

CYANOTECH CORP
Form DEF 14A
July 18, 2006
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No. 1)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
 Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
 Definitive Proxy Statement
 Definitive Additional Materials
 Soliciting Material Pursuant to §240.14a-12

Cyanotech Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
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CYANOTECH CORPORATION

73-4460 Queen Kaahumanu Hwy., Suite 102

Kailua Kona, HI 96740

(808) 326-1353

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To be held Thursday, August 24, 2006 at 7:00 P.M. Hawaii Standard Time

To Our Stockholders:

You are cordially invited to attend the 2006 Annual Meeting of Stockholders (the Annual Meeting) of Cyanotech Corporation, a Nevada corporation (Cyanotech or the Company) to be held on Thursday, August 24, 2006 at 7:00 P.M., Hawaii Standard Time, at the Renaissance Iikai Waikiki Hotel, 1777 Ala Moana Blvd., Honolulu, Hawaii, for the following purposes:

1. To elect six directors to serve until the next Annual Meeting or until their successors are elected and qualified;
2. To ratify the selection of KPMG LLP as the Company s independent registered public accounting firm for the fiscal year ending March 31, 2007; and
3. To transact other business as may properly come before the meeting or any adjournment thereof.

These matters are more fully described in the Proxy Statement accompanying this notice.

In addition to the formal items of business, Cyanotech will review the major developments and accomplishments of fiscal 2006 and answer appropriate questions that you may have about Cyanotech and its activities.

The Board of Directors has fixed the close of business on June 26, 2006 as the record date (the Record Date) for Stockholders entitled to notice of, and to vote at, the Annual Meeting and any adjournment thereof. The stock transfer books will not be closed between the Record Date and Annual Meeting. Only stockholders of record at the Record Date are entitled to notice of and to vote at the Annual Meeting; however, all stockholders are cordially invited to attend the meeting.

It is important that your shares be represented at the meeting. Please sign, date and return the enclosed proxy card in the enclosed envelope, even if you plan to attend the meeting. If you do attend the meeting, you may personally vote, which will revoke your signed proxy. You may also revoke your proxy at any time before the meeting by following the instructions in the Proxy Statement.

Thank you for your ongoing support and continued interest in Cyanotech. We look forward to seeing you at the meeting.

By Order of the Board of Directors
William R. Maris
Secretary

Kailua-Kona, Hawaii
July 18, 2006

Stockholders Should Read the Entire Proxy Statement Carefully Prior to Returning Their Proxies

PROXY STATEMENT

FOR

ANNUAL MEETING OF STOCKHOLDERS OF CYANOTECH CORPORATION

To Be Held Thursday, August 24, 2006

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of CYANOTECH CORPORATION (the Company or Cyanotech) of proxies to be voted at the 2006 Annual Meeting of Stockholders (the Annual Meeting) which will be held at 7:00 p.m., Hawaii Standard Time, on Thursday, August 24, 2006 at 7:00 P.M., Hawaii Standard Time, at the Renaissance Ilikai Waikiki Hotel, 1777 Ala Moana Blvd., Honolulu, Hawaii, or at any adjournment or postponement thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders. This Proxy Statement and the proxy card are to be first mailed to stockholders on or about July 18, 2006.

The Company s principal executive offices are located at 73-4460 Queen Kaahumanu Highway, Suite 102, Kailua Kona, HI 96740.

VOTING RIGHTS AND SOLICITATION

The enclosed proxy is being solicited on behalf of the Board of Directors of Cyanotech for use at the Annual Meeting.

The close of business on June 26, 2006 is the record date for stockholders entitled to notice of and to vote at the Annual Meeting. All holders of the Company s Common Stock outstanding on the record date are entitled to vote at the Annual Meeting. Each stockholder has one vote for each share so held. At June 26, 2006, Cyanotech had 20,928,265 shares of Common Stock, \$.005 par value per share, issued and outstanding. The presence in person or by proxy of the holders of record of a majority of the voting power of the outstanding shares entitled to vote constitutes a quorum. Directors are elected by a plurality of votes cast. For approval of all other matters to be voted on: when a quorum is present a matter is approved if the number of votes cast in favor of the action exceeds the number of votes cast in opposition to the action. Abstentions are counted only for purposes of determining whether a quorum is present. On all proposals a broker who holds shares in the name of a stockholder is entitled to vote these shares even if the broker receives no instructions from the stockholder. Broker non-votes are not treated as votes cast but are counted in determining the existence of a quorum.

Shares represented by proxies in the accompanying form which are properly executed and returned to Cyanotech will be voted at the Annual Meeting in accordance with the stockholder s instructions contained therein. In the absence of contrary instructions, shares represented by such proxies will be voted: a) **FOR** the election of each of the directors as described herein under Proposal One Election of Directors ; b) **FOR** ratification of the selection of the independent registered public accounting firm as described herein under Proposal Two Ratification of Selection of Independent Registered Public Accounting Firm. Management does not know of any matters to be presented at this Annual Meeting other than those set forth in this Proxy Statement and in the Notice accompanying this Proxy Statement. If other matters should properly come before the meeting, the proxy holders will vote on such matters in accordance with their best judgment.

The entire cost of soliciting the proxies will be borne by Cyanotech. Proxies will be solicited principally through the use of the mails, but, if deemed desirable, may be solicited personally or by telephone, e-mail, facsimile or letter by officers and regular Cyanotech employees who will receive no additional compensation. Arrangements may be made with brokerage houses and other custodians, nominees and fiduciaries to send proxies and proxy material to the beneficial owners of the Company s Common Stock, and such persons may be reimbursed for their expenses.

REVOCABILITY OF PROXIES

Any person giving a proxy pursuant to this solicitation has the power to revoke it at any time before it is voted. It may be revoked by filing with the Secretary of the Company at the Company's principal executive office, 73-4460 Queen Kaahumanu Hwy., Suite 102, Kailua-Kona, HI 96740, a written notice of revocation or a duly executed proxy bearing a later date, or it may be revoked by attending the meeting, notifying the Secretary of the Meeting of the revocation of the prior proxy, and voting in person. Attendance at the meeting will not, by itself, revoke a proxy.

PROPOSAL ONE:**Election of Directors****Board Nominees**

A board of six (6) directors is to be elected at the meeting. Unless otherwise instructed, the proxy holders will vote the proxies received by them **FOR** the election of the six Board nominees named below, all of whom are presently directors of the Company. Each nominee has consented to be named a nominee in this Proxy Statement and to continue to serve as a director if elected. If any nominee becomes unable or declines to serve as a director or if additional persons are nominated at the meeting, the proxy holders intend to vote all proxies received by them in such a manner as will assure the election of as many nominees listed below as possible (or, if new nominees have been designated by the Board of Directors, in such a manner as to elect such nominees) and the specific nominees to be voted for will be determined by the proxy holders. The Company is not aware of any reason that any nominee will be unable or will decline to serve as a director. Each director elected at this Annual Meeting will serve until the next Annual Meeting or until such director's successor has been elected and qualified. Voting for the election of directors is non-cumulative.

The following table sets forth certain information regarding the nominees for election to the Board of Directors, all of whom were also elected at the last annual meeting.

Name	Principal Occupation	Director Since	Age
Gerald R. Cysewski, Ph.D.	Chairman of the Board, President and Chief Executive Officer, Cyanotech Corporation	1983	57
Michael A. Davis	Private Investor	2003	53
Gregg W. Robertson	President and Chief Executive Officer of Robertson & Company (Financial services consultancy)	2004	72
David I. Rosenthal	Independent Consultant	2000	51
John T. Waldron	Adjunct Professor of Marketing Lake Forest Graduate School of Management	1998	54
Paul C. Yuen, Ph.D.	Retired, formerly Dean of the College of Engineering University of Hawaii at Manoa	1993	78

Gerald R. Cysewski, Ph. D. Kailua Kona, Hawaii: Dr. Cysewski co-founded the Company in 1983 and has served as a director of the Company since that time. Until June 1996, he also served as Scientific Director. Since March 1990, Dr. Cysewski has served as President and Chief Executive Officer of the Company and in October 1990 was also appointed to the position of Chairman of the Board. From 1988 to November 1990, he served as Vice Chairman of the Company. From 1980 to 1982, Dr. Cysewski was

Group Leader of Microalgae Research and Development at Battelle Northwest, a major contract research and development firm. From 1976 to 1980, Dr. Cysewski was an assistant professor in the Department of Chemical and Nuclear Engineering at the University of California, Santa Barbara, where he received a two-year grant from the National Science Foundation to develop a culture system for blue-green algae. Dr. Cysewski received his doctorate in Chemical Engineering from the University of California at Berkeley.

Michael A. Davis San Francisco, California: Mr. Davis was appointed to the Board of Directors of the Company in March 2003 subsequent to his acquisition of \$1,250,000 of subordinated convertible debentures of the Company in September 2002. Mr. Davis is a Principal at Ebb and Flow Ventures, a private equity firm; President of Skywords Family Foundation and a Director of Athena Root, Inc. and Canobie Films, Inc. Mr. Davis attended Harvard University and resides in San Francisco, California.

Gregg W. Robertson Honolulu, Hawaii: Mr. Robertson was appointed to the Board of Directors of the Company in August 2004. Mr. Robertson is the President and Chief Executive Officer of Robertson & Company, a privately-owned investment banking firm which was established in 1986 and is currently based in Honolulu. Prior to establishing this firm, Mr. Robertson was the President and Chief Executive Officer of Dillingham Industries, Inc., a subsidiary of Dillingham Corporation. Previously Mr. Robertson held the positions of Executive Vice President and Chief Financial Officer of Dillingham Corporation. Mr. Robertson holds a B.S. degree in Economics from Fairleigh Dickenson University, Teaneck, N.J.

David I. Rosenthal Boulder, Colorado: Mr. Rosenthal was appointed to the Board of Directors of the Company in November 2000. Mr. Rosenthal is currently an independent consultant. From 2003 to May of 2006 he was the Vice President of Finance & Administration for SpectraLink Corporation, a publicly-traded company located in Boulder Colorado that designs, manufactures and markets wireless phones for the workplace. Mr. Rosenthal was Executive Vice President and Chief Financial Officer of StarTek, Inc., a provider of customized outsourcing services from 2000 to 2003. Mr. Rosenthal was acting Chief Financial Officer at Celestial Seasoning, Inc. until its merger with the Hain Food Group in 2000 and the Chief Financial Officer of Hauser, Inc., a manufacturer of natural extracts products, from 1994 to 1999. Mr. Rosenthal holds a B.S. degree in Accounting from the University of California at Berkeley and a M.B.A degree from California State University, Hayward. Mr. Rosenthal is also a Certified Public Accountant.

John T. Waldron Deerfield, Illinois: Mr. Waldron was appointed to the Board of Directors of the Company in July 1998. Mr. Waldron is currently President of Stratmark Services, a business-to-business marketing consultancy which he founded in 1999. He has been a professor of Marketing at the Lake Forest Graduate School of Management in Lake Forest, Illinois since 1995. From 1986 to 1999, Mr. Waldron was Vice President-Sales and Marketing, Senior Vice President-Sales and Marketing, and Executive Vice President for Takeda U.S.A. Inc., a bulk vitamin and fine chemical products manufacturer. Mr. Waldron was also a Director of Takeda U.S.A. from 1993 to 1999, and served as a member of its Executive Committee and Compensation Committee. Mr. Waldron holds a Master of Management degree from Northwestern University's J. L. Kellogg Graduate School of Management.

Paul C. Yuen, Ph.D. Honolulu, Hawaii: Dr. Yuen was appointed to the Board of Directors of the Company in August 1993. Prior to his retirement in September 1999, Dr. Yuen served as Dean, College of Engineering for the University of Hawaii at Manoa. From July 1992 to March 1993, Dr. Yuen was Acting President of the University of Hawaii. From 1989 to 1992, Dr. Yuen was Senior Vice President for Academic Affairs, University of Hawaii at Manoa. Dr. Yuen holds M.S. and Ph.D. degrees in Electrical Engineering from the Illinois Institute of Technology.

The Board of Directors has determined that all nominees, except Dr. Cysewski, are independent directors as defined in Nasdaq Stockmarket Rule 4200A.

Required Vote

A plurality of the shares of the Common Stock cast at a meeting at which a quorum is present, is required for the election of directors.

The Board of Directors unanimously recommends that the stockholders vote FOR all of the above named director nominees. The enclosed Proxy will be voted for this proposal unless a contrary specification is made.

BOARD MEETINGS AND COMMITTEES

Board Meetings

During fiscal year 2006 the Board met two times. Each of our Directors attended 75 percent or more of the meetings of the Board and of Board Committees on which he served, except Michael A. Davis who attended 5 of his seven meetings and was prevented from attending one meeting by a failed telephone connection.

Director Nomination Process

Director Qualifications. The Nominating and Corporate Governance Committee has established guidelines in considering nominations to the Company's Board of Directors. These include: (a) personal characteristics, including such matters as integrity, education, diversity of background and experience, absence of potential conflicts of interest with the Company or its operations, and the availability and willingness to devote sufficient time to the duties of a director of the Company; (b) experience in corporate management, such as serving as an officer or former officer of a publicly held company; (c) experience in the Company's industry and with relevant social policy concerns; (d) experience as a board member of another company; (e) academic expertise in an area of the Company's operations; and (f) practical and mature business judgment. The criteria are not exhaustive and the Nominating and Corporate Governance Committee and the Board of Directors may consider other qualifications and attributes which the members believe are appropriate in evaluating the ability of an individual to serve as a member of the Board of Directors. The Nominating and Corporate Governance Committee's goal is to assemble a Board of Directors that brings to the Company a variety of perspectives and skills derived from high quality business and professional experience. In doing so the Committee also considers candidates with appropriate non-business backgrounds.

Identification and Evaluation of Nominees for Directors. The Board of Directors believes that, based on the Nominating and Corporate Governance Committee's knowledge of the Company's corporate governance principles and the needs and qualifications of the Board at any given time, the Nominating and Corporate Governance Committee is best equipped to select nominees that will result in a well-qualified and well-rounded board of directors. It is the general policy of the Nominating and Corporate Governance Committee not to accept unsolicited nominations from stockholders. In making its nominations, the Nominating and Corporate Governance Committee identifies nominees by first evaluating the current members of the Board willing to continue their service. Current members with qualifications and skills that are consistent with the committee's criteria for Board service are re-nominated. As to new candidates, the committee will generally poll the Board members and members of management for recommendations. The committee may also review the composition and qualification of the boards of directors of the Company's competitors, and may seek input from industry experts or analysts. The committee reviews the qualifications, experience and background of the candidates. Final candidates are interviewed by the independent directors and executive management. In making its determinations, the committee evaluates each individual in the context of the Board as whole, with the objective of assembling a group that can best represent stockholder interests through the exercise of sound judgment. After review of all pertinent data, and due deliberation by the committee, this slate of nominees is recommended to the Board of Directors

and the stockholders for election. Historically, the Board of Directors has not relied on third-party search firms to identify director nominees. The committee may in the future choose to engage third-party search firms in situations where particular qualifications are required or where existing contacts are not sufficient to identify an appropriate candidate.

Each of the nominees for election at the annual meeting is recommended by the Nominating and Corporate Governance Committee for election.

Independent Directors

The Board has determined that each of the nominees for director, other than Dr Cysewski, has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company) and is independent under NASDAQ Rule 4200(A). In making its determination, the Board considered transactions and relationships between each director (and any member of his immediate family) and the Company and its subsidiaries and relationships between the directors or their affiliates and members of the Company's senior management personnel and their affiliates.

The Independent Directors meet in executive session without the Chief Executive Officer or anyone from management attending, at least once annually. In fiscal year 2006 there were two such sessions. Independent Director John T. Waldron acted as the Lead Independent Director for such meetings and was responsible for the issues discussed. Any Independent Director may request an executive session of Independent Directors to discuss any matter of concern.

Stockholder Communication with Directors

Stockholders may, at any time, communicate in writing with any particular director, or the non-management directors as a group, by sending such written communication to Cyanotech Corporation Non-Management Directors, 73-4460 Queen Kaahumanu Highway, #102, Kailua Kona, Hawaii, 96740. Copies of written communications received at such address will be directed to the relevant director or the non-management directors as a group.

Code of Conduct and Ethics

The Company has established a Code of Conduct and Ethics that applies to its officers, directors and employees. The Code of Conduct and Ethics is posted on the Company's web-site www.cyanotech.com. The Code of Conduct and Ethics contains general guidelines for conducting the business of the Company consistent with the highest standards of business ethics, and is intended to qualify as a code of ethics within the meaning of Section 406 of the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder and as a code of conduct within the meaning of the NASDAQ Stock Market listing standards.

Corporate Governance Documents

The Nominating and Governance Committee Charter and the Code of Conduct and Ethics, are available on the Company's website at www.cyanotech.com. The information contained on the website is not thereby incorporated by reference in, or considered part of, this Proxy Statement unless specifically incorporated. The Company will provide copies of any of these documents, free of charge, to any stockholder upon written request to the Chief Financial Officer, c/o Cyanotech Corporation, 73-4460 Queen Kaahumanu Highway, #102, Kailua Kona, Hawaii, 96740.

Board Committees

The Board of Directors of the Company has an Audit Committee, Nominating and Governance Committee, and a Compensation and Stock Option Committee.

The Audit Committee operates and acts under a written charter, which was revised and approved by the Cyanotech Board of Directors in June 2004. A copy of the Charter and Powers of the Audit Committee was filed as an exhibit to the 2004 Notice of Annual Meeting and Proxy Statement and is hereby incorporated by reference. This document can also be found on the Company's website at www.cyanotech.com. The Committee provides independent and objective oversight of (1) the Company's financial reporting processes, (2) the Company's audits of the financial statements, including appointment, compensation and oversight of the Company's independent registered public accounting firm, (3) the Company's internal controls, and (4) risk assessment and risk management policies set by management. The Committee also oversees and monitors the independence, performance and qualifications of the company's independent registered public accounting firm. The Audit Committee also reviews and approves related party transactions and reviews and resolves complaints from any employee regarding accounting, internal controls or auditing matters. All members of the Audit Committee are independent directors as defined in Nasdaq Stockmarket Rules 4200A and 4350(d)(2). The Board of Directors has identified David I. Rosenthal as a financial expert as defined in Rule 10A(m) of the Securities Exchange Act of 1934. The Audit Committee, which is comprised of independent directors David I. Rosenthal (chair), Michael Davis and Gregg W. Robertson, held four regularly scheduled meetings during fiscal year 2006.

The Nominating and Corporate Governance Committee operates and acts under a written charter, which was adopted and approved by the Cyanotech Board of Directors in June 2004. A copy of the Nominating and Corporate Governance Committee Charter was filed as an exhibit to the 2004 Notice of Annual Meeting and Proxy Statement and is hereby incorporated by reference. The Nominating and Corporate Governance Committee's functions include (1) reviewing the background and qualifications of potential nominees for the Cyanotech Board of Directors presented by stockholders, directors and management, (2) recommending to the Board a slate of nominees to be submitted to the stockholders for election at the next Annual Meeting of Stockholders, (3) advising the Board with respect to matters of Board composition and procedures, and (4) overseeing the annual evaluation of the Board. Among the qualifications considered in the selection of candidates are knowledge, experience, skills, expertise, diversity, personal and professional integrity, character, business judgment, time availability, dedication and absence of conflicts of interest see caption Director Nomination Process above. All members of the Nominating and Corporate Governance Committee are independent directors under Nasdaq Market Rule 4200A. The Nominating and Corporate Governance Committee, which is comprised of independent directors Michael A. Davis (Chair), John T. Waldron and Paul C. Yuen, held one regularly scheduled meeting during fiscal year 2006.

The Compensation and Stock Option Committee operates and acts under a written charter, which was adopted and approved by the Cyanotech Board of Directors. A copy of the Compensation and Stock Option Committee Charter was filed as an exhibit to the 2004 Notice of Annual Meeting and Proxy Statement and is hereby incorporated by reference. The Compensation and Stock Option Committee reviews and makes recommendations to the Board concerning the Company's executive compensation policy, bonus plans and incentive option plans, and approves the grants of stock options to officers, employees and consultants. At least once a year, the Compensation and Stock Option Committee meets in executive session with the other independent directors of the Board to evaluate the Chief Executive Officer's (CEO) performance. All members of the Compensation and Stock Option Committee are independent directors as defined under Nasdaq Rule 4200A. The Compensation and Stock Option Committee, which is comprised of independent directors John T. Waldron (chair) and Paul C. Yuen, held one regularly scheduled meeting during fiscal year 2006.

DIRECTOR COMPENSATION

At the 2004 Annual Meeting of Stockholders, the stockholders of the Company approved the Independent Director Stock Option and Stock Grant Plan (the 2004 Plan). Under the 2004 Plan each Independent Director receives on first election, pursuant to the 2004 Plan, a 10-year option to purchase 4,000 shares of the Company s Common Stock, and thereafter a grant of 3,500 shares of Common Stock each year that the Independent director is elected to the board. Such grants and options are non-transferable and non-exercisable for six months following the date of grant. On the date of the 2005 Annual Meeting of Stockholders, each Independent Director received, under the 2004 Plan, an automatic grant of 3,500 shares of fully paid and non-assessable shares of Common Stock. In addition, each Independent Director receives an annual fee of \$1,000 for participation on the Board and \$1,000 per Board meeting attended in person, and is also reimbursed for out-of-pocket costs incurred in connection with attendance at such meetings. Each Independent Director receives \$150 for participation in telephonic meetings. An Independent Director who serves as a member of any Board committee receives an annual fee of \$500 and an Independent Director who serves as chairperson of a Board committee is entitled to additional compensation as follows: 1) Audit Committee Chairperson \$1,500; 2) Compensation and Stock Option Committee Chairperson \$800; and 3) Nominating and Corporate Governance Committee \$800.

PROPOSAL TWO:

Ratification of Selection of Independent Registered Public Accounting Firm

The firm of KPMG LLP has served as independent auditor or independent registered public accounting firm for the Company since 1987. The Audit Committee has selected and the Board of Directors has approved the firm to continue in this capacity for the current fiscal year ending March 31, 2007. A representative of KPMG LLP is expected to attend the annual meeting with the opportunity to make a statement and to respond to appropriate questions from stockholders present at the meeting.

Although it is not required to do so, the Company wishes to provide stockholders with the opportunity to indicate their approval of the selection of the independent registered public accounting firm and accordingly is submitting a proposal to ratify the selection of KPMG LLP. If the stockholders should fail to approve this proposal, the Board of Directors will consider the selection of another independent registered public accounting firm.

Required Vote

The proposal will be approved if a quorum is present and the number of votes cast in favor exceeds the number of votes cast against the proposal.

The Board of Directors unanimously recommends that stockholders vote FOR ratification of KPMG LLP to serve as the Company s independent registered public accounting firm for the year ending March 31, 2007.

COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

Section 16(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act), requires the Company s directors, executive officers, and beneficial owners of more than 10% of a registered class of the Company s equity securities, (collectively Insiders) to file reports with the SEC and the National Association of Securities Dealers, Inc. disclosing direct and indirect ownership of Common Stock and other equity securities of the Company and reports of changes in such ownership. Insiders are required by

SEC regulation to provide the Company with copies of all Section 16(a) forms filed with the SEC. Based solely on review of copies of Section 16(a) reports received by the Company, and written representations that no other reports were required by the SEC, the Company believes Insiders have complied with all Section 16(a) filing requirements for the fiscal year ended March 31, 2006, except that Gerald R. Cysewski, Michael A. Davis, Gregg W. Robertson, David I. Rosenthal, John T. Waldron, Paul C. Yuen, and William R. Maris, made late filings of Forms 3 or 5 or both.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the beneficial ownership of the Company's Common Stock as of June 26, 2006 by (i) each person who is known by the Company to own beneficially more than 5% of the outstanding shares of the Common Stock of the Company and Common Stock equivalents, (ii) each of the Company's executive officers named in the Summary Compensation Table appearing herein, (iii) each director and (iv) all directors and executive officers named in the Summary Compensation Table appearing herein as a group. The following table sets forth what such persons' beneficial security ownership position would be assuming the exercise of all outstanding stock options and warrants, exercisable on June 26, 2006 or within 60 days of such date. All shares shown are subject to the named person's sole voting and investment power except as noted below.

Name	Shares Beneficially Owned	Approximate Percent Owned
Gerald R. Cysewski(1)	498,608 (2)	2.4 %
Robert J. Capelli(1)	42,000 (3)	*
Michael A. Davis(1)	3,473,076 (4)(5)	16.6 %
Gregg W. Robertson(1)	9,500 (6)	*
William R. Maris(1)	20,000 (7)	*
David I. Rosenthal(1)	13,000 (8)	*
John T. Waldron(1)	53,952 (9)	*
Paul C. Yuen(1)	40,800	*
All directors and executive officers as a group (8 persons)	4,150,936 (10)	19.8

* Less than 1.0%

- (1) Address is c/o Cyanotech Corporation, 73-4460 Queen Kaahumanu Hwy., Suite 102, Kailua Kona, HI 96740.
- (2) Includes options for 44,000 shares of Common Stock.
- (3) Includes options for 42,000 shares of Common Stock
- (4) Includes 322,000 shares over which Mr. Davis holds sole voting and investment power. Also includes 3,148,076 shares over which Mr. Davis holds shared voting and investment power, including 125,000 shares held by Mr. Davis' spouse, Janet J. Johnstone (Johnstone); 700,000 shares held by the Skywords Family Foundation, a charitable foundation of which Mr. Davis and Johnstone are the sole directors; 400,000 shares held by trusts for the benefit of Mr. Davis' and Johnstone's minor children for which Mr. Davis is a co-trustee; and 1,923,076 shares held by the Michael Arlen Davis Charitable Lead Annuity Trust of which Mr. Davis is a co-trustee.
- (5) Includes options for 3,000 shares of Common Stock held by a trust for the benefit of Mr. Davis, Johnstone & Mr. Davis' descendents, of which Mr. Davis is a trustee.
- (6) Includes options for 4,000 shares of Common Stock.
- (7) Includes options for 20,000 shares of Common Stock.

- (8) Includes options for 3,000 shares of Common Stock.
- (9) Includes options for 3,000 shares of Common Stock.
- (9) Includes options for 119,000 shares of Common Stock.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

No current member of the Company's Compensation and Stock Option Committee is a current or former officer or employee of the Company or its subsidiaries and no executive officer of the Company was a member of the Compensation Committee of any corporation of which a member of the Company's Compensation and Stock Option Committee is an executive officer.

EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers and other key employees of Cyanotech as of March 31, 2006 were as follows:

Name	Age	Position
Gerald R. Cysewski, Ph. D	57	Chairman of the Board, President and Chief Executive Officer
William R. Maris	57	Chief Financial Officer, Vice President Finance and Administration, Secretary and Treasurer
Glenn D. Jensen	47	Vice President Operations
Robert J. Capelli	46	Vice President Sales

Dr. Cysewski co-founded Cyanotech in 1983. Since March 1990, Dr. Cysewski has served as President and Chief Executive Officer and prior to this time, served as Scientific Director. Dr. Cysewski has also served as a Director since 1983. In 1998, he was Vice Chairman of the Board and in October 1990 he was appointed Chairman of the Board. Prior to his tenure at Cyanotech, from 1980 to 1982, Dr. Cysewski was group leader of microalgae research and development at Battelle Northwest, a major contract research and development firm. From 1976 to 1980, Dr. Cysewski was an assistant professor in the Department of Chemical and Nuclear Engineering at the University of California, Santa Barbara. Dr. Cysewski received his doctorate in Chemical Engineering from the University of California at Berkeley.

Mr. Maris has served as Chief Financial Officer, Vice President Finance & Administration, Secretary and Treasurer since January 2006. From February 2003 to December 2005 he was self employed as a Certified Public Accountant. From September 1994 to January 2003 Mr. Maris was CFO, Treasurer and Secretary of Market Transport, Ltd., a logistics and transportation provider based in Portland, Oregon. Prior to this he served as CFO and Vice President, Operations of Wholesome and Hearty Foods (Garden Burger), a food products manufacturer in Portland, and CFO and Treasurer of Crown Pacific, Ltd., a forest resources and manufacturing concern in Portland. Earlier in his career, Maris was a division treasurer and financial manager for AMFAC, Inc. of Honolulu, Hawaii. He began his career at Touche Ross and Company becoming senior auditor and audit supervisor. He holds a B.A. Degree from the University of Oregon.

Mr. Jensen has served as Vice President Operations since May 1993. He had been Production Manager since 1991. Mr. Jensen joined Cyanotech in 1984 as Process Manager. Prior to joining the Company, Mr. Jensen worked as a plant engineer at Cal-Alga, a spirulina production facility, near Fresno, California. Mr. Jensen holds a B.S. degree in Health Science from California State University, Fresno.

Mr. Capelli, has served as Vice President Sales since March 2002. He joined the Company in January 2002 as Director of Sales. Prior to joining Cby the Company as substitute awards granted solely in assumption of outstanding awards previously granted by a company acquired by the Company or with which the Company combines (Substitute

Awards) do not reduce the number of shares available for awards under the Equity Incentive Plan.

In addition, the Equity Incentive Plan imposes individual limitations on the amount of certain awards in order to comply with Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code). Under these limitations, no single participant may receive options or SARs in any calendar year that relate to more than 50,000 shares of Common Stock, subject to adjustment in certain circumstances.

With certain limitations, awards made under the Equity Incentive Plan may be adjusted by the Committee in its discretion or to prevent dilution or enlargement of benefits or potential benefits intended to be made available under the Equity Incentive Plan in the event of any stock dividend, reorganization, recapitalization, stock split, combination, merger, consolidation, change in laws, regulations or accounting principles or other relevant unusual or nonrecurring event affecting the Company.

Eligibility and Administration

Associates and Directors of the Company or its subsidiaries or affiliates are eligible to be granted awards under the Equity Incentive Plan. As of March 14, 2005, all employees had been granted awards under either the 2000 Plan or the Equity Incentive Plan. The Committee administers the Equity Incentive Plan and is to be composed of not less than two non-employee directors, each of whom is a Non-Employee Director for purposes of Section 16 of the Exchange Act and Rule 16b-3 thereunder and an outside director within the meaning of Section 162(m) and the regulations promulgated under the Code. Subject to the terms of the Equity Incentive Plan, the Committee is authorized to select participants, determine the type and number of awards to be granted, determine and later amend (subject to certain limitations) the terms and conditions of any award, interpret and specify the rules and regulations relating to the Equity Incentive Plan, and make all other determinations which may be necessary or desirable for the administration of the Equity Incentive Plan.

Stock Options and Stock Appreciation Rights

The Committee is authorized to grant stock options, including both incentive stock options, which can result in potentially favorable tax treatment to the participant, and non-qualified stock options. The Committee may specify the terms of such grants subject to the terms of the Equity Incentive Plan. The Committee is also authorized to grant SARs, either with or without a related option, which SARs may be settled in cash or Common Stock, as the Committee may determine. The exercise price per share subject to an option is determined by the Committee, but may not be less than the fair market value of a share of Common Stock on the date of the grant, except in the case of Substitute Awards. The maximum term of each option or SAR, the times at which each option or SAR will be exercisable, and the provisions requiring forfeiture of unexercised options at or following termination of employment generally are fixed by the Committee, except that no option or tandem SAR relating to an option may have a term exceeding ten years. Incentive stock options or tandem SARs related thereto that are granted to holders of more than ten percent of the Company's voting securities are subject to certain additional restrictions, including a five-year maximum term and a minimum exercise price of 110% of fair market value.

Restricted Shares and Restricted Share Units

The Committee is authorized to grant restricted shares of Common Stock and restricted share units. Restricted shares are shares of Common Stock subject to transfer restrictions as well as forfeiture upon certain terminations of employment prior to the end of a restricted period or other conditions specified by the

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Committee in the award agreement. A participant granted restricted shares of Common Stock generally has most of the rights of a shareholder of the Company with respect to the restricted shares, including the right to receive dividends and the right to vote such shares. Except as provided in the Equity Incentive Plan, none of the restricted shares may be transferred, encumbered or disposed of during the restricted period or until after fulfillment of the restrictive conditions.

Each restricted share unit has a value equal to the fair market value of a share of Common Stock on the date of grant. The Committee determines, in its sole discretion, the restrictions applicable to the restricted share units. A participant will be credited with dividend equivalents on any vested restricted share units at the time of any payment of dividends to shareholders on shares of Common Stock. Except as determined otherwise by the Committee, restricted share units may not be transferred, encumbered or disposed of, and such units shall terminate, without further obligation on the part of the Company, unless the participant remains in continuous employment of the Company for the restricted period and any other restrictive conditions relating to the restricted share units are met.

Performance Share and Performance Unit Awards

A performance share award consists of a right to receive shares of Common Stock upon the achievement of certain performance goals during certain performance periods as established by the Committee, and payable at such time as the Committee shall determine. Performance share awards may be paid in a lump sum or in installments following the close of a performance period or on a deferred basis, as determined by the Committee. Absent a determination by the Committee to the contrary, a participant's rights to any performance share award may not be transferred, encumbered or disposed of in any manner, except by will or the laws of descent and distribution.

A performance unit award consists of a right that is (i) denominated in cash, (ii) valued, as determined by the Committee, in accordance with the achievement of such performance goals during such performance periods as the Committee shall establish, and (iii) payable at such time and in such form as the Committee shall determine. Performance unit awards may be paid in a lump sum or in installments following the close of a performance period or on a deferred basis, as determined by the Committee. Absent a determination by the Committee to the contrary, a participant's rights to any performance unit award may not be transferred, encumbered or disposed of in any manner, except by will or the laws of descent and distribution.

Performance share and performance unit awards are subject to certain specific terms and conditions under the Equity Incentive Plan. Performance goals will be limited to one or more of the following financial performance measures relating to the Company or any of its subsidiaries, operating units or divisions: (a) earnings or book value per share; (b) net income; (c) return on equity, assets, capital, capital employed or investments; (d) earnings before interest, taxes, depreciation and/or amortization; (e) operating income or profit; (f) operating efficiencies; (g) the ratio of criticized/classified loans to capital; (h) allowance for loan losses; (i) the ratio of non-performing loans to total loans; (j) the ratio of past due loans greater than 90 days and non-accruals to total loans; (k) the ratio of net charge-offs to average loans; (l) after tax operating income; (m) cash flows; (n) total revenues or revenues per employee; (o) stock price or total shareholder return; (p) growth in deposits; (q) dividends; or (r) strategic business objectives, consisting of one or more objectives based on meeting specified cost targets, business expansion goals and goals relating to acquisitions or divestitures; or any combination thereof. Each goal may be expressed on an absolute and/or relative basis, may be based on or otherwise employ comparisons based on internal targets, the past performance of the Company or any subsidiary, operating unit or division of the Company and/or the past or current performance of other companies, and in the case of earnings-based measures, may use or employ comparisons relating to capital, shareholders' equity and/or shares outstanding, or to assets or net assets.

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To the extent necessary to comply with Section 162(m), with respect to grants of performance share, performance unit and other performance awards, no later than 90 days following the commencement of each performance period (or such other time as may be required or permitted by Section 162(m)), the Committee will, in writing, (1) select the performance goal or goals applicable to the performance period, (2) establish the various targets and bonus amounts which may be earned for such performance period, and (3) specify the relationship between performance goals and targets and the amounts to be earned by each Covered Officer for such performance period. Following the completion of each performance period, the Committee will certify in writing whether the applicable performance targets have been achieved and the amounts, if any, payable to Covered Officers for such performance period. In determining the amount earned by a Covered Officer for a given performance period, subject to any applicable award agreement, the Committee shall have the right to reduce (but not increase) the amount payable at a given level of performance to take into account additional factors that the Committee may deem relevant to the assessment of individual or corporate performance for the performance period. With respect to any Covered Officer, the maximum number of shares in respect of which all performance awards may be granted under the Equity Incentive Plan in each year of the performance period is 50,000 and the maximum amount of any award settled in cash is \$1,000,000 in each year of the performance period.

Other Stock-Based Awards

The Committee is authorized to grant any other type of awards that are denominated or payable in, valued by reference to, or otherwise based on or related to shares of Common Stock. The Committee will determine the terms and conditions of such awards, consistent with the terms of the Equity Incentive Plan.

Termination of Employment

The Committee will determine the terms and conditions that apply to any award upon a Termination of Service (as defined in the Equity Incentive Plan) with the Company, its subsidiaries and affiliates, and provide such terms in the applicable award agreement or in its rules or regulations.

Change in Control

All outstanding awards vest, become immediately exercisable or payable or have all restrictions lifted immediately upon a Change in Control (as defined in the Equity Incentive Plan) but only if, and to the extent, determined by the Committee at or after grant.

Amendment and Termination

The Board may amend, alter, suspend, discontinue or terminate the Equity Incentive Plan or any portion of the Equity Incentive Plan at any time, except that shareholder approval must be obtained for any such action if such approval is necessary to comply with any tax or regulatory requirement with which the Board deems it desirable or necessary to comply. The Committee may waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate any award, either prospectively or retroactively. The Committee does not have the power, however, to amend the terms of previously granted options to reduce the exercise price per share subject to such option or to cancel such options and grant substitute options with a lower exercise price per share than the cancelled options. The Committee also may not adversely affect the rights of any award holder without the award holder's consent.

Other Terms of Awards

The Company may take action, including the withholding of amounts from any award made under the Equity Incentive Plan, to satisfy withholding and other tax obligations. The Committee may provide for

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additional cash payments to participants to defray any tax arising from the grant, vesting, exercise or payment of any award. Awards granted under the Equity Incentive Plan generally may not be pledged or otherwise encumbered or transferred except (i) by will or by the laws of descent and distribution; (ii) to a member of the participant's immediate family or a trust for the benefit of an immediate family member; (iii) to a partnership of which the only partners are members of the participant's immediate family; or (iv) as permitted by the Committee in its discretion. Incentive stock options may not be pledged or otherwise encumbered or transferred except by will or by the laws of descent and distribution.

Certain Federal Income Tax Consequences

The following is a brief description of the current federal income tax consequences generally arising with respect to awards under the Equity Incentive Plan.

Tax consequences to the Company and to participants receiving awards will vary with the type of award. Generally, a participant will not recognize income, and the Company is not entitled to take a deduction, upon the grant of an incentive stock option, a nonqualified option, a reload option, an SAR, a restricted share award, a performance share award or a performance unit award. A participant will not have taxable income upon exercising an incentive stock option (except that the alternative minimum tax may apply). Upon exercising an option other than an incentive stock option, the participant must generally recognize ordinary income equal to the difference between the exercise price and fair market value of the freely transferable and non-forfeitable shares of Common Stock acquired on the date of exercise.

If a participant sells shares of Common Stock acquired upon exercise of an incentive stock option before the end of two years from the date of grant and one year from the date of exercise, the participant must generally recognize ordinary income equal to the difference between (i) the fair market value of the shares of Common Stock at the date of exercise of the incentive stock option (or, if less, the amount realized upon the disposition of the incentive stock option shares of Common Stock), and (ii) the exercise price. Otherwise, a participant's disposition of shares of Common Stock acquired upon the exercise of an option (including an incentive stock option for which the incentive stock option holding period is met) generally will result in short-term or long-term capital gain or loss measured by the difference between the sale price and the participant's tax basis in such shares of Common Stock (the tax basis generally being the exercise price plus any amount previously recognized as ordinary income in connection with the exercise of the option).

The Company generally will be entitled to a tax deduction equal to the amount recognized as ordinary income by the participant in connection with an option. The Company generally is not entitled to a tax deduction relating to amounts that represent a capital gain to a participant. Accordingly, the Company will not be entitled to any tax deduction with respect to an incentive stock option if the participant holds the shares of Common Stock for the incentive stock option holding periods prior to disposition of the shares.

Similarly, the exercise of an SAR will result in ordinary income on the value of the stock appreciation right to the individual at the time of exercise. The Company will be allowed a deduction for the amount of ordinary income recognized by a participant with respect to an SAR. Upon a grant of restricted stock or performance shares, the participant will recognize ordinary income on the fair market value of the Common Stock at the time such shares of become vested as a result of the restrictions lapsing with respect to restricted shares or the achievement of the performance goals with respect to performance shares unless a participant makes an election under Section 83(b) of the Code to be taxed at the time of grant. The participant also is subject to capital gains treatment on the subsequent sale of any Common Stock acquired through the exercise of an SAR or restricted share award. For this purpose, the participant's basis in the Common Stock is its fair market value at the time the SAR is exercised or the restricted share becomes vested (or is granted, if an election under Section 83(b) is made).

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Payments made under performance awards settled in cash are taxable as ordinary income at the time an individual attains the performance goals and the payments are made available to the participant.

Section 162(m) of the Code generally disallows a public company's tax deduction for compensation paid in excess of \$1 million in any tax year to its five most highly compensated executives. However, compensation that qualifies as performance-based compensation is excluded from this \$1 million deduction limit and therefore remains fully deductible by the company that pays it. The Company intends that (i) performance awards, including performance share awards and performance unit awards and (ii) options granted (a) with an exercise price at least equal to 100% of fair market value of the underlying shares of Common Stock at the date of grant and (b) to employees the Committee expects to be named executive officers at the time a deduction arises in connection with such awards, qualify as performance-based compensation so that these awards will not be subject to the Section 162(m) deduction limitations.

The foregoing discussion is general in nature and is not intended to be a complete description of the federal income tax consequences of the Equity Incentive Plan. This discussion does not address the effects of other federal taxes or taxes imposed under state, local or foreign tax laws. Participants in the Equity Incentive Plan are urged to consult a tax advisor as to the tax consequences of participation.

The Equity Incentive Plan is not intended to be a qualified plan under Section 401(a) of the Code.

The following table summarizes information concerning the Company's equity compensation plans at December 31, 2004:

Plan Category	Number of Shares to be Issued upon Exercise of Outstanding Options and Warrants	Weighted Average Exercise Price of Outstanding Options and Warrants	Number of Shares Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Shares Reflected in First Column)
Equity compensation plans approved by shareholders:			
2000 Stock Incentive Plan	980,414	\$ 6.13	
2004 Equity Incentive Plan	87,936	\$ 17.46	444,024
Equity compensation plans not approved by shareholders	N/A	N/A	N/A
Total	1,068,350	\$ 7.03	444,024

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE APPROVAL OF THE AMENDMENT TO THE PINNACLE FINANCIAL PARTNERS, INC. 2004 EQUITY INCENTIVE PLAN.

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The following table shows for the Named Executive and other executive officers of the Company and the Bank: (a) his or her name, (b) his or her age, (c) how long he or she has been an officer, and (d) his or her position.

Name	Age	Officer Since	Position with Company and Bank
<i>Named Executive Officers:</i>			
M.Terry Turner	50	2000	President and Chief Executive Officer
Robert A. McCabe, Jr.	54	2000	Chairman of the Board
Hugh M. Queener	49	2000	EVP and Chief Administrative Officer
James E. White	52	2000	EVP and Senior Lending Officer
Charles B. McMahan	58	2003	EVP and Senior Credit Officer
<i>Other Executive Officers:</i>			
Joanne B. Jackson	47	2000	EVP and Client Services Group Manager
Harold R. Carpenter, Jr.	46	2000	EVP and Chief Financial Officer

Mr. Turner was employed by First American National Bank serving in various capacities from 1979 to 1999. Mr. Turner served from January 1994 until November 1998 as President of the Retail Bank of First American National Bank. From November 1998 until October 1999, he served as President of the Investment Services Group of First American Corporation.

Mr. McCabe was employed by First American National Bank serving in various capacities from 1976 to 1999, including being appointed vice chairman of First American Corporation from 1994 to 1999.

Mr. Queener was employed by AmSouth Bancorporation from 1999 to 2000 serving as an Executive Vice President in the consumer banking group in Nashville. Prior to the merger with AmSouth, Mr. Queener was employed by First American National Bank from 1987 to 1999 serving most recently as executive vice president in charge of retail lending from 1987 to 1999. Prior to his employment at First American, Mr. Queener was employed with The Kirchman Corporation from 1986 to 1987 and served as senior vice president for client service, installations and software development and support.

Mr. White was employed by AmSouth Bancorporation from 1999 to 2000 serving as Executive Vice President Group Sales Manager for the private banking group in Nashville. Prior to First American National Bank's merger with AmSouth, Mr. White was employed by First American National Bank from 1991 to 1999 serving in a variety of roles in the commercial and private banking areas, including private banking group manager in 1998 and 1999 and president of the middle region of Tennessee in 1997 and 1998.

Mr. McMahan was employed by AmSouth Bancorporation from 1999 to 2002 as Senior Vice President State Senior Credit Officer for Tennessee and Louisiana based in Nashville, Tennessee. Prior to the merger with AmSouth, Mr. McMahan was employed in a variety of roles from 1974 to 1999 at First American National Bank in the commercial and consumer lending areas and, ultimately, was promoted to Executive Vice President Credit Administration. Mr. McMahan is also a certified public accountant.

Ms. Jackson was employed by AmSouth Bancorporation from 1999 to 2000 as the business banking team leader in Nashville, Tennessee. Prior to the merger with AmSouth, Ms. Jackson was employed as a senior vice president at First American National Bank from 1994 to 1999 serving in a variety of roles focusing on the small business market.

Mr. Carpenter was employed by AmSouth Bancorporation from 1999 to 2000 as a senior vice president in the finance group in Nashville, Tennessee. Prior to the merger with AmSouth, Mr. Carpenter was employed

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by First American Corporation as senior vice president from 1994 to 1999 serving most recently as the financial manager for the Tennessee, Mississippi and Louisiana areas. Mr. Carpenter was employed by the national accounting firm, KPMG LLP, from 1982 to 1994.

**REPORT OF THE
HUMAN RESOURCES, NOMINATING AND COMPENSATION COMMITTEE**

The duties and responsibilities of the Human Resources, Nominating and Compensation Committee (the Committee) include, among other things, overseeing the Company's overall executive compensation philosophy; measuring performance with respect to established goals and objectives; designing the components for all executive compensation; and establishing the framework for all compensation for the Chief Executive Officer. The Committee is composed of four independent directors.

Compensation Philosophy

Pinnacle's executive compensation philosophy includes the following principles:

A comprehensive compensation package should take into account all forms of compensation to include salary, incentives, other compensation and perquisites.

Compensation should be competitive with peers based on asset size.

Compensation should include significant upside potential and downside risk.

Incentives should ensure excellent short-term and long-term results.

Key performance measures contained in the strategic framework that were adopted by the Board of Directors and updated annually provide a basis for making qualitative judgments about performance and its implication on compensation and incentive payouts.

Compensation should be both affordable for the firm and fair to the executive.

Measuring Performance

The Board has established a strategic framework consisting of 20 financial and other measures in the critically important areas of soundness, profitability, growth and market effectiveness. The Board has established long-term targets and annual targets for the current and next two years for each of these performance measures. These targets include measurements, which are widely known in the banking industry as well as several internally developed benchmarks as follows:

Soundness

Criticized/classified assets to capital
Nonperforming loans to total loans
Net charged-off loans to average loans
Total risk based capital ratio

Allowance for loan losses to total loans
Past due loans > 90 days
Tier 1 leverage ratio
Net noncore funding dependency

Profitability

Return on average assets	Return on average equity
Fully-diluted earnings per share	Efficiency ratio
Total noninterest income to total revenues	Net interest margin

Growth

Growth in earnings per share year over year	Growth in deposits year over year
---------------------------------------------	-----------------------------------

Market Effectiveness

Market share	Internal client service index
Internal operational quality index	Associate retention rates

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The key performance measures noted above are integral parts of the Company's strategic planning efforts. Annually, these measurements are reviewed and, in some cases, modified by the Board. These measurements provide a basis for making qualitative judgments about performance and its implication on compensation and incentive awards for the Company's executive officers, particularly the Chief Executive Officer.

Components of Executive Compensation

The three primary components of executive compensation are:

Base Salary

Annual Cash Incentive Plan

Stock and Other Long-term Incentive Plans

Base Salary - Base salary is designed to provide reasonable levels of compensation to the executive. Salaries for the Company's executive officers are reviewed annually and are based on:

Job scope and responsibilities;

Corporate, business unit, and individual performance;

Competitive salaries for similar positions; and

Other factors.

Annual Cash Incentive Plan - All non-commissioned associates of the Company are eligible for participation in the Annual Cash Incentive Plan which provides awards to the participants at various levels ranging from 10% of base salary to 50% of base salary. For the Named Executive Officers and other executive officers, the annual cash incentive plan ranges from 30% to 50% of the officer's base salary compensation and is considered "at risk" if minimum performance thresholds are not met. The Committee is responsible for administering the Annual Cash Incentive Plan. For all participants, the award is based on achieving the Company's annual earnings targets and clearing various soundness thresholds. The Annual Cash Incentive Plan is structured such that awards may increase or decrease based on whether the Company's actual performance for the calendar year exceeded pre-established performance targets, met performance targets or was less than performance targets. Additionally, all participants must be rated at least "meets expectations" against their individual goals and objectives in their annual performance reviews to receive any payouts under the Annual Cash Incentive Plan. For the 2004 plan, the CEO of the Company had discretionary authority to increase a participant's award by 5% should the CEO determine that the efforts of the participant during 2004 warrant such an increase.

In 2004, the Company did not achieve its earnings targets, although it did achieve its soundness thresholds. As a result, the Company awarded the participants, including the Named Executive Officers, an award which approximated 80% of their individual targeted cash incentive award. For the Named Executive Officers, the 2004 cash incentive award actually paid ranged from 24% of their base salary to 40%.

Stock and Other Long-term Incentive Plans In 2004, the Company's Board adopted, and the Company's shareholders approved, the Company's 2004 Equity Incentive Plan (the "2004 Plan"). Under the terms of the 2004 Plan, the Company's associates are eligible to receive equity based incentive awards including stock options, stock appreciation awards, restricted shares of the Company's common stock, restricted stock units and performance shares or units. The 2004 Plan reserved 531,960 shares of the Company's common stock for issuance to the eligible participants.

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The Committee believes that equity-based, long-term compensation programs link the interests of senior management, both individually and as a team, to the long-term interests of stockholders. In 2004, the Committee granted awards to the Company's Named Executive Officers, as follows:

Named Executive Officers received stock option awards during 2004 after the Committee considered the stock option holdings of these officers in relation to other associates in the Company. All stock options awarded to the Named Executive Officers in 2004 vest over a five-year period and have value only to the extent that the Company's common stock price increases over the grant price during the ten-year exercise period. This compensation is totally at risk in the event that the stock price does not increase over the grant price. The more shareholder value increases, the greater the compensation to the executives. The Committee anticipates that all future stock option grants to the Named Executive Officers and other senior executive officers will be based on the achievement of certain annual performance objectives including earnings objectives, rather than simply the passage of time.

The Committee also granted shares of restricted stock to the Named Executive Officers and certain other senior executive officers, with the forfeiture restrictions of those awards tied to the Company's three-year performance plan. The restrictions associated with the restricted shares awarded to the Named Executive Officers in 2004 lapse in 33% increments upon the achievement of the performance targets for each fiscal year ended 2004, 2005 and 2006 or for the three year period ended 2006 for those awards for which the one year targets were not met if the Company meets targets established for the three-year period. Therefore, the incentive is only earned if senior management effectively manages the Company to achieve sustained longer-term performance within certain earnings and soundness thresholds. The performance targets associated with the 2004 award were achieved and the restrictions associated with that particular tranche of the 2004 award have been released.

Chief Executive Officer Compensation

Pinnacle has been pursuing a plan to achieve a target of \$1 billion in total assets by the end of 2006. The firm believes that achievement of this growth, while at the same time achieving important soundness targets, will produce extraordinary shareholder value. As a result, the goals of this firm require a CEO that can build a high-performing financial franchise in a very short period of time. Additionally, Pinnacle's CEO will be required to:

- a. Meet or exceed ongoing profitability goals;
- b. Recruit and retain a work force which embraces the culture of a high growth, values-oriented enterprise;
- c. Market a financial firm that emphasizes distinctive service and expert advice to clients;
- d. Plan and execute the necessary capital raising efforts to support the extraordinary growth;
- e. Manage and measure the risk characteristics of the firm (including soundness, operational, and reputation risks) such that risks and returns remain in balance;
- f. Conduct business that is consistent with the standards of the various regulatory bodies; and
- g. Provide for a corporate governance process that is considered "best practice" among publicly held entities.

In light of these goals, the Committee's process for determining the compensation of the Company's CEO involved several steps and included such items as the establishment of an appropriate basis for benchmarking; benchmarking bank performance relative to peers on key measures including those that are highly correlated to share price performance; making qualitative and quantitative judgments regarding the market equity of Pinnacle's CEO

compensation versus benchmark ranges; profiling targeted compensation and developing a change plan to implement the results of the process, if necessary. Additionally, the Committee may elect to engage an outside consultant to assist in the process if the Committee deems necessary.

Benchmarking is a critical part of the process of setting the Company's compensation for its CEO. Publicly-held companies are required to publish CEO compensation data in their proxy materials, offering circulars and other filings with the SEC. There are several entities that produce peer comparisons based on

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that information. Pinnacle has selected a firm that conducts an extensive executive compensation review annually. This review compares executive compensation practices of several thousand publicly held banking firms in the United States. As a part of their annual publication, this firm provides information on a total option adjusted compensation basis and each of its components for virtually all CEOs of publicly held banks and thrifts. Total option adjusted compensation is the summation of direct cash compensation, the value of other compensation benefits (i.e.; qualified pension plans, profit sharing plans, SERPs, etc.) and the value of any equity-based compensation such as stock options and restricted stock awards that may have been granted to the CEO. The Committee believes that this review, which it conducts annually, produces relevant and reliable information in order to assess the competitive landscape for bank executives with comparable job scope.

In 2004, the Committee determined that the total option adjusted compensation for a select peer group of CEOs of banks with assets of \$500 million to \$1 billion was an appropriate benchmark for Pinnacle's CEO and that Pinnacle's CEO compensation should exceed the average compensation for this peer group. In addition to the benchmark, the Committee considered other relevant matters such as competition, the degree of difficulty in the annual or long-range plan, affordability and other matters the Committee deemed important. For 2004, the Committee determined that compensation for Pinnacle's CEO should be between 60th and 80th percentile of the selected peer group.

In setting the CEO's 2004 total option adjusted compensation, the Committee believed that a significant portion of the compensation should be at risk and based on the achievement of performance targets. The Committee determined that if performance targets were met, then compensation would be enhanced for meeting those goals and objectives. If performance targets were not met, compensation would be negatively impacted. The Committee also determined that extraordinary results should provide for significantly enhanced compensation. Generally, the Committee believed that the CEO's annual total option adjusted compensation should approximate the following guidelines:

- 40% to 50% should be in the form of base salary.
- 40% to 60% should be at-risk, tied to the achievement of short- and long-term performance targets.
- Approximately one third of the at-risk compensation should be in the form of a targeted cash bonus award dependent on the firm meeting annual performance targets.
- Approximately two thirds of the at-risk compensation should be longer-term in nature and directly linked to shareholder value creation. This compensation could be in the form of stock options, restricted stock, stock appreciation rights, etc. For longer-term compensation, the Committee believed that it should have latitude to grant awards that are both subject to time vesting and awards that vested pursuant to the achievement of multi-year performance targets.

The Committee concluded that approximately 42% of the CEO's compensation for 2004 was considered at risk. Therefore, the mix of fixed versus at-risk pay was considered appropriate by the Committee.

Additionally, although other financial firms use other methods of compensation (e.g., board fees, pension plans, SERPs, country club memberships, etc.), it was, and continues to be, the view of the Committee that total compensation for Pinnacle's CEO should be largely comprised of 1) direct cash compensation and 2) equity-based compensation which reward for achievement of the firm's goals and objectives and the creation of long-term shareholder value. The Committee does, however, have the flexibility to utilize other forms of compensation as circumstances arise and provided the CEO with an automobile allowance of \$13,000 during 2004.

The Committee also encourages the CEO to maintain a meaningful personal ownership in the Company in the form of common stock. Periodically, the Committee may establish common stock ownership goals for the CEO.

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In 2004, the CEO's annual base salary was set by the Committee at \$260,000. Additionally, on April 26, 2004, the Committee granted to the CEO an option to purchase 15,140 shares of the Company's common stock at an exercise price of \$14.78 per share. The option, which vests 20% per year for five years, may be exercised by the CEO until April 26, 2014. On August 26, 2004, the Committee granted the CEO a restricted stock award of 690 shares of the Company's common stock with a three-year restriction period. The restriction period lapses in equal annual installments if the Company achieves certain earnings and soundness targets during each of the three years. If the targets are not met in any particular year, the forfeiture restrictions will ultimately lapse for that year if the Company achieves certain cumulative earnings and soundness targets for the three-year period covered by the award.

Under the terms of the Company's annual cash incentive plan, the CEO is eligible to receive a bonus payment targeted at 50% of his base salary based on the Company's and the CEO's performance during the year. The amount of the bonus is determined at the sole discretion of the Committee. On January 21, 2005, the Company paid the CEO \$104,000 pursuant to the Company's Annual Cash Incentive Plan for the 2004 fiscal year. The amount paid was equal to 40% of the CEO's base salary or 80% of the CEO's 50% targeted award.

The CEO's employment agreement, which was executed in 2000, automatically renews each day, so that the agreement always has a three-year term, unless any of the parties to the agreement gives notice of intent not to renew the agreement. The agreement also includes severance in the event of certain terminations of employment or changes in control. Please see "Employment Agreements" on page 32 of this proxy statement.

Summary

The Committee believes this mix of market-based salaries, potentially significant variable cash incentives associated with annual and long-term performance and the potential for equity ownership in the Company represents a balance that will attract and retain high quality, experienced, management and motivate the management team to produce strong returns and accomplish multi-year performance objectives. The Committee further believes this program strikes an appropriate balance between the interests and needs of the Company in operating its business and appropriate rewards based on shareholder value creation.

*Gregory L. Burns, Chairman
John E. Maupin, Jr., Member
James L. Shaub, II, Member
Reese L. Smith, III, Member*

The foregoing report of the Human Resources, Nominating and Compensation Committee shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933 or the Exchange Act, except to the extent the Company specifically incorporates this information by reference and shall not otherwise be deemed filed under such Acts.

* * * * *

STOCKHOLDER RETURN PERFORMANCE GRAPH

Set forth below is a line graph comparing the monthly percentage change in the cumulative total stockholder return on the Company's Common Stock against the cumulative total return of the NASDAQ Market Index and a customized index created by SNL Financial of Southeastern United States banks with assets of \$500 million to \$1 billion for the period commencing on August 17, 2000 (the date of the Company's initial public offering of Common Stock) and

ending December 31, 2004 (the Measuring

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Period). The graph assumes that the value of the investment in the Company's Common Stock and each index was \$100 on August 17, 2000. The change in cumulative total return is measured by dividing the change in share price between the beginning and end of the Measuring Period by the share price at the beginning of the Measuring Period. As the Company paid no cash dividends, the impact of dividends is not applicable to the Company's total return. However, cash dividends may impact the cumulative returns of the two indices.

Cumulative Total Returns (1)**Comparison of**

**PINNACLE FINANCIAL PARTNERS, INC.
NASDAQ NATIONAL STOCK MARKET (US) INDEX
SNL SOUTHEAST BANKS with ASSETS of \$500 MILLION to \$1 BILLION (2)**

-
- (1) Assumes \$100 invested on August 17, 2000 in Pinnacle Financial Partners, Inc. Common Stock (PNFP) and the two indexes noted above. Additionally, PNFP has traded on the NASDAQ National Market since August 14, 2002. From May 28, 2002 to August 13, 2002, PNFP was traded on the NASDAQ SmallCap Market. Prior to May 28, 2002, PNFP was traded on the OTC Bulletin Board.
- (2) SNL Southeast Banks with assets of \$500 million to \$1 billion is a customized index consisting of 40 publicly traded banking institutions headquartered in nine states in the southeastern United States. SNL Financial is a financial research firm focused on banking and other industries located in Charlottesville, Virginia.

Cumulative Total Return of \$100.00 initial investment on August 17, 2000

	Aug 17, 2000	2000	2001	December 31, 2002	2003	2004
Pinnacle Financial Partners, Inc.	100.00	60.00	102.50	129.10	235.00	452.42
NASDAQ National Market (US) Index	100.00	62.69	49.49	33.89	50.84	55.49
SNL Southeast Banks with assets of \$500 million to \$1 billion	100.00	95.17	122.32	153.39	216.14	242.60

* * * * *

Table of Contents**COMPENSATION**

The following table sets forth information concerning the annual and long-term compensation for services in all capacities of the Chief Executive Officer and the other four most highly compensated executive officers of the Company whose salary and bonus payment exceeded \$100,000 (collectively, Named Executive Officers) for the years ended December 31, 2004, 2003 and 2002.

Summary Compensation Table

Named Executive Officer Principal Position	Year	Annual Compensation		Long-term Compensation Number of			
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Restricted Stock Awards(1)	Securities Underlying Options(2)	All Other Compensation (3)
M. Terry Turner, Chief Executive Officer	2004	\$ 260,000	\$ 104,000		14,401	15,140	\$ 9,036
	2003	235,000	113,500			25,000	6,000
	2002	220,000	73,333			45,000	5,500
Robert A. McCabe, Jr., Chairman	2004	\$ 257,100	\$ 102,840		12,836	13,500	\$ 10,702
	2003	232,500	112,250			22,000	6,000
	2002	220,000	73,333			45,000	5,500
Hugh M. Queener, Chief Administrative Officer	2004	\$ 188,000	\$ 60,160		11,208	11,850	\$ 7,399
	2003	173,625	65,600			19,000	5,867
	2002	160,000	42,667			27,000	5,070
James E. White, Senior Lending Officer	2004	\$ 156,000	\$ 37,440		7,827	4,500	\$ 5,069
	2003	150,000	45,000				4,870
	2002	145,600	29,120			14,000	4,368
Charles B. McMahan, Senior Credit Officer (4)	2004	\$ 145,600	\$ 34,944		7,326	6,150	\$ 4,859
	2003	136,833	42,000			5,000	4,048

- (1) Includes the value, based on the closing market price of the Common Stock on the Nasdaq Stock Market on August 26, 2004, the date of issuance of the restricted stock as follows: Mr. Turner, 690 shares; Mr. McCabe, 615 shares; Mr. Queener, 537 shares; Mr. White, 375 shares; and Mr. McMahan, 351 shares. The restrictions associated with these restricted shares lapse if key performance targets related to a maximum amount of criticized assets and the achievement of a certain earnings per share are achieved over a three-year period. As a result, the restrictions associated with the restricted shares awarded to the named executive officers in 2004 lapse in 33% increments upon the achievement of the performance targets for each fiscal year ended 2004, 2005 and 2006 or for the three-year period ended 2006 for those awards for which the one year targets were not met

if the Company meets targets for the three-year period. These performance targets were met for 2004. At December 31, 2004, the named executive officers' aggregate holdings of restricted shares of the Company and the market value of such shares was as follows: Mr. Turner, 690 shares valued at \$15,608; Mr. McCabe, 615 shares valued at \$13,912; Mr. Queener, 537 shares valued at \$12,147; Mr. White, 375 shares valued at \$8,483; and Mr. McMahan, 351 shares valued at \$7,940. If the Company pays dividends during the forfeiture period, dividends will be paid on the restricted shares.

- (2) Adjusted for a two for one stock split on May 10, 2004.
- (3) Reflects contributions by the Company to its retirement plans for the benefit of each named officer in the amounts of \$6,500; \$6,000 and \$5,500 for Mr. Turner for the years ended December 31, 2004, 2003 and 2002; in the amounts of \$7,546; \$6,000 and \$5,500 for Mr. McCabe for the years ended December 31, 2004, 2003 and 2002; in the amounts of \$5,905; \$5,867 and \$5,070 for Mr. Queener for the years ended December 31, 2004, 2003 and 2002; in the amounts of \$4,673; \$4,870 and \$4,368 for Mr. White for the years ended December 31, 2004, 2003 and 2002; and in the amounts of \$4,361 and \$4,048 for Mr. McMahan for the years ended December 31, 2004 and 2003. Also reflects payment of premiums for long term disability benefits in the amounts of \$2,536 for Mr. Turner; \$3,156 for Mr. McCabe; \$1,494 for Mr. Queener; \$396 for Mr. White and \$498 for Mr. McMahan for the year ended December 31, 2004.
- (4) Mr. McMahan began his employment with the Company on December 31, 2002.

We believe that bonuses are a valuable tool in motivating an employee base that is focused on providing our customers effective financial advice and increasing shareholder value. As a result, substantially all of our employees are eligible for variable pay (bonus) incentives through our Annual Cash Incentive Plan. We believe this differentiates us from many other financial institutions. The Annual Cash Incentive Plan is approved by the Human Resources, Nominating and Compensation Committee of the Board. This plan requires the Company to achieve certain financial goals for the calendar year in order for a payment of any annual award to any employee. These financial goals include a limitation as to the maximum level of

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criticized assets and the achievement of a certain level of earnings. Each employee who is eligible for an award is given a target of 10% to 50% of their base pay at the beginning of the year. This percentage increases or decreases should the Company exceed or not meet its financial goals. The Company's Chief Executive Officer also had the discretion to award an additional 5% to an employee based on individual accomplishment. During the year ended December 31, 2004, \$1,168,000 in bonuses were awarded to the Company's associates, of which \$339,384 was awarded to the Named Executive Officers. The incentive plan for 2005 is structured similarly to that of 2004 with there being a limitation as to the Company's maximum amount of criticized assets and the achievement of a certain earnings per share for the year.

Option Grants in 2004. The following table sets forth information concerning stock options granted in 2004 to the Named Executive Officers listed above under the 2004 Incentive Plan. The Company did not grant any stock appreciation rights during 2004.

Option Grants for the year ended December 31, 2004

Name	Number of Securities Underlying Options	Percent of Total Options Granted to All Employees in 2004	Exercise Price Per Share	Expiration Date	Potential Realizable Value (Assumes Annual Rates of Stock Price Appreciation for Option Term)	
					5%(\$)	10%(\$)
M. Terry Turner	15,140	8.0%	\$ 14.78	April 26, 2014	\$ 140,727	\$ 356,630
Robert A. McCabe, Jr.	13,500	7.1%	\$ 14.78	April 26, 2014	\$ 125,483	\$ 317,999
Hugh M. Queener	11,850	6.3%	\$ 14.78	April 26, 2014	\$ 110,146	\$ 279,133
James E. White	4,500	2.4%	\$ 12.37	Jan. 12, 2014	\$ 35,007	\$ 88,716
Charles B. McMahan	6,150	3.3%	\$ 12.37	Jan. 12, 2014	\$ 47,843	\$ 121,245
Named executive officers, as a group	51,140	27.0%				
All employees, as a group	189,080	100.0%	\$12.37 to \$24.69	Thru Nov. 16, 2014		

All of the Company's options issued in 2004 have been issued pursuant to the 2004 Equity Incentive Plan and vest in 20% increments beginning one year from the date of grant and vest 20% each year for the following four years. Vesting for all options will be accelerated in the event of a change of control. A change of control generally means the acquisition by a person or group of 40% or more of the voting securities of the Company or the Bank; a change in the majority of the Board over a twelve month period (unless the new directors were approved by a two-thirds majority of prior directors); a merger, consolidation or reorganization in which the Company's shareholders before the merger own 50% or less of the voting power after the merger; or the sale, transfer or assignment of all or substantially all of the assets of the Company and its subsidiaries to any third party. Pursuant to the 2004 Equity Incentive Plan, options

expire ten years from the grant date. All of the options were granted at exercise prices equal to the closing price of the Company's Common Stock on the date of grant.

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Aggregate Option Exercises During 2004 and Option Values at Year-End. The following table sets forth information on options granted to the above Named Executive Officers as of December 31, 2004.

**Aggregate Option Exercises for the year ended December 31, 2004 and
December 31, 2004 Option Values**

	Aggregate option exercises during 2004		Number of securities underlying unexercised options at December 31, 2004		Value of unexercised in-the-money options at December 31, 2004 (1)	
	Shares acquired on exercise (2)	Value Realized	Exercisable	Unexercisable	Exercisable	Unexercisable
M. Terry Turner			104,000	86,140	\$ 1,835,570	\$ 1,344,878
Robert A. McCabe, Jr.			103,400	82,100	1,825,988	1,293,692
Hugh M. Queener			68,000	58,850	1,198,694	900,860
James E. White			25,800	19,700	459,776	317,589
Charles B. McMahan			2,000	9,150	32,330	111,533

(1) At December 31, 2004, the closing price of the Company's common stock on the Nasdaq National Market was \$22.62 per share. Value is calculated on the basis of the difference between the option exercise price and \$22.62, multiplied by the number of shares of Common Stock underlying the option.

(2) No Named Executive Officers exercised any options during 2004.

EMPLOYMENT AGREEMENTS

The Company entered into a three-year employment contract with M. Terry Turner, President and Chief Executive Officer, on August 1, 2000. The agreement automatically renews for an additional day each day after March 31, 2000, so that it will always have a three-year term, unless any of the parties to the agreement gives notice of intent not to renew the agreement. Pursuant to this agreement with Mr. Turner, the Company will be obligated to pay Mr. Turner his base salary for the following terminating events:

Payment Obligation Terminating Event	In relation to Base Salary
Mr. Turner becomes permanently disabled	Maximum of six months
The Company terminates Mr. Turner's employment without cause, as defined in the agreement	End of agreement's term
Mr. Turner terminates his employment for cause, as defined	Maximum of twelve months
Mr. Turner terminates his employment within twelve months after a change of control, as defined	Three times base salary and target bonus, plus benefits

The Company entered into a three-year employment contract with Robert A. McCabe, Jr., Chairman of the Board and Chief Financial Services Officer, on August 1, 2000. The agreement automatically renews for an additional day each day after August 1, 2000, so that it will always have a three-year term, unless any of the parties to the agreement gives notice of intent not to renew the agreement. Pursuant to this agreement with Mr. McCabe, the Company will be

obligated to pay Mr. McCabe his base salary under the same terms and conditions as described above under Mr. Turner's agreement for certain terminating events.

The Company entered into a three-year employment contract with Hugh M. Queener, Chief Administrative Officer, on December 4, 2000. The agreement automatically renews for an additional day each day after April 1, 2000, so that it will always have a three-year term, unless any of the parties to the agreement gives notice of intent not to renew the agreement. Pursuant to this agreement with Mr. Queener, the Company will be obligated to pay Mr. Queener his base salary under the same terms and conditions as described above under Mr. Turner's agreement for certain terminating events.

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The employment agreements set forth above for Messrs. Turner, McCabe and Queener, contain provisions that if the executive terminates his employment with the Company for cause within a year following a change of control, the executive shall be entitled to a severance payment equal to three times the executive's then current salary and target bonus. A change of control generally means the acquisition by a person or group of 40% or more of the voting securities of the Company or the Bank; a change in the majority of the Board over a twelve month period (unless the new directors were approved by a two-thirds majority of prior directors); a merger, consolidation or reorganization in which the Company's shareholders before the merger own 50% or less of the voting power after the merger; or the sale, transfer or assignment of all or substantially all of the assets of the Company and its subsidiaries to any third party. The executive will also receive three years of Company-provided health plan benefits subsequent to his termination. In addition, the executive will be indemnified by the Company for any excise tax due under Section 4999 of the Internal Revenue Code of an amount sufficient to place the executive in the same after-tax position as the executive would have been had no excise tax been imposed upon or incurred or paid by the executive.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table lists, as of February 28, 2005, the number of shares of Common Stock beneficially owned by (a) any person known to the Company who owns in excess of 5% of the outstanding shares of Common Stock, (b) each current director of the Company, (c) each Named Executive Officer listed in the Summary Compensation Table, and (d) all directors and executive officers, as a group. The information shown below is based upon information furnished to the Company by the named persons.

Name	Number of Shares Beneficially Owned (1)(2)	Percent of all Shares Owned (2)
Directors:		
Sue G. Atkinson	41,200	0.49%
Gregory L. Burns	23,886	0.28%
Colleen Conway-Welch	30,000	0.36%
Clay T. Jackson	185,058	2.16%
John E. Maupin, Jr., D.D.S	4,250	0.05%
Robert A. McCabe, Jr.	475,746	5.37%
Robert E. McNeilly, Jr.	78,556	0.93%
Dale W. Polley	78,600	0.93%
Linda E. Rebrovick	38,060	0.45%
James L. Shaub, II	80,556	0.95%
Reese L. Smith, III	88,104	1.04%
M. Terry Turner	362,668	4.14%
Named Executive Officers:		
Hugh M. Queener	225,953	2.62%
James E. White	47,275	0.56%
Charles B. McMahan	6,581	0.08%
All Directors, Named Executive and other executive officers, as a Group (17 persons)	1,856,731	18.12%

(1)

Each person is the record owner of and has sole voting and investment power with respect to his or her shares. Additionally, the address for each person listed is 211 Commerce Street Suite 300, Nashville, Tennessee 37201.

- (2) For each person, these amounts include common shares outstanding plus all common shares which could be acquired from the exercise of any vested warrants or options within 60 days of February 28, 2005 (the record date for the Meeting) regardless of price. The percent of shares outstanding is computed by dividing the number of shares beneficially owned noted above by the Company's total shares outstanding plus the number of shares which could be acquired from the exercise of any vested warrants or options within 60 days of February 28, 2005 regardless of price for each particular person or group. The number of shares which could be acquired from the exercise of any vested warrants or options within 60 days of February 28, 2005 regardless of price for each particular person is as follows: Ms. Atkinson (10,000 shares); Mr. Burns (no shares); Ms. Conway-Welch (10,000 shares); Mr. Jackson (25,000 shares); Mr. Maupin (1,000 shares); Mr. McCabe (197,500 shares); Mr. McNeilly (25,000 shares); Mr. Polley (25,000 shares); Ms. Rebrovick (10,000 shares); Mr. Shaub (25,000 shares); Mr. Smith (30,000 shares); Mr. Turner (199,028 shares); Mr. Queener (116,370 shares); Mr. White (30,900 shares); Mr. McMahan (3,230 shares) and all directors and executive offices, as a group (733,448 shares).

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SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers and persons who own beneficially more than 10% of the Company's outstanding common stock to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in their ownership of the Company common stock. Directors, executive officers and greater than 10% shareholders are required to furnish the Company with copies of the forms they file. To our knowledge, based on a review of the copies of these reports furnished to the Company during the year ended December 31, 2004, or on written representations from certain reporting persons that no Forms 5 were required for those persons, all of our directors and executive officers, who are listed above, complied with all applicable Section 16(a) filing requirements, except that a Form 4 was not timely filed for Mr. McCabe and Mr. Jackson with respect to certain common stock purchases during 2004 and for executive officer, Mrs. Joanne Jackson, with respect to the exercise of certain common stock options during 2004. Additionally, we are not aware of any shareholders who hold more than 10% of the outstanding common stock of the Company.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company and the Bank have banking and other business transactions in the ordinary course of business with directors and officers of the Company and the Bank and their affiliates, including members of their families, corporations, partnerships or other organizations in which the directors and officers have a controlling interest. These transactions are on substantially the same terms (including price, interest rate and collateral) as those prevailing at the same time for comparable transactions with unrelated parties. In the opinion of management, these transactions do not involve more than the normal risk of collectibility or present other unfavorable features to the Company or the Bank.

Atkinson Public Relations, of which Sue G. Atkinson is chairman, provides various services for the Company subject to an agreement which was approved by the Board of the Company. For the year ended December 31, 2004, the Company incurred approximately \$140,926 in expenses for services rendered by this public relations company. Also, Mr. Jackson is an officer in an insurance firm that serves as an agent in securing insurance in such areas as Pinnacle Financial's property and casualty insurance and other insurance policies.

The Company and the Bank have banking and other business transactions in the ordinary course of business with directors and officers of the Company and the Bank and their affiliates, including members of their families, corporations, partnerships and other organizations in which the directors or officers have a material interest either as an executive officer or an owner of a greater than 10 percent voting ownership interest. These transactions are on substantially the same terms (including price, interest rate and collateral) as those prevailing at the same time for comparable transactions with unrelated parties. In the opinion of management, these transactions do not involve more than the normal risk of collectibility or present other unfavorable features, except as follows. Dr. Maupin is the President and Chief Executive Officer of Meharry Medical College (Meharry). The Bank is a \$1,088,485 participant in a \$22,500,790 letter of credit issued by a group of banks on behalf of Meharry which has been classified by Pinnacle which therefore may involve more than the normal risk of collectibility.

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REPORT OF THE AUDIT COMMITTEE

The following is the Report of the Audit Committee regarding the Company's audited financial statements to be included in the Company's Annual Report on Form 10-K:

We have reviewed and discussed with management the Company's audited financial statements as of December 31, 2004 and 2003 and for the each of the years in the three-year period ended December 31, 2004.

We have discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, *Communication with Audit Committees*, as amended, by the Auditing Standards Board of the American Institute of Certified Public Accountants.

We have received and reviewed the written disclosures and the letter from the independent auditors required by Independence Standards Board's Standard No. 1, *Independence Discussions with Audit Committees*, as amended, by the Independence Standards Board and have discussed with the independent auditors the auditor's independence.

Based on the reviews and discussions referred to above, we recommended to the Board of Directors that the audited financial statements referred to above be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004.

Dale W. Polley, Chairman

Clay T. Jackson, Member

Robert E. McNeilly, Jr., Member

Linda E. Rebrovick, Member

James L. Shaub, II, Member

The foregoing report of the Audit Committee shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933 or the Exchange Act, except to the extent the Company specifically incorporates this information by reference and shall not otherwise be deemed filed under such Acts.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

In March of 2004, the Company engaged the accounting firm of KPMG LLP (KPMG) as the auditors of the Company's December 31, 2004 consolidated financial statements. This engagement also included reviews of the Company's interim financial statements included in Quarterly Reports on Form 10-Q for 2004. The Board and the Audit Committee of the Board of the Company has approved the appointment of KPMG to serve as the Company's independent auditors for the Company for the year ending December 31, 2005. The Audit Committee considered the background, expertise and experience of the audit team assigned to the Company and various other relevant matters, including the proposed fees for audit services. A representative of KPMG will be present at the Meeting and will be given the opportunity to make a statement if he desires and will be available to respond to appropriate questions from shareholders.

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Audit Fees. During the years ended December 31, 2004 and December 31, 2003, the Company incurred the following principal independent auditor fees:

	2004	2003
Audit Fees (1)	\$ 282,500	\$ 88,000
Audit-Related Fees (2)	65,500	
Tax Fees	16,850	42,000
All Other Fees		
Total Fees	\$ 364,850	\$ 130,000

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- (1) Includes fees related to the annual independent audit of the Company's financial statements and reviews of the Company's annual report on Form 10-K, quarterly reports on Form 10-Q, report on management's assertion regarding internal controls.
- (2) Includes fees related to services provided in connection with the Company's filing of a Registration Statement on Form S-3 during 2004 of \$64,000 and fees of \$1,500 related to issuance of consent on Form S-8.

The Audit Committee also has adopted a formal policy concerning approval of audit and non-audit services to be provided by the independent auditor to the Company. The policy requires that all services KPMG, the Company's independent auditor, may provide to the Company, including audit services and permitted audit-related and non-audit services, be pre-approved by the Committee. The Committee approved all audit and non-audit services provided by KPMG during fiscal 2004 prior to KPMG performing such services.

OTHER MATTERS

The Board of the Company knows of no other matters that may be brought before the Meeting. If, however, any matters other than those set forth in this proxy statement should properly come before the meeting, votes will be cast pursuant to the proxies in accordance with the best judgment of the proxy holders.

If you cannot be present in person, you are requested to complete, sign, date, and return the enclosed proxy promptly. An envelope has been provided for that purpose. No postage is required if mailed in the United States.

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GENERAL INFORMATION

Annual Report. The Company's 2004 Annual Report is being mailed to shareholders with this Proxy Statement. The Annual Report is not a part of the proxy solicitation materials.

Additional Information. A copy of the Company's Annual Report on Form 10-K for the year ended December 31, 2004, excluding certain exhibits thereto, may be obtained without charge by writing to Pinnacle Financial Partners, Inc., Attn: Chief Financial Officer, 211 Commerce Street, Suite 300, Nashville, Tennessee 37201. Also, the Company's Annual Report on Form 10-K and all quarterly Form 10-Q's for the year ended December 31, 2004 can also be accessed via the Investor Relations section of the Company's website located at www.pnfp.com.

By Order of the Board of Directors,

/s/ HUGH M. QUEENER

Hugh M. Queener

Corporate Secretary

March 14, 2005

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PINNACLE FINANCIAL PARTNERS, Inc.

Corporate Governance Guidelines

The Human Resources, Nominating and Compensation Committee of the Board of Directors has established these Corporate Governance Guidelines to provide guidance with respect to the Board's responsibilities as well as to comply with the rules of NASDAQ and good corporate governance principles. These guidelines are intended to reflect the Board's commitment to monitor the effectiveness of policy and decision making at the Board and management levels, with a view to enhancing stockholder value over the long term.

1. Director Qualifications

The Human Resources, Nominating and Compensation Committee is responsible for reviewing with the Board, on an annual basis, the requisite skills and characteristics of new Board members as well as the composition of the Board as a whole. This assessment will include members' qualification as independent, as well as consideration of diversity, age, skills, and experience in the context of the needs of the Board. No director may be nominated to a new term if he or she would be age 72 or older at the time of the election.

Directors are expected to submit a letter of resignation when they experience a change in employment or file for bankruptcy protection. The Committee will review the appropriateness of continued Board membership where a director experiences a change in employment or files for bankruptcy protection.

Directors must notify the Chairman of the Board and the Chairman of the Human Resources, Nominating and Compensation Committee in advance of accepting an invitation to serve on another company's board of directors. The Human Resources, Nominating and Compensation Committee may consider whether such service may negatively affect such director's ability to serve on the Board. Generally, directors will limit the number of public company boards on which they serve to four.

No director may be renominated that failed to attend 75% of the meetings in the past year without valid excuse as determined by the Human Resources, Nominating and Compensation Committee.

In order to attract qualified candidates, the Company may purchase reasonable directors' and officers' liability insurance on their behalf to provide the benefits of indemnification to the fullest extent permitted by law and the Company's charter, by-laws and any indemnification agreements, and to provide exculpation as provided by state law and the Company's charter.

2. Director Nomination

Nominees for directorship will be recommended to the Board by the Human Resources, Nominating and Compensation Committee in accordance with the policies and principles in its charter. The Board will determine whether the recommended nominees will be part of the Company's nominees for director in each proxy statement for the annual meeting of shareholders and, between annual meetings, will elect new directors, upon recommendation by the Committee, to fill vacancies on the board.

3. Board Composition

The Board will have a majority of directors who meet the criteria for independence required by NASDAQ.

The Board presently has twelve members. The by-laws establish a range of five to twenty five. The Board believes that nine to fifteen members is currently the optimal size to permit diversity of experience without hindering effective discussion or diminishing individual accountability. Pursuant to the Company's charter, the number of directors shall be set by the affirmative vote of a majority of the full Board, and the Board shall be divided into three classes. Any change in the range of Board members will be reflected in the Company's by-laws. The Human Resources, Nominating and Compensation Committee shall recommend whether to increase the size of the Board or whether, in the event of a vacancy for any reason, to fill such vacancy or to reduce the size of the Board. A change in the range or number of directors requires affirmative votes of 2/3 of the then serving directors or the affirmative vote of the holders of 2/3 of the issued and outstanding shares.

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4. Term Limits

The Board does not believe it should establish term limits. Term limits result in the loss of accumulated knowledge particular to the Company and its business. Additionally, term limits may result in the loss of the most qualified individuals. As an alternative to term limits, the Human Resources, Nominating and Compensation Committee will review each director's qualifications and performance on the Board at least every three years in connection with determining Board composition and/or whether to renominate a director.

5. Director Responsibilities

The basic responsibility of the directors is to oversee the business and affairs of the Company. In the performance of their duties, the directors will exercise their business judgment to act in what they reasonably believe to be in the best interest of the Company and its shareholders. Directors may seek information, advice or opinions from the Company's officers and employees and from other advisers, consultants and experts, and may rely in good faith upon information, advice or opinions provided by such persons.

Directors shall attend at least one ISS accredited education program during their three year term.

It is generally the duty of management (i.e., the CEO or his designee) to speak for the Company. Absent unusual circumstances or as contemplated by the committee charters, Board members should communicate with third parties only at the request of the CEO.

6. Meetings

Directors should seek to attend all Board meetings and meetings of committees on which they serve, and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. Information and data that are important to the Board's understanding of the business to be conducted at a Board or committee meeting should generally be distributed in writing to the directors before the meeting, and directors should review these materials in advance of the meeting.

The CEO will establish the agenda for each Board meeting. Each Board member is free to suggest the inclusion of items on the agenda. Each Board member is free at any Board meeting to raise subjects that are not on the agenda for that meeting. The Board will review the Company's long-term strategic plans and the principal issues that the Company will face in the future during at least one Board meeting each year.

7. Independent Director Meetings

The independent directors will meet in executive session periodically and at least in two regularly scheduled meetings. The director who presides at these meetings shall be chosen by the independent directors, will serve until the next regularly scheduled meeting and his name will be disclosed in the annual proxy statement.

8. Board Committees

The Board will have at all times an Audit Committee and a Human Resources, Nominating and Compensation Committee. All of the members of these committees will be independent directors under the criteria established by NASDAQ and applicable law. Committee members will be appointed by the Board upon recommendation by the Human Resources, Nominating and Compensation Committee in the case of the Audit Committee and by the independent members of the Executive Committee in the case of the Human Resources, Nominating and Compensation Committee. Consideration should be given to rotating committee members periodically, but rotation is

not mandated as a policy.

Additionally, the board will have a Community Affairs Committee.

Each committee will have its own written charter. The charters will set forth the purposes, goals and responsibilities of the committees as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations and committee reporting to the Board.

The Chairman of each committee, in consultation with the committee members, will determine the frequency and length of the committee meetings consistent with any requirements set forth in the committee's charter. The Chairman of each

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committee, in consultation with the appropriate members of the committee and management, will develop the committee's agenda. At the beginning of the year each committee will establish a schedule of agenda subjects to be discussed during the year (to the degree these can be foreseen). The schedule for each committee will be furnished to all directors.

The Board and each committee have the power to hire, and compensate, independent legal, financial or other advisors as they may deem necessary, without consulting or obtaining the approval of any officer of the Company in advance.

The Board may, from time to time, establish or maintain additional committees as necessary or appropriate.

9. Audit Committee Responsibilities and Qualifications

In general, the Audit Committee will oversee auditing and financial reporting matters. The Audit Committee also has the responsibilities set forth in the Audit Committee Charter and otherwise required by law, regulation or requirement of NASDAQ and shall produce an annual report of the Audit Committee for inclusion in the Company's proxy statement. The Audit Committee shall have responsibility for appointing, dismissing, overseeing and determining the compensation of the Company's external auditors. The Audit Committee will assist the Board in monitoring (1) the integrity of the financial statements of the Company, (2) the Company's compliance with legal and regulatory requirements and other requirements imposed on the Company by the Board, and (3) the performance of the Company's internal audit function and independent auditors.

Each Audit Committee member must meet the enhanced independence requirements imposed by federal law and NASDAQ. Each Audit Committee member must also be financially literate, and at least one member must possess certain accounting or financial expertise as set forth in the NASDAQ rules. The Chairman of the Audit Committee will have an accounting background and financial management expertise.

10. Human Resources, Nominating and Compensation Committee Responsibilities and Qualifications

The Human Resources, Nominating and Compensation Committee has the responsibilities set forth in the Human Resources, Nominating and Compensation Committee Charter. The Human Resources, Nominating and Compensation Committee will assist the Board in (1) approving and evaluating the compensation of directors and officers, (2) establishing strategies and compensation policies and programs for employees of the Company to provide incentives for delivery of value to the Company's shareholders, (3) establishing policies to hire and retain senior executives, with the objective of aligning the compensation of senior management with the business of the Company and the interests of the Company's shareholders, (4) ensuring that the compensation policies of the Company meet or exceed all legal and regulatory requirements and any other requirements imposed on the Company by the Board and (5) producing an annual report on executive compensation for inclusion in the Company's proxy statement.

Additionally, the Human Resources, Nominating and Compensation Committee will (1) identify individuals qualified to become board members, (2) select or recommend to the Board for selection, director nominees for the Company's next annual shareholders meeting and (3) develop and recommend to the board corporate governance principles applicable to the Company.

Each member of the Human Resources, Nominating and Compensation Committee must meet the independence requirements imposed by NASDAQ.

11. Director Access to Officers and Employees

To the extent appropriate for the discharge of their oversight function, directors may have full and free access to officers and employees of the Company. The directors will use their judgment to ensure that any such contact is not disruptive to the business operations of the Company and will copy the CEO on any written communications between a director and an officer or employee of the Company, unless the circumstances would render copying the CEO inappropriate. All information provided by the Company or Company personnel to a director should be considered confidential unless it has been publicly disclosed by the Company.

Executive officers of the Company are encouraged to regularly attend Board meetings. If the CEO wishes to have additional Company personnel attend on a regular basis, this suggestion should be brought to the Board for approval.

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12. Director Compensation

The Company may compensate members of the Audit Committee only for services rendered as a member of the Board or as a Board committee member. The Company will not compensate employee members of the Board for service on the Board or a Board committee.

Compensation for directors should be competitive with similarly situated companies. The form and amount of director compensation will be determined by the Human Resources, Nominating and Compensation Committee in accordance with the policies and principles set forth in its charter, and the Human Resources, Nominating and Compensation Committee will conduct an annual review of director compensation. The Human Resources, Nominating and Compensation Committee is entitled to take into consideration that directors' independence may be jeopardized if director compensation and perquisites exceed customary levels, if the Company makes substantial charitable contributions to organizations with which a director is affiliated, or if the Company enters into consulting contracts with (or provides other indirect forms of compensation to) a director or an organization with which the director is affiliated.

The Human Resources, Nominating and Compensation Committee will review the form and amounts of Board compensation annually to ensure its competitiveness with other companies and its effectiveness in attracting qualified members.

13. Director Orientation and Continuing Education

All new directors must participate in the Company's director orientation program, which should be conducted within two months of election of a new director. This orientation will include presentations by senior management to familiarize new directors with the Company's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Code of Business Conduct and Ethics, its principal officers, and its internal and independent auditors. Directors are expected to attend at least one developmental seminar during their three-year term and meet any applicable requirements for continuing education promulgated by NASDAQ.

14. CEO Evaluation and Management Succession

The Human Resources, Nominating and Compensation Committee will conduct an annual review of the CEO's performance, as set forth in its charter. The Human Resources, Nominating and Compensation Committee will consider, among other things, the goals set for the CEO and their achievement. The Board of Directors will review the Human Resources, Nominating and Compensation Committee's report in order to ensure that the CEO is providing the best leadership for the Company in the long- and short-term.

The Human Resources, Nominating and Compensation Committee should make an annual report to the Board on succession planning. The CEO should at all times make available his or her recommendations and evaluations of potential successors, along with a review of any development plans recommended for such individuals.

15. Annual Performance Evaluation

The Board of Directors will conduct an annual self-evaluation to determine whether it and its committees are effective. The Human Resources, Nominating and Compensation Committee will receive comments from all directors, which have been submitted to the legal counsel to the committee and will report annually to the Board with an assessment of the Board's performance. This will be discussed with the full Board annually. The assessment will focus on the Board's contribution to the Company and specifically focus on areas in which the Board or management believes that the Board could improve.

16. Maintenance of Guidelines

The Human Resources, Nominating and Compensation Committee will review these Corporate Governance Guidelines annually and recommend changes to the Board. The Board will determine the changes to be made to these Corporate Governance Guidelines based upon those recommendations. In the case of any conflict between these Guidelines and the Charter, Bylaws, or Committee Charters of any Board Committee, the Charter, Bylaws, and/or Committee Charter, as the case may be, shall be controlling.

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17. Publication of Corporate Governance Matters

The Company publishes on its web site (1) these Corporate Governance Guidelines, (2) the Audit Committee Charter, (3) the Human Resources, Nominating and Compensation Committee Charter, and (4) the Code of Business Conduct & Ethics. In addition, these documents are available to any shareholder of the Company who makes a request to the Secretary of the Company.

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Appendix B

**FIRST AMENDMENT TO PINNACLE FINANCIAL PARTNERS, INC.
2004 EQUITY INCENTIVE PLAN**

WHEREAS, the Board of Directors and shareholders of Pinnacle Financial Partners, Inc., a Tennessee corporation (the Company), have previously adopted the 2004 Equity Incentive Plan (the Plan);

WHEREAS, pursuant to Section 13.1 of the Plan, the Company s Board of Directors has retained the right to amend the Plan; and

WHEREAS, the Company s Board of Directors now desires to amend the Plan;

NOW, THEREFORE, IN CONSIDERATION of the premises and by resolution of the Company s Board of Directors, the Plan is hereby amended as follows:

1. The second sentence of Section 1 is deleted in its entirety and replaced with the following:

The purpose of the Plan is to promote the interests of Pinnacle Financial Partners, Inc., a Tennessee corporation (the Company), and its shareholders by (i) attracting and retaining Associates and Directors of the Company and its Subsidiaries and Affiliates; (ii) motivating such individuals by means of performance-related incentives to achieve long-range performance goals, (iii) enabling such individuals to participate in the long-term growth and financial success of the Company, (iv) encouraging ownership of stock in the Company by such individuals, and (v) linking their compensation to the long-term interests of the Company and its shareholders.

2. Paragraph (q) of Section 2 is deleted in its entirety and replaced with the following:

(q) NON-QUALIFIED STOCK OPTION shall mean an option to purchase Shares from the Company that is granted under Sections 6 or 10 of the Plan and is not intended to be an Incentive Stock Option.

3. Paragraph (u) of Section 2 is deleted in its entirety and replaced with the following:

(u) OTHER STOCK-BASED AWARD shall mean any Award granted under Sections 9 or 10 of the Plan.

4. Paragraph (w) of Section 2 is deleted in its entirety and replaced with the following:

(w) PARTICIPANT shall mean any Associate, Director or other person who receives an Award under the Plan.

5. Paragraph (dd) of Section 2 is deleted in its entirety and replaced with the following:

(dd) RESTRICTED SHARE shall mean any Share granted under Sections 7 or 10 of the Plan.

6. Paragraph (ee) of Section 2 is deleted in its entirety and replaced with the following:

(ee) RESTRICTED SHARE UNIT shall mean any unit granted under Sections 7 or 10 of the Plan.

7. Paragraph (kk) of Section 2 is deleted in its entirety and replaced with the following:

(kk) STOCK APPRECIATION RIGHT OR SAR shall mean a stock appreciation right granted under Sections 6 or 10 of the Plan that entitles the holder to receive, with respect to each Share encompassed by the exercise of such SAR, the amount, in cash or Shares, determined by the Committee and specified in an Award Agreement. In the absence of such a determination, the holder shall be entitled to receive, with respect to each Share encompassed by the exercise of such SAR, the excess of the Fair Market Value on the date of exercise over the Fair Market Value on the date of grant.

8. Paragraph (nn) of Section 2 is deleted in its entirety and replaced with the following:

(nn) TANDEM SAR shall mean an SAR that is granted under Sections 6 or 10 of the Plan in relation to a particular Option and that can be exercised only upon the surrender to the Company, unexercised, of that portion of the Option to which the SAR relates.

9. The first sentence of Section 3.1 is deleted in its entirety and replaced with the following:

The Plan shall be administered by the Committee, which shall be appointed by and serve at the pleasure of the Board; provided, however, with respect to Awards to Outside Directors, all references in the Plan to the Committee shall be deemed to be references to the Board.

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10. The first sentence of Section 4.1 is deleted in its entirety and replaced with the following:

Subject to the provisions of Section 4.2 hereof, the stock to be subject to Awards under the Plan shall be the Shares of the Company and the maximum number of Shares with respect to which Awards may be granted under the Plan shall be 781,960 which includes 31,960 shares with respect to awards which were authorized but not granted under the Pinnacle Financial Partners, Inc. 2000 Stock Incentive Plan (the 2000 Plan) .

11. The first sentence of Section 5 is deleted in its entirety and replaced with the following:

Any Associate or Director shall be eligible to be designated a Participant; provided, however, that Outside Directors shall only be eligible to receive Awards granted consistent with Section 10.

12. The first sentence of Section 8.4(a) is deleted in its entirety and replaced with the following:

Associates who are in strategic leadership positions and Directors shall be eligible to receive Performance Share Awards.

13. The first sentence of Section 8.5(a) is deleted in its entirety and replaced with the following:

Associates who are in strategic leadership positions and Directors shall be eligible to receive Performance Unit Awards.

14. A new Section 10 is hereby added as follows:

SECTION 10. NON-EMPLOYEE DIRECTOR AND OUTSIDE DIRECTOR AWARDS

10.1 The Board may provide that all or a portion of a Non-Employee Director's annual retainer, meeting fees and/or other awards or compensation as determined by the Board, be payable (either automatically or at the election of a Non-Employee Director) in the form of Non-Qualified Stock Options, Stock Appreciation Rights, Restricted Shares, Restricted Share Units, Performance Shares, Performance Units and/or Other Stock-Based Awards, including unrestricted Shares. The Board shall determine the terms and conditions of any such Awards, including the terms and conditions which shall apply upon a termination of the Non-Employee Director's service as a member of the Board, and shall have full power and authority in its discretion to administer such Awards, subject to the terms of the Plan and applicable law.

10.2 The Board may also grant Awards to Outside Directors pursuant to the terms of the Plan, including any Award described in Sections 6, 7, 8 and 9 above. With respect to such Awards, all references in the Plan to the Committee shall be deemed to be references to the Board.

15. Section 10 of the Plan is hereby renumbered as Section 11 with the subsequent sections of the Plan being renumbered accordingly and the corresponding changes being made to the section cross-references in the Plan.

16. Except as expressly stated herein, all other portions of the Plan remain in full force and effect.

17. This First Amendment to the Pinnacle Financial Partners, Inc. 2004 Equity Incentive Plan is effective this 19th day of April 2005; provided it has been approved by the Company's Board of Directors and the Company's shareholders.

PINNACLE FINANCIAL PARTNERS, INC.

By:

Name:

Title:

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Appendix C

PROXY

**PINNACLE FINANCIAL PARTNERS, INC.
SOLICITED BY THE BOARD OF DIRECTORS
FOR THE ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON APRIL 19, 2005**

The undersigned hereby appoints Robert A. McCabe, Jr. or M. Terry Turner or either of them, as Proxies, each with the power to appoint his substitute, and hereby authorizes them or either of them to represent and to vote, as designated below, all of the common stock of Pinnacle Financial Partners, Inc., which the undersigned would be entitled to vote if personally present at the annual meeting of shareholders to be held at Pinnacle Financial Partners offices at 211 Commerce Street Suite 100, Nashville, Tennessee 37201 and at any adjournments of the annual meeting, upon the proposal described in the accompanying Notice of the Annual Meeting and the Proxy Statement relating to the annual meeting, receipt of which are hereby acknowledged.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR THE PROPOSALS.

PROPOSAL #1: To elect the three (3) persons listed below to serve as Class II Directors of Pinnacle Financial Partners, Inc. for a three-year term:

**John E. Maupin, Jr., D.D.S.
Robert A. McCabe, Jr.
Linda E. Rebrovick**

- FOR** all nominees listed above
- WITHHOLD** authority to vote on all nominees listed above
- FOR ALL EXCEPT -** See instruction below

INSTRUCTION: To withhold authority for any individual nominee, mark For All Except above, and write the names of the nominees for which you do NOT wish to vote FOR in the space below.

PROPOSAL #2: To amend the Amended and Restated Charter to increase the number of authorized shares of capital stock from 30,000,000 to 50,000,000.

- FOR**
- AGAINST**
- ABSTAIN**

PROPOSAL #3: To adopt the amendment to the Pinnacle Financial Partners, Inc. 2004 Equity Incentive Plan.

- FOR**
- AGAINST**
- ABSTAIN**

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED

SHAREHOLDER. IF NO DIRECTION TO THE CONTRARY IS INDICATED, IT WILL BE VOTED **FOR** THE PROPOSAL.

DISCRETIONARY AUTHORITY IS HEREBY CONFERRED AS TO ALL OTHER MATTERS WHICH MAY COME BEFORE THE ANNUAL MEETING.

If stock is held in the name of more than one person, all holders must sign. Signatures should correspond exactly with the name or names appearing on the stock certificate(s). When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by president or other authorized officer. If a partnership or limited liability company, please sign in such name by authorized person.

_____	_____	_____
Signature(s) of Shareholder(s)	Please print name of Shareholder(s)	Date: _____, 2005 <i>(be sure to date your proxy)</i>

I WILL _____ WILL NOT _____ ATTEND THE ANNUAL MEETING OF SHAREHOLDERS.

PLEASE MARK, SIGN AND DATE THIS PROXY, AND RETURN IT IN THE ENCLOSED RETURN-ADDRESSED ENVELOPE AS SOON AS POSSIBLE. NO POSTAGE NECESSARY. THANK YOU.