

**FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C. 20429**

FORM 8-K

**CURRENT REPORT
PURSUANT TO SECTION 13 OF
THE SECURITIES EXCHANGE ACT OF 1934**

June 22, 2016

Date of Report (Date of earliest event reported)

TOWNE BANK

(Exact name of registrant as specified in its charter)

Virginia

(State or other jurisdiction of
incorporation)

35095

(FDIC Insurance Cert. No.)

54-1910608

(IRS Employer Identification No.)

5716 High Street, Portsmouth, Virginia
(Address of principle executive offices)

23703
(Zip Code)

(757) 638-7500

(Registrant's telephone number, including area code)

No Change

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.01 Completion of Acquisition or Disposition of Assets.

On June 24, 2016, TowneBank completed its acquisition of Monarch Financial Holdings, Inc. (“Monarch”) and Monarch Bank, the wholly-owned bank subsidiary of Monarch. Pursuant to the terms and conditions of the Agreement and Plan of Reorganization, dated as of December 16, 2015, by and among TowneBank, Monarch and Monarch Bank, and a related Plan of Merger (together, the “Merger Agreement”), Monarch and Monarch Bank were merged with and into TowneBank (the “Merger”).

Pursuant to the Merger Agreement, holders of shares of Monarch common stock have a right to receive 0.8830 shares of TowneBank common stock for each share of Monarch common stock that was held immediately prior to the effective date of the Merger, plus cash in lieu of fractional shares. Each Monarch restricted stock award that was outstanding immediately prior to the effective date of the Merger vested in full upon completion of the Merger pursuant to each related award agreement and the related shares were converted into TowneBank common stock, adjusted based on the 0.8830 exchange ratio. Each share of TowneBank common stock outstanding immediately prior to the Merger remained outstanding and was unaffected by the Merger.

The above description of the Merger and the Merger Agreement does not purport to be complete and is qualified in its entirety by reference to the Merger Agreement, which is incorporated herein by reference to Exhibit 2.1 to this report. A copy of the press release announcing the completion of the Merger is attached as Exhibit 99.1 to this report and is incorporated herein by reference.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Appointment of Directors

On June 22, 2016, pursuant to the Merger Agreement and effective as of the effective date of the Merger, the Board of Directors of TowneBank appointed the following persons, each of whom served as a director of Monarch, to TowneBank’s Board of Directors:

Jeffrey F. Benson	Elizabeth T. Patterson
E. Neal Crawford, Jr.	Dwight C. Schaubach
William T. Morrison	Brad E. Schwartz
Robert M. Oman	

Each of the persons named above will serve as a director of TowneBank until the 2017 annual meeting of stockholders, at which time they will be nominated for election to TowneBank’s Board of Directors to serve in the classes whose terms expire one, two or three years from such annual meeting. Subject to such person’s nomination to stand for election at the 2017 annual meeting of stockholders, and in accordance with the Merger Agreement, each of Mr. Oman and Ms. Patterson will be nominated to serve an initial term of one year, each of Messrs. Crawford, Morrison and Schaubach will be nominated to serve an initial term of two years, and each of Messrs. Benson and Schwartz will be nominated to serve an initial term of three years.

Effective as of the effective date of the Merger, Jeffrey F. Benson was appointed Vice Chairman of the Board of Directors of TowneBank. Mr. Benson and Brad E. Schwartz were appointed to the Executive Committee of TowneBank’s Board of Directors and Elizabeth T. Patterson was appointed to the Audit and Risk Committee of TowneBank’s Board of Directors.

Each newly appointed non-employee director will be compensated in accordance with TowneBank's director compensation policy for non-employee directors as then in effect. Each non-employee member of TowneBank's Board of Directors currently receives \$300 for attending each board meeting. In addition, standing committee members receive \$175 for each committee meeting attended and each member of TowneBank's Board of Directors receives an annual retainer of \$22,000. TowneBank also provides an additional \$3,000 retainer fee to the vice chairmen of TowneBank's Board of Directors and each chairman of one of the various committees of the Board of Directors.

Appointment of Executive Officers

On June 22, 2016, the Board of Directors of TowneBank appointed the following persons to officer positions with TowneBank, effective upon consummation of the Merger, as described below.

Brad E. Schwartz, age 53, former Chief Executive Officer of Monarch and Monarch Bank, is appointed Senior Executive Vice President and Chief Operating Officer of TowneBank. Mr. Schwartz had served as Chief Executive Officer of Monarch Bank since 2009 and Chief Executive Officer of Monarch since 2010, having previously served as Executive Vice President and Chief Operating and Financial Officer. He also had served as a director of Monarch Bank since 2004 and as a director of Monarch since its formation in 2005. Mr. Schwartz is a certified public accountant. He has approximately 30 years of banking experience and has held past positions at other community banks as chief executive officer, chief operating officer, chief financial officer and chief information officer. Mr. Schwartz has an undergraduate degree in Business Administration from Longwood University, a Masters of Business Administration from the University of Richmond's Robins School of Business, and is a graduate of the American Bankers Association's Stonier Graduate School of Banking at Georgetown University.

E. Neal Crawford, Jr., age 53, former President of Monarch and Monarch Bank, is appointed President of Towne Financial Services, LLC ("Towne Financial Services"). Mr. Crawford had served as President of Monarch Bank since 2009 and President of Monarch since 2010. He also had served as a director of Monarch and Monarch Bank since 2008. Mr. Crawford has worked in the banking industry for over 25 years and prior to joining Monarch was President of Norfolk Capital, LLC, a commercial mortgage brokerage company in Norfolk, Virginia. He also served as Senior Vice President and Community President-Norfolk for a large regional banking company. Mr. Crawford has an undergraduate degree in Finance from East Carolina University and is a graduate of the American Bankers Association's Stonier Graduate School of Banking at the University of Pennsylvania.

William T. Morrison, age 53, former Chief Executive Officer of Monarch Mortgage, a division of Monarch Bank, is appointed Chairman and Chief Executive Officer of TowneBank Mortgage and Realty Group, a division of TowneBank. Mr. Morrison had served as Chief Executive Officer of Monarch Mortgage since 2011 after having previously served as Executive Vice President and Chief Operating Officer of Monarch Mortgage. He also had served as a director of Monarch and Monarch Bank since 2012. Mr. Morrison has approximately 30 years of banking experience and previously served at other community banks as chief operating officer and chief credit officer. Mr. Morrison has an undergraduate degree in Business Administration from Old Dominion University.

In connection with entering into the Merger Agreement, TowneBank entered into employment and change in control agreements with the above-named persons that became effective upon the consummation of the Merger. The agreements with TowneBank superseded the agreements each person had with Monarch and Monarch Bank.

Employment and Change in Control Agreements with Mr. Schwartz. TowneBank has entered into an employment agreement, dated December 16, 2015, with Mr. Schwartz to serve as Senior

Executive Vice President and Chief Operating Officer of TowneBank. The employment agreement, which became effective upon the consummation of the Merger, has a term that expires on December 31, 2019, subject to automatic two year renewals unless notice of nonrenewal is given by TowneBank no later than 12 months prior to the expiration of the then current term. Mr. Schwartz's employment agreement provides for an annual base salary of \$600,000 and the right to annual cash bonus payments in such amounts and at such times as may be determined by TowneBank's Board of Directors or Compensation Committee. Mr. Schwartz also received a restricted stock grant of 14,764 shares (a market value of approximately \$300,000 based on TowneBank's closing stock price on June 27, 2016) that will vest in five equal, annual installments beginning on the first anniversary of the grant date. During the term of his employment agreement, Mr. Schwartz is entitled to participate in TowneBank's equity incentive, retirement, life insurance, profit sharing, employee stock ownership and other plans, benefits and privileges that may be in effect from time to time, and will be provided an automobile or automobile allowance.

If TowneBank terminates Mr. Schwartz's employment without "cause" (as defined in his employment agreement), then Mr. Schwartz will, subject to his execution of a waiver and release of claims, be entitled to continue to receive: (i) his current base salary until the later of the date of expiration of the then current term of his agreement or the one year anniversary of the date of his termination; and (ii) continuation coverage under the Consolidated Omnibus Reconciliation Act of 1985 ("COBRA"), provided that Mr. Schwartz makes a proper election for such coverage, until the earliest to occur of (A) the date he is no longer eligible to receive COBRA continuation coverage; (B) the date on which he becomes eligible to receive substantially similar coverage from another employer; or (C) the later of the date of expiration of the then current term of his agreement or the one year anniversary of the date of his termination. If Mr. Schwartz resigns for any reason other than disability, he will be entitled to continue to receive his base salary through the date of resignation and any benefits that are vested as of such date. Upon a termination due to his disability, Mr. Schwartz will receive continued welfare plan benefits in TowneBank's health and welfare plans for a period of 12 months following such termination. Mr. Schwartz will be subject to a two year covenant not to compete and a two year covenant not to solicit customers or employees of TowneBank following the termination of his employment for any reason unless (i) the agreement expires, in which case the terms of these covenants will be reduced or (ii) there is a change of control, in which case he will be subject only to a one year covenant not to solicit customers or employees of TowneBank.

Under Mr. Schwartz's employment agreement, termination for "cause" means termination for: (i) continued failure to follow the reasonable policies of TowneBank's Board of Directors and failure to remedy such failure after notification from the Board of Directors; (ii) conviction of or entering of a guilty plea or a plea of no contest with respect to a felony or a crime of moral turpitude; (iii) commission of an act of embezzlement or fraud against TowneBank or any subsidiary or affiliate of TowneBank; (iv) any act or omission constituting dishonesty with respect to TowneBank or any subsidiary or affiliate of TowneBank; and/or (v) any other willful or reckless conduct that substantially harms the reputation and/or interest of TowneBank, any subsidiary or affiliate of TowneBank or any of their respective directors, officers or employees.

Pursuant to Mr. Schwartz's employment agreement, TowneBank agreed to enter into a supplemental executive retirement plan agreement with Mr. Schwartz to enhance his annual retirement benefit. Under the agreement, which became effective upon the consummation of the Merger, Mr. Schwartz will be entitled to receive an annual retirement benefit equal to (i) 40% of his initial base salary with TowneBank, with such base salary increasing annually by 4% (solely for purposes of determining the annual benefit) until Mr. Schwartz reaches age 65, less (ii) the annual retirement benefit that Mr. Schwartz is entitled to receive under his supplemental executive retirement plan agreements with Monarch Bank. The TowneBank retirement benefit will vest in equal annual installments from the

effective date of the agreement until Mr. Schwartz reaches age 65, and the benefit will be payable for 15 years beginning at age 65.

TowneBank has also entered into a change in control agreement, dated December 16, 2015, with Mr. Schwartz. The change in control agreement, which became effective upon the consummation of the Merger, has a term that expires on December 31, 2019, subject to automatic one year renewals unless notice of nonrenewal is given by TowneBank no later than 12 months prior to the expiration of the then current term. Following a change in control of TowneBank, the agreement requires that TowneBank or its successor continue to employ Mr. Schwartz for a term of three years after the date of the change in control. During this period, Mr. Schwartz will retain commensurate authority and responsibilities and compensation benefits, with a salary at least equal to the level paid in the immediate prior year and bonuses at least equal to the highest annual bonus paid or payable for the two years immediately preceding the change in control.

If Mr. Schwartz's employment is terminated without "cause" or he resigns for "good reason" (as each of those terms is defined in the agreement and described below) during the three years following a change in control of TowneBank, he will be entitled to the following payments and benefits: (i) annual base salary through the date of termination and the amount, if any, of any incentive or bonus compensation that has been earned but not paid; (ii) a pro-rated cash bonus equal to the product of the annual bonus paid or payable for the most recently completed year and a fraction, the numerator of which is the number of days in the current year through the date of termination and the denominator of which is 365; (iii) any benefits or awards (including both stock and cash components) which pursuant to the terms of any plans, policies or programs have been earned or become payable; (iv) a cash amount equal to 2.99 times his "final compensation," which is defined as his current annual base salary plus the highest annual bonus paid or payable for the two most recently completed years, payable in a lump sum no later 45 days following the date of termination; and (v) for a period of 36 months after the date of termination of employment, continued coverage under any health, dental, disability, life insurance and other welfare benefit plans in which Mr. Schwartz or his dependents are participating, on the same basis as other active participants in the plans, or, if such coverage under the existing plan(s) cannot be maintained or would create an adverse tax effect for Mr. Schwartz, the provision of substantially identical benefits directly or through a separate insurance arrangement. This continued health and welfare benefit will cease to the extent comparable benefits are obtained through subsequent employment. Payments and benefits under the change in control agreement are subject to reduction to the extent required to avoid the imposition of an excise tax and deduction loss under the golden parachute rules of the Internal Revenue Code of 1986, as amended.

Under Mr. Schwartz's change in control agreement, termination for "cause" means termination for: (i) gross incompetence, gross negligence or willful misconduct in office or breach of a fiduciary duty owed to TowneBank or its affiliates; (ii) conviction of or entering of a guilty plea or plea of no contest with respect to a felony or a crime of moral turpitude or commission of an act of embezzlement or fraud against TowneBank or its affiliates; (iii) any material breach by Mr. Schwartz of a material term of the change in control agreement, including the material failure to perform a substantial portion of his duties and responsibilities; or (iv) deliberate dishonesty with respect to TowneBank or its affiliates. Under the change in control agreement, resignation by Mr. Schwartz for "good reason" means resignation as a result of: (i) assignment of duties or responsibilities to Mr. Schwartz by TowneBank that have significantly less authority or materially different responsibilities; (ii) failure by TowneBank to honor any term or provision of the change in control agreement; (iii) relocation of Mr. Schwartz's primary place of employment to a place that is more than 35 miles from his office location at the effective date of the change in control of TowneBank; (iv) failure by TowneBank to comply and satisfy the obligation that TowneBank's successor assume and honor the change in control agreement; or (v) direction by TowneBank to engage in conduct that is unethical, illegal or contrary to TowneBank's good business practices.

Employment and Change in Control Agreements with Mr. Crawford. TowneBank has entered into an employment agreement, dated December 16, 2015, with Mr. Crawford to serve as President of Towne Financial Services. Mr. Crawford's employment agreement with TowneBank, which became effective upon the consummation of the Merger, is substantially the same as Mr. Schwartz's employment agreement with TowneBank, except that Mr. Crawford's base salary is \$475,000 and he received a restricted stock award of 12,303 shares (a market value of approximately \$250,000 based on TowneBank's closing stock price on June 27, 2016). TowneBank has also agreed to enter into a supplemental executive retirement plan agreement with Mr. Crawford that is substantially the same as the agreement entered into with Mr. Schwartz.

TowneBank has also entered into a change in control agreement, dated December 16, 2015, with Mr. Crawford. Mr. Crawford's change in control agreement with TowneBank, which became effective upon the consummation of the Merger, is substantially the same as Mr. Schwartz's change in control agreement with TowneBank, except that, in the event of a change in control, Mr. Crawford's change in control cash severance amount will equal two times his "final compensation" and his continued coverage under TowneBank's benefit plans will be limited to 24 months.

Employment and Change in Control Agreements with Mr. Morrison. TowneBank has entered into an employment agreement, dated December 16, 2015, with Mr. Morrison to serve as Chairman and Chief Executive Officer of TowneBank Mortgage and Realty Group. Mr. Morrison's employment agreement with TowneBank, which became effective upon the consummation of the Merger, is substantially the same as Mr. Schwartz's employment agreement with TowneBank, except that (i) Mr. Morrison's base salary is \$400,000, (ii) he received a restricted stock award of 12,303 shares (a market value of approximately \$250,000 based on TowneBank's closing stock price on June 27, 2016) and (iii) if Mr. Morrison resigns on or before December 31, 2017, he will be entitled to his base salary through the one year anniversary of his resignation. In addition, in lieu of receiving a cash bonus from TowneBank like Mr. Schwartz, Mr. Morrison is eligible to participate in a TowneBank Mortgage profit sharing bonus pool. Mr. Morrison will receive an amount equal to (i) 10% of the first \$17,000,000 of the annual pre-tax profit contribution of TowneBank Mortgage to the combined organization, and (ii) 5% of the annual pre-tax profit contribution of TowneBank Mortgage to the combined organization in excess of \$17,000,000, pursuant to the profit sharing bonus pool. TowneBank has also agreed to enter into a supplemental executive retirement plan agreement with Mr. Morrison that is substantially the same as the agreement entered into with Mr. Schwartz.

TowneBank has also entered into a change in control agreement, dated December 16, 2015, with Mr. Morrison. Mr. Morrison's change in control agreement with TowneBank, which became effective upon the consummation of the Merger, is substantially the same as Mr. Schwartz's change in control agreement with TowneBank, except that, in the event of a change in control, Mr. Morrison's change in control cash severance amount will equal two times his "final compensation" up to a maximum cash amount of \$1,200,000 and his continued coverage under TowneBank's benefit plans will be limited to 24 months.

Change in Position for Executive Officer

Effective upon consummation of the Merger, William B. Littreal became Senior Executive Vice President and Chief Strategy and Investor Relations Officer of TowneBank. Mr. Littreal had previously served as Senior Executive Vice President and Chief Operating Officer of TowneBank.

Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.

On June 24, 2016, pursuant to the Merger Agreement and effective upon the Merger, TowneBank amended its Bylaws to increase the number of directors on its Board of Directors from 26 to 33.

See Item 5.02 of this report for information on the persons appointed to the Board of Directors of TowneBank effective upon the Merger. The foregoing description of the amendment to the Bylaws of TowneBank does not purport to be complete and is qualified in its entirety by reference to the Bylaws of TowneBank, as amended, a copy of which is attached as Exhibit 3.2 to this report and is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(a) *Financial statements of businesses acquired.*

The financial statements required by this item will be filed by amendment to this report no later than 71 days after the date on which this report is required to be filed.

(b) *Pro forma financial information.*

The pro forma financial information required by this item will be filed by amendment to this report no later than 71 days after the date on which this report is required to be filed.

(d) *Exhibits.*

The following exhibits are filed herewith:

<u>Exhibit No.</u>	<u>Description</u>
2.1	Agreement and Plan of Reorganization, dated as of December 16, 2015, by and among TowneBank, Monarch Financial Holdings, Inc. and Monarch Bank (incorporated by reference to Exhibit 2.1 to TowneBank's Current Report on Form 8-K filed on December 22, 2015).
3.2	Bylaws of TowneBank, as amended June 24, 2016.
99.1	Press release, dated June 27, 2016, announcing the completion of the Merger.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

TowneBank
(Registrant)

Date: June 28, 2016

By: /s/ Clyde E. McFarland, Jr.
Clyde E. McFarland, Jr.
Senior Executive Vice President
and Chief Financial Officer

Exhibit Index

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BYLAWS
OF
TOWNEBANK

(as amended as of June 24, 2016)

BYLAWS
OF
TOWNEBANK

ARTICLE I
Meetings of Shareholders

1.1 Places of Meetings. All meetings of the shareholders shall be held at such place, either within or without the State of Virginia, as from time to time may be fixed by the Board of Directors.

1.2 Annual Meetings. The annual meeting of the shareholders, for the election of Directors and transaction of such other business as may come before the meeting, shall be held in each year on the second Thursday in May, or such other date as may be fixed by the Board of Directors.

1.3 Special Meetings. A special meeting of the shareholders for any purpose or purposes may be called at any time by the Chairman of the Board, the Chief Executive Officer, the President or by a majority of the Board of Directors. At a special meeting no business shall be transacted and no corporate action shall be taken other than that stated in the notice of the meeting.

1.4 Notice of Meetings. Written or printed notice stating the place, day and hour of every meeting of the shareholders and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be mailed not fewer than ten nor more than sixty days before the date of the meeting to each shareholder of record entitled to vote at such meeting, at his or her address which appears in the share transfer books of the Corporation.

1.5 Quorum. Any number of shareholders together holding at least a majority of the outstanding shares of each voting group entitled to vote with respect to the business to be transacted, who shall be present in person or represented by proxy at any meeting duly called,

shall constitute a quorum of such voting group for the transaction of business. If less than a quorum of a voting group shall be in attendance at the time for which a meeting of such voting group shall have been called, with respect to that voting group the meeting may be adjourned from time to time by a majority of the shares of such voting group present or represented by proxy without notice other than by announcement at the meeting.

1.6 Voting. At any meeting of the shareholders each shareholder of a class entitled to vote on any matter coming before the meeting shall, as to such matter, have one vote, in person or by proxy, for each share of capital stock of such class standing in his or her name on the books of the Corporation on the date, not more than seventy days prior to such meeting, fixed by the Board of Directors as the record date for the purpose of determining shareholders entitled to vote. Every proxy shall be in writing, dated and signed by the shareholder entitled to vote or his or her duly authorized attorney-in-fact.

1.7 Inspectors. An appropriate number of inspectors for any meeting of shareholders may be appointed by the Chairman of such meeting. Inspectors so appointed will open and close the polls, will receive and take charge of proxies and ballots, and will decide all questions as to the qualifications of voters, validity of proxies and ballots, and the number of votes properly cast.

1.8 Advance Notice of Nominations and Shareholder Business.

(a) Nominations of persons for election to the Board of Directors of the Corporation and the proposal of business to be considered by the shareholders may be made at an annual meeting of the shareholders (1) pursuant to the Corporation's notice of meeting, (2) by or at the direction of the Board of Directors or (3) by any shareholder of the Corporation who was a shareholder of record at the time of delivery of the notice provided for in this Section 1.8, who is entitled to vote at the meeting and who complied with the notice procedures set forth in this Section 1.8.

(b) For any nomination of a Director or other business to be properly brought before an annual meeting by a shareholder pursuant to clause (3) of paragraph (a) of this Section, the shareholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a shareholder's notice shall be delivered to the Secretary at the principal office of the Corporation not fewer than sixty days nor more than ninety days prior to the first anniversary of the preceding year's annual meeting (not less than sixty days nor more than ninety days prior to April 15, 2000 in the case of the Corporation's first annual meeting); provided, however, if the date of the annual meeting is advanced by more than thirty days or delayed by more than sixty days from such anniversary date, notice by the shareholder to be timely must be so delivered not earlier than the ninetieth day prior to such annual meeting and not later than the close of business on the later of the sixtieth day prior to such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made. Such shareholder's notice shall set forth (1) as to each person whom the shareholder proposes to nominate for election or reelection as a Director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected; (2) as to any other business that the shareholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such shareholder and the beneficial owner, if any, on whose behalf the proposal is made; and (3) as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made, (i) the name and address of such shareholder, as they appear on the Corporation's books, and of such beneficial owner and (ii) the class and

number of shares of the Corporation that are owned beneficially and of record by such shareholder and such beneficial owner.

(c) Notwithstanding anything in the second sentence of paragraph (b) of this Section 1.8 to the contrary, in the event that the number of Directors to be elected by the Board of Directors of the Corporation is increased and there is no public announcement naming all of the nominees for Director or specifying the size of the increased Board of Directors made by the Corporation at least seventy days prior to the first anniversary of the preceding year's annual meeting, a shareholders' notice required by this Section 1.8 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal office of the Corporation not later than the close of business on the tenth day following the day on which such public announcement is first made by the Corporation.

(d) Only such persons who are nominated in accordance with the procedures set forth in these Bylaws shall be eligible to serve as Directors and only such business shall be conducted at an annual meeting as is proposed in accordance with the procedures set forth in these Bylaws. The chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made in accordance with the procedures set forth in these Bylaws and, if any proposed nomination or business is not in compliance with these Bylaws, to declare that such defective proposed business or nomination shall be disregarded.

(e) For purposes of these Bylaws, "public announcement" shall mean disclosure in a press release issued by the Corporation or in a mailing to the Corporation's shareholders.

(f) Notwithstanding the foregoing provisions of this Section 1.8, a shareholder also shall comply with all applicable requirements of the Exchange Act and the rules and regulations

thereunder with respect to the matters set forth in this Section 1.8. Nothing in this Section 1.8 shall affect any rights of shareholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

ARTICLE II Directors

2.1 General Powers. The property, affairs and business of the Corporation shall be managed under the direction of the Board of Directors, and, except as otherwise expressly provided by law, the Articles of Incorporation or these Bylaws, all of the powers of the Corporation shall be vested in such Board.

2.2 Number of Directors. The number of Directors constituting the Board of Directors shall be thirty-three.

2.3 Election and Removal of Directors; Quorum.

(a) Directors shall be elected at each annual meeting of shareholders to succeed those Directors whose terms have expired and to fill any vacancies then existing.

(b) Directors shall hold their offices until their terms have expired and until their successors are elected. Any Director may be removed from office as set forth in the Articles of Incorporation.

(c) Any vacancy occurring in the Board of Directors may be filled by the affirmative vote of the majority of the remaining Directors though less than a quorum of the Board, and the term of office of any Director so elected shall expire at the next shareholders' meeting at which directors are elected.

(d) A majority of the number of Directors prescribed in these Bylaws shall constitute a quorum for the transaction of business. The act of a majority of Directors present at a meeting

at which a quorum is present shall be the act of the Board of Directors. Less than a quorum may adjourn any meeting.

2.4 Meetings of Directors. An annual meeting of the Board of Directors shall be held as soon as practicable after the adjournment of the annual meeting of shareholders at such place as the Board may designate. Other meetings of the Board of Directors shall be held at places within or without the State of Virginia and at times fixed by resolution of the Board, or upon call of the Chairman of the Board, the Chief Executive Officer, the President or any two of the Directors. The Secretary or officer performing the Secretary's duties shall give not less than twenty-four hours' notice by letter, telegraph, facsimile, telephone or in person of all meetings of the Board of Directors, provided that notice need not be given of the annual meeting or of regular meetings held at times and places fixed by resolution of the Board. Meetings may be held at any time without notice if all of the Directors are present, or if those not present waive notice in writing either before or after the meeting. The notice of meetings of the Board need not state the purpose of the meeting.

2.5 Compensation. By resolution of the Board, Directors may be allowed a fee and expenses for attendance at all meetings, but nothing herein shall preclude Directors from serving the Corporation in other capacities and receiving compensation for such other services.

ARTICLE III Committees

3.1 Executive Committee. The Board of Directors, by resolution adopted by a majority of the number of Directors fixed by these Bylaws, may elect an Executive Committee which shall consist of not fewer than two Directors, including the Chairman. When the Board of Directors is not in session, the Executive Committee shall have all power vested in the Board of Directors by law, by the Articles of Incorporation, or by these Bylaws, provided that the

Executive Committee shall not have power to (i) approve or recommend to shareholders action that the Virginia Stock Corporation Act requires to be approved by shareholders; (ii) fill vacancies on the Board or on any of its committees; (iii) amend the Articles of Incorporation pursuant to Section 13.1-706 of the Virginia Code; (iv) adopt, amend, or repeal the Bylaws; (v) approve a plan of merger not requiring shareholder approval; (vi) authorize or approve a distribution, except according to a general formula or method prescribed by the Board of Directors; or (vii) authorize or approve the issuance or sale or contract for sale of shares, or determine the designation and relative rights, preferences and limitations of a class or series of shares, other than within limits specifically prescribed by the Board of Directors. The Executive Committee shall report at the next regular or special meeting of the Board of Directors all action that the Executive Committee may have taken on behalf of the Board since the last regular or special meeting of the Board of Directors.

3.2 Audit Committee. The Board of Directors, by resolution adopted by a majority of the number of Directors fixed by these Bylaws, shall designate an Audit Committee which shall consist of two or more Directors, none of whom shall be an employee of the Corporation or any of its subsidiaries. The Committee shall keep minutes of its meetings and all action taken shall be reported to the Board of Directors. The Audit Committee shall (a) recommend the firm to be employed as the Corporation's external auditor and review the proposed discharge of any such firm; (b) review the external auditor's compensation, the proposed terms of its engagement and its independence; (c) review the appointment and replacement of the senior internal-auditing executive, if any; (d) serve as a channel of communication between the external auditor and the Board of Directors and between the senior internal-auditing executive, if any, and the Board; (e) review the results of each external audit of the Corporation, the report of the audit, any related management letter, management's responses to recommendations made by the external auditor in

connection with the audit, reports of the internal auditing department that are material to the Corporation as a whole and management's responses to such reports; (f) review the Corporation's annual financial statements, any certification, report, opinion or review rendered by the external auditor in connection with those financial statements, and any significant disputes between management and the external auditor that arose in connection with the preparation of those financial statements; (g) consider, in consultation with the external auditor and the senior internal-auditing executive, if any, the adequacy of the Corporation's internal financial controls; and (h) consider major changes and other major questions of choice respecting the appropriate auditing and accounting principles and practices to be used in preparation of the Corporation's financial statements.

3.3 Loan Committee. The Board of Directors, by resolution adopted by a majority of the number of Directors fixed by these bylaws, shall designate a Loan Committee that shall include the Chairman and President, and such other Directors and officers as determined by the Board. The Loan Committee shall have power to discount and purchase notes and other evidences of debt, to examine and approve loans and discounts; and to exercise authority regarding loans and discounts. The Loan Committee shall keep minutes of its meetings and such minutes shall be available at the next regular meeting of the Board of Directors at which a quorum is present and shall be read if requested by the Board, and any action taken by the Board with respect thereto shall be entered in the minutes of the Board. Until such time as the Board of Directors shall determine, by resolution adopted by a majority of the number of Directors fixed by these Bylaws, the powers and functions of the Loan Committee shall be reserved for the Executive Committee.

3.4 Compensation Committee. The Board of Directors, by resolution adopted by a majority of the number of Directors fixed by these Bylaws, shall designate a Compensation

Committee which shall consist of two or more directors, none of whom are employees of the Corporation or any of its subsidiaries. The Compensation Committee shall meet at least annually or as necessary to perform the duties provided for in this section. The Compensation Committee shall: (a) review and recommend to the Board of Directors the annual salary, bonus, stock options and other benefits, direct and indirect, of the Chief Executive Officer, the President and other senior executive officers of the Corporation; (b) review any new executive compensation program; review on a periodic basis the operation of the Corporation's executive compensation programs to determine whether they are properly coordinated; establish and periodically review policies for the administration of executive compensation programs; (c) establish and periodically review policies in the area of management perquisites; (d) evaluate the performance of the Chief Executive Officer and the President and review the evaluations of the Corporation's senior management conducted by the Chief Executive Officer and the President; (e) oversee the development of plans for the succession of senior management personnel; and (f) administer stock option plans maintained by the Corporation.

3.5 Other Committees. The Board of Directors, by resolution adopted by a majority of the number of Directors fixed by these Bylaws, may establish such other standing or special committees of the Board as it may deem advisable, consisting of not fewer than two Directors; and the members, terms and authority of such committees shall be as set forth in the resolutions establishing the same.

3.6 Meetings. Regular and special meetings of any Committee established pursuant to this Article may be called and held subject to the same requirements with respect to time, place and notice as are specified in these Bylaws for regular and special meetings of the Board of Directors.

3.7 Quorum and Manner of Acting. A majority of the members of any Committee serving at the time of any meeting thereof shall constitute a quorum for the transaction of business at such meeting. The action of a majority of those members present at a Committee meeting at which a quorum is present shall constitute the act of the Committee.

3.8 Term of Office. Members of any Committee shall be elected as above provided and shall hold office until their successors are elected by the Board of Directors or until such Committee is dissolved by the Board of Directors.

3.9 Resignation and Removal. Any member of a Committee may resign at any time by giving written notice of his intention to do so to the Chief Executive Officer or the Secretary of the Corporation, or may be removed, with or without cause, at any time by such vote of the Board of Directors as would suffice for his election.

3.10 Vacancies. Any vacancy occurring in a Committee resulting from any cause whatever may be filled by a majority of the number of Directors fixed by these Bylaws.

ARTICLE IV Officers

4.1 Election of Officers; Terms. The officers of the Corporation shall consist of a Chairman of the Board, a Chief Executive Officer, a President, a Secretary and a Treasurer. Other officers, including one or more Vice Presidents (whose seniority and titles, including Executive Vice Presidents and Senior Vice Presidents, may be specified by the Board of Directors), and assistant and subordinate officers, may from time to time be elected by the Board of Directors. All officers shall hold office until the next annual meeting of the Board of Directors and until their successors are elected. The Chairman of the Board shall be chosen from among the Directors. Any two officers may be combined in the same person as the Board of Directors may determine.

4.2 Removal of Officers; Vacancies. Any officer of the Corporation may be removed summarily with or without cause, at any time, by the Board of Directors. Vacancies may be filled by the Board of Directors.

4.3 Duties. The officers of the Corporation shall have such duties as generally pertain to their offices, respectively, as well as such powers and duties as are prescribed by law or are hereinafter provided or as from time to time shall be conferred by the Board of Directors. The Board of Directors may require any officer to give such bond for the faithful performance of his duties as the Board may see fit.

4.4 Duties of the Chairman of the Board. The Chairman of the Board shall have the powers and duties customarily and usually associated with the office of the Chairman of the Board. The Chairman of the Board shall preside over the meetings of the Board of Directors and of the shareholders. In the event of the Chairman of the Board's temporary absence or disability and the absence or disability of the Chief Executive Officer and the President, the Chairman of the Board shall have the power to designate any Director to preside at any or all meetings of the shareholders and of the Board of Directors. If at any time the offices of both the Chief Executive Officer and President shall not be filled, or in the event of the disability of both the Chief Executive Officer and President, the Chairman of the Board shall have the duties and powers of the Chief Executive Officer and President. The Chairman of the Board shall have such other powers and perform such greater or lesser duties as may be delegated to him or her from time to time by the Board of Directors.

4.5 Duties of the Chief Executive Officer. The Chief Executive Officer of the Corporation shall be primarily responsible for the implementation of policies of the Board of Directors. The Chief Executive Officer shall have authority over the general management and direction of the business and operations of the Corporation and its divisions, if any, subject only

to the ultimate authority of the Board of Directors. The Chief Executive Officer shall be a Director, and, except as otherwise provided in these Bylaws or in the resolutions establishing such committees, he or she shall be ex officio a member of all Committees of the Board. In the absence of the Chairman of the Board, the Chief Executive Officer shall preside at all corporate meetings. The Chief Executive Officer may sign and execute in the name of the Corporation share certificates, deeds, mortgages, bonds, contracts or other instruments except in cases where the signing and the execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Corporation or shall be required by law otherwise to be signed or executed. In addition, the Chief Executive Officer shall perform all duties incident to the office of the Chief Executive Officer and such other duties as from time to time may be assigned to him or her by the Board of Directors.

4.6 Duties of the President. The President, together with the Chief Executive Officer of the Corporation (in the event the President and Chief Executive Officer are not the same person), shall have authority over the general management and direction of the business and operations of the Corporation and its divisions, if any, subject only to the ultimate authority of the Board of Directors. The President shall be a Director, and, except as otherwise provided in these Bylaws or in the resolutions establishing such committees, he or she shall be ex officio a member of all Committees of the Board. In the absence of the Chairman of the Board and the Chief Executive Officer, the President shall preside at all corporate meetings. The President may sign and execute in the name of the Corporation share certificates, deeds, mortgages, bonds, contracts or other instruments except in cases where the signing and the execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Corporation or shall be required by law otherwise to be signed or executed. In addition, the President shall perform all duties incident to the office of the President and such

other duties as from time to time may be assigned to him or her by the Board of Directors or the Chief Executive Officer.

4.7 Duties of the Vice Presidents. Each Vice President, if any, shall have such powers and duties as may from time to time be assigned to him or her by the Chief Executive Officer or the Board of Directors. Any Vice President may sign and execute in the name of the Corporation deeds, mortgages, bonds, contracts or other instruments authorized by the Board of Directors, except where the signing and execution of such documents shall be expressly delegated by the Board of Directors or the Chief Executive Officer to some other officer or agent of the Corporation or shall be required by law or otherwise to be signed or executed.

4.8 Duties of the Treasurer. The Treasurer shall have charge of and be responsible for all funds, securities, receipts and disbursements of the Corporation, and shall deposit all monies and securities of the Corporation in such banks and depositories as shall be designated by the Board of Directors. The Treasurer shall be responsible (i) for maintaining adequate financial accounts and records in accordance with generally accepted accounting practices; (ii) for the preparation of appropriate operating budgets and financial statements; (iii) for the preparation and filing of all tax returns required by law; and (iv) for the performance of all duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him or her by the Board of Directors, the Audit Committee, or the Chief Executive Officer. The Treasurer may sign and execute in the name of the Corporation share certificates, deeds, mortgages, bonds, contracts or other instruments, except in cases where the signing and the execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Corporation or shall be required by law or otherwise to be signed or executed.

4.9 Duties of the Secretary. The Secretary shall act as secretary of all meetings of the Board of Directors and shareholders of the Corporation. When requested, the Secretary shall

also act as secretary of the meetings of the committees of the Board. The Secretary shall keep and preserve the minutes of all such meetings in permanent books. The Secretary shall see that all notices required to be given by the Corporation are duly given and served; shall have custody of the seal of the Corporation and shall affix the seal or cause it to be affixed to all share certificates of the Corporation and to all documents the execution of which on behalf of the Corporation under its corporate seal is duly authorized in accordance with law or the provisions of these Bylaws; shall have custody of all deeds, leases, contracts and other important corporate documents; shall have charge of the books, records and papers of the Corporation relating to its organization and management as a Corporation; shall see that all reports, statements and other documents required by law (except tax returns) are properly filed; and shall in general perform all the duties incident to the office of Secretary and such other duties as from time to time may be assigned to him or her by the Board of Directors or the Chief Executive Officer.

4.10 Compensation. The Board of Directors shall have authority to fix the compensation of all officers of the Corporation.

ARTICLE V

Capital Stock

5.1 Form of Shares. The shares of capital stock of the Corporation may be certificated or uncertificated, as provided under Virginia law. Transfer agents and/or registrars for one or more classes of the stock of the Corporation may be appointed by the Board of Directors and may be required to countersign certificates, when issued, representing shares of such class or classes. In the event that any officer whose signature or facsimile thereof shall have been used on a stock certificate shall for any reason cease to be an officer of the Corporation and such certificate shall not then have been delivered by the Corporation, the Board

of Directors may nevertheless adopt such certificate and it may then be issued and delivered as though such person had not ceased to be an officer of the Corporation.

5.2 Lost, Destroyed and Mutilated Certificates. Holders of the capital stock of the Corporation shall immediately notify the Corporation of any loss, destruction or mutilation of any certificate for any shares, and the Board of Directors may, in its discretion, cause one or more new certificates to be issued or a written confirmation of the Corporation's records for the same number of shares in the aggregate to be delivered to such shareholder upon the surrender of the mutilated certificate or upon satisfactory proof of such loss or destruction, and the deposit of a bond in such form and amount and with such surety as the Board of Directors may require.

5.3 Transfer of Stock. The capital stock of the Corporation shall be transferable or assignable only on the books of the Corporation by the holder(s) in person or by attorney and upon surrender of the certificate for such shares, if any, duly endorsed and, if sought to be transferred by attorney, accompanied by a written power of attorney to have the same transferred on the books of the Corporation. The Board of Directors may prescribe such other procedures for the transfer or assignment of the capital stock of the Corporation as it may deem appropriate. The Corporation will recognize the exclusive right of the person registered on its books as the owner of shares to receive dividends and to vote as such owner.

5.4 Fixing Record Date. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or entitled to receive payment of any dividend, or in order to make a determination of shareholders for any other proper purpose, the Board of Directors may fix in advance a date as the record date for any such determination of shareholders, such date in any case to be not more than seventy days prior to the date on which the particular action, requiring such determination of shareholders, is to be taken. If no record date is fixed for the determination of shareholders entitled to notice of or to

vote at a meeting of shareholders, or shareholders entitled to receive payment of a dividend, the date on which notices of the meeting are mailed or the date on which the resolution of the Board of Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of shareholders. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section, such determination shall apply to any adjournment thereof unless the Board of Directors fixes a new record date, which it shall do if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting.

ARTICLE VI

Miscellaneous Provisions

6.1 Seal. The seal of the Corporation shall consist of a flat-faced circular die, of which there may be any number of counterparts, on which there shall be engraved the word “Seal” and the name of the Corporation.

6.2 Fiscal Year. The fiscal year of the Corporation shall end on such date and shall consist of such accounting periods as may be fixed by the Board of Directors.

6.3 Checks, Notes and Drafts. Checks, notes, drafts and other orders for the payment of money shall be signed by such persons as the Board of Directors from time to time may authorize. When the Board of Directors so authorizes, however, the signature of any such person may be a facsimile.

6.4 Amendment of Bylaws. Unless proscribed by the Articles of Incorporation, these Bylaws may be amended or altered at any meeting of the Board of Directors by affirmative vote of a majority of the number of Directors fixed by these Bylaws. The shareholders entitled to vote in respect of the election of Directors, however, shall have the power to rescind, amend,

alter or repeal any Bylaws and to enact Bylaws which, if expressly so provided, may not be amended, altered or repealed by the Board of Directors.

6.5 Voting of Shares Held. Unless otherwise provided by resolution of the Board of Directors or of the Executive Committee, if any, the Chief Executive Officer may from time to time appoint an attorney or attorneys or agent or agents of the Corporation, in the name and on behalf of the Corporation, to cast the vote which the Corporation may be entitled to cast as a shareholder or otherwise in any other corporation, any of whose securities may be held by the Corporation, at meetings of the holders of the shares or other securities of such other corporation, or to consent in writing to any action by any such other corporation; and the Chief Executive Officer shall instruct the person or persons so appointed as to the manner of casting such votes or giving such consent and may execute or cause to be executed on behalf of the Corporation, and under its corporate seal or otherwise, such written proxies, consents, waivers or other instruments as may be necessary or proper in the premises. In lieu of such appointment the Chief Executive Officer may himself attend any meetings of the holders of shares or other securities of any such other corporation and there vote or exercise any or all power of the Corporation as the holder of such shares or other securities of such other corporation.

ARTICLE VII

Emergency Bylaws

The Emergency Bylaws provided in this Article VII shall be operative during any emergency, notwithstanding any different provision in the preceding Articles of these Bylaws or in the Articles of Incorporation of the Corporation or in the Virginia Stock Corporation Act (other than those provisions relating to emergency bylaws). An emergency exists if a quorum of the Corporation's Board of Directors cannot readily be assembled because of a catastrophic event. To the extent not inconsistent with these Emergency Bylaws, the Bylaws provided in the

preceding Articles shall remain in effect during such emergency and upon the termination of such emergency the Emergency Bylaws shall cease to be operative unless and until another such emergency shall occur.

During any such emergency:

(a) Any meeting of the Board of Directors may be called by any officer of the Corporation or by any Director. The notice thereof shall specify the time and place of the meeting. To the extent feasible, notice shall be given in accord with Section 2.4 above, but notice may be given only to such of the Directors as it may be feasible to reach at the time, by such means as may be feasible at the time, including publication or radio, and at a time less than twenty-four hours before the meeting if deemed necessary by the person giving notice. Notice shall be similarly given, to the extent feasible, to the other persons referred to in (b) below.

(b) At any meeting of the Board of Directors, a quorum shall consist of a majority of the number of Directors fixed at the time by Article II of the Bylaws. If the Directors present at any particular meeting shall be fewer than the number required for such quorum, other persons present as referred to below, to the number necessary to make up such quorum, shall be deemed Directors for such particular meeting as determined by the following provisions and in the following order of priority:

(i) Vice Presidents not already serving as Directors, in the order of their seniority of first election to such offices, or if two or more shall have been first elected to such offices on the same day, in the order of their seniority in age;

(ii) All other officers of the Corporation in the order of their seniority of first election to such offices, or if two or more shall have been first elected to such offices on the same day, in the order of their seniority in age; and

(iii) Any other persons that are designated on a list that shall have been approved by the Board of Directors before the emergency, such persons to be taken in such order of priority and subject to such conditions as may be provided in the resolution approving the list.

(c) The Board of Directors, during as well as before any such emergency, may provide, and from time to time modify, lines of succession in the event that during such an emergency any or all officers or agents of the Corporation shall for any reason be rendered incapable of discharging their duties.

(d) The Board of Directors, during as well as before any such emergency, may, effective in the emergency, change the principal office, or designate several alternative offices, or authorize the officers so to do.

No officer, Director or employee shall be liable for action taken in good faith in accordance with these Emergency Bylaws.

These Emergency Bylaws shall be subject to repeal or change by further action of the Board of Directors or by action of the shareholders, except that no such repeal or change shall modify the provisions of the next preceding paragraph with regard to action or inaction prior to the time of such repeal or change. Any such amendment of these Emergency Bylaws may make any further or different provision that may be practical and necessary for the circumstances of the emergency.



News Release

For more information contact:

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TOWNEBANK COMPLETES MERGER WITH MONARCH FINANCIAL HOLDINGS, INC.

Suffolk, VA – Hampton Roads based TowneBank (NASDAQ: TOWN) announced that, at the close of business on June 24, 2016, it completed the previously announced merger with Monarch Financial Holdings, Inc. (“Monarch”) and its wholly-owned bank subsidiary. Pursuant to the previously announced terms of the merger, stockholders of Monarch received 0.8830 shares of TowneBank common stock for each share of Monarch common stock.

“We are pleased to welcome our long-time friends at Monarch to the TowneBank family as we take this exciting step forward together,” said G. Robert Aston, Jr., Chairman and CEO of TowneBank. “This combination of two great community banks will allow us to better serve the financial needs of our customers, while also providing the opportunity to enhance profitability and increase shareholder value.”

TowneBank has grown to be \$6.37 billion in assets as of March 31, 2016, and is one of the largest banks headquartered in Virginia. With the Monarch acquisition, total assets for the combined companies, on a pro forma basis as of March 31, 2016, were \$7.58 billion.

In connection with the completion of the merger, seven Monarch directors, Jeffrey F. Benson, E. Neal Crawford, Jr., William T. Morrison, Robert M. Oman, Elizabeth T. Patterson, Dwight C. Schaubach and Brad E. Schwartz, will join the Board of Directors of TowneBank.

In addition, TowneBank appointed three new executive officers who will transition from their previous positions at Monarch:

Brad E. Schwartz, will serve as Senior Executive Vice President and Chief Operating Officer of TowneBank. Mr. Schwartz had served as Chief Executive Officer of Monarch Bank since 2009 and Chief Executive Officer of Monarch since 2010, having previously served as Executive Vice President and Chief Operating and Financial Officer. He also had served as a director of Monarch Bank since 2004 and as a director of Monarch since its formation in 2005.

E. Neal Crawford, Jr., will serve as President of Towne Financial Services, LLC. Mr. Crawford had served as President of Monarch Bank since 2009 and President of Monarch

since 2010. He also had served as a director of Monarch and Monarch Bank since 2008.

William T. Morrison, will serve as Chairman and Chief Executive Officer of TowneBank Mortgage and Realty Group, a division of TowneBank. Mr. Morrison had served as Chief Executive Officer of Monarch Mortgage since 2011 after having previously served as Executive Vice President and Chief Operating Officer of Monarch Mortgage. He also had served as a director of Monarch and Monarch Bank since 2012.

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, Towne Benefits, TowneBank Mortgage, TowneBank Commercial Mortgage, Berkshire Hathaway HomeServices Towne Realty, Towne 1031 Exchange, LLC, Beach Properties of Hilton Head, and Oak Island Accommodations. 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 \$6.37 billion as of March 31, 2016, TowneBank is one of the largest banks headquartered in Virginia.

Forward-Looking Statements

Statements made in this release, other than those concerning historical financial information, may be considered forward-looking statements, which speak only as of the date of this release and are based on current expectations and involve a number of assumptions. These include statements as to the anticipated benefits of the merger with Monarch, including future financial and operating results, cost savings and enhanced revenues that may be realized from the merger, as well as other statements of expectations regarding the merger and any other statements regarding future results or expectations. TowneBank intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and is including this statement for purposes of these safe harbor provisions. TowneBank's ability to predict results, or the actual effect of future plans or strategies, is inherently uncertain. Factors which could have a material effect on the operations and future prospects of TowneBank include but are not limited to: (1) the businesses of TowneBank and Monarch may not be integrated successfully or such integration may be more difficult, time-consuming or costly than expected; (2) expected revenue synergies and cost savings from the merger may not be fully realized or realized within the expected timeframe; (3) revenues following the merger may be lower than expected; (4) customer and employee relationships and business operations may be disrupted by the merger; (5) changes in interest rates, general economic and business conditions, legislative/regulatory changes; the monetary and fiscal policies of the U.S. government, including policies of the U.S. Treasury and the Board of Governors of the Federal Reserve; the quality and composition of the loan and securities portfolios; demand for loan products; deposit flows; competition; demand for financial services in TowneBank's market areas; the implementation of new technologies; their ability to develop and maintain secure and reliable electronic systems; changes in the securities markets; and accounting principles, policies and guidelines, and (6) other risk factors detailed from time to time in filings made by TowneBank with the Federal Deposit Insurance Corporation. TowneBank undertakes no obligation to update or clarify these forward-looking statements, whether as a result of new information, future events or otherwise. ###