified Party is aware, to the extent such failure results in the denial of payment under such policy.

(b) *D&O Insurance.* For a period of three years from the Effective Time, Park shall use its reasonable best efforts to provide that portion of director s and officer s liability insurance that serves to reimburse the present and former Officers and Directors of Anderson (determined as of the Effective Time) with respect to claims against such Directors and Officers arising from facts or events that occurred before the Effective Time, on terms no less favorable than those in effect on the date hereof; *provided, however*, that Park may substitute therefor policies providing at least comparable coverage containing terms and conditions no less favorable than those in effect on the date hereof; and *provided, further*, that Officers and Directors of Anderson may be required to make application and provide customary representations and warranties to Park s insurance carrier for the purpose of obtaining such insurance; and *provided, further*, in no event shall the annual premium on such policy exceed 200% of the annual premium payments on Anderson s policy in effect as of the date hereof (the **Maximum Amount**). If the amount of the premiums necessary to maintain or procure such insurance coverage exceeds the Maximum Amount, Park shall use its reasonable efforts to maintain the most advantageous policies of directors and officers liability insurance obtainable

for a premium equal to the Maximum Amount.

(c) *Procedures; Limitations.* Any Indemnified Party wishing to claim indemnification under Section 6.14(a), upon learning of any claim, action, suit, proceeding or investigation described above, shall promptly notify Park thereof; provided that the failure so to notify shall not affect the obligations of Park under Section 6.14(a) unless and to the extent that Park is actually prejudiced as a result of such failure. In the event of a claim (whether arising before

Table of Contents

or after the Effective Time), (i) Park shall have the right to assume the defense thereof and Park shall not be liable to such Indemnified Parties for any legal expenses of other legal counsel or any other expenses subsequently incurred by such Indemnified Parties in connection with the defense thereof, except that if Park elects not to assume such defense or legal counsel for the Indemnified Parties advises that there are issues that raise conflicts of interest between Park and the Indemnified Parties, the Indemnified Parties may retain legal counsel satisfactory to them, and Park shall pay all reasonable fees and expenses of such legal counsel for the Indemnified Parties promptly as statements therefore are received; *provided, however*, that Park shall be obligated pursuant to this paragraph (c) to pay for only one firm of legal counsel for all Indemnified Parties in any jurisdiction unless the use of one legal counsel for such Indemnified Parties would present such legal counsel with a conflict of interest, (ii) the Indemnified Parties will cooperate in the defense of any such matter and (iii) Park shall not be liable for any settlement effected without its prior written consent, which consent shall not be unreasonably withheld; and *provided, further*, that Park shall not have any obligation hereunder to any Indemnified Party when and if a court of competent jurisdiction shall ultimately determine, and such determination shall have become final and non-appealable, that the indemnification of such Indemnified Party in the manner contemplated hereby is prohibited by applicable law.

(d) *Legal Successors.* If Park or any of its successors or assigns shall consolidate with or merge into any other entity and shall not be the continuing or surviving entity of such consolidation or merger or shall transfer all or substantially all of its assets to any entity, then and in each case, proper provision shall be made so that the successors and assigns of Park shall assume the obligations set forth in this Section 6.14.

(e) *Beneficiaries.* The provisions of this Section 6.14 shall survive the Effective Time and are intended to be for the benefit of, and shall be enforceable by, each Indemnified Party and his or her heirs and representatives.

6.15 *Opportunity of Employment; Employee Benefits*

(a) *Offer of Employment by PNB.* All Employees of Anderson as of the date of this Agreement who are actively employed at the Effective Time, other than Mr. James R. Gudmens, will be offered employment by PNB at the Effective Time. It is understood and agreed that nothing in this Section 6.15 or elsewhere in this Agreement shall be deemed to be a contract of employment or be construed to give any such employee of Anderson who is retained by PNB (**Continuing Employees**) any rights other than as employees at will under applicable law and said Continuing Employees shall not be deemed to be third-party beneficiaries of this provision.

(b) *Participation in PNB Compensation and Benefit Plans; Credit.* From and after the Effective Time, Continuing Employees shall continue to participate in the Anderson Compensation and Benefit Plans until, with respect to each Anderson Compensation and Benefit Plan, such Continuing Employees transition to and are able to, subject to applicable eligibility requirements, participate in the PNB Compensation and Benefit Plans, and the Anderson Compensation and Benefit Plans shall be terminated. Continuing Employees shall receive credit for service at Anderson for eligibility and vesting purposes (but not for benefit calculation purposes) under the PNB Compensation and Benefit Plans and shall not be subject to any exclusion or penalty for pre-existing conditions that were covered under the Anderson Compensation and Benefit Plans immediately prior to the Effective Time, or to any waiting period relating to such coverage, except in each case as otherwise required by applicable law. Any Employee of Anderson who is actively employed at the Effective Time (including James Gudmens) and does not become a Continuing Employee shall be paid by Park for all such Employee s unused vacation and sick time consistent with the terms of Anderson s vacation and sick time policies in effect on the date of this Agreement and shall be entitled to elect so-called COBRA benefits in accordance with, and subject to, the provisions of Code Section 4980B(f).

(c) *Payment to James R. Gudmens.* Mr. James R. Gudmens will receive from Park the severance and other payments and other benefits contemplated by his employment contract with Anderson as set forth in Section 6.15(c) of the Anderson Disclosure Schedule.

6.16 *Notification of Certain Matters*

(a) *Material Adverse Effect; Material Breach.* Between the date hereof and the Closing, each of Anderson, on the one hand, and Park and PNB, on the other, shall give prompt notice in writing to the other of any fact, event or circumstance known to it that (i) is reasonably likely, individually or taken together with all other facts, events and

circumstances known to it, to result in any material adverse effect with respect to it or (ii) would cause or constitute a material breach (without regard to any materiality, material adverse effect or similar qualifier included in any representation, warranty, covenant or agreement) of any of its representations, warranties, covenants or agreements contained herein.

(b) *Persons Required to Consent to Merger.* Anderson shall promptly notify Park and PNB of any written notice or other bona fide communication from any person alleging that the consent of such person is or may be required as a condition to the Merger.

(c) *Notice to Insurers.* Anderson shall, prior to the Effective Time, notify its insurers in writing of all known incidents, events and circumstances that would reasonably be expected to give rise to a claim against Anderson.

(d) *Legal and Regulatory Matters.* Anderson shall notify Park and PNB within two (2) business days of the receipt of any summons, subpoena, complaint, regulatory inquiry or whistleblower notice involving Anderson.

(e) *Suspicious Activity Reports.* Anderson shall promptly provide Park and PNB with a notice of any Suspicious Activity Report filed with any regulatory agency.

6.17 *Tax Treatment*

Each of Park and PNB, on the one hand, and Anderson, on the other, agrees not to take any actions subsequent to the date of this Agreement that would adversely affect the ability of Anderson and its shareholders to characterize the Merger as a tax-free reorganization under Section 368(a) of the Code, and each of Park and PNB, on the one hand, and Anderson, on the other, agrees to take such action as may be reasonably required, if such action may be reasonably taken to reverse the impact of any past actions that would adversely impact the ability for the Merger to be characterized as a tax-free reorganization under Section 368(a) of the Code.

6.18 *No Breaches of Representations and Warranties*

Between the date of this Agreement and the Effective Time, without the written consent of the other party, each of Anderson and Park will not do any act or suffer any omission of any nature whatsoever that would cause any of the representations or warranties made in Article Three and Article Four of this Agreement, respectively, to become untrue or incorrect.

6.19 *Consents*

Each of Park, PNB and Anderson shall use its best efforts to obtain any required consents to the transactions contemplated by this Agreement.

6.20 *Insurance Coverage*

Anderson shall cause each of the policies of insurance listed in the Anderson Disclosure Schedule to remain in effect between the date of this Agreement and the Effective Time.

6.21 *Correction of Information*

Each of Park and PNB, on the one hand, and Anderson, on the other, shall promptly advise the other in writing of any fact that, if existing or known at the date hereof, would have been required to be set forth or disclosed in or pursuant to this Agreement or would have made any of the representations or warranties contained herein untrue to any material

extent, and which in each case, would be likely to have a material effect on such party; provided, however, that no such correction shall affect the representations and warranties of the parties or the conditions to the obligations of the parties under this Agreement; provided, further, that a failure to comply with this Section 6.21 shall not constitute the failure of any condition set forth in Article Seven to be satisfied unless the underlying material breach would independently result in the failure of a condition set forth in Article Seven to be satisfied.

6.22 *Supplemental Assurances*

(a) *Certificate of Anderson.* On the date the Registration Statement becomes effective and on the Closing Date, Anderson shall deliver to Park a certificate signed by Anderson s chief executive officer and Anderson s chief financial officer to the effect, to such officers knowledge, that the information contained in the Registration Statement relating to the business and financial condition and affairs of Anderson, does not contain any untrue

Table of Contents

statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading.

(b) *Certificate of Park.* On the date the Registration Statement becomes effective and on the Closing Date, Park shall deliver to Anderson a certificate signed by Park s chief executive officer and Park s chief financial officer to the effect, to such officers knowledge, that the Registration Statement (other than the information contained therein relating to the business and financial condition and affairs of Anderson) does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading.

6.23 *Exercise of Anderson Stock Options*

Anderson will not permit any holder of an outstanding Anderson Stock Option to exercise such Anderson Stock Option without payment of the full exercise price in cash or by personal check.

ARTICLE SEVEN

CONDITIONS PRECEDENT TO THE OBLIGATIONS OF THE PARTIES

7.01 *Conditions to the Obligations of Park and PNB*

The obligations of Park and PNB under this Agreement shall be subject to the satisfaction, or written waiver by Park and PNB prior to the Closing Date, of each of the following conditions precedent:

(a) *Representations and Warranties.* The representations and warranties of Anderson set forth in this Agreement shall be true and correct in all material respects (except for representations and warranties that contain qualifications as to materiality, which shall be true and correct in all respects) as of the date of this Agreement and as of the Closing Date as though such representations and warranties were also made as of the Closing Date, except that those representations and warranties which by their terms speak as of a specific date shall be true and correct as of such date; and Park and PNB shall have received a certificate, dated the Closing Date, signed on behalf of Anderson by the chief executive officer and the chief financial officer of Anderson to such effect.

(b) *Performance of Obligations of Anderson.* Anderson shall have performed in all material respects all of its covenants and obligations under this Agreement to be performed by it on or prior to the Closing Date, including those relating to the Closing and the closing deliveries required by Section 1.02(c) of this Agreement; and Park and PNB shall have received a certificate, dated the Closing Date, signed on behalf of Anderson by the chief executive officer and the chief financial officer of Anderson to such effect.

(c) *Consents.* Anderson shall have obtained the consent or approval of each person (other than Governmental Authorities and Regulatory Authorities) whose consent or approval shall be required in connection with the transactions contemplated hereby under any loan or credit agreement, note, mortgage, indenture, lease, license or other agreement or instrument, except those for which failure to obtain such consents and approvals would not, individually or in the aggregate, have a material adverse effect, after the Effective Time, on PNB or Park.

(d) *No Material Adverse Effect.* From the date of this Agreement, there shall not have occurred any material adverse effect on Anderson.

(e) *Affiliate Agreements.* Park shall have received the agreements referred to in Section 6.07 from each Anderson Affiliate.

7.02 *Conditions to the Obligations of Anderson*

The obligations of Anderson under this Agreement shall be subject to satisfaction, or written waiver by Anderson prior to the Closing Date, of each of the following conditions precedent:

(a) *Representations and Warranties.* The representations and warranties of Park set forth in this Agreement shall be true and correct in all material respects (except for representations and warranties that

Table of Contents

contain qualifications as to materiality, which shall be true and correct in all respects) as of the date of this Agreement and as of the Closing Date as though such representations and warranties were also made as of the Closing Date, except that representations and warranties which by their terms speak as of a specific date shall be true and correct as of such date; and Anderson shall have received a certificate, dated the Closing Date, signed on behalf of Park by the chief executive officer and the chief financial officer of Park to such effect.

(b) *Performance of Obligations of Park and PNB.* Each of Park and PNB shall have performed in all material respects all of their covenants and obligations under this Agreement to be performed by them on or prior to the Closing Date, including those related to the Closing and the closing deliveries required by Section 1.02(b) of this Agreement; and Anderson shall have received a certificate, dated the Closing Date, signed on behalf of each Park and PNB by the chief executive officer and the chief financial officer of Park or PNB, as appropriate, to such effect.

(c) *Consents.* Park and PNB shall have obtained the consent or approval of each person (other than Governmental Authorities and Regulatory Authorities) whose consent or approval shall be required in connection with the transactions contemplated hereby under any loan or credit agreement, note, mortgage, indenture, lease, license or other agreement or instrument, except those for which failure to obtain such consents and approvals would not, individually or in the aggregate, have a material adverse effect, after the Effective Time, on Park or PNB.

(d) *Fairness Opinion.* Anderson shall have received from Anderson s Financial Advisors an opinion reasonably acceptable to Anderson dated as of the date of the Proxy Statement/Prospectus to the effect that the Merger Consideration to be received by the holders of the Anderson Shares in the Merger is fair to the holders of the Anderson Shares from a financial point of view.

(e) *No Material Adverse Effect.* From the date of this Agreement, there shall not have occurred any material adverse effect on Park or PNB.

7.03 *Mutual Conditions*

The obligations of Anderson, Park and PNB under this Agreement shall be subject to the satisfaction, or written waiver by the parties prior to the Closing Date, of each of the following conditions precedent:

(a) *Shareholder Approval.* The shareholders of Anderson shall have duly adopted this Agreement by the required vote.

(b) *Regulatory Approvals.* All approvals of Governmental Authorities and Regulatory Authorities required to consummate the transactions contemplated by this Agreement shall have been obtained and shall remain in full force and effect, and all statutory waiting periods in respect thereof shall have expired and no such approvals or statute, rule or order shall contain (i) any conditions, restrictions or requirements which Park and PNB reasonably determine would either before or after the Effective Time have a material adverse effect on Park, PNB and Park s other Subsidiaries taken as a whole after giving effect to the consummation of the Merger; or (ii) any conditions, restrictions or requirements that are not customary and usual for approvals of such type and that the Park Board of Directors reasonably determines would either before or after the Effective Time be unduly burdensome.

(c) *No Injunction.* No temporary restraining order, preliminary or permanent injunction or other order issued by a court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Merger shall be in effect. No Governmental Authority or Regulatory Authority of competent jurisdiction shall have enacted, issued, promulgated, enforced, deemed applicable, threatened, commenced a proceeding with respect to or entered any statute, rule, regulation, judgment, decree, injunction or other order prohibiting consummation of the transactions contemplated by this Agreement or making the Merger illegal.

(d) *Registration Statement.* The Registration Statement shall have become effective under the Securities Act and no stop-order or similar restraining order suspending the effectiveness of the Registration Statement shall have been issued and no proceeding for that purpose shall have been initiated by the SEC.

Table of Contents

(e) *Exchange Listing.* The Park Shares to be issued in the Merger shall have been approved for listing on AMEX, subject to official notice of issuance.

(f) *Tax Opinion.* Park and Anderson shall have received the written opinion of Park s legal counsel, dated the Closing Date, to the effect that, on the basis of facts, representations and assumptions set forth in such opinion, the Merger will be treated for federal income tax purposes as a reorganization within the meaning of Sections 368(a)(1)(A) and 368(a)(2)(D) of the Code. In rendering its opinion, Park s legal counsel will require and rely upon customary representations contained in letters from Park and Anderson that Park s legal counsel reasonably deems relevant.

ARTICLE EIGHT

TERMINATION

8.01 *Termination*

This Agreement may be terminated, and the Merger may be abandoned, at any time prior to the Effective Time, whether before or after shareholder approval:

(a) *Mutual Consent.* At any time prior to the Effective Time, by the mutual written agreement of Park, PNB and Anderson, if their respective Boards of Directors so determine by vote of a majority of the members of the entire Board.

(b) *Breach.* At any time prior to the Effective Time, by Park and PNB, on the one hand, or Anderson, on the other hand, if its Board of Directors so determines by vote of a majority of the members of its entire Board, in the event of either:

(i) a breach by the other party of any representation or warranty contained herein such that the condition set forth in Section 7.01(a) or 7.02(a), as appropriate, would not be satisfied and which breach cannot be or has not been cured within 30 days after the giving of written notice to the breaching party of such breach; or

(ii) a material breach by the other party of any of the covenants or agreements contained herein, which breach cannot be or has not been cured within 30 days after the giving of written notice to the breaching party of such breach, provided that

such breach (under either clause (i) or (ii)) would entitle the non-breaching party not to consummate the Merger under Article Seven, and the terminating party is not itself in material breach of any provision of this Agreement.

(c) *Delay.* At any time prior to the Effective Time, by Park and PNB, on the one hand, or Anderson, on the other hand, if its Board of Directors so determines by vote of a majority of the members of its entire Board, in the event that the Merger is not consummated by February 28, 2007, except to the extent that the failure of the Merger then to be consummated arises out of or results from the knowing action or inaction of the party seeking to terminate pursuant to this Section 8.01(c).

(d) *No Approval.* By Park and PNB, on the one hand, or Anderson, on the other hand, if its Board of Directors so determines by vote of a majority of the members of its entire Board, in the event:

(i) the approval of any Governmental Authority or Regulatory Authority required for consummation of the Merger and the other transactions contemplated by this Agreement shall have been denied by final nonappealable action of such Governmental Authority or Regulatory Authority and the terminating party is not in material breach of

Section 6.13;

(ii) the Anderson shareholders fail to approve this Agreement at the Anderson Meeting and approve the Merger; or

(iii) any of the closing conditions have not been met or waived by the respective party as required by Article Seven hereof.

Table of Contents

(e) *Superior Proposal.* At any time prior to the approval of this Agreement by Anderson s shareholders contemplated by Section 7.03(a) by Anderson, if Anderson s Board of Directors so determines by vote of a majority of the members of the entire Anderson Board if (i) Anderson is not in breach of any material term of this Agreement including Section 6.06, (ii) the Anderson Board of Directors authorized Anderson, subject to complying with the terms of this Agreement, to enter into a definitive written agreement concerning a transaction that constitutes a Superior Proposal, (iii) Anderson notifies Park in writing that it intends to enter into such an agreement as soon as practicable upon termination of this Agreement, attaching the most current version of such agreement to such notice and (iv) at least five (5) business days elapse after Park receives the written notice provided for in clause (iii) above and the Anderson Board of Directors continues to consider the Acquisition Proposal to be a Superior Proposal after taking into account in good faith any amendment or modification to this Agreement proposed by Park during such five business day period.

(f) *Change in Recommendation.* By Park, upon written notice to Anderson, if (i) in connection with the presentation of this Agreement to Anderson s shareholders as contemplated by Section 6.02, the Anderson Board of Directors shall have failed to make the Anderson Recommendation; or withdrawn, modified or qualified (or proposed to withdraw, modify or qualify) in any manner adverse to Park, the Anderson Recommendation; or taken any other action or made any other statement in connection with the Anderson Meeting inconsistent with the Anderson Recommendation (any such action in this clause (i), a **Change in Recommendation**), whether or not permitted by the terms of this Agreement, (ii) Anderson materially breached its obligations under this Agreement by reason of a failure to call the Anderson Meeting in accordance with Section 6.02 or the failure to prepare and mail to its shareholders the Proxy Statement/Prospectus in accordance with Section 6.03 or (iii) the Anderson Board of Directors takes the actions described in Section 6.06(a).

8.02 *Effect of Termination and Abandonment; Enforcement of Agreement.*

In the event of termination of this Agreement and the abandonment of the Merger pursuant to this Article Eight, no party to this Agreement shall have any liability or further obligation to any other party hereunder except (a) as set forth in Sections 8.03 and 9.01; and (b) that termination will not relieve a breaching party from liability for any willful breach of this Agreement giving rise to such termination. Notwithstanding anything contained herein to the contrary, the parties hereto agree that irreparable damage will occur in the event that a party breaches any of its obligations, duties, covenants and agreements contained herein. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches or threatened breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in any court of the United States or any state having jurisdiction, this being in addition to any other remedy to which they are entitled by law or in equity.

8.03 *Termination Fee; Expenses.*

(a) *Obligation to Pay Termination Fee.* Anderson shall pay to Park, by wire transfer of immediately available funds, a termination fee in the amount of $600,000 (the **Termination Fee**) if:

(i) this Agreement is terminated by Anderson pursuant to Section 8.01(e); or

(ii) (A) this Agreement is terminated by Park pursuant to Section 8.01(b)(ii) as a result of a willful breach by Anderson or 8.01(f), or by Park or Anderson pursuant to Section 8.01(d)(ii); and (B) at any time after the date of this Agreement and prior to any such termination, an Acquisition Proposal with respect to Anderson shall have been publicly announced, publicly proposed or commenced; and (C) within 12 months after the date of such termination, Anderson shall have entered into an agreement relating to such previously announced Acquisition Proposal or such previously announced Acquisition Proposal shall have been consummated. No termination fee shall be paid unless all of the conditions set forth in subclauses (A), (B) and (C), above, have occurred.

(b) The Termination Fee shall be payable (i) on the date of termination of this Agreement in the case of clause (a)(i) above; and (ii) two (2) business days after the first to occur of the execution of the agreement relating to an Acquisition Proposal or consummation of the Acquisition Proposal in the case of clause (a)(ii) above. Upon payment of the Termination Fee and Out of Pocket Expenses in accordance with this Section 8.03, Anderson shall

Table of Contents

have no further liability to Park at law or in equity with respect to such termination under Section 8.01(e), 8.01(b) or 8.01(f), or with respect to this Agreement.

(c) If an Acquisition Proposal has been made known to Anderson and made known to Anderson s shareholders generally or has been made directly to its shareholders generally or any person has publicly announced an intention (whether or not conditional) to make a bona fide Acquisition Proposal and such Acquisition Proposal or announced intention has not been withdrawn, and thereafter this Agreement is terminated pursuant to Section 8.01(c) by Park as a result of knowing action or inaction of Anderson, and within six (6) months following the termination pursuant to Section 8.01(c), Anderson enters in an agreement with the person making any of the above-mentioned Acquisition Proposals, then Anderson shall promptly (but not later than two business days after signing an agreement with the person making the Acquisition Proposal) pay to Park an amount (not to exceed $250,000 in the aggregate) equal to all documented out-of-pocket expenses and fees incurred by Park (including, without limitation, fees and expenses payable to all legal, accounting, financial, public relations and other professional advisors arising out of or in connection with or related to the Merger or the other transactions contemplated by this Agreement) (**Out-of-Pocket Expenses**), and Park may pursue any remedies available to it at law or in equity and will, in addition to its Out-of-Pocket Expenses (which are to be paid as specified above), be entitled to receive such additional amounts as such non-breaching party may be entitled to receive at law or in equity, but in no event shall such additional amounts plus the Out-of-Pocket Expenses exceed $600,000 in total.

ARTICLE NINE

MISCELLANEOUS

9.01 *Survival*

None of the representations or warranties in this Agreement or any instrument delivered pursuant to this Agreement shall survive the Effective Time. The covenants and agreements in this Agreement shall survive after the date of this Agreement in accordance with their terms. Notwithstanding the foregoing, no representations, warranties, covenants or agreements shall be deemed to be terminated or extinguished so as to deprive Park or the Surviving Association (or any director, officer or controlling person thereof) of any defense in law or equity which otherwise would be available against the claims of any person.

9.02 *Notices*

All notices, requests, demands and other communications required or permitted to be given to a party under this Agreement shall be given in writing and shall be deemed to have been duly given: (a) on the date of delivery, if personally delivered or sent by telecopy or telefacsimile (with confirmation of receipt), (b) on the first business day following the date of dispatch, if delivered by a recognized next-day courier service, or (c) on the third business day following the date of mailing, if sent by registered or certified mail, postage prepaid, return receipt requested. All such notices, requests, demands and other communications shall be delivered to such party at its address set forth below or such other address as such party may specify by notice to the parties hereto:

If to Anderson, to:

Anderson Bank Company
1075 Nimitzview Drive
Cincinnati, Ohio 45230
Attn: James R. Gudmens
Facsimile Number: (513) 232-1316

With copies (which shall not constitute notice) to:

Frost Brown Todd LLC
2200 PNC Center
201 East Fifth Street
Cincinnati, Ohio 45202
Attn: Neil Ganulin
Facsimile Number: (513) 651-6981

Table of Contents

and

Wallace Boggs Colvin Rouse Bushelman PLLC
1881 Dixie Highway, Suite 350
Ft. Wright, Kentucky 41011
Attn: David H. Wallace
Facsimile Number: (859) 331-5337

If to Park, to:

Park National Corporation
50 North Third Street
Newark, Ohio 43055
Attn: C. Daniel DeLawder
Facsimile Number: (740) 349-3765

With a copy (which shall not constitute notice) to:

Vorys, Sater, Seymour and Pease LLP
52 East Gay Street
Columbus, Ohio 43215
Attn: Elizabeth Turrell Farrar, Esq.
Facsimile Number: (614) 719-4708

If to PNB, to:

The Park National Bank
50 North Third Street
Newark, Ohio 43055
Attn: C. Daniel DeLawder
Facsimile Number: (740) 349-3765

With a copy (which shall not constitute notice) to:

Vorys, Sater, Seymour and Pease LLP
52 East Gay Street
Columbus, Ohio 43215
Attn: Elizabeth Turrell Farrar, Esq.
Facsimile Number: (614) 719-4708

9.03 *Counterparts*

This Agreement may be executed in one or more counterparts, each of which shall be considered one and the same agreement and shall become effective when both counterparts have been signed by each of the parties, and delivered to the other party; it being understood that all parties need not sign the same counterpart.

9.04 *Entire Agreement*

This Agreement (including the exhibits, documents and instruments referred to herein) represents the entire agreement of the parties hereto with reference to the transactions contemplated hereby and thereby and this Agreement supersedes any and all other oral or written agreements and understandings.

9.05 *Successors and Assigns*

This Agreement shall inure to the benefit of and be binding upon the respective successors and assigns (including successive, as well as immediate, successors and permitted assigns) of the parties hereto. Neither this Agreement nor any of the rights, interests or obligations of the parties hereunder shall be assigned by any party hereto without the prior written consent of the other parties, and any attempt to make any such assignment without such consent shall be null and void.

Table of Contents

9.06 *Interpretation; Effect*

When a reference is made in this Agreement to Sections, Exhibits or Schedules, such reference shall be to a Section of, or Exhibit or Schedule to, this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and are not part of this Agreement. Whenever the words include , includes or including are used in this Agreement, they shall be deemed to be followed by the words without limitation. References herein to transaction contemplated by this Agreement include the Merger as well as the other transactions contemplated hereby. No rule of construction against the draftsperson shall be applied in connection with the interpretation or enforcement of this Agreement. All references to dollars or $ mean the lawful currency of the United States unless otherwise indicated. Any reference in this Agreement to any law, rule or regulation shall be deemed to include a reference to any amendments, revisions or successor provisions to such law, rule or regulation.

9.07 *Governing Law*

This Agreement shall be governed by, and construed in accordance with, the laws of the State of Ohio applicable to contracts made and to be performed entirely within such State (except to the extent that mandatory provisions of federal law are applicable).

9.08 *Payment of Fees and Expenses*

Each party hereto will bear all expenses incurred by it in connection with this Agreement and the transactions contemplated hereby, except that Park and PNB, on the one hand, and Anderson, on the other, will each bear and pay one-half of the following expenses: the costs (excluding the fees and disbursements of legal counsel, financial advisors and accountants) incurred in connection with the preparation (including copying and printing and distributing) of the Registration Statement and the Proxy Statement/Prospectus.

9.09 *Waiver; Amendment*

Prior to the Effective Time, any provision of this Agreement may be (a) waived by the party benefited by the provision, or (b) amended or modified at any time, in each case, by an agreement in writing between the parties hereto executed in the same manner as this Agreement, except that after the Anderson Meeting, this Agreement may not be amended if it would violate the applicable provisions of Titles 11 and 17 of the Ohio Revised Code, the laws of the United States applicable to national banking associations or the federal securities laws. The rights and remedies of the parties to this Agreement are cumulative and not alternative. Neither the failure nor any delay by any party in exercising any right, power or privilege under this Agreement or the documents referred to in this Agreement will operate as a waiver of such right, power or privilege, and no single or partial exercise of any such right, power or privilege will preclude any other or further exercise of such right, power or privilege or the exercise of any other right, power or privilege.

9.10 *Anderson Disclosure Schedule*

In the event of any inconsistency between the statements in the body of this Agreement and those in the Anderson Disclosure Schedule (other than an exception expressly set forth in the Anderson Disclosure Schedule with respect to a specifically identified representation or warranty), the statements in the body of this Agreement will control.

9.11 *No Third-Party Rights*

Except as specifically set forth herein, nothing in this Agreement, whether expressed or implied, is intended to confer upon any person, other than the parties to this Agreement or their respective successors, any rights, remedies,

obligations or liabilities under or by reason of this Agreement.

9.12 *Waiver of Jury Trial*

Each of the parties hereto irrevocably waives any and all right to trial by jury in any legal proceeding arising out of or related to this Agreement or the transactions contemplated hereby.

Table of Contents

9.13 *Severability*

Any term or provision of this Agreement that is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability and, unless the effect of such invalidity or unenforceability would prevent the parties from realizing the major portion of the economic benefits of the Merger that they currently anticipate obtaining therefrom, shall not render invalid or unenforceable the remaining terms and provisions of this Agreement or affect the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as is enforceable.

9.14 *Amendment and Restatement*

The Amended and Restated Agreement and Plan of Merger dated to be effective as of August 14, 2006 among Park, PNB and Anderson is amended, restated and superseded in its entirety by this Agreement.

[Remainder of page intentionally left blank; signatures on following page

Table of Contents

IN WITNESS WHEREOF, this Second Amended and Restated Agreement and Plan of Merger has been executed on behalf of Park, PNB and Anderson to be effective as of the date set forth in the first paragraph above.

ATTEST:	PARK NATIONAL CORPORATION
/s/ David L. Trautman	By: /s/ C. Daniel DeLawder
David L. Trautman, President and Secretary	Printed Name: C. Daniel DeLawder Title: Chairman of the Board and Chief Executive Officer
ATTEST:	THE PARK NATIONAL BANK
/s/ Brenda L. Kutan	By: /s/ C. Daniel DeLawder
Brenda L. Kutan, Secretary	Printed Name: C. Daniel DeLawder Title: Chairman of the Board and Chief Executive Officer
ATTEST:	ANDERSON BANK COMPANY
/s/ Thomas P. Finn	By: /s/ James R. Gudmens
Thomas P. Finn, Corporate Secretary	Printed Name: James R. Gudmens Title: President and Chief Executive Officer

Table of Contents

EXHIBIT A

FIRPTA Certification
Anderson Bank Company

Anderson Bank Company was not a United States real property holding company for purposes of Section 897(c)(2) of the Internal Revenue Code of 1986, as amended, at any time during the five-year period ending on the date hereof.

As of the date hereof, no interest in Anderson Bank Company is a U.S. real property interest for purposes of Treasury Department Regulations Sections 1.897-2(g)(1)(ii) and (h)(1)(i).

The undersigned responsible officer of Anderson Bank Company hereby certifies under penalties of perjury that this statement is correct to such officer s knowledge and belief, and that such officer has authority to sign this statement on behalf of Anderson Bank Company.

ANDERSON BANK COMPANY

By: ___
Print Name: ___
Title: ___
Date: ___

Table of Contents

EXHIBIT B

Form of Anderson Affiliate Letter

Park National Corporation
50 North Third Street
Newark, Ohio 43055

Ladies and Gentlemen:

I have been advised that, as of the date hereof, I may be deemed to be an affiliate of Anderson Bank Company, an Ohio state-chartered commercial bank (Anderson), as the term affiliate is defined for purposes of paragraphs (c) and (d) of Rule 145 of the Rules and Regulations (the Rules and Regulations) of the Securities and Exchange Commission (the Commission) promulgated under the Securities Act of 1933, as amended (the 1933 Act).

Pursuant to the terms of the Second Amended and Restated Agreement and Plan of Merger, dated to be effective as of August 14, 2006 (the Merger Agreement), by and among Anderson, The Park National Bank, a national banking association (PNB), and Park National Corporation, an Ohio corporation (Park), providing for the merger of Anderson with and into PNB (the Merger), and as a result of the Merger, I may receive Park Shares, in exchange for Anderson Shares owned by me at the Effective Time (as defined and determined pursuant to the Merger Agreement). This letter is being delivered pursuant to Section 6.07 of the Merger Agreement.

As used herein, Anderson Shares means the common shares, $4.00 par value per share, of Anderson, and Park Shares means the common shares, without par value, of Park.

I represent, warrant and covenant to Park that if I receive any Park Shares as a result of the Merger:

A. I shall not make any sale, transfer or other disposition of any Park Shares (including any securities which may be paid as a dividend or otherwise distributed thereon) acquired by me in the Merger in violation of the 1933 Act or the Rules and Regulations.

B. I have carefully read this letter and the Merger Agreement and have discussed their requirements and other applicable limitations upon my ability to sell, transfer or otherwise dispose of Park Shares (including any securities which may be paid as a dividend or otherwise distributed thereon) to the extent I felt necessary, with my legal counsel or legal counsel for Anderson. I understand that Park is relying on the representations I am making in this letter and I hereby agree to hold harmless and indemnify Park and its officers and directors from and against any losses, claims, damages, expenses (including reasonable attorneys fees) or liabilities (Losses) to which Park or any officer or director of Park may become subject under the 1933 Act or otherwise as a result of the untruth, breach or failure of such representations.

C. I have been advised that the issuance of Park Shares to me pursuant to the Merger will have been registered with the Commission under the 1933 Act on a Registration Statement on Form S-4. However, I have also been advised that since I may be deemed to be an affiliate of Anderson under the Rules and Regulations at the time the Merger Agreement was submitted for a vote of the shareholders of Anderson, that the Park Shares (including any securities which may be paid as a dividend or otherwise distributed thereon) must be held by me indefinitely unless (i) my subsequent distribution of Park Shares (or other securities) has been registered under the 1933 Act; (ii) a sale of the Park Shares (or other securities) is made in conformity with the volume and other applicable limitations of a transaction permitted by Rule 145 promulgated by the Commission under the 1933 Act and as to which Park has received satisfactory evidence of the compliance and conformity with said Rule, or (iii) a transaction in which, in the

opinion of counsel reasonably acceptable to Park or in accordance with a no-action letter from the Commission, some other exemption from registration is available with respect to any such proposed sale, transfer or other disposition of the Park Shares (or other securities).

Table of Contents

D. I understand that Park is under no obligation to register under the 1933 Act the sale, transfer or other disposition by me or on my behalf of any Park Shares acquired by me in the Merger or to take any other action necessary in order to make an exemption from such registration available.

E. I also understand that stop transfer instructions will be given to Park s transfer agent with respect to any Park Shares (including any securities which may be paid as a dividend or otherwise distributed thereon) that I may receive in the Merger and that there will be placed on the certificates for the Park Shares acquired by me in the Merger, or any substitutions therefor, a legend stating in substance:

The common shares represented by this certificate have been issued or transferred to the registered holder as a result of a transaction to which Rule 145 promulgated under the Securities Act of 1933, as amended, applies.

The common shares represented by this certificate may only be transferred in accordance with the terms of an agreement dated , 2006 between the registered holder hereof and the issuer of the certificate, a copy of which agreement will be mailed to the holder hereof without charge within five days after receipt of written request therefor.

F. I also understand that unless the transfer by me of my Park Shares has been registered under the 1933 Act or is a sale made in conformity with the provisions of Rule 145, Park reserves the right to put the following legend on the certificates issued to my transferee:

The common shares represented by this certificate have not been registered under the Securities Act of 1933 and were acquired from a person who received such common shares in a transaction to which Rule 145 promulgated under the Securities Act of 1933 applies. The common shares may not be sold, pledged, transferred or otherwise disposed of except in accordance with an exemption from the registration requirements of the Securities Act of 1933.

It is understood and agreed that the legends set forth in paragraphs E and F above shall be removed and any stop order instructions with respect thereto shall be cancelled upon receipt of advice from counsel in form and substance reasonably satisfactory to Park that such actions are appropriate under the then-existing circumstances.

Very truly yours,

Printed Name: ___
Date: ___

Accepted this day of
, 2006

PARK NATIONAL CORPORATION.

By: ___
Printed Name: ___
Title: ___

Table of Contents

ANNEX B

Professional Bank Services, Inc.

Atlanta, Chicago,
Louisville, Nashville,
Ocala

Consultants to the
Financial Industry

The 1000 Building
6200 Dutchman s Lane, Suite 305
Louisville, Kentucky 40205

502 451-6633
502 451-6755 (FAX)
800-523-4778 (WATS)

Professional Bank Services

August 11, 2006

Board of Directors
Anderson Bank Company
1075 Nimitzview Drive
Cincinnati, Ohio 45230

Dear Members of the Board:

You have requested our opinion as investment bankers as to the fairness, from a financial perspective, to the common shareholders of Anderson Bank Company, Cincinnati, Ohio (the Bank or Anderson) of the proposed merger of the Bank with the Park National Bank, a subsidiary of Park National Corporation, Newark, Ohio (Park) (the Merger). In the proposed Merger, Anderson shareholders will receive an aggregate of 1) 86,137 Park common shares (the Stock Consideration) and 2) $9,054,343 (the Cash Consideration) for all Anderson common shares and Anderson Stock Options outstanding, subject to adjustment under Section 2.01(a)(ii)(B), as further defined in the Agreement and Plan of Merger by and among Park, the Park National Bank and Anderson (the Agreement). Under the terms of the Agreement, Anderson shareholders may elect to receive 100% cash or 100% Park common shares or a combination of both cash and Park common shares for each Anderson common share subject to adjustment if either the Cash Consideration or Stock Consideration is over subscribed. The per share cash value to be received by Anderson s shareholders is determined by (1) multiplying the Stock Consideration by the average closing price of Park s common shares over the 10 consecutive trading days ending three business days prior to the Effective Time of the transaction (the Measuring Price) plus (2) the Cash Consideration (3) divided by Anderson s 549,800 common shares which will be outstanding at the Effective Time if all of Anderson s remaining stock options are exercised (the Per Share Consideration). The stock value per share to be received by Anderson s shareholders electing Park common shares is determined by dividing the Per Share Consideration by the Park Measuring Price multiplied by the Park stock price at the Effective Time.

Professional Bank Services, Inc. (PBS) is a bank consulting firm and as part of its investment banking business is continually engaged in reviewing the fairness, from a financial perspective, of bank acquisition transactions, and in the valuation of banks and other businesses and their securities in connection with mergers, acquisitions, estate settlements and other purposes.

For purposes of this opinion, PBS performed a review and analysis of the historic performance of Anderson including:

December 31, 2003, 2004 and 2005 audited annual reports of the Bank.

December 31, 2004, June 30, 2005, September 30, 2005, December 31, 2005 and March 31, 2006 Consolidated Report of Condition and Income (Call Reports) for Anderson.

Table of Contents

June 30, 2006 internal financial statements of the Bank.

Uniform Bank Performance Reports as of December 31, 2005 and March 31, 2006 for the Bank.

The Bank s 2006 operating budget and various internal asset quality, interest rate sensitivity, liquidity, deposit and loan portfolio reports.

We have reviewed and tabulated statistical data regarding the loan portfolio, securities portfolio and other performance ratios and statistics. Financial projections were prepared and analyzed as well as other financial studies, analyses and investigations as deemed relevant for the purposes of this opinion. In review of the aforementioned information, we have taken into account our assessment of general market and financial conditions, our experience in other transactions, and our knowledge of the banking industry generally.

A limited scope due diligence review of Park has been performed by PBS, which included an on-site visit by PBS personnel on July 19, 2006 through July 21, 2006, utilizing various management and financial data of Park. The review included the following:

All Forms 10-Q, 10-K, 8-K and DEF 14A reports for 2003, 2004, 2005 and year to date 2006 filed by Park with the Securities and Exchange Commission.

Year-end 2003, 2004 and 2005 audited annual reports of Park.

Certain 2005 and year-to-date 2006 Park Board of Directors reports and Committee reports.

December 31, 2005 and March 31, 2006 Federal Reserve FY- 9 Consolidated Report of Condition and Income for Park.

Most recent Uniform Holding Company Performance Report for Park.

Current consolidated listing of investment portfolio holdings with book and market values.

Current consolidated month-end delinquency and non-accrual reports for Park.

Current and historical consolidated analysis of the allowance for loan and lease losses for Park.

Current consolidated internal loan reports, consolidated problem loan listing with classifications.

Various other current internal financial and operating reports prepared by Park.

We have not compiled or audited the financial statements of Anderson or Park, nor have we independently verified any of the information reviewed; we have relied upon such information as being complete and accurate in all material respects. We have not made independent evaluation of the assets of Anderson or Park.

Based on the foregoing and all other factors deemed relevant, it is our opinion as investment bankers, that, as of the date hereof, the consideration proposed to be received by the shareholders of Anderson under the Agreement is fair and equitable from a financial perspective.

Very truly yours,

Professional Bank Services, Inc.

Table of Contents

November 13, 2006

Board of Directors
Anderson Bank Company
1075 Nimitzview Drive
Cincinnati, Ohio 45230

Dear Members of the Board:

To our knowledge, nothing of a material nature has occurred since the issuance of our Fairness Opinion (the Opinion) to the Board of Directors of Anderson Bank Company, Cincinnati, Ohio (Anderson) dated August 11, 2006, that would cause us to alter or rescind the Opinion. The Opinion is related to the fairness from a financial perspective, to the common shareholders of Anderson, regarding the proposed transaction as outlined in the 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 (the Agreement).

Very truly yours,

Professional Bank Services, Inc.

Table of Contents

ANNEX C

**Dissenters Rights under 12 U.S.C. Section 215a(b)-(d)
and Sections 1115.19 and 1701.85 of the Ohio Revised Code**

12 U.S.C. Section 215a. Merger of national banks or State banks into national banks.

(b) Dissenting shareholders

If a merger shall be voted for at the called meetings by the necessary majorities of the shareholders of each association or State bank participating in the plan of merger, and thereafter the merger shall be approved by the Comptroller, any shareholder of any association or State bank to be merged into the receiving association who has voted against such merger at the meeting of the association or bank of which he is a stockholder, or has given notice in writing at or prior to such meeting to the presiding officer that he dissents from the plan of merger, shall be entitled to receive the value of the share so held by him when such merger shall be approved by the Comptroller upon written request made to the receiving association at any time before thirty days after the date of consummation of the merger, accompanied by the surrender of his stock certificates.

(c) Valuation of shares

The value of the shares of any dissenting shareholder shall be ascertained, as of the effective date of the merger, by an appraisal made by a committee of three persons, composed of (1) one selected by the vote of the holders of the majority of the stock, the owners of which are entitled to payment in cash; (2) one selected by the directors of the receiving association; and (3) one selected by the two so selected. The valuation agreed upon by any two of the three appraisers shall govern. If the value so fixed shall not be satisfactory to any dissenting shareholder who has requested payment, that shareholder may, within five days after being notified of the appraised value of his shares, appeal to the Comptroller, who shall cause a reappraisal to be made which shall be final and binding as to the value of the shares of the appellant.

(d) Application to shareholders of merging associations: appraisal by Comptroller; expenses of receiving association; sale and resale of shares; State appraisal and merger law

If, within ninety days from the date of consummation of the merger, for any reason one or more of the appraisers is not selected as herein provided, or the appraisers fail to determine the value of such shares, the Comptroller shall upon written request of any interested party cause an appraisal to be made which shall be final and binding on all parties. The expenses of the Comptroller in making the reappraisal or the appraisal, as the case may be, shall be paid by the receiving association. The value of the shares ascertained shall be promptly paid to the dissenting shareholders by the receiving association. The shares of stock of the receiving association which would have been delivered to such dissenting shareholders had they not requested payment shall be sold by the receiving association at an advertised public auction, and the receiving association shall have the right to purchase any of such shares at such public auction, if it is the highest bidder therefor, for the purpose of reselling such shares within thirty days thereafter to such person or persons and at such price not less than par as its board of directors by resolution may determine. If the shares are sold at public auction at a price greater than the amount paid to the dissenting shareholders, the excess in such sale price shall be paid to such dissenting shareholders. The appraisal of such shares of stock in any State bank shall be determined in the manner prescribed by the law of the State in such cases, rather than as provided in this section, if such provision is made in the State law; and no such merger shall be in contravention of the law of the State under which such bank is incorporated. The provisions of this subsection shall apply only to shareholders of (and stock

owned by them in) a bank or association being merged into the receiving association.

Section 1115.19. Payment of fair cash value of shares to dissenting shareholders.

Unless the articles of incorporation of the state bank otherwise provide, any shareholder of a state bank that has been consolidated or merged with, or whose assets have been transferred to, another state bank or a national bank, savings bank, or savings association pursuant to any provision of this chapter other than section 1115.15 of the Revised Code, who did not vote in favor of the consolidation, merger, or transfer, shall be paid the fair cash value, as

Table of Contents

of the day before the vote was taken authorizing the action, of the shares held, excluding from the fair cash value any appreciation or depreciation in consequence of the consolidation, merger, or transfer which entitled the shareholder to this relief. Section 1701.85 of the Revised Code shall govern with respect to the shareholder s rights and any limitations on those rights. Any shareholder who does not object and demand in writing the payment of the fair cash value of the shares in the manner and at the time provided in section 1701.85 of the Revised Code, shall be bound by the vote of the board of directors or the assenting shareholders of the state bank.

Section 1701.85. Dissenting shareholder s demand for fair cash value of shares.

(A) (1) A shareholder of a domestic corporation is entitled to relief as a dissenting shareholder in respect of the proposals described in sections 1701.74, 1701.76, and 1701.84 of the Revised Code, only in compliance with this section.

(2) If the proposal must be submitted to the shareholders of the corporation involved, the dissenting shareholder shall be a record holder of the shares of the corporation as to which the dissenting shareholder seeks relief as of the date fixed for the determination of shareholders entitled to notice of a meeting of the shareholders at which the proposal is to be submitted, and such shares shall not have been voted in favor of the proposal. Not later than ten days after the date on which the vote on the proposal was taken at the meeting of the shareholders, the dissenting shareholder shall deliver to the corporation a written demand for payment to the dissenting shareholder of the fair cash value of the shares as to which the dissenting shareholder seeks relief, which demand shall state the dissenting shareholder s address, the number and class of such shares, and the amount claimed by the dissenting shareholder as the fair cash value of the shares.

(3) The dissenting shareholder entitled to relief under division (C) of section 1701.84 of the Revised Code in the case of a merger pursuant to section 1701.80 of the Revised Code and a dissenting shareholder entitled to relief under division (E) of section 1701.84 of the Revised Code in the case of a merger pursuant to section 1701.801 of the Revised Code shall be a record holder of the shares of the corporation as to which the dissenting shareholder seeks relief as of the date on which the agreement of merger was adopted by the directors of that corporation. Within twenty days after the dissenting shareholder has been sent the notice provided in section 1701.80 or 1701.801 of the Revised Code, the dissenting shareholder shall deliver to the corporation a written demand for payment with the same information as that provided for in division (A)(2) of this section.

(4) In the case of a merger or consolidation, a demand served on the constituent corporation involved constitutes service on the surviving or the new entity, whether the demand is served before, on, or after the effective date of the merger or consolidation. In the case of a conversion, a demand served on the converting corporation constitutes service on the converted entity, whether the demand is served before, on, or after the effective date of the conversion.

(5) If the corporation sends to the dissenting shareholder, at the address specified in the dissenting shareholder s demand, a request for the certificates representing the shares as to which the dissenting shareholder seeks relief, the dissenting shareholder, within fifteen days from the date of the sending of such request, shall deliver to the corporation the certificates requested so that the corporation may endorse on them a legend to the effect that demand for the fair cash value of such shares has been made. The corporation promptly shall return the endorsed certificates to the dissenting shareholder. A dissenting shareholder s failure to deliver the certificates terminates the dissenting shareholder s rights as a dissenting shareholder, at the option of the corporation, exercised by written notice sent to the dissenting shareholder within twenty days after the lapse of the fifteen-day period, unless a court for good cause shown otherwise directs. If shares represented by a certificate on which such a legend has been endorsed are transferred, each new certificate issued for them shall bear a similar legend, together with the name of the original dissenting holder of the shares. Upon receiving a demand for payment from a dissenting shareholder who is the record holder of uncertificated securities, the corporation shall make an appropriate notation of the demand for payment in its

shareholder records. If uncertificated shares for which payment has been demanded are to be transferred, any new certificate issued for the shares shall bear the legend required for certificated securities as provided in this paragraph. A transferee of the shares so endorsed, or of uncertificated securities where such notation has been made, acquires only the rights in the corporation as the original dissenting holder of such shares had immediately after the service of a demand for payment of the fair cash value of the shares. A request under this

Table of Contents

paragraph by the corporation is not an admission by the corporation that the shareholder is entitled to relief under this section.

(B) Unless the corporation and the dissenting shareholder have come to an agreement on the fair cash value per share of the shares as to which the dissenting shareholder seeks relief, the dissenting shareholder or the corporation, which in case of a merger or consolidation may be the surviving or new entity, or in the case of a conversion may be the converted entity, within three months after the service of the demand by the dissenting shareholder, may file a complaint in the court of common pleas of the county in which the principal office of the corporation that issued the shares is located or was located when the proposal was adopted by the shareholders of the corporation, or, if the proposal was not required to be submitted to the shareholders, was approved by the directors. Other dissenting shareholders, within that three-month period, may join as plaintiffs or may be joined as defendants in any such proceeding, and any two or more such proceedings may be consolidated. The complaint shall contain a brief statement of the facts, including the vote and the facts entitling the dissenting shareholder to the relief demanded. No answer to a complaint is required. Upon the filing of a complaint, the court, on motion of the petitioner, shall enter an order fixing a date for a hearing on the complaint and requiring that a copy of the complaint and a notice of the filing and of the date for hearing be given to the respondent or defendant in the manner in which summons is required to be served or substituted service is required to be made in other cases. On the day fixed for the hearing on the complaint or any adjournment of it, the court shall determine from the complaint and from evidence submitted by either party whether the dissenting shareholder is entitled to be paid the fair cash value of any shares and, if so, the number and class of such shares. If the court finds that the dissenting shareholder is so entitled, the court may appoint one or more persons as appraisers to receive evidence and to recommend a decision on the amount of the fair cash value. The appraisers have power and authority specified in the order of their appointment. The court thereupon shall make a finding as to the fair cash value of a share and shall render judgment against the corporation for the payment of it, with interest at a rate and from a date as the court considers equitable. The costs of the proceeding, including reasonable compensation to the appraisers to be fixed by the court, shall be assessed or apportioned as the court considers equitable. The proceeding is a special proceeding and final orders in it may be vacated, modified, or reversed on appeal pursuant to the Rules of Appellate Procedure and, to the extent not in conflict with those rules, Chapter 2505. of the Revised Code. If, during the pendency of any proceeding instituted under this section, a suit or proceeding is or has been instituted to enjoin or otherwise to prevent the carrying out of the action as to which the shareholder has dissented, the proceeding instituted under this section shall be stayed until the final determination of the other suit or proceeding. Unless any provision in division (D) of this section is applicable, the fair cash value of the shares that is agreed upon by the parties or fixed under this section shall be paid within thirty days after the date of final determination of such value under this division, the effective date of the amendment to the articles, or the consummation of the other action involved, whichever occurs last. Upon the occurrence of the last such event, payment shall be made immediately to a holder of uncertificated securities entitled to payment. In the case of holders of shares represented by certificates, payment shall be made only upon and simultaneously with the surrender to the corporation of the certificates representing the shares for which the payment is made.

(C) If the proposal was required to be submitted to the shareholders of the corporation, fair cash value as to those shareholders shall be determined as of the day prior to the day on which the vote by the shareholders was taken and, in the case of a merger pursuant to section 1701.80 or 1701.801 of the Revised Code, fair cash value as to shareholders of a constituent subsidiary corporation shall be determined as of the day before the adoption of the agreement of merger by the directors of the particular subsidiary corporation. The fair cash value of a share for the purposes of this section is the amount that a willing seller who is under no compulsion to sell would be willing to accept and that a willing buyer who is under no compulsion to purchase would be willing to pay, but in no event shall the fair cash value of a share exceed the amount specified in the demand of the particular shareholder. In computing fair cash value, any appreciation or depreciation in market value resulting from the proposal submitted to the directors or to the shareholders shall be excluded.

C-3

Table of Contents

(D) (1) The right and obligation of a dissenting shareholder to receive fair cash value and to sell such shares as to which the dissenting shareholder seeks relief, and the right and obligation of the corporation to purchase such shares and to pay the fair cash value of them terminates if any of the following applies:

(a) The dissenting shareholder has not complied with this section, unless the corporation by its directors waives such failure;

(b) The corporation abandons the action involved or is finally enjoined or prevented from carrying it out, or the shareholders rescind their adoption of the action involved;

(c) The dissenting shareholder withdraws the dissenting shareholder s demand, with the consent of the corporation by its directors;

(d) The corporation and the dissenting shareholder have not come to an agreement as to the fair cash value per share, and neither the shareholder nor the corporation has filed or joined in a complaint under division (B) of this section within the period provided in that division.

(2) For purposes of division (D)(1) of this section, if the merger, consolidation or conversion has become effective and the surviving, new, or converted entity is not a corporation, action required to be taken by the directors of the corporation shall be taken by the partners of a surviving, new, or converted partnership or the comparable representatives of any other surviving, new, or converted entity.

(E) From the time of the dissenting shareholder s giving of the demand until either the termination of the rights and obligations arising from it or the purchase of the shares by the corporation, all other rights accruing from such shares, including voting and dividend or distribution rights, are suspended. If during the suspension, any dividend or distribution is paid in money upon shares of such class or any dividend, distribution, or interest is paid in money upon any securities issued in extinguishment of or in substitution for such shares, an amount equal to the dividend, distribution, or interest which, except for the suspension, would have been payable upon such shares or securities, shall be paid to the holder of record as a credit upon the fair cash value of the shares. If the right to receive fair cash value is terminated other than by the purchase of the shares by the corporation, all rights of the holder shall be restored and all distributions which, except for the suspension, would have been made shall be made to the holder of record of the shares at the time of termination.