



Williams Mullen Represents Monarch in \$7.3 Billion Merger with TowneBank

12.18.2015

TowneBank's Press Release on Merger with Monarch Bank

SUFFOLK, Va., Dec. 17, 2015 (GLOBE NEWSWIRE) -- Hampton Roads based TowneBank (NASDAQ:TOWN) and Monarch Financial Holdings, Inc., the parent company of Monarch Bank (NASDAQ:MNRK), today announced the signing of a definitive merger agreement pursuant to which TowneBank will acquire Monarch creating a \$7.3 billion hometown bank serving Hampton Roads, Richmond and Northeastern North Carolina. On a proforma basis, the combined companies will rank No. 1 in deposit market share with 20.64% of the Hampton Roads market and will be the only community bank in the top 50 largest MSAs in the United States with a No. 1 market share ranking.

“Our Towne family is humbled and excited to join hands with our long-time friends at Monarch,” said G. Robert Aston, Jr., Chairman and CEO of TowneBank. “Since the founding of our two banks in 1998, our companies have been built around the values of “serving others and enriching lives” while striving to build a great community asset that will help our communities grow and prosper.”

“We have known and respected the senior leadership team and employees at Towne Bank for many years and have been impressed by the way they have grown their company into one of the largest and most successful financial institutions in Virginia”, stated Brad E. Schwartz, CEO of Monarch. “This combination of the top two performing community banks in the market gives us a dynamic foundation to serve our commercial, mortgage and consumer customers with even greater convenience, expanded product and service offerings, and additional lending capacity. This merger is a great outcome for our company’s shareholders and positions us well for sustainable success over the long term.”

Based on financials reported on September 30, 2015 the combined companies would have total assets of \$7.3 billion, deposits of \$5.8 billion and loans of \$5.4 billion. Under the terms of the agreement, common shareholders of Monarch will receive 0.8830 shares of TowneBank common stock for each share of Monarch. This implies a deal value per share of \$18.57 or approximately \$220.6 million based on TowneBank’s closing stock price of \$21.03 on Wednesday, December 16, 2015.

Using a 20-day moving average of TowneBank’s closing stock price implies a deal value per share of

\$19.25 or \$229 million on an average share price of \$21.81. The share price and total deal value will be determined utilizing the conversion ratio of 0.8830 shares of Monarch common stock for each share of Towne Bank common stock at the merger closing date, expected to be in the second quarter of 2016 subject to shareholder and regulatory approvals.

In consideration of the merger, extensive due diligence was performed over a multi-week period. Under the proposed terms, the transaction is expected to be accretive to TowneBank's earnings in 2016 and thereafter. Further it is anticipated that the transaction will be immediately accretive to TowneBank's capital ratios, which already exceed well-capitalized regulatory standards.

Brad E. Schwartz will join Aston on the Towne Corporate Management Group as Senior Executive Vice President and Chief Operating Officer along with TowneBank President and Chief Banking Officer, J. Morgan Davis; William B. Littreal, Senior Executive Vice President and Chief Strategy Officer; and Clyde E. McFarland, Senior Executive Vice President and Chief Financial Officer.

Neal Crawford, Monarch Bank President, will join Towne as President and Chief Executive Officer of Towne Financial Services Group. William T. Morrison, Chief Executive Officer of Monarch Mortgage will become Chairman and Chief Executive Officer of TowneBank Mortgage and Realty Group succeeding Jacqueline B. Amato, currently TowneBank Mortgage CEO, who is planning to retire at the end of the 2016 calendar year.

Monarch Chairman, Jeffrey F. Benson, will join the TowneBank Corporate Board along with Monarch Directors, Elizabeth T. Patterson, Dwight E. Schaubach and Robert M. Oman. Schwartz, Crawford and Morrison will also join the board.

Monarch Directors, Virginia Sancilio Cross, Taylor B. Grissom, Lawton H. Baker and Joe P. Covington will be elected to the Towne Financial Services Group Board of Directors.

An investor presentation outlining the transaction is provided on the TowneBank website at www.townebank.com under "Investor Relations".

Sandler O'Neill + Partners, LP acted as financial advisor to TowneBank and LeClairRyan, A Professional Corporation acted as its legal advisor in the transaction. Raymond James acted as financial advisor to Monarch and Williams Mullen acted as its legal advisor.

About TowneBank

As one of the top community banks in Virginia and North Carolina, TowneBank operates 37 banking offices serving Chesapeake, Chesterfield County, Glen Allen, Hampton, James City County, Mechanicsville, Newport News, Norfolk, Portsmouth, Richmond, Suffolk, Virginia Beach, Williamsburg, and York County in Virginia, along with Moyock, Grandy, Camden County, Southern Shores, Corolla and Nags Head in North Carolina. Towne also offers a full range of financial services through its controlled divisions and subsidiaries that include Towne Investment Group, Towne Insurance Agency, TFA Benefits, TowneBank Mortgage, TowneBank Commercial Mortgage, Berkshire Hathaway HomeServices Towne Realty, Towne 1031 Exchange, LLC, and Beach Properties of Hilton Head. Local decision-making is a hallmark of its hometown banking strategy that is delivered through the leadership

of each group's President and Board of Directors. With total assets of \$6.17 billion as of September 30, 2015, TowneBank is one of the largest banks headquartered in Virginia.

About Monarch

Monarch Financial Holdings, Inc. is the one-bank holding company for Monarch Bank. Monarch Bank is a community bank with ten banking offices in Chesapeake, Virginia Beach, Norfolk, and Williamsburg, Virginia. Monarch Bank also has loan production offices in Newport News and Richmond, Virginia. OBX Bank, a division of Monarch Bank, operates offices in Kitty Hawk and Nags Head, North Carolina. Monarch Mortgage and our affiliated mortgage companies have over thirty offices with locations in Virginia, North Carolina, Maryland, and South Carolina. Our subsidiaries/ divisions include Monarch Bank, OBX Bank, Monarch Mortgage (secondary mortgage origination), OBX Bank Mortgage (secondary mortgage origination), Coastal Home Mortgage, LLC (secondary mortgage origination), Fitzgerald Financial, LLC (secondary mortgage origination), Advance Mortgage, LLC (secondary mortgage origination), Monarch Bank Private Wealth (investment, trust, planning and private banking), Monarch Investments (investment and insurance solutions), Real Estate Security Agency, LLC (title agency) and Monarch Capital, LLC (commercial mortgage brokerage). The shares of common stock of Monarch Financial Holdings, Inc. are publicly traded on the Nasdaq Capital Market under the symbol "MNRK."

Visit TowneBank on the web at <https://www.townebank.com/>.

Visit Monarch Bank on the web at <https://www.monarchbank.com/>.

###

Williams Mullen attorneys [John Paris](#) and [Lee Lester](#) served as primary counsel to Monarch Bank for this transaction.

Related People

- Lee G. Lester – 804.420.6583 – llester@williamsmullen.com
- John M. Paris, Jr. – 757.473.5308 – jparis@williamsmullen.com

Related Services

- Mergers & Acquisitions
- Community Banks
- Financial Services