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FIRST TENNESSEE NATIONAL CORP
Form DEF 14A
March 18, 2002

SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934

Filed by the registrant [X]

Filed by a party other than the registrant []

Check the appropriate box:

- [] Preliminary Proxy Statement
- [] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- [X] Definitive Proxy Statement
- [] Definitive Additional Materials
- [] Soliciting Material Pursuant to ss.240.14a-11(c) or ss.240.14a-12

FIRST TENNESSEE NATIONAL CORPORATION

(Name of Registrant as Specified in Its Charter)

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

Payment of filing fee (Check the appropriate box):

[X] No fee required.

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

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2001 ANNUAL FINANCIAL DISCLOSURES & 2002 PROXY STATEMENT

[LOGO] (sm)

FIRST TENNESSEE

ALL THINGS FINANCIAL(R)

[outside front and back covers]

[LOGO] (sm) FIRST TENNESSEE

All Things Financial(R)

".....a testament to our
employees' ingenuity,
tenacity, flexibility
and willingness to
work together."

[Logo] (sm) FIRST TENNESSEE

All Things Financial(R)

March 15, 2002

Dear Shareholders:

You are cordially invited to attend First Tennessee National Corporation's 2002 annual meeting of shareholders. We will hold the meeting on April 16, 2002, in the Auditorium, First Tennessee Building, 165 Madison Avenue, Memphis, Tennessee, at 10:00 a.m. We have attached the formal notice of the annual meeting, our 2002 proxy statement, and a form of proxy.

At the meeting, we will ask you to elect three Class III directors and one Class II director, approve the 2002 Management Incentive Plan, and ratify the appointment of Arthur Andersen LLP as our independent auditors for 2002. The attached proxy statement contains information about these matters.

An appendix to this proxy statement contains detailed financial information relating to our activities and operating performance during 2001. We have also enclosed a 2001 Summary Report for those of you that did not receive this document previously.

Our registered shareholders that have access to the Internet have the opportunity to receive proxy statements electronically. If you have not already done so for this year, we encourage you to elect this method of receiving the proxy statement next year. Not only will you have access to the document as soon as it is available, but you will be helping our company to save expense dollars. If you vote electronically, you will have the opportunity to give your consent at the conclusion of the voting process.

Your vote is important. You may vote by telephone or over the Internet or by mail, or if you attend the meeting and want to vote your shares, then

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prior to the balloting you should request that your form of proxy be withheld from voting. We request that you vote by telephone or over the Internet or return your proxy card in the postage-paid envelope as soon as possible.

Sincerely yours,

/s/ Ralph Horn

Ralph Horn
Chairman of the Board
and Chief Executive Officer

FIRST TENNESSEE NATIONAL CORPORATION

165 Madison Avenue
Memphis, Tennessee 38103

NOTICE OF ANNUAL SHAREHOLDERS' MEETING
April 16, 2002

The annual meeting of shareholders of First Tennessee National Corporation will be held on April 16, 2002, at 10:00 a.m., CDT, in the Auditorium, First Tennessee Building, 165 Madison Avenue, Memphis, Tennessee.

The items of business are:

1. Election of three Class III directors to serve until the 2005 annual meeting of shareholders and one Class II director to serve until the 2004 annual meeting of shareholders, or until their successors are duly elected and qualified.
2. Approval of the 2002 Management Incentive Plan.
3. Ratification of the appointment of auditors.

These items are described more fully in the following pages, which are made a part of this notice. The close of business February 22, 2002, is the record date for the meeting. All shareholders of record at that time are entitled to vote at the meeting.

Management requests that you vote by telephone or over the Internet (following the instructions on the enclosed form of proxy) or that you sign and return the form of proxy promptly, so that if you are unable to attend the meeting your shares can nevertheless be voted. You may revoke a proxy at any time before it is exercised at the annual meeting in the manner described on page 1 of the proxy statement.

/s/ Lenore S. Creson

Lenore S. Creson
Corporate Secretary
Memphis, Tennessee
March 15, 2002

IMPORTANT NOTICE

PLEASE (1) VOTE BY TELEPHONE OR (2) VOTE OVER THE INTERNET OR (3)

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MARK, DATE, SIGN AND PROMPTLY MAIL THE ENCLOSED FORM OF PROXY IN THE ENCLOSED ENVELOPE SO THAT YOUR SHARES WILL BE REPRESENTED AT THE MEETING.

PROXY STATEMENT
FIRST TENNESSEE NATIONAL CORPORATION

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PROXY STATEMENT
FIRST TENNESSEE NATIONAL CORPORATION
165 Madison Avenue
Memphis, Tennessee 38103

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GENERAL MATTERS

The following proxy statement is being mailed to shareholders beginning on or about March 15, 2002. The Board of Directors is soliciting proxies to be used at our annual meeting of the shareholders to be held on April 16, 2002, at 10:00 a.m., CDT, in the Auditorium, First Tennessee Building, 165 Madison Avenue, Memphis, Tennessee, and at any adjournment or adjournments thereof.

The accompanying form of proxy is for use at the meeting if you will be unable to attend in person. You may revoke your proxy at any time before it is exercised by writing to the Corporate Secretary, by timely delivering a properly executed, later-dated proxy (including a telephone or Internet vote) or by voting by ballot at the meeting. All shares represented by valid proxies received pursuant to this solicitation, and not revoked before they are exercised, will be voted in the manner specified therein. If no specification is made, the proxies will be voted IN FAVOR OF ALL ITEMS below:

1. Election of three Class III directors to serve until the 2005 annual meeting of shareholders and one Class II director to serve until the 2004 annual meeting of shareholders, or until their successors are duly elected and qualified.
2. Approval of the 2002 Management Incentive Plan.
3. Ratification of the appointment of auditors.

We will bear the entire cost of soliciting the proxies. In following up the original solicitation of the proxies by mail, we may request brokers and others to send proxies and proxy material to the beneficial owners of the shares and may reimburse them for their expenses in so doing. If necessary, we may also use several of our regular employees to solicit proxies from the shareholders, either personally or by telephone or by special letter, for which they will receive no compensation in addition to their normal compensation.

Our common stock is the only class of voting securities. There were 125,853,984 shares of common stock outstanding and entitled to vote as of February 22, 2002, the record date for the annual shareholders' meeting. Each share is entitled to one vote. A quorum of the shares must be represented at the meeting to take action on any matter at the meeting. A majority of the votes entitled to be cast constitutes a quorum for purposes of the annual meeting. A plurality of the votes cast is required to elect the nominees as directors. A majority of the votes cast is required to approve the Management Incentive Plan and ratify the appointment of auditors. Both "abstentions" and broker "non-votes" will be considered present for quorum purposes, but will not otherwise have any effect on any of the vote items.

STOCK OWNERSHIP INFORMATION AND TABLE

We know of no person who owned beneficially, as that term is defined by Rule 13d-3 of the Securities Exchange Act of 1934, more than five percent (5%) of our common stock on December 31, 2001.

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The following table sets forth certain information as of December 31, 2001, concerning beneficial ownership of our common stock by each director and nominee, each executive officer named in the Summary Compensation Table, and directors and executive officers as a group:

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Name of Beneficial Owner	Shares Beneficially Owned(1)	Stock Units in Deferral Accounts(2)	Total and Perc of Class (3)
Robert C. Blattberg	29,978 (4)	--	29,978
Charles G. Burkett	59,054 (5)	--	59,054
Carlos H. Cantu	43,082 (4)	--	43,082
George E. Cates	59,712 (4)	--	59,712
J. Kenneth Glass	485,765 (5)	69,577	555,342
James A. Haslam, III	52,438 (4)	--	52,438
Ralph Horn	1,159,423 (5)	268,276	1,427,699 (1.
John C. Kelley, Jr	378,117 (5)	77,501	455,618
R. Brad Martin	71,294 (4)	--	71,294
Joseph Orgill, III	255,769 (4)	--	255,769
Vicki R. Palmer	66,815 (4)	--	66,815
Michael D. Rose	85,203 (4)	--	85,203
William B. Sansom	90,229 (4)	--	90,229
Elbert L. Thomas, Jr	304,241 (5)	29,886	334,127
Luke Yancy, Iii	7,559 (4)	--	7,559
Directors and Executive Officers as a Group (21 Persons)	3,973,168 (5)	521,807	4,494,975 (3.

(1) The respective directors and officers have sole voting and investment powers with respect to all of such shares except as specified in notes (4) and (5). Amounts in the second column do not include stock units in the third column.

(2) Our stock option program permits participants to defer receipt of shares upon the exercise of options and our restricted stock incentive plan permits participants to defer receipt of shares prior to the lapsing of restrictions imposed on restricted stock awards. Amounts in the third column reflect the number of shares deferred that a participant has the right to receive on a future date. These shares are not currently issued and are not considered to be beneficially owned for purposes of Rule 13d-3, but are reflected in a deferral account on our books as phantom stock units or restricted stock units.

(3) No individual director or executive officer, except for Mr. Horn, beneficially owns more than one (1%) percent of our common stock that is outstanding. Mr. Horn beneficially owns 1.1% including stock units (or 0.9% excluding stock units). The percentage of common stock outstanding owned by the director and executive officer group (3.5%) includes stock units. The percentage would be 3.1% with stock units excluded.

(4) Includes the following shares of restricted stock with respect to which the nonemployee director possesses sole voting power, but no investment power: Dr. Blattberg - 600; Mr. Cantu - 3,000; Mr. Cates - 3,000; Mr. Haslam - 3,000; Mr. Martin - 1,800; Mr. Orgill - 600; Mrs. Palmer - 1,200; Mr. Rose - 600; Mr. Sansom - 600; and Mr. Yancy - 6,000. Includes the following shares as to which the named nonemployee directors have the right to acquire beneficial ownership through the exercise of stock options granted under our director plans, all of which are 100% vested: Dr. Blattberg - 23,618; Mr. Cantu - 37,020; Mr. Cates - 45,650; Mr. Haslam - 36,376; Mr. Martin - 32,177; Mr. Orgill - 65,839; Mrs. Palmer - 60,707; Mr. Rose - 56,043; Mr. Sansom - 75,905; and Mr. Yancy - 0.

(5) Includes the following shares of restricted stock with respect to which the named person or group has sole voting power but no investment power: Mr. Burkett - 10,000; Mr. Glass - 19,290; Mr. Horn - 29,901; Mr. Kelley -

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29,479; Mr. Thomas - 10,611; and the director and executive officer group - 165,667. Includes the following shares as to which the named person or group has the right to acquire beneficial ownership within 60 days through the exercise of stock options granted under our stock option plans: Mr. Burkett - 11,828; Mr. Glass - 284,599; Mr. Horn - 627,161; Mr. Kelley - 229,467; Mr. Thomas - 248,718; and the director and executive officer group - 2,243,028. Also includes shares held at December 31, 2001 for 401(k) Savings Plan accounts.

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VOTE ITEM NO. 1 - ELECTION OF DIRECTORS

The Board of Directors is divided into three Classes. The term of office of each Class expires in successive years. The term of Class III directors expires at this annual meeting. The terms of Class I and Class II directors expire at the 2003 and 2004 annual meetings, respectively. The Board of Directors proposes the election of three Class III directors and one Class II director. The Class II director was elected by the Board of Directors in October 2001, and pursuant to the requirements of state law, he has been nominated for election by the shareholders at the annual meeting. Each director elected at the meeting will hold office until the specified annual meeting of shareholders and until his or her successor is elected and qualified.

If any nominee proposed by the Board of Directors is unable to accept election, which the Board of Directors has no reason to anticipate, the persons named in the enclosed form of proxy will vote for the election of such other persons as management may recommend, unless the Board decides to reduce the number of directors pursuant to the Bylaws.

We have provided below certain information about the nominees and directors (including age, current principal occupation which has continued for at least five years unless otherwise indicated, name and principal business of the organization in which his or her occupation is carried on, directorships in other reporting companies, and year first elected to our Board). All of our directors are also directors of First Tennessee Bank National Association (the "Bank" or "FTB"). The Bank is our principal operating subsidiary.

NOMINEES FOR DIRECTOR Class III

For a Three-Year Term Expiring at 2005 Annual Meeting

GEORGE E. CATES (64) is Chairman of the Board of Mid-America Apartment Communities, Inc., ("Mid-America") Memphis, Tennessee, a real estate investment trust. Prior to October 2001, he was also Chief Executive Officer of Mid-America. Mr. Cates is a director of two other public companies, Mid-America and SCB Computer Technology, Inc. Mr. Cates has been a director of the Corporation since 1996.

JAMES A. HASLAM, III (47) is President of Pilot Travel Centers, LLC, Knoxville, Tennessee, a national retail operator of convenience stores and travel centers, and he remains CEO of Pilot Corporation. Mr. Haslam is a director of one other public company, Ruby Tuesday, Inc. Mr. Haslam has been a director since 1996 and is a member of the Human Resources Committee.

RALPH HORN (60) is Chairman of the Board and Chief Executive Officer of First Tennessee and the Bank. Mr. Horn has served as Chief Executive Officer since 1994 and Chairman of the Board since 1996. From 1991 through July 2001, he also served as President of First Tennessee. Mr. Horn is a director of three other public companies, Harrah's Entertainment, Inc., Mid-America Apartment

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Communities, Inc. and Gaylord Entertainment Company. Mr. Horn has been a director since 1991.

Class II

For a Two-Year Term Expiring at 2004 Annual Meeting

LUKE YANCY, III (52) is President and Chief Executive Officer of Mid-South Minority Business Council, Memphis, Tennessee, a nonprofit organization that promotes minority and women business enterprises. Prior to June 2000, Mr. Yancy was President, West Region, of AmSouth Bank and, prior to its acquisition by AmSouth in 1999, First American Bank. Mr. Yancy has been a director since October 2001 and is a member of the Audit Committee.

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CONTINUING DIRECTORS

Class I

Term Expiring at 2003 Annual Meeting

R. BRAD MARTIN (50) is Chairman of the Board and Chief Executive Officer of Saks Incorporated, Birmingham, Alabama, a retail merchandising company. Mr. Martin is a director of two other public companies, Saks Incorporated and Harrah's Entertainment, Inc. He has been a director since 1994 and is Chairman of the Human Resources Committee.

JOSEPH ORGILL, III (64) is Chairman of the Board of Orgill, Inc., Memphis, Tennessee, wholesale hardware distributors. Prior to January 1996, Orgill, Inc., was a subsidiary of Rock Island Corporation, Memphis, Tennessee, of which Mr. Orgill remains Chairman of the Board. Mr. Orgill has been a director since 1969 and is a member of the Audit Committee.

VICKI R. PALMER (48) is Corporate Senior Vice President, Treasurer, and Special Assistant to the CEO of Coca-Cola Enterprises Inc., Atlanta, Georgia, a bottler of soft drink products. Prior to December 1999, Mrs. Palmer was Corporate Vice President and Treasurer of Coca-Cola Enterprises, Inc. Mrs. Palmer has been a director since 1993 and is a member of the Human Resources Committee.

WILLIAM B. SANSOM (60) is Chairman of the Board and Chief Executive Officer of The H. T. Hackney Co., Knoxville, Tennessee, a diversified wholesale distribution firm serving the food, gas, oil and industrial markets in the Southeast. He is a director of two other public companies, Martin Marietta Materials, Inc. and Astec Industries, Inc. Mr. Sansom has been a director since 1984 and is Chairman of the Audit Committee.

Class II

Term Expiring at 2004 Annual Meeting

ROBERT C. BLATTBERG (59) is the Polk Brothers Distinguished Professor of Retailing, J. L. Kellogg Graduate School of Management, Northwestern University, Evanston, Illinois. Dr. Blattberg has been a director since 1984.

J. KENNETH GLASS (55) is President and Chief Operating Officer of First Tennessee and the Bank. From April 1999 through July 2001, he was President-Retail Financial Services of the Bank and from April 2000 through July 2001, President - Retail Financial Services of First Tennessee. Prior to April 1999, he was President-Tennessee Banking Group of the Bank and prior to April 2000, he was Executive Vice President of First Tennessee. Mr. Glass has been a director since 1996.

MICHAEL D. ROSE (60) is Chairman of Gaylord Entertainment Company, Nashville,

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Tennessee, a diversified hospitality and entertainment company. From December 1997 through April 2001, Mr. Rose was a private investor. Prior to December 1997, he was Chairman of the Board of Promus Hotel Corporation. Mr. Rose is director of four other public companies, Gaylord Entertainment Company, Darden Restaurants, Inc., FelCor Lodging Trust, Inc., and Stein Mart, Inc. Mr. Rose has been a director since 1984.

The Board of Directors and its Committees

During 2001, the Board of Directors held four meetings. The average attendance at Board and committee meetings exceeded 97 percent. No director attended fewer than 75 percent of the meetings of the Board and the committees of the Board on which he or she served.

The Board has several standing committees, including the Audit Committee and the Human Resources Committee. The Human Resources Committee serves as both a nominating committee and a compensation committee. The Audit Committee and the Human Resources Committee are each composed of directors who are not First Tennessee employees. Currently, Messrs. Cantu (who is scheduled to retire in April 2002), Orgill, Sansom, and Yancy serve on the Audit Committee and Messrs. Martin and Haslam and Mrs. Palmer serve on the Human Resources Committee.

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The Audit Committee was established by our Board of Directors and operates pursuant to a written charter that was last amended and restated on July 17, 2001. A copy of the Committee charter is attached to this proxy statement as Appendix A. Subject to the limitations and provisions of its charter, the Committee assists our Board in its oversight of our accounting and financial reporting principles and policies, internal audit controls and procedures, and financial statements and the independent audit of the financial statements. The Committee provides advice to the Board concerning the selection and replacement of the independent auditor and evaluates the independent auditor and its independence. The members of the Committee are themselves "independent," as that term is defined in the listing standards of the New York Stock Exchange, on which our common stock is listed. During 2001 the Audit Committee held five meetings. The Audit Committee's Report is included below.

As a nominating committee, the Human Resources Committee primarily considers recommendations for nominees to the Board of Directors, reviews the performance of incumbent directors and senior officers in determining whether to recommend them to the Board of Directors for reappointment, reviews succession plans, and between annual meetings of the Board has authority to appoint persons to offices except the offices of Chairman, CEO, President, Auditor and any office in which the incumbent has been designated by the Board as an Executive Officer. As a compensation committee, the Human Resources Committee's primary functions include recommending to the Board major policies concerning compensation, periodically reviewing corporate compensation and management of human resources, fixing the compensation of executive officers, reviewing remuneration structures for non-executive officers, and making recommendations to the Board concerning compensation arrangements for directors and adoption or amendment of employee benefit and management compensation plans. During 2001 the Human Resources Committee held five meetings.

It is our practice to encourage communication between management and shareholders. Management in turn communicates appropriate information to the Board. The Human Resources Committee, as a committee of the Board, follows this procedure in considering nominations for directorships and does not receive nominations directly from shareholders.

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Notwithstanding anything to the contrary set forth in any of our previous filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that might incorporate future filings by reference, including this proxy statement, in whole or in part, the following Audit Committee Report, the Audit Committee Charter attached as Appendix A and the statements regarding the independence of the members of the Committee shall not be incorporated by reference into any such filings.

Audit Committee Report

The role of the Audit Committee (Committee) is to assist our Board of Directors in its oversight of our financial reporting process. The Committee operates pursuant to a charter that was last amended and restated by the Board on July 17, 2001, a copy of which is attached hereto as Appendix A. As set forth in the Committee's charter, management of First Tennessee is responsible for the preparation, presentation and integrity of our financial statements, and maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. The independent auditors are responsible for auditing our financial statements and expressing an opinion as to their conformity with generally accepted accounting principles.

In the performance of its oversight function, the Committee has considered and discussed the audited financial statements with management and the independent auditors. The Committee has also discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, *Communication with Audit Committees*, as currently in effect. Finally, the Committee has received the written disclosures and the letter from the independent auditors required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, as currently in effect, has considered whether the provision of non-audit services by the independent auditors to First Tennessee is compatible with maintaining the auditors' independence and has discussed with the auditors the auditors' independence.

The members of the Committee are not professionally engaged in the practice of auditing or accounting and are not experts in the fields of accounting or auditing, including in respect of auditor independence. Members of the

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Committee rely without independent verification on the information provided to them and on the representations made by management and the independent auditors. Accordingly, the Committee's oversight does not provide an independent basis to determine that management has maintained appropriate accounting and financial reporting principles or appropriate internal controls and procedures designed to assure compliance with the accounting standards and applicable laws and regulations. Furthermore, the Committee's considerations and discussions referred to above do not assure that the audit of our financial statements has been carried out in accordance with generally accepted auditing standards, that the financial statements are presented in accordance with generally accepted accounting principles or that our auditors are in fact "independent."

Based upon the reports and discussions described in this report, and subject to the limitations on the role and responsibilities of the Committee referred to above and in the Committee's charter, the Committee recommended to the Board of Directors that the audited financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2001, to be filed with the Securities and Exchange Commission.

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Submitted by the Audit Committee of our Board of Directors.

Audit Committee

William B. Sansom, Chairman
Carlos H. Cantu
Joseph Orgill, III
Luke Yancy, III

VOTE ITEM NO. 2 - APPROVAL OF 2002 MANAGEMENT INCENTIVE PLAN

Our shareholders approved the original Management Incentive Plan (the "old MIP") approximately thirty years ago to promote the interest of the shareholders by providing an incentive to key officers and employees of First Tennessee who contribute the most to our growth and profitability. Last year, we retained a nationally recognized benefits and compensation consulting firm to conduct a review of our existing compensation programs for executive officers and to make appropriate recommendations. As a result of this review and the recommendations received, the Human Resources Committee and the Board have adopted the 2002 Management Incentive Plan (the "Plan"), subject to approval by the shareholders at the annual meeting. The purpose of the Plan is to provide a financial incentive for key executives to encourage and reward performance that furthers our growth, development and financial success and to enhance our ability to attract and retain key personnel. In addition, because the Board intends that incentive awards under the Plan qualify as tax-deductible "performance-based compensation" for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Tax Code"), the Plan is being submitted for shareholder approval. Section 162(m) of the Tax Code is explained below in the Board Compensation Committee Report. The following description of the Plan is qualified in its entirety by reference to the full text of the Plan, which is attached as Appendix B hereto.

Subject to the approval by the shareholders at the annual meeting, the Plan will become effective as of January 1, 2002, and will replace the old MIP. No new awards may be made under the Plan after December 31, 2012. The Plan will be administered by the Human Resources Committee of the Board, which is composed entirely of "non-employee directors" as defined for securities law purposes, who are also "outside directors" as defined for purposes of the Tax Code. The Committee will have full authority to interpret the Plan, adopt rules and regulations for administration of the Plan, subject to certain exceptions, select participants eligible to receive awards under the Plan and the Performance Measures to be used for purposes of setting Performance Goals under the Plan, establish Performance Goals and Target Awards (as those terms are defined below), and determine the extent to which First Tennessee and the participants have achieved the goals applicable to them.

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Senior officers of First Tennessee or any of its subsidiaries are eligible to be selected for participation in the Plan. Under the old MIP, 12 individuals were selected for participation in the old MIP for calendar year 2001, and 10 individuals have been selected for participation in the Plan for calendar year 2002, including 9 of our 10 executive officers and all of the individuals (except Mr. Kelley) named in the Summary Compensation Table.

Awards will be paid to the participants in cash and/or shares of our common stock in such proportions as the Committee establishes. The maximum number of shares of our common stock that may be awarded under the Plan is

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200,000 shares, subject to adjustment to prevent dilution in the event of certain changes in capitalization. Common stock, if awarded, will be provided from shares purchased in the open market or privately or by the issuance of authorized but unissued shares and will be issued at 100% of fair market value as of the date of issuance of the award. In addition, if any participant is, or the Committee reasonably expects such a person to be, a "Covered Employee" for purposes of Section 162(m) of the Tax Code, then the maximum number of our shares that may be paid to the participant for any calendar year is 100,000 shares, and the maximum amount of any cash award that may be paid to the participant for any calendar year is \$4,000,000.

For each calendar year the Committee will designate Performance Measures for use in determining awards. The term "Performance Measures" means one or more, or any combination, of the following First Tennessee, subsidiary, operating unit, division, line of business, department, team or business unit financial performance measures: stock price, dividends, total shareholder return, earnings per share, market capitalization, book value, revenues, expenses, loans, deposits, noninterest income, net interest income, fee income, operating income before or after taxes, net income before or after taxes, net income before securities transactions, net or operating income excluding non-recurring charges, return on assets, return on equity, return on capital, cash flow, credit quality, service quality, market share, customer retention, efficiency ratio, strategic business objectives, consisting of one or more objectives based on meeting specified cost targets, business expansion goals, and goals relating to acquisitions or divestitures; and except in the case of a Covered Employee, any other performance criteria established by the Committee. Then, for each of the Performance Measures selected for the calendar year, the Committee will establish specific performance goals or targets (the "Performance Goals") against which actual performance is to be measured. Also, the Committee will designate for each participant the Target Award for the calendar year. The term "Target Award" means the award that the participant would receive for achievement of 100% of the Performance Goal for the calendar year, expressed as a percentage of a participant's compensation. If a minimum threshold level of performance is not achieved, no award will be paid. The maximum award that may be paid for superior performance shall not exceed the lesser of 2 1/2 times the Target Award or \$4,000,000 for any calendar year. The Committee retains the power to reduce or eliminate awards under the Plan and to determine whether an award will be paid under one or more of the Performance Measures, but the Committee has no power to increase an award that has been calculated pursuant to the provisions of the Plan.

In the event of a Change-in-Control, as the term is defined in the "Employment Contracts and Termination of Employment and Change-in-Control Arrangements" section below, during a calendar year, the participant will be paid the Target Award (or a different amount provided for by an agreement under the Plan) for the calendar year unless a separate agreement between us and the participant already provides for the payment of a bonus. If the Change in Control occurs after the end of the calendar year, the participant will be paid the full amount of any award earned under the Plan for the calendar year.

The Board of Directors retains the power to terminate, suspend, amend or modify the Plan at any time, in whole or in part, subject to any shareholder approval required under Section 162(m) of the Tax Code. No such amendment, modification, suspension or termination will adversely affect the rights of any participant under any award previously earned but not yet paid without the consent of the participant. In addition, the Committee retains the discretion to pay out awards in the event of a termination of the Plan, in whole or in part; provided, however, payments to a participant who is a Covered Employee must be discounted to reflect the present value of the payment using the discount rate in effect at the time under our pension plan.

Under the old MIP (the current plan for executives), a different method

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for computing bonus amounts was provided. The old MIP's performance measures were designated as Corporate Financial Criteria and consisted of the following financial measures: book value, earnings per share, market capitalization, net income, price-earnings ratio, return on assets, return on equity, and return on revenue. Under the old MIP, the Chief Executive Officer and the Chief Operating Officer/President awards were calculated by multiplying (i) the participant's salary for the

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calendar year times (ii) a percentage specified by the Committee times (iii) the percentage achievement by First Tennessee of the Performance Goals. For all other participants, if the Committee so specified, the calculation of the award involved multiplying the amount described in the prior sentence by the percentage achievement by the participant of the participant's personal plan goals. The old MIP provided for a maximum of 150,000 shares of our common stock for awards under that plan, and the maximum award that could be paid to a Covered Employee for any calendar year could not exceed \$1,500,000.

It is not possible to determine the awards that will be received under the Plan for 2002. The awards that were received under the old MIP (the predecessor plan) for 2001 for the persons named in the Summary Compensation Table are disclosed in that table in this proxy statement under column (d) and the footnotes to that column. The amount that was received for 2001 by all executive officers of First Tennessee as a group and by all employees as a group (excluding executive officers) was \$3,550,114 and \$115,384, respectively. Nonemployee directors can not participate in the Plan or the old MIP.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR ITEM NO. 2. A vote for Item No. 2 will be deemed to include for purposes of Section 162(m) of the Tax Code approval by the shareholders of the material terms of the performance goals under which compensation is to be paid under the Plan, including the employees eligible for participation, the Performance Measures, the Performance Goals, the formula used to calculate the amount of the awards and the maximum award that can be paid to a participant under the Plan for a calendar year.

VOTE ITEM NO. 3 - RATIFICATION OF APPOINTMENT OF AUDITORS

The Board of Directors has appointed, based on the recommendation of the Audit Committee, the firm of Arthur Andersen LLP, independent accountants, to be our auditors for the year 2002. The Board is submitting to the shareholders as Vote Item No. 3 the ratification of Arthur Andersen's appointment as our auditors for the year 2002, and THE BOARD UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR ITEM NO. 3. Fees billed by Arthur Andersen LLP for the year 2001 are described below. The Audit Committee of our Board of Directors has considered whether the provision of services other than professional services rendered for the audit of our financial statements and the quarterly review of the financial statements included in our Form 10-Q's is compatible with maintaining Arthur Andersen LLP's independence. Representatives of Arthur Andersen LLP are expected to be present at the annual meeting of shareholders with the opportunity to make a statement and to respond to appropriate questions.

Audit Fees

The aggregate fees billed to us by Arthur Andersen LLP for professional services rendered for the audit of our financial statements for the year 2001 and for the reviews of the financial statements in our Form 10-Q's for the year 2001 were \$1,050,000.

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Financial Information Systems Design and Implementation Fees

No fees were billed to us by Arthur Andersen LLP for professional services for the year 2001 for designing or implementing hardware or software systems that aggregate source data underlying our financial statements or generate information that is significant to our financial statements taken as a whole.

All Other Fees

The aggregate fees billed to us by Arthur Andersen LLP for services rendered for the year 2001 and not included in the fees disclosed in either of the two preceding subsections were \$439,750. Substantially all of this amount (\$425,750) was provided in connection with audit-related services, primarily ERISA audits, audits for subsidiaries, compliance attestation, and acquisitions due diligence.

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OTHER MATTERS

The Board of Directors, at the time of the preparation and printing of this proxy statement, knew of no other business to be brought before the meeting other than the matters described in this proxy statement. If any other business properly comes before the meeting, the persons named in the enclosed proxy will have discretionary authority to vote all proxies in accordance with their best judgment.

SHAREHOLDER PROPOSAL DEADLINES

If you intend to present a shareholder proposal at the 2003 annual meeting, it must be received by the Corporate Secretary, First Tennessee National Corporation, P. O. Box 84, Memphis, Tennessee, 38101, not later than November 15, 2002, for inclusion in the proxy statement and form of proxy relating to that meeting.

In addition, Sections 2.8 and 3.6 of our Bylaws provide that a shareholder who wishes to nominate a person for election to the Board or submit a proposal at a shareholder meeting must comply with certain procedures whether or not the matter is included in our proxy statement. These procedures require written notification to us, generally not less than 90 nor more than 120 days prior to the date of the shareholder meeting. If, however, we give fewer than 100 days' notice or public disclosure of the shareholder meeting date to shareholders, then we must receive the shareholder notification not later than 10 days after the earlier of the date notice of the shareholder meeting was mailed or publicly disclosed. The shareholder must disclose certain information about the nominee or item proposed, the shareholder and any other shareholders known to support the nominee or proposal. Section 2.4 of our Bylaws provides that the date and time of the annual meeting will be the third Tuesday in April (or, if that day is a legal holiday, on the next succeeding business day that is not a legal holiday) at 10:00 a.m. Memphis time or such other date and/or such other time as our Board may fix by resolution. The meeting date for 2003, determined according to the Bylaws, is April 15, 2003. Thus, shareholder proposals submitted outside the process that permits them to be included in our proxy statement must be submitted to the Corporate Secretary between December 16, 2002, and January 15, 2003, or the proposals will be considered untimely. Untimely proposals may be excluded by the Chairman or our proxies may exercise their discretion and vote on these matters in a manner they determine to be

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appropriate.

EXECUTIVE COMPENSATION

The Summary Compensation Table provides information for the last three years about the Chief Executive Officer ("CEO") and our other four most highly compensated executive officers at year-end 2001. All of the named officers are officers of both First Tennessee and the Bank. The amounts include all compensation earned during each year, including amounts deferred (which are disclosed only in the notes to the table), by the named officers for all services rendered in all capacities to us and our subsidiaries. Information is provided for each entire year in which an individual served during any portion of the year as an executive officer. Additional information is provided in tabular form below about option grants and exercises in 2001, year-end option values, and pension benefits, along with a report of the Board's Human Resources Committee on executive compensation and certain other information concerning compensation of executive officers and directors.

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SUMMARY COMPENSATION TABLE

(a) Name And Principal Position	(b) Year	Annual Compensation			Awards	
		(c) Salary (\$)	(d) Bonus (\$)	(e) Other Annual Compensation (\$)(7)	(f) Restricted Stock Award(s) (\$)(1)	
Ralph Horn Chairman & CEO	2001	\$861,122	\$1,076,403	\$11,544	--	
	2000	814,346	--	11,554	--	
	1999	771,154	467,461(5)	11,554	1,162,551	
J. Kenneth Glass President & COO	2001	556,235(4)	454,676(4)	9,505	--	
	2000	475,385(4)	--	7,068	--	
	1999	455,212(4)	232,947(4)	7,068	749,995	
John C. Kelley, Jr Senior Exec. Vice President (3)	2001	501,945	501,945	--	--	
	2000	472,846	--	7,068	--	
	1999	446,923	234,351	7,068	674,996	
Elbert L. Thomas, Jr Exec. Vice Pres. & CFO	2001	317,098	267,098(6)	--	--	
	2000	288,962	--	--	--	
	1999	206,787(6)	--(6)	--	412,556	
Charles G. Burkett President - Retail Financial Svcs./ Memphis Fin.Svs.(3)	2001	246,923(8)	136,277(8)	6,376	--	

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- (1) Restricted stock awards are valued on the basis of the fair market value of a share of stock on the date of the award: \$38.88 (2-23-99). On 12-31-01, the named officers held the following shares of restricted stock (including RSU's described in the following sentence) with market values as indicated: Mr. Horn - 119,901 shares (\$4,333,822); Mr. Glass - 55,646 shares (\$2,011,325); Mr. Kelley - 41,598 shares (\$1,503,560); Mr. Thomas - 32,287 shares (\$1,167,014); and Mr. Burkett - 10,000 shares (\$361,450). The number of shares disclosed in the preceding sentence includes restricted stock units ("RSU's"), described in note (2) to the Stock Ownership Table, with respect to which restrictions had not lapsed at 12-31-01, as follows: Mr. Horn - 90,000 RSU's; Mr. Glass - 36,356 RSU's; Mr. Kelley - 12,119 RSU's; Mr. Thomas - 21,676 RSU's; and Mr. Burkett - 0 RSU's. Dividends are paid on restricted stock (and dividend equivalents are paid on RSU's) at the same rate as all other shares of our common stock. Dividend equivalents on RSU's accrue interest at a 10-year Treasury rate and are settled only in cash. Mr. Kelley was awarded 17,361 shares of restricted stock on 2-23-99, with 100% vesting on 2-23-09 and with accelerated vesting if performance criteria established by the Human Resources Committee are met. The Committee approved the vesting of these shares in January 2002 in connection with Mr. Kelley's retirement. See "Employment Contracts and Termination of Employment and Change-in-Control Arrangements" subsection below.
- (2) All amounts represent shares subject to option. No stock appreciation rights (SAR's) were awarded.
- (3) Mr. Kelley retired January 25, 2002. Mr. Burkett was designated by the Board as an Executive Officer on July 17, 2001. Thus, no compensation information is required to be provided for the 1999 and 2000 fiscal years.

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- (4) In 2000, 1999 and 1998 Mr. Glass elected to receive a deferred compensation stock option in lieu of \$50,000, \$50,000 and \$40,000 of his salary earned for the following year. The amounts in column (c) do not include these amounts, in lieu of which options for 3,482 shares, 3,546 shares, 4,441 shares, 7,022 shares, 5,140 shares and 3,172 shares (included in the amounts in column (g)) were granted on 1-2-02, 7-2-01, 1-02-01, 7-03-00, 1-3-00 and 7-1-99, respectively. In 2000 and 1998 Mr. Glass elected to receive a deferred compensation stock option in lieu of \$151,559 & \$50,000 of his annual bonus for the following year. The amount in column (d) for 1999 and 2001 does not include this amount, in lieu of which options for 21,565 shares and 18,519 shares (included in the amount in column (g)) were granted on 2-26-02 and 3-1-00, respectively.
- (5) In 1998 Mr. Horn elected to receive a deferred compensation stock option in lieu of \$100,000 of his annual bonus for the following year. The amount in column (d) for 1999 does not include this amount, in lieu of which an option for 37,037 shares (included in the amount in column (g)) was granted on 3-1-00.
- (6) In 1998 Mr. Thomas elected to receive a deferred compensation stock option in lieu of \$60,000 of his salary earned for the following year. The amount in column (c) does include this amount in lieu of which options for 7,711 shares and 4,758 shares (included in the amount in column (g)) were granted on 1-3-00 and 7-1-99, respectively. In 2000 and 1998 Mr. Thomas elected to receive a deferred compensation stock option in lieu of a portion of his annual bonus for the following year. The amount in column (d) for 2001 and 1999 does not include a bonus of \$50,000 and \$248,645, in lieu of which options for 7,112 shares and 92,091 shares (included in the amounts in column (g)) were granted on 2-26-02 and 3-1-00, respectively.

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- (7) The amounts in column (e) for all years represent automobile allowance tax gross-up payments.
- (8) In 2000 Mr. Burkett elected to receive a deferred compensation stock option in lieu of \$3,000 of his salary earned for the following year. The amount in column (c) does not include this amount, in lieu of which options for 209 shares and 213 shares (included in the amount in column (g)) were granted on 1-2-02 and 7-2-01, respectively. In 2000 Mr. Burkett elected to receive a deferred compensation stock option in lieu of \$105,993 of his annual bonus for the following year. The amount in column (d) for 2001 does not include this amount, in lieu of which an option for 15,080 shares was granted on 2-26-02.
- (9) Elements of "All Other Compensation" for 2001 consist of the following:

	Mr. Horn	Mr. Glass	Mr. Kelley	Mr. Thomas	Mr. Burkett
Above Mkt Rate	\$100,055	\$ 75,093	\$ 91,332	\$ --	\$ --
SurBen/SERP	256,660	89,423	108,089	24,277	12,192
Flex \$	5,720	5,720	5,720	5,720	5,720
401(k) Match	5,250	5,250	5,250	5,250	5,250
Auto Allowance	15,650	13,650	--	--	10,650
Total	\$383,335	\$189,136	\$210,391	\$35,247	\$33,812

"Above Mkt Rate" represents above-market interest accrued on deferred compensation.

"Sur Ben/SERP" represents insurance premiums with respect to our supplemental life insurance and excess pension plans. Under our Survivor Benefits Plan a benefit of 2 1/2 times final annual base salary is paid upon the participant's death prior to retirement (or 2 times final salary upon death after retirement).

"Flex \$" represents First Tennessee's contribution to the Flexible Benefits Plan, based on salary, service and corporate performance.

"401(k) Match" represents First Tennessee's 50% matching contribution to the 401(k) Savings Plan, which is based on the amount contributed by the participant to the FTNC stock fund, up to 6% of compensation.

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The following table provides information about stock options granted during 2001 to the officers named in the Summary Compensation Table. No stock appreciation rights (SAR's) were granted during 2001.

Option/SAR Grants in Last Fiscal Year Table

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Individual Grants

(a) Name	(b) Number of Securities Underlying Options/SAR's Granted(#) (1)	(c) % of Total Options/SARs Granted to Employees in Fiscal Year	(d) Exercise or Base Price (2) (\$ per share) (1)	(e) Expiration Date
Mr. Horn	56,977	1.08%	\$30.48	2-23-11
	19,439	.37	30.48	2-23-11
Mr. Glass	4,441 (2)	.08	22.53 (2)	1-2-21
	27,569	.52	30.48	2-23-11
	9,407	.18	30.48	2-23-11
	3,546 (2)	.07	28.19 (2)	7-2-21
Mr. Kelley	24,812	.47	30.48	2-23-11
	8,467	.16	30.48	2-23-11
Mr. Thomas	15,163	.29	30.48	2-23-11
	1,690 (3)	.03	36.61	4-21-04
	5,191 (3)	.10	36.61	4-18-06
	6,692 (3)	.13	36.61	7-1-16
Mr. Burkett	6,492	.12	30.48	2-23-11
	1,839 (2)	.03	24.38 (2)	2-23-21
	1,840	.03	30.48	2-23-11
	213 (2)	.00	28.19 (2)	7-2-21

(1) All options except those marked with footnote (2) or (3) were granted 2-23-01 and vest 50% after four years from the date of grant and 100% after five years, with accelerated vesting if certain performance criteria (our stock price equals or exceeds \$41.69 on 2-23-04 or on 5 consecutive days before 2-23-04) are met. No SAR's were granted. The exercise price per share equals the fair market value of one share of our common stock on the date of grant. Under the terms of all options, including those marked with footnote (2) and (3), participants are permitted to pay the exercise price of the options with our stock; participants are permitted to defer receipt of shares upon an exercise and thereby defer gain; options (except those marked with footnote (3)) exercised more than one year prior to the end of their term are eligible for a reload option grant when the exercise price is paid with our stock, with the reload option grant for the number of shares surrendered and having an exercise price equal to fair market value at the time of the first exercise and a term equal to the remainder of the first option's term; the option plan provides for tax withholding rights upon approval of the plan committee; and upon a Change-in-Control (as defined in the subsection entitled Employment Contracts and Termination of Employment and Change-in-Control Arrangements"), all options vest.

(2) Options indicated by footnote (2) that were granted during 2001 were granted in lieu of compensation earned during 2000 and 2001. Mr. Glass was granted options for 4,441 shares on 1-2-01 in lieu of \$25,000 of his 2000 salary and 3,546 shares on 7-2-01 in lieu of \$25,000 of his 2001 salary. Mr. Burkett was granted an option for 213 shares on 7-2-01 in lieu of \$1,500 of his 2001 salary and 1,839 shares on 2-23-01 in lieu of \$11,219 of his bonus for 2000. The exercise price per share equals 80% of the fair market value ("FMV") of one share of our common stock on the grant date. The options vest 100% six months after the grant date. No SAR's were granted. FMV on grant dates were

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\$28.16, \$30.48, and \$35.24 on 1-2-01, 2-23-01 and 7-2-01, respectively.

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- (3) Options indicated by footnote (3) were reload options, as described in footnote (1). Mr. Thomas was granted options for 1,690 shares, 5,191 shares and 6,692 shares on 12-19-01. FMV on the grant date was \$36.61.
- (4) A variation of the Black-Scholes option-pricing model has been used. The following assumptions were made for purposes of calculating the Grant Date Value of the options granted 1-2-01 (options in lieu of compensation), 2-23-01, 7-2-01 (options in lieu of compensation), and three reloads dated 12-19-01, respectively: an exercise price of \$22.53, \$30.48, \$28.19, \$36.61, \$36.61, and \$36.61; an option term of 20 years, 10 years, 20 years, 2 1/3 years, 4 1/3 years, and 14 1/2 years; an interest rate of 5.16%, 5.10%, 5.24%, 3.28%, 4.13%, and 5.09%; volatility of 42.79%, 43.19%, 43.21%, 40.95%, 40.95%, and 40.95%; a dividend yield of 3.13%, 2.89%, 2.50%, 2.73%, 2.73%, and 2.73%; a reduction of 2%, 24.18%, 2%, 0%, 0%, and 0% to reflect the probability of forfeiture due to termination prior to vesting; and reduction of 6.47%, 9.65%, 8.81%, 2.17%, 5.58%, and 13.89% to reflect the probability of a shortened option term due to termination prior to the option expiration date. The actual value, if any, realized by a participant upon the exercise of an option may differ and will depend on the future market value of our common stock.

The following table provides information about stock options and SAR's held at December 31, 2001, and exercises during 2001 by the officers named in the Summary Compensation Table. The values in column (c) represent the difference between the fair market value of the shares on the exercise date and the exercise price of the option. The values in column (e) reflect the spread between the market value at December 31, 2001, of the shares underlying the option and the exercise price of the option.

AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION/SAR VALUES TABLE

(a) Name	(b) Shares Acquired On Exercise	(c) Value Realized (\$)	(d) Number of Securities Underlying Unexercised Options/SARs at Fiscal Year-End (1)	
			Exercisable (#)	Unexercisable (#)
Mr. Horn	180,000 (2)	\$5,220,000 (2)	627,161	163,423
Mr. Glass	--	--	281,053	75,380
Mr. Kelley	--	--	229,467	66,268
Mr. Thomas	37,164	863,598	248,718	45,441
Mr. Burkett	10,433	193,853	11,615	16,493

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- (1) No SAR's are attached to any of the options in the table. Option values are based on \$36.15 per share, the average of the high and low sales price on 12-31-01.
- (2) Mr. Horn did not realize this value in cash at the time of exercise. He exercised an option that was about to expire, deferred receipt of the shares, and will receive 150,779 shares of our common stock at the termination of the deferral period. The actual value ultimately realized by Mr. Horn will depend on the future market value of our shares at the termination of the deferral period.

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The following table provides information about estimated combined benefits under both our Pension Plan and our Pension Restoration Plan.

PENSION PLAN TABLE

Covered Compensation	Years of Service*				
	15 Yrs.	20 Yrs.	25 Yrs.	30 Yrs.	35 Yrs.
\$ 150,000	\$ 59,995	\$ 73,617	\$ 87,239	\$ 93,461	\$ 100,000
200,000	74,797	93,353	111,909	120,598	130,000
250,000	89,599	113,089	136,579	147,735	155,000
300,000	104,401	132,825	161,249	174,872	185,000
350,000	119,203	152,561	185,919	202,009	215,000
400,000	134,005	172,297	210,589	229,146	240,000
450,000	148,807	192,033	235,259	256,283	265,000
500,000	163,609	211,769	259,929	283,420	295,000
550,000	178,411	231,505	284,599	310,557	315,000
600,000	193,213	251,241	309,269	337,694	335,000
650,000	208,015	270,977	333,939	364,831	355,000
700,000	222,817	290,713	358,609	391,968	375,000
750,000	237,619	310,449	383,279	419,105	395,000
800,000	252,421	330,185	407,949	446,242	415,000
850,000	267,223	349,921	432,619	473,379	435,000

*Benefit shown is subject to limitations fixed by the Secretary of the Treasury pursuant to Section 415 of the Internal Revenue Code of 1986, as amended. The limitation is \$140,000 for 2001 or 100% of the employee's average income in his three highest paid years, whichever is less.

Our Pension Plan is integrated with social security under an "offset" formula, applicable to all participants. Retirement benefits are based upon a participant's average base salary for the highest 60 consecutive months of the last 120 months of service ("Covered Compensation"), service, and social security benefits. Benefits are normally payable in monthly installments after age 65. The normal form of benefit payment for a married participant is a qualified joint and survivor annuity with the surviving spouse receiving for

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life 50 percent of the monthly amount the participant received. The normal form of benefit payment for an unmarried participant is an annuity payable for life and 10 years certain. For purposes of the plan, "compensation" is defined as the total cash remuneration reportable on the employee's IRS form W-2, plus pre-tax contributions under the Savings Plan and employee contributions under the Flexible Benefits Plan, excluding bonuses, commissions, and incentive and contingent compensation. Our Pension Restoration Plan is an unfunded plan covering employees in the highest salary grades, including all executive officers, whose benefits under the Pension Plan have been limited under Tax Code Section 415, as described in the note to the Pension Table, and Tax Code Section 401(a)(17), which limits compensation to \$170,000 for purposes of certain benefit calculations. "Compensation" is defined in the same manner as it is for purposes of the Pension Plan. Under the Pension Restoration Plan participants receive the difference between the monthly pension payable, if tax code limitations did not apply, and the actual pension payable. The amounts shown in the table are annual benefits payable (including any social security payments) in the event of retirement on December 31, 2001, at age 65 of a participant with a spouse who is age 65, assuming receipt of a qualified joint and 50% survivor annuity. The estimated credited years of service and the compensation covered by the plans for each of the individuals named in the Summary Compensation Table are as follows: Mr. Horn, 38 (\$690,000); Mr. Glass, 28 (\$424,992); Mr. Kelley, 32 (\$428,342); Mr. Thomas, 12 (\$175,768); and Mr. Burkett, 32 (\$183,373).

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Employment Contracts and Termination of Employment and Change-in-Control Arrangements

We have contracts with approximately 70 officers, including each of the named executive officers, which may be terminated upon three years' prior notice. These contracts provide generally for a payment (which, for the named executive officers, is equal to three times annual base salary plus annual target bonus) in the event of a termination of the officer's employment by us other than "for cause" or by the employee for "good reason" (as such terms are defined in the contracts) within 36 months after a "Change-in-Control" or the officer's termination of employment for any reason (other than "cause") during the 30-day period commencing one year after a Change-in-Control. The contracts provide generally for an excise tax gross-up with respect to any taxes incurred under Internal Revenue Code Section 4999 following a Change-in-Control and for 3 years continued welfare benefits. The term "Change-in-Control" is defined to include:

- a merger or other business combination, unless (i) more than 50 percent of the voting power of the corporation resulting from the business combination is represented by our voting securities outstanding immediately prior thereto, (ii) no person or other entity beneficially owns 20 percent or more of the resulting corporation, and (iii) at least a majority of the members of the board of directors of the resulting corporation were our directors at the time of board approval of the business combination (solely for purposes of the severance contracts, but not for purposes of their 30-day termination period, the "50 percent" test in clause (i) is changed to "60 percent" and the "majority of the board" test in clause (iii) is changed to "two-thirds of the board"),
- the acquisition by a person or other entity of 20 percent or more of our outstanding voting stock,
- a change in a majority of the Board of Directors, or

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- shareholder approval of a plan of complete liquidation or a sale of substantially all of our assets.

A Change-in-Control has the following effect on certain benefit plans in which the named executive officers participate:

- Target annual bonuses are prorated through the date of the Change-in-Control and paid.
- Restricted stock, restricted stock units, phantom stock units and unvested stock options vest.
- Under our Pension Restoration Plan, a lump sum payout is made to participants of the present value, using a discount rate of 4.2 percent, of the participant's scheduled projected benefits, assuming periodic distributions of the participant's accrued benefit in the normal form under the plan, actuarially adjusted according to a formula for the participant's age at the time of the Change-in-Control.
- Excess funding in the Pension Plan is allocated, according to a formula, to participants and retirees.
- Deferred compensation under individual deferral agreements which accrue interest based on the 10-year Treasury rate and certain other benefits are paid over to previously established rabbi trusts. Funds in such trusts will remain available for the benefit of our general creditors prior to distribution.
- Our Survivor Benefits Plan generally cannot be amended to reduce benefits.
- Under the Directors and Executives Deferred Compensation Plan, a lump sum payout is made to participating employees and certain terminated employees of the present value, using a discount rate of 4.2 percent, of the participant's scheduled projected distributions, assuming employment through normal retirement date and continued interest accruals at above-market rates, described in the "Compensation of Directors" section below.

The Human Resources Committee approved the following for Mr. Kelley, an executive officer and director who retired in January 2002 after 32 years of service: a supplemental pension of approximately \$251,000 annually and as permitted by our plans for early retirees, continued accrual of interest at above-market rates under the Directors

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and Executives Deferred Compensation Plan, early vesting of restricted stock, and a survivor income benefit of two times salary under the Survivor Benefits Plan. Mr. Kelley entered into a covenant not to compete in connection with these benefits.

Compensation Committee Interlocks and Insider Participation

Messrs. Cantu, Haslam, Martin and Rose and Mrs. Palmer, all of whom are non-employee directors, served as members of the Board of Director's Human

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Resources Committee ("Committee"), which is our compensation committee, during all or a portion of 2001. No interlocking relationships existed with respect to any of the members of the Committee. Mr. Horn, Chairman and CEO of First Tennessee, was, however, during 2001 Chairman of the compensation committee of Mid-America Apartment Communities, Inc., of which Mr. Cates, a director of First Tennessee, is Chairman.

Certain Relationships and Related Transactions

Our banking subsidiaries have had banking transactions in the ordinary course of business with our executive officers, directors, nominees, and their associates which are reported in a note to our financial statements, and they expect to have such transactions in the future. Such transactions, which at December 31, 2001, amounted to 3.58 percent of our shareholders' equity, have been on substantially the same terms, including interest rates and collateral on loans, as those prevailing at the same time for comparable transactions with others and have not involved more than normal risk of collectibility or presented other unfavorable features.

We repurchased from Dr. Blattberg, one of our nonemployee directors, 38,199 shares of our common stock in September 2001, for an aggregate purchase price of \$1,407,251. The purchase was made pursuant to our publicly announced, board approved stock repurchase programs in a transaction in the ordinary course of business at current market prices (the volume-weighted average price for the day) and represented less than one-half of 1% of the shares we repurchased in 2001 under our repurchase programs. Under our programs repurchases are not permitted at any time we are aware of material nonpublic information about First Tennessee. The transaction was reported by Dr. Blattberg on a SEC Form 4 for the month in which the transaction occurred, not after year-end.

During 2001, we paid Cook Systems International ("CSI") \$135,845 for contract employees (computer programmers), and we currently expect to pay CSI \$89,940 for contract employees through March 31, 2002. Corey Glass, who is the son of Mr. Glass, our president and COO and a director, is employed by CSI and received from CSI, as a part of his compensation, commissions related to those transactions totaling \$3,328 in 2001, and he expects to receive commissions of \$5,666 for transactions through March 31, 2002.

Notwithstanding anything to the contrary set forth in any of our previous filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that might incorporate future filings by reference, including this proxy statement, in whole or in part, the following Board Compensation Committee Report on Executive Compensation and the Total Shareholder Return Performance Graph shall not be incorporated by reference into any such filings.

Board Compensation Committee Report on Executive Compensation

Our Bylaws require the Board of Directors or a Board committee to determine the compensation of executive officers. The Board has designated the Human Resources Committee (Committee) to perform this function. The Committee is composed entirely of independent, nonemployee directors who have no interlocking relationships with us. The Committee has set forth below its report on the compensation policies applicable to executive officers and the bases for the compensation of the Chief Executive Officer (CEO) during 2001.

Our executive compensation programs are designed to align the interests of the executive officers with our performance and the interests of our shareholders. Approximately 65 to 70 percent of the executive officers'

annual compensation potential is at risk based on corporate performance and total shareholder return (defined below). Compensation programs have been designed to reward executive officers in both cash and our stock based on performance that also rewards shareholders. When corporate performance does not meet criteria established by the Committee, incentive compensation is reduced accordingly. In addition, the executive compensation program has been designed to attract and retain qualified executive officers. Executive compensation consists generally of the following components:

- base salary
- annual incentive bonus
- long-term incentive awards
- deferral of compensation through stock option grants or at market interest rates (or for compensation deferred before 1996 at above-market rates)
- customary employee and other benefits typically offered to similarly situated executives

Base salary and annual bonus are based on an evaluation of the individual's position and responsibilities based on independent criteria and external market data and personal and corporate performance. The Committee does not assign a specific weight to any of the factors but places greater emphasis on corporate and personal performance in the overall mix.

Long-term incentive awards consist of restricted stock awards containing provisions for acceleration of vesting upon achievement of corporate performance criteria and stock options. It is not our practice to "reprice" stock options or to price them at less than fair market value on the date of grant. Although deferred compensation options have an exercise price of 50 percent (80 percent for options granted for 2001 and 2000 and 85% for options granted for years prior to the year 2000) of fair market value on the grant date, to receive the option the participant must forego the right to receive cash compensation. Under our option plans the amount of the foregone cash compensation plus the option exercise price must equal or exceed 100% of fair market value. In the past, we have offered deferred compensation at above-market rates and deferrals through the use of stock options. Deferrals since 1995 have been limited to stock options or a 10-year Treasury rate of interest. Executive officers may also defer the receipt of shares upon the exercise of stock options and defer the receipt of restricted stock prior to the lapse of restrictions. Except for our stock fund within our 401(k) plan, other benefits provided to the executive officers are not tied to corporate performance.

The Committee reviewed external market data provided by an independent consulting firm from 21 of the highest-performing companies in the American Banker Top 50, a peer group of banking organizations against which we measure our strategic performance. We selected the highest-performing companies based generally on the following one and five-year return measures: return on assets, return on equity, earnings per share growth, and total shareholder return.

The purpose of the review was to determine compensation practices of these companies. The compensation peer group used by the independent consulting firm did not include all of the banking organizations listed in the Total Shareholder Return Performance Graph ("TSR graph") for the 2001 peer group because compensation data on every organization included in the TSR graph was not available. The median asset size of the compensation highest-performing peer group was \$33.4 billion. In actual practice the compensation of executive

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officers approximates the median of the compensation highest-performing peer group when performance goals are met. We do not, however, have a specific policy that mandates how our compensation practices will compare to the peer group.

All compensation paid to executive officers during 2001 is fully deductible on our corporate federal income tax return. Section 162(m) of the Tax Code generally disallows a tax deduction to public companies, including us, for compensation exceeding \$1 million paid during the year to the CEO and the four other highest paid executive officers at year end. Certain performance-based compensation is not, however, subject to the deduction limit. Under Tax Code regulations the salary and TARSAP (defined below) portions of compensation do not meet the performance-based compensation criteria of Section 162(m). The restricted stock plan permits deferral by participants of the receipt of restricted stock prior to the lapse of restrictions. Any such deferral does not represent compensation paid during the year, and thus, is not currently subject to the Section 162(m) limitation. The

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Committee's practice is to continue to consider ways to maximize the deductibility of executive compensation while retaining the discretion deemed necessary to compensate executive officers in a manner commensurate with performance and the competitive market of executive talent.

(i) The CEO's Compensation

Base Salary: The Committee establishes the CEO's base salary annually based on corporate performance, achievement of objectives in his individualized written personal plan, and competitive practices within the industry.

The CEO develops his personal plan and submits it to the Committee for review and recommendation. The Board of Directors approves the plan, which generally contains strategic, quality and financial goals. A salary increase of 5.7 percent for Mr. Horn was approved in February of 2001 based on substantial achievement of personal plan objectives and competitive practices. Although no specific weight is assigned to these factors, the Committee places greater emphasis on personal performance than on competitive practices within the industry. Base salary is intended to represent approximately 20 percent to 30 percent of the CEO's total compensation potential.

Annual Bonus: The CEO's annual bonus is based entirely on our corporate performance against financial objectives established by the Committee at the beginning of each year. The financial objectives for 2001 were based on ROE and EPS. The CEO may be awarded an annual bonus of a maximum of 125 percent of his salary dollars earned during the year. The degree of our success in reaching the corporate targets determines a payout of zero percent to 100 percent of the CEO's annual bonus potential. During 2001, our corporate performance resulted in a payout of 100% of targeted bonus. The annual bonus plan in which executive officers, including the CEO, participate was amended in October of 1999 to reduce the amount paid in cash by approximately 25 percent for the 1999, 2000 and 2001 plan years and to grant stock options to the executive officers in an amount that was based on a multiple of the bonus reduction. In 2001, the Committee recommended to the Board and the Board approved the repeal of the mandatory 25% reduction in the cash portion of annual bonus.

Long-term Awards: The CEO's long-term incentive compensation consists of restricted stock and stock options.

Our restricted stock program includes performance criteria as a condition to early vesting of awards to executive officers. The objective of

this time accelerated restricted stock award plan (TARSAP) feature is to associate more closely the long-term compensation of executive officers with shareholder interests. Under the TARSAP feature restricted stock is granted with accelerated vesting if performance criteria established by the Committee are met with respect to specified performance periods. Performance periods are for three years and overlap: e.g., 1999-2001, 2000-2002, 2001-2003. Performance criteria have always been based, for all participants, including the CEO, on total shareholder return (appreciation in the market value of our stock with dividends reinvested-TSR) targets established at the beginning of each performance period. Targets are based on our percentile ranking in a peer group (the "100-bank peer group") of approximately the 100 largest banking organizations by asset size traded on U.S. exchanges, including the NASDAQ Stock Market's National Market System, with the condition that TSR must be a positive number. The 100-bank peer group is different from the peer group used to compare shareholder returns. The 100-bank peer group was originally selected in 1990, prior to the adoption of SEC rules requiring disclosure of a shareholder return performance graph, because the Committee believed that it was an appropriate index with which to associate more closely long-term compensation of executives with shareholder interests. The restricted stock program which contains the 100-bank peer group has produced the desired results, and thus, the Committee has continued to use it for the restricted stock program. In addition to the TSR targets, the Committee adopted alternative criteria for the accelerated vesting of TARSAP awards made in 1996 and future years based upon our percentile ranking within the 100-bank peer group with respect to operating EPS growth rate (or exceeding a minimum operating EPS growth rate) and average operating ROE, with the condition that TSR must be a positive number. In January 2002, the Committee approved the accelerated vesting of the TARSAP shares for the 1999-2001 performance period because the alternative criteria, as described above, were met.

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In addition to performance-based restricted stock awards, the Committee generally awards stock options to executive officers, including the CEO, as a part of a broad-based stock option program under which awards are made to all of our employees, both full-time and part-time. The CEO's option award (which is disclosed in the "Option/SAR Grants in Last Fiscal Year Table") was based on an estimated value of the option which in combination with the restricted stock award provides the basis for a competitive long-term incentive package. Because the value of the option to the CEO is a function of the price growth of our stock, the amount realized by the CEO is tied directly to increases in shareholder value. In addition, the option grant contained a performance-based, accelerated vesting feature, which is described in part (ii) of this report.

Other Benefits: The CEO's compensation reported in the Summary Compensation Table also includes accrual of above-market rates of interest on compensation deferred prior to 1996 and the cost of insurance to fund a supplemental retirement plan and life insurance benefit, which are not directly based on corporate performance. Above-market rates are accrued for deferred compensation of the CEO and other named executive officers to retain key officers. Generally, the plan under which this benefit is offered requires that the amount deferred be automatically recalculated at market rates if termination occurs prior to retirement.

(ii) Other Executive Officer Compensation

Base Salary: The CEO recommends and the Committee approves the base salary for executive officers other than the CEO. Recommendations are generally based on corporate performance (as measured by financial, quality and strategic objectives), individual overall performance during the prior year, and

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competitiveness in the market place. It is our policy to maintain a competitive salary commensurate with the duties and responsibilities of the executive officers. Salary is intended to represent approximately 30 percent to 45 percent of an executive officer's potential annual compensation.

Annual Bonus: Executive officers' annual bonus is based on achievement of corporate financial objectives and performance against personal objectives for the year, which are recorded in individualized written personal plans. Individual objectives must include financial, quality and strategic goals. The degree of completion of goals determines the award. Financial objectives for 2001 were based on ROE and EPS. Although the CEO has an individualized personal plan, his annual bonus and the COO/President's annual bonus are based entirely on corporate financial performance, and the Chief Credit Officer's and Controller's annual bonuses are based solely on individualized personal plans. The maximum annual bonus of executive officers other than the CEO is between 45 percent and 100 percent of salary dollars during the year, based on salary grade. During 2001, our corporate performance resulted in a payment of 100% for any executive officer whose bonus was based on corporate performance.

Long-term Awards: The executive officers named in the Summary Compensation Table and all but one of the other executive officers participate in the TARSAP program described above with respect to the CEO. The performance criteria are identical. The number of shares awarded for a three-year performance period is generally 50 percent of the participant's salary grade mid-point, based on market value of the shares at the time of the award. We do not provide a federal income tax gross-up to executive officers at the vesting of restricted stock.

In addition to performance-based restricted stock awards, the Committee generally awards stock options annually on our stock to executive officers, including the CEO, as a part of the option program discussed in part (i) of this report. The number of shares awarded to executive officers is equal to a percentage of salary (ranging from 100 percent to 200 percent depending on salary grade, with 200 percent used for the CEO) divided by the market value (or for the CEO and the COO/President, the Black-Scholes value) of one share of our stock at the time of grant. Executive officers may also be awarded shares in addition to those calculated as a percent of salary if in the opinion of the Committee additional shares are required to ensure a competitive compensation opportunity. The exercise price is the market value at the time of grant. Options are awarded based on personal performance and to encourage future performance as well as for retention purposes (with a ten-year term and vesting at 50 percent after four years and 100 percent after five years). The February 2001 grant's exercise price is \$30.48. This grant contains a provision for accelerated vesting if the closing market price per share equals at least \$41.69 for five consecutive days in the three years following the grant or at the end of the three year period. Options are not granted based on prior corporate performance; except for the March 2000 and February 2001 grants made to the

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CEO, the COO/President, and the Senior Executive Vice President, which were based in part on prior corporate performance.

As described above for executive officers and the CEO, bonus plans for all employees above a specified salary grade were amended to reduce amounts paid in cash by approximately 25 percent for plan years 1999, 2000 and 2001, and the Committee awarded options to the portion of this population who received bonuses at its February 2001 meeting in an amount based on a multiple of the 2000 bonus reduction. The mandatory requirement of this provision was repealed for the 2001 bonus payment.

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Other Benefits: We have adopted certain broad-based employee benefit plans in which executive officers participate and certain other retirement, life and health insurance plans and we provide customary personal benefits. Except for our stock fund within our 401(k) plan, the benefits under these plans are not tied to corporate performance. The executive officers named in the Summary Compensation Table participate in the other benefits described above with respect to the CEO.

Human Resources Committee

R. Brad Martin, Chairperson
James A. Haslam
Vicki R. Palmer

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The following graph compares the yearly percentage change in our cumulative total shareholder return with returns based on the Standard and Poor's 500 index and a peer group index, which is described below and in a footnote to the graph. It should be noted that the "total shareholder return" reflected in the graph is not comparable to the "total shareholder return" described in the Compensation Committee Report because the former has a different measurement period and it has been adjusted and weighted for the market capitalization of the companies in the peer group, as required by SEC regulations. Our peer group consists of the American Banker Top 50 banking organizations (excluding First Tennessee) as measured by market capitalization as of the end of the most recent fiscal year.

TOTAL SHAREHOLDER RETURN PERFORMANCE GRAPH

[GRAPH]

	1996	1997	1998	1999	2000	2001
First Tennessee	\$100	\$182	\$212	\$163	\$173	\$222
S&P 500	100	133	171	207	188	166
American Banker Top 50	100	159	179	195	248	234

The graph assumes \$100 is invested on December 31, 1998, and dividends are reinvested. Returns are market-capitalization weighted.

The American Banker Top 50 consists of the following: AmSouth Bancorporation, Associated Banc Corp, Banknorth Group, Inc., Banc One Corporation, BankAmerica Corporation, Bank of New York Co., Inc., Branch Banking and Trust Company, Charter One Financial, Inc., Citigroup Inc., City National Corp., Comerica Incorporated, Commerce Bancorp, Commerce Bancshares, Inc., Compass Bancshares, Inc., Fifth Third Bancorp, First Virginia Banks, Inc., First Merit Corp, Fleet Boston Financial Corp., Fulton Financial Corp., Hibernia Corporation, Huntington Bancshares Incorporated, J.P. Morgan Chase & Co., KeyCorp, M & T Bank Corporation,

Marshall & Ilsley Corporation, Mellon Financial Corporation, Mercantile Bankshares Corporation, National City Corporation, National Commerce Bancorp, North Fork Bancorporation, Northern Trust Corporation, Pacific Century Financial Corp., PNC Financial Services, Popular Inc., Regions Financial Corp, Sky Financial Group, Inc., SouthTrust Corporation, State Street Corporation, SunTrust Banks, Inc., Synovus Financial Corporation, TCF Financial Corp, UnionBanCal Corporation, Union Planters Corporation, U.S. Bancorp, Valley National Bancorp, Wachovia Corporation, Wells Fargo & Company, Wilmington Trust, and Zions Bancorporation.

Compensation of Directors

During 2001, each nonemployee director was paid a retainer quarterly at an annual rate of \$25,000 (\$22,000 prior to April 2001) plus a fee of \$1,000 for each day of each Board and each committee meeting attended. The chairpersons of the Audit and Human Resources Committees were paid quarterly an additional retainer at an annual rate of \$3,000 each. We also reimburse our directors for their expenses incurred in attending meetings. Our practice is to hold Board and committee meetings jointly with the Bank's Board and committees. All of our directors are also directors of the Bank. Directors are not separately compensated for Bank Board or committee meetings except for those infrequent meetings that do not occur jointly. Directors who are officers are not separately compensated for their services as directors. Under the terms of our 1992 Restricted Stock Incentive Plan, which was approved by the shareholders and which terminates in April 2002, all nonemployee directors received an automatic, nondiscretionary award of 6,000 shares (adjusted for stock splits) of restricted stock on May 1, 1992, and all new nonemployee directors received such award upon election to the Board. Restrictions lapse at the rate of 10 percent annually. Such shares are forfeited if the director terminates for any reason other than death, disability, retirement, or the acquisition by a person of 20 percent of the voting power of our stock. Upon termination for any of the four listed reasons, all shares vest. Directors may elect to defer their retainers and fees. Under the 2000 Non-Employee Directors' Deferred Compensation Stock Option Plan, all nonemployee directors elected to receive stock options in lieu of fees through 2004. The exercise price per share is 80 percent (85% under a prior plan for options granted prior to the year 2000) of fair market value of one share of our common stock on the date of grant, and the number of shares subject to option granted equals the amount of fees deferred divided by 20 percent (15 percent under a prior plan with respect to options granted prior to the year 2000) of the fair market value of one share on the date of grant. Under the Directors and Executives Deferred Compensation Plan, not offered with respect to compensation earned since 1995, under which up to six annual deferrals may be elected, amounts deferred accrue interest at rates ranging from 17-22 percent annually, based on age at the time of deferral, with a reduction to a guaranteed rate based on 10-year Treasury obligations if a participant terminates prior to a change-in-control for a reason other than death, disability or retirement. Interim distributions in an amount between 85 percent and 100 percent of the amount originally deferred are made in the eighth through the eleventh years following the year of deferral, with the amount remaining in a participant's account and accrued interest generally paid monthly over the 15 years following retirement at age 65. Certain restrictions and limitations apply on payments and distributions. Under other deferral agreements, nonemployee directors have deferred and may defer amounts which generally accrue interest at a rate tied to 10-year Treasury obligations.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended ("Exchange Act") requires our directors and officers to file with the SEC

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initial reports of ownership and reports of changes in ownership of our common stock and to furnish us with copies of all forms filed.

To our knowledge, based solely on a review of the copies of such reports furnished to us and written representations that no other reports were required, during the past fiscal year all Section 16(a) filing requirements applicable to our officers and directors were complied with.

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AVAILABILITY OF ANNUAL REPORT ON FORM 10-K

A COPY OF OUR ANNUAL REPORT ON FORM 10-K, INCLUDING THE FINANCIAL STATEMENTS AND SCHEDULES THERETO, WHICH IS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, IS AVAILABLE FREE OF CHARGE TO EACH SHAREHOLDER OF RECORD UPON WRITTEN REQUEST TO THE TREASURER, FIRST TENNESSEE NATIONAL CORPORATION, P. O. BOX 84, MEMPHIS, TENNESSEE, 38101. Each such written request must set forth a good faith representation that as of the record date specified in the notice of annual shareholders' meeting the person making the request was a beneficial owner of a security entitled to vote at the annual meeting of shareholders.

The exhibits to the Annual Report on Form 10-K will also be supplied upon written request to the Treasurer and payment to us of the cost of furnishing the requested exhibit or exhibits. A document containing a list of each exhibit to Form 10-K, as well as a brief description and the cost of furnishing each such exhibit, will accompany the Annual Report on Form 10-K.

BY ORDER OF THE
BOARD OF DIRECTORS

/s/ Lenore S. Creson

Corporate Secretary
March 15, 2002

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Appendix A

AUDIT COMMITTEE CHARTER FIRST TENNESSEE NATIONAL CORPORATION (AS AMENDED AND RESTATED JULY 17, 2001)

ESTABLISHMENT AND PURPOSES OF THE COMMITTEE

Acting pursuant to Tennessee Code Annotated Section 48-18-206, Article 11(b)(8) of the Corporation's restated charter, as amended, and Section 3.5 of the Corporation's bylaws, as amended, the Board of Directors of First Tennessee National Corporation hereby creates the Audit Committee (the "Committee") of the Board of Directors, which shall assist the Board of Directors in (1) its oversight of the Corporation's accounting and financial reporting principles and policies and internal audit controls and procedures, (2) its oversight of the Corporation's financial statements and the independent audit thereof, (3) recommending to the Board the nomination of the independent auditor to be proposed for shareholder approval, evaluating the independent auditor and, when

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deemed appropriate, recommending the replacement of the independent auditor, and (4) evaluating the independence of the independent auditor.

The function of the Committee is oversight. Management of the Corporation is responsible for preparation, presentation and integrity of the Corporation's financial statements. Management and the internal auditor are responsible for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures to provide for compliance with accounting standards and applicable laws and regulations. The independent auditor is responsible for planning and carrying out a proper audit of the Corporation's annual financial statements, reviews, including reviews of the Corporation's quarterly financial statements prior to the filing of each quarterly report on Form 10-Q, and other procedures. It is recognized that, in fulfilling their responsibilities hereunder, members of the Committee are not full-time employees of the Corporation and are not, and do not represent themselves to be, accountants or auditors by profession or experts in the field of accounting or auditing including in respect of auditor independence. As such, it is not the duty or responsibility of the Committee or its members to conduct "field work" or other types of auditing or accounting reviews or procedures or to set auditor independence standards, and each member of the Committee shall be entitled to rely on (1) the integrity of those persons and organizations within and outside the Corporation from which it receives information, (2) the accuracy of the financial and other information provided to the Committee by such persons or organizations absent actual knowledge to the contrary (which shall be promptly reported to the Board) and (3) the representations made by management as to any information technology, internal audit and other non-audit services provided by the independent auditor to the Corporation. Further, in fulfilling their responsibilities hereunder, the members of the Committee will incorporate the use of reasonable materiality standards, including the size of the Corporation and the nature, scope and risks of the activities conducted.

The independent auditor for the Corporation is ultimately accountable to the Board of Directors (as assisted by the Committee). The Board, with the assistance of the Committee, has the ultimate authority and responsibility to select, evaluate, and when appropriate replace the independent auditor (or to nominate the independent auditor to be proposed for shareholder approval).

The independent auditor shall submit to the Corporation annually a formal written statement delineating all relationships between the independent auditor and the Corporation ("Statement as to Independence"), addressing each non-audit service provided to the Corporation and at least the matters set forth in Independence Standards Board No. 1.

The independent auditor shall submit to the Corporation annually a formal written statement of the fees billed for each of the following categories of services rendered by the independent auditor: (1) the audit of the Corporation's annual financial statements for the most recent fiscal year and the reviews of the financial statements included in the Corporation's Quarterly Reports on Form 10-Q for that fiscal year; (2) information technology consulting services for the most recent fiscal year, in the aggregate and by each service (and separately identifying fees for such services relating to financial information systems design and implementation); and (3) all other services rendered by the independent auditor for the most recent fiscal year, in the aggregate and by each service.

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The Committee shall consist of at least three members appointed annually by a majority of the entire Board on the recommendation of the Human Resources Committee of the Board of Directors, acting in its capacity as the nominating committee. Members shall be directors who meet the independence and experience requirements of the New York Stock Exchange ("NYSE"), as such requirements are interpreted by the Board of Directors in the exercise of its business judgment.

OPERATION OF THE COMMITTEE

Meetings shall be held at least four times yearly and may be called at any time by the Committee Chairperson or by any two members of the Committee upon written or oral notice to a majority of the members of the Committee prior to the meeting. A quorum shall consist of a majority of the members and the vote of a majority of the members present at a meeting at which a quorum is present shall be the act of the Committee. Proceedings of the Committee over the signature of a member in attendance shall be recorded in a minute book and reflect the names of those in attendance. The Chairperson of the Committee, or acting Chairperson of the meeting, will present a report of Committee activities to the full Board of Directors at its next regularly scheduled meeting. The Secretary of the Board will permanently maintain the minutes of Committee meetings. Meetings may be held jointly with a similar committee of First Tennessee Bank National Association ("Bank") if either the members of the Bank's committee and the members of this Committee are identical or all of the members of the Bank's committee would meet the independence and experience requirements of the NYSE, including any exceptions permitted thereby. The Committee shall have unrestricted access to Corporation personnel and documents and will be given the resources necessary to discharge its responsibilities. The Committee shall have the resources and authority to retain special legal, accounting, auditing or other experts or consultants to advise the Committee. The Committee may request any officer or employee of the Corporation or of the Corporation's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. It will be the responsibility of the Committee to maintain free and open means of communication between the directors and management of the Corporation. The Committee shall meet separately at least annually with management, the internal auditor, and the independent auditor in separate executive sessions to discuss any matters that the Committee or any of these persons or firms believes should be discussed privately.

DUTIES OF THE COMMITTEE

The Committee is hereby delegated full authority with respect to the following matters and such additional matters as may be provided in the bylaws of the Corporation or as the Board of Directors may from time to time by resolution adopt by a majority of the entire Board specify:

1. with respect to the independent auditor,
 - a. provide advice to the Board in selecting, evaluating and replacing the independent auditor.
 - b. review the fees charged by the independent auditor for audit and non-audit services.
 - c. ensure that the independent auditor prepares and delivers annually a Statement as to Independence (it being understood that the independent auditor is responsible for the accuracy and completeness of this Statement), discuss with the independent auditor any relationships or services disclosed in this Statement that may have an impact on the objectivity or independence of the Corporation's independent auditor and

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recommend that the Board take appropriate action in response to this Statement to satisfy itself of the independent auditor's independence.

- d. if applicable, to consider whether the independent auditor's provision of (i) information technology consulting services relating to financial information systems design and implementation and (ii) other non-audit services to the Corporation is compatible with maintaining the independence of the independent auditor; and

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- e. instruct the independent auditor that the independent auditor is ultimately accountable to the Board and the Committee.

2. with respect to the internal auditing department,

- a. make recommendations to the Board concerning the appointment and removal of the Corporation's internal auditor.
- b. advise the internal auditor that he or she is expected to provide the Committee summaries of and, as appropriate, significant reports to management prepared by the internal auditing department and management's responses thereto.

3. with respect to financial reporting principles and policies and internal audit controls and procedures,

- a. advise management, the internal auditor and the independent auditor that each is expected to provide to the Committee a timely analysis of significant financial reporting issues and practices.
- b. consider any reports or communications (and management's and/or the internal auditor's responses thereto) submitted to the Committee by the independent auditor required by or referred to in SAS 61 (as codified by AU Section 380), as may be modified or supplemented.
- c. meet with management, the internal auditor, and/or the independent auditor to discuss the scope of the annual audit, the audited financial statements and the form of opinion thereon proposed by the independent auditor, any significant matters arising from any audit or report or communication with respect to significant reports to management prepared by the internal auditor or required by or referred to in SAS 61 relating to the Corporation's financial statements, and significant changes to the Corporation's auditing and accounting principles, policies, controls, procedures and practices proposed or contemplated by the independent auditor, the internal auditor or management, and inquire about significant risks and exposures if any, and the steps taken to monitor and minimize such risks.
- d. obtain from the independent auditor assurance that the audit was conducted in a manner consistent with Section 10A of the Securities Exchange Act of 1934, as amended, which set forth certain procedures to be followed in any audit of financial

statements required under that act.

- e. review the Corporation's compliance policies and any material reports or inquiries received from regulators or government agencies and management's responses and, with the Corporation's General Counsel, pending and threatened claims that may have a material impact on the financial statements.
4. with respect to reporting and recommendations,
- a. prepare any report or other disclosures, including any recommendation of the Committee, required by the rules of the Securities Exchange Commission to be included in the Corporation's annual proxy statement.
 - b. to review and reassess the adequacy of this Charter at least annually and recommend any changes to the Board.

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Appendix B

FIRST TENNESSEE NATIONAL CORPORATION

2002 MANAGEMENT INCENTIVE PLAN

ARTICLE I-PURPOSE

Section 1.1 The purpose of the Plan is to provide a financial incentive for key executives to encourage and reward desired performance on key financial measures that will further the growth, development and financial success of the Company and to enhance the Company's ability to maintain a competitive position in attracting and retaining qualified key personnel who contribute, and are expected to contribute, materially to the success of the Company. The Plan is designed to replace the existing First Tennessee National Corporation Management Incentive Plan, as amended and restated, and to ensure that awards paid pursuant to this Plan to eligible employees of the Company are tax deductible under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"). This Plan shall be submitted to the Company's shareholders for approval pursuant to 26 C.F.R. ss. 1.162.27(e)(4)(vi) at the annual meeting to be held on April 16, 2002, and shall be effective for the 2002 fiscal year commencing on January 1, 2002. If the shareholders do not approve the Plan, the Plan shall not become effective.

ARTICLE II-DEFINITIONS

Section 2.1 Whenever the following terms are used in this Plan, they shall have the meaning specified below unless the context clearly indicates to the contrary. The masculine pronoun shall include the feminine and neuter and the singular shall include the plural, where the context so indicates.

- (a) "AWARD" shall mean an incentive compensation award made to a Participant pursuant to this Plan that is subject to and dependent upon the attainment of one or more Performance Goals.
- (b) "BOARD" shall mean the Board of Directors of the Company.
- (c) "CHANGE IN CONTROL" shall mean the occurrence of any one of (and shall

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be deemed to have occurred on the date of the earliest to occur of) the following events:

- (i) individuals who, on January 21, 1997, constitute the Board (the "Incumbent Directors") cease for any reason to constitute at least a majority of the Board, provided that any person becoming a director subsequent to January 21, 1997, whose election or nomination for election was approved by a vote of at least three-fourths (3/4) of the Incumbent Directors then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without written objection to such nomination) shall be an Incumbent Director; provided, however, that no individual elected or nominated as a director of the Company initially as a result of an actual or threatened election contest with respect to directors or as a result of any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board shall be deemed to be an Incumbent Director;
- (ii) any "Person" (as defined under Section 3(a)(9) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") as used in Section 13(d) or Section 14(d) of the Exchange Act) is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding securities eligible to vote for the election of the Board (the "Company Voting Securities"); provided, however, that the event described in this paragraph (ii) shall not be deemed to be a Change in Control by virtue of any of the following acquisitions: (A) by the Company or any entity in which the Company directly or indirectly beneficially owns more than 50% of the voting securities or interests (a "Subsidiary"), (B) by an employee stock ownership or employee benefit plan or trust sponsored or maintained by the Company or any Subsidiary, (C) by

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any underwriter temporarily holding securities pursuant to an offering of such securities, or (D) pursuant to a Non-Qualifying Transaction (as defined in paragraph (iii) hereof);

- (iii) the shareholders of the Company approve a merger, consolidation, share exchange or similar form of corporate transaction involving the Company or any of its Subsidiaries that requires the approval of the Company's shareholders, whether for such transaction or the issuance of securities in the transaction (a "Business Combination"), unless immediately following such Business Combination: (A) more than 50% of the total voting power of (x) the corporation resulting from such Business Combination (the "Surviving Corporation"), or (y) if applicable, the ultimate parent corporation that directly or indirectly has beneficial ownership of 100% of the voting securities eligible to elect directors of the Surviving Corporation (the "Parent Corporation"), is represented by Company Voting Securities

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