

PINNACLE FINANCIAL PARTNERS INC  
Form DEF 14A  
March 10, 2015

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

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

PINNACLE FINANCIAL PARTNERS, INC.

(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.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4)Date Filed:

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PINNACLE FINANCIAL PARTNERS, INC.  
150 Third Avenue South, Suite 900  
Nashville, Tennessee 37201  
(615) 744-3700

March 10, 2015

Dear Shareholder:

You are cordially invited to attend our annual meeting of shareholders, which will be held in our offices on the eighth floor of the Pinnacle at Symphony Place at 150 Third Avenue South, Nashville, Tennessee 37201, on Tuesday, April 21, 2015, at 11:00 a.m., CDT. I sincerely hope that you will be able to attend this meeting, and I look forward to seeing you.

This notice of the annual meeting and proxy statement describes the formal business to be transacted at the meeting. We will also report on our operations for the year ended December 31, 2014 and the first quarter of 2015, as well as our plans for the future. Your attention is directed to the proxy statement and notice of meeting accompanying this letter for more information regarding the matters proposed to be acted upon at the meeting.

We have elected to provide access to our proxy materials over the Internet under the Securities and Exchange Commission's "notice and access" rules. We are constantly focused on improving the ways shareholders connect with information about Pinnacle, and believe that providing our proxy materials over the Internet increases the ability of our shareholders to connect with the information they need, while reducing the environmental impact of our Annual Meeting.

Please take this opportunity to become involved in the affairs of Pinnacle Financial Partners, Inc. Whether or not you expect to be present at the meeting, please vote and submit your proxy as soon as possible via the Internet, by phone, or if you have requested to receive printed proxy materials, by mailing a proxy or voting instruction card enclosed with those materials. This will not prevent you from voting in person, but will help to secure a quorum and avoid added solicitation costs. If you decide later to attend the meeting, you may withdraw your proxy at any time and vote your shares in person.

Sincerely,

M. Terry Turner  
President and Chief Executive Officer

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PINNACLE FINANCIAL PARTNERS, INC.  
150 Third Avenue South, Suite 900  
Nashville, Tennessee 37201  
(615) 744-3700

NOTICE OF THE ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD APRIL 21, 2015

The annual meeting of shareholders of Pinnacle Financial Partners, Inc. (the "Company") will be held on Tuesday, April 21, 2015, at 11:00 a.m., CDT in our offices on the eighth floor of the Pinnacle at Symphony Place at 150 Third Avenue South, Nashville, Tennessee 37201 for the following purposes:

- (1) To elect three persons to serve as Class III directors for a one-year term if Proposal #2 is approved, or a three-year term if Proposal #2 is not approved, and in either case until the due election and qualification of their successors;
- (2) To approve an amendment to the Company's Charter to declassify the Company's Board of Directors;
- (3) To approve amendments to the Company's Charter to eliminate any super majority voting provisions contained therein;
- (4) To approve an amendment to the Company's Charter to provide for a majority voting standard in the election of directors in uncontested elections;
- (5) To approve, on a non-binding, advisory basis, the compensation of the Company's named executive officers as disclosed in the proxy statement that accompanies this notice;
- (6) To ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2015; and
- (7) To transact any other business as may properly come before the meeting.

The Board of Directors has set the close of business on February 25, 2015, as the record date for determining the shareholders who are entitled to notice of, and to vote at, the meeting.

We are mailing a Notice of Internet Availability of Proxy Materials to many of our shareholders instead of paper copies of our proxy statement and our annual report. The notice contains instructions on how to access those documents over the Internet. The notice also contains instructions on how shareholders can receive a paper copy of our proxy materials, including the proxy statement, our 2014 Annual Report and proxy card.

We hope that you will be able to attend the meeting. We ask, however, whether or not you plan to attend the meeting that you vote as soon as possible. Promptly voting will help ensure that the greatest number of shareholders are present whether in person or by proxy. You may vote over the Internet, as well as by telephone, or, if you requested to receive printed proxy materials, by mailing a proxy or voting instruction card enclosed with those materials. Please review the instructions on each of your voting options described in this proxy statement, as well as in the Notice you received in the mail.

If you attend the meeting in person, you may revoke your proxy at the meeting and vote your shares in person. You may revoke your proxy at any time before the proxy is exercised. Should you desire to revoke your proxy, you may do so as provided in the accompanying proxy statement.

By Order  
of the  
Board of  
Directors

Hugh M.  
Queener,  
Corporate  
Secretary

Nashville, TN

March 10, 2015

Pinnacle Financial Partners, Inc.

Page - 1

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PINNACLE FINANCIAL PARTNERS, INC.  
150 Third Avenue South, Suite 900  
Nashville, Tennessee 37201  
(615) 744-3700

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## PROXY STATEMENT FOR 2015 ANNUAL MEETING

\* \* \* \* \*

The Board of Directors (the "Board") of Pinnacle Financial Partners, Inc. (the "Company") has made this proxy statement and accompanying proxy card available to you on the Internet, or upon your request, has delivered such materials to you in printed form in connection with its solicitation of proxies for use at the 2015 Annual Meeting of Shareholders (the "Meeting") to be held at 11:00 a.m. CDT on Tuesday, April 21, 2015 in our offices on the eighth floor of the Pinnacle at Symphony Place at 150 Third Avenue South, Nashville, Tennessee 37201, and at any adjournments of the Meeting. The Board is soliciting proxies for the purposes set forth in the notice the Company mailed to you on or about March 10, 2015 (the "Notice of Internet Availability of Proxy Materials").

The purposes of the Meeting are:

- (1) to elect three persons to serve as Class III directors for a one-year term if Proposal #2 is approved, or a three-year term if Proposal #2 is not approved, and in either case until the due election and qualification of their successors,
- (2) to approve an amendment to the Company's Charter to declassify the Company's Board of Directors,
- (3) to approve amendments to the Company's Charter to eliminate any super majority voting provisions contained therein,
- (4) to approve an amendment to the Company's Charter to provide for a majority voting standard in the election of directors in uncontested elections,
- (5) to approve, on a non-binding, advisory basis, the compensation of the Company's named executive officers,
- (6) to ratify the appointment of the Company's independent registered public accounting firm, and
- (7) to transact such other business as may properly be brought before the Meeting.

The close of business on February 25, 2015 is the record date for the determination of shareholders entitled to notice of, and to vote at, the Meeting. We first mailed the Notice of Internet Availability of Proxy Materials to our shareholders on or about March 10, 2015.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be Held on April 21, 2015:

As outlined in the Notice of Internet Availability of Proxy Materials, this proxy statement, the proxy card and the Company's 2014 Annual Report are available on the Internet at <http://materials.proxyvote.com/72346Q>.

As of the close of business on the record date, the Company had 90,000,000 shares of Common Stock, \$1.00 par value per share (the "Common Stock"), authorized, of which 35,809,636 shares were issued and outstanding, and 10,000,000 shares of preferred stock, no par value per share (the "Preferred Stock"), authorized, of which no shares were issued and outstanding. Each issued and outstanding share of Common Stock is entitled to one vote on all matters presented at the Meeting.

Pinnacle Financial Partners, Inc.

Page - 2

## IMPORTANT MEETING AND VOTING INFORMATION

### Proxy Voting Procedures

If you properly vote and submit your proxy card, the persons appointed as proxies will vote your shares according to the instructions you have specified on the proxy card. If you submit your executed proxy card but do not specify how the persons appointed as proxies are to vote your shares, your proxy will be voted as follows:

- FOR the election of the director nominees;
- FOR the amendment to the Company's Charter to provide for the declassification of the Board;
- FOR the amendments to the Company's Charter to eliminate any super majority voting provisions contained therein;
- FOR the amendment to the Company's Charter to provide for the election of directors by a majority vote standard in uncontested elections;
- FOR the non-binding, advisory approval of the compensation of the Company's named executive officers as disclosed in this proxy statement;
- FOR the ratification of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2015; and
- In the best judgment of the persons appointed as proxies as to all other matters properly brought before the Meeting.

If any nominee for election to the Board named in this proxy statement becomes unavailable for election for any reason, the proxy will be voted FOR a substitute nominee selected by the Board.

You may also vote in person by attending the Meeting to be held at 11:00 a.m. CDT on Tuesday, April 21, 2015 in our offices on the eighth floor of the Pinnacle at Symphony Place located at 150 Third Avenue South, Nashville, Tennessee 37201. Please be aware that cameras and other recording equipment will not be allowed in the Meeting.

### Revocability of Proxies

You can revoke your proxy at any time before it is voted by delivering to Mr. Hugh M. Queener, Corporate Secretary, Pinnacle Financial Partners, Inc., 150 Third Avenue South, Suite 900, Nashville, Tennessee 37201, either a written revocation of the proxy or a duly executed proxy bearing a later date, or by casting a new vote by telephone or Internet (only your last proxy submitted prior to the Meeting will be counted). You may also revoke your proxy by attending the Meeting and voting in person. If you hold your investment in Company Common Stock in street name and you wish to cast your vote or change your vote at the Meeting, please bring a copy of your brokerage statement reflecting your share ownership as of the record date for the Meeting.

### Shareholder Approval Requirements

A quorum will be present at the Meeting if at least 17,904,819 shares of Common Stock are represented in person or by valid proxy at the Meeting, which is a majority of the Company's outstanding shares of Common Stock as of the record date. According to Tennessee law and the Company's Amended and Restated Charter and Bylaws, the aggregate number of votes entitled to be cast by all shareholders present in person or represented by proxy at the Meeting, whether those shareholders vote "for" or "against" or "abstain" from voting, together with all broker non votes will be counted for purposes of determining whether a quorum is present.

Broker Proxies. Proxies that are returned to us by brokers that have not received instructions to vote on one or more proposals and do not vote on such proposal(s) are referred to as "broker non-votes" with respect to the proposal(s) not voted upon. Broker non-votes are included in determining the presence of a quorum. Under the rules of the New York Stock Exchange (the "NYSE"), if your broker does not receive instructions from you, your broker will not be able to vote your shares with respect to non-routine matters. The proposal regarding the election of directors, the proposals concerning the various charter amendments and the proposal to approve, on a non-binding, advisory basis, the



compensation of the Company's named executive officers as disclosed in this proxy statement, are considered non-routine under the rules of the NYSE and failure to instruct your broker on how to vote on these matters will result in a broker non-vote. Therefore, it is very important that you instruct your broker how you wish your shares to be voted on these matters. The ratification of the appointment of the Company's independent registered public accounting firm for the fiscal year ending December 31, 2015 is considered routine and therefore your broker may vote your shares even if your broker does not receive instructions from you.

Pinnacle Financial Partners, Inc.

Page - 3

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Vote Required to Elect Directors. The directors of the Company are elected by a plurality of the total number of votes cast, which means the nominees who receive the largest number of properly cast votes will be elected as directors. A vote to "withhold authority" for the election of one or more director nominees will be counted for quorum purposes, but because the vote required to elect directors is a plurality vote and the election is uncontested, a vote to "withhold authority" will not affect the outcome of the election under Tennessee law. However, as explained more fully below, a vote to "withhold authority" will be counted for purposes of determining whether a director nominee received the affirmative vote of holders of a majority of the shares voted as required by the Company's Corporate Governance Guidelines. So long as a quorum is present, a "broker non-vote" will have no effect on the approval of the nominees to the Company's Board.

The Company's Board has adopted Corporate Governance Guidelines, as described in more detail below, which provide that, should an incumbent director receive more "Withhold Authority" votes than "For" votes, that director shall tender his or her resignation to the Chairman of the Board following the shareholder vote. Subsequently, the Company's Nominating and Corporate Governance Committee shall consider the relevant facts and circumstances, including the factors that may have given rise to the resulting shareholder vote and the service and qualifications of the impacted director(s), and recommend to the Board within ninety days of the shareholder vote as to whether to accept or reject the resignation of the impacted director(s). The Board shall also consider the relevant facts and circumstances as to whether to accept or reject the Nominating and Corporate Governance Committee's recommendation. Subsequently, the Company shall describe a full explanation of the above process and the decisions reached in a Form 8-K filing with the Securities and Exchange Commission. Any director who tenders his resignation pursuant to this provision shall not participate in any discussion or recommendation related to the above process.

There is a proposal being voted on at the Meeting to change the method of election of directors from a plurality voting standard to a majority voting standard in uncontested elections which would require that in order for an individual to be elected to the Board at an annual meeting of shareholders where such election is uncontested, that individual would be required to receive a "For" vote from a majority of the shares in attendance at that meeting, in person or by proxy, in order to be elected. If this proposal is approved, the majority voting standard will go into effect at the annual meeting of shareholders in 2016.

Furthermore, if the majority voting standard proposal is approved, beginning with the 2016 annual meeting of shareholders, should a board nominee in an uncontested election fail to receive an affirmative vote of a majority of the votes in attendance at the meeting, in person or by proxy, then that nominee, if that individual is an incumbent director, shall tender his or her resignation to the Chairman of the Board following the shareholder vote pursuant to the Company's Corporate Governance Guidelines, as those guidelines are proposed to be amended. Subsequently, the Company's Nominating and Corporate Governance Committee shall consider the relevant facts and circumstances, including the factors that may have given rise to the resulting shareholder vote and the service and qualifications of the impacted director(s), and recommend to the Board within ninety days of the shareholder vote as to whether to accept or reject the resignation of the impacted director(s). The Board shall also consider the relevant facts and circumstances when considering whether to accept or reject the Nominating and Corporate Governance Committee's recommendation. Subsequently, the Company shall describe a full explanation of the above process and the decisions reached in a Form 8-K filing with the Securities and Exchange Commission. Any director who tenders his resignation pursuant to this provision shall not participate in any discussion or recommendation related to the above process.

Vote Required to Amend the Company's Charter to declassify the Company's Board, to eliminate the supermajority voting provisions, and to approve a majority vote standard for the election of directors in uncontested elections. The Company's Board unanimously approved the proposed amendments to the Company's Charter to declassify the Company's Board, to eliminate any supermajority voting provisions contained in the Company's Charter and to adopt a majority voting standard for the election of directors in uncontested elections. Accordingly, each of the proposed amendments to the Company's Charter will be approved by the Company's shareholders if the number of shares of Common Stock voted in favor of each amendment exceeds the number of shares of Common Stock voted against each

amendment. Any of the proposed amendments to the Company's Charter that are approved will go into effect upon the filing of amendments to the Charter with the State of Tennessee following the Meeting. A properly executed proxy marked "ABSTAIN" with respect to any of these proposals will not be voted on that proposal, although it will be counted in determining whether there is a quorum. Therefore, abstentions will have no effect on whether the proposals are approved so long as a quorum is present.

Pinnacle Financial Partners, Inc.

Page - 4

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Vote Required to Approve, on a Non-Binding, Advisory Basis, the Compensation of the Company's Named Executive Officers and Vote Required to Ratify the Appointment of KPMG LLP as Described in this Proxy Statement. These matters will be approved if the number of shares of Common Stock voted in favor of the proposals exceed the number of shares of Common Stock voted against it. A properly executed proxy marked "ABSTAIN" with respect to either of these proposals will not be voted on that proposal, although it will be counted in determining whether there is a quorum. Therefore, abstentions will have no effect on whether these proposals are approved so long as a quorum is present.

A summary of the voting provisions, provided a valid quorum is present or represented at the Meeting, for the above matters is as follows:

Vote	Director recommendation	Routine or Non-routine	Vote Requirement
Election of director nominees	FOR		Plurality of shares cast either FOR or WITHHOLD AUTHORITY each candidate will determine the result. WITHHOLD AUTHORITY will not impact vote result but, if more than FOR votes, may impact director's ability to serve. Unmarked ballots will not be considered in vote result.
Declassification of Board	FOR	Non-routine, thus if you hold your shares in street name, your broker <u>may not</u> vote your shares for you.	
Elimination of supermajority voting	FOR		
Amendment to establish majority vote standard in uncontested board seat elections	FOR		
Advisory, non-binding approval of compensation of named executive officers	FOR		Higher number of shares cast either FOR or AGAINST each proposal will determine the result. ABSTAIN will not impact vote result. Unmarked ballots will not be considered in vote result.
Ratification of independent registered public accounting firm	FOR	Routine, thus if you hold your shares in street name, your broker <u>may</u> vote your shares for you absent any other instructions from you.	

Proxy Solicitation

Although the Company does not currently plan to engage a proxy solicitation firm, the Company will pay the cost of proxy solicitation. Our directors, officers and employees may, without additional compensation, solicit proxies by personal interview, telephone, fax, or otherwise. We will direct brokerage firms or other custodians, nominees or fiduciaries to forward our proxy solicitation material to the beneficial owners of Common Stock held of record by these institutions and will reimburse them for the reasonable out-of-pocket expenses they incur in connection with this process.

Pinnacle Financial Partners, Inc.



### Shareholder Proposals for Next Year's Meeting

In order for shareholder proposals for the 2016 annual meeting of shareholders to be eligible for inclusion in the Company's 2016 proxy statement, all such proposals must be mailed to Hugh M. Queener, Corporate Secretary, Pinnacle Financial Partners, Inc., 150 Third Avenue South, Suite 900, Nashville, Tennessee 37201, and must be received no later than the close of business on November 11, 2015. After this date, a shareholder who intends to raise a proposal to be acted upon at the 2016 Annual Meeting of Shareholders, but who does not desire to include the proposal in the Company's 2016 proxy statement, must inform the Company in writing no later than January 25, 2016. If notice is not provided by that date, such notice will be considered untimely and the Board may exclude such proposals from being acted upon at the 2016 annual meeting of shareholders. Further, if the Board elects not to exclude the proposal from consideration at the meeting (although not included in the proxy statement), the persons named as proxies in the Company's proxy for the 2016 annual meeting of shareholders may exercise their discretionary authority to act upon any such proposal.

### CORPORATE GOVERNANCE

The Company has developed sound corporate governance principles which it believes are essential to running the Company's business efficiently and to maintaining the Company's integrity in the marketplace.

#### Corporate Governance Guidelines

The Company's Board has established a set of Corporate Governance Guidelines which address such matters as director qualifications, director nominations, board composition, director meetings, board committees and other matters. The Board believes such guidelines to be appropriate for the Company in its effort to maintain "best practices" as to corporate governance. You may access a copy of the Company's Corporate Governance Guidelines by clicking on the "Governance Documents" link on the Company's website at [www.pnfp.com](http://www.pnfp.com). Also, the Company has included other corporate governance documents such as the Audit Committee Charter, Human Resources and Compensation Committee Charter, Nominating and Corporate Governance Committee Charter and Code of Conduct on the Company's website as well.

#### Director Age Limit

The Company's Corporate Governance Guidelines require that any director that is over the age of 75 at the time of the annual meeting of shareholders shall not be nominated to the Board of Directors by the Nominating and Corporate Governance Committee. Consequently, Mr. Pennington could not be nominated for another term on the Company's Board of Directors and his current term as a director will expire immediately following the Meeting. The Company is grateful for the contributions Mr. Pennington has made to the Company in his role as a director of our firm.

#### Director Independence

The Board, upon recommendation of the Nominating and Corporate Governance Committee, has determined that each of the following director nominees is an "independent director" within the meaning of NASDAQ Listing Rule 5605(a)(2):

Sue G. Atkinson;	Glenda Baskin Glover;
Harold Gordon Bone;	Gregory L. Burns;
Colleen Conway-Welch;	James C. Cope;
William H. Huddleston, IV;	Ed C. Loughry, Jr.;
Gary L. Scott; and	Reese L. Smith III

Conversely, M. Terry Turner and Robert A. McCabe, Jr. are not considered independent. As a result, the 83.3% of the Company's directors following the Meeting will be independent. In determining director independence the Board and the Nominating and Corporate Governance Committee considered the following relationships and transactions:

Under NASDAQ Listing Rule 5605(a)(2), directors may not be determined to be independent if they are an executive officer or have been employed by a company within the three years preceding the determination of independence. In addition, a director may not be considered independent if the director received more than \$120,000 in compensation (other than director fees, certain deferred compensation and retirement payments) from the Company for any twelve-month period during the preceding three years. Messrs. Turner and McCabe are executive officers of the Company, and accordingly are not considered independent.

Pinnacle Financial Partners, Inc.

Page - 6

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Mr. Loughry was employed as Vice Chairman on March 15, 2006 upon the Company's acquisition of Cavalry Bancorp, Inc. ("Cavalry") and served as an employee of the Company until his retirement on December 31, 2007. Mr. Scott was an employee of the Company upon the Company's acquisition of Mid-America Bancshares, Inc. on November 30, 2007 until his retirement on October 31, 2008. In its determination that Mr. Loughry and Mr. Scott were independent, the Board and the Nominating and Corporate Governance Committee considered the period of time that had elapsed since Mr. Loughry's and Mr. Scott's retirement, the nature and amount of payments they have received from the Company since their retirement, (including in the case of Mr. Loughry, payments currently received pursuant to a nonqualified noncontributory supplemental retirement plan established by Cavalry prior to its acquisition by the Company), the nature of their prior positions, and the relatively brief length of their employment with the Company. Mr. Loughry serves on the Nominating and Corporate Governance Committee, all members of which are required to be independent. Mr. Scott serves on the Audit Committee, all members of which are required to be independent. Mr. Scott became the chairman of the Audit Committee on March 1, 2015. Mr. Loughry and Mr. Scott also serve on the Human Resources and Compensation Committee, all members of which are required to be independent, and Mr. Loughry is the chairman of the Human Resources and Compensation Committee.

Under NASDAQ Listing Rule 5605(a)(2), a director may not be considered independent if she is a controlling shareholder or executive officer of an organization to which the Company made payments within the preceding three years in excess of \$200,000 or 5% of the recipient's gross revenues for the year, whichever is greater. Ms. Atkinson serves as Chairman of Atkinson Public Relations ("Atkinson PR") which provides public relations services to the Company. The amounts received by Atkinson PR during 2014, 2013, and 2012, were approximately \$36,000, \$72,000 and \$78,000, respectively. Given the relative immateriality of these amounts, the Nominating and Corporate Governance Committee concluded that Ms. Atkinson would be considered independent beginning on January 1, 2015 although she does not currently serve on any Board committee requiring independence. Ms. Atkinson serves on the Community Affairs Committee and the Trust Committee.

When considering the independence of Mr. Cope, the Nominating and Corporate Governance Committee and the Board considered amounts paid by the Company to the law firm of which Mr. Cope is a partner as well as amounts currently paid to him pursuant to a nonqualified, noncontributory supplemental retirement plan established by Cavalry prior to its acquisition by the Company. During 2014, 2013, and 2012 the Company paid \$13,200, \$200, and \$7,400, respectively, to Mr. Cope's firm for legal services, which amounts were considered immaterial to Mr. Cope's firm and the Company. Mr. Cope is the chairman of the Nominating and Corporate Governance Committee and a member of the Executive Committee.

When considering the independence of Mr. Huddleston, the Nominating and Corporate Governance Committee and the Board considered the amounts paid by the Company to the engineering firm of which Mr. Huddleston is the President. During 2014, 2013, and 2012, the Company paid to Mr. Huddleston's firm approximately \$23,300, \$35,000, and \$63,000, respectively, for engineering services, which amounts were considered immaterial to Mr. Huddleston's firm and to the Company. Mr. Huddleston serves on the Audit Committee. Mr. Huddleston also serves on the Trust Committee.

In its independence determination, the Board considered that directors, family members of directors and companies in which they serve as executives or controlling shareholders have various banking relationships, including loans, deposits and trust, insurance or investment services relationships with our subsidiary, Pinnacle Bank (the "Bank"), and that such services are provided on non-preferential terms generally available to other customers. Loans that are made to such persons do not involve, at the time made, more than the normal risk of collectability or present other unfavorable features to the Bank. For more information regarding these loans, see "Certain Relationships and Related Party Transactions" of this proxy statement.

In 2014, the independent directors held two meetings at which only independent directors were present. The independent directors determined that the chairman of the Company's Nominating and Corporate Governance Committee will serve as lead independent director (the "Lead Director") and chairman of such meetings and at



meetings of non-management directors. In connection with his appointment as Chairman of the Nominating and Corporate Governance Committee, Mr. Cope was appointed and designated as the Lead Director March 1, 2014 and will continue as such until his successor is elected and qualified.

Pinnacle Financial Partners, Inc.

Page - 7

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### Director Qualifications

The Company's Corporate Governance Guidelines contain certain criteria that apply to nominees for a position on the Company's Board. The Company's Board and its Nominating and Corporate Governance Committee have also adopted procedures for the evaluation of director candidates (the "Nominee Procedures") that contain certain minimum qualifications for candidates, including those identified by the Company's shareholders. The Company's Corporate Governance Guidelines provide that the Nominating and Corporate Governance Committee will annually review with the Board the composition of the Board as a whole and will consider with the Board the current composition of the Board in an effort to ensure that the members of the Board have a diversity of age, skills and experience in the context of the needs of the Board. Beyond the Nominee Procedures, the Board has not adopted a formal, written diversity policy. The Board, however, does seek to include directors who, when taken with the other nominees and continuing directors, will create a Board that offers a diversity of professional experience, background, age, gender, race, perspective, viewpoints and skills that match the diversity of the communities served by the Company.

The Nominee Procedures provide that the Nominating and Corporate Governance Committee may consider whatever factors it deems appropriate in its assessment of a candidate for board membership and that candidates nominated to serve as directors will, at a minimum, in the Nominating and Corporate Governance Committee's judgment:

- be able to represent the interests of the Company and all of its shareholders and not be disposed by affiliation or interest to favor any individual, group or class of shareholders or other constituency;
- meet the minimum qualifications for directors set forth in the Corporate Governance Guidelines and fulfill the needs of the Board at that time in terms of diversity of age, gender, race, experience and expertise; and
- possess the background and demonstrated ability to contribute to the performance by the Board of its collective responsibilities, through senior executive management experience, relevant professional or academic distinction, and/or a record of relevant civic and community leadership.

In addition to these minimum qualifications, the Nominating and Corporate Governance Committee may also consider whether the candidate:

- is of the highest ethical character and shares the core values of the Company as reflected in the Company's Corporate Governance Guidelines and the Company's Code of Conduct;
- has a reputation, both personal and professional, consistent with the image and reputation of the Company;
- is highly accomplished in the candidate's field;
- has expertise and experience that would complement the expertise and experience of other members of the Board;
- has the ability to exercise sound business judgment; and
- is "independent" as such term is defined by the NASDAQ Listing Rules and the applicable provisions of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

The Nominating and Corporate Governance Committee does not assign specific weights to any particular criteria and no particular criterion is necessarily applicable to all prospective nominees. In addition to the criteria set forth above, the Nominating and Corporate Governance Committee considers how the skills and attributes of each individual candidate or incumbent director work together to create a board that is collegial, engaged and effective in performing its duties. Moreover, the Nominating and Corporate Governance Committee believes that the background and qualifications of the directors, considered as a group, should provide a significant mix of experience, knowledge and abilities that will allow the Board to fulfill its responsibilities. For a discussion of the specific backgrounds and qualifications of our current directors, see "Proposal #1: Election of Directors — Nominees for Election to the Board".

### Service Limitations for other Public Company Boards of Directors

The Company's Corporate Governance Guidelines limit the number of public company boards of directors on which the Company's directors may serve. Generally, non-employee directors may serve on the Company's Board and no more than three other public company boards, unless the non-employee director is the chief executive officer of a public company, in which case the limitation is reduced to two other public company boards. Employee directors are limited to the Company's Board plus two other public company boards.

Pinnacle Financial Partners, Inc.

Page - 8

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### Process for Identifying Candidates

The Nominating and Corporate Governance Committee seeks to identify potential candidates for membership on the Company's Board through conversations with members of the Board, senior management and other members of the communities served by the Company.

The Nominating and Corporate Governance Committee also considers nominees proposed by the Company's shareholders in accordance with the provisions contained in the Company's Bylaws. The Nominating and Corporate Governance Committee considers candidates recommended by the Company's shareholders within the context of the criteria and procedures described in the Nominee Procedures and under the "Director Qualifications" and "Evaluation of Candidates" sections of this proxy statement. Under the Company's Bylaws, any shareholder may nominate a person for election to the Company's Board at the Meeting, provided that the nomination is received by the Secretary of the Company no later than March 22, 2015 and the nomination satisfies the requirements in the Company's Bylaws. Each nomination submitted in this manner shall include the name and address of the nominee(s) and all other information with respect to the nominee as required to be disclosed in the proxy statement for the election of directors under applicable rules of the Securities and Exchange Commission, including the nominee's consent to being named as a nominee and to serving as a director, if elected. Additionally, the nominating shareholder must provide his or her name and address as it appears in the stock records of the Company and the number of shares of Common Stock beneficially owned by the shareholder.

### Evaluation of Candidates

The Nominating and Corporate Governance Committee will consider all candidates nominated through the processes described above in accordance with the procedures described under this section and the "Director Qualifications" section. The chair of the Nominating and Corporate Governance Committee will preliminarily assess a candidate's qualifications and suitability, working with staff support and seeking input from the Board, and report such assessment as promptly as practicable to the Nominating and Corporate Governance Committee members. When feasible, the chair of the Nominating and Corporate Governance Committee will interview candidates whom the chair believes are likely to meet the criteria for Board membership as part of the preliminary assessment process. The report may be made to the Nominating and Corporate Governance Committee at a meeting of the committee or informally to each committee member between meetings.

If it is the consensus of the Nominating and Corporate Governance Committee that a candidate is likely to meet the criteria for Board membership, the chair of the Nominating and Corporate Governance Committee will advise the candidate of the committee's preliminary interest and, if the candidate expresses sufficient interest, with the assistance of the Company's corporate secretary's office, will arrange interviews of the candidate with one or more members of the Nominating and Corporate Governance Committee and senior management of the Company, and request such additional information from the candidate as the committee deems appropriate. The Nominating and Corporate Governance Committee of the Company will consider the candidate's qualifications, including the individual's background, skills and abilities, whether such characteristics are consistent with the Company's Corporate Governance Guidelines and the qualifications set forth in the Nominee Procedures and whether the candidate's qualifications and characteristics fulfill the needs of the Board at that time. The Nominating and Corporate Governance Committee will then confer and reach a collective assessment as to the qualifications and suitability of the candidate for membership on the Company's Board. On the basis of its assessment, the Nominating and Corporate Governance Committee will formally consider whether to recommend the candidate's nomination for election to the Board.

### Board Leadership Structure

In accordance with the Company's Bylaws, the Board has elected the Company's Chief Executive Officer and its Chairman. Each of these positions may be held by the same person or may be held by two persons. Neither the Corporate Governance Guidelines nor any policy of the Board requires that the role of the Chairman and Chief Executive Officer be separate. Robert A. McCabe, Jr., who is also an employee of the Company, is the Chairman of the Board and has been the Chairman of the Board since the Company's formation. M. Terry Turner currently serves as a director and as the Company's President and Chief Executive Officer and has also held these positions since the Company's formation. Additionally, pursuant to the Company's Corporate Governance Guidelines, the Board elects a Lead Director who shall preside over periodic meetings of all independent directors. Effective March 1, 2014, Mr. Cope serves as the Lead Director of the Company. The Lead Director's responsibilities include, among other things, supporting the Chairman of the Board in developing the agenda for Board meetings and in serving as a conduit for information flow between management and the non-employee members of the Board. The Lead Director chairs executive sessions of the independent directors at which neither the Chairman nor the President and Chief Executive Officer are present.

Pinnacle Financial Partners, Inc.

Page - 9

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Due to Mr. Pennington's age exceeding the maximum age at which a director can stand for election, Mr. Pennington was not nominated for re-election to the Board at the Meeting. As a result, effective as of immediately following the Meeting, the Company's Board will be reduced to 12 directors, ten of whom are considered independent under the NASDAQ Listing Rules and the rules of the Securities and Exchange Commission. The Board currently has five committees, which are the Executive Committee, the Audit Committee, the Community Affairs Committee, the Human Resources and Compensation Committee and the Nominating and Corporate Governance Committee, all of which are discussed in more detail below. Certain directors also serve on Pinnacle Bank's Trust Committee, which assists the Board in monitoring certain Bank operations.

The Audit Committee, the Human Resources and Compensation Committee and the Nominating and Corporate Governance Committee are composed entirely of independent directors within the meaning of that term in the NASDAQ Listing Rules and the rules and regulations of the Securities and Exchange Commission.

The Company believes that its current leadership structure is appropriate for the Company in that it provides an efficient decision making process with proper independent oversight. The Company's Chairman is highly involved in the day to day operations of the Company. His responsibilities include but are not limited to:

- Direct responsibility for the strategic direction of the various fee businesses of the Company, including wealth management, investment services, trust and insurance services.
- Lead business development officer for commercial clients and affluent consumers.
- Chairman of the Company's asset liability management committee.

Likewise, the Company's President and Chief Executive Officer is also charged with the day to day operations of the Company. His responsibilities include but are not limited to:

- Direct responsibility for the overall strategic direction of the Company.
- Provides leadership to the Company's various communication channels both internal and external, including media and investor relations.
- Chairman of the Company's Leadership Team and Senior Management Committee.

Although people actively employed by the Company provide the primary source of day to day leadership, their actions are still subject to the oversight of the Board and its committees. Pursuant to our Corporate Governance Guidelines, our independent directors are required to meet at least twice a year under the leadership of the Lead Director. Additionally, the Executive Committee, over two-thirds of which is composed of independent directors, meets monthly throughout the year. Finally, over three-fourths of the Board is independent and given the independence of the Audit, Human Resources and Compensation Committee and Nominating and Corporate Governance Committee, the Company believes that its leadership structure encourages a strong leadership platform with an appropriate amount of independent oversight.

### Risk Oversight

The Board is responsible for providing oversight of the Company's risk management processes. The Executive Committee is primarily responsible for overseeing the risk management function of the Company on behalf of the Board. In carrying out its responsibilities, the Executive Committee works closely with the Company's Senior Risk Officer and other members of the Company's senior risk management team. The Executive Committee meets at least quarterly with the Senior Risk Officer and other members of management and receives a comprehensive report on risk management, including management's assessment of risk exposures (including risks related to liquidity, credit,

operations and regulatory compliance, among others), and the processes in place to monitor and control such exposures. The Executive Committee also receives updates relating to risk oversight matters between these quarterly meetings from the Senior Risk Officer, the Chief Executive Officer, the Chief Financial Officer and other members of management. The Executive Committee provides a report on risk management to the full Board on at least a quarterly basis. In addition, at least annually, the Senior Risk Officer and members of the risk staff make a presentation on enterprise-wide risk management to the full Board.

In addition to the Executive Committee, the other committees of the Board consider the risks within their areas of responsibility. The Human Resources and Compensation Committee considers the risks that may be implicated by our executive compensation programs, and the Audit Committee takes into account risk assessment in its review of the Company's internal audit, data security and external audit programs. For a discussion of the Human Resources and Compensation Committee's review of the Company's senior executive officer compensation plans and employee compensation plans and the risks associated with these plans, see "Executive Compensation — Compensation Risk Management" of this proxy statement.

Pinnacle Financial Partners, Inc.

Page - 10

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### Code of Conduct

The Company has a Code of Conduct that applies to the Company's associates and directors. The purpose of the Code of Conduct is to, among other things, provide written standards that are reasonably designed to deter wrongdoing and to promote honest and ethical conduct; full, fair, accurate, timely and understandable disclosure in reports and documents that the Company files with the Securities and Exchange Commission and other public communications by the Company; compliance with applicable governmental laws, rules and regulations; prompt internal reporting of violations of the Code of Conduct; and accountability for adherence to the Code of Conduct. Each director and associate is required to read and certify annually that he or she has read, understands and will comply with the Code of Conduct.

Under the Sarbanes-Oxley Act of 2002 and the Securities and Exchange Commission's related rules, the Company is required to disclose whether it has adopted a Code of Ethics that applies to the Company's principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions. The Company's Chief Executive Officer and senior financial officers are bound by the Company's Code of Conduct which contains provisions consistent with the Securities and Exchange Commission's description of a Code of Ethics.

A copy of the Company's Code of Conduct can be obtained by clicking on the "Governance Documents" link on the Company's website at [www.pnfp.com](http://www.pnfp.com). The Company intends to disclose any amendments to, or waivers from, the Code of Conduct with respect to its directors and officers that are required to be disclosed in accordance with the rules and regulations of the Securities and Exchange Commission and the NASDAQ Stock Market. If such disclosure is made on the Company's website it will be located in the "Investor Relations" section of the Company's website at [www.pnfp.com](http://www.pnfp.com).

### Communications with Members of the Board

The Company's Board has established procedures for the Company's shareholders to communicate with members of the Board. Shareholders may communicate with any of the Company's directors, including the chairperson of any of the committees of the Board, by writing to a director c/o Pinnacle Financial Partners, Inc., 150 Third Avenue South, Suite 900, Nashville, Tennessee 37201.

### Board Member Attendance at Annual Meeting

The Company encourages each member of the Board to attend the Annual Meeting of Shareholders. All of the Company's directors who served on the Board at that time attended the 2014 Annual Meeting of Shareholders except for Ms. Atkinson and Mr. Bone.

A1/AA- 2,347,700 500

State Higher Educational Fac. Commission Rev., Univ. Hospital Health Systems, 6.75%, 1/15/39, Ser. A

A2/A 525,000

20,326,565

**Pennsylvania 2.0%**

1,000



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Allegheny Cnty. Hospital Dev. Auth. Rev., Univ. of Pittsburgh Medical Center, 5.625%, 8/15/39  
Aa3/A+ 977,100

Cumberland Cnty. Auth. Retirement Community Rev., Messiah Village Project, Ser. A,  
750

5.625%, 7/1/28

NR/BBB- 576,345 670

6.00%, 7/1/35

NR/BBB- 516,583 1,000

Dauphin Cnty. General Auth. Rev., Pinnacle Health Systems Project, 6.00%, 6/1/36, Ser. A

A2/A 960,740 1,250

Harrisburg Auth. Rev., Harrisburg Univ. of Science, 6.00%, 9/1/36, Ser. B

NR/NR 1,014,150 6,200

Philadelphia Hospitals & Higher Education Facs. Auth. Rev., Temple Univ. Hospital, 6.625%, 11/15/23, Ser. A

Baa3/BBB 5,958,324 500

Philadelphia Water Rev., 5.25%, 1/1/36, Ser. A

A3/A 484,700

10,487,942

**South Carolina 0.9%**

5,305

Jobs-Economic Dev. Auth. Rev., Bon Secours, 5.625%, 11/15/30, Ser. B

A3/A- 4,849,778

**Tennessee 0.3%**

State Energy Acquisition Corp. Rev., Ser. A,

1,200

5.25%, 9/1/21

Ba1/BBB 1,043,772 365

5.25%, 9/1/22

Ba1/BBB 312,258

1,356,030

**Texas 9.9%**

6,810

Crowley Independent School Dist., GO, 4.75%, 8/1/35, (PSF-GTD)

Aaa/AAA 6,630,965 1,300

Dallas Water Rev., 5.25%, 8/15/38

Aa2/AAA 1,284,634 10,115  
Denton Independent School Dist., GO, 5.00%, 8/15/33, (PSF-GTD) (i)  
Aaa/AA 10,186,816 465  
Judson Independent School Dist., GO, 5.00%, 2/1/30, (PSF-GTD)  
Aaa/NR 467,911  
Municipal Gas Acquisition & Supply Corp. I Rev.,  
150  
5.25%, 12/15/26, Ser. A  
A2/A 123,425 8,100  
6.25%, 12/15/26, Ser. D  
A2/A 7,601,445  
North Harris Cnty. Regional Water Auth. Rev.,  
5,500  
5.25%, 12/15/33  
A3/A+ 5,238,145 5,500  
5.50%, 12/15/38  
A3/A+ 5,351,335  
North Texas Tollway Auth. Rev.,  
10,800  
5.625%, 1/1/33, Ser. A  
A2/A- 10,545,552 700  
5.75%, 1/1/33, Ser. F  
A3/BBB+ 681,534 2,000  
Sabine River Auth. Rev., 5.20%, 5/1/28, Ser. C  
Caa2/CCC 983,040 3,000  
Tarrant Cnty. Cultural Education Facs. Finance Corp. Rev., Baylor Health Care Systems Project, 6.25%, 11/15/29  
Aa2/AA- 3,223,710

52,318,512

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**PIMCO Municipal Income Fund III Schedule of Investments**

June 30, 2009 (unaudited)

Principal Amount (000)		Credit Rating (Moody s/S&P)	Value*
	<b>Virginia 0.3%</b>		
\$ 1,000	Fairfax Cnty. Industrial Dev. Auth. Rev., Inova Health Systems, 5.50%, 5/15/35, Ser. A	Aa2/AA+	\$ 1,015,130
1,000	James City Cnty. Economic Dev. Auth. Rev., United Methodist Homes, 5.50%, 7/1/37, Ser. A	NR/NR	484,190
			1,499,320
	<b>Washington 8.0%</b>		
6,375	Chelan Cnty. Public Utility Dist. Rev., 5.125%, 7/1/33, Ser. C (AMBAC)	Aa2/AA	6,428,423
1,000	Health Care Facs. Auth. Rev., Seattle Cancer Care Alliance, 7.375%, 3/1/38	A3/NR	1,054,560
15,000	King Cnty. Sewer Rev., 5.00%, 1/1/35, Ser. A (FSA) (i)	Aa3/AAA	15,048,450
20,015	Tobacco Settlement Auth. Rev., 6.50%, 6/1/26	Baa3/BBB	19,514,625
			42,046,058
	<b>Wisconsin 2.2%</b>		
1,000	Health & Educational Facs. Auth. Rev., Prohealth Care, Inc., 6.625%, 2/15/39	A1/A+	1,020,910
10,000	State Rev., 6.00%, 5/1/36, Ser. A	A1/AA-	10,436,200
			11,457,110
	Total Municipal Bonds & Notes (cost \$525,507,189)		493,311,130
	<b>CORPORATE BONDS &amp; NOTES (h) 1.6%</b>		
5,500	CIT Group, Inc., 5.80%, 7/28/11	Ba2/BB-	4,123,636
5,000	SLM Corp., 1.252%, 7/26/10, FRN	Ba1/BBB-	4,538,265
	Total Corporate Bonds & Notes (cost \$8,776,325)		8,661,901
	<b>VARIABLE RATE NOTES (a)(b)(c)(d)(f) 1.2%</b>		
	<b>Texas 1.2%</b>		
6,500	JP Morgan Chase Putters/Drivers Trust, GO, 9.317%, 2/1/17, Ser. 3480 (cost \$6,467,825)	NR/AA	6,522,620

**SHORT-TERM INVESTMENTS 3.7%****Corporate Notes 2.9%**

1,900	American General Finance Corp., 1.542%, 10/2/09, FRN (h) CIT Group, Inc. (h),	Baa2/BB+	1,621,445
1,200	0.974%, 8/17/09, FRN	Ba2/BB-	1,166,255
5,785	4.125%, 11/3/09	Ba2/BB-	5,483,706
1,800	Goldman Sachs Group, Inc., 0.934%, 11/16/09, FRN International Lease Finance Corp. (h),	A1/A	1,798,360
700	0.881%, 5/24/10, FRN	Baa2/BBB+	638,432
600	1.531%, 1/15/10, FRN	Baa2/BBB+	557,456
4,000	4.75%, 7/1/09	Baa2/BBB+	4,000,000
	Total Corporate Notes (cost \$15,395,482)		15,265,654

**Variable Rate Demand Notes (f)(g) 0.8%****Colorado 0.5%**

2,300	Denver City & Cnty., CP, 0.20%, 7/1/09, Ser. A2	VMIG1/NR	2,300,000
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**Missouri 0.2%**

1,100	State Health & Educational Facs. Auth. Rev., 0.20%, 7/1/09, Ser. B-1	VMIG1/A-1	1,100,000
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**New York 0.1%**

600	New York City Transitional Finance Auth., 0.27%, 7/1/09, Ser. 1	VMIG1/A-1+	600,000
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	Total Variable Rate Demand Notes (cost \$4,000,000)		4,000,000
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	Total Short-Term Investments (cost \$19,395,482)		19,265,654
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	<b>Total Investments (cost \$560,146,821) 100.0%</b>		<b>\$ 527,761,305</b>
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**Notes to Schedule of Investments:**

- \* Portfolio securities and other financial instruments for which market quotations are readily available are stated at market value. Market value is generally determined on the basis of last reported sales prices, or if no sales are reported, on the basis of quotes obtained from a quotation reporting system, established market makers, or independent pricing services.

Portfolio securities and other financial instruments for which market quotations are not readily available or for which a development/event occurs that may significantly impact the value of a security, are fair-valued, in good faith, pursuant to procedures established by the Board of Trustees, or persons acting at their discretion pursuant to procedures established by the Board of Trustees.  
The Fund s

investments are valued daily using prices supplied by an independent pricing service or dealer quotations, or by using the last sale price on the exchange that is the primary market for such securities, or the last quoted mean price for those securities for which the over-the-counter market is the primary market or for listed securities in which there were no sales.

Independent pricing services use information provided by market makers or estimates of market values obtained from yield data relating to investments or securities with similar characteristics.

Securities purchased on a when-issued or delayed-delivery basis are marked to market daily until settlement at the forward settlement value. Short-term securities maturing in 60 days or less are valued at amortized cost, if their original term to maturity was 60 days or less, or by amortizing their value on the 61st day prior to maturity, if the original term to maturity exceeded 60 days.

The prices used by the Fund to value securities may differ from the value that would be realized if the securities were sold and these differences could be material. The Fund's net asset value is normally determined as of the close of regular trading (normally, 4:00 p.m. Eastern time) on the New York Stock Exchange ( NYSE ) on each day the NYSE is open for business.

- (a) Private Placement Restricted as to resale and may not have a readily available market. Securities with an aggregate value of \$10,029,330, representing 1.9% of total investments.
- (b) Illiquid security.
- (c) 144A Security Exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, typically only to qualified institutional buyers. Unless otherwise indicated, these securities are not considered to be

illiquid.

- (d) When-issued or delayed-delivery security. To be settled/delivered after June 30, 2009.
- (e) In default.
- (f) Variable Rate Notes Instruments whose interest rates change on specified date (such as a coupon date or interest payment date) and/or whose interest rates vary with changes in a designated base rate (such as the prime interest rate). The interest rate disclosed reflects the rate in effect on June 30, 2009.
- (g) Maturity date shown is date of next put.
- (h) All or partial amount segregated as collateral for reverse repurchase agreements.
- (i) Residual Interest Bonds held in Trust Securities represent underlying bonds transferred to a separate securitization trust established in a tender option bond transaction in which the Fund acquired the residual interest certificates. These securities serve as



collateral in a  
financing  
transaction.

**Glossary:**

AMBAC insured by American Municipal Bond Assurance Corp.

CP Certificates of Participation

FGIC insured by Financial Guaranty Insurance Co.

FHA insured by Federal Housing Administration

FRN Floating Rate Note. The interest rate disclosed reflects the rate in effect on June 30, 2009.

FSA insured by Financial Security Assurance, Inc.

GNMA insured by Government National Mortgage Association

GO General Obligation Bond

GTD Guaranteed

NPFGC insured by National Public Finance Guarantee Corporation

NR Not Rated

PSF Public School Fund

Radian insured by Radian Guaranty, Inc.

XLCA insured by XL Capital Assurance

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**Reverse Repurchase Agreements:**

The weighted average daily balance of reverse repurchase agreements outstanding during the nine months ended June 30, 2009 was \$18,350,214 at a weighted average interest rate of 0.96%. The total market value of underlying collateral (refer to the Schedule of Investments for positions segregated as collateral for reverse repurchase agreements) for open reverse repurchase agreements was \$22,129,195. Open reverse repurchase agreements at June 30, 2009:

Counterparty	Rate	Trade Date	Maturity Date	Principal & Interest	Principal
Barclays Bank:	0.80%	6/2/09	7/1/09	\$ 3,348,082	\$ 3,346,000
	0.80%	6/2/09	7/2/09	7,751,820	7,747,000
	0.80%	6/4/09	7/6/09	7,062,078	7,058,000
Credit Suisse	0.80%	6/10/09	7/10/09	1,036,460	1,036,000
					\$19,187,000

**Fair Value Measurements** The Fund has adopted the Financial Accounting Standards Board ( FASB ) Statement of Financial Accounting Standards No. 157, Fair Value Measurements ( FAS 157 ). FAS 157 clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of the fair value measurements. Under this standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the exit price ) in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy under FAS 157 are described below:

Level 1 quoted prices in active markets for identical investments that the Fund has the ability to access

Level 2 valuations based on other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.), or quotes from inactive exchanges

Level 3 valuations based on significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The Fund has adopted FASB Staff Position No. 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability have Significantly Decreased and Identifying Transactions that are not Orderly ( FAS-157-4 ).

FAS 157-4 provides guidance on determining when there has been a significant decrease in the volume and level of activity for an asset or liability, when a transaction is not orderly, and how that information must be incorporated into a fair value measurement. FAS 157-4 emphasizes that even if there has been a significant decrease in volume and level of activity for the asset or liability and regardless of the valuation techniques used, the objective of a fair value measurement remains the same.

An investment asset or liability's level within the fair value hierarchy is based on the lowest level input, individually or in the aggregate, that is significant to fair value measurement.

The valuation techniques used by the Fund to measure fair value during the nine months ended June 30, 2009 maximized the use of observable inputs and minimized the use of unobservable inputs.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

A summary of the inputs used as of June 30, 2009, in valuing the Fund's assets and liabilities is listed below by investment type for more detail on the Total Investments in Securities, please refer to the Fund's Schedule of Investments:

Level 1 -	Level 2 - Other Significant Observable	Level 3 - Significant Unobservable	Value at
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	Quoted Prices	Inputs	Inputs	6/30/09
<b>Investments in Securities</b> <b>Assets</b>				
Municipal Bonds & Notes		\$493,311,130		\$493,311,130
Corporate Bonds & Notes		8,661,901		8,661,901
Variable Rate Notes		6,522,620		6,522,620
Short-Term Investments		19,265,654		19,265,654
<b>Total Investments in Securities</b>		<b>\$527,761,305</b>		<b>\$527,761,305</b>

A roll forward of fair value measurements using significant unobservable inputs (Level 3) as of June 30, 2009, were as follows:

	Beginning	Accrued	Total	Total	Transfer in	Ending
	Balance	Net	Total	Chance	and/or out	Balance
	9/30/08	Paydowns	Realized	in	of Level 3	6/30/09
		(Premium)	Gain(Loss)	Unrealized		
				Gain(Loss)		
<b>Investments in Securities</b> <b>Assets</b>						
Municipal Bonds & Notes	\$ 149,999	\$(74,760)	\$ 2,337	\$(50,463)	\$(27,113)	\$

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**Item 2. Controls and Procedures**

(a) The registrant's President & Chief Executive Officer and Treasurer, Principal Financial & Accounting Officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Act (17 CFR 270.30a -3(c))), are effective based on their evaluation of these controls and procedures as of a date within 90 days of the filing date of this document.

(b) There were no significant changes in the registrant's internal controls over financial reporting (as defined in Rule 30a-3(d) under the Act (17 CFR 270.30a -3(d))) that occurred during the registrant's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

**Item 3. Exhibits**

(a) Exhibit 99.302 Cert. Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Registrant: PIMCO Municipal Income  
Fund III

By /s/ Brian S. Shlissel  
President & Chief Executive Officer  
Date: August 25, 2009

By /s/ Lawrence G. Altadonna  
Treasurer, Principal Financial &  
Accounting Officer  
Date: August 25, 2009

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By /s/ Brian S. Shlissel  
President & Chief Executive Officer  
Date: August 25, 2009

By /s/ Lawrence G. Altadonna  
Treasurer, Principal Financial & Accounting  
Officer  
Date: August 25, 2009