

FIRST FARMERS & MERCHANTS CORP
Form PRER14A
March 25, 2016

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

SCHEDULE 14A

(Rule 14a-101)

SCHEDULE 14A INFORMATION

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement.

Preliminary Proxy Statement.

Confidential, for use of the Commission Only (as permitted by Rule 14a-6(e)(2)).

Definitive Proxy Statement.

Definitive Additional Materials.

Soliciting Material Pursuant to § 240.14a-12.

FIRST FARMERS AND MERCHANTS CORPORATION
(Name of Registrant as Specified in Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

(1) Title of each class of securities to which transaction applies: Common Stock, \$10 par value per share

(2) Aggregate number of securities to which transaction applies: 113,136

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11(set forth the amount on which the filing fee is calculated and state how it was determined):
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(4) Proposed maximum aggregate value of transaction: \$3,422,364

(5) Total fee paid:
\$345

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

FIRST FARMERS AND MERCHANTS CORPORATION

816 South Garden Street,

Columbia, Tennessee 38401

(931) 388-3145

March [•], 2016

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of First Farmers and Merchants Corporation (“First Farmers” or the “Company”) on April 19, 2016 beginning at 1:00 a.m., Central Time, to be held on the 2nd Floor, in the First Farmers and Merchants Bank Northside Office, 901 Nashville Highway, Columbia, Tennessee, 38401.

At the Annual Meeting of Shareholders, you will be asked to consider and vote on a proposal to approve an Agreement and Plan of Merger which provides for the merger of FFMC Merger Corporation, a newly formed, wholly-owned subsidiary of First Farmers, with and into First Farmers, with First Farmers as the surviving entity in what is commonly referred to as a “going private” transaction. The purpose of the merger is to reduce the number of First Farmers’ shareholders of record to fewer than 1,200, which will permit First Farmers to suspend filing reports with the Securities and Exchange Commission, eliminating the burden and expense associated with those reports, and eliminate smaller shareholder accounts and the expense of maintaining those accounts.

If the merger agreement is approved and the merger is subsequently completed, shareholders owning fewer than 400 shares of First Farmers common stock (other than shareholders who properly exercise their rights as dissenting shareholders) will receive \$30.25 in cash for each share they own as of the effective time of the merger. All other shares will remain outstanding and be unaffected by the merger.

At the Annual Meeting of Shareholders, you will also be asked to consider and vote on the election of 10 individuals to serve as directors of the Company until the Annual Meeting of Shareholders in 2017 or until their successors are qualified and elected.

The board of directors of First Farmers believes that the merger agreement and the election of the nominees as directors are in the best interests of First Farmers and its shareholders and unanimously recommends that you vote FOR approval of the merger agreement and FOR the election of each of the nominees for director. The approval of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of First Farmers common stock and directors are elected by a plurality of the votes cast by the shareholders of First Farmers common stock entitled to vote at the Annual Meeting of Shareholders. Whether or not you plan to attend the Annual Meeting of Shareholders, please complete and return the enclosed proxy card. If you sign, date and return your proxy card without indicating how you want to vote, your proxy will be counted as a vote FOR approval of the merger agreement and FOR approval of the election of the nominees as directors.

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The enclosed Proxy Statement gives you detailed information about the Annual Meeting of Shareholders, the merger, the election of the nominees as directors and related matters. You are urged to carefully read the enclosed Proxy Statement, including the considerations discussed under “Special Factors” beginning on page 2, and the appendices to the Proxy Statement, which include the merger agreement. You may also obtain information about First Farmers from documents it has filed with the Securities and Exchange Commission. See “Where You Can Find More Information” on page 68.

As a shareholder of First Farmers, you have the right to dissent from the merger and obtain payment in cash of the fair value of your shares of First Farmers common stock under applicable provisions of Tennessee law. See “Proposal I—Approval of the Merger Agreement—Dissenters’ Rights of Shareholders” ~~Appendix~~ *Appendix C*.

Sincerely,

T. Randy Stevens

Chairman and Chief Executive Officer

FIRST FARMERS AND MERCHANTS CORPORATION

816 South Garden Street, Columbia, Tennessee 38401

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held on April 19, 2016

To the Shareholders of First Farmers and Merchants Corporation:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of First Farmers and Merchants Corporation (“First Farmers” or the “Company”) will be held on the 2nd Floor, in the First Farmers and Merchants Bank Northside Office, 901 Nashville Highway, Columbia, Tennessee, 38401 on April 19, 2016 at 11:00 a.m., Central Time, for the following purposes:

1. To consider and vote upon a proposal to approve the Agreement and Plan of Merger, dated as of February 16, 2016, by and between First Farmers and Merchants Corporation and FFMC Merger Corporation, a Tennessee corporation and wholly-owned subsidiary of First Farmers, pursuant to which FFMC Merger Corporation will merge with and into First Farmers, with First Farmers being the surviving corporation;
2. Election of Directors: Election of the following ten (10) nominees as directors of the Company:

M. Darlene Baxter

Timothy E. Pettus

Brian K. Williams

Jonathan M. Edwards

Patrick J. Riley

Dr. David S. Williams

Thomas Napier Gordon

Matthew M. Scoggins, Jr.

Dalton M. Mounger

T. Randy Stevens

3. To transact such other business as may properly come before the annual meeting or any adjournments or postponements thereof.

A list of all shareholders entitled to vote is available for inspection by a shareholder during regular business hours for 10 days prior to the Annual Meeting of Shareholders at the principal offices of First Farmers at 816 South Garden Street, Columbia, Tennessee 38401. This list will be available at the meeting.

This Proxy Statement and the Company’s 2015 Annual Report to Shareholders are available at <https://materials.proxyvote.com/320148>.

Your vote is very important. Whether or not you plan to attend the Annual Meeting of Shareholders, you are urged to vote and submit your proxy by the Internet, telephone or mail in order to ensure the presence of a quorum. If you attend the meeting, you will have the right to revoke your proxy and vote your shares in person.

Shareholders of record may vote:

1. **By Internet: go to www.proxyvote.com; or**
2. **By phone: call 1-800-690-6903 (toll-free); or**
3. **By mail: complete the enclosed proxy card and return it in the postage prepaid envelope provided.**

Shareholders of record at the close of business on February 29, 2016 are entitled to notice of and to vote at the meeting.

By order of the Board of Directors,

Michelle D. Gardner
Corporate Secretary

March [•], 2016

PRELIMINARY COPY

FIRST FARMERS AND MERCHANTS CORPORATION

816 South Garden Street

Columbia, Tennessee 38401

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

To Be Held on April 19, 2016

The accompanying proxy is solicited by and on behalf of the Board of Directors of First Farmers and Merchants Corporation ("First Farmers" or the "Company") for use at the Annual Meeting of Shareholders to be held on April 19, 2016, at 11:00 a.m., Central Time, and any adjournment thereof (the "Annual Meeting"). The time and place of the Annual Meeting are set forth in the accompanying Notice of Annual Meeting of Shareholders. All expenses incurred in preparing, printing and mailing the proxy, notices of internet availability and all materials used in the solicitation of proxies will be borne by the Company. In addition to the use of the mail, proxies may be solicited in person or by telephone by directors, officers and other personnel of the Company or its subsidiary, First Farmers and Merchants Bank (the "Bank"), none of whom will receive additional compensation for such services. The Company will also request custodians and nominees to forward soliciting materials to the beneficial owners of the Company's common stock held of record by them and will pay reasonable expenses of such persons for forwarding such material.

PURPOSES OF THE MEETING

The Annual Meeting will be held for the purposes of (i) approving the merger agreement, (ii) electing directors, and (iii) transacting such other business as may properly come before the meeting or any adjournments or postponements thereof.

Pursuant to the merger agreement, FFMC Merger Corporation will merge with and into First Farmers, with First Farmers as the surviving corporation. If shareholders approve the merger agreement and the merger is subsequently completed, shareholders owning fewer than 400 shares of First Farmers common stock, in the aggregate, whether of record or in street name (other than shareholders who properly exercise their rights as dissenting shareholders), will receive \$30.25 in cash for each share they own as of the effective time of the merger. All other shares will remain outstanding and be unaffected by the merger. After the merger, First Farmers anticipates that it will have fewer than 1,200 shareholders of record. As a result, First Farmers will be able to terminate its registration under the Securities Exchange Act of 1934, as amended, and suspend its reporting obligations, thereby eliminating the significant expense required to comply with the periodic reporting and related requirements under the Exchange Act.

The merger cannot occur unless the merger agreement is approved by the holders of a majority of the outstanding shares of First Farmers' common stock. As of the record date, the directors and executive officers of First Farmers (13 persons) were entitled to vote 296,001 shares, or 6.2% of the outstanding shares of First Farmers common stock entitled to vote at the Annual Meeting of Shareholders. These shares are expected to be voted for approval of the merger agreement and for the election of all nominees for directors.

QUORUM AND VOTING

At the close of business on February 29, 2016, the Company had 4,739,502 shares of common stock issued and outstanding. Only holders of record of common stock at the close of business on February 29, 2016 are entitled to notice of and to vote on matters that properly come before the Annual Meeting or any adjournment thereof. A shareholder is entitled to one vote at the Annual Meeting for each share of common stock held of record in his or her name, voted in person or by proxy.

The presence in person or by proxy of the holders of a majority of the outstanding shares of common stock entitled to vote at the Annual Meeting is necessary to constitute a quorum at the Annual Meeting or any adjournment thereof. Abstentions and broker non-votes are included for purposes of determining if a quorum exists. Abstentions will not constitute a vote "FOR" or to "WITHHOLD" the shareholder vote for the proposal for election of the nominees as directors presented for shareholder approval at the annual meeting and will be disregarded in the calculation of a plurality or of "votes cast" for such proposal. Because approval of the merger agreement requires the approval of at least a majority of the outstanding shares of common stock entitled to vote, abstentions and broker non-votes have the same effect as if you voted against the merger agreement, unless you attend the Annual Meeting and vote in person. Broker non-votes occur when a broker or nominee returns a proxy but does not have discretionary authority to vote on a particular proposal because the proposal does not concern a routine matter and the broker has not received voting instructions from the beneficial holder. Your broker or other nominee *will not* be able to vote your shares for the merger agreement or the election of directors, or any other matters properly brought before the Annual Meeting, without your specific instruction because these are not considered routine matters. For purposes of determining the outcome of any matter as to which a broker or nominee has physically indicated on the proxy that it does not have discretionary authority to vote, those shares will be treated as not entitled to vote with respect to that matter.

If a quorum is not present at the time of the Annual Meeting, the Chairman of the meeting has the power to adjourn the Annual Meeting until a quorum is present or represented by proxy.

If the enclosed proxy is properly executed, returned and not revoked, it will be voted in accordance with the instructions, if any, given by the shareholder. Unless shares are held by a broker, if a proxy is executed and returned but no specification is made, the proxy will be voted "FOR" the merger agreement and "FOR" election of all nominees as directors of the Company. If any other business is properly presented at the meeting, the proxy holders will vote your proxy in accordance with their discretion.

Any shareholder has the power to revoke his or her proxy at any time, prior to the vote being taken at the Annual Meeting, by written notice or subsequently dated proxy received by the Company, or by revocation by the shareholder in person at the Annual Meeting or any adjournment thereof. If you wish to attend the Annual Meeting and need directions to the First Farmers and Merchants Northside Branch in Columbia, Tennessee, please contact Michelle Gardner, the Secretary of the Company, at (931) 388-3145.

Please see "Where You Can Find More Information" on page 68 for additional information about First Farmers on file with the Securities and Exchange Commission.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of this transaction, passed upon the merits or fairness of this transaction, or passed upon the accuracy or adequacy of the information contained in this Proxy Statement. Any representation to the contrary is a criminal offense.

Proxy Statement dated March [•], 2016 and first mailed to First Farmers shareholders

on or about March [•], 2016.

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SUMMARY TERM SHEET

The following summary term sheet, together with the “Questions and Answers” following this summary term sheet, highlight selected information from this Proxy Statement and may not contain all of the information that is important to you. We urge you to carefully read this entire document and the other documents that we refer to in this document. These documents will give you a more complete description of the transaction that we are proposing. We have included page references in this summary to direct you to other places in this Proxy Statement where you can find a more complete description of the matters that we have summarized.

Structure of the Merger (page 37)

The merger agreement provides for the merger of FFMC Merger Corporation with and into First Farmers, with First Farmers surviving the merger. FFMC Merger Corporation is a newly formed Tennessee corporation organized as a wholly owned subsidiary of First Farmers for the sole purpose of facilitating the merger. After the merger, we expect our business and operations to continue as they are currently being conducted. We will continue to operate as a bank holding company and the parent corporation for the Bank, but will no longer file reports with the Securities and Exchange Commission (the “SEC”). We expect to complete the merger in April 2016, although delays could occur.

We have attached the merger agreement to this document as Appendix A. Please read the merger agreement. It is the legal document that governs the merger.

What You Will Receive in the Merger (page 37)

If the merger is completed, shareholders who own fewer than 400 shares of First Farmers common stock in the aggregate, whether of record or in street name by a broker who holds in the aggregate fewer than 400 shares, except for dissenting shares, will receive \$30.25 in cash for each share they own as of the effective time of the merger. Shareholders who own 400 or more shares of First Farmers common stock will continue to hold their shares of First Farmers common stock and will not be entitled to receive any cash payment from us upon completion of the merger, except for dissenting shares.

If you are the holder of fewer than 400 shares of our common stock, you must surrender your stock certificates representing your shares in order to receive the cash consideration for your shares. Do not send in your certificates until you receive written instructions regarding the certificate exchange process after the completion of the merger.

Determination of Shares Held (page 37)

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A shareholder who owns fewer than 400 shares of First Farmers common stock in the aggregate, whether of record or in street name, will receive \$30.25 per share in cash as a result of the merger. A shareholder "of record" is the shareholder whose name is listed on the front of the stock certificate, regardless of who ultimately has the power to vote or sell the shares. Shares held by a broker in "street name" on a shareholder's behalf are held of record by the broker. Each broker holding less than 400 shares in the aggregate for the account of one or more beneficial holders will receive cash in the merger for those shares held in "street name." Shares held by the First Farmers and Merchants Bank Profit Sharing Plan will not be affected in the merger or included for purposes of determining which shareholders are to receive cash in the merger.

Under the Securities Exchange Act of 1934, as amended (the Exchange Act) securities registered in substantially similar names where we have reason to believe, because of the address or other indications, that such names represent the same person, may be included as held of record by one person. If a shareholder holds any shares in street name, these shares may not be combined with shares held of record by the same shareholder for purposes of determining the number of shares owned.

There is a risk that the SEC may change its rules regarding shareholder counting with respect to beneficial holders and that First Farmers' number of record shareholders could be higher than it had anticipated.

Fairness of the Transaction (page 17)

We believe that the merger is fair to our unaffiliated shareholders who will receive cash in the merger and to our unaffiliated and affiliated shareholders who will retain their shares. Our Board of Directors has approved the merger agreement and the transactions contemplated thereby. The Board's decision is based on several factors, which are summarized beginning on page17. These factors include:

- *Independent Valuation:* According to an independent valuation prepared by Sheshunoff & Co., the "fair value" of our common stock as of December 31, 2015 as that term is used in the Tennessee statute governing dissenters' rights was between \$28.50 and \$30.60 per share.

- *Opinion of Independent Financial Advisor:* Sheshunoff & Co. has delivered its opinion to our Board of Directors that the \$30.25 per share price to be paid in the merger is fair, from a financial point of view, to our shareholders, both those who will receive cash in the merger and those who will retain their shares in the merger. A copy of the opinion is attached as *Appendix B*. See “Special Factors—Opinion of Independent Financial Advisor” on page 48 for additional information.
- *Historical Market Prices of First Farmers Common Stock:* Based on transactions of which we are aware, the low and high sales prices of our common stock over the past two years have ranged from \$25.00 to \$29.00 per share, with trades during 2015 within that same range. See “Information about First Farmers and its Affiliates— First Farmers Common Stock Purchase and Sale Information” on page 49, and “—Market for Common Stock and Dividends” on 48 for more specific information regarding prices at which our shares have been sold.
- *Premium to Book Value:* The price per share to be paid in the merger reflects a multiple of 1.22 times our December 31, 2015 book value per share, representing a 21.8% premium over book value.
- *Going Concern Value:* The price per share to be paid in the merger reflects First Farmers’ value as a going concern and was not based on an amount that might be realized in a sale of 100% of our stock, because the merger will not result in a change in control of First Farmers.
- *Earnings Multiple:* The price per share to be paid in the merger reflects a multiple of 14.2 times our earnings per share for the year ended December 31, 2015.
- *Liquidity Event:* The merger will allow our shareholders owning fewer than 400 shares to liquidate their holdings without incurring brokerage costs. The Board believes this provides a benefit to our shareholders, particularly given the limited trading volume for our shares.

In addition, based on the same factors discussed above, each of the other persons who filed the Schedule 13E-3, which consists of each of the directors and executive officers of First Farmers and FFMC Merger Corporation, believe that the merger is fair to First Farmers’ unaffiliated shareholders who will receive cash in the merger and to unaffiliated shareholders who will retain their shares.

Effects of the Merger on Shareholders (pages 25 and 26)

The merger will have various effects on our shareholders:

For shareholders who retain their shares in the merger, these effects include:

- continued ownership of our common stock;

- decreased access to publicly available information about First Farmers;
- a reduction in book value as of December 31, 2015, on a pro forma basis;
- an increase in earnings per share for the year ended December 31, 2015, on a pro forma basis; and
- a slight increase in their respective percentage ownership of our common stock.

For shareholders receiving cash in the merger, these effects include:

- receipt of \$30.25 per share in cash, the price determined by our Board;
- loss of their equity and voting interest in First Farmers and loss of the ability to sell their shares at the time and for the price they choose;
- federal income tax liability for any cash received in the merger;
- loss of future dividends; and
- liquidation of their ownership interest in First Farmers without incurring brokerage costs.

Additional Effects of the Merger on Affiliated Shareholders (page 26)

Because of their positions, the directors and executive officers of First Farmers and FFMC Merger Corporation are deemed affiliates engaged in the transaction and are filing persons on the Schedule 13E-3 transaction statement filed by First Farmers and FFMC Merger Corporation in connection with the merger. Our directors and executive officers have no financial interests in the merger that differ from the interests of our unaffiliated shareholders. The merger will, however, have the following additional effects on our directors and executive officers:

- elimination of individual reporting obligations under federal securities laws; and
- potential elimination of a “safe harbor” for dispositions of their shares under federal securities laws.

Effects of the Merger on First Farmers (page 23)

As a result of the merger:

- we will no longer be classified as a public company and will suspend indefinitely our filing of annual and periodic reports and proxy statements with the SEC;
- the number of record shareholders, measured as of February 29, 2016, will be reduced from approximately 2,099 to approximately 1,102, and the number of outstanding shares of our common stock will decrease from 4,739,502 to approximately 4,626,366;
- the percentage of ownership of our common stock beneficially held by executive officers and directors (13 persons) as a group as of February 29, 2016, will increase from 6.2% to approximately 6.4%;
- earnings per share of our common stock for the year ended December 31, 2015, would increase by approximately 2.8% from \$2.13 on a historical basis to approximately \$2.19 on a pro forma basis;
- total shareholders’ equity as of December 31, 2015, would be reduced from approximately \$117.8million on a historical basis by approximately \$3.4 million on a pro forma basis, assuming 113,136 shares are cashed out in the merger;