

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ _____

IRC 368 (a)(1)

IRC 354

IRC 356

IRC 358

IRC 1001

18 Can any resulting loss be recognized? ▶ For United States federal income tax purposes a former Monarch shareholder generally will not recognize any gain or loss with respect to the exchange of Monarch common stock shares for shares of TowneBank common stock in the transaction, but will however, have to recognize gain or loss in connection with any cash received in lieu of fractional share interest in TowneBank common stock equal to the difference between the amount of cash received in lieu of a fractional share and the portion of the Monarch shareholder's adjusted tax basis of the Franklin shares surrendered that is allocable to the fractional share of TowneBank stock. Such gain or loss generally will be long-term capital gain or loss if the holding period in the Franklin shares is more than twelve months as of the closing date of the merger.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ The reportable tax year is the calendar year ending December 31, 2016.

Any information disclosed in this information return should not be considered, used or relied upon as tax advice on the tax treatment of the transaction, and each shareholder of TowneBank common stock should consult their tax advisor as to the resulting tax consequences of the transaction.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here
 Signature ▶ _____ Date ▶ _____

Print your name ▶ _____ Title ▶ _____

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶	Firm's EIN ▶			
	Firm's address ▶	Phone no.			