ADMINISTRATIVE PROCEEDING
File No. 3-17561

Ohio-Based Bank Settles Charges Due to Understating ALLL

September 21, 2016 – The Securities and Exchange Commission today announced that Park National Corporation, Inc. (Park), an Ohio-based bank holding company, has agreed to pay $500,000 to settle charges that it violated the reporting, internal accounting controls, and books-and-records provisions of the federal securities laws in connection with accounting errors identified as part of the company's restatements filed in early 2012.

An SEC investigation found that, during 2010 and the first three quarters of 2011, Park understated its reported allowance for loan and lease losses (ALLL) by limiting impairments on several problem loans by including cash flows it thought it could collect from the loan guarantors through litigation. Park misapplied generally accepted accounting principles (GAAP) by including cash flows from future possible litigation settlements relating to guarantee agreements that were subject to litigation. Any expected cash flows associated with litigation should not have been included in the impairment measurement for problem loans. In addition, Park's ALLL was also understated as a result of Park's use of improper collateral valuations provided by an outside contractor. The outside contractor, who was not an appraiser, calculated values that were in most instances materially higher than those obtained from professional appraisers. Park did not know what factors or methodology the contractor used to arrive at the valuations and there was no documentation to support the valuations. Park's use of the anticipated guarantor cash flows and the unsubstantiated collateral valuations in impairment calculations was not in accordance with GAAP. Based on these identified errors, on February 28, 2012, Park filed restatements to correct the reported ALLL for fiscal year 2010 and the first three quarters of 2011. The restatements reflected an increase of more than $22 million to Park's provision for loan losses and ALLL and a 25% decrease in income before taxes for fiscal year 2010, with additional adjustments to the relevant 2011 quarters.

The SEC's order finds that Park violated the reporting, internal accounting controls, and books-and-records provisions of the Securities Exchange Act of 1934, including Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1 and 13a-13 thereunder. Without admitting or denying the findings, Park agreed to the entry of a cease-and-desist order and to pay a penalty of $500,000.

The SEC's investigation was conducted by Eugene H. Bull and David Estabrook. The case was supervised by Laura B. Josephs and Scott W. Friestad.

See also: Order