

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

FORM 8-K

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

September 1, 2013

Date of Report (Date of earliest event reported)

TOWNEBANK

(Exact name of registrant as specified in its charter)

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| <u>Virginia</u> (State or other jurisdiction of incorporation) | <u>35905</u> (FDIC Insurance Cert. No.) | <u>54-1910608</u> (IRS Employer Identification No.) |
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| <u>5716 High Street, Portsmouth, Virginia</u> (Address of principal executive offices) | <u>23703</u> (Zip Code) |
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(757) 638-7500
(Registrant's telephone number, including area code)

No Change
(Former name, or former address, if changed since last report)

- ☐ 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 8.01 OTHER EVENTS

On September 1, 2013, all of the outstanding shares of TowneBank's 8.0% Non-Cumulative Convertible Preferred Stock, Series A (the "Series A Preferred") were converted into shares of TowneBank common stock at a conversion rate of 5.55 shares of common stock per share of Series A Preferred, plus cash in lieu of any fractional shares at a price of \$14.36 per whole share. A press release dated September 3, 2013 is attached as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

Exhibit 99.1: News Release dated September 3, 2013

SIGNATURES

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

TOWNEBANK
(Registrant)

/s/ Clyde E. McFarland, Jr. _____

Clyde E. McFarland, Jr.
Senior Executive Vice President & Chief Financial Officer

Date: September 3, 2013



News Release

For more information contact:

G. Robert Aston, Jr., Chairman and CEO, (757) 638-6780

Clyde E. McFarland, Jr., Senior Executive Vice President and CFO, 757-638-6801

FOR IMMEDIATE RELEASE

September 3, 2013

TowneBank Announces Mandatory Conversion of 8.0% Non-Cumulative Convertible Preferred Stock, Series A

Suffolk, Va. – Hampton Roads based TowneBank (NASDAQ: TOWN) announced today that all of the outstanding shares of its 8.0% Non-Cumulative Convertible Preferred Stock, Series A (the “Series A Preferred”) were converted on September 1, 2013 into shares of TowneBank common stock at a conversion rate of 5.55 shares of common stock per share of Series A Preferred, plus cash in lieu of any fractional shares at a price of \$14.36 per whole share.

“We are pleased that our capital position and financial performance has enabled us to fully meet all 8% preferred stock dividends while also increasing our common dividends at a time when many banks were required to reduce or fully eliminate all dividend payments,” said Clyde E. McFarland, Jr., Chief Financial Officer. “This conversion will eliminate total annual preferred dividends of approximately \$4.59 million and will have a positive effect on our common equity position.”

All holders of Series A Preferred should submit their Series A Preferred stock certificate and a completed Letter of Transmittal to any TowneBank branch location or the conversion agent, Registrar and Transfer Company, at 10 Commerce Drive, Cranford, NJ 07016, Attention: Daniel Flynn.

Holders of Series A Preferred may contact Registrar and Transfer Company at 1-800-368-5948 or Debbie Todd, TowneBank’s Investor Relations Officer, at 757-638-6794 for more information.

As one of the top community banks in Virginia and North Carolina, TowneBank operates 26 banking offices serving Chesapeake, Hampton, Newport News, Norfolk, Portsmouth, Suffolk, Virginia Beach, Williamsburg, James City County and York County in Virginia along with Moyock, Grandy, Camden, Southern Shores, Corolla and Kill Devil Hills 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, Prudential Towne Realty, Towne 1031 Exchange, LLC, and Corolla Classic Vacations. Through its strategic partnership with William E. Wood and Associates, the bank also offers mortgage services in all of their offices in Hampton Roads and Northeastern North Carolina. 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 \$ 4.60 billion as of June 30, 2013, TowneBank is one of the largest banks headquartered in Virginia.

Forward-Looking Statement:

This release contains forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. These statements may address issues that involve significant risks, uncertainties, estimates and assumptions made by management. Facts that may cause actual results to differ materially from those contemplated by such forward-looking statements include competitive pressures in the banking industry that may increase significantly; changes in the interest rate environment may reduce margins and/or the volumes and values of loans made or held as well as the value of other financial assets held; general economic conditions, either nationally or regionally, may be less favorable than expected, resulting in, among other things, deterioration in credit quality and/or a reduced demand for credit or other services, changes in the legislative or regulatory environment, including changes in accounting standards, may adversely affect our business; costs or difficulties; related to the integration of the business and the businesses we have acquired may be greater than expected; expected cost savings associated with pending or recently completed acquisitions may not be fully realized or realized within the expected time frame; our competitors may have greater financial resources and develop products that enable them to compete more successfully; changes in business conditions, changes in the securities market and changes in our local economy with regards to our market area and its heavy concentration of U. S. military based and related personnel. We assume no obligation to update information contained in this release.

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