PINNACLE FINANCIAL PARTNERS INC
Form 424B5
June 10, 2009

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The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-159395

Subject To Completion, Dated June 10, 2009

PRELIMINARY PROSPECTUS SUPPLEMENT
(TO PROSPECTUS DATED JUNE 4, 2009)

Shares

Common Stock

We are offering shares of our common stock to be sold in this offering.

Our common stock is traded on the NASDAQ Global Select Market under the symbol PNFP. On June 9, 2009, the closing sale price of our common stock was $14.69 per share, as reported on the NASDAQ Global Select Market.

Investing in our securities involves risks. You should carefully read this prospectus supplement, the accompanying prospectus, our periodic reports and other information we file with the Securities and Exchange Commission, or the SEC, and any information under the heading Risk Factors beginning on page S-6 of this prospectus supplement before making a decision to purchase our securities.

	Per Share	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to us	$	$

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

Neither the SEC, any state securities commission, the Federal Deposit Insurance Corporation, or the FDIC, the Board of Governors of the Federal Reserve System, or the Federal Reserve Board, nor any other regulatory body has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

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

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

RAYMOND JAMES

The date of this prospectus supplement is June , 2009.

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ABOUT THIS PROSPECTUS SUPPLEMENT

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

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

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

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

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

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PROSPECTUS SUMMARY

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

Pinnacle Financial Partners, Inc.

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

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

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

Business Strategies

Our business strategies are simple and consist of the following:

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

to our clients to access our financial services 24/7.

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

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incentives and equity based awards to all associates to promote this employment objective, and our compensation expense has traditionally been higher than our peers as a result.

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

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

Recent Developments

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

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

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

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

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

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

special assessment described above, throughout the remainder of the year due to increased personnel and the addition of two new offices scheduled to open within a few months.

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Company Information

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

The Offering

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

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

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

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

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

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Summary Consolidated Financial Data

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

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

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

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

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

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

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

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

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

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

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RISK FACTORS

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

Risk Related to Our Business

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

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

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

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

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

At March 31, 2009, we had significant credit exposures to borrowers in the trucking industry, commercial and residential building lessors, new home builders and land subdividers. All of these industries are experiencing adversity in the current recession and, as a result, some borrowers in these industries have been unable to perform their obligations under their existing loan agreements with us, which has negatively

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impacted our results of operations. If the current recessionary environment continues, additional borrowers in these, and other industries, may be unable to meet their obligations under their existing loan agreements, which could cause our earnings to be negatively impacted, causing the value of our common stock to decline. Furthermore, any of our large credit exposures that deteriorates unexpectedly could cause us to have to make significant additional loan loss provisions, negatively impacting our earnings. In May 2009, we charged off in full a $21.5 million loan to Silverton Financial Services, the parent of Silverton Bank, which was placed in receivership by the OCC on May 1, 2009. This loan was our only bank holding company loan.

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

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

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

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

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

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

In addition, federal and state regulators periodically review our loan portfolio and may require us to increase our allowance for loan losses or recognize loan charge-offs. Their conclusions about the quality of our loan portfolio may be different than ours. Any increase in our allowance for loan losses or loan charge-offs as required by these

regulatory agencies could have a negative effect on our operating results. Moreover, additions to the allowance may be necessary based on changes in economic and real estate market conditions,

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new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of our management s control.

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

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

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

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

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

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

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

In order to continue our expansion into the Knoxville MSA, we will be required to hire additional associates and build out a branch network. We cannot assure you that we will be able to hire the number of experienced associates that we need to successfully execute our strategy in the Knoxville MSA, nor can we assure you that the associates we hire will be able to successfully execute our growth strategy in that market. Because we seek to hire experienced associates, the compensation cost associated with these individuals may be higher than that of other financial institutions of similar size in the market. If we are unable to grow our loan portfolio at planned rates, the increased compensation expense of these experienced associates may negatively impact our results of operations. Because there will be a period of time

before we are able to fully deploy our resources in the Knoxville MSA, our start up costs, including the cost of our associates and our branch expansion, will negatively impact our results of operations. In addition, if we are not able to expand our branch footprint in the Knoxville MSA in the time period that we have targeted, our results of operations may be negatively impacted. Execution of our growth plans in the Knoxville MSA also depends on continued growth in the Knoxville economy, and continued unfavorable local or national economic conditions could reduce our growth rate, affect the ability of our customers to repay their obligations to us and generally negatively affect our financial condition and results of operations.

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

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

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

Noncore funding represents a large component of our funding base.

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

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

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

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

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

Because of significant competitive deposit pricing pressures in our market and the negative impact of these pressures on our cost of funds, coupled with the fact that a significant portion of our loan portfolio has variable rate pricing that moves in concert with changes to the Federal Reserve Board s federal funds rate (which is at an

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extremely low rate as a result of the current recession), we have experienced net interest margin compression throughout 2008 and in the first quarter of 2009. Because of these competitive pressures, we are unable to lower the rate that we pay on interest-bearing liabilities to the same extent and as quickly as the yields we charge on interest-earning assets. As a result, our net interest margin, and consequently our profitability, has been negatively impacted. If the Federal Reserve s federal funds rate remains at extremely low levels, our higher funding costs may continue to negatively impact our net interest margin and results of operations.

Fluctuations in interest rates could reduce our profitability.

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

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

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

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

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

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

Competition with other banking institutions could adversely affect our profitability.

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

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

We have assembled a senior management team which has substantial background and experience in banking and financial services in the Nashville market. Loss of these key personnel could negatively impact

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our earnings because of their skills, customer relationships and/or the potential difficulty of promptly replacing them.

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

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

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

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

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

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

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

We operate in a highly regulated industry and are subject to examination, supervision, and comprehensive regulation by various regulatory agencies. Our compliance with these regulations is costly and restricts certain of our activities, including payment of dividends, mergers and acquisitions, investments, loans and interest rates charged, interest rates paid on deposits and locations of offices. We are also subject to capitalization guidelines established by our regulators,

which require us to maintain adequate capital to support our growth. Recent bank and thrift closures have depleted the Deposit Insurance Fund, and the FDIC has recently issued a special assessment upon insured institutions to seek to recapitalize the fund. The FDIC has indicated it is

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

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

Risks Related to Our Common Stock and this Offering

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

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

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

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

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

The trading volume in our common stock on the NASDAQ Global Select Market has been relatively low when compared with larger companies listed on the NASDAQ Global Select Market or other stock exchanges. Although we

have experienced increased liquidity in our stock, we cannot say with any certainty that a more active and liquid trading market for our common stock will continue to develop. Because of this, it may be more difficult for shareholders to sell a substantial number of shares for the same price at which shareholders could sell a smaller number of shares.

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

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

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

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

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

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

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

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

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

privileges and voting power of the shares of Series A preferred stock.

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

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

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

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

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

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

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

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

Pinnacle Financial has supported its continued growth through the issuance of trust preferred securities from special purpose trusts and accompanying junior subordinated debentures. At March 31, 2009, Pinnacle Financial had

outstanding trust preferred securities and accompanying junior subordinated debentures totaling $82.5 million. Payments of the principal and interest on the trust preferred securities of these trusts are conditionally guaranteed by Pinnacle Financial. Further, the accompanying junior subordinated debentures Pinnacle Financial issued to the trusts are senior to Pinnacle Financial s shares of common stock. As a result,

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

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

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

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USE OF PROCEEDS

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

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

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CAPITALIZATION

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

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

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

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

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PRICE RANGE OF COMMON STOCK

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

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

As of June 9, 2009, there were approximately 4,141 holders of record of our common stock and approximately 24,075,173 shares of our common stock outstanding. On June 9, 2009, the closing sale price for our common stock was $14.69 per share, as reported on the NASDAQ Global Select Market.

DIVIDEND POLICY

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

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

In addition to the limitations on our ability to pay dividends under Tennessee law, our ability to pay dividends on our common stock is also limited by our participation in the CPP and by certain statutory or regulatory limitations. Prior to December 12, 2011, unless we have redeemed the Series A preferred stock issued to the Treasury in the CPP or the Treasury has transferred the Series A preferred stock to a third party, the consent of the Treasury must be received

before we can declare or pay any cash dividend or make any distribution on our common stock. Furthermore, if we are not current in the payment of quarterly dividends on the Series A preferred stock, we cannot pay dividends on our common stock.

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

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

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

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DESCRIPTION OF COMMON STOCK

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

General

The authorized capital stock of Pinnacle Financial consists of 90 million shares of common stock, par value $1.00 per share, and 10 million shares of preferred stock, no par value. As of June 9, 2009, 24,075,173 shares of Pinnacle Financial common stock were outstanding, and 95,000 shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series A were outstanding. The remaining shares of preferred stock, other than the shares currently issued as Series A preferred stock, may be issued in one or more series with those terms and at those times and for any consideration as the Pinnacle Financial board of directors determines. As of June 9, 2009, 2,156,421 shares of Pinnacle Financial common stock were reserved for issuance upon the exercise of outstanding stock options under various employee stock option plans, 345,000 shares were reserved for issuance upon exercise of warrants issued to Pinnacle Financial s organizers and 534,910 shares were reserved for issuance upon exercise of the warrant issued to the Treasury in connection with its acquisition of the Series A preferred stock.

The outstanding shares of Pinnacle Financial common stock are fully paid and nonassessable. Holders of Pinnacle Financial common stock are entitled to one vote for each share held of record on all matters submitted to a vote of the shareholders. Holders of Pinnacle Financial common stock do not have pre-emptive rights and are not entitled to cumulative voting rights with respect to the election of directors. The Pinnacle Financial common stock is neither redeemable nor convertible into other securities, and there are no sinking fund provisions with respect to the common stock.

Subject to the preferences applicable to any shares of Pinnacle Financial preferred stock outstanding at the time, including the Series A preferred stock described below, holders of Pinnacle Financial common stock are entitled to, in the event of liquidation, share ratably in all assets remaining after payment of liabilities.

Series A Preferred Stock

As part of the CPP, we entered into a purchase agreement with the Treasury pursuant to which we issued and sold to the Treasury 95,000 shares of our Series A preferred stock having a liquidation preference of $1,000 per share. We issued to the Treasury in connection with the Series A preferred stock transaction a ten-year warrant relating to the purchase of up to 534,910 shares of our common stock at an initial exercise price of $26.64 per share. Cumulative dividends on the Series A preferred stock will accrue on the liquidation preference at a rate per annum of 5% for the first five years, and at a rate per annum of 9% thereafter, but will be paid only if, as, and when declared by our board of directors. The Series A preferred stock has no maturity date and ranks senior to our common stock with respect to the payment of dividends and distributions and amounts payable upon our liquidation, dissolution, and winding up. The Series A preferred stock does not have any voting rights other than with respect to certain limited matters, including the right (together with all other holders of voting parity stock) to elect two directors if we fail to pay six quarterly dividends, the right to vote on matters that could adversely affect the holders of the Series A preferred stock, and on certain other matters to the extent required by law. Our ability to repurchase the Series A preferred stock is subject to certain limitations set forth in the purchase agreements relating thereto, including the need to obtain certain regulatory approvals.

Prior to December 12, 2011, unless we have repurchased the Series A preferred stock or the Treasury has transferred the Series A preferred stock to a third party, the consent of the Treasury will be required for us to declare or pay any dividend or make any distribution on our common stock or redeem, purchase or acquire any shares of our common stock or other equity or capital securities, other than in connection with benefit plans consistent with past practice and certain other circumstances specified in the purchase agreement associated with the issuance of these shares.

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Election of Directors

Pinnacle Financial s amended and restated charter and bylaws provide that the Pinnacle Financial board of directors is to be divided into three classes as nearly equal in number as possible. Directors are elected by classes to three-year terms, so that approximately one-third of the directors of Pinnacle Financial are elected at each annual meeting of the shareholders. In addition, Pinnacle Financial s bylaws provide that the power to increase or decrease the number of directors and to fill vacancies is vested in the Pinnacle Financial board of directors. The overall effect of these provisions may be to prevent a person or entity from seeking to acquire control of Pinnacle Financial through an increase in the number of directors on the Pinnacle Financial board of directors and the election of designated nominees to fill newly created vacancies.

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

Dividends

Holders of Pinnacle Financial s common stock are entitled to receive dividends when, as and if declared by Pinnacle Financial s board of directors out of funds legally available for dividends. Pinnacle Financial has never declared or paid any dividends on its common stock. In order to pay any dividends, Pinnacle Financial will need to receive dividends from Pinnacle National or have other sources of funds. As a national bank, Pinnacle National can only pay dividends to Pinnacle Financial if it has retained earnings for the current fiscal year and the preceding two fiscal years, and if it has a positive retained earnings account. At March 31, 2009, Pinnacle National s retained earnings available for dividends were $55.4 million. In addition, its ability to pay dividends or otherwise transfer funds to Pinnacle Financial is subject to various regulatory restrictions. See Dividend Policy above.

Pursuant to the purchase agreement between Pinnacle Financial and the Treasury, we agreed that, beginning December 12, 2008, for a period of three years, unless we have redeemed the Series A preferred stock or the Treasury has transferred the Series A preferred stock to a third party, the consent of the Treasury will be required for us to (i) declare or pay any dividend or make any distribution on our common stock or (ii) redeem, purchase or acquire any shares of common stock or other equity or capital securities of Pinnacle Financial, or any trust preferred securities issued by us or an affiliate of ours, other than the Series A preferred stock, other than in connection with benefit plans consistent with past practice and in certain other circumstances specified in the purchase agreement.

Pinnacle Financial s ability to pay dividends to its shareholders in the future will depend on its earnings and financial condition, liquidity and capital requirements, the general economic and regulatory climate, its ability to service any equity or debt obligations senior to its common stock and other factors deemed relevant by Pinnacle Financial s board of directors. Pinnacle Financial currently intends to retain any future earnings to fund the development and growth of the company s business. Therefore, Pinnacle Financial does not anticipate paying any cash dividends on its common stock in the foreseeable future.

Corporate Transactions

Pinnacle Financial s amended and restated charter, with exceptions, requires that any merger or similar transaction involving Pinnacle Financial or any sale or other disposition of all or substantially all of Pinnacle Financial s assets will require the affirmative vote of a majority of its directors then in office and the affirmative vote of the holders of at least two-thirds of the outstanding shares of Pinnacle Financial s stock entitled to vote on the transaction. However, if Pinnacle Financial s board of directors has approved the particular transaction by the affirmative vote of two-thirds of the entire board, then the applicable provisions

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of Tennessee law would govern and subject to the terms of the Series A preferred stock, shareholder approval of the transaction would require only the affirmative vote of the holders of a majority of the outstanding shares of Pinnacle Financial s stock entitled to vote on the transaction. Any amendment of this provision adopted by less than two-thirds of the entire board of directors would require the affirmative vote of the holders of at least two-thirds of the outstanding shares of Pinnacle Financial s stock entitled to vote on the amendment; otherwise, the amendment would only require the affirmative vote of at least a majority of the outstanding shares of Pinnacle Financial s stock entitled to vote on the amendment.

Pinnacle Financial s charter describes the factors that its board of directors must consider in evaluating whether an acquisition proposal made by another party is in Pinnacle Financial s shareholders best interests. The term acquisition proposal refers to any offer of another party to:

- make a tender offer or exchange offer for Pinnacle Financial s common stock or any other equity security of Pinnacle Financial;
- merge or combine Pinnacle Financial with another corporation; or
- purchase or otherwise acquire all or substantially all of the properties and assets owned by Pinnacle Financial.

The board of directors, in evaluating an acquisition proposal, is required to consider all relevant factors, including:

- the expected social and economic effects of the transaction on Pinnacle Financial s employees, clients and other constituents, such as its suppliers of goods and services;
- the payment being offered by the other corporation in relation to (1) Pinnacle Financial s current value at the time of the proposal as determined in a freely negotiated transaction and (2) the board of directors estimate of Pinnacle Financial s future value as an independent company at the time of the proposal; and
- the expected social and economic effects on the communities within which Pinnacle Financial operates.

Pinnacle Financial has included this provision in its amended and restated charter because serving its community is one of the reasons for organizing Pinnacle National. As a result, the board of directors believes its obligation in evaluating an acquisition proposal extends beyond evaluating merely the payment being offered in relation to the market or book value of the common stock at the time of the proposal.

While the value of what is being offered to shareholders in exchange for their stock is the main factor when weighing the benefits of an acquisition proposal, the board believes it is appropriate also to consider all other relevant factors. For example, the board will evaluate what is being offered in relation to the current value of Pinnacle Financial at the time of the proposal as determined in a freely negotiated transaction and in relation to the board s estimate of the future value of Pinnacle Financial as an independent concern at the time of the proposal. A takeover bid often places the target corporation virtually in the position of making a forced sale, sometimes when the market price of its stock may be depressed. The board believes that frequently the payment offered in such a situation, even though it may exceed the value at which shares are then trading, is less than that which could be obtained in a freely negotiated transaction. In a freely negotiated transaction, management would have the opportunity to seek a suitable partner at a time of its choosing and to negotiate for the most favorable price and terms that would reflect not only Pinnacle Financial s current value, but also its future value.

One effect of the provision requiring Pinnacle Financial s board of directors to take into account specific factors when considering an acquisition proposal may be to discourage a tender offer in advance. Often an offeror consults the

board of a target corporation before or after beginning a tender offer in an attempt to prevent a contest from developing. In Pinnacle Financial s board s opinion, this provision will strengthen its position in dealing with any potential offeror that might attempt to acquire the company through a hostile tender offer. Another effect of this provision may be to dissuade shareholders who might be displeased with the board s response to an acquisition proposal from engaging Pinnacle Financial in costly litigation.

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The applicable charter provisions would not make an acquisition proposal regarded by the board as being in Pinnacle Financial s best interests more difficult to accomplish. It would, however, permit the board to determine that an acquisition proposal was not in Pinnacle Financial s best interests, and thus to oppose it, on the basis of the various factors that the board deems relevant. In some cases, opposition by the board might have the effect of maintaining incumbent management.

Any amendment of this provision adopted by less than two-thirds of the entire board of directors would require the affirmative vote of the holders of at least two-thirds of the outstanding shares of common stock; otherwise, the amendment would only require the affirmative vote of at least a majority of the outstanding shares of common stock.

Pinnacle Financial s amended and restated charter provides that all extraordinary corporate transactions must be approved by two-thirds of the directors and a majority of the shares entitled to vote or a majority of the directors and two-thirds of the shares entitled to vote.

In addition to the provisions described above with respect to board and shareholder approval required for certain corporate transactions, for so long as any shares of Series A preferred stock are outstanding, in addition to any other vote or consent of shareholders required by law or by Pinnacle Financial s amended and restated charter, the vote or consent of the holders of at least 662/3% of the shares of Series A preferred stock at the time outstanding, voting separately as a single class, is also necessary for effecting or validating any consummation of a binding share exchange or reclassification involving the Series A preferred stock or of a merger or consolidation of Pinnacle Financial with another entity, unless the shares of Series A preferred stock remain outstanding following any such transaction or, if Pinnacle Financial is not the surviving entity, are converted into or exchanged for preference securities of the surviving entity and such remaining outstanding shares of Series A preferred stock or preference securities have rights, references, privileges and voting powers that are not materially less favorable than the rights, preferences, privileges or voting powers of the Series A preferred stock, taken as a whole.

Anti-Takeover Statutes

The Tennessee Control Share Acquisition Act generally provides that, except as stated below, control shares will not have any voting rights. Control shares are shares acquired by a person under certain circumstances which, when added to other shares owned, would give such person effective control over one-fifth or more, or a majority of all voting power (to the extent such acquired shares cause such a person to exceed one-fifth or one-third of all voting power) in the election of a Tennessee corporation s directors. However, voting rights will be restored to control shares by resolution approved by the affirmative vote of the holders of a majority of the corporation s voting stock, other than shares held by the owner of the control shares. If voting rights are granted to control shares which give the holder a majority of all voting power in the election of the corporation s directors, then the corporation s other shareholders may require the corporation to redeem their shares at fair value.

The Tennessee Control Share Acquisition Act is not applicable to Pinnacle Financial because its amended and restated charter does not contain a specific provision opting in to the act as is required.

The Tennessee Investor Protection Act, or TIPA, provides that unless a Tennessee corporation s board of directors has recommended a takeover offer to shareholders, no offeror beneficially owning 5% or more of any class of equity securities of the offeree company, any of which was purchased within the preceding year, may make a takeover offer for any class of equity security of the offeree company if after completion the offeror would be a beneficial owner of more than 10% of any class of outstanding equity securities of the company unless the offeror, before making such purchase: (1) makes a public announcement of his or her intention with respect to changing or influencing the management or control of the offeree company; (2) makes a full, fair and effective disclosure of such intention to the person from whom he or she intends to acquire such securities; and (3) files with the Tennessee Commissioner of

Commerce and Insurance (the Commissioner) and the offeree company a statement signifying such intentions and containing such additional information as may be prescribed by the Commissioner.

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The offeror must provide that any equity securities of an offeree company deposited or tendered pursuant to a takeover offer may be withdrawn by an offeree at any time within seven days from the date the offer has become effective following filing with the Commissioner and the offeree company and public announcement of the terms or after 60 days from the date the offer has become effective. If the takeover offer is for less than all the outstanding equity securities of any class, such an offer must also provide for acceptance of securities pro rata if the number of securities tendered is greater than the number the offeror has offered to accept and pay for. If such an offeror varies the terms of the takeover offer before its expiration date by increasing the consideration offered to offerees, the offeror must pay the increased consideration for all equity securities accepted, whether accepted before or after the variation in the terms of the offer.

The TIPA does not apply to Pinnacle Financial, as it does not apply to bank holding companies subject to regulation by a federal agency and does not apply to any offer involving a vote by holders of equity securities of the offeree company.

The Tennessee Business Combination Act generally prohibits a business combination by Pinnacle Financial or a subsidiary with an interested shareholder within five years after the shareholder becomes an interested shareholder. Pinnacle Financial or a subsidiary can, however, enter into a business combination within that period if, before the interested shareholder became such, Pinnacle Financial s board of directors approved the business combination or the transaction in which the interested shareholder became an interested shareholder. After that five-year moratorium, the business combination with the interested shareholder can be consummated only if it satisfies certain fair price criteria or is approved by two-thirds (2/3) of the other shareholders.

For purposes of the Tennessee Business Combination Act, a business combination includes mergers, share exchanges, sales and leases of assets, issuances of securities, and similar transactions. An interested shareholder is generally any person or entity that beneficially owns 10% or more of the voting power of any outstanding class or series of Pinnacle Financial stock.

Pinnacle Financial s charter does not have special requirements for transactions with interested parties; however, all business combinations, as defined above, must be approved by two thirds (2/3) of the directors and a majority of the shares entitled to vote or a majority of the directors and two thirds (2/3) of the shares entitled to vote.

The Tennessee Greenmail Act applies to a Tennessee corporation that has a class of voting stock registered or traded on a national securities exchange or registered with the SEC pursuant to Section 12(g) of the Exchange Act. Under the Tennessee Greenmail Act, Pinnacle Financial may not purchase any of its shares at a price above the market value of such shares from any person who holds more than 3% of the class of securities to be purchased if such person has held such shares for less than two years, unless the purchase has been approved by the affirmative vote of a majority of the outstanding shares of each class of voting stock issued by Pinnacle Financial or Pinnacle Financial makes an offer, or at least equal value per share, to all shareholders of such class.

Indemnification

The TBCA provides that a corporation may indemnify any of its directors and officers against liability incurred in connection with a proceeding if: (a) such person acted in good faith; (b) in the case of conduct in an official capacity with the corporation, he reasonably believed such conduct was in the corporation s best interests; (c) in all other cases, he reasonably believed that his conduct was at least not opposed to the best interests of the corporation; and (d) in connection with any criminal proceeding, such person had no reasonable cause to believe his conduct was unlawful. In actions brought by or in the right of the corporation, however, the TBCA provides that no indemnification may be made if the director or officer was adjudged to be liable to the corporation. The TBCA also provides that in connection with any proceeding charging improper personal benefit to an officer or director, no indemnification may

be made if such officer or director is adjudged liable on the basis that such personal benefit was improperly received. In cases where the director or officer is wholly successful, on the merits or otherwise, in the defense of any proceeding instigated because of his or her status as a director or officer of a corporation, the TBCA mandates that the corporation indemnify

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the director or officer against reasonable expenses incurred in the proceeding. The TBCA provides that a court of competent jurisdiction, unless the corporation s charter provides otherwise, upon application, may order that an officer or director be indemnified for reasonable expenses if, in consideration of all relevant circumstances, the court determines that such individual is fairly and reasonably entitled to indemnification, notwithstanding the fact that (a) such officer or director was adjudged liable to the corporation in a proceeding by or in the right of the corporation; (b) such officer or director was adjudged liable on the basis that personal benefit was improperly received by him; or (c) such officer or director breached his duty of care to the corporation.

Pinnacle Financial s amended and restated charter provides that it will indemnify its directors and officers to the maximum extent permitted by the TBCA. Pinnacle Financial s bylaws provide that its directors and officers shall be indemnified against expenses that they actually and reasonably incur if they are successful on the merits of a claim or proceeding. In addition, the bylaws provide that Pinnacle Financial will advance to its directors and officers reasonable expenses of any claim or proceeding so long as the director or officer furnishes Pinnacle Financial with (1) a written affirmation of his or her good faith belief that he or she has met the applicable standard of conduct and (2) a written statement that he or she will repay any advances if it is ultimately determined that he or she is not entitled to indemnification.

When a case or dispute is settled or otherwise not ultimately determined on its merits, the indemnification provisions provide that Pinnacle Financial will indemnify its directors and officers when they meet the applicable standard of conduct. The applicable standard of conduct is met if the directors or officer acted in a manner he or she in good faith believed to be in or not opposed to Pinnacle Financial s best interests and, in the case of a criminal action or proceeding, if the insider had no reasonable cause to believe his or her conduct was unlawful. Pinnacle Financial s board of directors, shareholders or independent legal counsel determines whether the director or officer has met the applicable standard of conduct in each specific case.

Pinnacle Financial s amended and restated charter and bylaws also provide that the indemnification rights contained therein do not exclude other indemnification rights to which a director or officer may be entitled under any bylaw, resolution or agreement, either specifically or in general terms approved by the affirmative vote of the holders of a majority of the shares entitled to vote. Pinnacle Financial can also provide for greater indemnification than is provided for in the bylaws if Pinnacle Financial chooses to do so, subject to approval by its shareholders and the limitations provided in its amended and restated charter as discussed in the subsequent paragraph.

Pinnacle Financial s amended and restated charter eliminates, with exceptions, the potential personal liability of a director for monetary damages to Pinnacle Financial and its shareholders for breach of a duty as a director. There is, however, no elimination of liability for:

a breach of the director s duty of loyalty to Pinnacle Financial or its shareholders;

an act or omission not in good faith or which involves intentional misconduct or a knowing violation of law; or

any payment of a dividend or approval of a stock repurchase that is illegal under the TBCA.

Pinnacle Financial s amended and restated charter does not eliminate or limit Pinnacle Financial s right or the right of its shareholders to seek injunctive or other equitable relief not involving monetary damages.

The indemnification provisions of the bylaws specifically provide that Pinnacle Financial may purchase and maintain insurance on behalf of any director or officer against any liability asserted against and incurred by him or her in his or her capacity as a director, officer, employee or agent whether or not Pinnacle Financial would have had the power to indemnify against such liability.

Listing Agent

Registrar and Transfer Company serves as the registrar and transfer agent for our common stock.

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CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS OF COMMON STOCK

The following is a summary of certain U.S. federal income tax consequences of the purchase, ownership, and disposition of common stock by a non-U.S. holder (as defined below) that acquires our common stock in this offering and holds it as a capital asset. This discussion is based upon the Internal Revenue Code of 1986, as amended, which we refer to as the Code, effective U.S. Treasury regulations, and judicial decisions and administrative interpretations thereof, all as of the date hereof and all of which are subject to change, possibly with retroactive effect. The foregoing are subject to differing interpretations which could affect the tax consequences described herein. This discussion does not address all aspects of U.S. federal income taxation that may be applicable to investors in light of their particular circumstances, or to investors subject to special treatment under U.S. federal income tax laws, such as financial institutions, insurance companies, tax-exempt organizations, entities that are treated as partnerships for U.S. federal income tax purposes, dealers in securities or currencies, expatriates, persons deemed to sell common stock under the constructive sale provisions of the Code, and persons that hold common stock as part of a straddle, hedge, conversion transaction, or other integrated investment. Furthermore, this discussion does not address any U.S. federal gift tax laws or any state, local or foreign tax laws.

You are urged to consult your tax advisors regarding the U.S. federal, state, local, and foreign income and other tax consequences of the purchase, ownership, and disposition of our common stock.

For purposes of this summary, you are a non-U.S. holder if you are a beneficial owner of common stock that, for U.S. federal income tax purposes, is not:

- an individual that is a citizen or resident of the United States;
- a corporation, other entity treated as a corporation for U.S. federal income tax purposes, or partnership that is created or organized under the laws of the United States, any state thereof, or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust, provided that, (1) a court within the United States is able to exercise primary supervision over its administration or one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of that trust, or (2) the trust has made an election under the applicable Treasury regulations to be treated as a United States person.

If a partnership (including any entity or arrangement treated as a partnership for U.S. federal income tax purposes) owns our common stock, the U.S. federal income tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. Partners in a partnership that owns our common stock should consult their tax advisors as to the particular U.S. federal income tax consequences applicable to them.

Distributions

In general, any distributions we make to a non-U.S. holder with respect to its shares of our common stock will constitute a dividend for U.S. federal income tax purposes to the extent of our current or accumulated earnings and profits as determined for U.S. federal income tax purposes. Any distribution not constituting a dividend will be treated first as reducing the adjusted basis in the non-U.S. holder s shares of our common stock and, to the extent it exceeds the adjusted basis in the non-U.S. holder s shares of our common stock, as gain from the sale or exchange of such

stock.

Except as described below, if you are a non-U.S. holder of common stock, distributions made to you out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) are subject to withholding of U.S. federal income tax at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate. Even if you are eligible for a lower treaty rate,

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we and other payors will generally be required to withhold at a 30% rate (rather than the lower treaty rate), unless you have furnished to us or another payor:

- a valid Internal Revenue Service Form W-8BEN or an acceptable substitute form upon which you certify, under penalties of perjury, your status as (or, in the case of a United States alien holder that is a partnership or an estate or trust, such forms certifying the status of each partner in the partnership or beneficiary of the estate or trust as) a non-United States person and your entitlement to the lower treaty rate with respect to such payments; or

- in the case of payments made outside the United States to an offshore account (generally, an account maintained by you at an office or branch of a bank or other financial institution at any location outside the United States), other documentary evidence establishing your entitlement to the lower treaty rate in accordance with U.S. Treasury regulations.

Special certification and other requirements apply to certain non-U.S. holders that are pass-through entities rather than corporations or individuals.

If you are eligible for a reduced rate of United States withholding tax under a tax treaty, you may obtain a refund of any amounts withheld in excess of that rate by filing a refund claim with the United States Internal Revenue Service.

If dividends paid to you are effectively connected with your conduct of a trade or business within the United States, and you have not claimed the dividends are eligible for any treaty benefits as income that is not attributable to a permanent establishment that you maintain in the United States, we and other payors generally are not required to withhold tax from the dividends, provided that you have furnished to us or another payor a valid Internal Revenue Service Form W-8ECI or an acceptable substitute form upon which you certify, under penalties of perjury, that you are a non-United States person, and the dividends are effectively connected with your conduct of a trade or business within the United States and are includible in your gross income. Effectively connected dividends are taxed at rates applicable to United States citizens, resident aliens, and domestic United States corporations on a net income basis. If you are a corporate non-U.S. holder, effectively connected dividends that you receive may, under certain circumstances, be subject to an additional branch profits tax at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate.

Disposition of Common Stock

If you are a non-U.S. holder, you generally will not be subject to U.S. federal income tax on gain from U.S. sources that you recognize on a disposition of our common stock unless:

- the gain is effectively connected with your conduct of a trade or business in the United States, and the gain is attributable to a permanent establishment that you maintain in the United States, if that is required by an applicable income tax treaty as a condition for subjecting you to United States taxation on a net income basis;

- you are an individual, you hold our common stock as a capital asset, and you are present in the United States for 183 or more days in the taxable year of the disposition; or

- we are or have been a United States real property holding corporation for U.S. federal income tax purposes.

Effectively connected gains are taxed at rates applicable to United States citizens, resident aliens, and domestic United States corporations on a net income tax basis. If you are a corporate non-U.S. holder, effectively connected gains that you recognize may also, under certain circumstances, be subject to an additional branch profits tax at a 30% rate or at

a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate.

An individual non-U.S. holder described in the second bullet point above will only be subject to U.S. federal income tax on the gain from the sale of our common stock to the extent such gain is deemed to

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be from U.S. sources, which will generally only be the case where the individual s tax home is in the United States. An individual s tax home is generally considered to be located at the individual s regular or principal (if more than one regular) place of business. If the individual has no regular or principal place of business because of the nature of the business, or because the individual is not engaged in carrying on any trade or business, then the individual s tax home is his regular place of abode. If an individual non-U.S. holder is described in the second bullet point above, and the individual non-U.S. holder s tax home is in the United States, then the non-U.S. holder may be subject to a flat 30% tax on the gain derived from the disposition, which gain may be offset by U.S. source capital losses.

We believe we currently are not, and we do not anticipate becoming, a United States real property holding corporation for U.S. federal income tax purposes.

Federal Estate Taxes

Common stock held by a non-U.S. holder at the time of death generally will be included in the holder s gross estate for United States federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

Information Reporting and Backup Withholding

We must report annually to the Internal Revenue Service and to each non-U.S. holder the amount of dividends paid to such holder and the tax withheld with respect to such dividends, regardless of whether withholding was required. Copies of the information returns reporting such dividends and withholding may also be made available to the tax authorities in the country in which the non-U.S. holder resides under the provisions of an applicable income tax treaty.

A non-U.S. holder will be subject to backup withholding for dividends paid to such holder unless such holder certifies under penalty of perjury that it is a non-U.S. holder (and the payor does not have actual knowledge or reason to know that such holder is a United States person as defined under the Code), or such holder otherwise establishes an exemption.

Information reporting and, depending on the circumstances, backup withholding will apply to the proceeds of a sale of our common stock within the United States or conducted through certain United States-related financial intermediaries, unless the beneficial owner certifies under penalty of perjury that it is a non-U.S. holder (and the payor does not have actual knowledge or reason to know that the beneficial owner is a United States person as defined under the Code), or such owner otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a non-U.S. holder s U.S. federal income tax liability provided the required information is furnished to the Internal Revenue Service.

CERTAIN ERISA CONSIDERATIONS

This section is specifically relevant to you if you propose to invest in the common stock described in this prospectus supplement on behalf of an employee benefit plan which is subject to the U.S. Employee Retirement Income Security Act of 1974, as amended, which we refer to as ERISA, or Section 4975 of the Code or on behalf of any other entity the assets of which are plan assets under ERISA, which we refer to individually as a Plan and collectively as Plans. If you are proposing to invest in the common stock on behalf of a Plan, you should consult your legal counsel before making such investment. This section also may be relevant to you if you are proposing to invest in the common stock described in this prospectus supplement on behalf of an employee benefit plan which is subject to laws which have a similar purpose or effect as the fiduciary responsibility or prohibited transaction provisions of ERISA or Section 4975 of the Code, which we refer to as Similar Laws, in which event you also should consult your legal counsel before making

such investment.

Unless otherwise indicated in the applicable prospectus supplement, our common stock may, subject to certain legal restrictions, be held by (1) pension, profit sharing, and other employee benefit plans which are subject to Title I of ERISA, (2) Plans, accounts, and other arrangements that are subject to Section 4975 of the

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Code, or provisions under Similar Laws, and (3) entities whose underlying assets are considered to include plan assets of any such Plans, accounts, or arrangement. Section 406 of ERISA and Section 4975 of the Code prohibit Plans from engaging in specified transactions involving plan assets with persons who are parties in interest under ERISA or disqualified persons under the Code with respect to such pension, profit sharing, or other employee benefit plans that are subject to Section 406 of ERISA and Section 4975 of the Code. A violation of these prohibited transaction rules may result in an excise tax or other liabilities under ERISA and/or Section 4975 of the Code for such persons, unless exemptive relief is available under an applicable statutory or administrative exemption. A fiduciary of any such Plan, account, or arrangement must determine that the purchase and holding of an interest in our common stock is consistent with its fiduciary duties and will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, or a violation under any applicable Similar Laws.

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UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement dated June , 2009, the underwriters named below, for whom Raymond James & Associates, Inc. is acting as representative, have severally agreed to purchase, and we have agreed to sell to them, the number of shares of our common stock set forth opposite their names below:

Underwriters	Number of Shares
Raymond James & Associates, Inc.	
Total	

The underwriters are offering the shares of common stock subject to their acceptance of the shares from us and subject to prior sale. The underwriting agreement provides that the obligation of the underwriters to purchase and accept delivery of the common stock offered by this prospectus supplement are subject to approval by its counsel of legal matters and to certain other conditions set forth in the underwriting agreement. The underwriters are obligated to purchase and accept delivery of all of the shares of common stock offered by this prospectus supplement, if any are purchased, other than those covered by the option to purchase additional shares described below.

Option to Purchase Additional Shares

We have granted the underwriters an option, exercisable within 30 days after the date of this prospectus supplement, to purchase from time to time up to an aggregate of additional shares of common stock, at the same price per share as they are paying for the shares shown in the table above. If the underwriters exercise their option to purchase any of the additional shares, each underwriter, subject to certain conditions, will become obligated to purchase a number of additional shares proportionate to that underwriter s initial purchase commitment as indicated in the table above. If purchased, these additional shares will be sold by the underwriters on the same terms as those on which the shares offered by this prospectus supplement are being sold.

Commission and Discounts

The underwriters propose to offer the common stock directly to the public at the public offering price indicated on the cover page of this prospectus supplement and to various dealers at that price less a concession not to exceed $ per share. After this offering, the public offering price, concession and reallowance to dealers may be reduced by the underwriters. No reduction will change the amount of proceeds to be received by us as indicated on the cover page of this prospectus supplement. The shares of common stock are offered by the underwriters as stated in this prospectus supplement, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part.

The following table summarizes the underwriting compensation to be paid to the underwriters by us. These amounts assume both no exercise and full exercise of the underwriters option to purchase additional shares. We estimate that the total expenses payable by us in connection with this offering, other than the underwriting discount referred to below, will be approximately $.

	Per Share

		Without Option	With Option
Underwriting discount payable by us	$	$	$

Indemnification

We have agreed to indemnify the underwriters against various liabilities, including certain liabilities under the Securities Act, and the Exchange Act, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

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Purchases by Directors and Officers

At our request, the underwriters have reserved up to 5% of the shares of our common stock offered by this prospectus supplement for sale to our directors, officers, employees, business associates and related persons at the public offering price set forth on the cover page of this prospectus supplement. These persons must commit to purchase from an underwriter or selected dealer at the same time as the general public. The number of shares available for sale to the general public will be reduced to the extent these persons purchase the reserved shares. Any reserved shares purchased by our directors or executive officers will be subject to the lock-up agreements described below. We are not making loans to these persons to purchase such shares.

Lock-up Agreements

Subject to specified exceptions, each of our directors and our executive officers have agreed for a period of 90 days after the date of this prospectus supplement, not to directly or indirectly: (1) offer, sell, contract to sell, pledge, grant any option to purchase or otherwise dispose of any stock, options, warrants or other securities of the Company, or any securities convertible into or exercisable or exchangeable for, or any rights to purchase or otherwise acquire, any stock, options, warrants or other securities of the Company held or deemed to be beneficially owned by the person or entity without the prior written consent of Raymond James & Associates, Inc. or (2) exercise or seek to exercise or effectuate in any manner any rights of any nature that the person or the entity has or may have hereafter to require us to register under the Securities Act, the sale, transfer or other disposition of any of the securities held or deemed to be beneficially owned by the person or entity, or to otherwise participate as a selling securityholder in any manner in any registration by us under the Securities Act.

In addition we have agreed that for 90 days after the date of this prospectus, we will not directly or indirectly without the prior written consent of Raymond James & Associates, Inc.: (1) offer for sale, sell, pledge or otherwise dispose (or enter into any transaction or device that is designed to, or reasonably could be expected to, result in the disposition by any person within the 90-day restricted period) of any shares of common stock or securities convertible into or exchangeable for common stock, or sell or grant options, rights or warrants with respect to any shares of our common stock or securities convertible into or exchangeable for our common stock, (2) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of such shares of common stock whether any transaction described in clause (1) or (2) above is settled by delivery of common stock or other securities, in cash or otherwise, (3) file or cause to be filed a registration statement, with respect to the registration of any shares of common stock or securities convertible, exercisable or exchangeable into our common stock or any other securities, or (4) publicly disclose the intention to do any of the foregoing. The restrictions contained in the preceding sentence shall not apply to (a) the shares of common stock being sold under this prospectus supplement; (b) the issuance of shares of our common stock or options to purchase our common stock pursuant to existing employee benefit plans; (c) the conversion or exchange of currently outstanding convertible or exchangeable securities; or (d) the establishment of a trading plan pursuant to Rule 10b5-1 under the Exchange Act, for the transfer of shares of common stock, provided that such plan does not provide for the transfer of common stock during the 90-day restricted period.

The 90-day lock-up periods described in the preceding paragraphs will automatically be extended if (1) during the last 17 days of the 90-day lock-up periods, we issue an earnings release or material news or a material event relating to us occurs, or (2) prior to the expiration of the lock-up periods, we announce that we will release earnings results during the 16-day period beginning on the last day of the lock-up periods, then the lock-up periods shall automatically be extended and the restrictions described above shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the announcement of the material news or the occurrence of the material event, as applicable, unless Raymond James & Associates, Inc. waives, in writing, such extension. Raymond James & Associates, Inc. may release any of the securities subject to these lock-up agreements at any time without

notice.

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Price Stabilization, Short Positions and Penalty Bids

Until this offering is completed, rules of the SEC may limit the ability of the underwriters and certain selling group members to bid for and purchase shares of our common stock. As an exception to these rules, the underwriters may engage in certain transactions that stabilize the price of our common stock. These transactions may include short sales, stabilizing transactions, purchases to cover positions created by short sales and passive market making. A short sale is covered if the short position is no greater than the number of shares available for purchase by the underwriters under the option to purchase additional shares. The underwriters can close out a covered short sale by exercising the option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out a covered short sale, the underwriters will consider, among other things, the open market price of shares compared to the price available under the option to purchase additional shares. The underwriters may also sell shares in excess of the option to purchase additional shares, creating a naked short position. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in the offering. As an additional means of facilitating the offering, the underwriters may bid for, and purchase, shares of common stock in the open market to stabilize the price of the common stock. The underwriting syndicate may also reclaim selling concessions allowed to an underwriter or a dealer for distributing the common stock in the offering, if the syndicate repurchases previously distributed common stock to cover syndicate short positions or to stabilize the price of the common stock. These activities may raise or maintain the market price of the common stock above independent market levels or prevent or retard a decline in the market price of the common stock.

In connection with this transaction, the underwriters may engage in passive market making transactions in the common stock on the NASDAQ Global Select Market, prior to the pricing and completion of this offering. Passive market making is permitted by SEC Regulation M and consists of displaying bids on the NASDAQ Global Select Market no higher than the bid prices of independent market makers and making purchases at prices no higher than these independent bids and effected in response to order flow. Net purchases by a passive market maker on each day are limited to a specified percentage of the passive market maker s average daily trading volume in the common stock during a specified period and must be discontinued when such limit is reached. Passive market making may cause the price of the common stock to be higher than the price that otherwise would exist in the open market in the absence of such transactions.

The underwriters also may impose a penalty bid. This occurs when a particular underwriter repays to the other underwriter a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

These activities by the underwriters may stabilize, maintain or otherwise affect the market price of our common stock. As a result the price of our common stock may be higher than the price that otherwise might exist in the open market. The underwriters are not required to engage in these activities. If these activities are commenced, they may be discontinued by the underwriters without notice at any time. These transactions may be effected on the NASDAQ Global Select Market or otherwise.

Electronic Distribution

A prospectus supplement in electronic format may be made available on websites or through other online services maintained by the underwriters of the offering, or by its affiliates. Other than the prospectus supplement in electronic format, the information on the underwriters websites and any information contained in any other website maintained by the underwriters is not part of the prospectus supplement or the registration statement of which this prospectus supplement forms a part, has not been approved and/or endorsed by us or the underwriters in their capacity as

underwriters and should not be relied upon by investors.

Listing

Our common stock is listed on the NASDAQ Global Select Market under the symbol PNFP.

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Selling Restrictions

Public Offer Selling Restrictions Under the Prospectus Directive

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a relevant member state), with effect from and including the date on which the Prospectus Directive is implemented in that relevant member state (the relevant implementation date), an offer of securities described in this prospectus supplement and the accompanying prospectus may not be made to the public in that relevant member state other than:

to any legal entity that is authorized or regulated to operate in the financial markets, or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

to any legal entity that has two or more of (1) an average of at least 250 employees during the last financial year, (2) a total balance sheet of more than 43,000,000 and (3) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts;

to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the representative; or

in any other circumstances that do not require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive.

provided that no such offer of securities shall require us or any underwriter to publish a prospectus supplement pursuant to Article 3 of the Prospectus Directive.

For purposes of this provision, the expression of an offer to securities to the public in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe the securities, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each relevant member state.

The sellers of the securities have not authorized and do not authorize the making of any offer of securities through any financial intermediary on their behalf, other than offers made by the underwriters with a view to the final placement of the securities as contemplated in this prospectus supplement and the accompanying prospectus. Accordingly, no purchaser of the securities, other than the underwriters, is authorized to make any further offer of the securities on behalf of the sellers of the securities or the underwriters.

United Kingdom

This prospectus supplement and the accompanying prospectus are only being distributed to, and are only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article (2)(1)(e) of the Prospectus Directive (Qualified Investors) that are also (i) investment professionals falling under Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Order) or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as relevant persons). This prospectus supplement and the accompanying prospectus and their contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this prospectus supplement and the accompanying prospectus or any of their

contents.

Affiliations

Each of the underwriters and their affiliates have provided, and may in the future provide, various investment banking, financial advisory and other financial services to us and our affiliates for which they have received, and in the future may receive, advisory or transaction fees, as applicable, plus out-of-pocket expenses of the nature and in amounts customary in the industry for these financial services. Pinnacle National contracts

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with Raymond James Financial Services, Inc., an independent contractor brokerage affiliate of Raymond James Financial, Inc., to offer and sell various securities and other financial products to the public from Pinnacle National s locations. We expect to continue to use Raymond James & Associates, Inc. and it affiliates for various services in the future.

EXPERTS

The consolidated financial statements of Pinnacle Financial as of December 31, 2008 and 2007, and for each of the years in the three-year period ended December 31, 2008 and management s assessment of the effectiveness of internal control over financial reporting as of December 31, 2008 have been incorporated by reference herein and in the registration statement in reliance upon the reports of KPMG LLP, independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

The audit report covering the December 31, 2008 consolidated financial statements refers to a change in accounting for split dollar life insurance arrangements in 2008 and a change in accounting for uncertainty in income taxes in 2007.

LEGAL MATTERS

The validity of the shares of common stock offered hereby will be passed upon for us by Bass, Berry & Sims PLC, Nashville, Tennessee. Morrison & Foerster LLP, New York, New York will pass upon certain legal matters for the underwriters in connection with this offering.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-3 under the Securities Act of 1933 for the securities being offered under this prospectus supplement. This prospectus supplement, which is part of that registration statement, contains descriptions of certain agreements or documents that are exhibits to the registration statement. The statements as to the contents of such exhibits, however, are brief descriptions and are not necessarily complete, and each statement is qualified in all respects by reference to such agreement or document. In addition, we file annual, quarterly and other reports, proxy statements and other information with the SEC. Our current SEC filings and the registration statement and accompanying exhibits may be inspected without charge at the public reference facilities of the SEC located at 100 F Street, N. E., Washington, D.C. 20549. You may obtain copies of this information at prescribed rates. The SEC also maintains a website that contains reports, proxy statements, registration statements and other information, including our filings with the SEC. The SEC website address is www.sec.gov. You may call the SEC at 1-800-SEC-0330 to obtain further information on the operations of the public reference room. We make available free of charge through our web site our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statement on Schedule 14A and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. Our website address is www.pnfp.com. Please note that our website address is provided as an inactive textual reference only. Information contained on or accessible through our website is not part of this prospectus supplement or the accompanying prospectus, and is therefore not incorporated by reference unless such information is otherwise specifically referenced elsewhere in this prospectus supplement or the accompanying prospectus.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The SEC allows us to incorporate by reference certain information that we file with the SEC into this prospectus supplement. By incorporating by reference, we can disclose important information to you by referring you to another document we have filed separately with the SEC. The information incorporated by reference is deemed to be part of

this prospectus supplement, except for information incorporated by reference that is superseded by information contained in this prospectus supplement or any document we subsequently

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file with the SEC that is incorporated or deemed to be incorporated by reference into this prospectus supplement. Likewise, any statement in this prospectus supplement or any document which is incorporated or deemed to be incorporated by reference herein will be deemed to have been modified or superseded to the extent that any statement contained in any document that we subsequently file with the SEC that is incorporated or deemed to be incorporated by reference herein modifies or supersedes that statement. This prospectus supplement incorporates by reference the documents listed below and any future filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act, after the filing of this prospectus supplement and prior to the sale of all the securities covered by this prospectus supplement.

Our annual report on Form 10-K for the fiscal year ended December 31, 2008.

Our quarterly report on Form 10-Q for the quarter ended March 31, 2009.

Our current reports on Form 8-K dated January 6, 2009, March 6, 2009, April 27, 2009, May 19, 2009 and June 2, 2009.

The description of our common stock, par value $1.00 per share, contained in our Registration Statement on Form 8-A/A filed with the SEC and dated January 12, 2009, including all amendments and reports filed for purposes of updating such description.

Any documents we file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the filing of this prospectus supplement and before the termination of the offering of the securities offered hereby.

Notwithstanding the foregoing, information furnished under Items 2.02 and 7.01 of any current report on Form 8-K, including the related exhibits, is not incorporated by reference in this prospectus supplement.

You may request a copy of these documents, which will be provided to you at no cost, by writing or telephoning us using the following contact information:

Pinnacle Financial Partners, Inc.
The Commerce Center
211 Commerce Street, Suite 300
Nashville, Tennessee 37201
Attention: Investor Relations
Telephone: (615) 744-3700

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PROSPECTUS

$150,000,000

PINNACLE FINANCIAL PARTNERS, INC.

Common Stock
Preferred Stock
Warrants
Debt Securities
Depositary Shares
Units

Pinnacle Financial Partners, Inc. may offer, issue and sell from time to time, together or separately, in one or more offerings any combination of (i) our common stock, (ii) our preferred stock, which we may issue in one or more series, (iii) warrants, (iv) senior or subordinated debt securities, (v) depositary shares and (vi) units, up to a maximum aggregate offering price of $150,000,000. The debt securities may consist of debentures, notes, or other types of debt. The debt securities, preferred stock and warrants may be convertible, exercisable or exchangeable for common or preferred stock or other securities of ours. The preferred stock may be represented by depositary shares. The units may consist of any combination of the securities listed above.

We may offer and sell these securities in amounts, at prices and on terms determined at the time of the offering.

We will provide the specific terms of these securities in supplements to this prospectus. You should read this prospectus and the accompanying prospectus supplement, as well as the documents incorporated or deemed incorporated by reference in this prospectus, carefully before you make your investment decision. Our common stock is listed on the NASDAQ Global Select Market and trades on that exchange under the symbol PNFP. On May 28, 2009, the closing price of our common stock on the NASDAQ Global Select Market was $14.25 per share. You are urged to obtain current market quotations of the common stock. Each prospectus supplement will indicate if the securities offered thereby will be listed on any securities exchange.

This prospectus may not be used to sell securities unless accompanied by a prospectus supplement.

We may offer to sell these securities on a continuous or delayed basis, through agents, dealers or underwriters, or directly to purchasers. The prospectus supplement for each offering of securities will describe in detail the plan of distribution for that offering. If our agents or any dealers or underwriters are involved in the sale of the securities, the applicable prospectus supplement will set forth the names of the agents, dealers or underwriters and any applicable commissions or discounts. Our net proceeds from the sale of securities will also be set forth in the applicable prospectus supplement. For general information about the distribution of securities offered, please see Plan of Distribution in this prospectus.

Investing in our securities involves risks. You should carefully consider the risk factors referred to on page 3 of this prospectus and set forth in the documents incorporated or deemed incorporated by reference herein before making any decision to invest in our securities.

Neither the Securities and Exchange Commission nor any state securities commission or regulatory body has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The securities are not savings accounts, deposits or obligations of any bank and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

The date of this prospectus is June 4, 2009.

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ABOUT THIS PROSPECTUS

This prospectus is a part of a registration statement that we filed with the Securities and Exchange Commission, or the SEC, utilizing a shelf registration process. Under this shelf registration process, we, and certain holders of our securities, may, from time to time, sell any combination of the securities described in this prospectus in one or more offerings.

The registration statement containing this prospectus, including the exhibits to the registration statement, provides additional information about us and the securities offered under this prospectus. The registration statement, including the exhibits and the documents incorporated or deemed incorporated herein by reference, can be read on the SEC website or at the SEC offices mentioned under the heading Where You Can Find More Information.

Each time we sell securities pursuant to this prospectus, we will provide a prospectus supplement containing specific information about the terms of a particular offering by us. The prospectus supplement may add, update or change information in this prospectus. If the information in the prospectus is inconsistent with a prospectus supplement, you should rely on the information in that prospectus supplement. You should read both this prospectus and, if applicable, any prospectus supplement. See Where You Can Find More Information for more information.

We have not authorized any dealer, salesman or other person to give any information or to make any representation other than those contained or incorporated by reference in this prospectus or any prospectus supplement. You must not rely upon any information or representation not contained or incorporated by reference in this prospectus or any prospectus supplement. This prospectus and any prospectus supplement do not constitute an offer to sell or the solicitation of an offer to buy any securities other than the registered securities to which they relate, nor do this prospectus and any prospectus supplement constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. You should not assume that the information contained in this prospectus or any prospectus supplement is accurate on any date subsequent to the date set forth on the front of such document or that any information we have incorporated by reference is correct on any date subsequent to the date of the document incorporated by reference, even though this prospectus and any prospectus supplement is delivered or securities are sold on a later date.

Unless this prospectus indicates otherwise or the context otherwise requires, the terms we, our, us, Pinnacle Financi or the Company as used in this prospectus refer to Pinnacle Financial Partners, Inc. and its subsidiaries, including Pinnacle National Bank, which we sometimes refer to as Pinnacle National, the bank, our bank subsidiary or our bank, except that such terms refer to only Pinnacle Financial and not its subsidiaries in the sections entitled Description of Common Stock, Description of Preferred Stock, Description of Warrants, Description of Debt Securities, Description of Depositary Shares, and Description of Units.

PINNACLE FINANCIAL PARTNERS, INC.

We are the second-largest bank holding company headquartered in Tennessee, with approximately $5.0 billion in assets as of March 31, 2009. Incorporated on February 28, 2000, Pinnacle Financial is the parent of Pinnacle National Bank and owns 100% of the capital stock of Pinnacle National Bank. The primary business of Pinnacle Financial is operating Pinnacle National. As of March 31, 2009, we had total deposits of approximately $3.8 billion and shareholders equity of approximately $631.6 million.

As a bank holding company, we are subject to regulation by the Board of Governors of the Federal Reserve System, or the Federal Reserve Board. We are required to file reports with the Federal Reserve Board and are subject to regular examinations by that agency.

Our principal executive offices are located at 211 Commerce Street, Suite 300, Nashville, Tennessee 37201 and our telephone number at these offices is (615) 744-3700. Our internet address is www.pnfp.com.

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Please note that our website is provided as an inactive textual reference and the information on our website is not incorporated by reference in this prospectus.

PINNACLE NATIONAL BANK

Our bank, Pinnacle National, is a national bank organized under the laws of the United States. At March 31, 2009, the bank was the second largest bank, based on asset size, headquartered in Tennessee, with approximately $5.0 billion in assets. Pinnacle National operates as an urban community bank serving the Nashville-Davidson-Murfreesboro-Franklin MSA, which we refer to as the Nashville MSA, and the Knoxville MSA. As an urban community bank, Pinnacle National provides the personalized service most often associated with small community banks, while offering the sophisticated products and services, such as investments and treasury management, often associated with larger financial institutions. Pinnacle National s principal business is to originate loans and fund such loans with customers deposits obtained through its banking clients. Our bank also offers investment, trust and insurance services. We contract with Raymond James Financial Service, Inc., or RJFS, a registered broker-dealer and investment adviser, to offer and sell various securities and other financial products to the public from our bank s locations. Pinnacle National also maintains a trust department which provides fiduciary and investment management services for individual and institutional clients. Account types include personal trust, endowments, foundations, individual retirement accounts, pensions and custody. We have also established Pinnacle Advisory Services, Inc., a registered investment advisor, to provide investment advisory services to our clients. Additionally, Miller Loughry Beach Insurance and Services, Inc., a wholly-owned subsidiary of Pinnacle National, provides insurance products, particularly in the property and casualty area, to our clients. We derive income principally from interest charged on loans, and to a lesser extent, from fees received in connection with the sale and servicing of loans, deposit services, insurance commissions and interest earned and gains realized on the sale of investments. The bank s principal expenses are interest expense on deposits and borrowings, operating expenses, provisions for loan losses and income tax expenses.

As of March 31, 2009, Pinnacle National had 33 banking offices located throughout the Nashville and Knoxville MSAs and employed 736 full-time equivalent associates.

Pinnacle National s deposits are insured by the Federal Deposit Insurance Corporation, or FDIC, up to applicable limits. Our competitors include larger, multi-state banks, commercial banks, savings and loan associations, consumer and commercial finance companies, credit unions and other financial services companies.

Our bank is subject to comprehensive regulation, examination and supervision by the Office of the Comptroller of the Currency and the FDIC.

RATIOS OF EARNINGS TO FIXED CHARGES AND RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

The following table sets forth our consolidated ratio of earnings to fixed charges and our consolidated ratio of earnings to combined fixed charges and preferred stock dividends. Before we issued the Fixed Rate Cumulative Perpetual Preferred Stock, Series A, no par value, which is referred to as the Series A preferred stock in this prospectus, to the United States Treasury Department on December 12, 2008, no shares of our preferred stock were outstanding.

Ratio of Earnings to Fixed Charges

	Years Ended December 31,

	Three Months Ended March 31, 2009	2008	2007	2006	2005	2004
Excluding interest on deposits	1.97x	3.91x	3.44x	4.03x	4.14x	5.73x
Including interest on deposits	1.14x	1.47x	1.44x	1.54x	1.65x	2.01x

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Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends

	Three Months Ended March 31, 2009	Years Ended December 31, 2008	2007	2006	2005	2004
Excluding interest on deposits	1.62x	3.84x	3.44x	4.03x	4.14x	5.73x
Including interest on deposits	1.13x	1.47x	1.44x	1.54x	1.65x	2.01x

RISK FACTORS

An investment in our securities involves significant risks. You should read and carefully consider the risks and uncertainties and the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2008, which is incorporated by reference in this prospectus, and in the documents and reports we file with the SEC after the date of this prospectus which are incorporated by reference into this prospectus, as well as any risks described in any applicable prospectus supplement, before you make an investment decision regarding the securities. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business operations.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934. The words expect , anticipate , intend , consider , plan , belie seek , should , estimate , and similar expressions are intended to identify such forward-looking statements, but other statements may constitute forward-looking statements. These statements should be considered subject to various risks and uncertainties, and are made based upon management s belief as well as assumptions made by, and information currently available to, management pursuant to safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Pinnacle Financial s actual results may differ materially from the results anticipated in forward-looking statements due to a variety of factors including, without limitation those described above under Risk Factors, and (i) deterioration in the financial condition of borrowers resulting in significant increases in loan losses and provisions for those losses, (ii) greater than anticipated deterioration in the economy in the Nashville and Knoxville, Tennessee areas, particularly in commercial and residential real estate markets, (iii) rapid fluctuations or unanticipated changes in interest rates, (iv) reduced ability to expand because of capital constraints or regulatory policies, (v) changes in state or federal legislation or regulations applicable to financial service providers, including banks, (vi) increased competition with other financial institutions and (vii) the impact of governmental restrictions on entities participating in the United States Treasury Department s Capital Purchase Program. Many of these risks factors are beyond our ability to control or predict, and you are cautioned not to put undue reliance on such forward-looking statements. Pinnacle Financial does not intend to update or reissue any forward-looking statements contained in this report as a result of new information or other circumstances that may become known to Pinnacle Financial.

USE OF PROCEEDS

Unless otherwise provided in the applicable prospectus supplement to this prospectus used to offer specific securities, we expect to use the net proceeds from any offering of securities by us for general corporate purposes, which may include acquisitions, capital expenditures, investments, and the repayment, redemption or refinancing of all or a portion of any indebtedness or other securities outstanding at a particular time. Pending the application of the net proceeds, we expect to invest the proceeds in short-term, interest-bearing instruments or other investment-grade securities.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-3 under the Securities Act of 1933 for the securities being offered under this prospectus. This prospectus, which is part of the registration statement, does

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not contain all of the information set forth in the registration statement and accompanying exhibits. This prospectus contains descriptions of certain agreements or documents that are exhibits to the registration statement. The statements as to the contents of such exhibits, however, are brief descriptions and are not necessarily complete, and each statement is qualified in all respects by reference to such agreement or document. In addition, we file annual, quarterly and other reports, proxy statements and other information with the SEC. Our current SEC filings and the registration statement and accompanying exhibits may be inspected without charge at the public reference facilities of the SEC located at 100 F Street, N. E., Washington, D.C. 20549. You may obtain copies of this information at prescribed rates. The SEC also maintains a website that contains reports, proxy statements, registration statements and other information, including our filings with the SEC. The SEC website address is www.sec.gov. You may call the SEC at 1-800-SEC-0330 to obtain further information on the operations of the public reference room. We make available free of charge through our web site our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statement on Schedule 14A and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. Our website address is www.pnfp.com. Please note that our website address is provided as an inactive textual reference only. Information contained on or accessible through our website is not part of this prospectus or the prospectus supplement, and is therefore not incorporated by reference unless such information is otherwise specifically referenced elsewhere in this prospectus or the prospectus supplement.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The SEC allows us to incorporate by reference certain information that we file with the SEC into this prospectus. By incorporating by reference, we can disclose important information to you by referring you to another document we have filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus, except for information incorporated by reference that is superseded by information contained in this prospectus or any document we subsequently file with the SEC that is incorporated or deemed to be incorporated by reference into this prospectus. Likewise, any statement in this prospectus or any document which is incorporated or deemed to be incorporated by reference herein will be deemed to have been modified or superseded to the extent that any statement contained in any document that we subsequently file with the SEC that is incorporated or deemed to be incorporated by reference herein modifies or supersedes that statement. This prospectus incorporates by reference the documents listed below and any future filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, after the filing of this prospectus and prior to the sale of all the securities covered by this prospectus.

Our Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

Our Quarterly Report on Form 10-Q for the quarter ended March 31, 2009.

Our Current Reports on Form 8-K dated January 6, 2009, March 6, 2009, April 27, 2009 and May 19, 2009.

The description of our common stock, par value $1.00 per share, contained in our Registration Statement on Form 8-A/A filed with the SEC and dated January 12, 2009, including all amendments and reports filed for purposes of updating such description.

Any documents we file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the filing of this prospectus and before the termination of the offering of the securities offered hereby.

Notwithstanding the foregoing, information furnished under Items 2.02 and 7.01 of any Current Report on Form 8-K, including the related exhibits, is not incorporated by reference in this prospectus.

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You may request a copy of these documents, which will be provided to you at no cost, by writing or telephoning us using the following contact information:

Pinnacle Financial Partners, Inc.
The Commerce Center
211 Commerce Street, Suite 300
Nashville, Tennessee 37201
Attention: Investor Relations
Telephone: (615) 744-3700

DESCRIPTIONS OF SECURITIES WE MAY OFFER

This prospectus contains summary descriptions of the common stock, preferred stock, warrants, debt securities, depositary shares and units that we may offer and sell from time to time. We may issue the debt securities as exchangeable and/or convertible debt securities exchangeable for or convertible into shares of common stock or preferred stock. The preferred stock may also be exchangeable for and/or convertible into shares of common stock or another series of preferred stock. When one or more of these securities are offered in the future, a prospectus supplement will explain the particular terms of the securities and the extent to which these general provisions may apply. These summary descriptions and any summary descriptions in the applicable prospectus supplement do not purport to be complete descriptions of the terms and conditions of each security and are qualified in their entirety by reference to Pinnacle Financial s amended and restated charter and bylaws, the Tennessee Business Corporation Act and any other documents referenced in such summary descriptions and from which such summary descriptions are derived. If any particular terms of a security described in the applicable prospectus supplement differ from any of the terms described herein, then the terms described herein will be deemed superseded by the terms set forth in that prospectus supplement.

We may issue securities in book-entry form through one or more depositaries, such as The Depository Trust Company, Euroclear or Clearstream, named in the applicable prospectus supplement. Each sale of a security in book-entry form will settle in immediately available funds through the applicable depositary, unless otherwise stated. We will issue the securities only in registered form, without coupons, although we may issue the securities in bearer form if so specified in the applicable prospectus supplement. If any securities are to be listed or quoted on a securities exchange or quotation system, the applicable prospectus supplement will say so.

DESCRIPTION OF COMMON STOCK

The following is a description of our common stock and certain provisions of our amended and restated charter and bylaws and certain provisions of applicable law. The following is only a summary and is qualified by applicable law and by the provisions of our amended and restated charter and bylaws, copies of which have been filed with the SEC and are also available upon request from us. You should read the prospectus supplement, which will contain additional information and which may update or change some of the information below.

General

The authorized capital stock of Pinnacle Financial consists of 90 million shares of common stock, par value $1.00 per share, and 10 million shares of preferred stock, no par value. As of May 19, 2009, 24,061,494 shares of Pinnacle Financial common stock were outstanding, and 95,000 shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series A were outstanding. The remaining shares of preferred stock, other than the shares currently issued as Series A preferred stock, may be issued in one or more series with those terms and at those times and for any consideration as the Pinnacle Financial board of directors determines.

The outstanding shares of Pinnacle Financial common stock are fully paid and nonassessable. Holders of Pinnacle Financial common stock are entitled to one vote for each share held of record on all matters

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submitted to a vote of the shareholders. Holders of Pinnacle Financial common stock do not have pre-emptive rights and are not entitled to cumulative voting rights with respect to the election of directors. The Pinnacle Financial common stock is neither redeemable nor convertible into other securities, and there are no sinking fund provisions with respect to the common stock.

Subject to the preferences applicable to any shares of Pinnacle Financial preferred stock outstanding at the time, including the Series A preferred stock, holders of Pinnacle Financial common stock are entitled to, in the event of liquidation, share ratably in all assets remaining after payment of liabilities.

Election of Directors

Pinnacle Financial s amended and restated charter and bylaws provide that the Pinnacle Financial board of directors is to be divided into three classes as nearly equal in number as possible. Directors are elected by classes to three-year terms, so that approximately one-third of the directors of Pinnacle Financial are elected at each annual meeting of the shareholders. In addition, Pinnacle Financial s bylaws provide that the power to increase or decrease the number of directors and to fill vacancies is vested in the Pinnacle Financial board of directors. The overall effect of these provisions may be to prevent a person or entity from seeking to acquire control of Pinnacle Financial through an increase in the number of directors on the Pinnacle Financial board of directors and the election of designated nominees to fill newly created vacancies.

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

Dividends

Holders of Pinnacle Financial s common stock are entitled to receive dividends when, as and if declared by Pinnacle Financial s board of directors out of funds legally available for dividends. Pinnacle Financial has never declared or paid any dividends on its common stock. In order to pay any dividends, Pinnacle Financial will need to receive dividends from Pinnacle National or have other sources of funds. As a national bank, Pinnacle National can only pay dividends to Pinnacle Financial if it has retained earnings for the current fiscal year and the preceding two fiscal years, and if it has a positive retained earnings account. At March 31, 2009, Pinnacle National s retained earnings available for dividends were $55.4 million. In addition, its ability to pay dividends or otherwise transfer funds to Pinnacle Financial is subject to various regulatory restrictions.

Pursuant to the purchase agreement between Pinnacle Financial and the Treasury, we agreed that, beginning December 12, 2008, for a period of three years, unless we have redeemed the Series A preferred stock or the Treasury has transferred the Series A preferred stock to a third party, the consent of the Treasury will be required for us to (i) declare or pay any dividend or make any distribution on our common stock or (ii) redeem, purchase or acquire any shares of common stock or other equity or capital securities of Pinnacle Financial, or any trust preferred securities issued by us or an affiliate of ours, other than the Series A preferred stock, other than in connection with benefit plans consistent with past practice and in certain other circumstances specified in the purchase agreement.

Pinnacle Financial s ability to pay dividends to its shareholders in the future will depend on its earnings and financial condition, liquidity and capital requirements, the general economic and regulatory climate, its ability to service any equity or debt obligations senior to its common stock and other factors deemed relevant by Pinnacle Financial s board of directors. Pinnacle Financial currently intends to retain any future earnings to fund the development and growth of the company s business. Therefore, Pinnacle Financial does not anticipate paying any cash dividends on its common stock in the foreseeable future.

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Corporate Transactions

Pinnacle Financial s amended and restated charter, with exceptions, requires that any merger or similar transaction involving Pinnacle Financial or any sale or other disposition of all or substantially all of Pinnacle Financial s assets will require the affirmative vote of a majority of its directors then in office and the affirmative vote of the holders of at least two-thirds of the outstanding shares of Pinnacle Financial s stock entitled to vote on the transaction. However, if Pinnacle Financial s board of directors has approved the particular transaction by the affirmative vote of two-thirds of the entire board, then the applicable provisions of Tennessee law would govern and subject to the terms of the Series A preferred stock, shareholder approval of the transaction would require only the affirmative vote of the holders of a majority of the outstanding shares of Pinnacle Financial s stock entitled to vote on the transaction. Any amendment of this provision adopted by less than two-thirds of the entire board of directors would require the affirmative vote of the holders of at least two-thirds of the outstanding shares of Pinnacle Financial s stock entitled to vote on the amendment; otherwise, the amendment would only require the affirmative vote of at least a majority of the outstanding shares of Pinnacle Financial s stock entitled to vote on the amendment.

Pinnacle Financial s charter describes the factors that its board of directors must consider in evaluating whether an acquisition proposal made by another party is in Pinnacle Financial s shareholders best interests. The term acquisition proposal refers to any offer of another party to:

- make a tender offer or exchange offer for Pinnacle Financial s common stock or any other equity security of Pinnacle Financial;
- merge or combine Pinnacle Financial with another corporation; or
- purchase or otherwise acquire all or substantially all of the properties and assets owned by Pinnacle Financial.

The board of directors, in evaluating an acquisition proposal, is required to consider all relevant factors, including:

- the expected social and economic effects of the transaction on Pinnacle Financial s employees, clients and other constituents, such as its suppliers of goods and services;
- the payment being offered by the other corporation in relation to (1) Pinnacle Financial s current value at the time of the proposal as determined in a freely negotiated transaction and (2) the board of directors estimate of Pinnacle Financial s future value as an independent company at the time of the proposal; and
- the expected social and economic effects on the communities within which Pinnacle Financial operates.

Pinnacle Financial has included this provision in its amended and restated charter because serving its community is one of the reasons for organizing Pinnacle National. As a result, the board of directors believes its obligation in evaluating an acquisition proposal extends beyond evaluating merely the payment being offered in relation to the market or book value of the common stock at the time of the proposal.

While the value of what is being offered to shareholders in exchange for their stock is the main factor when weighing the benefits of an acquisition proposal, the board believes it is appropriate also to consider all other relevant factors. For example, the board will evaluate what is being offered in relation to the current value of Pinnacle Financial at the time of the proposal as determined in a freely negotiated transaction and in relation to the board s estimate of the future value of Pinnacle Financial as an independent concern at the time of the proposal. A takeover bid often places the target corporation virtually in the position of making a forced sale, sometimes when the market price of its stock may be depressed. The board believes that frequently the payment offered in such a situation, even though it may exceed

the value at which shares are then trading, is less than that which could be obtained in a freely negotiated transaction. In a freely negotiated transaction, management would have the opportunity to seek a suitable partner at a time of its choosing and to negotiate for the most favorable price and terms that would reflect not only Pinnacle Financial s current value, but also its future value.

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One effect of the provision requiring Pinnacle Financial s board of directors to take into account specific factors when considering an acquisition proposal may be to discourage a tender offer in advance. Often an offeror consults the board of a target corporation before or after beginning a tender offer in an attempt to prevent a contest from developing. In Pinnacle Financial s board s opinion, this provision will strengthen its position in dealing with any potential offeror that might attempt to acquire the company through a hostile tender offer. Another effect of this provision may be to dissuade shareholders who might be displeased with the board s response to an acquisition proposal from engaging Pinnacle Financial in costly litigation.

The applicable charter provisions would not make an acquisition proposal regarded by the board as being in Pinnacle Financial s best interests more difficult to accomplish. It would, however, permit the board to determine that an acquisition proposal was not in Pinnacle Financial s best interests, and thus to oppose it, on the basis of the various factors that the board deems relevant. In some cases, opposition by the board might have the effect of maintaining incumbent management.

Any amendment of this provision adopted by less than two-thirds of the entire board of directors would require the affirmative vote of the holders of at least two-thirds of the outstanding shares of common stock; otherwise, the amendment would only require the affirmative vote of at least a majority of the outstanding shares of common stock.

Pinnacle Financial s amended and restated charter provides that all extraordinary corporate transactions must be approved by two-thirds of the directors and a majority of the shares entitled to vote or a majority of the directors and two-thirds of the shares entitled to vote.

In addition to the provisions described above with respect to board and shareholder approval required for certain corporate transactions, for so long as any shares of Series A preferred stock are outstanding, in addition to any other vote or consent of shareholders required by law or by Pinnacle Financial s amended and restated charter, the vote or consent of the holders of at least 662/3% of the shares of Series A preferred stock at the time outstanding, voting separately as a single class, is also necessary for effecting or validating any consummation of a binding share exchange or reclassification involving the Series A preferred stock or of a merger or consolidation of Pinnacle Financial with another entity, unless the shares of Series A preferred stock remain outstanding following any such transaction or, if Pinnacle Financial is not the surviving entity, are converted into or exchanged for preference securities of the surviving entity and such remaining outstanding shares of Series A preferred stock or preference securities have rights, references, privileges and voting powers that are not materially less favorable than the rights, preferences, privileges or voting powers of the Series A preferred stock, taken as a whole.

Anti-Takeover Statutes

The Tennessee Control Share Acquisition Act generally provides that, except as stated below, control shares will not have any voting rights. Control shares are shares acquired by a person under certain circumstances which, when added to other shares owned, would give such person effective control over one-fifth or more, or a majority of all voting power (to the extent such acquired shares cause such a person to exceed one-fifth or one-third of all voting power) in the election of a Tennessee corporation s directors. However, voting rights will be restored to control shares by resolution approved by the affirmative vote of the holders of a majority of the corporation s voting stock, other than shares held by the owner of the control shares. If voting rights are granted to control shares which give the holder a majority of all voting power in the election of the corporation s directors, then the corporation s other shareholders may require the corporation to redeem their shares at fair value.

The Tennessee Control Share Acquisition Act is not applicable to Pinnacle Financial because its amended and restated charter does not contain a specific provision opting in to the act as is required.

The Tennessee Investor Protection Act, or TIPA, provides that unless a Tennessee corporation s board of directors has recommended a takeover offer to shareholders, no offeror beneficially owning 5% or more of any class of equity securities of the offeree company, any of which was purchased within the preceding year, may make a takeover offer for any class of equity security of the offeree company if after completion the offeror

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would be a beneficial owner of more than 10% of any class of outstanding equity securities of the company unless the offeror, before making such purchase: (1) makes a public announcement of his or her intention with respect to changing or influencing the management or control of the offeree company; (2) makes a full, fair and effective disclosure of such intention to the person from whom he or she intends to acquire such securities; and (3) files with the Tennessee Commissioner of Commerce and Insurance (the Commissioner) and the offeree company a statement signifying such intentions and containing such additional information as may be prescribed by the Commissioner.

The offeror must provide that any equity securities of an offeree company deposited or tendered pursuant to a takeover offer may be withdrawn by an offeree at any time within seven days from the date the offer has become effective following filing with the Commissioner and the offeree company and public announcement of the terms or after 60 days from the date the offer has become effective. If the takeover offer is for less than all the outstanding equity securities of any class, such an offer must also provide for acceptance of securities pro rata if the number of securities tendered is greater than the number the offeror has offered to accept and pay for. If such an offeror varies the terms of the takeover offer before its expiration date by increasing the consideration offered to offerees, the offeror must pay the increased consideration for all equity securities accepted, whether accepted before or after the variation in the terms of the offer.

The TIPA does not apply to Pinnacle Financial, as it does not apply to bank holding companies subject to regulation by a federal agency and does not apply to any offer involving a vote by holders of equity securities of the offeree company.

The Tennessee Business Combination Act generally prohibits a business combination by Pinnacle Financial or a subsidiary with an interested shareholder within five years after the shareholder becomes an interested shareholder. Pinnacle Financial or a subsidiary can, however, enter into a business combination within that period if, before the interested shareholder became such, Pinnacle Financial s board of directors approved the business combination or the transaction in which the interested shareholder became an interested shareholder. After that five-year moratorium, the business combination with the interested shareholder can be consummated only if it satisfies certain fair price criteria or is approved by two-thirds (2/3) of the other shareholders.

For purposes of the Tennessee Business Combination Act, a business combination includes mergers, share exchanges, sales and leases of assets, issuances of securities, and similar transactions. An interested shareholder is generally any person or entity that beneficially owns 10% or more of the voting power of any outstanding class or series of Pinnacle Financial stock.

Pinnacle Financial s charter does not have special requirements for transactions with interested parties; however, all business combinations, as defined above, must be approved by two thirds (2/3) of the directors and a majority of the shares entitled to vote or a majority of the directors and two thirds (2/3) of the shares entitled to vote.

The Tennessee Greenmail Act applies to a Tennessee corporation that has a class of voting stock registered or traded on a national securities exchange or registered with the SEC pursuant to Section 12(g) of the Exchange Act. Under the Tennessee Greenmail Act, Pinnacle Financial may not purchase any of its shares at a price above the market value of such shares from any person who holds more than 3% of the class of securities to be purchased if such person has held such shares for less than two years, unless the purchase has been approved by the affirmative vote of a majority of the outstanding shares of each class of voting stock issued by Pinnacle Financial or Pinnacle Financial makes an offer, or at least equal value per share, to all shareholders of such class.

Indemnification

The TBCA provides that a corporation may indemnify any of its directors and officers against liability incurred in connection with a proceeding if: (a) such person acted in good faith; (b) in the case of conduct in an official capacity with the corporation, he reasonably believed such conduct was in the corporation s best interests; (c) in all other cases, he reasonably believed that his conduct was at least not opposed to the best

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interests of the corporation; and (d) in connection with any criminal proceeding, such person had no reasonable cause to believe his conduct was unlawful. In actions brought by or in the right of the corporation, however, the TBCA provides that no indemnification may be made if the director or officer was adjudged to be liable to the corporation. The TBCA also provides that in connection with any proceeding charging improper personal benefit to an officer or director, no indemnification may be made if such officer or director is adjudged liable on the basis that such personal benefit was improperly received. In cases where the director or officer is wholly successful, on the merits or otherwise, in the defense of any proceeding instigated because of his or her status as a director or officer of a corporation, the TBCA mandates that the corporation indemnify the director or officer against reasonable expenses incurred in the proceeding. The TBCA provides that a court of competent jurisdiction, unless the corporation s charter provides otherwise, upon application, may order that an officer or director be indemnified for reasonable expenses if, in consideration of all relevant circumstances, the court determines that such individual is fairly and reasonably entitled to indemnification, notwithstanding the fact that (a) such officer or director was adjudged liable to the corporation in a proceeding by or in the right of the corporation; (b) such officer or director was adjudged liable on the basis that personal benefit was improperly received by him; or (c) such officer or director breached his duty of care to the corporation.

Pinnacle Financial s amended and restated charter provides that it will indemnify its directors and officers to the maximum extent permitted by the TBCA. Pinnacle Financial s bylaws provide that its directors and officers shall be indemnified against expenses that they actually and reasonably incur if they are successful on the merits of a claim or proceeding. In addition, the bylaws provide that Pinnacle Financial will advance to its directors and officers reasonable expenses of any claim or proceeding so long as the director or officer furnishes Pinnacle Financial with (1) a written affirmation of his or her good faith belief that he or she has met the applicable standard of conduct and (2) a written statement that he or she will repay any advances if it is ultimately determined that he or she is not entitled to indemnification.

When a case or dispute is settled or otherwise not ultimately determined on its merits, the indemnification provisions provide that Pinnacle Financial will indemnify its directors and officers when they meet the applicable standard of conduct. The applicable standard of conduct is met if the directors or officer acted in a manner he or she in good faith believed to be in or not opposed to Pinnacle Financial s best interests and, in the case of a criminal action or proceeding, if the insider had no reasonable cause to believe his or her conduct was unlawful. Pinnacle Financial s board of directors, shareholders or independent legal counsel determines whether the director or officer has met the applicable standard of conduct in each specific case.

Pinnacle Financial s amended and restated charter and bylaws also provide that the indemnification rights contained therein do not exclude other indemnification rights to which a director or officer may be entitled under any bylaw, resolution or agreement, either specifically or in general terms approved by the affirmative vote of the holders of a majority of the shares entitled to vote. Pinnacle Financial can also provide for greater indemnification than is provided for in the bylaws if Pinnacle Financial chooses to do so, subject to approval by its shareholders and the limitations provided in its amended and restated charter as discussed in the subsequent paragraph.

Pinnacle Financial s amended and restated charter eliminates, with exceptions, the potential personal liability of a director for monetary damages to Pinnacle Financial and its shareholders for breach of a duty as a director. There is, however, no elimination of liability for:

a breach of the director s duty of loyalty to Pinnacle Financial or its shareholders;

an act or omission not in good faith or which involves intentional misconduct or a knowing violation of law; or

any payment of a dividend or approval of a stock repurchase that is illegal under the TBCA.

Pinnacle Financial s amended and restated charter does not eliminate or limit Pinnacle Financial s right or the right of its shareholders to seek injunctive or other equitable relief not involving monetary damages.

The indemnification provisions of the bylaws specifically provide that Pinnacle Financial may purchase and maintain insurance on behalf of any director or officer against any liability asserted against and incurred

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by him or her in his or her capacity as a director, officer, employee or agent whether or not Pinnacle Financial would have had the power to indemnify against such liability.

Transfer Agent

Registrar and Transfer Company serves as the registrar and transfer agent for our common stock.

DESCRIPTION OF PREFERRED STOCK

We summarize below some of the provisions that will apply to the preferred stock unless the applicable prospectus supplement provides otherwise. This summary may not contain all information that is important to you. The complete terms of the preferred stock will be contained in the prospectus supplement. You should read the prospectus supplement, which will contain additional information and which may update or change some of the information below.

General

We have authority to issue 10 million shares of preferred stock. As of May 19, 2009, 95,000 shares of our preferred stock were outstanding, all of which are shares of our Fixed Rate Cumulative Perpetual Preferred Stock, Series A.

Our board of directors has the authority, without further action by the shareholders, to issue preferred stock in one or more series and to fix the number of shares, dividend rights, conversion rights, voting rights, redemption rights, liquidation preferences, sinking funds, and any other rights, preferences, privileges and restrictions applicable to each such series of preferred stock.

Prior to the issuance of a new series of preferred stock, we will amend our amended and restated charter, designating the stock of that series and the terms of that series. Each series of preferred stock that we issue will constitute a separate class of stock. The issuance of any preferred stock could adversely affect the rights of the holders of common stock and, therefore, reduce the value of the common stock. The ability of our board of directors to issue preferred stock could discourage, delay or prevent a takeover or other corporate action.

The terms of any particular series of preferred stock will be described in the prospectus supplement relating to that particular series of preferred stock, including, where applicable:

- the designation, stated value and liquidation preference of such preferred stock and the amount of stock offered;
- the offering price;
- the dividend rate or rates (or method of calculation), the date or dates from which dividends shall accrue, and whether such dividends shall be cumulative or noncumulative and, if cumulative, the dates from which dividends shall commence to cumulate;
- any redemption or sinking fund provisions;
- the amount that shares of such series shall be entitled to receive in the event of our liquidation, dissolution or winding-up;

the terms and conditions, if any, on which shares of such series shall be convertible or exchangeable for shares of our stock of any other class or classes, or other series of the same class;

the voting rights, if any, of shares of such series;

the status as to reissuance or sale of shares of such series redeemed, purchased or otherwise reacquired, or surrendered to us on conversion or exchange;

the conditions and restrictions, if any, on the payment of dividends or on the making of other distributions on, or the purchase, redemption or other acquisition by us or any subsidiary, of the

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common stock or of any other class of our shares ranking junior to the shares of such series as to dividends or upon liquidation;

the conditions and restrictions, if any, on the creation of indebtedness of us or of any subsidiary, or on the issuance of any additional stock ranking on a parity with or prior to the shares of such series as to dividends or upon liquidation; and

any additional dividend, liquidation, redemption, sinking or retirement fund and other rights, preferences, privileges, limitations and restrictions of such preferred stock.

The description of the terms of a particular series of preferred stock in the applicable prospectus supplement will not be complete. You should refer to the applicable amendment to our amended and restated charter for complete information regarding a series of preferred stock.

The preferred stock will, when issued against payment of the consideration payable therefor, be fully paid and nonassessable. Unless otherwise specified in the applicable prospectus supplement, each series of preferred stock will, upon issuance, rank senior to the common stock and on a parity in all respects with each other outstanding series of preferred stock. The rights of the holders of our preferred stock will be subordinate to that of our general creditors.

DESCRIPTION OF WARRANTS

We summarize below some of the provisions that will apply to the warrants unless the applicable prospectus supplement provides otherwise. This summary may not contain all information that is important to you. The complete terms of the warrants will be contained in the applicable warrant certificate and warrant agreement. These documents have been or will be included or incorporated by reference as exhibits to the registration statement of which this prospectus is a part. You should read the warrant certificate and the warrant agreement. You should also read the prospectus supplement, which will contain additional information and which may update or change some of the information below.

General

We may issue, together with other securities or separately, warrants to purchase debt securities, common stock, preferred stock or other securities. We may issue the warrants under warrant agreements to be entered into between us and a bank or trust company, as warrant agent, all as set forth in the applicable prospectus supplement. The warrant agent would act solely as our agent in connection with the warrants of the series being offered and would not assume any obligation or relationship of agency or trust for or with any holders or beneficial owners of warrants.

The applicable prospectus supplement will describe the following terms, where applicable, of warrants in respect of which this prospectus is being delivered:

the title of the warrants;

the designation, amount and terms of the securities for which the warrants are exercisable and the procedures and conditions relating to the exercise of such warrants;

the designation and terms of the other securities, if any, with which the warrants are to be issued and the number of warrants issued with each such security;

the price or prices at which the warrants will be issued;

the aggregate number of warrants;

any provisions for adjustment of the number or amount of securities receivable upon exercise of the warrants or the exercise price of the warrants;

the price or prices at which the securities purchasable upon exercise of the warrants may be purchased;

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if applicable, the date on and after which the warrants and the securities purchasable upon exercise of the warrants will be separately transferable;

if applicable, a discussion of the material U.S. federal income tax considerations applicable to the warrants;

any other terms of the warrants, including terms, procedures and limitations relating to the exchange and exercise of the warrants;

the date on which the right to exercise the warrants shall commence and the date on which the right shall expire;

if applicable, the maximum or minimum number of warrants which may be exercised at any time;

the identity of the warrant agent;

any mandatory or optional redemption provision;

whether the warrants are to be issued in registered or bearer form;

whether the warrants are extendible and the period or periods of such extendibility;

information with respect to book-entry procedures, if any; and

any other terms of the warrants.

Before exercising their warrants, holders of warrants will not have any of the rights of holders of the securities purchasable upon such exercise, including the right to receive dividends, if any, or payments upon our liquidation, dissolution or winding-up or to exercise voting rights, if any.

Exercise of Warrants

Each warrant will entitle the holder thereof to purchase the amount of such principal amounts of debt securities or such number of shares of common stock or preferred stock or other securities at the exercise price as will in each case be set forth in, or be determinable as set forth in, the applicable prospectus supplement. Warrants may be exercised at any time up to the close of business on the expiration date set forth in the applicable prospectus supplement. After the close of business on the expiration date, unexercised warrants will become void. Warrants may be exercised as set forth in the applicable prospectus supplement relating to the warrants offered thereby. Upon receipt of payment and the warrant certificate properly completed and duly executed at the corporate trust office of the warrant agent or any other office indicated in the applicable prospectus supplement, we will, as soon as practicable, forward the purchased securities. If less than all of the warrants represented by the warrant certificate are exercised, a new warrant certificate will be issued for the remaining warrants.

Enforceability of Rights of Holders of Warrants

Each warrant agent will act solely as our agent under the applicable warrant agreement and will not assume any obligation or relationship of agency or trust with any holder of any warrant. A single bank or trust company may act as warrant agent for more than one issue of warrants. A warrant agent will have no duty or responsibility in case of any default by us under the applicable warrant agreement or warrant, including any duty or responsibility to initiate

any proceedings at law or otherwise, or to make any demand upon us. Any holder of a warrant may, without the consent of the related warrant agent or the holder of any other warrant, enforce by appropriate legal action its right to exercise, and receive the securities purchasable upon exercise of, that holder s warrant(s).

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Modification of the Warrant Agreement

The warrant agreement will permit us and the warrant agent, without the consent of the warrant holders, to supplement or amend the agreement in the following circumstances:

to cure any ambiguity;

to correct or supplement any provision which may be defective or inconsistent with any other provisions; or

to add new provisions regarding matters or questions that we and the warrant agent may deem necessary or desirable and which do not adversely affect the interests of the warrant holders.

DESCRIPTION OF DEBT SECURITIES

We summarize below some of the provisions that will apply to the debt securities unless the applicable prospectus supplement provides otherwise. This summary may not contain all information that is important to you. The complete terms of the debt securities will be contained in the applicable notes. The notes will be included or incorporated by reference as exhibits to the registration statement of which this prospectus is a part. You should read the provisions of the notes. You should also read the prospectus supplement, which will contain additional information and which may update or change some of the information below.

General

This prospectus describes certain general terms and provisions of the debt securities. The debt securities will be issued under an indenture between us and a trustee to be designated prior to the issuance of the debt securities. When we offer to sell a particular series of debt securities, we will describe the specific terms for the securities in a supplement to this prospectus. The prospectus supplement will also indicate whether the general terms and provisions described in this prospectus apply to a particular series of debt securities.

We may issue, from time to time, debt securities, in one or more series, that will consist of either our senior debt (senior debt securities), our senior subordinated debt (senior subordinated debt securities), our subordinated debt (subordinated debt securities) or our junior subordinated debt (junior subordinated debt securities and, together with the senior subordinated debt securities and the subordinated debt securities, the subordinated securities). Debt securities, whether senior, senior subordinated, subordinated or junior subordinated, may be issued as convertible debt securities or exchangeable debt securities.

We have summarized herein certain terms and provisions of the form of indenture (the indenture). The summary is not complete and is qualified in its entirety by reference to the actual text of the indenture. The indenture is incorporated by reference as an exhibit to the registration statement of which this prospectus is a part. You should read the indenture for the provisions which may be important to you. The indenture is subject to and governed by the Trust Indenture Act of 1939, as amended.

The indenture does not limit the amount of debt securities which we may issue. We may issue debt securities up to an aggregate principal amount as we may authorize from time to time which securities may be in any currency or currency unit designated by us. The terms of each series of debt securities will be established by or pursuant to (a) a supplemental indenture, (b) a resolution of our board of directors, or (c) an officers certificate pursuant to authority granted under a resolution of our board of directors. The prospectus supplement will describe the terms of any debt securities being offered, including:

the title of the debt securities;

the limit, if any, upon the aggregate principal amount or issue price of the securities of a series;

ranking of the specific series of debt securities relative to other outstanding indebtedness, including subsidiaries debt;

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Annual Bonus Plan
Variable
Motivate and reward achievement of annual financial and individual performance targets set in conjunction with annual business planning process

Annual cash award paid after year-end upon achievement of targets
2018 performance metrics reflect the Arysta Sale: organic net sales growth and unlevered free cash flow, each measured on a continuing operations basis, in addition to adjusted EBITDA, as described herein

Other factors considered in determining target opportunity for individual executive: responsibilities, individual performance and internal pay equity

Attract and retain key executives

LTI Program
Variable
Motivate and reward executive achievement of long-term financial targets in support of long-term strategic plan

LTI Awards designed to provide balance between share price appreciation, retention and long-term operating results using three-year performance and vesting periods

2018 program comprised (i) performance-based restricted stock units ("PRSUs") with performance metric based on adjusted organic EBITDA growth, (ii) time-based restricted stock units ("RSUs") with annual vesting in equal tranches over three years, and (iii) no stock options ("SOPs")

Other factors considered in determining target opportunity for individual executive: responsibilities, individual performance, internal pay equity, executive's potential and retention risk

Attract and retain key executives

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Pay Component	Fixed or Variable	Business Purpose	Key Features	2018 Actions
Benefits and Other Perquisites	—	Attract and retain executive officers with appropriate health and welfare benefits Limited perquisites to convey additional value in connection with performing job duties	Competitive non-monetary benefits consistent with the marketplace	Generally consistent with 2017

In order to reflect the Arysta Sale and take into account the performance of the Company's continuing operations going forward, the Compensation Committee reviewed the performance metrics underlying the 2018 cash awards under the Annual Bonus Plan and PRSU awards under the LTI Program compared to 2017. With respect to the performance metrics for 2018 cash awards, the Compensation Committee (i) measured organic net sales growth on a continuing operations basis, which excludes the organic net sales results of the Company's former Agricultural Solutions business sold in the Arysta Sale and (ii) replaced the working capital improvement target used in 2017 with an unlevered free cash flow target, also measured on a continuing operations basis. Management uses adjusted EBITDA, organic net sales growth and unlevered free cash flow to assess both business performance and overall liquidity, and believes they provide a helpful perspective on the performance and operating cash flow of the Company post-Arysta Sale. With respect to 2018 PRSUs, the Compensation Committee determined to use an adjusted organic EBITDA growth target also measured on a continuing operations basis. In the context of the Arysta Sale, management believes that EBITDA is the measure that will most accurately track the performance of the Company's continuing operations. In addition, management believes adjusted organic EBITDA growth will provide a more complete understanding of the long-term profitability trends of the Company’s business, and facilitate comparisons of its profitability to prior and future periods.

Adjusted EBITDA, organic net sales growth, unlevered free cash flow and adjusted organic EBITDA growth are financial measures not prepared in accordance with generally accepted accounting principles in the United States ("GAAP"). For a discussion of the Company’s use of non-GAAP financial measures, see page 37 of our 2018 Annual Report under "Management’s Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures." For definitions of these non-GAAP measures, see "APPENDIX A - NON-GAAP DEFINITIONS AND RECONCILIATIONS" in this Proxy Statement.

Finally, as the Company worked toward the closing of the Arysta Sale, management and the Compensation Committee determined that retaining senior leadership through and after the Arysta Sale was critical to both the execution of the Arysta Sale and business continuity. As a result, certain executives, including the Named Executive Officers, were eligible for a cash transaction bonus, subject to a successful close of the Arysta Sale.

Additional details on each element of the Company's executive compensation program are outlined below:

Cash Compensation - Base Salary (Fixed)

Base salary is the only fixed portion of the Named Executive Officers' total direct compensation. We provide executives with a base salary intended to attract and retain the quality executives needed to lead our complex global businesses and to compensate executives for their scope and level of responsibility while fostering sustained individual performance.

In general, base salaries are initially established through arm’s-length negotiation at the time the executive officer is hired or promoted, taking into account factors such as the executive officer’s qualifications, experience and intended role at the Company. The Compensation Committee sets or increases the salary of each executive as part of its annual compensation review process and in recognition of his or her contributions during the prior year. The Compensation

Committee may make adjustments, as appropriate, based on the scope of an executive's responsibilities, individual contribution, prior experience and sustained performance. Decisions regarding salary increases may take into account the executive's current salary, equity ownership and the amounts paid to a peer of such executive inside our Company and to other members of the management team. Base salaries are also benchmarked against the practices of companies in our Peer Group and other market data and reviewed, from time to time, in the case of promotions or other significant changes in responsibility. No formulaic base salary increases are provided to our Named Executive Officers. This strategy is consistent with our intent of offering base salaries that are cost-effective while remaining competitive.

The base salary earned in 2018 by each Named Executive Officer is reflected in the "Salary" column of the 2018 Summary Compensation Table set forth under "EXECUTIVE COMPENSATION TABLES" below.

Cash Compensation - Annual Bonus Plan (Variable)

Cash bonuses are awarded by our Compensation Committee on an annual basis pursuant to the Annual Bonus Plan. The Annual Bonus Plan is a cash bonus target plan designed to provide incentives to achieve financial and operational performance targets set in conjunction with the Company's annual business planning process, and to encourage management to achieve profitable growth.

2018 Performance Metrics

Based on a review of the Company's annual and long-term financial goals, operational plans, strategic initiatives and the prior year’s actual results, the Compensation Committee annually sets the Annual Bonus Plan financial performance metrics that it will use to measure Company performance as well as their relative weighting.

In 2018, Company performance was measured relative to three financial metrics: organic net sales growth and unlevered free cash flow, both derived from the performance of the Company's continuing operations, and adjusted EBITDA, which included the consolidated results from the discontinued operations of the Company's former Agricultural Solutions business sold in the Arysta Sale.

These performance metrics are believed to represent significant drivers of financial performance for the Company, and are individually weighted to reflect the Compensation Committee’s determination of the importance of each of them and the value their achievement can bring to the Company's stockholders. The Company's Annual Bonus Plan also includes a component for individual leadership objectives, assigned to each Named Executive Officer, that is reflective of our focus on meeting or exceeding the overall financial goals and strategic initiatives of the Company, and on continuing to develop our people.

The following table presents each of the financial metrics and individual objectives mentioned above selected in 2018 within our Annual Bonus Plan to measure Company performance, the reasons for their respective selection and their relative weighting (% of Annual Bonus Plan target award):

Performance Metric	Reasons for Selection	Weighting
Adjusted EBITDA*	Strong indicator of the Company's ongoing operating performance.	50%
Organic net sales growth*	Demonstrates the Company's ability to grow its existing business, without consideration of foreign currency translation, pass-through pricing of certain metals and acquisitions and/or divestitures, such as the Arysta Sale.	20%
Unlevered free cash flow*	Used in 2018 by the Company to assess business performance. Unlevered free cash flow excludes interest expense payments.	15%
Individual Goals	Supports and helps achieve strategic objectives and ties to areas of responsibility by focusing on people development within our organization. Generally funded on the same basis as the adjusted EBITDA performance metric.	15%

* For a further description and reconciliations of these non-GAAP financial measures relative to the Company's reported GAAP financial measures, see "APPENDIX A - NON-GAAP DEFINITIONS AND RECONCILIATIONS" in this Proxy Statement.

Given the nature of the Company's businesses, the Compensation Committee believes this allocation provides an appropriate balance among Company's results and individual accountability.

In 2018, the Compensation Committee approved the applicable performance levels for each performance metric and contemplated increasing levels of payout for performance at higher levels, with payouts ranging from 0% to 200% of the target bonus opportunity. Depending on achievement, a sliding scale was applied between performance levels which dictates the payout levels, including a threshold level (50% payout) and a stretch level (200% payout). If the threshold level was not attained, no bonus was to be paid with respect to such metric. The target level required for a 100% payout for each performance metric was set relative to the Company's internal budget and goals for each metric. The following table summarizes the 2018 targets for each performance metric underlying our Annual Bonus Plan, the Company's 2018 actual results, and the corresponding weighted payout percentage:

Performance Metric	Target (100% payout)	2018 Actual Results	Weighted Payouts
Adjusted EBITDA[(1)]	$895 million	$855 million	69%
Organic net sales growth[(1)]	3.5%	3.2%	90%
Unlevered free cash flow[(1)]	$240 million	$271 million	200%
Individual Goals[(2)]			69%
Weighted Average Performance			93%

(1) These financial measures are not prepared in accordance with GAAP. For a discussion of the Company’s use of non-GAAP financial measures, see page 37 of our 2018 Annual Report under "Management’s Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures." For definitions and reconciliations of these non-GAAP measures, see "APPENDIX A - NON-GAAP DEFINITIONS AND RECONCILIATIONS" in this Proxy Statement.

(2) The individual goals for the Named Executive Officers in 2018 were based on the adjusted EBITDA performance metric.

The performance results against the targets indicated above may be adjusted for extraordinary events if deemed appropriate by our CEO and the Compensation Committee. This adjustment can be either up or down. For example, adjustments may be made for acquisitions or large divestitures, such as the Arysta Sale for which adjustments were made as described above. With respect to individual goals, the Compensation Committee may apply discretion to reduce or increase the individual element of the awards based on individual performance. The Compensation Committee reviews the final financial scoring and qualitative adjustments and approves the Annual Bonus Plan funding level.

At the time the 2018 targets were set for each metric, the Compensation Committee believed these levels were attainable, yet challenging, and in line with past performance and consistent with the Company's performance objectives.

2018 Annual Bonus Plan Payouts

For 2018, the Company achieved adjusted EBITDA of $855 million (excluding any contribution from acquisitions completed during the year), which was below the target payout level. This amount includes the adjusted EBITDA results from the Company's former Agricultural Solutions business sold in the Arysta Sale. Applying a sliding scale between the threshold performance level for a 50% payout and the target performance level for a 100% payout, the operating performance yielded a 69% payout of the adjusted EBITDA metric. After applying the 50% weighting to

the adjusted

EBITDA performance metric, a payout of approximately 35% was earned by the Named Executive Officers under the Annual Bonus Plan.

The Company's organic net sales from continuing operations increased by 3.2% in 2018, which was below the target payout level. Applying a similar sliding scale between the threshold performance level for a 50% payout and the target performance level for a 100% payout, the operating performance yielded a 90% payout of the organic net sales growth metric. After applying the 20% weighting to the organic net sales growth performance metric, a payout of approximately 18% was earned by the Named Executive Officers under the Annual Bonus Plan.

The Company generated $268 million of unlevered free cash flow in 2018 measured on a continuing operations basis, which excludes any contributions from the Company's former Agricultural Solutions business sold in the Arysta Sale, as indicated above. This result was slightly above the 200% stretch payout level and triggered a 200% payout for this metric. After applying the 15% weighting to the unlevered free cash flow performance metric, a payout of approximately 30% was earned by the Named Executive Officers under the Annual Bonus Plan.

Finally, in 2018, the individual goals for the Named Executive Officers were tied to the adjusted EBITDA performance metric, which means that this operating performance yielded a 69% payout of this metric. The Annual Bonus Plan targets for 2018 were 60% base salary for Mr. Tolbert and 100% base salary for the other Named Executive Officers. In 2018, each of the Named Executive Officer received a payout equivalent to approximately 93% of his Annual Bonus Plan targets. The target bonuses for each of Messrs. Sachdev and Connolly were negotiated as part of their respective employments agreements. See "—Employment Arrangements" below. In addition, in anticipation of the successful close of the Arysta Sale, the Compensation Committee decided on the payment of a portion of the Arysta Sale transaction bonuses in December 2018.

The Annual Bonus Plan payments earned by, and the Arysta Sale transaction bonuses paid to, each Named Executive Officers in 2018 are included in the "Non-Equity Incentive Plan Compensation" column and "Bonus" column, respectively, of the 2018 Summary Compensation Table set forth under "EXECUTIVE COMPENSATION TABLES" below.

Equity-Based Long-Term Incentives - LTI Program (Variable)

Our LTI Program is designed to align the financial interests of our executives with those of the stockholders of the Company by rewarding the achievement of specific pre-established financial metrics over multi-year performance periods, and therefore creating long-term stockholder value. The Compensation Committee believes that stockholders' interests are best served by balancing the focus of executives' decisions between short- and long-term measures. The Compensation Committee also believes providing executives with opportunities to acquire significant stakes in the Company growth incentivizes and rewards executives for sound business decisions and high-performance team environments while fostering the accomplishment of short- and long-term strategic objectives and improvement in stockholder value, all of which are essential to our ongoing success.

How Equity-Based Compensation is Determined

Annually, the Compensation Committee reviews our LTI Program to determine (i) the equity compensation mix, (ii) the vesting periods, and (iii), with respect to PRSUs, the performance metrics used to encourage long-term success as well as their respective weightings and annual and cumulative targets. In addition, the Compensation Committee annually sets a LTI Program target award for each Named Executive Officer which reflects the total LTI Program target award a Named Executive Officer has the opportunity to receive at the end of the applicable three-year performance period.

LTI Awards are typically granted in the first quarter of the year in connection with other annual compensation decisions. LTI Awards may also be given from time to time during the year in connection with hiring decisions and recognition of exemplary achievement, promotions or other compensation adjustments.

All LTI Awards are granted under the Company's amended and restated 2013 incentive compensation plan (the "2013 Plan"), which was approved by the stockholders of the Company in June 2014. A maximum of 15,500,000 shares of common stock were authorized to be issued under the 2013 Plan. At December 31, 2018, a total of 1,484,776 shares of common stock had been issued, and 6,363,059 PRSUs, RSUs and SOPs were outstanding under the 2013 Plan, inclusive of 2,472,416 shares reserved for incremental payouts on PRSUs assuming maximum performance relative to the underlying performance metrics.

2018 LTI Program

In February 2018, the Compensation Committee reviewed recommendations made in 2017 by management and its independent compensation consultant, and approved changes to the design of our LTI Program which consisted of (i) using a three-year adjusted organic EBITDA growth target as the performance metric for the PRSUs (as opposed to the performance metrics based on return on invested capital (ROIC) and total shareholder return (TSR) used in the prior year), (ii) providing an annual vesting of the RSUs in equal tranches over three years, and (iii) eliminating SOPs. These changes were implemented in contemplation of the Arysta Sale to provide a more direct connection between performance relative to key measures and the rewards that result from that performance as well as to assure competitiveness in the marketplace. For a definition of "adjusted organic EBITDA growth target," see "APPENDIX A - NON-GAAP DEFINITIONS AND RECONCILIATIONS" in this Proxy Statement.

In 2018, the mix of equity-based incentive awards consisted of 67% PRSUs and 33% RSUs, with the PRSUs vesting after a three-year performance period and the RSUs vesting annually in equal tranches over three years. The Compensation Committee believes that commencing a new three-year cycle each year provides a regular opportunity to align goals with the Company's ongoing strategic planning process, reflect our evolving business priorities and market factors and, when applicable, re-evaluate long-term metrics. With respect to PRSUs, to the extent that the Company's results meet the minimum financial goals or the maximum financial goals, the actual payout to the Named Executive Officer could be significantly less or more than the initial total PRSU target award, with the recipient of 2018 LTI Awards eligible to earn up to 200% of the number of PRSUs initially granted or as few as zero shares, as described under "—Performance-Based Restricted Stock Unit (PRSU) Awards" below.

In order to reflect the Arysta Sale and take into account the performance of the Company's continuing operations going forward, the Compensation Committee determined to measure the adjusted organic EBITDA growth performance metric underlying the 2018 PRSUs based on the results of the Company's continuing operations, which excludes any contribution from the Company's former Agricultural Solutions business sold in the Arysta Sale.

A description of the 2018 LTI Awards is included below:

Performance-Based Restricted Stock Unit (PRSU) Awards

The number of PRSUs granted to an executive was determined by multiplying 67% of the total LTI Award for such executive by the per share value of the Company's common stock on the grant date. The number of PRSUs granted represents a target number of PRSUs that the executive has the opportunity to receive. The actual number of PRSUs awarded to the executive at the end of the applicable three-year performance period is determined based on the achievement by the Company of certain adjusted organic EBITDA growth goals. With respect to 2018 PRSUs, the 2020 adjusted organic EBITDA growth target is $505 million on a continuing operations basis, exclusive of adjustments to eliminate the effects of unusual or non-recurring items, with a range from a threshold of $477 million to a maximum of $549 million. Holders of PRSUs have no voting rights with respect to the PRSUs they received until issuance of the vested shares. Assuming achievement of a 100% target payout level, each PRSU represents a contingent right to receive one share of the Company's common stock, and may, in certain circumstances, become immediately vested as of the date of a change in control of Element Solutions.

The number and grant date fair value of the PRSUs granted in 2018 to each Named Executive Officer are listed in the "Target" column under "Estimated Future Payouts Under Equity Incentive Plan Awards" and "Grant Date Fair Value of Stock and Option Awards" of the Grants of Plan-Based Awards in 2018 table under "EXECUTIVE COMPENSATION TABLES" below.

Time-Based Restricted Stock Unit (RSU) Awards

The number of RSUs granted to an executive was determined by multiplying 33% of the total LTI Award for such executive by the per share value of the Company's common stock on the grant date. RSU vesting is based solely on the passage of time. RSUs, which represent shares of our common stock, on a one-for-one basis, vest annually in equal tranches over a three-year period, subject to the satisfaction of any other applicable conditions. Holders of RSUs have no voting rights with respect to the RSUs they received until issuance of the vested shares. Each RSU represents a contingent right to receive one share of the Company's common stock and may, in certain circumstances, become immediately vested as of the date of a change in control of Element Solutions.

The number and grant date fair value of the RSUs granted in 2018 to each Named Executive Officer are listed in the columns titled "All Other Stock Awards: Number of Shares of Stock or Units" and "Grant Date Fair Value of Stock and Option Awards" of the Grants of Plan-Based Awards in 2018 table under "EXECUTIVE COMPENSATION TABLES" below.

The LTI Awards of Rakesh Sachdev, the Company's former CEO, were granted pursuant to the terms and conditions of his employment agreement. See "—Employment Arrangements" below. The LTI Award targets for the other Named Executive Officers in 2018 were benchmarked against the practices of our Peer Group and other market data, as reviewed and approved by the Compensation Committee.

Recent Developments

Changes to our LTI Program Commencing with 2019 LTI Awards

In February 2019, the Compensation Committee approved further changes to the design of our 2019 LTI Program by (i) eliminating RSUs for named executive officers, (ii) refining the definition of "adjusted organic EBITDA growth" underlying outstanding PRSUs to measure "adjusted organic EBITDA compound annual growth rate," (iii) adopting adjusted earnings per share ("EPS") as a second performance metric underlying the PRSUs, and (iv) adopting incentive SOPs and non-qualified SOPs vesting annually in 1/3 increments. These changes were implemented to take into account the Arysta Sale and further ensure accuracy in performance measurement and strong linkage between performance relative to key measures and executive rewards resulting from that performance. For a definition of "adjusted organic EBITDA compound annual growth rate" and "adjusted EPS," see "APPENDIX A - NON-GAAP DEFINITIONS AND RECONCILIATIONS" in this Proxy Statement.

Executive Equity Grants

On January 30, 2019, in connection with the management changes that took effect upon the closing of the Arysta Sale, and a strategic review of the Company’s long-term performance incentive structure undertaken to establish strategic goals to promote the creation of exceptional stockholder value, the Compensation Committee granted to certain key executives long-term stretch PRSUs for which vesting is subject to the achievement by the Company of an adjusted EPS target from continuing operations of $1.36 per share in any fiscal year ending on or before December 31, 2022, and continuous service. The Compensation Committee believes that adjusted EPS serves as a balanced indicator of sustained stockholder value and has historically been an effective metric for incentivizing the performance sought by the Board. For a definition of "adjusted EPS," see "APPENDIX A - NON-GAAP DEFINITIONS AND RECONCILIATIONS" in this Proxy Statement.

Benefits and Other Perquisites

We provide employees, including the Named Executive Officers, with a range of employee benefits that are designed to assist in attracting and retaining skilled employees critical to our long-term success and to be competitive with market practice. In addition to base salary, cash awards under our Annual Bonus Plan and LTI Awards, we provided and continue to provide the following executive benefit programs to our Named Executive Officers, other executives and employees in general:

Employee Savings & 401(k) Plan

Most of our domestic employees, including our Named Executive Officers, are eligible to participate in the Company's tax-qualified Employee Savings & 401(k) Plan (the "401(k) Plan"). Pursuant to the 401(k) Plan, employees may elect to contribute a portion of their current compensation to the 401(k) Plan, in an amount up to the statutorily prescribed annual limit. The 401(k) Plan provides the option for the Company to make match contributions, non-elective contribution or profit sharing contributions. Participants may also direct the investment of their 401(k) Plan accounts into several investment alternatives, including the investment into shares of the Company's common stock.

In 2018, the Company matched 50% of the first 6% of the employee's eligible deferral. In addition, a non-elective contribution of 3% of eligible compensation of 2018 was allocated to eligible participants who were credited with at least 1,000 hours of service in the year for which the contributions are made and employed by the Company on the last day of that plan year. There were no profit sharing contributions for 2018.

Company matching and non-elective contributions allocated to each Named Executive Officer under the 401(k) Plan are shown in the "All Other Compensation" column in the 2018 Summary Compensation Table in "EXECUTIVE COMPENSATION TABLES" below.

Employee Stock Purchase Plan

The Company's 2014 Employee Stock Purchase Plan (the "ESPP") was ratified by the Company’s stockholders in June 2014. The purpose of the ESPP is to (i) provide eligible employees of Element Solutions (or any subsidiary or affiliate that has been designated by the administrator to participate in the plan) a convenient method of becoming stockholders of Element Solutions, (ii) encourage employees to work in the best interests of the Company's stockholders, (iii) support recruitment and retention of qualified employees, and (iv) provide employees an advantageous means of accumulating long-term investments. We believe that employees’ participation in the ownership of the business is to the mutual benefit of both the employees and Element Solutions. No Named Executive Officer is currently enrolled in the ESPP.

Other Perquisites

Other benefits, such as life insurance, paid time off, matching charitable gifts and tuition reimbursement, are intended to provide a stable array of support to our employees, and these core benefits are provided to all employees.

Other Compensation-Related Practices and Policies

Change in Control (CIC) Agreements

As described under "—Executive Change in Control (CIC) Agreements" below, we have entered into change in control agreements (the "CIC Agreements") with each Named Executive Officer. The CIC Agreements contain severance provisions subject to a double-trigger provision that requires both a change in control of the Company and separation from service within a period from six months prior to a change in control to two years following the change in control.

In line with best practices, our CIC Agreements do not:

- have a liberal definition of change in control;
- provide termination payments or benefits without involuntary job loss or substantial diminution of duties;
- provide termination cash payments in excess of 2.99 times base salary and annual cash target bonus; or
- provide for tax gross-ups.

The Compensation Committee periodically reviews the form of CIC Agreement as well as the list of executives eligible for this agreement. We believe CIC Agreements serve the best interests of the Company and our stockholders by allowing our executives to exercise sound business judgment without fear of significant economic loss in the event they lose their employment with the Company as a result of a change in control. The Compensation Committee also believes

from its experience and based upon the advice of its independent compensation consultant, that such arrangements are competitive, reasonable and necessary to attract and retain key executives. The CIC Agreements do not materially affect the Compensation Committee's annual compensation determinations, as the terms of such agreements are triggered only in connection with a change in control.

No Liberal Share Recycling

If an LTI Award is forfeited or if an SOP award expires prior to being exercised, the shares subject to that award will again become available for issuance under the 2013 Plan. However, it is our policy that shares of common stock that are tendered by a participant or withheld by the Company to pay the exercise price or withholding taxes relating to the vesting, exercise or settlement of any LTI Awards do not become available for issuance again as future awards under the 2013 Plan.

Clawback Policy

The Dodd-Frank Wall Street Reform and Consumer Protection Act, enacted in July 2010 (the "Dodd-Frank Act"), requires stock exchanges to adopt rules requiring listed companies to develop and implement a policy for recovery (i.e., clawback) of incentive-based compensation from executive officers in the event of the restatement of previously published financial statements resulting from a material accounting error, material non-compliance with financial reporting requirements or violations of U.S. securities laws.

Each of our outstanding LTI Award agreements effectively allows awards to be subject to clawback provisions to be adopted by the Company in the future whereby the Company may (i) cause the cancellation of the LTI Awards, (ii) require reimbursement of any benefit conferred under the LTI Awards to the recipient or beneficiary, and (iii) effect any other right of recoupment of equity or other compensation provided under the 2013 Plan or otherwise in accordance with any Company policies that currently exist or that may from time to time be adopted or modified in the future by the Company and/or applicable law.

Once the SEC approves final rules, the Compensation Committee will consider adopting a clawback policy as necessary to ensure compliance with such regulations.

Equity Holding Policy

To ensure strong linkage between the interests of our management team and those of our stockholders, the Compensation Committee has adopted stock ownership guidelines. Under this policy, all officers of the Company, including the Named Executive Officers and certain other employees who receive LTI Awards, are required to meet certain equity holding requirements within five years after the later of (i) March 17, 2015, or (ii) the date such person becomes an officer of the Company or such employee first receives a LTI Award. Holding requirements include:

- CEO: five times base salary;
- Other officers: two times base salary; and
- Other management equity recipients: one time base salary.

For purposes of these stock ownership guidelines, equity includes: (i) shares of common stock beneficially owned by or on behalf of an individual or an immediate family member residing in the same household, including stock held in trusts or IRS approved plans; (ii) vested or unvested PRSUs or RSUs; and (iii) the net value, expressed in shares of common stock, of any vested stock options (SOPs).

Hedging and Pledging Securities

In accordance with our Insider Trading Policy, directors, executive officers and certain other designated employees may not enter into hedging or monetization transactions, such as zero-cost collars and forward sale contracts, that allow the individual to lock in much of the value of his or her stock holdings, often in exchange for all or part of the potential

for upside appreciation in the stock. These transactions allow the person to continue to own the covered securities, but without the full risks and rewards of ownership. When that occurs, the holder of these securities may no longer have the same objectives as the Company's other stockholders. In addition, directors, executive officers and certain employees may not engage in short sales of the Company's securities, and we advise our directors, executive officers and certain employees to exercise caution when opening margin accounts or pledging the Company's securities. These policies are designed to ensure compliance with our Insider Trading Policy and other applicable insider trading rules.

Use of Consultants and Other Advisors

Our Compensation Committee retains an outside compensation and benefits consulting firm from time to time to respond directly to the Compensation Committee and its inquiries regarding management pay, compensation design and other related matters. The Compensation Committee may ask that management participate in these engagements. However, use of a particular consulting firm by the Compensation Committee does not preclude management from hiring a different consulting firm. In 2018, the Compensation Committee did not employ a compensation consultant.

Tax Considerations

Section 162(m) of the Internal Revenue Code (the "Code") generally places a $1 million limit on the amount of compensation a publicly-traded company can deduct in any one year for certain executive officers. Historically, Section 162(m) contained an exception to the $1 million limit on deductibility for "performance-based" compensation. Over the years, where reasonably practicable, we have worked to balance our compensation philosophy with the goal of achieving maximum deductibility under Section 162(m). However, the Compensation Committee may authorize compensation payments that would not qualify for an exemption when it believes, in its judgment, that such payments are appropriate to attract and retain executive talent.

The Tax Cuts and Jobs Act of 2017 eliminated the "performance-based" exemption under Section 162(m), effective for taxable years beginning after December 31, 2017, such that compensation paid to each of our covered executive officers in excess of $1 million will not be deductible unless it qualifies for transition relief that applies to compensation paid under binding contracts that were in effect as of November 2, 2017. As a result, no assurance can be given that executive compensation intended in the past to satisfy the requirements for exemption from Section 162(m) in fact will. The Company will continue to evaluate the impact of the elimination of the performance-based exception as well as the impact of the transition rule on its compensation programs. In addition, the Compensation Committee may award compensation in the future that is not fully deductible under Section 162(m) if the Compensation Committee believes that such compensation packages will best attract, retain, and award successful executives while contributing to the achievement of the Company's business objectives.

EMPLOYMENT
ARRANGEMENTS

We had an employment agreement in place with Mr. Sachdev until his retirement as CEO on January 31, 2019, and a letter agreement with Mr. Connolly until his resignation as CFO on March 12, 2019. The material terms of these employment arrangements are summarized below. For definitions of "cause," "good reason," and "disability" and for more information about potential payments upon a termination of employment or a change in control, see "EXECUTIVE COMPENSATION TABLES — Potential Payments Upon Termination or Change in Control — Additional Information Regarding Payments Upon Termination of Employment or Change in Control" below.

In addition, each Named Executive Officer entered into a CIC Agreement with Element Solutions which governs the payments to be received by each of them upon a change in control (as defined in the CIC Agreements). See "—Executive Change in Control (CIC) Agreements" below.

Rakesh Sachdev, Former CEO

Pursuant to an employment agreement, dated as of December 15, 2015, Mr. Sachdev was eligible to receive (i) an annual target cash bonus opportunity of 100% of his annual base salary, and (ii) annual long-term incentive compensation award targeted to achieve a value equal to $3.0 million; if, in each case, the Company had achieved the target performance goals set by the Compensation Committee and Mr. Sachdev had achieved his individual management business objectives for a particular year.

If Mr. Sachdev was involuntarily terminated by the Company without "cause" (as defined in the agreement) or if Mr. Sachdev had terminated his employment for "good reason" (as defined in the agreement), then Mr. Sachdev would have been entitled, subject to the terms and conditions of his employment agreement, to (i) all previously earned and accrued but unpaid annual base salary up to the date of such termination, (ii) a severance payment equal to 2 times his annual base salary, payable in equal installments over a 24-month period, and (iii) a pro rata bonus through the termination date to the extent the Company had paid a bonus for that year; in each case less applicable taxes and withholdings.

If the Company had terminated the employment of Mr. Sachdev due to his death or "disability" (as defined in the agreement) or for "cause" or if he voluntarily had terminated his employment without "good reason," Mr. Sachdev would have been entitled only to his accrued yet unpaid annual base salary through the termination date.

John P. Connolly, Former CFO

Pursuant to a letter agreement, dated July 11, 2016, as amended, Mr. Connolly was eligible to receive (i) an annual target cash bonus opportunity of 100% of his annual base salary, and (ii) annual long-term incentive awards with a grant value of at least approximately $200,000 annually; if, in each case, the Company had achieved the target performance goals set by the Compensation Committee and Mr. Connolly had achieved his individual management business objectives for a particular year.

If Element Solutions had terminated Mr. Connolly's employment without "cause" (as defined in his letter agreement) or if Mr. Connolly had terminated his employment for "good reason" (as defined in the agreement), then Mr. Connolly would have been entitled to receive a severance pay equal to 100% of his annual base salary as of the termination date, less applicable taxes and withholdings, in 12 equal monthly installments following termination of his employment.

Other Named Executive Officers

The compensation of the other Named Executive Officers is approved by the Compensation Committee and is generally determined by the terms of various compensation plans in which they are participants and which are described more fully above in "COMPENSATION DISCUSSION AND ANALYSIS" above and in the narrative following the Grants of Plan-Based Awards table, and under "EXECUTIVE COMPENSATION TABLES — Potential Payments upon Termination or Change in Control" below.

EXECUTIVE
CHANGE IN
CONTROL
(CIC)
AGREEMENTS

The Company entered into CIC Agreements with each of the Named Executive Officers. For the purposes of these CIC Agreements, a "change in control" occurs generally when (i) any person becomes the beneficial owner, directly or indirectly, of more than 30% of either (A) the then outstanding shares of common stock of Element Solutions or (B) the combined voting power of the Company's voting securities; (ii) any person becomes the beneficial owner, directly or indirectly, of more than 50% of the voting securities of the surviving entity following a reorganization, merger, share exchange or consolidation; or (iii) Element Solutions is liquidated or sells all or substantially all of its assets; in each case subject to exceptions.

The CIC Agreements contain severance provisions subject to a double-trigger provision that requires both a change in control of the Company and separation from service of the executive. Pursuant to such provisions, if a change in control

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occurs and the executive’s employment with the Company is terminated by the Company without cause or by the executive for good reason, in each case during the six months prior to or within two years following the change in control, the executive will be entitled to receive, subject to the signing of a general release of claims and compliance with restrictive covenants, a lump sum termination cash payment equal to 1, 2, or 2.99, as applicable, multiplied by the executive’s base salary plus target bonus as of the date of termination of the executive's employment or, if higher, the base salary and/or target bonus in effect immediately prior to the occurrence of the condition giving rise to good reason. The 2.99 multiple applied to Mr. Sachdev, while the 2 multiple applies to the Company's other Named Executive Officers and the 1 multiple applies to other employees as designated by the Compensation Committee. The CIC Agreements do not provide for any excise tax gross-up.

In connection with the termination payments described below under "EXECUTIVE COMPENSATION TABLES - Potential Payments upon Termination or Change in Control," the CIC Agreements require that executives agree to protect any Company's confidential information acquired in connection with or as a result of the executive’s services for the Company and not to compete against the Company during his or her employment with the Company and for a certain period following termination of employment based on the executive's applicable multiple. Pursuant to the terms of the CIC Agreements, a breach by any executive of the non-disclosure or non-compete provisions would relieve the Company of its obligation to make, and/or require the executive to repay, certain termination payments. Granting of any CIC Agreement requires advance approval of the Compensation Committee.

INDEMNITY AGREEMENTS

We entered into Director and Officer Indemnification Agreements with certain officers to cover any personal liability in connection with their services to the Company. In addition, our Certificate of Incorporation, as amended, and our Amended and Restated By-Laws provide that we will indemnify any of our officers, including each Named Executive Officers, to the fullest extent permitted by applicable law, against any and all costs, expenses or liabilities incurred by them by reason of being or having been an officer of the Company.

REPORT OF THE COMPENSATION COMMITTEE

The information contained in this Report of the Compensation Committee shall not be deemed to be "soliciting material" or "filed" with the SEC or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), except to the extent that the Company specifically incorporates it by reference into a document filed with the SEC under the Securities Act or the Exchange Act.

The Compensation Committee of the Company has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

The Compensation Committee
E. Stanley O’Neal, Chairman
Ian G.H. Ashken
Nichelle Maynard-Elliott
April 25, 2019

EXECUTIVE COMPENSATION TABLES

2018 Summary Compensation Table

The following summary compensation table sets forth information concerning the annual and long-term compensation of the Company's 2018 principal executive officer, principal financial officer and each of its three other executive officers of the Company whose 2018 annual salary and bonus exceeded $100,000 (collectively, the "Named Executive Officers"):

Name and Principal Position	Year	Salary ($)	Bonus ($)[6]	Stock Awards ($)[7]	Option Awards ($)[8]	Non-Equity Incentive Plan Compensation ($)[9]	All Other Compensation ($)[10]	Total ($)
Rakesh Sachdev[1]	2018	1,050,600	2,000,000	3,000,001	—	977,058	17,580	7,045,239
Former CEO	2017	1,030,000	—	2,868,046	750,000	1,222,700	17,280	5,888,026
	2016	989,745	—	8,932,870	794,120	1,079,399	16,890	11,813,024
John P. Connolly[2]	2018	439,900	83,333	475,006	—	409,107	17,580	1,424,926
Former CFO	2017	415,000	150,000	315,015	—	452,350	17,280	1,349,645
	2016	125,615	50,000	562,899	—	77,776	1,223	817,513
John E. Capps[3]	2018	520,200	416,667	525,005	—	483,786	17,580	1,963,238
EVP - General Counsel &	2017	510,000	—	501,900	131,255	555,900	17,280	1,716,335
Secretary	2016	293,590	—	485,810	123,208	359,800	14,830	1,277,238
Benjamin Gliklich[4]	2018	479,880	550,000	525,005	—	446,288	34,753	2,035,926
Former EVP - Operations &	2017	465,000	—	501,900	131,255	506,850	17,280	1,622,285
Strategy	2016	450,000	—	510,062	132,352	485,730	16,980	1,595,124
J. David Tolbert[5]	2018	272,475	83,333	225,008	—	152,041	17,580	750,437
Former Chief Human Resources	2017	262,500	—	191,196	50,003	171,675	17,280	692,654
Officer	2016	—	—	—	—	—	—	—

(1) Reflects Mr. Sachdev's compensation as CEO of the Company in 2018. Mr. Sachdev retired as CEO of the Company on January 31, 2019.

(2) Reflects Mr. Connolly's compensation as CFO of the Company in 2018. Mr. Connolly resigned as CFO on March 12, 2019. For 2017, the amount in the Bonus column represents Mr. Connolly's one-time long-term incentive award granted in connection with his appointment as CFO on March 16, 2017.

(3) Mr. Capps joined the Company as General Counsel on May 31, 2016. The amounts in the "Salary" and "Non-Equity Incentive Plan Compensation" columns for 2016 represent prorated amounts based on his partial year of service.

(4) Reflects Mr. Gliklich's compensation as Executive Vice President - Operations & Strategy of the Company in 2018. On January 31, 2019, Mr. Gliklich was appointed CEO of the Company.

(5) Reflects Mr. Tolbert's compensation as former Chief Human Resources Officer of the Company in 2018. On March 12, 2019, Mr. Tolbert announced his retirement as Chief Human Resources Officer of the Company. Mr. Tolbert will remain an employee of the Company until completion of a transition period. Mr. Tolbert was not a Named Executive Officer in 2016. As compared to the other Named Executive Officers, Mr. Tolbert was eligible for a flexible work schedule which translated into a lower base salary.

(6) The 2018 amounts in this column represent a portion of the transaction bonuses paid in December 2018 in anticipation of the successful close of the Arysta Sale.

(7) The amounts in this column represent the aggregate grant date fair value of equity awards granted during each respective year computed in accordance with FASB ASC Topic 718. For details on and assumption used in calculating the grant date fair value of the RSUs and PRSUs, see Note 9, Long-Term Compensation Plans, to the Consolidated Financial Statements included in our 2018 Annual Report; Note 9, Long-Term Compensation Plans, to the Consolidated Financial Statements included in our annual report on Form 10-K for the year ended December 31, 2017 filed with the SEC on February 28, 2018; and Note 6, Long-Term Compensation Plans, included in our annual report on Form 10-K for the year ended December 31, 2016 filed with the SEC on March 13, 2017. The grant date fair value attributable to the PRSUs pertains to the 100% target level of these awards if the performance conditions are satisfied and is based on the probable outcome of such conditions. The maximum grant date potential values for the 2018 PRSU and RSU awards for Messrs. Sachdev, Connolly, Capps, Gliklich and Tolbert are $5,000,094, $791,690, $875,022, $875,022 and $375,017 respectively.

(8) There were no SOPs granted in 2018. The amounts in this column reflect the aggregate grant date fair value of SOPs granted in 2017 and 2016 under the 2013 Plan calculated in accordance with FASB ASC Topic 718. For details on and assumption used in calculating these amounts, see Note 9, Long-Term Compensation Plans, to the Consolidated Financial Statements included in our annual report on Form 10-K for the year ended December 31, 2017 filed with the SEC on February 28, 2018; and Note 6, Long-Term Compensation Plans, included in our annual report on Form 10-K for the year ended December 31, 2016 filed with the SEC on March 13, 2017.

(9) The amounts reported in this column reflect annual cash incentive compensation earned under our Annual Bonus Plan in 2018, 2017 and 2016. Payments under this program are typically made in the first quarter of the year following the year in which the bonus was earned after finalization of the Company's audited financial statements. See "COMPENSATION DISCUSSION AND ANALYSIS - Components of the Executive Compensation Program - Cash Compensation - Annual Bonus Plan (Variable)."

(10) For all Named Executive Officers, these amounts in 2018 consist of: Company-sponsored life insurance: $1,080; and Company contribution to the 401(k) Plan: $16,500. For Mr. Gliklich, the 2018 amount also includes $17,173 of relocation expenses. Company contributions to the 401(k) Plan for each Named Executive Officer represent the aggregate match and non-elective contributions made by the Company to each Named Executive Officer in 2018. Non-elective contributions of 3% of eligible compensation may be allocated to eligible participants who were credited with at least 1,000 hours of service in the year. For 2018, the Company contributed $8,250 as non-elective contribution of 3% of eligible compensation to each Named Executive Officer.

Pay Ratio

Based upon the total 2018 compensation of Rakesh Sachdev, our then CEO, of $7,045,239, as reported in the 2018 Summary Compensation Table above, and our 2018 median employee's annual total compensation of $49,275, which compensation is slightly lower than last year due primarily to the impact of foreign exchange rates, we estimate the ratio of our CEO to median employee pay to be approximately 143 to 1. Excluding the Arysta Sale transaction bonus received by Mr. Sachdev in anticipation of the Arysta Sale, the CEO to median employee pay would have been 102 to 1, down from 117 to 1 in the prior year. We believe these pay ratios represent reasonable estimates calculated in a manner consistent with Item 401(u) of Regulation S-K.

The SEC’s rules for identifying the median compensated employee and calculating the pay ratio based on that employee’s annual total compensation allow companies to adopt a variety of methodologies, to apply certain exclusions and to make reasonable estimates and assumptions that reflect their employee populations and compensation practices. We identified our median employee by examining our total employee population of 8,705 full-time and part-time employees, contractors and consultants at December 31, 2017 while, in accordance with the SEC rules, excluding our CEO, consultants who were not paid directly by the Company and employees from certain foreign jurisdictions representing in aggregate less than 5% of our employee base* whose compensation was not considered representative of our global workforce. We then used base salary, incentive compensation (including Annual Bonus Plan target awards and LTI Awards), other incentive payments and reasonable estimates of benefits per country to determine the median employee. We did not make any cost-of-living or other adjustments. Foreign exchange rates were translated to the U.S. dollar equivalent based on rates at December 31, 2018. As other companies have different employee populations and

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compensation practices, and may utilize different methodologies, exclusions, estimates and assumptions in calculating their own pay ratios, the pay ratio reported by other companies may not be comparable to the pay ratios reported above.

* These countries and their approximate headcounts at December 31, 2017 (which include employees of the Company's former Agricultural Solutions business sold in the Arysta Sale) were: Austria (1), Bulgaria (11), Cameroon (9), Costa Rica (7), Croatia (5), Dominican Republic (1), Ecuador (7), Egypt (7), Ethiopia (2), Honduras (1), Ireland (2), India (292), Kazakhstan (7), Moldova (2), Mauritius (13), Morocco (4), Nicaragua (1), Panama (1), Paraguay (10), Peru (4), Philippines (8), Portugal (3), Sweden (8), Switzerland (6), Tanzania (10) and Togo (5) for a total of approximately 427 non-U.S. employees. At December 31, 2017, using the methodology required by the SEC rules, we had approximately 1,202 U.S. employees and approximately 7,435 employees in other countries, for a total of approximately 8,637 employees globally factored into the sample before the country exclusions listed above.

Grants of Plan-Based Awards in 2018

The following table sets forth the Annual Bonus Plan awards and LTI Awards granted in 2018 to each of the Named Executive Officers. The aggregate grant date fair value of the PRSU and RSU grants is disclosed on a grant-by-grant basis in the table below. For more information about our 2018 Annual Bonus Plan and our LTI Program, see "Cash Compensation — Annual Bonus Plan (Variable)" and "Equity-Based Long-Term Incentives — LTI Program (Variable)" under "COMPENSATION DISCUSSION AND ANALYSIS — Components of the Executive Compensation Program" above.

			Estimated Future Payouts Under Non-Equity Incentive Plan Awards [1]			Estimated Future Payouts Under Equity Incentive Plan Awards[2]			All Other Stock Awards: Number of Shares of Stock or Units (#)[3]	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($)	Grant Date Fair Value of Stock and Option Awards ($)[4]
	Grant Type	Grant Date	Threshold (#)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)				
Rakesh Sachdev	Bonus	—	525,300	1,050,600	2,101,200	—	—	—	—	—	—	—
	PRSU	2/19/18	—	—	—	97,566	195,131	390,262	—	—	—	2,000,093
	RSU	2/19/18	—	—	—	—	—	—	97,552	—	—	999,908
John P. Connolly	Bonus	—	219,950	439,900	879,800	—	—	—	—	—	—	—
	PRSU	2/19/18	—	—	—	15,448	30,896	61,792	—	—	—	316,684
	RSU	2/19/18	—	—	—	—	—	—	15,446	—	—	158,322
John E. Capps	Bonus	—	260,100	520,200	1,040,400	—	—	—	—	—	—	—
	PRSU	2/19/18	—	—	—	17,074	34,148	68,296	—	—	—	350,017
	RSU	2/19/18	—	—	—	—	—	—	17,072	—	—	174,988
Benjamin Gliklich	Bonus	—	239,940	479,880	959,760	—	—	—	—	—	—	—
	PRSU	2/19/18	—	—	—	17,074	34,148	68,296	—	—	—	350,017
	RSU	2/19/18	—	—	—	—	—	—	17,072	—	—	174,988
J. David Tolbert	Bonus	—	81,743	163,485	326,970	—	—	—	—	—	—	—
	PRSU	2/19/18	—	—	—	7,318	14,635	29,270	—	—	—	150,009

RSU	2/19/18	—	—	—	—	—	7,317	—	—	74,999

(1) Amounts shown represent the payouts under the Annual Bonus Plan for 2018 at each payout level. Depending on the achievement of the relative performance level of each performance metric, an executive has the opportunity to earn from 0% to 200% of his Annual Bonus Plan target award for such metric. The actual payouts for 2018 can be found under "Components of the Executive Compensation Program — Cash Compensation - Annual Bonus Plan (Variable)" in "COMPENSATION DISCUSSION AND ANALYSIS" above and in the "Non-Equity Incentive Plan Compensation" column of the 2018 Summary Compensation Table above.

(2) Amounts shown in the "Target" column are the number of PRSUs granted in 2018 under the 2013 Plan if adjusted organic EBITDA growth achieves its target goal of $505 million. The "threshold" column corresponds to the number of PRSUs earned if the adjusted organic EBITDA growth achieves its threshold goal of $477 million. The

"Maximum" column corresponds to the number of PRSUs earned if the adjusted organic EBITDA growth achieves its stretch goal of $549 million. For additional information about the 2018 PRSU awards, see "Components of the Executive Compensation Program — Equity-Based Long-Term Incentives — LTI Program (Variable)" in "COMPENSATION DISCUSSION AND ANALYSIS" above.

(3) All RSUs granted under the 2018 LTI Program vest at the rate of 33.3% per year, or immediately upon a change in control of Element Solutions. For additional information about the 2018 RSU awards, "Components of the Executive Compensation Program — Equity-Based Long-Term Incentives — LTI Program (Variable)" in "COMPENSATION DISCUSSION AND ANALYSIS" above.

(4) The amounts in this column represent the aggregate grant date fair value of LTI Awards granted to the Named Executive Officers, calculated in accordance with FASB ASC Topic 718. The grant date fair value of PRSU awards pertains to the 100% target portion of those awards that will be payable in shares of common stock if the performance conditions are satisfied and is based on the probable outcome of such conditions. For further details on, and assumption used in, calculating the grant date fair value of LTI Awards, see Note 9, Long-Term Compensation Plans, to the Consolidated Financial Statements included in our 2018 Annual Report.

Outstanding Equity Awards at Year End

The following table summarizes information regarding the outstanding PRSUs, RSUs and SOPs held by each Named Executive Officer at December 31, 2018:

		Option Awards[1]				Stock Awards[1]			
						Time-Based RSUs		Performance-Based RSUs	
	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)[2]	Equity Incentive Plan Award: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)[3]
	2/19/18	—	—	—	—	—	—	195,131	2,015,703
	2/19/18	—	—	—	—	97,552	1,007,712	—	—
	2/21/17	—	—	—	—	—	—	112,782	1,165,038
Rakesh Sachdev	2/21/17	—	—	—	—	56,391	582,519	—	—
	2/21/17	41,323	82,644	13.30	2/21/27	—	—	—	—
	3/16/16	—	—	—	—	—	—	188,679	1,949,054
	3/16/16	—	—	—	—	94,340	974,532	—	—
	3/16/16	122,550	61,274	7.95	3/17/26	—	—	—	—
	2/19/18	—	—	—	—	—	—	30,896	319,156
	2/19/18	—	—	—	—	15,446	159,557	—	—
	3/16/17	—	—	—	—	—	—	7,713	79,675
	3/16/17	—	—	—	—	3,799	39,244	—	—
John P. Connolly	2/21/17	—	—	—	—	—	—	12,594	130,096

	2/21/17	—	—	—	—	6,203	64,077	—	—
	8/22/16	—	—	—	—	—	—	19,988	206,476
	8/22/16	—	—	—	—	9,845	101,699	—	—
	2/19/18	—	—	—	—	—	—	34,148	352,749
	2/19/18	—	—	—	—	17,072	176,354	—	—
	2/21/17	—	—	—	—	—	—	19,736	203,873
	2/21/17	—	—	—	—	9,869	101,947	—	—
John E. Capps	2/21/17	7,232	14,463	13.30	2/21/27	—	—	—	—
	5/31/16	—	—	—	—	—	—	26,260	271,266
	5/31/16	—	—	—	—	13,130	135,633	—	—
	5/31/16	17,077	8,538	9.52	6/1/26	—	—	—	—

		Option Awards[1]				Stock Awards[1]			
						Time-Based RSUs		Performance-Based RSUs	
	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)[2]	Equity Incentive Plan Award: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)[3]
	2/19/18	—	—	—	—	—	—	34,148	352,749
	2/19/18	—	—	—	—	17,072	176,354	—	—
	2/21/17	—	—	—	—	—	—	19,736	203,873
	2/21/17	—	—	—	—	9,869	101,947	—	—
	2/21/17	7,232	14,463	13.30	2/21/27	—	—	—	—
Benjamin Gliklich	3/16/16	—	—	—	—	—	—	31,447	324,848
	3/16/16	—	—	—	—	15,723	162,419	—	—
	3/16/16	20,425	10,212	7.95	3/17/26	—	—	—	—
	6/12/14	—	—	—	—	—	—	50,000	516,500
	2/19/18	—	—	—	—	—	—	14,635	151,180
	2/19/18	—	—	—	—	7,317	75,585	—	—
J. David Tolbert	2/21/17	—	—	—	—	—	—	7,518	77,661
	2/21/17	—	—	—	—	3,760	38,841	—	—
	2/21/17	2756	5,509	13.30	2/21/27	—	—	—	—

(1) LTI Awards become exercisable or vested in accordance with the equity award vesting summary set forth below, subject to the satisfaction of the applicable performance conditions (in the case of PRSUs) and accelerated vesting in certain circumstances. See "Components of the Executive Compensation Program — Equity-Based Long-Term Incentives — LTI Program (Variable)" in "COMPENSATION DISCUSSION AND ANALYSIS" above.

(2) This column reflects the market value at December 31, 2018 of the unvested outstanding RSUs determined by multiplying the number of shares underlying the RSUs by $10.33, the closing price of the Company's common stock on December 31, 2018.

(3) This column reflects the market value at December 31, 2018 of the unvested outstanding PRSUs assuming achievement of a 100% target payout level. The market value is determined by multiplying the number of shares underlying the PRSUs by $10.33, the closing price of the Company's common stock on December 31, 2018.

Equity award vesting summary for outstanding LTI Awards at December 31, 2018:

Equity Award Vesting Summary

	Grant Date	Eligible for vesting on:
PRSUs	2/19/2018	February 19, 2021 (Adjusted Organic EBITDA Growth)
	3/16/2017	December 31, 2019 (Return on Invested Capital, or ROIC) and February 20, 2020 (Total Shareholder Return, or TSR)
	2/21/2017	December 31, 2019 (ROIC) and February 20, 2020 (TSR)
	8/22/2016	December 31, 2018 (ROIC) and March 15, 2019 (TSR)
	5/31/2016	December 31, 2018 (ROIC) and March 15, 2019 (TSR)
	3/16/2016	December 31, 2018 (ROIC) and March 15, 2019 (TSR)
	6/12/2014	Filing date of the Company's annual report on Form 10-K for the year ended December 31, 2018 (Adjusted EBITDA)
	Service Period	Fully vests on:
RSUs	2/19/2018	Feb. 19, 2019; Feb. 19, 2020 and Feb. 19, 2021 (1/3 increments)
	3/16/2017	March 15, 2020
	2/21/2017	February 20, 2020
	8/22/2016	August 22, 2019
	5/31/2016	March 15, 2019
	3/16/2016	March 15, 2019
	Grant Date	One-third vested/vests on each of:
SOPs	2/21/2017	Feb. 21, 2018; Feb. 21, 2019 and Feb. 21, 2020
	5/31/2016	May 31, 2017; May 31, 2018 and May 31, 2019
	3/16/2016	March 16, 2017; March 16, 2018 and March 16, 2019

Option Exercises and Stock Vested in 2018

The following table summarizes information regarding the value realized by the Named Executive Officers on the exercise of SOPs and vesting of PRSUs and RSUs during 2018:

	Option Awards		Stock Awards		
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Award Type	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Rakesh Sachdev	—	—	RSUs[1]	250,000	2,550,000
	—	—	PRSUs[1]	250,000	2,550,000
John P. Connolly	—	—	RSUs[2]	5,966	57,453
John E. Capps	—	—	—	—	—
Benjamin Gliklich	—	—	—	—	—
J. David Tolbert	—	—	—	—	—

(1) These PRSUs and RSUs were granted on January 5, 2016 to Mr. Sachdev and declared vested upon satisfaction of the timing and performance conditions, as certified by the Compensation Committee. The value realized, presented on a pre-tax basis, is determined by multiplying the number of shares acquired by $10.20, the closing price of the Company's common stock on December 28, 2018.

(2) These RSUs were granted on August 22, 2016 to Mr. Connolly and vested on March 31, 2018. The value realized, presented on a pre-tax basis, is determined by multiplying the number of shares acquired by $9.63, the closing price of the Company's common stock on March 29, 2018, the last business day prior to the vesting date.

Potential Payments upon Termination or Change in Control

We entered into CIC Agreements with each of the individuals who were Named Executive Officers in 2018. The CIC Agreements governs the payments to be received by the Named Executive Officers upon a change in control (as defined in the CIC Agreements). See "Executive Change in Control (CIC) Agreements" in COMPENSATION DISCUSSION AND ANALYSIS above. We do not have any employment agreements with Mr. Gliklich or Mr. Capps and did not have an employment agreement with Mr. Tolbert prior to his retirement; consequently, the amounts they would each receive, or have received, as applicable, upon termination of employment would be, or would have been, determined under our Annual Bonus Plan and the terms of their respective LTI Award agreements and/or CIC Agreements, as applicable. The former employment agreements of Messrs. Sachdev and Connolly are described under "Employment Arrangements" in COMPENSATION DISCUSSION AND ANALYSIS above.

The amounts of compensation payable to the Named Executive Officers in each situation is shown in the table below, and assume, in each case, that the termination of employment event occurred on December 31, 2018. The description set forth below provides only estimates of the compensation and benefits that would be provided to the Named Executive Officers upon their termination of employment. In the event of a separation from the Company, any actual amounts would be determined based on the facts and circumstances in existence at that time. The amounts are in addition to benefits paid by insurance providers under life and disability insurance policies and benefits generally available to the Company's U.S. salaried employees, such as accrued vacation.

Unless stated otherwise, the LTI Awards valuation shown in the table below has been determined by multiplying (i) the number of shares underlying any unvested RSU or PRSU at December 31, 2018 by (ii) $10.33 per share, the closing price of the Company's common stock on December 31, 2018. For the valuation of any unvested SOP at December 31, 2018, see footnote (5) under the table below.

	Potential Payments upon Termination or Change in Control[1]							
	Termination Without Cause or for Good Reason				Termination Without Cause or for Good Reason Following a Change in Control[4]			
Name	Salary ($)	Bonus ($)	LTI Awards Valuation ($)	Total ($)	Salary ($)	Bonus ($)	LTI Awards Valuation ($)[5]	Total ($)
Rakesh Sachdev[2]	2,101,200	1,050,600	—	3,151,800	3,141,294	3,141,294	7,840,390	14,122,978
John P. Connolly [3]	439,900	—	—	439,900	879,800	879,800	1,099,980	2,859,580
John E. Capps	—	—	—	—	1,040,400	1,040,400	1,248,738	3,329,538
Benjamin Gliklich	—	—	—	—	959,760	959,760	1,862,995	3,782,515
J. David Tolbert	—	—	—	—	544,950	354,218	343,267	1,242,435

(1) The total amounts set forth in this table do not include vested amounts or accumulated benefits through December 31, 2018, including vested or accumulated benefits under the Company-sponsored life insurance and 401(k) Plan, as those amounts are set forth in the "All Other Compensation" column of the 2018 Summary Compensation Table above.

(2) If Mr. Sachdev's employment had been terminated by the Company without cause or if Mr. Sachdev had terminated his employment for good reason, Mr. Sachdev would have been entitled to receive a severance payment equal to

two times his annual base salary, and a pro rata target bonus through the termination date. If the Company had terminated Mr. Sachdev's employment due to his death or disability or for cause or if he had voluntarily terminated his employment without good reason, Mr. Sachdev would have been entitled only to his accrued yet unpaid annual base salary through the termination date. See "Employment Arrangements" in COMPENSATION DISCUSSION AND ANALYSIS above. Mr. Sachdev retired as CEO of the Company on January 31, 2019. See "- Additional Information Regarding Payment Upon Termination of Employment or Change in Control" below.

(3) If Mr. Connolly's employment had been terminated by the Company without cause or if Mr. Connolly had terminated his employment for good reason, then Mr. Connolly would have been entitled to receive in 12 equal monthly installments a severance amount equal to 100% of his base salary as of the termination date. See "Employment Arrangements" in COMPENSATION DISCUSSION AND ANALYSIS above. Mr. Connolly resigned as CFO of the Company on March 12, 2019. See "- Additional Information Regarding Payment Upon Termination of Employment or Change in Control" below.

(4) Under the CIC Agreements, upon a change in control, each Named Executive Officer is entitled to receive a lump sum equal to his short- or long-term target cash bonus awards and the value of any stock rights. In addition, if a change in control occurs and the executive's employment is terminated by the Company without cause or by the Named Executive Officer for good reason, in each case during the 6 months prior to or within 2 years following the change in control, such executive would be entitled to receive a lump sum termination cash payment equal to 2 times (or 2.99 times with respect to Mr. Sachdev) his base salary plus target bonus as of the date of termination or, if higher, the base salary and/or target bonus in effect immediately prior to the occurrence of the condition giving rise to good reason. See "Executive Change in Control (CIC) Agreements" in COMPENSATION DISCUSSION AND ANALYSIS above.

(5) This column includes the value of accelerated unvested LTI Awards that would become exercisable or vest upon termination. Such LTI Awards are shown in the "Outstanding Equity Awards at Year End" table included above. For disclosure purposes only, it was assumed that 100% of any applicable target was achieved for all PRSUs as of December 31, 2018. With respect to SOPs, their value was calculated using $10.33, the closing price per share of the Company's common stock on December 31, 2018, less the per share SOP exercise price for the total number of "in-the-money" SOPs accelerated and deemed exercised. The difference between the 2016 SOP exercise price and the $10.33 closing price on December 31, 2018 represents a spread of $2.38 per SOP for the 2016 SOP awards of Messrs. Sachdev and Gliklich, and $0.81 for the 2016 SOP award of Mr. Capps. The value for PRSUs and RSUs was calculated using the $10.33 closing price on December 31, 2018.

Additional Information Regarding Payments Upon Termination of Employment or Change in Control

Rakesh Sachdev, Former CEO

For purposes of Mr. Sachdev's former employment agreement:

"Termination for Cause" meant (i) the willful and continuous failure to substantially perform the executive's duties with the Company (other than any such failure resulting from the executive’s incapacity due to physical or mental illness) if such failure had continued for 10 days after receipt of written notice from the Board, which would have specifically identified the manner in which the Board believed that the executive had not substantially performed his duties, (ii) misconduct or gross negligence provided (A) the Board had determined that the resulting harm to the Company from the executive’s misconduct or gross negligence could not have been adequately remedied, or (B) the executive had failed to correct any resulting harm to the Company within 10 days after a written demand for correction would have been delivered to the executive by the Board, which would have identified both the manner in which the Board believed that the executive has engaged in such misconduct or gross negligence, (iii) the executive’s conviction of or the entering of a plea of guilty or nolo contendere to the commission of a felony, or (iv) fraud, embezzlement, theft or dishonesty, which in each case would have been of a material nature against the Company, or a willful material violation of a policy or procedure of the Company, resulting, in any case, in material economic harm to the Company.

"Termination for Good Reason" meant the occurrence of one or more of the following conditions without the consent of the executive: (i) a material diminution in the executive's authority, duties, or responsibilities; (ii) any action or inaction that constitutes a material breach by the Company of the executive's employment agreement; or (iii) a material diminution in the executive's base compensation.

In order for a termination of employment to have been on account of "Good Reason," the executive should have had provided the Company with a written notice within 90 days of the initial existence of a condition constituting Good Reason, afforded the Company 30 days in which to remedy the condition, and if no such cure had been effectuated, terminated employment within 6 months of the initial existence of the identified condition constituting Good Reason.

"Termination Not For Good Reason" meant any termination of employment by the executive other than Termination for Good Reason or a termination due to the executive's Disability or death.

"Termination Without Cause" meant any termination of the executive's employment by the Company other than a Termination for Cause or a termination due to the executive's Disability.

"Disability" meant the executive's inability, or failure, to perform the essential functions of his position, with or without reasonable accommodation, for any period of 6 months or more in any 12-month period, by reason of any medically determinable physical or mental impairment.

John P. Connolly, Former CFO

For purposes of Mr. Connolly's former employment agreement:

"Cause" meant (i) the conviction of, or plead guilty or nolo contendere to, any crime constituting a felony or involving dishonesty or moral turpitude; (ii) any activity that amounted to negligence and that significantly affected the business affairs, or reputation of Element Solutions or its subsidiaries or business units; (iii) willful failure to perform duties, or performance of duties in a grossly negligent manner, which failure or performance would have continued for 20 days after written notice from Element Solutions; or (iv) violation of the Company's policies, or the law, and such violation created liability (actual or potential) for Element Solutions or its subsidiaries or business units.

"Good Reason" meant (i) a material diminution in position, duties and responsibilities, (ii) a removal by Element Solutions from the position as Vice President, Corporate Controller and Chief Accounting Officer of Element Solutions, (iii) a material reduction in Mr. Connolly's annual base pay, or (iv) a material breach by Element Solutions of any other provision of Mr. Connolly's employment agreement; provided, that for any termination pursuant to (i) through (iv) above, Mr. Connolly shall have provided Element Solutions with 30 days prior written notice of such good reason termination specifying the exact details of such alleged material diminution, removal, reduction or breach, which notice must in any event had been provided within 90 days after the occurrence of the event described in clause (i), (ii), (iii) or (iv) above, and Element Solutions should have had 30 days from the date of its receipt of such notice to cure such breach or reverse or correct such material diminution, removal, reduction or breach.

Post-Employment Payments

Unless otherwise provided in any applicable employment agreements, employment arrangements, CIC Agreements or LTI Awards agreements, the following is a description of potential post-employment payments relating to outstanding LTI Awards:

PRSU Awards

Except in the event of a change in control of the Company, if a participant's employment is terminated for any reason prior to the end of the applicable performance period, then all PRSUs previously granted to such recipient and not vested will be forfeited immediately upon such termination of continuous service without any payment to the recipient. If a recipient is employed by a subsidiary of the Company that ceases to be a wholly-owned subsidiary of the Company,

such recipient's continuous service will be deemed terminated at the time such subsidiary ceases to be a wholly-owned subsidiary of the Company.

RSU Awards

If a recipient’s continuous service is terminated for any reason prior to the earlier of (i) the applicable RSU vesting date or (ii) a change in control of the Company, then all RSUs previously granted to such recipient and not vested will be forfeited immediately upon such termination of continuous service without any payment to the recipient. If a recipient is employed by a subsidiary of the Company that ceases to be a wholly-owned subsidiary of the Company, such recipient's continuous service will be deemed terminated at the time such subsidiary ceases to be a wholly-owned subsidiary of the Company.

SOP Awards

To the extent not previously exercised or terminated as indicated below, SOP awards terminate immediately in the event of the liquidation or dissolution of the Company, or any reorganization, merger, consolidation or other form of corporate transaction in which the Company does not survive or the shares of common stock underlying such award are exchanged for or converted into securities issued by a successor or acquiring entity, or an affiliate of such successor or acquiring entity, unless the successor or acquiring entity, or its affiliate, assumes such SOP awards or substitutes an equivalent option or right pursuant to the 2013 Plan. The Compensation Committee may also, in its sole discretion and by written notice, cancel any SOP award (or portion thereof) that remains unexercised as of the date of a change in control (as defined in the 2013 Plan).

Termination Without Cause or Retirement

The participant may exercise the vested, unexercised portion of an SOP award at any time for 6 months after the date of termination in the case of termination of employment by us without cause.

"Cause," as defined in the 2013 Plan, means (i) the failure by a participant to perform, in a reasonable manner, his or her duties with us, (ii) any violation or breach by a participant of his or her employment, consulting or other similar agreement with us, if any, (iii) any violation or breach by a participant of any non-competition, non-solicitation, non-disclosure and/or other similar agreement with us, (iv) any act by a participant of dishonesty or bad faith with respect to us, (v) use of alcohol, drugs or other similar substances in a manner that adversely affects a participant’s work performance, or (vi) the commission by a participant of any act, misdemeanor, or crime reflecting unfavorably upon the participant or us. The good faith determination by the Compensation Committee of whether a participant’s continuous service was terminated by the Company for "Cause" shall be final and binding for all purposes.

Termination Due to Death or Disability

If employment is terminated because of death or disability while in our employ, SOP awards granted under the 2013 Plan may be exercised by the participant or by his or her personal representative at any time during the 12-month period after the date of death or disability.

"Disability" means that the participant is permanently and totally disabled as provided in Section 422(c)(6) of the Code, which ascribes disability to a person when he or she is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

Termination for Cause or Voluntary Termination

If an employee is terminated by the Company for cause or voluntarily terminates employment with the Company for any reason other than retirement, disability or death, any unexercised portion of any SOP award granted to the employee will terminate with his or her termination of employment.

2018 Pension Benefits

Aside from the 401(k) plan, we do not maintain any pension plan or arrangement under which our Named Executive Officers are entitled to participate or receive post-retirement benefits.

2018 Non-Qualified Deferred Compensation

We do not maintain any nonqualified deferred compensation plan or arrangements under which our Named Executive Officers are entitled to participate.

Equity Compensation Plan Information

The following table summarizes our equity compensation plan information at December 31, 2018:

Plan Category	Number of securities to be issued upon exercise of outstanding options, and rights (a)		Weighted average exercise price of outstanding options, warrants and rights (b)		Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)[3]
Equity Compensation Plans approved by security holders:					
2013 Plan	6,363,059	[1]	$ 10.27	[2]	7,652,165
ESPP	—		—		4,720,094
Equity Compensation Plans not approved by stockholders:					
None	—		—		—
Other:					
None	—		—		—
Total	6,363,059		$ 10.27		12,372,259

(1) Includes: (i) 536,772 shares to be issued upon the exercise of outstanding SOPs granted in 2017 and 2016; (ii) 1,002,085 shares to be issued upon the vesting of outstanding RSUs granted since 2014; (iii) 2,351,786 shares to be issued upon the payout of outstanding PRSUs assuming target performance; and (iv) 2,472,416 shares reserved for incremental payouts on PRSUs assuming maximum performance.

(2) This value does not take into account any of the RSUs or PRSUs discussed in Note (1) above as they have no exercise price.

(3) Includes shares available for issuance under the 2013 Plan and ESPP. The Company has no other equity compensation plans with shares available for issuance.

For a description of the material features of the 2013 Plan, refer to Note 9, Long-Term Compensation Plans, to the Consolidated Financial Statements included in the 2018 Annual Report.

SECURITY OWNERSHIP

Directors and Executive Officers

The following table sets forth the beneficial ownership of the Company's common stock at April 10, 2019, the record date, for each current director and nominee for director, each Named Executive Officer, executive officer and for all current directors and executive officers as a group. To our knowledge, except as otherwise indicated below, beneficial ownership includes sole voting and dispositive power with respect to all shares. Unless indicated otherwise, the address of each person indicated below is c/o Element Solutions Inc, 500 East Broward Boulevard, Suite 127, Fort Lauderdale, Florida 33394, United States.

Beneficial Owner	Company Position	Common Stock (#)	SOPs Exercisable or Preferred Stock Convertible at April 10, 2019 or Within 60 Days Thereof (#)[7]	Total Stock and Stock-Based Holdings (#)	Percent of Class (%)**
Benjamin Gliklich	CEO and Director	91,511	45,101	136,612	*
Scot R. Benson	COO and Director	140,329	26,742	167,071	
John E. Capps	EVP - General Counsel & Secretary	291,740	40,079	331,819	*
Carey J. Dorman	CFO	12,729	—	12,729	*
J. David Tolbert	Former Chief Human Resources Officer	19,747	5,511	25,258	*
Martin E. Franklin	Executive Chairman	29,498,286[1]	1,953,000[2]	31,451,286	12.3
Ian G.H. Ashken	Director	555,861[3]	8,741[4]	564,602	*
Christopher T. Fraser	Director	10,000	—	10,000	*
Michael F. Goss	Director	219,358[5]	8,741[4]	228,099	*
Nichelle Maynard-Elliott	Director	—	8,741[4]	8,741	*
E. Stanley O'Neal	Director	296,959[6]	8,741[4]	305,700	*
Rakesh Sachdev	Director and Former CEO	714,071	225,147	939,218	*
John P. Connolly	Former CFO	66,383	—	66,383	*
All Directors and Executive Officers as a group (11 persons):	N/A	31,830,844	2,325,033	34,155,877	13.3

* Less than 1%

** Based on 253,536,065 shares of common stock outstanding at April 10, 2019.

(1) As a result of the Irrevocable Proxy Agreement, dated May 3, 2018, Martin E. Franklin ("Franklin"), MEF Holdings II, LLLP ("Holdings II"), MEF Holdings, LLLP ("Holdings"), Mariposa Acquisition, LLC ("Mariposa" and together with Franklin, Holdings II and Holdings, the "Mariposa Reporting Persons") and Berggruen Holdings Ltd ("BHL") and the Nicolas Berggruen Charitable Trust (the "NB Charitable Trust" and together with BHL, the "Berggruen

Reporting Persons") have formed a "group" for purposes of Section 13(d)(3) of the Exchange Act, and Rule 13d-5(b)(1) thereunder. As of the date hereof, Franklin beneficially owns 31,451,286 shares of common stock of the Company (and shares convertible into common stock within 60 days) consisting of (i) shared power to vote, or to direct the vote, and shared power to dispose, or to direct the disposition of, 16,610,046 shares of common stock (including 1,060,000 shares of Series A Preferred Stock convertible into common stock within 60 days) controlled or held, directly or indirectly, by one or more Mariposa Reporting Persons and (ii) sole power to vote, or to direct the vote, of 14,841,240 shares of common stock (including 893,000 shares of Series A Preferred Stock convertible into common stock within 60 days) held, directly or indirectly, by the Berggruen Reporting Persons. Each of Holdings II, Holdings and Mariposa has shared power to vote, or to direct the vote, and shared power to dispose, or to direct the disposition of, an aggregate of 16,415,558, 13,947,436 and 11,509,987 shares of common stock (and shares convertible into common stock within 60 days), respectively. In the aggregate, such 31,451,286, 16,415,558, 13,947,436 and 11,509,987 shares of common stock represent approximately 12.4%, 6.4%, 5.5% and 4.5%, respectively, of all outstanding shares of common stock (assuming the conversion of the Mariposa Reporting Persons' shares of Series A Preferred Stock, but without including any conversion of shares of Series A Preferred Stock held by any other person). With respect to the Berggruen Reporting Persons, in the aggregate, such 14,841,240 shares of common stock represent approximately 5.8% of all outstanding shares of common stock (assuming the conversion of the Berggruen Reporting Person's shares of Series A Preferred Stock, but without including any conversion of shares of Series A Preferred Stock held by any other person).

(2) Shares of our Series A Preferred Stock held directly by Mariposa that are convertible at any time at the option of the holder into the same number of shares of our common stock. Mr. Franklin is the manager of Mariposa and indirectly beneficially owns 61.32% of Mariposa, representing 649,992 shares of our Series A Preferred Stock.

(3) Shares of our common stock held indirectly by Mr. Ashken through IGHA Holdings, LLLP and Mr. Ashken's trust. Does not include indirect interest held through Mariposa.

(4) These RSUs were granted to Messrs. Ashken, Goss and O'Neal and to Ms. Maynard-Elliott as compensation for their 2018 directorship and will vest on June 5, 2019, subject to continuous directorship through and on such vesting date. With respect to Mr. Ashken, this amount does not include indirect interest in Series A Preferred Stock held through Mariposa.

(5) Includes 124,120 shares of common stock held directly by Mr. Goss and 95,238 shares of common stock held by The Michael F Goss 2012 GST Non-Exempt Irrevocable Family Trust, Michael F Goss & R Bradford Malt Trustees U/Inst Dtd 9/27/2012 (the "Trust"). Mr. Goss is a trustee of the Trust and disclaims beneficial ownership.

(6) Includes 239,882 shares of common stock held directly by Mr. O'Neal and 57,077 shares of common stock held indirectly by Mr. O'Neal's trust (reflecting the full distribution of Mr. O'Neal's GRAT on September 13, 2018 and, as a result, transfers of 92,915 shares to Mr. O'Neal personally and 57,077 shares to Mr. O'Neal's family trust).

(7) This column includes (i) Series A Preferred Stock held directly by Mariposa which are convertible at any time at the option of the holder into the same number of shares of our common stock, (ii) shares underlying vested SOPs, or portions thereof, held by our executive officers, (iii) shares underlying SOPs, or portions thereof, held by our executive officers and expected to vest by June 10, 2019 (60 days of April 10, 2019), and (iv) shares underlying RSUs held by our directors and expected to vest by June 10, 2019.

Principal Beneficial Owners

The following table sets forth information regarding each stockholder that, to the knowledge of the Company or based on information provided in each such stockholder's most recent SEC filings, beneficially owned more than 5% of the 253,536,065 shares of common stock outstanding at April 10, 2019. Percentages are calculated based upon such shares outstanding at April 10, 2019, plus shares which the beneficial owner has the right to acquire within 60 days. Except as otherwise indicated below, the Company believes each of the entities listed below has sole voting and dispositive power with respect to all the shares of common stock.

5% or Greater Stockholders	Number of Shares	%
Martin E. Franklin and Affiliates [1]	31,451,286	12.3
FMR LLC [2]	28,566,713	11.3
The Vanguard Group, Inc.[3]	19,566,172	7.7
Bares Capital Management, Inc.[4]	18,104,808	7.1
BlackRock, Inc.[5]	16,554,673	6.5
Dimensional Fund Advisors LP [6]	15,868,933	6.3

(1) See footnote (1) under "—Directors and Executive Officers" above.

(2) Based on a Schedule 13G filed jointly by FMR LLC and Abigail P. Johnson, a Director and the Chairman and Chief Executive Officer of FMR LLC on February 13, 2019. FMR LLC reported sole voting power with respect to 1,863,622 shares of common stock and each of FMR LLC and Abigail P. Johnson reported sole investment power over 28,566,713 shares of common stock. The address of FMR LLC is 245 Summer Street, Boston, Massachusetts 02210.

(3) Based on a Schedule 13G filed on February 12, 2019. The Vanguard Group, Inc. has sole voting power over 119,185 shares of common stock; shared voting power over 46,685 shares; sole dispositive power over 19,424,202 shares and shared dispositive power over 141,970 shares. The address of the principal business office of The Vanguard Group, Inc. is 100 Vanguard Blvd., Malvern, PA 19355.

(4) Based on a Schedule 13G/A filed on February 14, 2019. Bares Capital Management, Inc. and Mr. Brian T. Bares have shared voting and dispositive power over 18,006,166 shares of common stock. Mr. Bares has sole voting and dispositive power over 98,642 shares of common stock. Mr. Bares is President of Bares Capital Management, Inc. The business address of Bares Capital Management, Inc. is 12600 Hill Country Blvd, Suite R-230, Austin, Texas 78738.

(5) Based on a Schedule 13G filed by BlackRock, Inc. on February 8, 2019. BlackRock, Inc. reported sole voting power with respect to 15,678,002 shares of common stock and sole dispositive power over 16,554,673 shares of common stock. The address of BlackRock, Inc. is 55 East 52nd Street, New York, NY 10055.

(6) Based on a Schedule 13G filed on February 8, 2019. Dimensional Fund Advisors LP or its subsidiaries ("Dimensional") furnishes investment advice to four investment companies registered under the Investment Company Act of 1940, and serves as investment manager or sub-adviser to certain other commingled funds, group trusts and separate accounts (such investment companies, trusts and accounts, collectively referred to as the "Funds"). In its role as investment advisor, sub-adviser and/or manager, Dimensional may possess voting and/or investment power over the Company's shares of common stock that are owned by the Funds, and may be deemed to be the beneficial owner of such shares. However, all shares are owned by the Funds. Dimensional disclaims beneficial ownership of such securities. Dimensional has sole power to vote over 15,437,478 shares of common stock and the sole power to dispose over 15,868,933 shares of common stock. The address of Dimensional is Building One, 6300 Bee Cave Road, Austin, Texas, 78746.

PROPOSAL 2 — ADVISORY VOTE ON NAMED EXECUTIVE OFFICER COMPENSATION

In accordance with the requirements of Section 14A of the Exchange Act, we are asking the Company's stockholders to provide advisory approval of the compensation of the Named Executive Officers as disclosed in this Proxy Statement pursuant to the compensation disclosure rules of the SEC (commonly referred to as "Say-on-Pay"). At our 2018 annual meeting of stockholders, approximately 99% of the shares present and voting approved the compensation of our 2017 named executive officers, showing strong support for our executive compensation.

In deciding how to cast their vote on this proposal, the Board requests that stockholders consider the structure of the Company’s executive compensation program, which is more fully discussed in the "COMPENSATION DISCUSSION AND ANALYSIS" and "EXECUTIVE COMPENSATION TABLES" sections of this Proxy Statement.

The core of our executive compensation philosophy is that our executive compensation should be linked to achievement of financial and operating performance metrics that build stockholder value over both the short- and long-term. We have designed our compensation program to focus on components that we believe will contribute to these stockholder value drivers. As such, our compensation program:

- is tied to overall Company performance;
- includes a significant incentive equity component;
- reflects each executive's level of responsibility; and
- reflects individual performance and contributions.

Accordingly, the Board of Directors recommends that stockholders vote in favor of the following resolution:

"RESOLVED, that the stockholders of Element Solutions Inc approve, on a non-binding, advisory basis, the compensation of the Company's Named Executive Officers as described in the Compensation Discussion and Analysis, the Summary Compensation Table and other related tables and narrative discussions in the Proxy Statement."

Stockholders' vote on this proposal is advisory, and therefore not binding on the Company, the Compensation Committee or the Board. The vote will not be construed to create or imply any change to the fiduciary duties of the Company or the Board, or to create or imply any additional fiduciary duties for the Company or the Board. However, the Board and the Compensation Committee value the opinions of the Company's stockholders and to the extent there is any significant vote against the Named Executive Officer compensation as disclosed in this Proxy Statement, we will consider the stockholders’ concerns and evaluate whether any actions are necessary to address those concerns.

It is expected that the next advisory Say-on-Pay vote will be held at the Company’s 2020 annual meeting of stockholders.

Vote Required

Because this proposal seeks the input of stockholders, there is no minimum vote requirement. The Board will consider the resolution approving the compensation of the Named Executive Officers to have been approved if this proposal receives more votes cast "For" than "Against." Abstentions and any "broker non-votes" will not be included in the vote totals and, as such, will have no effect on the outcome of this proposal.

THE BOARD UNANIMOUSLY RECOMMENDS
A VOTE "FOR" APPROVING THE COMPENSATION OF THE NAMED EXECUTIVE OFFICERS

PROPOSAL 3 – RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2019

The Audit Committee has appointed PricewaterhouseCoopers LLP ("PwC") as the independent registered public accounting firm to conduct the annual audit of the Company's financial statement and internal controls over financial reporting for the year ending December 31, 2019. PwC has served as the Company's independent registered public accounting firm since 2013. In the event the Company's stockholders do not ratify the appointment of PwC, this appointment may be reconsidered by the Audit Committee. Ratification of the appointment of PwC will in no way limit the Audit Committee's authority to terminate or otherwise change the engagement of PwC for 2019.

We expect a representative of PwC to attend the 2019 Annual Meeting. This representative will have an opportunity to make a statement if he or she desires, and will also be available to respond to appropriate questions.

REPORT OF
THE AUDIT
COMMITTEE

The information contained in this Report of the Audit Committee shall not be deemed to be "soliciting material" or "filed" with the SEC or subject to the liabilities of Section 18 of the Exchange Act, except to the extent that the Company specifically incorporates it by reference into a document filed under the Securities Act or the Exchange Act.

The Audit Committee reviews the Company's financial reporting process on behalf of the Board of Directors. The Audit Committee consists of directors who have been determined by the Board of Directors to be independent of the Company as prescribed by the NYSE and the SEC. The Company's management has the primary responsibility for the financial statements and for the reporting process, including the establishment and maintenance of the system of internal control over financial reporting. The Company's independent registered public accounting firm is responsible for auditing the financial statements prepared by management, expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles and auditing the Company's internal control over financial reporting and expressing an opinion on management's assessment thereof. In this context, the Audit Committee has met and held discussions with management and PricewaterhouseCoopers LLP, the Company's independent registered public accounting firm, regarding the fair and complete presentation of the Company's financial statements and the assessment of the Company's internal control over financial reporting.

The Audit Committee has discussed with PricewaterhouseCoopers LLP the matters required to be discussed by Auditing Standards No. 1301 of the Public Company Accounting Oversight Board ("PCAOB") and has reviewed and discussed PricewaterhouseCoopers LLP's independence from the Company and its management. As part of that review, the Audit Committee has received the written disclosures and the letter required by applicable requirements of the PCAOB regarding PricewaterhouseCoopers LLP's communications with the Audit Committee concerning independence, and the Audit Committee has discussed with PricewaterhouseCoopers LLP its independence from the Company. The Audit Committee also has considered whether PricewaterhouseCoopers LLP's provision of non-audit services to the Company is compatible with the auditor's independence. The Audit Committee has concluded that PricewaterhouseCoopers LLP is independent from the Company and its management.

The Audit Committee meets with the CFO and representatives of PricewaterhouseCoopers LLP, in regular and executive sessions, to discuss the results of their examinations, the evaluations of the Company's internal controls and the overall quality of the Company's financial reporting and compliance programs.

In reliance on the reviews and discussions referred to above, the Audit Committee has recommended to the Board of Directors, and the Board has approved, that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 filed with the SEC on February 28, 2019.

The Audit Committee
Michael F. Goss, Chairman
Ian G.H. Ashken
Nichelle Maynard-Elliott
April 25, 2019

Principal Accountant Fees and Services

The following table provides detail about fees for professional services rendered by PwC to the Company for the years ended December 31, 2018 and 2017:

Services Provided	2018	2017
	(in millions)	
Audit Fees	$ 14.4	$ 21.2
Audit-Related Fees	0.0	0.3
Tax Fees	0.2	0.0
All Other Fees	0.0	0.0
Total	$ 14.6	$ 21.5

Audit Fees: Consist of fees billed for the following professional services:

- audits of the Company's consolidated financial statements;
- review of the Company's interim condensed consolidated financial statements included in quarterly reports;
- services that are normally provided by the Company’s independent registered public accounting firm in connection with statutory and regulatory filings or engagements and attest services, except those not required by statute or regulation; and
- annual audit of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act of 2002, integrated with the audit of our annual financial statements.

For 2018 and 2017, the amounts of audit fees also include $1.9 million and $5.2 million, respectively, incurred for the audit of the carve-out consolidated financial statements and quarterly reviews of Arysta LifeScience Inc., the parent company of the Company's former Agricultural Solutions business sold in the Arysta Sale.

Audit-Related Fees: Consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company’s consolidated financial statements and are not reported under "Audit Fees." These services include consultations concerning financial accounting and reporting standards, due diligence, accounting consultations in connection with acquisitions and divestitures, and attest services that are not required by statute or regulation.

Tax Fees: Consist of tax compliance/preparation and other tax services. Tax compliance/preparation consists of fees for professional services related to international tax compliance, assistance with tax audits and assistance related to the impact of mergers, acquisitions and divestitures on tax return preparation.

All Other Fees: Consist of fees for all other services other than those reported above. The Audit Committee has concluded that the provision of non-audit services listed above by PwC is compatible with maintaining such auditors’ independence.

Pre-Approval Policies and Procedures for Audit and Permissible Non-Audit Services

Consistent with SEC policies regarding auditor independence, the Audit Committee has responsibility for appointing, setting compensation and overseeing the work of the independent auditors. In recognition of this responsibility, the Audit Committee has established policies and procedures to pre-approve all audit and non-audit services to be provided by the independent registered public accounting firm to our Company by category, including audit-related services, tax services and other permitted non-audit services. Under these policies and procedures, the Audit Committee pre-approves all services obtained from our independent registered public accounting firm by category of service, including a review of specific services to be performed, fees expected to be incurred within each category of service and the potential impact of such services on auditor independence. The term of any pre-approval is for the financial year, unless the Audit Committee specifically provides for a different period in the pre-approval. If it becomes necessary to engage our

independent registered public accounting firm for additional services not contemplated in the original pre-approval, the Audit Committee requires separate pre-approval before engaging the independent registered public accounting firm.

All the 2018 work performed by the Company’s independent registered public accounting firm as described above under the captions Audit Fees, Audit-Related Fees, Tax Fees and All Other Fees was approved or pre-approved by the Audit Committee in accordance with the policies and procedures set forth above.

Vote Required

Approval of this proposal requires the affirmative vote of a majority of the votes cast. This means that if PwC receives a greater number of votes "For" its 2019 selection than votes "Against," such selection will be ratified. If the selection of PwC is not ratified, the Audit Committee may reconsider the selection of its independent auditors.

THE BOARD UNANIMOUSLY RECOMMENDS
A VOTE "FOR" THE RATIFICATION
OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP FOR 2019

OTHER MATTERS

Proposals by Stockholders

As of the date of this Proxy Statement, the Board of Directors does not intend to present any other matter for action at the 2019 Annual Meeting other than as set forth in the Notice of Annual Meeting of Stockholders, included in this Proxy Statement. If any other matters properly come before the 2019 Annual Meeting, it is intended that the shares represented by the proxies will be voted, in the absence of contrary instructions, in the best judgment of the persons named in the proxy.

Stockholder Proposals for Inclusion in the 2020 Proxy Statement

In order to submit stockholder proposals to be considered for inclusion in the proxy statement for the Company's 2020 annual meeting of stockholders pursuant to SEC Rule 14a-8, the proposal must be received by the Secretary of Element Solutions at 500 East Broward Boulevard, Suite 127, Fort Lauderdale, Florida 33394, United States, no later than December 27, 2019. As the rules of the SEC make clear, simply submitting a proposal does not guarantee its inclusion.

Stockholder Director Nominations and Other Stockholder Proposals for Presentation at the 2020 Annual Meeting of Stockholders

Our Amended and Restated By-Laws also establish an advance notice procedure with regard to director nominations (each, a "Nomination") and other stockholder proposals (each, a "Stockholder Proposal") that are not submitted for inclusion in the proxy statement, but that a stockholder instead wishes to present directly at an annual meeting. To be properly brought before our 2020 annual meeting of stockholders, a notice of Nomination or Stockholder Proposal must be delivered to the Secretary of Element Solutions at the Fort Lauderdale address indicated above, not less than 90 or more than 120 days prior to the first anniversary of the date of the 2019 Annual Meeting. As a result, any notice given by or on behalf of a stockholder pursuant to our Amended and Restated By-Laws (and not pursuant to Exchange Act Rule 14a-8) must be received no earlier than the close of business on February 6, 2020 and no later than the close of business on March 6, 2020.

The notice must describe various matters regarding (i) the individual subject to the Nomination, including but not limited to, the name, address, occupation and the number of shares held by such nominee, (ii) the Stockholder Proposal, including, but not limited to, the reasons for such proposal, and (iii) information about the stockholder giving notice and the beneficial owner, if any, on whose behalf the Nomination or the Stockholder Proposal is made. All Nominations and Stockholder Proposals must comply with the requirements as set forth in our Amended and Restated By-Laws, a copy of which may be obtained at no cost from the Secretary of Element Solutions. The chairman of any annual meeting may refuse to allow any Nomination or Stockholder Proposal not made in compliance with the procedures included in our Amended and Restated By-Laws.

List of Stockholders Entitled to Vote at the 2019 Annual Meeting

The names of stockholders of record entitled to vote at the 2019 Annual Meeting will be available at the Company’s principal office in Fort Lauderdale, Florida, for a period of ten days prior to the 2019 Annual Meeting and continuing through the 2019 Annual Meeting.

Expenses Relating to this Proxy Solicitation

This proxy solicitation is being made by Element Solutions, and Element Solutions will pay all expenses relating to this proxy solicitation. In addition to this solicitation by mail, our officers, directors and employees may solicit proxies by telephone, personal call or electronic transmission without extra compensation for that activity. We also expect to reimburse our transfer agent, Broadridge, banks, brokers and other persons for reasonable out-of-pocket expenses in forwarding proxy materials to beneficial owners of the Company's common stock and obtaining the proxies of those owners.

Communication with the Board of Directors

Any stockholder or other interested party who wishes to contact the Board of Directors of the Company, a Committee of the Board, or an individual director, may do so in writing to:

Element Solutions Inc
Board of Directors [or Committee name, or director name, as appropriate]
500 East Broward Boulevard, Suite 127
Fort Lauderdale, Florida 33394
United States

As indicated in our Directors Code of Conduct, the Board has approved a process for handling correspondence received by the Company and addressed to non-management members of the Board. Under that process, the Executive Chairman or an officer delegated by the Executive Chairman ("Delegated Officer") reviews all such correspondence, maintains a log of all such correspondence and forwards to the Directors copies of all correspondence that, in the opinion of the Executive Chairman or the Delegated Officer, deal with the functions of the Board or committees thereof or that the Executive Chairman or Delegated Officer otherwise determine requires their attention. The Executive Chairman or Delegated Officer may screen frivolous or unlawful communications and commercial advertisements. Directors may at any time review the log.

2018 Annual Report, Form 10-K and Available Information

We will furnish without charge to each person whose proxy is being solicited, upon written request of any such person, a copy of this Proxy Statement, our 2018 Annual Report, including our annual report on Form 10-K for the year ended December 31, 2018, as filed with the SEC, and the financial statements and schedule thereto. Stockholders should direct their requests to our Investor Relations department at Element Solutions Inc, 500 East Broward Boulevard, Suite 127, Fort Lauderdale, Florida 33394.

The Company's annual report on Form 10-K for the year ended December 31, 2018 is also available, free of charge, through the Investors – SEC Filings section of our website at www.elementsolutionsinc.com. A copy of any exhibit to our annual report on Form 10-K will be forwarded following receipt of a written request with respect thereto sent to our Investor Relations department at the address indicated above.

In addition, copies of the charters of each of the Audit Committee, Compensation Committee and Nominating and Policies Committee, together with certain other corporate governance materials, including our Directors Code of Conduct, Ethics Policy and Financial Officer Code of Ethics can be found under the Investors – Corporate Governance – Governance Documents section of our website at www.elementsolutionsinc.com. Such information is also available in print to any stockholder following receipt of a written request with respect thereto sent to our Investor Relations department at the address indicated above.

APPENDIX A - NON-GAAP DEFINITIONS AND RECONCILIATIONS

The executive compensation reflected in this Proxy Statement is awarded based on non-GAAP financial information, including adjusted EBITDA, adjusted organic EBITDA growth/adjusted organic EBITDA compound annual growth rate, adjusted EPS, organic net sales growth and unlevered free cash flow. Management and the Compensation Committee used these non-GAAP financial measures in their analysis of the Company's performance and in their evaluation of the 2018 compensation. Non-GAAP financial measures, however, have limitations as analytical tools and should not be considered in isolation from, or a substitute for, or superior to, the related financial information that we report in accordance with GAAP. For a discussion of the Company's use of non-GAAP financial measures, see page 37 of our 2018 Annual Report under "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures."

The following provides the required definitions and reconciliations of each non-GAAP financial measure to its most comparable GAAP financial measure:

Adjusted EBITDA

We define adjusted EBITDA as EBITDA (earnings before interest, provision for income taxes, depreciation and amortization), excluding the impact of additional items included in GAAP earnings which we believe are not representative or indicative of our ongoing business. For the 2018 Annual Bonus Plan payout calculation, adjusted EBITDA includes the consolidated results from the discontinued operations of the Company's former Agricultural Solutions business sold in the Arysta Sale and excludes any contribution from acquisitions completed during the year.

The following table reconciles GAAP "Net loss attributable to common stockholders" to adjusted EBITDA:

($ amounts in millions)	Year Ended December 31, 2018
Net loss attributable to common stockholders	$ (324.4)
Add (subtract):	
Net income (loss) attributable to the non-controlling interests	4.5
Income tax expense	110.9
Interest expense, net	315.0
Depreciation expense	62.4
Amortization expense	219.2
EBITDA	387.6
Adjustments to reconcile to Adjusted EBITDA:	
Restructuring expense	12.9
Acquisition and integration costs	13.4
Nonrecourse factoring	8.1
Foreign exchange loss on foreign denominated external and internal long-term debt	(17.5)
Arysta separation	28.2
Impairment on sale of Arysta	450.0
Gain on sale of equity investment	(11.3)
Change in fair value of contingent consideration	(21.8)
Other, net	11.2
Impact of acquisitions	(6.1)
Adjusted EBITDA	$ 854.7

Adjusted Organic EBITDA Growth/Adjusted Organic EBITDA Compound Annual Growth Rate

We define adjusted organic EBITDA growth as adjusted EBITDA growth (as opposed to a dollar value) over a certain performance period, which growth excludes the impact of foreign currency translations, material acquisitions, divestitures, restructurings, refinancings, and other unusual items as deemed appropriate by the Compensation Committee. In February 2019, the Compensation Committee refined the definition of this performance metric underlying outstanding PRSUs to measure "adjusted organic EBITDA compound annual growth rate." Management believes this non-GAAP financial measure will provide a more complete understanding of the long-term profitability trends of the Company’s business, and facilitates comparisons of its profitability to prior and future periods.

Adjusted Earnings per Share (EPS)

Adjusted EPS is defined as net income (loss) attributable to common stockholders adjusted for the impact of additional items included in GAAP earnings which we believe are not representative or indicative of our ongoing business. Additionally, the Company eliminates the amortization associated with intangible assets recognized in purchase accounting for acquisitions and adjusts to an effective tax rate of 27%. The resulting adjusted net income available to stockholders is divided by the number of shares of outstanding common stock as of the period end plus the number of shares that would be issued upon conversion of all the Company’s convertible stock and vesting of all equity grants.

Organic Net Sales Growth

Organic net sales growth is defined as net sales excluding the impact of foreign currency translation, changes due to the pass-through pricing of certain metals and acquisitions and/or divestitures, as applicable, from the Company's continuing operations. Management believes this non-GAAP financial measure provides investors with a more complete understanding of the underlying net sales trends by providing comparable net sales over differing periods on a consistent basis.

The following table reconciles GAAP net sales growth to organic net sales growth:

	% change					
	Reported Net Sales Growth	Impact of Currency	Constant Currency	Pass-Through Metals Pricing	Acquisitions/Dispositions	Organic Net Sales Growth
Electronics	3.1%	(1.2)%	1.9%	0.3%	(0.5)%	1.7%
Industrial & Specialty	6.3%	(1.0)%	5.3%	—%	—%	5.3%
Total	4.4%	(1.1)%	3.3%	0.2%	(0.3)%	3.2%

Electronics' and consolidated results were positively impacted by $5.7 million of acquisitions and negatively impacted by $3.4 million of pass-through metals pricing.

Unlevered Free Cash Flow

Free cash flow is net cash flows used in operating activities from the Company's continuing operations ($0.8 million in 2018) less net capital expenditures ($24.2 million in 2018). Net capital expenditures include capital expenditures from continuing operations ($28.4 million in 2018) less proceeds from disposal of property, plant and equipment ($4.2 million in 2018). Unlevered free cash flow from continuing operations excludes interest expense payments ($293.4 million in 2018). Management uses unlevered free cash flow to assess both business performance and overall liquidity and believes this non-GAAP financial measure provides a helpful perspective on the operating cash flow of the Company's continuing operations.