

Washington Banking ends merger with Frontier; shares tumble

by Reuters-News

June 4 (Reuters) - Washington Banking Co (WBCO.O: [Quote](#), [Profile](#), [Research](#)) shares took a beating on Wednesday, a day after the bank-holding company ended its merger with Frontier Financial Corp (FTBK.O: [Quote](#), [Profile](#), [Research](#)), citing Frontier's failure to obtain regulatory approval on time.

Frontier had agreed to buy Washington Banking in September in a cash-and-stock deal valued at \$191.1 million. The deal was expected to be sealed in the first quarter.

Washington Banking said Frontier's failure to get the approval breached certain obligations under the merger agreement.

In a separate release, Frontier denied there was any breach from its side and said it believed "WBC's repudiation of the agreement is a breach of the merger agreement."

Frontier also said Washington Banking was unwilling to extend the agreement beyond June 30, which is the due date to obtain the required approval and close the deal.

"The continued uncertainty created from waiting for the potential merger was not benefiting our customers, communities, employees or shareholders," Washington Banking Chief Executive Michal Cann said in a statement.

"We continue to believe this merger would have been positive for both organizations," Frontier Chief executive John Dickson said. "However, any further delay would have been detrimental to both organizations and reduced our chances for a successful combination."

Frontier said both the companies claimed a \$5 million termination fee from each other due to the termination.

Frontier estimated its merger-related costs at \$1.3 million and plans to record a pre-tax charge of about \$517,000 to its second-quarter results.

Shares of Washington Banking, holding company of Whidbey Island Bank, were trading down more than 21 percent at \$9.83 on the Nasdaq. Frontiers's shares were also down more than 2 percent at \$14.20 on the same exchange. (Reporting by Adheesha Sarkar in Bangalore; Editing by Anil D'Silva)

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