ARROW FINANCIAL CORP
Form DEF 14A
March 16, 2018
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934
(Amendment No. )

Filed by the Registrant [ x ]
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Check the appropriate box:
[ ] Preliminary Proxy Statement
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Arrow Financial Corporation
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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ARROW FINANCIAL CORPORATION
250 Glen Street
Glens Falls, New York 12801

March 16, 2018

Dear Shareholder:

You are cordially invited to attend the Arrow Financial Corporation Annual Meeting of Shareholders on Wednesday, April 25, 2018, at 9 a.m. at the Charles R. Wood Theater in downtown Glens Falls, New York.

The meeting will begin with a review of all voting matters and feature a short presentation on the Company. Additional details about the meeting and voting instructions can be found in the Notice of 2018 Annual Meeting of Shareholders and related Proxy Statement.

The past year included a number of important milestones and highlights for our Company. We would like to take this opportunity to note a few of these achievements, which set us apart from our peers:

- Profitability: We reported outstanding profitability for 2017, represented by our fourth consecutive year of record net income as well as 12.14% return on average equity, 1.09% return on average assets and 13.51% return on tangible equity at year-end.
- Shareholder Value: Diluted earnings per share for 2017 were a record $2.10. Excluding a one-time benefit resulting from the Tax Cuts and Jobs Act of 2017, diluted earnings per share were $2.02. Shareholders' equity reached a record high. In addition, cash dividends paid to shareholders effectively increased 3% in 2017, as we distributed a 3% stock dividend in September.
- Loan Growth: Our loan portfolio reached $1.95 billion with double-digit growth for the fourth consecutive year, due to growth in all three of our major segments: commercial, consumer and residential real estate. In addition, we continued to have excellent asset quality, as measured by low levels of charge-offs and non-performing assets.
- Industry Recognition: In 2017 Arrow was named one of "America's 50 Most Trustworthy Financial Companies" by Forbes for the sixth consecutive year. The Company also appeared in Bank Director Magazine's annual "Bank Performance Scorecard" as one of the top-performing banks in the country. Finally, both of the Company's two banking subsidiaries maintained their 5-Star Superior Bank ratings by BauerFinancial, Inc.

We are proud of our performance and these accomplishments. For a better understanding of our Company, including its compensation practices and corporate governance structure, please review our proxy materials, most recent Annual Report on Form 10-K and our other securities filings. We hope you will vote, whether or not you plan to attend the Annual Meeting. It is important to us that your shares are represented.

Thank you for your investment in Arrow Financial Corporation.

Sincerely,

/s/ Thomas L. Hoy /s/ Thomas J. Murphy

| | |
|---|---|
| Thomas L. Hoy | Thomas J. Murphy |
| Chairman of the Board | President and Chief Executive Officer |

ARROW FINANCIAL CORPORATION
250 Glen Street
Glens Falls, New York 12801

NOTICE OF
2018 ANNUAL MEETING OF SHAREHOLDERS

March 16, 2018

To the Shareholders of Arrow Financial Corporation:

The Annual Meeting of Shareholders of Arrow Financial Corporation, a New York corporation, will be held at the Charles R. Wood Theater, located at 207 Glen Street in Glens Falls, New York 12801, on Wednesday, April 25, 2018, beginning at 9 a.m. local time, to consider and vote upon the following matters, as described more fully in the Proxy Statement attached to this Notice:

1. The election of four Class B Directors to three-year terms

2. Ratification of the selection of KPMG LLP as our independent auditor for 2018

3. Advisory approval of our executive compensation (“Say on Pay”)

4. Any other business that may properly come before the 2018 Annual Meeting, or any adjournment or postponement thereof

Shareholders of record as of the close of business on February 26, 2018, will be entitled to vote at the 2018 Annual Meeting, or any adjournment or postponement thereof. Please see the Additional Voting Information section of the Proxy Statement for more information on how to vote.

Please ensure that your shares are represented at the 2018 Annual Meeting, as your vote is important. If you plan to attend, we ask that you also complete the attendance section on your proxy card. See the attached Proxy Statement for more information on how to vote your shares. Thank you.

By Order of the Board of Directors,

/s/ Suzanna M. Bernd

Suzanna M. Bernd
Corporate Secretary

ARROW FINANCIAL CORPORATION
250 Glen Street
Glens Falls, New York 12801

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ARROW FINANCIAL CORPORATION
250 Glen Street
Glens Falls, New York 12801

# PROXY STATEMENT

## General Voting Information

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors ("Board") of Arrow Financial Corporation ("Company"), a New York corporation, of proxies to be voted at the 2018 Annual Meeting of Shareholders ("Annual Meeting") to be held Wednesday, April 25, 2018, at 9 a.m., at the Charles R. Wood Theater, 207 Glen Street, Glens Falls, New York 12801, or at any adjournment or postponement thereof.

The release of the Notice Regarding the Availability of Proxy Materials, the Notice of 2018 Annual Meeting of Shareholders, the Proxy Statement and the Company's Annual Report on Form 10-K for the year ended December 31, 2017 (collectively, the "Proxy Materials") is scheduled to begin on March 16, 2018, to shareholders of record as of close of business on February 26, 2018. As of the record date, there were 13,934,036 shares of Company common stock outstanding, and each share is entitled to one vote at the Annual Meeting.

To vote, please follow the instructions in the Notice Regarding the Availability of Proxy Materials or the other Proxy Materials. If you wish to receive a printed copy of the Proxy Materials, please follow the instructions in the Notice Regarding the Availability of Proxy Materials. The Proxy Materials will be mailed within three business days of receipt of your request. Shareholders who previously requested electronic copies will receive them in that format.

Please be sure that your shares are represented at the Annual Meeting by completing and submitting your proxy by telephone, online or by requesting and returning a completed paper proxy card. Please see the Additional Voting Information section of this Proxy Statement for more information on how to vote.

## Voting Item 1 – Election of Directors

Summary and Board Recommendation:

The Board of Directors is divided into three classes (A, B and C), with one class to be elected at each Annual Meeting of Shareholders for a term of three years. Longtime Class B Director David L. Moynehan has decided to retire at the Annual Meeting, which is at the end of his current term. The Director classes will be re-balanced by moving one Director, Thomas J. Murphy, from Class A to Class B. Immediately prior to the Annual Meeting, the number of Directors will be reset from 13 Directors to 12: four Class A Directors, four Class B Directors, and four Class C Directors.

Item 1 at the Annual Meeting is the election of four Class B Directors (including Mr. Murphy who was appointed a Class A Director at the 2017 Annual Meeting of Shareholders) to three-year terms expiring at the 2021 Annual Meeting of Shareholders and/or until their successors are elected and qualified. The Board has nominated for election Michael B. Clarke, David G. Kruczlnicki, Thomas J. Murphy and Raymond F. O'Conor.

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All four nominees were unanimously recommended by the Governance Committee to the Board, have been determined to be qualified, and have consented to serve if elected.

There are no arrangements or understandings between any Director or Director nominee and any other persons pursuant to which he or she was selected as a Director or nominee. None of the Directors are party to any agreement or arrangement that would require disclosure pursuant to Listing Rule 5250(b)(3) for NASDAQ®, where the Company's common stock is listed.

The Board has no reason to believe that any of these nominees will decline or be unable to serve if elected. Under applicable law and the Company's Bylaws, Directors are elected by a plurality of the shares voted at the Annual Meeting, meaning the nominees receiving the most "For" votes will be elected. For additional information regarding the vote requirements for Item 1 and a description of the Company's Majority Voting Policy with respect to the election of Directors, please see the Additional Voting Information section.

- Vote Recommendation: Your Board recommends you vote "For" each of its four nominees:
Michael B. Clarke, David G. Kruczlnicki, Thomas J. Murphy, and Raymond F. O'Conor.

Director Nomination Process:

The Governance Committee is responsible for identifying and recommending to the full Board suitable nominees to serve as Directors, including incumbents. Director nominees are selected based upon the following criteria:

- Individual Strengths: The candidate's knowledge, skill, experience and expertise
- Board Composition: The objective of achieving certain characteristics for the Board as a group, such as diversity of background, occupation, viewpoint and gender
- Succession Planning: Balance among age groups from those who are in mid-career to those nearing or recently entered into retirement

Additionally, the Governance Committee will not generally recommend a new candidate for nomination unless the candidate has demonstrated notable leadership and accomplishment in business, higher education, politics and/or cultural endeavors. The Governance Committee further assesses a candidate's understanding of the regulatory and policy environment in which the Company does business and his or her interest in the communities served by the Company. Other factors considered by the Governance Committee include a candidate's personal character, integrity and financial acumen. For candidates with prior experience as a Director of the Company or one of its subsidiaries, his or her service record will be an important factor in evaluating the desirability of his or her continuing service as a Director. Generally, Directors may not serve on the boards of more than two other public companies and may not serve on the board of any other public company whose principal business is financial services.

To identify new candidates for Director, the Governance Committee will employ its own search protocols, seek suggestions from Management and consider any Director nominee proposals it properly receives from shareholders. The same screening process is applied to all suggested candidates, regardless of the source. The Board will give substantial weight to the recommendations of the Governance Committee in selecting Director nominees for election and in filling Director vacancies. Under normal circumstances, the Board will not select nominees, including incumbent Directors, who have not been recommended by a majority of the members of the Governance Committee. For information on how shareholders may participate in the Director nomination process, see "Shareholder Submissions of Director Nominees for the 2019 Annual Meeting" in the Additional Shareholder Information section.

Nominee and Continuing Director Biographies:

We have prepared the following biographies to provide shareholders with detailed information about each Director, including his or her areas of strength. No specific minimum qualification standards have been established.

t Class B Nominees (terms expiring in 2021, if elected)

- Michael B. Clarke, age 71, has been a Director of the Company and the lead subsidiary bank Glens Falls National Bank and Trust Company ("GFNB") since 2006. He previously served as a Director of the Company and GFNB from the late 1980s until 1999, before temporarily relocating out of the area. Mr. Clarke has experience in the cement manufacturing industry. He served as President of Glens Falls Cement Company from 1985 to 1999, President and CEO of Lone Star Industries in Indiana from 1999 to 2004, and President of the Midwest Division of Buzzi Unicem, USA, from 2004 to 2005. Mr. Clarke has a bachelor's degree from McGill University and an MBA from Harvard University. In addition to his executive experience at manufacturing companies, Mr. Clarke has a finance background and a longstanding historical knowledge of the Company.

- David G. Kruczlnicki, age 65, has been a Director of the Company since 1989 and a Director of the Company's subsidiary bank, Saratoga National Bank and Trust Company ("SNB") since 2015. He previously served 26 years as a Director of GFNB. Mr. Kruczlnicki is President of a consulting firm that advises nonprofits on business planning, and he teaches at Siena College and Clarkson University Graduate School. He was President and CEO of Glens Falls Hospital, a large regional medical center, from 1989 until his retirement in 2013. Mr. Kruczlnicki received a bachelor's degree from Siena College and a master's degree from Rensselaer Polytechnic Institute. He also served on the boards of directors of several affiliates of Glens Falls Hospital, numerous other health-related organizations, and Pruyn & Company, a local, privately owned paper company. As a former health care executive, Mr. Kruczlnicki has significant experience overseeing finance and human resources as well as directorship experience with numerous private and regional organizations.

- Thomas J. Murphy, age 59, has been a Director of the Company since 2012 and a Director of GFNB since 2011. He has been CEO of the Company and GFNB since 2013. In 2012, he became President of the Company, following his appointment as President of GFNB in 2011, and continues to serve in those positions. Mr. Murphy joined GFNB in 2004 as Manager of the Personal Trust Department after 16 years as a founding partner in CMJ, LLP, a Glens Falls certified public accounting firm. He served in a variety of banking, trust and corporate capacities prior to leading the Company and GFNB. Mr. Murphy holds a bachelor's degree in Business Administration from Siena College. He held a CPA license for over 30 years and combines his expert knowledge of accounting with more than 10 years of experience in various management positions with the Company and its subsidiaries to provide valuable leadership and expertise.

- Raymond F. O'Conor, age 62, became a Director of the Company on January 1, 2017; he has been a Director of SNB since 1996 and Chairman of the SNB Board of Directors since 2001. He was a Senior Vice President of the Company from 2009 until his retirement in 2012 and also served as President and CEO of SNB from 1995 until his retirement at the end of 2012. Mr. O'Conor is a published author and CEO of Saratoga County Capital Resource Corporation, a community development agency. He has an extensive knowledge of community banking, and more specifically, the Company, as a former member of the executive management team.

t Continuing Class C Directors (terms expiring in 2019)

- Tenée R. Casaccio, AIA, age 52, has been a Director of the Company since December 2013 and a Director of GFNB since 2010. Ms. Casaccio has served as President of JMZ Architects and Planners, PC, a New York State-certified Women-Owned Business in Glens Falls, since 2009. She earned a Bachelor of Architecture from Virginia Tech and holds licenses to practice architecture in New York and several other states. Ms. Casaccio has been with JMZ

Architects since 1993. She has significant executive experience and a strong understanding of the New York State business climate.

• Gary C. Dake, age 57, has been a Director of the Company since 2003 and a Director of SNB since 2001. Mr. Dake is President of Stewart's Shops Corp., a large, privately owned, vertically integrated, multi-state convenience store chain, and of Stewart's Processing Corp., an affiliated dairy manufacturing and processing company. Mr. Dake holds a bachelor's degree from St. Lawrence University. He has experience with large

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business operations as a result of his management of Stewart's, which also gives him a unique and broad understanding of the many communities the Company serves.

- Thomas L. Hoy, age 69, has been a Director of the Company since 1996, Chairman of the Board since 2004, a Director of GFNB since 1994, and Chairman of the Board of GFNB since 2004. He was President of the Company from 1996 to 2012, and CEO from 1997 until his retirement at the end of 2012. In addition, Mr. Hoy was President of GFNB from 1995 to 2011. Mr. Hoy's more than four-decade career with our organization started in 1974 as a management trainee and included various roles in GFNB's Trust and Investment Division. He serves on the Federal Home Loan Bank of New York Board of Directors, a role he has held since 2012. Mr. Hoy holds a bachelor's degree from Cornell University. His expertise in the banking, investment and financial services industries – both generally and as our former President and CEO of the Company – is of great value to the Company.

- Colin L. Read, PhD, age 58, has been a Director of the Company since 2013 and a Director of GFNB since 2010. Dr. Read teaches banking and finance as a tenured full professor in the State University of New York system. He was elected Mayor of Plattsburgh in 2016, after three years of service on the Clinton County Legislature. He is a published author, with various contributions to print, online and television media, as well as 12 books on global finance. Dr. Read has a PhD in economics from Queen's University, an MBA from the University of Alaska, a law degree from the University of Connecticut, and a master's degree in Taxation from the University of Tulsa. His expertise in economics and understanding of the Plattsburgh area are key strengths.

t Continuing Class A Directors (terms expiring in 2020)

- Mark L. Behan, age 57, became a Director of the Company on January 1, 2017; he has been a Director of GFNB since 2015. Mr. Behan is the President of Behan Communications, Inc., a public affairs and strategic communications firm with offices in Albany and Glens Falls, which was founded by him in 1988. He has a bachelor's degree from Colgate University. Mr. Behan brings public affairs, public relations, communications and government relations expertise to the Board.

- Elizabeth A. Miller, age 64, became a Director of the Company on January 1, 2017; she has been a Director of GFNB since 2015. Ms. Miller has been President and CEO of Miller Mechanical Services, Inc., in Glens Falls since 2007 and Chair of Doty Machine Works in Fort Edward since 2014. She holds bachelor's and master's degrees from the College of Saint Rose. Ms. Miller has a strong understanding of the community and its business base, particularly local manufacturing.

- William L. Owens, Esq., age 69, has been a Director of the Company and GFNB since 2015. Mr. Owens is a former U.S. Congressman who represented New York's 21st District from 2009 to 2014. Prior to his election to Congress, he was a managing partner at Stafford, Owens, Piller, Murnane, Kelleher & Trombley, PLLC, a Plattsburgh, New York law firm, where he practiced business and tax law for more than 30 years. In 2015, he rejoined the firm as a partner and resumed his role as Managing Partner in 2016. He also serves as Senior Advisor for Dentons (formerly McKenna Long & Aldridge, LLP), an international law firm. Mr. Owens holds a bachelor's degree from Manhattan College and a law degree from Fordham University. He has a unique understanding of the North Country, specifically the Plattsburgh market, and is a leading authority on U.S.-Canada trade issues.

- Richard J. Reisman, DMD, age 72, has been a Director of both the Company and GFNB since 1999. Dr. Reisman is an oral and maxillofacial surgeon and serves as Chair of the Section of Dentistry at Glens Falls Hospital, a regional medical center. Dr. Reisman received a bachelor's degree from the University of Massachusetts-Amherst and a DMD from Harvard University. He also completed an oral surgery residency at Mt. Sinai Hospital in New York City. Dr. Reisman is a member of the New York State Board for Dentistry. His oral surgery practice in the Glens Falls community and his service at Glens Falls Hospital provide him with both small business acumen and large business organizational experience and expertise.

Director Compensation:

The Compensation Committee makes recommendations to the full Board regarding Director compensation. The Board itself, however, is responsible for determining the compensation payable to Directors for their services. Amounts paid for service on subsidiary bank boards are considered by the Board in its periodic review of total Director compensation.

t Compensation Components

There are three basic components of the compensation paid to Company Directors: basic annual retainer, meeting fees and incentive stock-based compensation. Only non-Management Directors receive compensation for their services as Directors. Management Directors (those persons who are also officers) receive no additional compensation for their services as Directors. Thus, Mr. Murphy, who is both a Director and an Executive Officer of the Company, received no Director compensation in 2017, although he was entitled to reimbursement of any expenses he incurred in connection with his service as a Director.

• Basic Annual Retainer and Meeting Fees

Each non-Management Director of the Company receives a fixed basic annual retainer fee for serving as a Company Director as well as a fixed basic annual retainer fee for serving as a Director of one of the Company's subsidiary banks. Non-Management Directors also receive fees for attending meetings of the Company's Board (and its committees) and meetings of a subsidiary bank's board (and its committees). Moreover, if a non-Management Director serves as a Chair of the Company's Board (or one of its committees) or as Chair of one of the subsidiary banks' boards (or one of its committees), he or she will also receive a supplemental annual retainer fee commensurate with the increased responsibility accompanying such position. Directors who serve on a Company or subsidiary bank committee but do not serve as the Chair thereof do not receive a supplemental annual retainer fee.

A Director's total annual retainer fee, including any supplemental annual retainer fee for service as a Board or committee chair, is currently paid semi-annually (May and November) in advance of the period to which such payment relates. Directors who are appointed or elected to the Board in the middle of one of these six-month periods receive a pro rata share of the annual retainer fee receivable by those Directors who serve for the entire period. This fee is paid to new Directors at or about the time their service commences.

Under the Arrow Financial Corporation 2013 Directors' Stock Plan ("2013 Directors' Stock Plan"), the Board may elect from time to time to pay some or all of the Directors' fees, including annual retainer and meeting fees, in the form of shares of Company common stock as opposed to cash. Distributions of shares in lieu of cash are made twice annually. The number of shares actually distributable to Directors is calculated based on the market price of the Company's common stock on the date of distribution. All shares distributed under the 2013 Directors' Stock Plan in lieu of cash are fully vested and transferable by the recipient Directors on the date of distribution, subject to applicable securities laws and our stock ownership and other guidelines. In 2017, as in prior years, the Board decided to pay a portion of the basic annual retainer fee payable to each non-Management Director for such year in the form of shares of stock under the 2013 Directors' Stock Plan.

The following table sets forth the dollar value of Directors' fees paid in cash and/or shares of the Company's common stock to non-Management Directors in 2017 for their service on the Company's Board, any subsidiary bank board, and committees thereof. The table shows the basic annual retainer fees, any supplemental annual retainer fees for serving as a Board or committee Chair, and fees for Board and committee meetings attended. All changes were approved by the Board at its meeting in January 2017.

| BASIC ANNUAL RETAINER FEES | | | |
|---|---|---|---|
| 2017 | Company | GFNB | SNB |
| Basic Annual Retainer [(a)] | $20,000 | $13,000 | $11,000 |
| Chair of Board | $9,000 | $9,000 | $9,000 |
| Chair of Audit Committee | $7,500 | N/A | N/A |
| Chair of Compensation Committee | $5,000 | N/A | N/A |
| Chair of Governance Committee | $5,000 | N/A | N/A |
| Chair of Wealth Management Committee | N/A | $5,000 | N/A |
| MEETING FEES | | | |
| Board of Directors [(b)] | $700 | $500 | $500 |

| | | | |
|---|---|---|---|
| Committee of the Board [b] | $550 | $400 | $400 |

(a) In 2017, $10,000 of the basic annual retainer fee for service as a Director of the Company and $5,500 of the basic annual retainer fee for service as a Director of GFNB or SNB were paid in shares of the Company's common stock.
(b) Per meeting attended.

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With respect to 2018 Director compensation, at its January 2018 meeting, the Board increased the basic annual retainer by $1,000 to a total of $21,000 for the Company and by $500 for each of the subsidiary banks to a total of $13,500 and $11,500, respectively, for GFNB and SNB. All other Director fees remain the same for the Board and the Company's subsidiary banks.

Under the Company's Directors' Deferred Compensation Plan, Directors of the Company and its subsidiary banks may elect to defer receipt of some or all of the cash fees otherwise payable to them in any year to a later date, subject to certain limits set forth in such plan and applicable law. Under this unfunded plan, amounts deferred are credited to the plan account of the deferring Director. The deferred amounts earn interest from time to time at a rate equal to the highest rate being paid on individual retirement accounts by GFNB. Deferred amounts are ultimately distributable on a date or dates selected by the Director, subject to certain restrictions. Distributions under the plan are payable in cash, either in a lump-sum or in annual installments as the participant may choose. During 2017, one Director elected to defer fees under the plan. See the "2017 Director Compensation Table" later in this section for additional details.

Incentive Stock-Based Compensation

Under the Company's current long-term incentive plan, the Arrow Financial Corporation 2013 Long Term Incentive Plan ("2013 LTIP"), the Board is authorized, in its discretion and after consultation with the Compensation Committee, to make grants of stock-based incentive awards to non-Management Directors of the Company as additional compensation for their service as Directors. The terms and conditions of awards granted to Directors are established by the Board itself, not by the Compensation Committee. The Board believes the grant of such awards, particularly in the form of stock options for the Company's common stock, serves an important purpose by further aligning Directors' interests with those of shareholders, as stock options only provide value to the holder if the Company's stock price increases.

Historically, the Board has approved annual grants of a fixed number of stock options to non-Management Directors under the 2013 LTIP (and predecessor plans). Such options typically vest ratably over a four-year period, subject to accelerated vesting in the event of a change-in-control of the Company. All Directors' stock options granted under the 2013 LTIP have a maximum term of 10 years from the date of the grant and are exercisable only while the Director continues to serve in such capacity and, in the usual case, for a short period following termination of service. The Board may elect to accelerate the vesting of options on a case-by-case basis, to extend the period of post-termination exercisability up to the maximum term of the option and has on occasion elected to do so in practice. All options granted to Directors in 2017 will vest ratably over a four-year period, reinforcing the long-term nature of the grant. The exercise price for all stock options granted to Directors in 2017 was the fair market value of the Company's common stock on the date of grant, i.e., the reported closing price of the stock on such date.

In early 2017, the Board granted to each then current non-Management Director who also was a Director in 2016, a standard annual incentive award for a fixed maximum number of stock options under the 2013 LTIP, subject to downward adjustment in any particular case if the individual Director's attendance record for meetings of the Company Board and committees during the prior year was less than 100%. Specifically, each eligible non-Management Director received a number of options equal to 1,000, multiplied by the Director's "meeting attendance ratio" for the prior year, which consists of: (i) the number of meetings of the Company's Board and its committees on which the Director serves held during the prior year that the Director actually attended, divided by (ii) the total number of such meetings held during the prior year. The number and grant date value of all such options are listed in the "2017 Director Compensation Table" later in this section.

In early 2018, the Board granted to each eligible non-Management Director for their 2017 service and under the 2013 LTIP a standard annual incentive award of stock options, generally subject to the usual terms and same maximum amount and downward adjustments, if any, as pertained to the 2017 grants described above.

t Stock Ownership Guidelines

In order to better align the interests of Directors with the interests of shareholders, the Company has established individual stock ownership guidelines for non-Management Directors. Under these guidelines, each non-Management Director of the Company is expected to achieve, within five years following his or her election or appointment to the Board, and thereafter to maintain as long as he or she serves as a Director, beneficial ownership of a number of shares of the Company’s stock having a market value at least equal to five times the basic annual retainer fee payable from time to time to such Director for serving on the Company’s Board. Under normal circumstances, if and for so long as a non-Management Director does not meet this target level of beneficial ownership, restrictions may be placed on the Director's ability to sell shares of the Company's common stock obtained through the exercise of stock option awards previously or subsequently granted to the Director under the 2013 LTIP, predecessor plans or successor plans. The target ownership requirement for each non-Management Director is measured by the Compensation Committee as of each year-end, using holdings valued as of December 31 of such year. Common shares owned outright (including shares held jointly with a spouse) or held through Company plans (e.g., the Company's Automatic Dividend Reinvestment Plan) are currently counted toward the stock ownership requirement. Unexercised stock options do not count toward the stock ownership requirement. The independent members of the Board have the discretion to address and approve exceptions.

The Compensation Committee has determined that, at December 31, 2017, all non-Management Directors who have served on the Company's Board for at least five years have met the stock ownership guidelines. Management Directors are subject to a separate policy; for a description, see "Stock Ownership Guidelines" in the Compensation Discussion and Analysis section.

t 2017 Director Compensation Table

The following Director Compensation Table summarizes all compensation paid by the Company and its subsidiaries to the non-Management Directors of the Company for the fiscal year ended December 31, 2017. Management Directors (who, in 2017, consisted solely of Mr. Murphy) do not receive any compensation for service as Directors of the Company or either of its subsidiary banks. Compensation received in 2017 by Mr. Murphy is reported in the "Summary Compensation Table" within the Executive Compensation section.

| Director | Fees Earned or Paid in Cash | Stock |
| --- | --- | --- |