

PINNACLE FINANCIAL PARTNERS INC
Form 10-Q
August 07, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2006

Commission File Number: 000-31225

, Inc.
(Exact Name of Registrant as Specified in
Its Charter)

Tennessee
(State or other jurisdiction of
incorporation or organization)

62-1812853
(I.R.S. Employer
Identification No.)

211 Commerce Street, Suite 300, Nashville,
Tennessee
(Address of principal executive offices)

37201
(Zip Code)

(615) 744-3700
(Registrant's telephone number, including
area code)

Not Applicable
(Former name, former address and former fiscal year if changes
since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x

No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer o

Accelerated Filer x

Non-accelerated Filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o

No x

As of July 26, 2006 there were 15,370,916 shares of common stock, \$1.00 par value per share, issued and outstanding.

Pinnacle Financial Partners, Inc.
Report on Form 10-Q
June 30, 2006

TABLE OF CONTENTS

	Page No.
PART I:	
Item 1. Consolidated Financial Statements (Unaudited)	2
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	22
Item 3. Quantitative and Qualitative Disclosures about Market Risk	44
Item 4. Controls and Procedures	44
 PART II:	
Item 1. Legal Proceedings	45
Item 1A. Risk Factors	45
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	45
Item 3. Defaults Upon Senior Securities	45
Item 4. Submission of Matters to a Vote of Security Holders	45
Item 5. Other Information	46
Item 6. Exhibits	46
Signatures	47

FORWARD-LOOKING STATEMENTS

Pinnacle Financial Partners, Inc. (“Pinnacle Financial”) may from time to time make written or oral statements, including statements contained in this report which may constitute forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 (the “Exchange Act”). The words “expect”, “anticipate”, “intend”, “consider”, “plan”, “believe”, “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. Such forward-looking statements 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. Such factors are described below and in Pinnacle Financial’s Form 10-K and include, without limitation, (i) unanticipated deterioration in the financial condition of borrowers resulting in significant increases in loan losses and provisions for those losses, (ii) increased competition with other financial institutions, (iii) lack of sustained growth in the economy in the Nashville, Tennessee area, (iv) rapid fluctuations or unanticipated changes in interest rates, (v) the inability of our

bank subsidiary, Pinnacle National Bank, to satisfy regulatory requirements for its expansion plans, (vi) the ability to successfully integrate Pinnacle Financial's operations with the former Cavalry Bancorp, Inc., (vii) the ability of Pinnacle Financial to grow its loan portfolio at historic rates and (viii) changes in the legislative and regulatory environment, including compliance with the various provisions of the Sarbanes-Oxley Act of 2002. Many of such factors are beyond Pinnacle Financial's ability to control or predict, and readers 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.

Page 1

Item 1. Part I. FINANCIAL INFORMATION

PINNACLE FINANCIAL PARTNERS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2006	December 31, 2005
ASSETS		
Cash and noninterest-bearing due from banks	\$ 44,710,092	\$ 25,935,948
Interest-bearing due from banks	1,159,620	839,960
Federal funds sold	66,996,985	31,878,362
Cash and cash equivalents	112,866,697	58,654,270
Securities available-for-sale, at fair value	278,348,412	251,749,094
Securities held-to-maturity (fair value of \$26,068,344 and \$26,546,297 at June 30, 2006 and December 31, 2005, respectively)	27,294,377	27,331,251
Mortgage loans held-for-sale	8,057,161	4,874,323
Loans	1,358,273,353	648,024,032
Less allowance for loan losses	(14,686,365)	(7,857,774)
Loans, net	1,343,586,988	640,166,258
Premises and equipment, net	35,905,221	12,915,595
Investments in unconsolidated subsidiaries and other entities	10,576,326	6,622,645
Accrued interest receivable	9,771,278	4,870,197
Goodwill	115,835,254	-
Core deposit intangible	12,454,958	-
Other assets	30,928,119	9,588,097
Total assets	\$ 1,985,624,791	\$ 1,016,771,730
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing demand	\$ 312,708,770	\$ 155,811,214
Interest-bearing demand	186,749,623	72,520,757
Savings and money market accounts	456,054,946	304,161,625
Time	604,371,835	277,657,129
Total deposits	1,559,885,174	810,150,725
Securities sold under agreements to repurchase	104,379,910	65,834,232
Federal Home Loan Bank advances	33,748,516	41,500,000
Subordinated debt	30,929,000	30,929,000
Accrued interest payable	3,842,153	1,884,596
Other liabilities	14,101,519	3,036,752
Total liabilities	1,746,886,272	953,335,305
Stockholders' equity:		
Preferred stock, no par value; 10,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock, par value \$1.00; 90,000,000 shares authorized; 15,370,916 issued and outstanding at June 30, 2006 and 8,426,551	15,370,916	8,426,551

Edgar Filing: PINNACLE FINANCIAL PARTNERS INC - Form 10-Q

issued and outstanding at December 31, 2005		
Additional paid-in capital	210,106,788	44,890,912
Unearned compensation	-	(169,689)
Retained earnings	20,108,848	13,182,291
Accumulated other comprehensive loss, net	(6,848,033)	(2,893,640)
Stockholders' equity	238,738,519	63,436,425
Total liabilities and stockholders' equity	\$ 1,985,624,791	\$ 1,016,771,730

See accompanying notes to consolidated financial statements.

Page 2

PINNACLE FINANCIAL PARTNERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Interest income:				
Loans, including fees	\$ 24,245,895	\$ 8,002,502	\$ 37,424,725	\$ 14,956,867
Securities:				
Taxable	3,148,459	2,134,735	6,009,577	4,156,518
Tax-exempt	494,849	238,914		