PINNACLE FINANCIAL PARTNERS INC
Form 424B2
June 11, 2009

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Filed Pursuant to Rule 424(b)(2)
Registration No. 333-159395

PROSPECTUS SUPPLEMENT
(TO PROSPECTUS DATED JUNE 4, 2009)

7,700,000 Shares

Common Stock

We are offering 7,700,000 shares of our common stock to be sold in this offering.

Our common stock is traded on the NASDAQ Global Select Market under the symbol PNFP. On June 10, 2009, the closing sale price of our common stock was $14.36 per share, as reported on the NASDAQ Global Select Market.

Investing in our securities involves risks. You should carefully read this prospectus supplement, the accompanying prospectus, our periodic reports and other information we file with the Securities and Exchange Commission, or the SEC, and any information under the heading Risk Factors beginning on page S-7 of this prospectus supplement before making a decision to purchase our securities.

	Per Share	Total
Public offering price	$ 13.00	$ 100,100,000
Underwriting discount	$ 0.65	$ 5,005,000
Proceeds, before expenses, to us	$ 12.35	$ 95,095,000

The underwriters also may purchase up to an additional 1,155,000 shares of our common stock at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus supplement to cover over-allotments, if any.

Neither the SEC, any state securities commission, the Federal Deposit Insurance Corporation, or the FDIC, the Board of Governors of the Federal Reserve System, or the Federal Reserve Board, nor any other regulatory body has approved or disapproved of these securities or passed upon the adequacy or accuracy of this

prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

These securities are not savings accounts, deposits or other obligations of any bank and are not insured or guaranteed by the FDIC or any other governmental agency.

The underwriters expect to deliver the shares to purchasers against payment on or about June 16, 2009.

RAYMOND JAMES

SANDLER O NEILL + PARTNERS, L.P. **SUNTRUST ROBINSON HUMPHREY**

WUNDERLICH SECURITIES, INC.

The date of this prospectus supplement is June 11, 2009.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document consists of two parts. The first part is this prospectus supplement, which describes the specific terms of this offering and certain other matters and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The second part, the accompanying prospectus, gives more general information about us and the common stock offered hereby. Some of the information in the accompanying prospectus may not apply to this offering. Generally, when we refer to the prospectus, we are referring to both parts of this document combined. To the extent the description of this offering in the prospectus supplement differs from the description of our common stock in the accompanying prospectus or any document incorporated by reference filed prior to the date of this prospectus supplement, you should rely on the information in this prospectus supplement.

We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The distribution of this prospectus and the offering of the common stock in certain jurisdictions may be restricted by law. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the common stock and the distribution of this prospectus outside the United States. This prospectus does not constitute, and may not be used in connection with, an offer to sell, or a solicitation of an offer to buy, any common stock offered by this prospectus by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation.

It is important for you to read and consider all of the information contained in this prospectus supplement and the accompanying prospectus, including the documents incorporated by reference therein, in making your investment decision. You should rely only on the information contained in, or incorporated by reference in, this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. This prospectus may only be used where it is legal to sell our common stock. You should not assume that the information that appears in this prospectus supplement, the accompanying prospectus and any document incorporated by reference into this prospectus supplement or the accompanying prospectus is accurate as of any date other than their respective dates. Our business, financial condition, results of operations and prospects may have changed since the date of such information.

Unless this prospectus supplement indicates otherwise or the context otherwise requires, the terms we, our, us, Pinnacle Financial or the Company as used in this prospectus supplement refer to Pinnacle Financial Partners, Inc. and its subsidiaries, including Pinnacle National Bank, which we sometimes refer to as Pinnacle National, the bank, our bank subsidiary or our bank. Unless otherwise expressly stated or the context otherwise requires, all information in this prospectus supplement assumes that the option to purchase additional shares granted to the underwriter is not exercised in whole or in part.

FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the documents incorporated by reference contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. The words expect, anticipate, intend, consider, plan, project, believe, probably, potentially, outlook, seek, similar expressions are intended to identify such forward-looking statements, but other statements may constitute forward-looking statements. These statements should be considered subject to various risks and uncertainties, and are made based upon management s belief as well as assumptions made by, and information currently available to, management pursuant to safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Pinnacle

Financial s actual results may differ materially from the results anticipated in forward-looking statements due to a variety of factors including, without limitation, those described below under Risk Factors, and those described in Item 1A

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Risk Factors of our annual report on Form 10-K for the year ended December 31, 2008, and include, among other factors:

- deterioration in the financial condition of borrowers resulting in significant increases in loan losses and provisions for those losses;
- continuation of the historically low short-term interest rate environment;
- the inability of Pinnacle Financial to continue to grow its loan portfolio at historic rates in the Nashville-Davidson-Murfreesboro-Franklin MSA and the Knoxville MSA;
- changes in loan underwriting, credit review or loss reserve policies associated with economic conditions, examination conclusions, or regulatory developments;
- increased competition with other financial institutions;
- greater than anticipated deterioration or lack of sustained growth in the national or local economies including the Nashville-Davidson-Murfreesboro-Franklin MSA and the Knoxville MSA, particularly in commercial and residential real estate markets;
- rapid fluctuations or unanticipated changes in interest rates;
- the development of any new market other than Nashville or Knoxville;
- a merger or acquisition;
- any activity in the capital markets that would cause Pinnacle Financial to conclude that there was impairment of any asset, including intangible assets;
- the impact of governmental restrictions on entities participating in the Capital Purchase Program of the U.S. Department of the Treasury, or the Treasury; and
- changes in state and federal legislation, regulations or policies applicable to banks and other financial service providers, including regulatory or legislative developments arising out of current unsettled conditions in the economy.

Many of these risks are beyond our ability to control or predict, and you are cautioned not to put undue reliance on such forward-looking statements. Pinnacle Financial does not intend to update or reissue any forward-looking statements contained in this prospectus supplement as a result of new information or other circumstances that may become known to Pinnacle Financial.

PROSPECTUS SUMMARY

This summary highlights some information from this prospectus supplement and the accompanying prospectus, and it may not contain all of the information that is important to you. To understand the terms of the common stock offered hereby, you should read this prospectus supplement and the accompanying prospectus carefully. Together, these documents describe the specific terms of the shares we are offering. You should carefully read the sections entitled Risk Factors in this prospectus supplement and in the accompanying prospectus and the documents identified in the sections Where You Can Find More Information and Incorporation of Certain Information by Reference in this prospectus supplement. Except as otherwise noted, all information in this prospectus supplement assumes no exercise of the underwriter s over-allotment option.

Pinnacle Financial Partners, Inc.

Pinnacle Financial Partners, Inc., is the second-largest bank holding company headquartered in Tennessee, with approximately $5.0 billion in assets as of March 31, 2009 and 33 banking offices throughout the Nashville and Knoxville MSAs. Incorporated on February 28, 2000, we own 100% of the capital stock of Pinnacle National Bank, which is our primary business operation. As of March 31, 2009, we had total deposits of approximately $3.8 billion and shareholders equity of approximately $631.6 million.

We operate as an urban community bank serving the Nashville-Davidson-Murfreesboro-Franklin MSA, which we refer to as the Nashville MSA, and the Knoxville MSA. As an urban community bank, we provide the personalized service most often associated with small community banks, while offering the sophisticated products and services, such as investments and treasury management, often associated with larger financial institutions. Our banking approach has enabled us to move clients from regional and national financial institutions that historically had the largest market shares in the markets we serve. As a result, in less than ten years, we have grown to capture the fourth largest market share in the Nashville MSA.

Our principal business is to originate loans and fund such loans with customer deposits. Our bank also provides fee-income producing ancillary services, including investment, trust and insurance services. We contract with Raymond James Financial Services, Inc., or RJFS, an independent contractor brokerage affiliate of Raymond James Financial, Inc., to offer and sell various securities and other financial products to the public from our bank s locations. We also maintain a trust department which provides fiduciary and investment management services for individual and institutional clients. We have also established Pinnacle Advisory Services, Inc., a registered investment advisor, to provide investment advisory services to our clients. Additionally, Miller Loughry Beach Insurance Services, Inc., a wholly-owned subsidiary of our bank, provides insurance products, particularly in the property and casualty area, to our clients.

Business Strategies

Our business strategies are simple and consist of the following:

- Focus our efforts on small- and medium-sized businesses, real estate professionals and affluent households within the Nashville and Knoxville MSAs. We use one-on-one marketing to establish comprehensive relationships with our clients. As a result, and unlike many of our competitors, we have elected to forego a mass market retail strategy which would include significant expenditures for print and television advertising. Instead, we offer extraordinary convenience to our clients by building a distribution system which includes online banking, telephone banking, remote deposit services and global access to ATMs which provide options to our clients to access our financial services 24/7.

Hire and retain highly experienced and qualified banking and financial professionals with successful track records and, for client contact personnel, established books of business. On average, our senior client contact associates have in excess of 20 years experience in their local market. We have also achieved an annual associate retention rate in excess of 90 percent. We believe we will continue to be successful in attracting more market-best associates to our firm as well as retaining our highly experienced and successful group of associates. Our compensation has traditionally included cash incentives and equity based awards to all associates to promote this employment objective, and our compensation expense has traditionally been higher than our peers as a result.

Provide distinctive service and effective advice through individualized attention to clients with consistent, local decision-making authority and capitalize on customer dissatisfaction that we believe has been caused by our competitors less than satisfactory response to the financial needs of today s sophisticated consumers and small- to medium-sized businesses. Since we began our company, we have surveyed our customers on numerous matters related to their relationship with us. Historically, customer responses indicate that better than 97 percent believe that we are recognizably better than our competitors in customer service.

Offer a full line of financial services from traditional depository and credit products to sophisticated investment, trust and insurance products and services. We offer brokerage products through dual employees licensed by RJFS. As of March 31, 2009, Pinnacle National s brokerage division, Pinnacle Asset Management, had accumulated approximately $671 million in brokerage assets and, in 2008 and 2007, was the top producer among RJFS branches nationwide. Additionally, our trust department had accumulated approximately $544 million in trust assets under management at March 31, 2009. We use our trust department, Pinnacle Asset Management, and our insurance agency subsidiary, Miller Loughry Beach Insurance Services, Inc., to provide a broad array of sophisticated and convenient investment and insurance products and services.

Recent Developments

We expect our second quarter 2009 performance will include several charges that will negatively impact earnings per share for the three and six months ended June 30, 2009. We expect improved performance levels later in the year. Included in our second quarter results are the following:

FDIC Special Insurance Assessment We expect to incur a $2.5 million pre-tax charge relating to the special assessment imposed on all FDIC-insured institutions. The FDIC has indicated that future special assessments are possible, although the FDIC has not determined the magnitude or timing of any possible future special assessments.

Silverton Charge-off On May 1, 2009, we announced that we charged-off a $21.55 million loan to Silverton Financial Services, Inc., after learning that its subsidiary, Silverton Bank, had been placed in receivership by the Office of the Comptroller of the Currency, or the OCC.

Increased Loan Charge-offs Due to continued stress in the residential construction and development market, we anticipate an increased level of charge-offs in our loan portfolio. We currently expect full year 2009 net charge-offs expressed as a percentage of average loans to approximate 0.80% to 1.00%, exclusive of the Silverton charge-off. We expect the majority of these charge-offs will occur in the second quarter.

Increased Allowance For Loan Losses We expect our allowance for loan losses expressed as a percentage of total loans at the end of the second quarter to be within a range of 1.40% to 1.60%. We expect allowance levels for the remainder of 2009 will fluctuate in response to economic conditions in our markets.

Other We are projecting a slight increase in our net interest margin, as a result of improved loan pricing (in part due to interest rate floors) and a decrease in funding costs, although increased non-performing loans will have a negative impact. Additionally, fee income in the second quarter will likely be flat with the first quarter of 2009; however we continue to experience increased mortgage revenues associated with refinancings. We anticipate modest increases in the second half of 2009 from our other fee business primarily attributable to increased personnel in those areas. We expect a modest increase in expenses, excluding the impact of the FDIC special assessment described above, throughout the remainder of the year due to increased personnel and the addition of two new offices scheduled to open within a few months.

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Company Information

We were incorporated in the State of Tennessee on February 28, 2000. Our principal executive offices are located at 211 Commerce Street, Suite 300, Nashville, Tennessee 37201 and our telephone number at these offices is (615) 744-3700. Our internet address is www.pnfp.com. The information contained on our web site is not part of this prospectus supplement.

The Offering

The following summary contains basic information about our common stock and is not intended to be complete. It does not contain all the information that is important to you. For a more complete description of our common stock, see Description of Common Stock beginning on page S-20.

Common stock we are offering	7,700,000 shares of our common stock, par value $1.00 per share.
Option to purchase additional shares	The underwriter may purchase up to an additional 1,155,000 shares of common stock from us at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus supplement.
Common stock outstanding after this offering (1)(2)	31,775,173 shares
Net proceeds	The net proceeds of this offering will be approximately $94,795,000 (after deducting offering expenses payable by us) based on the public offering price of $13.00 per share.
Use of proceeds	We intend to use the net proceeds of this offering for general corporate purposes, including additional capital contributions to Pinnacle National. After completion of an evaluation of our capital position, and discussions with our primary regulators, we may seek regulatory approval to redeem all of the shares of our Fixed Rate Cumulative Perpetual Preferred Stock, Series A, which we refer to as our Series A preferred stock, which we issued to the Treasury as part of the Capital Purchase Program, or the CPP, under the Troubled Asset Relief Program, or TARP. We will undertake the proposed redemption with our available cash resources. In addition, we may purchase the remaining outstanding portion of the warrants we issued to the Treasury in connection with that transaction. There can be no assurance as to when, or if, we can redeem our Series A preferred stock or whether we will repurchase the outstanding portion of the warrants following the redemption of the Series A preferred stock.
NASDAQ Global Select Market symbol	PNFP
Risk Factors	An investment in our common stock involves certain risks. You should carefully consider the risks described below under the heading Risk Factors, before you purchase any shares of our common stock.

(1) The number of shares of common stock outstanding immediately after the closing of this offering is based on 24,075,173 shares of common stock outstanding as of June 9, 2009.

(2) Unless otherwise indicated, the number of shares of common stock presented in this prospectus supplement excludes 1,155,000 shares issuable pursuant to the exercise of the underwriter s over-allotment

option, 2,156,421 shares of common stock issuable upon exercise of outstanding options under our equity incentive plans as of June 9, 2009 and 879,910 shares of common stock issuable upon the exercise of various warrants (including the warrant for 534,910 shares of common stock held by the Treasury). Of the options and warrants outstanding as of June 9, 2009, 1,605,981 options were exercisable as of that date at a weighted average exercise price of $13.80. The exercise price for the 534,910 warrants held by the Treasury is $26.64 and for the 345,000 warrants held by our organizers is $5.00.

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Summary Consolidated Financial Data

The following table sets forth summary historical consolidated financial data from our consolidated financial statements and should be read in conjunction with our consolidated financial statements including the related notes and Management s Discussion and Analysis of Financial Condition and Results of Operations set forth in our annual report on Form 10-K for the year ended December 31, 2008 and incorporated by reference into this prospectus supplement. Except for the data under Performance Ratios and Other Data and Asset Quality Ratios, the summary historical consolidated financial data as of December 31, 2008, 2007, 2006, 2005 and 2004 and for the years ended December 31, 2008, 2007, 2006, 2005 and 2004 is derived from our audited consolidated financial statements and related notes, which were audited by KPMG LLP, an independent registered public accounting firm. The summary historical consolidated financial data as of and for the three months ended March 31, 2009 and March 31, 2008 is derived from unaudited consolidated financial statements for those periods included in our quarterly reports on Form 10-Q for those periods. The unaudited consolidated financial statements include all adjustments, consisting only of normal recurring items, which our management considers necessary for a fair presentation of our financial position and results of operations for these periods filed in our quarterly report on Form 10-Q for the quarter ended March 31, 2009. The financial condition and results of operations as of and for the three months ended March 31, 2009 do not purport to be indicative of the financial condition or results of operations to be expected as of or for the fiscal year ending December 31, 2009. For more information, see the sections entitled Where You Can Find More Information and Incorporation Of Certain Information By Reference.

	Three Months Ended		For the Years Ended December 31,				
	March 31, 2009	March 31, 2008	2008	2007	2006	2005	2004
	(Unaudited)						
	(In thousands, except per share data, ratios and percentages)						
Statement of Financial Condition Data:							
Total assets	$ 4,952,151	$ 3,889,286	$ 4,754,075	$ 3,794,170	$ 2,142,187	$ 1,016,772	$ 727,139
Loans, net of unearned income	3,473,959	2,866,536	3,354,907	2,749,641	1,497,735	648,024	472,362
Allowance for loan losses	45,334	29,871	36,484	28,470	16,118	7,858	5,650
Total securities	868,472	505,377	849,781	522,685	346,494	279,080	208,170
Goodwill and core deposit intangibles	260,233	260,043	261,032	260,900	125,673		
Deposits and securities sold under agreements to repurchase	3,960,548	3,138,211	3,717,544	3,081,390	1,763,427	875,985	602,655
Advances from FHLB and other borrowings	222,039	168,606	273,609	141,666	53,726	41,500	53,500
Subordinated debt	97,476	82,476	97,476	82,476	51,548	30,929	10,310
Stockholders equity	631,646	477,158	627,298	466,610	256,017	63,436	57,880
Income Statement Data:							

Interest income	$ 49,518	$ 52,161	$ 206,082	$ 150,931	$ 109,696	$ 46,308	$ 27,679
Interest expense	20,818	24,802	91,867	75,219	48,743	17,270	7,415
Net interest income	28,700	27,359	114,215	75,712	60,953	29,038	20,264
Provision for loan losses	13,610	1,591	11,214	4,720	3,732	2,152	2,948
Net interest income after provision for loan losses	15,091	25,768	103,001	70,992	57,221	26,886	17,316
Noninterest income	13,136	8,367	34,718	22,521	15,786	5,394	4,978
Noninterest expense	25,243	25,492	94,478	60,480	46,624	21,032	14,803
Income before income taxes	2,983	8,644	43,241	33,033	26,383	11,248	7,491
Income tax expense	893	2,579	12,367	9,992	8,456	3,193	2,172
Net income	$ 2,090	$ 6,065	$ 30,874	$ 23,041	$ 17,927	$ 8,055	$ 5,319
Preferred dividends and accretion on common stock warrants	1,447		309				
Net income available to common stockholders	$ 643	$ 6,065	$ 30,565	$ 23,041	$ 17,927	$ 8,055	$ 5,319

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	Three Months Ended March 31, 2009	March 31, 2008	2008	2007	2006	2005	2004
	(Unaudited)		For the Years Ended December 31,				
	(In thousands, except per share data, ratios and percentages)						
hare Data:							
gs per share ble to on olders basic	$ 0.03	$ 0.27	$ 1.34	$ 1.43	$ 1.28	$ 0.96	$ 0
ted average outstanding	23,510,944	22,331,398	22,793,699	16,100,076	13,954,077	8,408,663	7,750,9
gs per share ble to on olders d	$ 0.03	$ 0.26	$ 1.27	$ 1.34	$ 1.18	$ 0.85	$ 0
ted average outstanding d	24,814,408	23,484,754	24,053,972	17,255,543	15,156,837	9,464,500	8,698,
value per on share	$ 22.57	$ 21.22	$ 22.68	$ 20.96	$ 16.57	$ 7.53	$ 6
non shares nding at end od	24,060,703	22,467,263	23,762,124	22,264,817	15,446,074	8,426,551	8,389,
rmance s and Other							
n on average (1)	0.05%	0.65%	0.74%	0.96%	1.01%	0.93%	0
n on average olders (1)	0.41%	5.14%	6.13%	8.34%	8.66%	13.23%	12
terest n(2)	2.72%	3.37%	3.17%	3.55%	3.90%	3.60%	3
terest (3)	2.43%	2.94%	2.78%	2.88%	3.20%	3.16%	3
terest e to average	1.09%	0.89%	0.84%	0.94%	0.89%	0.62%	0
terest se to average	2.10%	2.71%	2.30%	2.53%	2.61%	2.42%	2
ency ratio(4)	60.34%	71.35%	63.43%	61.57%	60.76%	61.08%	58
ge loan to e deposit	93.64%	95.84%	97.70%	94.88%	88.73%	81.3%	7

ge t-earning to average t-bearing ies	114.80%	114.30%	115.27%	119.46%	122.10%	120.0%	12
ge equity to e total assets	13.03%	12.57%	12.15%	11.56%	11.64%	7.00%	7
Quality s:							
ance for loan to crual loans	133.87%	174.44%	335.95%	144.69%	227.98%	1708.26%	1007
ance for loan to total loans	1.30%	1.04%	1.09%	1.04%	1.08%	1.21%	1
rforming to total	1.08%	0.53%	0.61%	0.56%	0.37%	0.05%	0
crual loans l loans	0.97%	0.60%	0.32%	0.72%	0.47%	0.07%	0
an -offs eries) to e loans(1)	0.56%	0.03%	0.11%	0.06%	0.05%	(0.01)%	0
al Ratios:							
age(5)	9.7%	8.6%	10.5%	11.6%	9.5%	9.9%	
risk-based .	11.8%	9.5%	12.1%	9.5%	10.9%	11.7%	1
isk-based .	13.3%	10.4%	13.5%	10.4%	11.8%	12.6%	1

(1) Ratios and data for the three months ended March 31, 2009, and March 31, 2008 are annualized.

(2) Net interest margin is the result of net interest expense for the period divided by average interest earning assets.

(3) Net interest spread is the result of the difference between the interest yield earned on interest earning assets less the interest paid on interest-bearing liabilities.

(4) Efficiency ratio is the result of noninterest expense divided by the sum of net interest income and noninterest income.

(5) Leverage ratio is defined as Tier 1 capital (pursuant to risk-based capital guidelines) as a percentage of adjusted average assets.

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RISK FACTORS

An investment in our common stock involves certain risks. You should carefully consider the risks described below, the risk factors included in our annual report on Form 10-K for the year ended December 31, 2008, and the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus, before making an investment decision. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment. This prospectus supplement also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this prospectus supplement and the accompanying prospectus and in the documents incorporated by reference therein.

Risk Related to Our Business

Recent negative developments in the financial services industry and U.S. and global economy and credit markets have adversely impacted our operations and results and may continue to adversely impact our results in the future.

The global and U.S. economies, and the economies in the markets in which we operate, deteriorated throughout 2008 and the first half of 2009. As a result of these declining economic conditions, we have experienced a significant reduction in our earnings, resulting primarily from provisions for loan losses related to declining collateral values in our construction and development loan portfolio. We believe that this difficult economic environment will continue at least throughout the remainder of 2009 and expect that our results of operations will continue to be negatively impacted as a result. There can be no assurance that the economic conditions that have adversely affected the financial services industry, and the capital, credit and real estate markets generally or us in particular, will improve in 2009, or thereafter, in which case we could continue to experience significant losses and write-downs of assets, and could face capital and liquidity constraints or other business challenges.

Our loan portfolio includes a significant amount of real estate construction and development loans, which have a greater credit risk than residential mortgage loans.

The percentage of real estate construction and development loans in our bank subsidiary s portfolio was approximately 19.4% of total loans at March 31, 2009. This type of lending is generally considered to have more complex credit risks than traditional single-family residential lending because the principal is concentrated in a limited number of loans with repayment dependent on the successful operation of the related real estate project. Consequently, these loans are more sensitive to the current adverse conditions in the real estate market and the general economy. These loans are generally less predictable and more difficult to evaluate and monitor and the collateral is difficult to dispose of in a market decline like the one we are now experiencing. Throughout 2009, the number of newly constructed homes or lots sold in our market areas has continued to decline, negatively affecting collateral values and contributing to increased provision expense and higher levels of non-performing assets. A continued reduction in residential real estate market prices and demand could result in further price reductions in home and land values adversely affecting the value of collateral securing the construction and development loans that we hold, as well as our levels of non-performing assets, loan originations and gains on sale of loans, all of which would negatively impact our financial condition and results of operations.

We have a concentration of credit exposure to borrowers in certain industries and we also target small to medium-sized businesses.

At March 31, 2009, we had significant credit exposures to borrowers in the trucking industry, commercial and residential building lessors, new home builders and land subdividers. All of these industries are experiencing adversity in the current recession and, as a result, some borrowers in these industries have been unable to perform their obligations under their existing loan agreements with us, which has negatively impacted our results of operations. If the current recessionary environment continues, additional borrowers in these, and other industries, may be unable to meet their obligations under their existing loan agreements, which could cause our earnings to be negatively impacted, causing the value of our common stock to decline. Furthermore, any of our large credit exposures that deteriorates unexpectedly could cause us to have to make significant additional loan loss provisions, negatively impacting our earnings. In May 2009, we charged off in full a $21.5 million loan to Silverton Financial Services, the parent of Silverton Bank, which was placed in receivership by the OCC on May 1, 2009. This loan was our only bank holding company loan.

Additionally, a substantial focus of our marketing and business strategy is to serve small to medium-sized businesses in the Nashville and Knoxville MSAs. As a result, a relatively high percentage of our loan portfolio consists of commercial loans primarily to small to medium-sized businesses. At March 31, 2009, our commercial and industrial loans accounted for almost 28% of our total loans. During periods of economic weakness like those we are currently experiencing, small to medium-sized businesses may be impacted more severely and more quickly than larger businesses. Consequently, the ability of such businesses to repay their loans may deteriorate, and in some cases this deterioration may occur quickly, which would adversely impact our results of operations and financial condition.

We are geographically concentrated in the Nashville, Tennessee and Knoxville, Tennessee MSAs, and changes in local economic conditions impact our profitability.

We currently operate primarily in the Nashville, Tennessee and Knoxville, Tennessee MSAs, and most of our loan, deposit and other customers live or have operations in these areas. Accordingly, our success significantly depends upon the growth in population, income levels, deposits and housing starts in these markets, along with the continued attraction of business ventures to the areas, and our profitability is impacted by the changes in general economic conditions in these markets. Economic conditions in the Nashville and Knoxville MSAs have weakened in 2009, negatively affecting our operations, particularly the real estate construction and development segment of our loan portfolio. We cannot assure you that economic conditions in our markets will improve over the remainder of 2009 or during 2010 or thereafter, and continued weak economic conditions in our markets could reduce our growth rate, affect the ability of our customers to repay their loans and generally affect our financial condition and results of operations.

We are less able than a larger institution to spread the risks of unfavorable local economic conditions across a large number of diversified economies. Moreover, we cannot give any assurance that we will benefit from any market growth or return of more favorable economic conditions in our primary market areas if they do occur.

If our allowance for loan losses is not sufficient to cover actual loan losses, our earnings will decrease.

If loan customers with significant loan balances fail to repay their loans, our earnings and capital levels will suffer. We make various assumptions and judgments about the probable losses in our loan portfolio, including the creditworthiness of our borrowers and the value of any collateral securing the loans. We maintain an allowance for loan losses to cover our estimate of the probable losses in our loan portfolio. In determining the size of this allowance, we rely on an analysis of our loan portfolio based on volume and types of loans, internal loan classifications, trends in classifications, volume and trends in delinquencies, nonaccruals and charge-offs, national and local economic conditions, industry and peer bank loan quality indications, and other pertinent factors and information. If our assumptions are inaccurate, our current allowance may not be sufficient to cover potential loan losses, and additional provisions may be necessary which would decrease our earnings.

In addition, federal and state regulators periodically review our loan portfolio and may require us to increase our allowance for loan losses or recognize loan charge-offs. Their conclusions about the quality of our loan portfolio may be different than ours. Any increase in our allowance for loan losses or loan charge-offs as required by these regulatory agencies could have a negative effect on our operating results. Moreover, additions to the allowance may be necessary based on changes in economic and real estate market conditions, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of our management s control.

We cannot predict the effect on our operations of recent legislative and regulatory initiatives that were enacted in response to the ongoing financial crisis.

The U.S. federal, state and foreign governments have taken or are considering extraordinary actions in an attempt to deal with the worldwide financial crisis and the severe decline in the global economy. To the extent adopted, many of these actions have been in effect for only a limited time, and have produced limited or no relief to the capital, credit and real estate markets. There is no assurance that these actions or other actions under consideration will ultimately be successful.

In the United States, the federal government has adopted the Emergency Economic Stabilization Act of 2008 (enacted on October 3, 2008), or EESA, and the American Recovery and Reinvestment Act of 2009 (enacted on February 17, 2009), or ARRA. With authority granted under these laws, the Treasury has proposed a financial stability plan that is intended to:

- provide for the government to invest additional capital into banks and otherwise facilitate bank capital formation;
- temporarily increase the limits on federal deposit insurance; and
- provide for various forms of economic stimulus, including to assist homeowners restructure and lower mortgage payments on qualifying loans.

There can be no assurance that the financial stability plan proposed by the Treasury, or any other legislative or regulatory initiatives enacted or adopted in response to the ongoing economic crisis, will be effective at dealing with the ongoing economic crisis and improving economic conditions globally, nationally or in our markets or that the measures adopted will not have adverse consequences.

In addition to the EESA and ARRA, there is a potential for new federal or state laws and regulations regarding lending and funding practices and liquidity standards, and financial institution regulatory agencies are expected to be very aggressive in responding to concerns and trends identified in examinations, including the expected issuance of many formal enforcement actions. Negative developments in the financial services industry and the impact of recently enacted or new legislation in response to those developments could negatively impact our operations by restricting our business operations, including our ability to originate or sell loans, and adversely impact our financial performance. In addition, industry, legislative or regulatory developments may cause us to materially change our existing strategic direction, capital strategies, compensation or operating plans.

We may not be able to continue to expand into the Knoxville MSA in the time frame and at the levels that we currently expect.

In order to continue our expansion into the Knoxville MSA, we will be required to hire additional associates and build out a branch network. We cannot assure you that we will be able to hire the number of experienced associates that we need to successfully execute our strategy in the Knoxville MSA, nor can we assure you that the associates we hire will be able to successfully execute our growth strategy in that market. Because we seek to hire experienced associates, the compensation cost associated with these individuals may be higher than that of other financial institutions of similar size in the market. If we are unable to grow our loan portfolio at planned rates, the increased compensation expense of these experienced associates may negatively impact our results of operations. Because there will be a period of time before we are able to fully deploy our resources in the Knoxville MSA, our start up costs, including the cost of our associates and our branch expansion, will negatively impact our results of operations. In addition, if we are not able to expand our branch footprint in the Knoxville MSA in the time period that we have targeted, our results of operations may be negatively impacted. Execution of our growth plans in the Knoxville MSA also depends on continued growth in the Knoxville economy, and continued unfavorable local or national economic conditions could reduce our growth rate, affect the ability of our customers to repay their obligations to us and generally negatively affect our financial condition and results of operations.

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Our ability to maintain required capital levels and adequate sources of funding and liquidity could be impacted by changes in the capital markets and deteriorating economic and market conditions.

We are required to maintain certain capital levels in accordance with banking regulations. We must also maintain adequate funding sources in the normal course of business to support our operations and fund outstanding liabilities. Our ability to maintain capital levels, sources of funding and liquidity could be impacted by changes in the capital markets in which we operate and deteriorating economic and market conditions. In addition, we have from time to time supported our capital position with the issuance of trust preferred securities. The trust preferred market has deteriorated significantly since the second half of 2007 and it is unlikely that we would be able to issue trust preferred securities in the future on terms consistent with our previous issuances, if at all.

Failure by our bank subsidiary to meet applicable capital guidelines or to satisfy certain other regulatory requirements could subject our bank subsidiary to a variety of enforcement remedies available to the federal regulatory authorities. These include limitations on the ability to pay dividends, the issuance by the regulatory authority of a capital directive to increase capital, and the termination of deposit insurance by the FDIC.

Noncore funding represents a large component of our funding base.

In addition to the traditional core deposits, such as demand deposit accounts, interest checking, money market savings and certificates of deposits, we utilize several noncore funding sources, such as brokered certificates of deposit, Federal Home Loan Bank, or FHLB, of Cincinnati advances, federal funds purchased and other sources. We utilize these noncore funding sources to fund the ongoing operations and growth of Pinnacle National. The availability of these noncore funding sources are subject to broad economic conditions and, as such, the cost of funds may fluctuate significantly and/or be restricted, thus impacting our net interest income, our immediate liquidity and/or our access to additional liquidity.

Brokered certificates of deposit have received scrutiny from regulators in recent months. We impose upon ourselves limitations as to the absolute level of brokered deposits we may have on our balance sheet at any point in time. The pricing of these deposits are subject to the broader wholesale funding market and may fluctuate significantly in a very short period of time. Additionally, the availability of these deposits is impacted by overall market conditions as investors determine whether to invest in less risky certificates of deposit or in riskier debt and equity markets. As money flows between these various investment instruments, market conditions will impact the pricing and availability of brokered funds, which may negatively impact our liquidity and cost of funds.

The financial media has disclosed that the nation s FHLB system may be under stress due to deterioration in the financial markets. The capital positions of several FHLB institutions have deteriorated to the point that they may suspend dividend payments to their members. Pinnacle National is a member of the FHLB of Cincinnati which continues to pay dividends. However, should financial conditions continue to weaken, the FHLB system (including the FHLB of Cincinnati) in the future may have to, not only suspend dividend payments, but also curtail advances to member institutions, like Pinnacle National. Should the FHLB system deteriorate to the point of not being able to fund future advances to banks, including Pinnacle National, this would place increased pressure on other wholesale funding sources.

We impose certain internal limits as to the absolute level of noncore funding we will incur at any point in time. Should we exceed those limitations, we may need to modify our growth plans, liquidate certain assets, participate loans to correspondents or execute other actions to allow for us to return to an acceptable level of noncore funding within a reasonable amount of time.

If the federal funds rate remains at current extremely low levels, our net interest margin, and consequently our net earnings, may continue to be negatively impacted.

Because of significant competitive deposit pricing pressures in our market and the negative impact of these pressures on our cost of funds, coupled with the fact that a significant portion of our loan portfolio has variable rate pricing that moves in concert with changes to the Federal Reserve Board s federal funds rate (which is at an extremely low rate as a result of the current recession), we have experienced net interest margin compression throughout 2008 and in the first quarter of 2009. Because of these competitive pressures, we are unable to lower the rate that we pay on interest-bearing liabilities to the same extent and as quickly as the yields we charge on interest-earning assets. As a result, our net interest margin, and consequently our profitability, has been negatively impacted. If the Federal Reserve s federal funds rate remains at extremely low levels, our higher funding costs may continue to negatively impact our net interest margin and results of operations.

Fluctuations in interest rates could reduce our profitability.

The absolute level of interest rates as well as changes in interest rates may affect our level of interest income, the primary component of our gross revenue, as well as the level of our interest expense. Interest rate fluctuations are caused by many factors which, for the most part, are not under our control. For example, national monetary policy plays a significant role in the determination of interest rates. Additionally, competitor pricing and the resulting negotiations that occur with our customers also impact the rates we collect on loans and the rates we pay on deposits.

As interest rates change, we expect that we will periodically experience gaps in the interest rate sensitivities of our assets and liabilities, meaning that either our interest-bearing liabilities will be more sensitive to changes in market interest rates than our interest-earning assets, or vice versa. In either event, if market interest rates should move contrary to our position, this gap may work against us, and our earnings may be negatively affected. Changes in the level of interest rates also may negatively affect our ability to originate real estate loans, the value of our assets and our ability to realize gains from the sale of our assets, all of which ultimately affect our earnings. A decline in the market value of our assets may limit our ability to borrow additional funds. As a result, we could be required to sell some of our loans and investments under adverse market conditions, upon terms that are not favorable to us, in order to maintain our liquidity. If those sales are made at prices lower than the amortized costs of the investments, we will incur losses.

A decline in our stock price or expected future cash flows, or a material adverse change in our results of operations or prospects, could result in impairment of our goodwill.

A significant and sustained decline in our stock price and market capitalization below book value, a significant decline in our expected future cash flows, a significant adverse change in the business climate, slower growth rates or other factors could result in impairment of our goodwill. If we were to conclude that a write-down of our goodwill is necessary, then the appropriate charge would likely cause a material less.

National or state legislation or regulation may increase our expenses and reduce earnings.

Changes in tax law, federal legislation, regulation or policies, such as bankruptcy laws, deposit insurance, and capital requirements, among others, can result in significant increases in our expenses and/or charge-offs, which may adversely affect our earnings. Changes in state or federal tax laws or regulations can have a similar impact.

Competition with other banking institutions could adversely affect our profitability.

A number of banking institutions in the Nashville market have higher lending limits, more banking offices, and a larger market share of loans or deposits. In addition, our asset management division competes with numerous brokerage firms and mutual fund companies which are also much larger. In some respects, this may place these competitors in a competitive advantage, although many of our customers have selected us because of service quality concerns at the larger enterprises. This competition may limit or reduce our profitability, reduce our growth and adversely affect our results of operations and financial condition.

Loss of our senior executive officers or other key employees could impair our relationship with our customers and adversely affect our business.

We have assembled a senior management team which has substantial background and experience in banking and financial services in the Nashville market. Loss of these key personnel could negatively impact our earnings because of their skills, customer relationships and/or the potential difficulty of promptly replacing them.

The limitations on bonuses, retention awards, severance payments and incentive compensation contained in ARRA may adversely affect our ability to retain our highest performing employees.

For so long as any equity securities that we issued to the Treasury under the CPP remain outstanding, ARRA restricts bonuses, retention awards, severance payments and other incentive compensation payable to our five senior executive officers and up to the next 20 highest paid employees. Depending upon the final regulations issued under ARRA, it is possible that we may be unable to create a compensation structure that permits us to retain our highest performing employees or recruit additional employees, especially if we are competing against institutions that are not subject to the same restrictions. If this were to occur, our business and results of operations could be materially adversely affected.

We may not be able to repurchase the Series A preferred stock as soon as we desire.

We may in the future seek to repurchase our Series A preferred stock and the then-outstanding portion of warrants held by the Treasury and issued under the CPP. These transactions are subject to regulatory approval. We can make no assurances as to when, or if, we will receive such approval. Until such time as the Series A preferred stock is redeemed, we will remain subject to the terms and conditions of the agreements that we entered into with the Treasury in connection with the CPP, including the requirement that we must obtain regulatory approval to pay dividends on our common stock or, with some exceptions, to repurchase shares of our common stock. Further, our continued participation in the CPP subjects us to increased regulatory and legislative oversight. ARRA includes amendments to the executive compensation provisions of EESA under which the CPP was established. These amendments apply not only to future participants under the CPP, but also apply retroactively to companies like ours that are current participants under the CPP. The full scope and impact of these amendments are uncertain and difficult to predict. These new and future legal requirements and implementing standards under the CPP may have unforeseen or unintended adverse effects on the financial services industry as a whole, and particularly on CPP participants, including us. They may require significant time, effort and resources on our part to ensure compliance.

Our business is dependent on technology, and an inability to invest in technological improvements may adversely affect our results of operations and financial condition.

The financial services industry is undergoing rapid technological changes with frequent introductions of new technology-driven products and services. In addition to better serving customers, the effective use of technology increases efficiency and enables financial institutions to reduce costs. We have made significant investments in data processing, management information systems and internet banking accessibility. Our future success will depend in part upon our ability to create additional efficiencies in our operations through the use of technology, particularly in light of our past and projected growth strategy. Many of our competitors have substantially greater resources to invest in technological improvements. We cannot make assurances that our technological improvements will increase our operational efficiency or that we will be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to our customers.

We are subject to various statutes and regulations that may impose additional costs or limit our ability to take certain actions.

We operate in a highly regulated industry and are subject to examination, supervision, and comprehensive regulation by various regulatory agencies. Our compliance with these regulations is costly and restricts certain of our activities, including payment of dividends, mergers and acquisitions, investments, loans and interest rates charged, interest rates paid on deposits and locations of offices. We are also subject to capitalization guidelines established by our regulators, which require us to maintain adequate capital to support our growth. Recent bank and thrift closures have depleted the Deposit Insurance Fund, and the FDIC has recently issued a special assessment upon insured institutions to seek to recapitalize the fund. The FDIC has indicated it is

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likely that it will have an additional special assessment in the fourth quarter of 2009 and that further special assessments may take place. Any future special assessment would negatively impact our results of operations.

The laws and regulations applicable to the banking industry could change at any time, and we cannot predict the effects of these changes on our business and profitability. Because government regulation greatly affects the business and financial results of all commercial banks and bank holding companies, our cost of compliance could adversely affect our ability to operate profitably.

Risks Related to Our Common Stock and this Offering

The price of our common stock may fluctuate significantly, and this may make it difficult for you to resell shares of common stock owned by you at times or at prices you find attractive.

The price of our common stock on the NASDAQ Global Select Market constantly changes. We expect that the market price of our common stock will continue to fluctuate and there can be no assurance about the market prices for our common stock.

Our stock price may fluctuate as a result of a variety of factors, many of which are beyond our control. These factors include:

- our financial condition, performance, creditworthiness and prospects;
- quarterly variations in our operating results or the quality of our assets;
- operating results that vary from the expectations of management, securities analysts and investors;
- changes in expectations as to our future financial performance;
- announcements of innovations, new products, strategic developments, significant contracts, acquisitions and other material events by us or our competitors;
- the operating and securities price performance of other companies that investors believe are comparable to us;
- future sales of our equity or equity-related securities;
- the credit, mortgage and housing markets, the markets for securities relating to mortgages or housing, and developments with respect to financial institutions generally;
- changes in global financial markets and global economies and general market conditions, such as interest or foreign exchange rates, stock, commodity or real estate valuations or volatility and other geopolitical, regulatory or judicial events; and
- the relatively low trading volume of our common stock.

Even though our common stock is currently traded on the NASDAQ Global Select Market, it has less liquidity than many other stocks quoted on a national securities exchange.

The trading volume in our common stock on the NASDAQ Global Select Market has been relatively low when compared with larger companies listed on the NASDAQ Global Select Market or other stock exchanges. Although we have experienced increased liquidity in our stock, we cannot say with any certainty that a more active and liquid trading market for our common stock will continue to develop. Because of this, it may be more difficult for shareholders to sell a substantial number of shares for the same price at which shareholders could sell a smaller number of shares.

We cannot predict the effect, if any, that future sales of our common stock in the market, or the availability of shares of common stock for sale in the market, will have on the market price of our common stock. We can give no assurance that sales of substantial amounts of common stock in the market, or the potential for large amounts of sales in the market, would not cause the price of our common stock to decline or impair our future ability to raise capital through sales of our common stock.

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The market price of our common stock has fluctuated significantly, and may fluctuate in the future. These fluctuations may be unrelated to our performance. General market or industry price declines or overall market volatility in the future could adversely affect the price of our common stock, and the current market price may not be indicative of future market prices.

The Series A preferred stock impacts net income available to our common shareholders and our earnings per share.

As long as shares of our Series A preferred stock are outstanding, no dividends may be paid on our common stock unless all dividends on the Series A preferred stock have been paid in full. Additionally, for so long as the Treasury owns shares of the Series A preferred stock, we are not permitted to pay cash dividends on our common stock without the Treasury s consent. The dividends declared on shares of our Series A preferred stock will reduce the net income available to common shareholders and our earnings per share of common stock. Additionally, warrants to purchase our common stock issued to the Treasury, in conjunction with the issuance of the Series A Preferred Stock, may be dilutive to our earnings per share.

Moreover, holders of our common stock are entitled to receive dividends only when, as and if declared by our board of directors. To date, we have not paid any cash dividends on our common stock and we do not believe that we will consider paying dividends until Pinnacle National has reached a level of profitability appropriate to fund such dividends and support asset growth.

Holders of the Series A preferred stock have rights that are senior to those of our common shareholders.

The Series A preferred stock that we have issued to the Treasury is senior to our shares of common stock and holders of the Series A preferred stock have certain rights and preferences that are senior to holders of our common stock. The Series A preferred stock ranks senior to our common stock and all other equity securities of ours designated as ranking junior to the Series A preferred stock. So long as any shares of the Series A preferred stock remain outstanding, unless all accrued and unpaid dividends for all prior dividend periods have been paid or are contemporaneously declared and paid in full, no dividend whatsoever shall be paid or declared on our common stock or other junior stock, other than a dividend payable solely in common stock. We and our bank subsidiary also may not purchase, redeem or otherwise acquire for consideration any shares of our common stock or other junior stock unless we have paid in full all accrued dividends on the Series A preferred stock for all prior dividend periods, other than in certain circumstances described more fully below. Furthermore, the Series A preferred stock is entitled to a liquidation preference over shares of our common stock in the event of our liquidation, dissolution or winding up.

Holders of the Series A preferred stock have limited voting rights.

Except as otherwise required by law and in connection with the election of directors to our board of directors in the event that we fail to pay dividends on the Series A preferred stock for an aggregate of at least six quarterly dividend periods (whether or not consecutive), holders of the Series A preferred stock have limited voting rights. So long as shares of the Series A preferred stock are outstanding, in addition to any other vote or consent of shareholders required by law or our amended and restated charter, the vote or consent of holders owning at least 662/3% of the shares of Series A preferred stock outstanding is required for: (1) any authorization or issuance of shares ranking senior to the Series A preferred stock; (2) any amendment to the rights of the Series A preferred stock so as to adversely affect the rights, preferences, privileges or voting power of the Series A preferred stock; or (3) consummation of any merger, share exchange or similar transaction unless the shares of Series A preferred stock remain outstanding, or if we are not the surviving entity in such transaction, are converted into or exchanged for preference securities of the surviving entity and the shares of Series A preferred stock remaining outstanding or such preference securities have such rights, preferences, privileges and voting power as are not materially less favorable to the holders than the rights, preferences, privileges and voting power of the shares of Series A preferred stock.

Holders of the Series A preferred stock may, under certain circumstances, have the right to elect two directors to our board of directors.

In the event that we fail to pay dividends on the Series A preferred stock for an aggregate of six quarterly dividend periods or more (whether or not consecutive), the authorized number of directors then constituting our board of directors will be increased by two. Holders of the Series A preferred stock, together with the holders of any outstanding parity stock with like voting rights, referred to as voting parity stock, voting as a single class, will be entitled to elect the two additional members of our board of directors, referred to as the preferred stock directors, at the next annual meeting (or at a special meeting called for the purpose of electing the preferred stock directors prior to the next annual meeting) and at each subsequent annual meeting until all accrued and unpaid dividends for all past dividend periods have been paid in full.

We may issue additional common stock or other equity securities in the future which could dilute the ownership interest of existing shareholders.

In order to maintain our capital at desired or regulatory-required levels or to replace existing capital such as our Series A preferred stock, we may be required to issue additional shares of common stock, or securities convertible into, exchangeable for or representing rights to acquire shares of common stock. Except as described under Underwriting below, we are not restricted from issuing such additional shares. We may sell any shares that we issue at prices below the current market price of shares, and the sale of these shares may significantly dilute shareholder ownership. We could also issue additional shares in connection with acquisitions of other financial institutions.

Offerings of debt, which would be senior to our common stock upon liquidation, and/or preferred equity securities which may be senior to our common stock for purposes of dividend distributions or upon liquidation, may adversely affect the market price of our common stock.

We may attempt to increase our capital resources or, if our or Pinnacle National s capital ratios fall below the required minimums, we or Pinnacle National could be forced to raise additional capital by making additional offerings of debt or preferred equity securities, including medium-term notes, trust preferred securities, senior or subordinated notes and preferred stock. Upon liquidation, holders of our debt securities and shares of preferred stock and lenders with respect to other borrowings are likely to receive distributions of our available assets prior to the holders of our common stock. Additional equity offerings may dilute the holdings of our existing shareholders or reduce the market price of our common stock, or both. Holders of our common stock are not entitled to preemptive rights or other protections against dilution.

Our board of directors is authorized to issue one or more classes or series of preferred stock from time to time without any action on the part of the shareholders. Our board of directors also has the power, without shareholder approval, to set the terms of any such classes or series of preferred stock that may be issued, including voting rights, dividend rights, and preferences over our common stock with respect to dividends or upon our dissolution, winding up and liquidation and other terms. If we issue preferred stock in the future that has a preference over our common stock with respect to the payment of dividends or upon our liquidation, dissolution or winding up, or if we issue preferred stock with voting rights that dilute the voting power of our common stock, the rights of holders of our common stock or the market price of our common stock could be adversely affected.

Holders of Pinnacle Financial s trust preferred securities have rights that are senior to those of Pinnacle Financial s common shareholders.

Pinnacle Financial has supported its continued growth through the issuance of trust preferred securities from special purpose trusts and accompanying junior subordinated debentures. At March 31, 2009, Pinnacle Financial had outstanding trust preferred securities and accompanying junior subordinated debentures totaling $82.5 million. Payments of the principal and interest on the trust preferred securities of these trusts are conditionally guaranteed by Pinnacle Financial. Further, the accompanying junior subordinated debentures Pinnacle Financial issued to the trusts are senior to Pinnacle Financial s shares of common stock. As a result,

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Pinnacle Financial must make payments on the junior subordinated debentures before any dividends can be paid on its common stock and, in the event of Pinnacle Financial s bankruptcy, dissolution or liquidation, the holders of the junior subordinated debentures must be satisfied before any distributions can be made on Pinnacle Financial s common stock. Pinnacle Financial has the right to defer distributions on its junior subordinated debentures (and the related trust preferred securities) for up to five years, during which time no dividends may be paid on its common stock.

If a change in control is delayed or prevented, the market price of our common stock could be negatively affected.

Provisions in our corporate documents, as well as certain federal and state regulations, may make it difficult and expensive to pursue a tender offer, change in control or takeover attempt that our board of directors opposes. As a result, our shareholders may not have an opportunity to participate in such a transaction, and the trading price of our stock may not rise to the level of other institutions that are more vulnerable to hostile takeovers. Anti-takeover provisions contained in our charter also will make it more difficult for an outside shareholder to remove our current board of directors or management.

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USE OF PROCEEDS

The net proceeds, after underwriting discounts and estimated expenses, to us from the sale of the common stock offered hereby will be approximately $94,795,000 (or approximately $109,059,250 if the underwriters exercise their over-allotment option in full). We intend to use the net proceeds of this offering for general corporate purposes, including additional capital contributions to Pinnacle National.

After completion of an evaluation of our capital position, and discussions with our primary regulators, we may seek regulatory approval to redeem all of the shares of our Series A preferred stock that we issued to the Treasury as part of the CPP under the TARP. We will undertake the proposed redemption with our available cash resources. In addition, we may purchase the remaining outstanding portion of the warrants we issued to the Treasury in connection with that transaction. There can be no assurance as to when, or if, we can redeem our Series A preferred stock or whether we will repurchase the outstanding portion of the warrants following the redemption of the Series A preferred stock.

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CAPITALIZATION

The following table sets forth our capitalization as of March 31, 2009:

- on an actual basis; and
- on an as adjusted basis after giving effect to the sale and issuance of 7,700,000 shares of common stock in this offering at a public offering price of $13.00 per share and our receipt of $ 94,795,000 in estimated net proceeds from this offering after deducting the underwriting discount and estimated offering expenses of this offering.

The information should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and the notes to those statements that are included in our annual report on Form 10-K for the year ended December 31, 2008, and our quarterly report on Form 10-Q for the quarter ended March 31, 2009, which are incorporated by reference into this prospectus supplement and the accompanying prospectus.

	March 31, 2009	
	Actual	As Adjusted
	(Unaudited) (Dollars in thousands)	
Long-term debt:		
Subordinated debt	$ 97,476	$ 97,476
Stockholders equity:		
Preferred stock, no par value		
Authorized shares 10,000,000		
Issued shares 95,000 shares Fixed Rate Cumulative Perpetual Preferred Stock, Series A, $1,000 liquidation value	88,608	88,608
Common stock, par value $1.00 per share		
Authorized shares 90,000,000		
Issued shares 24,060,703 actual; 31,760,703, as adjusted	24,061	31,761
Common stock warrants	6,697	6,697
Additional paid-in capital	418,217	505,312
Retained earnings	85,380	85,380
Accumulated other comprehensive income, net of taxes	8,684	8,684
Total stockholders equity	$ 631,646	726,442
Total long-term debt and stockholders equity	$ 729,122	823,918

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PRICE RANGE OF COMMON STOCK

The following table presents the range of high and low sale prices of our common stock reported on the NASDAQ Global Select Market for the periods shown below:

	Sale Price per Share	
	High	Low
Year Ended December 31, 2007		
First Quarter	$ 33.85	$ 29.40
Second Quarter	$ 31.48	$ 28.27
Third Quarter	$ 31.31	$ 21.62
Fourth Quarter	$ 30.93	$ 24.85
Year Ended December 31, 2008		
First Quarter	$ 26.78	$ 20.82
Second Quarter	$ 29.29	$ 20.05
Third Quarter	$ 36.57	$ 19.30
Fourth Quarter	$ 32.00	$ 22.01
Year Ending December 31, 2009		
First Quarter	$ 29.90	$ 13.32
Second Quarter (through June 9, 2009)	$ 24.01	$ 13.60

As of June 9, 2009, there were approximately 4,141 holders of record of our common stock and approximately 24,075,173 shares of our common stock outstanding. On June 10, 2009, the closing sale price for our common stock was $14.36 per share, as reported on the NASDAQ Global Select Market.

DIVIDEND POLICY

We have not paid any cash dividends on our common stock since our inception, and we do not anticipate that we will pay cash dividends on our common stock in the foreseeable future.

We are a legal entity separate and distinct from Pinnacle National. Over time, the principal source of our cash flow, including cash flow to pay dividends to our holders of trust preferred securities, holders of the Series A preferred stock we issued to Treasury in connection with the CPP and our common stock shareholders, will be dividends that Pinnacle National pays to us as its sole shareholder. Under Tennessee law, we are not permitted to pay dividends if, after giving effect to such payment, we would not be able to pay our debts as they become due in the usual course of business or our total assets would be less than the sum of our total liabilities plus any amounts needed to satisfy any preferential rights if we were dissolving. In addition, in deciding whether or not to declare a dividend of any particular size, our board of directors must consider our current and prospective capital, liquidity, and other needs.

In addition to the limitations on our ability to pay dividends under Tennessee law, our ability to pay dividends on our common stock is also limited by our participation in the CPP and by certain statutory or regulatory limitations. Prior to December 12, 2011, unless we have redeemed the Series A preferred stock issued to the Treasury in the CPP or the Treasury has transferred the Series A preferred stock to a third party, the consent of the Treasury must be received before we can declare or pay any cash dividend or make any distribution on our common stock. Furthermore, if we are not current in the payment of quarterly dividends on the Series A preferred stock, we cannot pay dividends on our common stock.

Statutory and regulatory limitations also apply to Pinnacle National s payment of dividends to us. Pinnacle National is required by federal law to obtain the prior approval of the OCC for payments of dividends if the total of all dividends declared by its board of directors in any year will exceed (1) the total of Pinnacle

National s net profits for that year, plus (2) Pinnacle National s retained net profits of the preceding two years, less any required transfers to surplus.

The payment of dividends by Pinnacle National and us may also be affected by other factors, such as the requirement to maintain adequate capital above regulatory guidelines. If, in the opinion of the OCC, Pinnacle National was engaged in or about to engage in an unsafe or unsound practice, the OCC could require, after notice and a hearing, that Pinnacle National stop or refrain from engaging in the practice. The federal banking agencies have indicated that paying dividends that deplete a depository institution s capital base to an inadequate level would be an unsafe and unsound banking practice. Under the Federal Deposit Insurance Corporation Improvement Act of 1991, a depository institution may not pay any dividend if payment would cause it to become undercapitalized or if it already is undercapitalized. Moreover, the federal agencies have issued policy statements that provide that bank holding companies and insured banks should generally only pay dividends out of current operating earnings.

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DESCRIPTION OF COMMON STOCK

The following is a description of our common stock and certain provisions of our amended and restated charter and bylaws and certain provisions of applicable law. The following is only a summary and is qualified by applicable law and by the provisions of our amended and restated charter and bylaws, copies of which have been filed with the SEC and are also available upon request from us.

General

The authorized capital stock of Pinnacle Financial consists of 90 million shares of common stock, par value $1.00 per share, and 10 million shares of preferred stock, no par value. As of June 9, 2009, 24,075,173 shares of Pinnacle Financial common stock were outstanding, and 95,000 shar