

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

**FORM 8-K**

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

February 22, 2017

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 8.01    OTHER EVENTS**

### Election of Lead Director

At its meeting on February 22, 2017, the Board of Directors approved and adopted a Lead Director Charter, and the independent directors unanimously elected Ret. Judge Richard S. Bray to serve as the initial Lead Director of the Company. Judge Bray, who chairs the Executive Committee, has served as a director of the Company since 2006. Prior to his judicial appointment in 1989, Judge Bray served as a member of the respective boards of directors of two community banks – one until its acquisition in 1987 and thereafter as the founding chairman of the second bank until his judicial appointment. Judge Bray currently serves as President and Chief Executive Officer of the Beazley Foundation, Inc., a private charitable foundation established in 1948 that awards grants to educational, charitable and religious (parochial schools) throughout the South Hampton Roads region. In 1989, Judge Bray was elected Judge of the Circuit Court of the City of Portsmouth and two years later was elected Judge of the Court of Appeals of Virginia. He retired in 2002 from the Court of Appeals to become President and Chief Executive Officer of the Beazley Foundation.

The responsibilities and duties of the Lead Director are as follows:

- Preside at meetings of the Board of Directors at which the Chairman is not present, including executive sessions of the independent directors, and provide feedback to the Chairman and other senior executives, as appropriate, from such executive sessions of the independent directors;
- Serve as the principal liaison between the Chairman and the independent directors on sensitive issues;
- Call special meetings or executive sessions of the independent directors;
- Facilitate communication between the Board and senior management, including advising the Chairman of the Board's informational needs regarding meeting agendas and schedules and the types and forms of information supplied to directors;
- Serve as an additional point of contact for Board members and shareholders and be available for consultation and direct communication with major shareholders; and
- Work with the Chairman to ensure that the Board is provided with the resources, including external advisors and consultants as considered appropriate, to permit the Board to carry out its responsibilities and duties.

A copy of the Lead Director Charter is attached as Exhibit 99.1.

### Adoption of Corporate Governance Policies

At its meeting on February 22<sup>nd</sup>, the Board of Directors also adopted the following corporate governance policies:

Clawback of Incentive-Based Compensation. This policy provides for the recovery of any excess incentive-based compensation paid to the executive officers (as defined in Section 16 of the Securities Exchange Act of 1934) and certain other employees if the Company has to prepare an accounting restatement. In the event of a restatement, the policy will be triggered and will apply to any incentive-based compensation (whether in the form of cash or equity) granted, earned or vested, the amount of which was calculated based wholly or in part on the attainment of any financial reporting measure(s) based on: (i) accounting principles using the Company's financial statements; (ii) stock price; or (iii) total shareholder return. The Company will recover any incentive compensation that is in excess of what would have been paid or granted based on the restated financial information during the three completed fiscal years preceding the date on which the Board of Directors determines an accounting restatement is required to be filed to correct a material non-compliance with any financial reporting requirements under applicable securities laws.

The policy applies to all executive officers regardless of whether the individual was responsible for the accounting restatement. The policy may also apply to an employee who the Board determines was directly responsible for the restatement.

Stock Ownership Policy for Directors and Named Executive Officers. This policy applies to directors and the named executive officers listed in the summary compensation table in the Company's proxy statement. The ownership threshold for directors is \$100,000 aggregate value of Company common stock. This ownership amount is in excess of four times the 2016 cash retainer (\$22,000) payable to all directors. The ownership threshold for the named executive officers is based on the following multiples of their base salaries: 3X for the Chief Executive Officer; 2X for the President; 1X for the other named executive officers.

The value of the Company common stock held by a director or named executive officer is based on the average closing price of the Company's common stock for the last ten trading days of the applicable year. As of January 1, 2017, all the directors and named executive officers satisfied their respective stock ownership requirements. There is a five year accumulation period for new directors and executive officers.

Any shares of Company common stock subject to a pledging commitment will not count towards the ownership threshold. If an individual covered by this policy is not in compliance with the ownership guidelines, any shares acquired upon the exercise of a stock option or any shares that vest and are no longer subject to any time-based or performance-based vesting requirement may not be sold or transferred, except for the limited purpose of paying any applicable tax withholding or exercise price.

No Hedging Policy. This policy prohibits directors and executive officers from engaging in hedging transactions designed to hedge or offset any decrease in the market value of Company common stock. It also prohibits short sale transactions in Company common stock.

**ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.**

(d) *Exhibits.*

The following exhibit is filed herewith:

<u>Exhibit No.</u>	<u>Description</u>
99.1	Lead Director Charter

**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.

**TOWNE BANK**  
(Registrant)

/s/ Clyde E. McFarland, Jr. \_\_\_\_\_  
Clyde E. McFarland, Jr.  
Senior Executive Vice President &  
Chief Financial Officer

Date: February 27, 2017

## EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
99.1	Lead Director Charter

## TOWNEBANK

### Lead Director Charter

The independent members of the Board of Directors will annually elect with a majority vote an independent director to serve as Lead Director if: (i) the offices of Chairman of the Board and Chief Executive Officer are held by the same person; or (ii) the offices of Chairman of the Board and Chief Executive Officer are *not* held by the same person, but the person serving as Chairman of the Board serves in an executive capacity as an employee of the Company. Although elected annually, the Lead Director is generally expected to serve for more than one year. The Lead Director may be removed or replaced at any time with or without cause by a majority vote of the independent members of the Board of Directors.

For purposes of this Charter, “independent” means meeting the requirements for independent directors under the NASDAQ Stock Market listing rules.

The responsibilities and duties of the Lead Director are as follows:

- Preside at meetings of the Board of Directors at which the Chairman is not present, including executive sessions of the independent directors, and provide feedback to the Chairman and other senior executives, as appropriate, from such executive sessions of the independent directors;
- Serve as the principal liaison between the Chairman and the independent directors on sensitive issues;
- Call special meetings or executive sessions of the independent directors;
- Facilitate communication between the Board and senior management, including advising the Chairman of the Board’s informational needs regarding meeting agendas and schedules and the types and forms of information supplied to directors;
- Serve as an additional point of contact for Board members and shareholders and be available for consultation and direct communication with major shareholders; and
- Work with the Chairman to ensure that the Board is provided with the resources, including external advisors and consultants as considered appropriate, to permit the Board to carry out its responsibilities and duties.