

BOSTON PRIVATE FINANCIAL HOLDINGS INC  
Form DEF 14A  
March 21, 2017

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
SCHEDULE 14A

(Rule 14a-101)

Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934

(Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

Boston Private Financial Holdings, Inc.

(Name of Registrant as Specified In Its Charter)

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BOSTON PRIVATE FINANCIAL HOLDINGS, INC.

Ten Post Office Square  
Boston, Massachusetts 02109

Dear Fellow Shareholders:

On behalf of the Board of Directors and the management of Boston Private Financial Holdings, Inc. (the "Company"), you are invited to attend the Company's 2017 Annual Meeting of Shareholders. The meeting will be held on Thursday, April 27, 2017 at 10:00 a.m. Eastern time, at Ten Post Office Square, 2<sup>nd</sup> Floor, Boston, Massachusetts 02109.

The attached Notice of the 2017 Annual Meeting of Shareholders and Proxy Statement describe the formal business to be conducted at the meeting. Please refer to the Proxy Statement for detailed information on each of the proposals.

Only shareholders of record at the close of business on March 9, 2017 may vote at the meeting or any postponements or adjournments of the meeting.

On behalf of the Board of Directors and all employees of Boston Private Financial Holdings, Inc., I thank you for your continued support of our Company.

**YOUR VOTE IS VERY IMPORTANT.** Whether or not you plan to attend the 2017 Annual Meeting of Shareholders, please vote in order to ensure the presence of a quorum.

Sincerely,

/s/ CLAYTON G. DEUTSCH

Clayton G. Deutsch  
Chief Executive Officer and President

Boston, Massachusetts  
Dated: March 21, 2017

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BOSTON PRIVATE FINANCIAL HOLDINGS, INC.

Ten Post Office Square  
Boston, Massachusetts 02109

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NOTICE OF 2017 ANNUAL MEETING OF SHAREHOLDERS

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TIME AND DATE	10:00 a.m. Eastern Time, Thursday, April 27, 2017
PLACE	Ten Post Office Square, 2 <sup>nd</sup> Floor Boston, Massachusetts 02109
ITEMS OF BUSINESS	(1) To elect the eleven director nominees named in the Proxy Statement to serve until the 2018 annual meeting and until their successors are duly elected and qualified. (2) To approve an advisory, non-binding resolution on the compensation of the named executive officers as disclosed in the Proxy Statement. (3) To select the frequency of future shareholder advisory votes to approve the compensation of the Company's named executive officers. (4) To ratify the selection of KPMG LLP as the Company's independent registered public accounting firm for fiscal year 2017. (5) To transact any other business that may properly come before the meeting.
RECORD DATE	Only shareholders of record at the close of business on March 9, 2017 may vote at the meeting or any postponements or adjournments of the meeting.
PROXY VOTING	Your vote is very important. Please complete, date, sign and return the accompanying proxy card or vote electronically via the Internet or by telephone. The enclosed return envelope requires no additional postage if mailed in the United States. For specific instructions on how to vote your shares, please refer to the section entitled "Voting Options."

We look forward to your attendance in person or by proxy.

By Order of the Board of Directors,

MARGARET W. CHAMBERS

Corporate Secretary

Boston, Massachusetts

Dated: March 21, 2017

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## PROXY STATEMENT

for the  
2017 ANNUAL MEETING OF SHAREHOLDERS

The Company's Board of Directors (the "Board") is making this Proxy Statement available to you in connection with the solicitation of proxies by our Board for the 2017 Annual Meeting of Shareholders (the "Meeting"). The Meeting will be held on Thursday, April 27, 2017 at 10:00 a.m. Eastern time, at Ten Post Office Square, 2<sup>nd</sup> Floor, Boston, Massachusetts 02109.

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## VOTING INFORMATION

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**Record Date.** The record date for the Meeting is March 9, 2017 (the "Record Date"). At the close of business on the Record Date, there were 84,134,005 shares of the Company's common stock entitled to be voted at the Meeting, and there were 1,003 shareholders of record. There are no other outstanding shares that are eligible to vote.

**Voting Your Proxy.** Only shareholders of record at the close of business on the Record Date are entitled to vote at the Meeting. Each outstanding share of common stock is entitled to one vote on each matter before the Meeting.

**Vote Required.** A quorum of the common stock must be present at the Meeting for any business to be conducted. The presence, in person or by proxy, of the holders of at least a majority of the votes entitled to be cast on a matter for each voting group constitutes a quorum. Abstentions and broker non-votes will be counted for purposes of determining whether a quorum is present. If a quorum is not present, the Meeting will be adjourned until a quorum is obtained.

Because the number of director nominees is not greater than the number of directors that shareholders will be asked to elect, each director nominee must receive the affirmative vote of a majority of the votes cast as to such nominee by shareholders in order to be elected. Abstentions and broker non-votes will have no effect on the outcome of the election of the nominees.

The approval of the advisory, non-binding resolution on executive compensation requires the affirmative vote of a majority of the votes cast at the Meeting. Abstentions and broker non-votes will have no effect on the outcome of the vote for this proposal.

The non-binding resolution to select the frequency of future shareholder advisory votes to approve the compensation of the Company's named executive officers will involve your consideration of three choices: every year, every two years, or every three years. You also have the choice to abstain from voting on this item. The choice that receives the highest number of votes, even if it receives less than a majority of the votes cast, will be deemed the choice of the shareholders. Abstentions and broker non-votes will have no effect on the vote for this proposal.

The ratification of the selection of the Company's independent registered public accounting firm requires the affirmative vote of a majority of the votes cast at the Meeting. Abstentions and broker non-votes will have no effect on the vote for this proposal.

We are first sending this Proxy Statement and the accompanying materials to shareholders on or about March 21, 2017.

## VOTING OPTIONS

Your vote is very important. Even if you plan to attend the Meeting in person, please cast your vote as soon as possible by:

Mail. The accompanying proxy card, if properly completed, signed, dated and returned in the enclosed envelope, will be voted in accordance with your instructions. The enclosed envelope requires no additional postage if mailed in the United States.

Telephone or Internet. If you hold your shares of common stock directly and not in street name, you may vote by telephone or Internet by following the instructions included on your proxy card. If you vote by telephone or Internet, you do not have to mail in your proxy card. Telephone and Internet voting are available 24 hours a day. For participants in the Company's 401K and ESPP Plans, Internet and telephone voting are available through April 24, 2017 at 11:59 p.m. Eastern time. For all other holders, Internet and telephone voting are available through April 26, 2017 at 11:59 p.m. Eastern time.

Voting in Person at the Meeting. If you are a registered shareholder as of the Record Date and attend the Meeting, you may deliver your completed proxy card in person. Additionally, we will have ballots available for those registered shareholders as of the Record Date who wish to vote in person at the Meeting.

A shareholder of record may revoke a proxy any time before the polls close by submitting a later dated vote by telephone, Internet, or mail, by delivering instruments to the Corporate Secretary before the Meeting or by appearing in person at the Meeting and specifically withdrawing any previously voted proxy.

#### VOTING MATTERS AND VOTING RECOMMENDATIONS

By submitting your proxy by one of the methods listed above, you authorize Margaret W. Chambers, Executive Vice President, General Counsel and Corporate Secretary, and David J. Kaye, Executive Vice President, Chief Financial and Administrative Officer (collectively, the "Proxy Holders"), to represent you and vote your shares at the Meeting in accordance with your instructions. If a properly executed proxy is submitted and no instructions are given, the proxy will be voted in accordance with the Board's recommendations as follows:

Proposal	Board Recommendation	Page Reference (for more detail)
Item 1 Elect the eleven director nominees named in this Proxy Statement to serve until the 2018 annual meeting and until their successors are duly elected and qualified.	FOR each Director Nominee	<u>3</u>
Item 2 Approve an advisory, non-binding resolution on the compensation of the Company's named executive officers.	FOR	<u>42</u>
Item 3 To select the frequency of future shareholder advisory votes to approve the compensation of the Company's named executive officers.	ONE YEAR	<u>43</u>
Item 4 Ratify the selection of KPMG LLP as the Company's independent registered public accounting firm for fiscal year 2017.	FOR	<u>44</u>

#### OTHER MATTERS

As of the date of this Proxy Statement, the Board of Directors is not aware of any other matters to be considered at the Meeting. If any other matters properly come before the Meeting, the proxies will be voted at the discretion of the Proxy Holders.

#### ANNUAL REPORT

All shareholders of record are being sent a copy of the Company's 2016 Annual Report to Shareholders and the Annual Report on Form 10-K for the fiscal year ended December 31, 2016, which contains audited financial statements of the Company for the fiscal years ended December 31, 2016, 2015 and 2014, as filed with the Securities and Exchange Commission ("SEC") on February 28, 2017. These reports, however, are not part of the proxy soliciting material.

A copy of the Company's Annual Report on Form 10-K filed with the SEC, including all exhibits, may be obtained free of charge by writing to Boston Private Financial Holdings, Inc., Ten Post Office Square, Boston, Massachusetts 02109, Attention: Corporate Secretary, or by accessing the Company's website at [www.bostonprivate.com](http://www.bostonprivate.com), selecting the "Investor Relations" link at the bottom of the page, and then selecting "SEC filings" under "Documents."





## PROPOSAL 1

### ELECTION OF DIRECTORS

The Board of Directors of the Company currently consists of eleven members. On September 28, 2016, the Board of Directors elected Mark F. Furlong and Joseph C. Guyaux to the Board of Directors. At this year's annual meeting, shareholders will be asked to elect eleven directors, each of whom is currently serving as a director of the Company. Each of the eleven director nominees has consented to serve as a director if elected at this year's annual meeting. Each nominee elected as a director will serve until the next annual meeting and until his or her successor has been duly elected and qualified. If any nominee is unable to serve as a director at the annual meeting, the Board may reduce the number of directors to be elected at the annual meeting.

On January 18, 2017, the Board of Directors of the Company adopted Amended and Restated By-Laws of the Company to provide for majority voting in uncontested director elections. Article 1, Section 8 of the Amended and Restated Bylaws provides that in order to be elected in an uncontested election, a nominee must receive a majority of the votes cast as to such nominee by the shares entitled to vote in the election at a meeting at which a quorum is present. An incumbent director nominee who fails to receive at least a majority of the votes cast at such a meeting will be required to offer to resign from the Board. The Board will then consider such director's offer to resign, taking into consideration any factors that it deems relevant in deciding whether to accept such director's resignation. The Amended and Restated By-Laws retain the plurality voting standard in contested elections where the number of nominees exceeds the number of directors to be elected. At this year's annual meeting, because the number of director nominees is not greater than the number of directors that shareholders will be asked to elect, director nominees must receive a majority of the votes cast as to such nominee by shareholders in order to be elected.

The biographical description below for each nominee includes the specific experience, qualifications, attributes and skills that led to the conclusion by the Board of Directors that such person should serve as a director of the Company. In addition to the information presented below regarding each director's specific experience, qualifications, attributes and skills, the Board also believes that all of the directors have a reputation for integrity, honesty and adherence to high ethical standards. They each have demonstrated business acumen and an ability to exercise sound judgment, as well as a commitment of service to the Company.

The Board has determined that each nominee, except Mr. Deutsch, qualifies as an independent director under the NASDAQ listing standards.

If any of the nominees shall become unavailable for any reason, all proxies will be voted FOR the election of such other person as the Board of Directors may recommend.

The Board of Directors unanimously recommends a vote FOR each of its eleven director nominees.

## INFORMATION REGARDING DIRECTOR NOMINEES

The following table sets forth certain information regarding the nominees for election at the Meeting, based on information furnished by them to the Company:

	Age	Director Since	Independent
Board Nominees			
Clayton G. Deutsch	61	2010	NO
Mark F. Furlong	59	2016	YES
Joseph C. Guyaux	66	2016	YES
Deborah F. Kuenstner	58	2007	YES
Gloria C. Larson	66	2015	YES
John Morton III	73	2008	YES
Daniel P. Nolan	64	2014	YES
Kimberly S. Stevenson	54	2015	YES
Stephen M. Waters, Chairman of the Board	70	2004	YES
Donna C. Wells	55	2014	YES
Lizabeth H. Zlatkus	58	2015	YES

### Director Nominee Qualifications

This section provides information as of the date of this Proxy Statement about each nominee for re-election at the Meeting. It is expected that each nominee, if elected, will also be appointed to the board of directors of Boston Private Bank & Trust Company (the “Bank”), a wholly-owned subsidiary of the Company. Each nominee is currently a member of the board of directors of the Bank. For more information see “Corporate Governance.”

#### Clayton G. Deutsch

Mr. Deutsch is Chief Executive Officer and President of the Company, which he joined in August 2010, and is also the Chief Executive Officer of the Bank. Mr. Deutsch is a member of the Company’s Leadership Team and has over 30 years of experience in the financial services industry. He began his career in banking in the 1970s at Society Corporation, the predecessor to Key Corp. Prior to joining the Company, he was a director at McKinsey & Company, which he joined in 1980, and served as Global Leader of that firm’s Merger Management Practice. During his time at McKinsey, he developed deep experience working with many leading financial institutions, with a particular focus in the private banking, wealth advisory, and wealth management sectors, as he helped establish and build McKinsey’s Financial Services practice globally. As a senior leader at McKinsey, Mr. Deutsch managed the Midwest complex of McKinsey offices including Chicago, Pittsburgh, Minneapolis, Cleveland and Detroit, and founded and led the Great Lakes Financial Services practice. Throughout his career with McKinsey, he consulted with financial services providers and other businesses on global strategy development, performance improvement, mergers and acquisitions strategy and corporate governance, among other areas. Mr. Deutsch also served as Chairman of McKinsey’s Principal Review Committee, a member of the Director Review Committee, a long-time member of the Shareholders Council (McKinsey’s board of directors) and Chair of the Professional Standards Committee. Mr. Deutsch serves as a member of the board of directors of each of the Company’s operating subsidiaries. In addition to Mr. Deutsch’s management expertise, he brings to our Board extensive knowledge of financial services strategies. His skills at directing corporate strategy provide our Board with a valuable resource as the Company expands its strategic direction. Mr. Deutsch’s extensive experience in the financial services industry and deep strategic expertise make him an excellent nominee for the Board.

#### Mark F. Furlong

Mr. Furlong was elected to the Board in September 2016. Mr. Furlong retired as President and Chief Executive Officer of BMO Harris Bank, N.A. in 2015, a role he assumed upon the close of the acquisition of Marshall & Ilsley Corporation by BMO Financial Group in 2011. He joined Marshall & Ilsley Corporation in 2001 as Chief Financial Officer, was elected President in 2004, Chief Executive Officer in 2007, and Chairman in 2010. Prior to joining Marshall & Ilsley, he was Chief Financial Officer of Old Kent Financial Corp.; First Vice President, Corporate Development for H. F. Ahmanson & Company; a partner for Deloitte; and a manager for KPMG LLP. Mr. Furlong also is a member of the boards of directors of Kforce Inc. and Antares

Capital. Mr. Furlong is the immediate past-Chair of Chicago United, the largest Chicago-based organization focused solely on businesses, addressing diversity in boards of directors, management, and supplier relationships. He is a board member of One Hope United, a social services organization focused on families; Chicago Board of Education; Chicago Teachers' Pension Fund; Northwestern Memorial Hospital Finance Committee; the Northwestern Memorial Foundation; and World Business Chicago. He is the founding and immediate past-Chair of LEAP Innovations. During his tenure in Milwaukee he was involved in numerous civic activities, including the roles of Chair of both Junior Achievement of Wisconsin and Schools That Can Milwaukee, and a member of the boards of directors of United Way of Greater Milwaukee, Wisconsin Manufacturers and Commerce, Froedtert Health, and the United Performing Arts Fund. Due to his considerable expertise, including his experience as President and Chief Executive Officer of BMO Harris Bank, N.A., the Company believes Mr. Furlong brings unique insight to the Board concerning capital allocation strategies and banking issues, in addition to his overall management, auditing and financial expertise.

Joseph C. Guyaux

Mr. Guyaux was elected to the Board in September 2016. He retired in 2016 from PNC Financial Services Group, Inc., where he worked for 44 years and served as President from 2002 to 2012. In this role, Mr. Guyaux was head of Retail Banking, responsible for leading all of PNC Bank's (a subsidiary of PNC Financial Services Group) consumer businesses, including consumer and business banking, wealth management and brokerage. Mr. Guyaux held several other senior leadership positions at PNC Financial Services Group, including Chief Risk Officer from 2012 to 2015. Most recently, Mr. Guyaux served as President and CEO of PNC Mortgage, a division of PNC Bank, from 2015 to 2016. Mr. Guyaux is Chairman of the Boards of DQE Holdings, LLC, Duquesne Light Company and Highmark Health, Inc. He also is a lead director of Highmark Inc. He serves as a Life Trustee for Carnegie Museums of Pittsburgh and as an Emeritus director for the Civic Light Opera and Duquesne University. The Company believes that Mr. Guyaux's extensive experience in the financial services industry makes him an excellent nominee for the Board of Directors.

Deborah F. Kuenstner

Ms. Kuenstner is the Chief Investment Officer of Wellesley College. Before joining Wellesley College in February of 2009, Ms. Kuenstner was Chief Investment Officer and Vice President of Investment Management at Brandeis University from 2007 to January 2009. Prior to working at Brandeis, Ms. Kuenstner was Managing Director of Research for Fidelity Management & Research Company, the investment management organization of Fidelity Investments. Ms. Kuenstner was the Chief Investment Officer, Global Value, at Putnam Investments from 2000 to 2004. Her other roles at Putnam included Chief Investment Officer, International Value, and Senior Portfolio Manager, International Equities. Prior to that, she worked at DuPont Pension Fund Investment in Wilmington, Delaware as a Senior Portfolio Manager, International Equities. Ms. Kuenstner has also been a Vice President, International Investment Strategist, at Merrill Lynch, in addition to an Economist at the Federal Reserve Bank of New York. Ms. Kuenstner was actively involved in the Board of Pensions of the Presbyterian Church USA from 1996-2004 as Investment Committee Chair, director, and most recently, co-opted director. Ms. Kuenstner brings to the Board valuable experience and knowledge about the financial services industry generally and, in particular, the investment management arena. Along with this experience, her economic and risk management expertise make her an excellent nominee for the Board.

Gloria C. Larson

Ms. Larson has served as the President of Bentley University since July 2007 and is the first woman to hold this position. Ms. Larson formerly served as the Co-Chair of the Government Strategies Group at the law firm of Foley Hoag LLP, and from 1996 until 2007 managed a practice that covered a broad array of federal, state and local regulatory and business development issues. Widely influential in economic policy, Ms. Larson was Secretary of Economic Affairs for The Commonwealth of Massachusetts from 1993 to 1996 and was responsible for developing and promoting economic growth policies and fostering employment opportunities. She served as The Commonwealth

of Massachusetts Secretary of Consumer Affairs and Business Regulation from 1991 to 1993, where she was responsible for regulatory oversight of banking, insurance and energy, as well as consumer protection. Prior to her state service, she oversaw business and regulatory issues at the federal level as a senior official with the Federal Trade Commission (FTC), where she served as Deputy Director of Consumer Protection from 1990 to 1991 and as Attorney Advisor to Commissioner Patricia P. Bailey from 1981 to 1988. Ms. Larson has been honored and recognized by many groups for her contributions to state economic development policy and her commitment to civic engagement. Ms. Larson previously served as a member of the Council of Economic Advisors, as well as the Massachusetts Clean Energy Center and the Commonwealth's Successful Women, Successful Families Task Force. Ms. Larson has served as a member of the Liberal Education and America's Promise (LEAP) Presidents' Trust and is a former member of the Executive Committee of the American College and University Presidents Climate Commitment. She served for more than a decade as Chairman of the Massachusetts Convention Center Authority (MCCA), and was the first woman to serve as Chairman of the Greater Boston Chamber of Commerce, where she continues to serve on the Chamber's Executive Committee. Ms. Larson presently holds the post of President of the Massachusetts Conference for Women. In addition, she is a board or advisory council member of several prominent professional, charitable and civic organizations. Ms. Larson currently serves as a director of Unum Group, chairing Unum's Regulatory Compliance Committee. She previously served as a director on the boards of

KeySpan Energy and RSA Security, as well as a member of the board of Blue Cross Blue Shield of MA. Ms. Larson's deep ties in the Massachusetts community, as well as her expertise in public company matters, and in the regulatory oversight of banking and the financial services industry bring great value to the Board of Director's oversight and guidance of the Company as it continues to focus on its strategic goal of becoming a premier private banking and wealth management company.

#### John Morton III

Mr. Morton is a seasoned bank executive with over 35 years of banking and financial services experience. He has extensive experience leading organizational turnarounds, acquisition integrations, business growth and corporate governance activities. Mr. Morton was a director of Fortress International Group, Inc. from January 2007, and served as Chairman from December 2008 to January 2012, when he resigned from the board. Mr. Morton served as an advisor to Fortress International Group, Inc.'s board through the first quarter of 2012. He has been a director of Barry-Wehmiller Companies, Inc. since July 2007, and Dynamac International Inc., from the late 1980s until it was sold in early 2010. Mr. Morton served as a director of Broadwing Corporation from April 2006 to January 2007. He served as President of Premier Banking for Bank of America Corp. from August 2004 to September 2005. From 1997 to 2001, Mr. Morton served as President of the Mid-Atlantic Region, Bank of America. He was President of the Private Client Group of NationsBank from 1996 to 1997. From 1994 to 1996, he served as Chairman, Chief Executive Officer and President of The Boatmen's National Bank of St. Louis, and as Chief Executive Officer of Farm and Home Financial Corporation from 1992 to 1993. In 1990 and 1991, Mr. Morton served as Perpetual Financial Corporation's Chairman, Chief Executive Officer and President. He served in the U.S. Navy as a lieutenant aboard the nuclear submarine U.S.S. George Washington Carver. He serves as Commissioner of the Maryland State Lottery and Gaming Control Commission, Director, U.S. Naval Institute, and director of the U.S. Naval Academy Foundation Athletic and Scholarship Programs. We believe Mr. Morton is a valuable nominee for the Board in light of his experience as the chairman, chief executive officer and president of several banking institutions, coupled with his service on a number of public company boards. He brings to the Board operational expertise, a deep background in the financial services industry, and a comprehensive understanding of the Company's business, all of which make him particularly qualified and an excellent nominee to serve on the Board.

#### Daniel P. Nolan

Mr. Nolan has served as President and CEO of Hugh Johnson Advisors, LLC, a registered investment advisor located in Albany, New York, since October 2008. Mr. Nolan is also a principal in NPV Capital LLC, a private equity and real estate investment firm that he formed in July 2007. Prior to holding these positions, he was a partner in Ayco Company, L.P., a wholly-owned subsidiary of Goldman Sachs. During his 28-year career at Ayco, from August 1978 through April 2007, Mr. Nolan provided tax, investment and financial planning advice to Ayco's highest net worth clients. He served as a Regional Vice President of two of Ayco's regional offices and held a variety of management positions, serving on both the Senior Management Committee and the Strategic Planning Committee. Mr. Nolan founded and led the firm's Special Investment Group, creating venture capital, private equity and hedge fund opportunities for the firm's clients. In July 2003, Ayco was sold to The Goldman Sachs Group and Mr. Nolan led the effort to integrate Ayco into Goldman's Private Wealth Management practice. He previously served on the board of Capital Bank & Trust, a community bank headquartered in Albany, New York. Mr. Nolan has been a trustee of Albany Law School since May 2011 and a trustee of The College of St. Rose since May 1989. Mr. Nolan has been a member of the board of directors of Combate Americas, LLC since January 2017, a member of the board of directors of NSC de Puerto Rico, Inc. since June 1998, a member of the Center for Disability Services Endowment since May 2013, and a member of the College Affairs Committee of the Albany Medical Center board of directors since August 2012. Mr. Nolan's proven business acumen, as demonstrated by his success in founding and leading several companies, is a valuable resource as the Company continues to build on its current strategy. He has significant leadership, operational and investment management and financial expertise. Further, Mr. Nolan offers the Board a unique and valuable perspective into a number of important areas, including strategic planning and wealth management.

Kimberly S. Stevenson

Ms. Stevenson is an independent director and joined the Company's Board of Directors in 2015. From September 2009 to February 2017, Ms. Stevenson was an executive officer and corporate vice president of Intel Corporation. Her most recent position was chief operating officer for Intel's Client and Internet of Things Businesses and Systems Architecture (CISA) Group. The CISA organization is responsible for aligning technology, engineering, product design and business direction to extend Intel's strategy and speed execution across the client device and IoT segments - all core to growth in the smart and connected computing era. In this role, Ms. Stevenson was responsible for CISA's operational excellence, strategic planning process and related cross-company coordination. She also served on Intel's management committee. Prior to the COO role, Ms. Stevenson served as Intel's chief information officer (CIO) from 2012 until August 2016. Previously, Ms. Stevenson held the position of vice president and general manager of Intel's Global IT Operations and Services. Prior to joining Intel, Ms. Stevenson spent seven years at the former EDS, now HP enterprise services, holding a variety of positions including vice president of its Worldwide Communications, Media and Entertainment (CM&E) Industry Practice, as well as the vice president of Enterprise Service Management, where she oversaw the global development and delivery of enterprise services. Before



joining EDS, Ms. Stevenson spent 18 years at IBM, from February 1983 to September 2002, in several executive positions, including vice president of Marketing and Operations of the eServer iSeries division. She previously served on the board of directors of Cloudera until 2017 and served as a director on the board of Riverbed Technology until 2015. With the financial services industry increasingly reliant on technology, Ms. Stevenson's deep operational and technology experience serve to enhance the Board's overall makeup.

**Stephen M. Waters**

Mr. Waters is Chairman of the Boards of the Company and the Bank, and is Managing Partner of Compass Partners Advisors LLP and its advisory and investment subsidiaries. He founded Compass Partners in 1996. Previously, Mr. Waters spent over 20 years advising corporate and financial entities both in the U.S. and internationally. Mr. Waters served from 1992 to 1996 as Co-Chief Executive Officer of Morgan Stanley, Europe, and was a member of Morgan Stanley's worldwide 12-person Operating Committee. Mr. Waters joined Morgan Stanley as a Managing Director in the Mergers and Acquisitions Department in June 1988 and was Co-Director of that department from January 1990 to early 1992. Mr. Waters was Co-Director of the Mergers and Acquisition Department at Shearson Lehman Brothers from 1985 to 1988. He serves on the board of directors of Valero Energy Corporation where he sits on the audit committee. Mr. Waters brings over 40 years of specific and relevant financial services experience to the Board, along with a deep understanding and practical knowledge of the investment management business. His background as a chief executive officer and director, as well as his extensive experience in investment management, economics, and mergers and acquisitions, make him an excellent nominee for the Board.

**Donna C. Wells**

Ms. Wells is currently Board Director, President and CEO of Mindflash Technologies, Inc., a private, Palo Alto, California company providing a market-leading cloud-based platform for employee and customer training. Prior to joining Mindflash in 2010, Ms. Wells had a nearly 20-year career in the financial services industry, including experience leading transitions from offline to online business models within Fortune 1000 companies and successfully disrupting established players with small, start-up teams as a serial entrepreneur. Ms. Wells began her career at American Express in 1989 as a member of the Corporate Strategic Planning group and later held positions of increasing responsibility in that company's Consumer and Corporate Card businesses. From 1997 to 2000, she helped establish a new, strategic product development function for Charles Schwab's retail business and ultimately held responsibility for product development and marketing to customer segments representing 70% of all Schwab client households. This early experience with the power and scale afforded by online financial service delivery drove Ms. Wells to leadership roles with three of the most innovative companies in this space from 2000 through 2009: MyCFO Wealth Management (sold to Harris Bank), Intuit and Mint.com (sold to Intuit). Ms. Wells' teams' work has won multiple Webby's (the "Oscars of the Internet") and recognition as a Tech Pioneer by the World Economic Forum in Davos. She has been named a Top 25 Women in Tech to Watch by Accenture and a Marketing Executive of the Year Finalist by the Wall Street Journal. Her company, Mindflash, was named a Top 50 Small Workplace in the US by Fortune magazine in 2016. The Company believes that Ms. Wells' extensive experience in the financial services industry and her expertise in online marketing and business models delivery qualify her for re-election to the Board of Directors.

**Lizabeth H. Zlatkus**

Ms. Zlatkus serves as a director on the boards of Computer Sciences Corp. (CSC), which she joined in August 2016, and Indivior PLC, which she joined in September 2016. She has served on the Pennsylvania State University Business School Board since September 2003 and has served on the Connecticut Science Center Trustee Board since December 2010. Ms. Zlatkus held many senior leadership positions during her tenure at The Hartford Financial Services Group from 1983 to 2011. These included her role as Chief Financial Officer and Chief Risk Officer of the company, as well as Co-President of Hartford Life Insurance Companies. Ms. Zlatkus has been recognized for her professional achievements and contributions to the community. Hillary Clinton recognized her work supporting the disability community in 1999, and she has participated as a member of The President's Committee on Employment of People

with Disabilities. Ms. Zlatkus was named one of the top 100 women executives by Business Insurance magazine, named to the Women Worth Watching List by the Profiles in Diversity Journal, and was named as the Community Leader of the Year by the Cystic Fibrosis Foundation's Connecticut Chapter. Ms. Zlatkus served as Regulatory Chair for the North American Chief Risk Officers Council. She was a member on the Hewlett Packard Financial Services Board of Advisors, the LOMA board of directors, and a Trustee of the Connecticut Women's Hall of Fame. Ms. Zlatkus was selected as an Alumni Fellow of The Pennsylvania State University in 2003 and served as the commencement speaker for the business school in 2013. Ms. Zlatkus's extensive experience in the financial services arena, where she has deep expertise in risk and finance, regulation, governance, and operations, brings unique insight to the Board.

## CORPORATE GOVERNANCE

The business of the Company is managed under the direction of the Company's Board of Directors in accordance with the Massachusetts General Laws, the Company's Restated Articles of Organization, as amended, and the Company's Amended and Restated By-Laws. The Board of Directors provides oversight of the Company's activities for the benefit of its shareholders and other constituencies, which include the Company's regulators, affiliated companies, employees, customers, suppliers, creditors and the communities in which the Company and its affiliates conduct business. The table below lists many of our governance practices.

## Board and Other Governance Information

Majority Voting for Directors	Yes
Annual Election of All Directors	Yes
Diverse Board (as to Gender, Composition, Skills, Experience, etc.)*	Yes
Annual Board and Committee Self-Evaluation	Yes
Separate Chairman and CEO	Yes
Independent Directors Meet Without Management at Each Regularly Scheduled Board Meeting	Yes
Annual Independent Director Evaluation of CEO	Yes
Code of Business Conduct and Ethics for Directors	Yes
Board Level Risk Management Committee	Yes
Size of Board*	11
Number of Independent Directors*	10
Average Director Age*	62
Average Director Tenure (in Years)*	3.9
Annual Equity Grant to Directors	Yes
Disclosure Committee for Financial Reporting	Yes

\*Based on nominated Board

## Corporate Governance Guidelines

The Board of Directors has a particular focus on corporate governance, developing the strategic direction of the Company, and seeking to ensure the success of the Company's business through the appointment and retention of qualified executive management. The Board has documented its commitment to serve the best interests of the Company and its shareholders in its Corporate Governance Guidelines which, among other things, describe our corporate governance practices and address issues such as director qualification standards, director responsibilities, board composition and structure, performance evaluation and succession planning.

## Board Leadership Structure

In accordance with the Company's by-laws, the Board of Directors elects the Chairman of the Board and appoints the President, who also serves as Chief Executive Officer ("CEO"). The Board of Directors has adopted a policy that provides for the separation of the roles of Chairman and CEO.

The Compensation, Governance and Executive Committee has established a Statement of Roles and Responsibilities ("Statement") for the non-executive Chairman of the Board of Directors ("non-executive Chair"). The Statement provides that the position of non-executive Chairman may only be held by a member of the Board of Directors who has been determined to be "independent" under the NASDAQ listing standards. The non-executive Chairman is elected by the Company's Board of Directors annually and may be removed at any time with or without cause. The non-executive Chairman is responsible for the management, development and effective functioning of the Board of Directors and provides leadership in every aspect of the Board's oversight of the Company. The non-executive Chairman acts in an advisory capacity to the CEO and President of the Company, and to other executive officers in matters concerning the interests of the organization and the Board, as well as serving as the liaison between management and the Board of Directors. The duties of the Chairman of the Board include the following:

- setting agendas for the Board meetings in consultation with the CEO;
- chairing Board meetings and ensuring that Board functions are effectively carried out;



- chairing executive sessions of independent directors and providing feedback to the CEO and President, as appropriate;
- serving as liaison for Chairs of affiliated company boards, as needed;
- facilitating the Board's efforts to create and maintain practices that respond to feedback from shareholders and other stakeholders;
- representing the Board at meetings with major shareholders and other stakeholder groups on governance-related matters, as may be requested from time to time;
- providing advice on behalf of the Board to the CEO and President on major issues;
- facilitating effective communication between directors and management, both inside and outside of meetings of the Board;
- working with the CEO and President to ensure management strategies, plans and performance are appropriately risk assessed and represented to the Board; and
- advising management in the planning of the strategy meeting.

The Compensation, Governance and Executive Committee conducts a periodic review of the role and responsibilities of the non-executive Chairman and this review is then presented to the full Board of Directors.

#### Risk Oversight

The Board of Directors plays an important role in the risk oversight of the Company and is involved in risk oversight through direct decision-making authority with respect to significant matters, including the development of limits and specific risk tolerances, and the oversight of management by the Board of Directors and its committees. The Board of Directors and its committees also are each directly responsible for considering risks and the oversight of risks relating to decisions that each committee is responsible for making. In light of the Company's overall business and market, the extensive regulatory schemes under which the Company and all of its affiliates operate, and the complexities of the Company's operations as a whole, the Board has established a Risk Management Committee that is tasked with specific responsibility for direct oversight of all of the risks inherent in the Company's business, along with management of the enterprise-wide risk management program. The Risk Management Committee consults with each of the other committees of the Board of Directors for an analysis of their areas of risk, as well as with management and outside experts, and provides regular, detailed reporting and recommendations on risk-related actions to the full Board. The Risk Management Committee also monitors the risk management function and reviews risk assessments for all of the Company's subsidiaries, participates directly in the risk management committee meetings of the Bank, which is the Company's largest subsidiary, adopts and directs the implementation of risk management policies that relate to both the Company and its subsidiaries, and analyzes reporting regarding the same.

In addition to the Risk Management Committee, the Board of Directors administers its risk oversight function through:

- the review and discussion of regular, periodic reports to the Board of Directors and its committees on topics relating to the risks that the Company faces, including, among others, credit risk, interest rate risk, operational risks, and regulatory risk;
- the required approval by the Board of Directors (or a committee thereof) of significant transactions and other decisions, including, among others, final budgets, material uses of capital, strategic direction, and executive management hiring and promotions;
- the direct oversight of specific areas of the Company's business by the Risk Management Committee, the Audit and Finance Committee, the Wealth Management/Trust and Investment Committee, and the Compensation, Governance and Executive Committee; and
- regular periodic reports from the Company's internal and external auditors and other third party consultants regarding various areas of potential risk, including, among others, those relating to the Company's internal controls and financial reporting.

The Board of Directors also relies on management to bring significant matters impacting the Company and its subsidiaries to the Board of Directors' attention.



### Risk Review and Analysis

The Company's Chief Risk Officer and Chief Human Resources Officer monitor and, on a biennial basis, or more frequently as material changes occur, discuss, evaluate and review the Company's compensation programs. A detailed review was performed in 2016 with the majority of plans categorized as low risk. The next formal risk review will be conducted in 2018. The findings of these reviews are presented to the Compensation, Governance and Executive Committee for further evaluation and discussion with particular focus on the following key areas: (1) the compensation plans of the persons identified as named executive officers ("NEOs") in this Proxy Statement to ensure that such plans do not encourage the NEOs to take unnecessary or excessive risks that threaten the value of the Company; (2) employee compensation plans in light of the risks posed to the Company by such plans and how to limit these risks; and (3) employee compensation plans to ensure these plans do not encourage the manipulation of reported earnings to enhance compensation. NEO compensation plans are described in detail in "Compensation Discussion and Analysis."

The Compensation, Governance and Executive Committee's review focuses on incentive compensation plans as opposed to base salary plans or standard benefit arrangements, as the Company believes that incentive compensation arrangements have the greatest potential to encourage inappropriate risk-taking, and/or encourage the manipulation of earnings to enhance compensation. The Company also believes that its base salary and benefit arrangements are generally reasonable and appropriate, considering the Company's compensation philosophy and industry and regional differences.

The Compensation, Governance and Executive Committee evaluates each plan using the following risk categories: acceptable-to-low risk, moderate level of risk, and significant risk/potential for material adverse impact. The majority of the Company's incentive compensation plans have been rated in the "acceptable-to-low risk category." The Company believes appropriate controls are in place to minimize the risk for permitting unnecessary and inappropriate risk-taking or encouraging the manipulation of earnings to enhance compensation. Such controls include the addition of mechanisms to clawback compensation, enhanced governance processes for compensation reviews and the on-going monitoring of employee compensation that may trigger additional individual or plan reviews.

The Compensation, Governance and Executive Committee believes that the balance of base compensation, variable annual incentive bonuses determined based on Company and individual performance, and long-term equity incentive compensation is weighted such that excessive or unnecessary risk taking will not be encouraged by the variable elements of compensation. Further, the Compensation, Governance and Executive Committee believes that the long-term equity components of compensation encourage the Company's executives to focus on elements of the Company's performance to influence long-term value creation and share price appreciation.

### Committees of the Board and Related Matters

The Board of Directors currently has four standing Committees: the Audit and Finance Committee; Compensation, Governance and Executive Committee; Risk Management Committee; and Wealth Management/Trust and Investment Committee. Each committee was comprised solely of members of the Board of Directors who have been determined to meet the definition of "independent" in accordance with the NASDAQ listing standards. All of the committees have adopted charters that provide a statement of the respective committee's roles and responsibilities. Current charters for the Audit and Finance Committee and the Compensation, Governance and Executive Committee can be viewed online by accessing the Company's website at [www.bostonprivate.com](http://www.bostonprivate.com), selecting the "Investor Relations" link at the bottom of the page, and then selecting "Corporate Governance" under "Corporate Information."

The following table sets forth membership on the committees and the number of meetings held during 2016.

Name	Audit and Finance	Compensation, Governance and Executive	Risk Management	Wealth Management/Trust and Investment Committee
Mark F. Furlong (1), (2), (3)				
Joseph C. Guyaux (1), (4)				
Deborah F. Kuenstner (1), (2), (5)		Chair (8)		
Gloria C. Larson (1)				
John Morton III (1), (2)	Chair (8)			
Daniel P. Nolan (1), (2), (6)				Chair (8)
Kimberly S. Stevenson (1)			Chair (8)	
Stephen M. Waters (1), (2)				
Donna C. Wells (1)				
Lizabeth H. Zlatkus (1), (2), (7)				
Number of Committee Meetings Held in 2016	9	9	8	4

(1) Our Board of Directors has determined that this member meets the definition of an “independent” director under NASDAQ listing standards.

(2) Our Board of Directors has determined that this member meets the definition of an “audit committee financial expert” under SEC regulations.

(3) Mark F. Furlong joined the Board of Directors, the Audit and Finance Committee and the Wealth Management/Trust and Investment Committee as of September 2016.

(4) Joseph C. Guyaux joined the Board of Directors, the Compensation, Governance, and Executive Committee and the Risk Management Committee as of September 2016.

(5) Deborah F. Kuenstner left the Wealth Management/Trust and Investment Committee as of April 2016.

(6) Daniel P. Nolan left the Compensation, Governance, and Executive Committee as of April 2016 and joined the Audit and Finance Committee as of April 2016.

(7) Lizabeth H. Zlatkus left the Wealth Management/Trust and Investment Committee as of April 2016 and joined the Compensation, Governance, and Executive Committee as of April 2016.

(8) Indicates Chair as of December 31, 2016.

#### Attendance at Board and Committee Meetings, Annual Meeting

The Board of Directors held eight meetings of the full Board during 2016. Each incumbent director who was a director in 2016 attended at least 75% of the aggregate number of meetings of the full Board of Directors and relevant committees held during the time such person was a director. The Company does not have a policy of requiring directors to attend the annual meeting of shareholders. The Company does, however, typically schedule a meeting of its Board of Directors the day before or close to the annual meeting of shareholders to facilitate each director’s attendance at the annual meeting of shareholders. Eight of the Company’s directors attended the 2016 annual meeting. Executive Sessions without Management

To promote open discussion among the non-management directors, the Board of Directors schedules regular executive sessions in which the non-management directors meet without management’s participation. Such sessions are



scheduled to occur at every regularly scheduled Board and committee meeting. The Chairman of the Board is the presiding director at such executive sessions.

#### Audit and Finance Committee

The majority of members of the Audit and Finance Committee are “audit committee financial experts” as defined in SEC regulations and all members are “independent” as defined under the NASDAQ listing standards. Pursuant to the Audit and Finance Committee’s charter, the Audit and Finance Committee assists the Board in its oversight of (1) the process of reporting the Company’s financial statements; (2) the system of internal controls as it relates to financial reporting; (3) the audit process;

(4) the Company's process for monitoring compliance with laws and regulations and code of conduct; (5) the review and approval of the Company's declaration of dividends; and (6) the qualifications, independence and performance of the Company's independent registered public accounting firm in accordance with SEC regulations. The Audit and Finance Committee is solely responsible for retaining the Company's independent registered public accounting firm. The Audit and Finance Committee also conducts analysis and makes recommendations to the Board and management regarding the Company's financial planning, capital structure, capital raising, proposed acquisitions, mergers and divestitures, overall strategic planning, and financial performance, where relevant.

#### Risk Management Committee

The Risk Management Committee's responsibilities are described above under "Risk Oversight."

#### Wealth Management/Trust and Investment Committee

The Wealth Management/Trust and Investment Committee provides strategic direction and oversight on behalf of both the Board of Directors and the board of directors of the Bank regarding the Company's wealth management businesses, both in the registered investment advisory affiliates and in the Bank's Trust division. The Committee assists the boards in analyzing the optimal means of enhancing the Company's performance and expanding its acquisition and retention of private clients through these businesses. The Committee also assists the Bank in fulfilling its fiduciary responsibilities relating to the operation of trusts and the administration of fiduciary accounts. The Committee offers oversight and guidance to management relating to capital allocations and with respect to leveraging synergies within the wealth management business.

#### Compensation, Governance and Executive Committee

The Compensation, Governance and Executive Committee makes recommendations to the Board of Directors, where necessary, on certain matters including, but not limited to, changes to compensation plans and the adoption of new plans, changes to the CEO's compensation and changes to Board compensation programs of the Company. In addition, the Committee serves as the Executive Committee of the Bank's board of directors. The Compensation, Governance and Executive Committee has been delegated the authority by the Board of Directors to approve compensation matters for all executive officers. Compensation decisions relating to the CEO are also reviewed and approved by the Board. For additional information on the Compensation, Governance and Executive Committee's process for the consideration and determination of the executive officer and director compensation, please see "Compensation Discussion and Analysis."

The Compensation, Governance and Executive Committee periodically reviews the arrangements for the overall governance of the Company by the Board of Directors and its committees and, among other things, assists the Board of Directors by evaluating the performance of the Board and its committees, identifies individuals qualified to become members of the Board, recommends the slate of candidates to be nominated for election to the Board of Directors and on the boards at the Company's subsidiaries where such membership is not otherwise mandated by contract, recommends the members and the chairs of the committees of the Board, adopts and implements governance practices and policies applicable to both the Company and its subsidiaries, and reviews and assesses the charters of all of the committees of the Board.

#### Consideration of Director Nominees

The Compensation, Governance and Executive Committee is responsible for identifying, assessing and recommending the slate of candidates to be nominated for election to the Board of Directors. The Compensation, Governance and Executive Committee uses a variety of methods for identifying and evaluating nominees for director, and assesses the mix of skills and the performance of the Board as a whole on an annual basis. In the course of establishing the slate of nominees for director each year, the Compensation, Governance and Executive Committee will consider whether any

vacancies on the Board are expected due to retirement or otherwise, the skills represented by retiring and continuing directors, and additional skills highlighted during the annual Board self-assessment process that could improve the overall quality and ability of the Board to carry out its function. In the event that vacancies are anticipated or arise, the Compensation, Governance and Executive Committee considers various potential candidates for director. Candidates may come to the attention of the Compensation, Governance and Executive Committee through the business and other networks of the existing members of the Board or from management. The Compensation, Governance and Executive Committee may also solicit recommendations for director nominees from independent search firms or any other source it deems appropriate, and has most recently sourced non-incumbent candidates through the retention of such independent search firms and through the boards of its affiliates. When an incumbent director is up for re-election, the Compensation, Governance and Executive Committee reviews the performance, skills and characteristics of such incumbent director before making a determination to recommend that the full Board nominate him or her for re-election.

The Compensation, Governance and Executive Committee requires all nominees and candidates to possess the highest personal and professional ethics, integrity and values; to be committed to representing the long-term interests of our shareholders; to be able to devote the appropriate amount of time to be consistently informed about the Company's business and strategy, with a balanced perspective, strong business and financial acumen; and the ability to approach all decision making with a high level of confidence and independence. In addition to reviewing a candidate's background and accomplishments, candidates are reviewed in the context of the current composition of the Board of Directors and the evolving needs of the Company.

Following the 2016 annual meeting, the Board of Directors sought to recruit additional Board members whose qualifications aligned with the Company's long-term strategy. The Company engaged a third-party search firm to vet and recommend director candidates in exchange for a fee. After considering a number of candidates submitted by Directors, management and the search firm, the Board elected Messrs. Mark F. Furlong and Joseph C. Guyaux to the Board on September 28, 2016. Both have extensive banking experience and, as a result, bring excellent insights and perspectives to our Board.

Pursuant to guidelines established by the Board, no more than two members of the Board may be executive members, and all others must meet the definition of "independent" under the NASDAQ listing standards. The CEO will always be a member of the Board. Currently, the CEO is the only member of the Board who is not "independent." On an annual basis, the Compensation, Governance and Executive Committee reviews the "independent" status of each member of the Board to determine whether any relationship is inconsistent with a determination that the director was independent. The most recent review was undertaken in January 2017 and, as a result, the Board, after review and recommendation by the Compensation, Governance and Executive Committee, determined that each of the Company's non-executive directors (Mses. Kuenstner, Larson, Stevenson, Wells and Zlatkus, and Messrs. Furlong, Guyaux, Morton, Nolan and Waters) meets the qualifications for independence in accordance with the NASDAQ listing standards.

Directors of the Company are nominated in accordance with the Company's by-laws, which provide that directors may be nominated (1) by a majority of the Board of Directors, or (2) by any holder of record of any shares of the capital stock of the Company entitled to vote at the annual meeting of shareholders. While the Compensation, Governance and Executive Committee does not have a formal policy regarding the consideration of any director candidates recommended by shareholders, candidates recommended by a shareholder are evaluated on the same basis as candidates recommended from other sources. A shareholder wishing to nominate a director separately from the slate of directors nominated by the Company for the 2018 annual meeting should follow the procedures described in this Proxy Statement under the heading "Submission of Shareholder Proposals for 2018 Annual Meeting." Any shareholder who seeks to make such a nomination for the 2018 annual meeting must be present in person at such annual meeting.

#### Code of Business Conduct and Ethics

The Company has adopted a Code of Business Conduct and Ethics which applies to all of the Company's and its subsidiaries' employees, officers, and directors. In addition, the Company maintains procedures for the confidential, anonymous submission of any complaints or concerns about the Company, including complaints regarding accounting, internal accounting controls or auditing matters. Shareholders may access the Code of Business Conduct and Ethics by accessing the Company's website at [www.bostonprivate.com](http://www.bostonprivate.com), selecting the "Investor Relations" link at the bottom of the page, and then selecting "Corporate Governance" under "Corporate Information."

#### Shareholders' Communications with the Board of Directors

Shareholders wishing to communicate with the Company's Board of Directors should address their communications to the Company's investor relations department by email at [investor-relations@bostonprivate.com](mailto:investor-relations@bostonprivate.com), by telephone at 888-666-1363 or by mail sent to the Company's main address at Ten Post Office Square, Boston, Massachusetts 02109, Attention: Investor Relations. The mailing envelope should contain a clear notation indicating that the enclosed letter is a "Shareholder-Board Communication" or "Shareholder-Director Communication." All such letters should clearly state whether the intended recipients are all members of the Board or certain specified individual directors. All communications will be reviewed by the Company's investor relations department, which will determine whether the communication will be relayed to the Board or the director. Except for resumes, sales and marketing communications or notices regarding seminars or conferences, summaries of all shareholder communications will be

provided to the Board.

## INFORMATION REGARDING EXECUTIVE OFFICERS

The following table lists the name, age and current position of each executive officer of the Company.

Name	Age	Current Position
Margaret W. Chambers	57	Executive Vice President, General Counsel and Corporate Secretary of the Company and the Bank
Clayton G. Deutsch	61	Chief Executive Officer and President of the Company, Chief Executive Officer of Boston Private Bank & Trust Company
Corey A. Griffin	55	Chief Executive Officer, Boston Private Wealth LLC; Executive Vice President of the Bank and the Company; Chief Executive Officer – Wealth Management and Trust Segment
Martha T. Higgins	53	Executive Vice President and Chief Human Resources Officer of the Company and the Bank
David J. Kaye	52	Executive Vice President, Chief Financial and Administrative Officer of the Company and the Bank
W. Timothy MacDonald	58	Executive Vice President and Chief Risk Officer of the Company and the Bank
George G. Schwartz	58	President, Bank; Chief Executive Officer – Private Banking Segment
Jacqueline S. Shoback	50	Executive Vice President, Chief Client Development Officer of the Company and the Bank

Pursuant to the by-laws of the Company, the President, Treasurer and Secretary of the Company hold office until the first meeting of the directors following the annual meeting of shareholders. Other officers shall hold office for the same term described above, unless a shorter term is specified in the vote electing or appointing them.

Margaret W. Chambers. Ms. Chambers is Executive Vice President, General Counsel and Corporate Secretary for the Company and also serves in these same positions for Boston Private Bank & Trust Company. She has over 25 years of experience in the legal arena focusing on financial services matters. She is responsible for overseeing the Company's operations from a legal perspective including merger and acquisition activities, divestitures, regulatory examinations, corporate governance, board materials and relations, regulatory filings, real estate, risk management and compliance, employment and insurance matters. She also works as part of the executive management team on strategic planning and related matters. Prior to joining the Company in 2002, Ms. Chambers served as Executive Vice President and General Counsel for Funds Distributor, Inc., a Boston Institutional Group company. Before joining Funds Distributor, she served as Vice President and Assistant General Counsel at the investment management firm of Loomis, Sayles & Company, L.P. Prior to her position with Loomis, she was an associate with the law firm of Ropes & Gray LLP focusing on securities regulatory matters, including investment company, investment advisory, broker-dealer, and securities offering matters. She currently serves on the Board of Directors of KLS Professional Advisors Group, LLC, and is the secretary of Boston Private Wealth LLC, both of which are affiliates of the Company.

Corey A. Griffin. Mr. Griffin became a consultant for the Company in September 2013 and joined the Company as an employee in May 2014. He is currently CEO of Boston Private Wealth LLC, a wholly owned subsidiary of Boston Private Bank & Trust Company (the "Bank"); Executive Vice President of the Bank and the Company; and Chief Executive Officer – Wealth Management and Trust Segment. Prior to joining the Company, Mr. Griffin served as President of The Davis Companies, an institutional real estate investment manager, from September 2011 to February 2013. From 1994 to 2011 he worked with Bank of New York Mellon where he served as Chairman and CEO of The Boston Company Asset Management from 2002 to 2009. Under Mr. Griffin's leadership, the Boston Company opened offices worldwide while developing a \$75 billion global, multi-strategy equity business across the style and capitalization spectrum with clients in North and South America, Europe, Asia and Africa. He also served as a member of the Bank of New York Mellon's Operating, Ethics, and Product Development Committees and as a board member of Standish Mellon Asset Management.

Martha T. Higgins. Ms. Higgins joined the Company in 2008 as Executive Vice President and is currently the Company's and the Bank's Executive Vice President and Chief Human Resources Officer. She is responsible for enterprise-wide human capital initiatives and serves as an advisor to senior management and to the Company's affiliate partners on human capital strategy, workforce planning and overall organizational effectiveness. In addition, she supports the Company's Board Compensation, Governance and Executive Committee and serves as Chair of the Company's 401(k) Committee. Prior to joining the Company, Ms. Higgins was a Senior Consultant at W.T. Haigh & Company, an executive compensation and human resources consulting

firm in Cambridge, Massachusetts. She has over 25 years of experience working in the financial services industry. Ms. Higgins started her career at The Boston Company and also worked for Fidelity Investments as a Senior Compensation Consultant. She is a member of the Society for Human Resources Management, the New England Human Resources Association and the National Association of Stock Plan Professionals. Ms. Higgins is a Certified Equity Professional (CEP) and is also a certified professional coach.

David J. Kaye. Mr. Kaye joined the Company in 2007 and is currently Executive Vice President, Chief Financial and Administrative Officer, and he also serves in these capacities for the Bank. Before joining the Company, Mr. Kaye served as Senior Vice President and Chief Financial Officer for Columbia Management, Bank of America's asset management organization. He led a team of finance professionals with responsibility for all financial reporting for the organization and served as a strategic advisor to the group's President. Prior to that position, Mr. Kaye was the Chief Financial Officer of Bank of America's Private Bank. Previously, Mr. Kaye was the Vice President and Controller for Goldman Sachs Asset Management, heading a team that performed all financial reporting functions for the division. Earlier in his career, he held several finance positions at Lehman Brothers, and was a consultant with Coopers & Lybrand Consulting. He is a Certified Management Accountant (CMA). Mr. Kaye serves on the boards of directors of Bingham, Osborn & Scarborough LLC, Anchor Capital Advisors LLC, the Bank, and Boston Private Wealth LLC, all of which are affiliates of the Company.

W. Timothy MacDonald. Mr. MacDonald joined the Company in 2009. First serving as Senior Vice President, Deputy Chief Risk Officer, he was named Executive Vice President and Chief Risk Officer of Boston Private Bank & Trust Company in March 2011 and, in January 2013, Mr. MacDonald was elected Executive Vice President and Chief Risk Officer of the Company. As Chief Risk Officer, Mr. MacDonald oversees all aspects of the Enterprise Risk Management program that includes Risk Analytics, Model Risk Management, Operational Risk Management, Financial Intelligence Unit, Information Security, and Loan Review functions. He is authorized to discharge the program in a manner consistent with the Company's current and anticipated risk profile and strategic plan. Mr. MacDonald functions as chair of the Risk Management Steering Committee and as a member of the Executive Loan Committee, Asset/Liability Committee, and Operational Risk Management Committee as well as other governing committees of the Company. He previously held key positions at GE Capital from 2006 to 2009, where he was responsible for overseeing various initiatives as Vice President of Risk Monitoring and Controllershship. Mr. MacDonald has also worked with KPMG LLP, the Federal Reserve System and Shawmut Bank. He is a CFA charterholder and an active member of various professional risk management associations.

George G. Schwartz. Mr. Schwartz joined Boston Private Bank & Trust Company in 1998 and is currently President of the Bank and Chief Executive Officer – Private Banking Segment. He oversees the Bank's Deposit, Mortgage, Commercial Banking and Community Investment groups. As the former Chief Operating Officer of the Bank, he was responsible for the Bank's client service model, trust department, and the Bank's marketing, operations, and technology functions, as well as the expansion of the Bank's office network. Mr. Schwartz also served as Treasurer of the Bank for 15 years, developing its treasury function and ALCO process. Prior to joining the Company, Mr. Schwartz was a founding officer and Senior Vice President at the de novo Wainright Bank and Trust. Earlier in his professional career, he served in the trust training program and on the international treasury trading desk at the Bank of New England. He has more than 30 years in the banking and financial services industry. Mr. Schwartz serves on the boards of directors of the Bank and Boston Private Wealth, LLC, both of which are affiliates of the Company, as well as Sail Boston. He also is a member of the WGBH Corporate Executive Council and is the Chairman of the Board of the non-profit A Better City.

Jacqueline S. Shoback. Ms. Shoback joined the Company in February 2015 as Executive Vice President, Chief Client Development Officer, and she also serves in these capacities for the Bank. She is an accomplished and seasoned executive with deep financial services and multi-channel retail experience, having run businesses and managed profit and loss statements ranging from \$50 million to over \$1 billion in revenue. Prior to Boston Private, Ms. Shoback spent four years as the Senior Vice President, Head of Individual and Retail Marketing, at TIAA-CREF, a wealth management and financial services provider, managing over \$600 billion of assets for nearly four million individuals across the US. While with TIAA-CREF, Ms. Shoback built its consumer marketing capability, harnessing digital technology, customer data and analytics to drive targeted client acquisition, development and retention with



significant, high impact results on the overall business. She came to TIAA-CREF from Fidelity Investments, where she was Senior Vice President, Head of High Net Worth and Mass Affluent Customer Segments for the retail division. During her seven years there, she held various senior leadership positions in Distribution, Marketing and Operations including Head of Distribution National Sales and Service. Prior to that, Ms. Shoback was with Staples for 10 years where she held a number of strategic executive marketing, operational and general management roles both in the United States and internationally. She was a key senior executive in leading the launch of Staples.com in the United States and growing it to over \$250 million in revenue in less than 2 years. She received the Boston Business Journal's 40 Under 40 Award in 2005, is a member of the Wellesley College Alumnae Business Leadership Council, serves on the Board of Directors of Harvard Student Agencies (The Harvard Shop), and is on the Board and Investment Committee for the Brookline Library Foundation.

For biographical information regarding Clayton G. Deutsch see “Information Regarding Director Nominees.”

#### SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires that the Company’s officers and directors and persons who own beneficially more than 10% of the Company’s outstanding shares of common stock file reports of ownership and changes in ownership with the SEC. Based solely upon a review of the reports and amendments thereto filed with the SEC under Section 16(a), copies of which are required to be furnished to the Company under SEC regulations, during and with respect to fiscal year 2016, no officer, director or person who owns beneficially more than 10% of the Company’s outstanding shares of common stock failed to file such reports on a timely basis.

#### PRINCIPAL SHAREHOLDERS

The following table sets forth the beneficial ownership of the Company’s common stock as of January 30, 2017 with respect to (1) each director and nominee for director; (2) each of the Company’s executive officers identified in this Proxy Statement; and (3) all directors and executive officers of the Company as a group.

Name*	Common Stock(2)	Exercisable of Options	Percentage of Outstanding Stock
<b>Current Directors (1)</b>			
Mark F. Furlong	5,363	—	**
Joseph C. Guyaux	463	—	**
Deborah F. Kuenstner	112,818	10,653	**
Gloria C. Larson	9,986	—	**
John Morton III	31,290	7,410	**
Daniel P. Nolan	48,511	—	**
Kimberly S. Stevenson	12,044	—	**
Stephen M. Waters	39,138	11,704	**
Donna C. Wells	12,308	—	**
Lizabeth H. Zlatkus	7,111	—	**
<b>Named Executive Officers (3)</b>			
Margaret W. Chambers	129,244	19,100	**
Clayton G. Deutsch***	738,566	—	**
Corey A. Griffin	47,068	—	**
David J. Kaye	129,985	20,240	**
George G. Schwartz	124,129	42,810	**
All Current Directors, Nominees and Executive Officers as a Group (18 Persons)	1,594,608	141,416	2.07 %

(4) \* Unless otherwise indicated, the address is c/o Boston Private Financial Holdings, Inc., Ten Post Office Square, Boston, MA 02109.

\*\* Represents less than 1%

\*\*\* Mr. Deutsch is also a director of the Company.

(1) Percentages held by executive officers and directors individually and as a group are calculated on the basis of 83,829,378 shares of common stock outstanding as of January 30, 2017.

Beneficial share ownership is determined pursuant to Rule 13d-3 under the Securities Exchange Act of 1934, as amended. Accordingly, a beneficial owner of a security includes any person who, directly or indirectly, through (2) any contract, arrangement, understanding, relationship or otherwise has or shares the power to vote such security or the power to dispose of such security. The amounts set forth above as beneficially owned include shares owned, if any, by spouses and relatives living in the same home as to which beneficial ownership may be disclaimed.

(3) Performance shares are not included as executive officers have no beneficial interest in such shares until established performance criteria are met. Please see “Compensation Discussion and Analysis.”

(4)

Includes 146,584 shares of common stock and 29,499 exercisable options held by the Company's current executive officers not identified on this table.

The following table lists certain persons known by the Company to own beneficially more than five percent of the Company's outstanding shares of common stock as of December 31, 2016.

Name and Business Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percentage of Outstanding Stock
BlackRock, Inc., 55 East 52nd Street, New York, NY 10055	9,685,267 (1)	11.70%
The Vanguard Group, 100 Vanguard Blvd., Malvern, PA 19355	7,144,643 (2)	8.59%
FMR LLC, 245 Summer Street, Boston, MA 02210	6,141,028 (3)	7.387%
Dimensional Fund Advisors LP, Building One, 6300 Bee Cave Road, Austin, Texas, 78746	5,389,750 (4)	6.48%

(1) This information is based solely on a Schedule 13G filed with the SEC on January 12, 2017 by BlackRock, Inc., in which it reported sole voting power of 9,392,433 shares and sole dispositive power of 9,685,267 shares.

(2) This information is based solely on a Schedule 13G filed with the SEC on February 10, 2017 by The Vanguard Group, in which it reported sole voting power of 98,746 shares, shared voting power of 20,895 shares, sole dispositive power of 7,029,536 shares and shared dispositive power of 115,107 shares.

(3) This information is based solely on a Schedule 13G filed with the SEC on February 14, 2017 by FMR LLC, in which it reported sole voting power of 3,738,497 shares and sole dispositive power of 6,141,028 shares.

(4) This information is based solely on a Schedule 13G filed with the SEC on February 9, 2017 by Dimensional Fund Advisors LP, in which it reported sole voting power of 5,085,385 shares and sole dispositive power of 5,389,750 shares. Dimensional Fund Advisors LP, an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, furnishes investment advice to four investment companies registered under the Investment Company Act of 1940, and serves as investment manager or sub-adviser to certain other commingled funds, group trusts and separate accounts (such investment companies, trusts and accounts, collectively referred to as the "Funds").

(4) In certain cases, subsidiaries of Dimensional Fund Advisors LP may act as an adviser or sub-adviser to certain Funds. In its role as investment advisor, sub-adviser and/or manager, Dimensional Fund Advisors LP or its subsidiaries (collectively, "Dimensional") may possess voting and/or investment power over the securities of the Company that are owned by the Funds, and may be deemed to be the beneficial owner of the shares of the Company held by the Funds. However, all securities reported in this table are owned by the Funds. Dimensional disclaims beneficial ownership of such securities.

## COMPENSATION DISCUSSION AND ANALYSIS

### Executive Summary

This Compensation Discussion and Analysis ("CD&A") describes both the Company's executive compensation program, including 2016 total compensation for the Company's named executive officers ("NEOs"), and how the Compensation, Governance and Executive Committee of the Company's Board of Directors (the "Committee") determined 2016 compensation for the Company's NEOs, listed below.

Named executive officers reported in this year's CD&A (titles as of December 31, 2016):

♣ Clayton G. Deutsch - Chief Executive Officer and President

♣ David J. Kaye - Executive Vice President, Chief Financial and Administrative Officer

♣ Corey A. Griffin - Chief Executive Officer – Wealth Management and Trust Segment; and Executive Vice President

♣ George G. Schwartz - President, Boston Private Bank & Trust Company; Chief Executive Officer – Private Banking Segment

♣ Margaret W. Chambers - Executive Vice President, General Counsel and Corporate Secretary

All compensation actions taken in 2016 and recommended for 2017 reflect the Company's commitment to shareholder-aligned governance and compensation arrangements. The executive compensation program and related actions are intended to reward sustained, long-term performance and returns for shareholders consistent with the Company's overall risk profile and disciplined growth strategy.

## 2016 Operational and Financial Highlights

The Company made great progress in 2016 with respect to executing against its “One Boston Private” strategy for delivering integrated Wealth, Trust and Private Banking solutions to its clients and increasing shareholder value as illustrated below:

GAAP Earnings Per Share increased to \$0.81 per share in 2016 from \$0.74 per share in 2015, an increase of 9%.

GAAP Net Income was \$71.6 million in 2016 as compared to \$64.9 million in 2015, an increase of 10%.

Return on Average Common Equity (“ROACE”) was 9.4% in 2016 compared to 9.0% in 2015.

Total stock price appreciation in 2016 was 45.9%, outperforming the KBW Regional Bank Index (“KRX”) average appreciation of 35.7%.

The Company’s cumulative stock price appreciation from August of 2010 (Mr. Deutsch’s arrival) through December 2016 was 150.4%, outperforming the KRX gain of 129.9% while the S&P 500 gained 103.2% for the same time period.

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Source: FactSet/IPREO

The Company has increased its dividend six times in the past five years, from a quarterly dividend of \$0.01 per share in 2012, to \$0.11 per share as of January 2017, which was paid in February 2017.

• Total Shareholder Return (“TSR”) (stock price appreciation plus dividends), is shown below:

Despite a challenging environment, the Company continued to demonstrate progress in expense and balance sheet management, and continued to maintain strong capital ratios. Additional financial highlights included:

• Net Interest Income increased 8% in 2016. This was due to increases in interest income across both loans and investment securities, coupled with lower borrowing costs.

• Core Fees and Income decreased by 3% in 2016. This was due to revenue declines in the Wealth Management and Trust and Investment Management segments that were partially offset by an improvement in Banking segment fees.

• Non-Performing Assets as a percentage of Total Assets, as of December 31, 2016, decreased to 0.24% from a fourth quarter level of 0.36% in 2015 and 0.66% in 2014.

• Tier 1 Common Equity increased to 10% in 2016, from 9.8% in 2015 and 9.2% in 2014.

• Assets Under Management/Advisory were flat from 2015, ending 2016 at \$27.6 billion.

• The Company achieved 6% year-over-year average loan growth and 5% year-over-year average deposit growth.

In addition, the Company made strategic investments in talent, market expansion and branding for its core businesses and continues to make significant progress with respect to strengthening its leadership and talent profile, cost infrastructure, technology and overall market positioning. For example, the Company hired a Chief Technology Officer at the end of 2015, developed a three-year technology strategy and implemented Sales Force, a new client relationship management system, in 2016 to help enhance the overall client experience.

#### 2016 Compensation Program Design Changes

The Company made targeted compensation program changes in 2016. Those changes were made to enhance the performance orientation and alignment of executive compensation programs with shareholders. In particular:

• Short-Term Incentive (“STI”) Plan: This Plan was simplified while maintaining a formulaic, scorecard approach with three metrics tied to key financial metrics, continuing to retain an element of discretion to ensure overall outcomes were aligned with actual performance and maintaining Section 162(m) tax deductibility. Company and business area scorecards were considered for funding the executive STI bonus pool and for the allocation of individual payouts in 2016. In 2017, the Company scorecard will be the primary driver for funding all executive bonuses to reinforce the Company’s One Boston Private strategy with business area and individual performance still considered in determining final bonus awards. Target STI goals for full target STI payout continue to align with market 75th percentile relative performance.

• Long-Term Incentive (“LTI”) Plan: The LTI consists of both a performance-based share payout and a time-based payout. A new matrix was developed in 2016 for determining executive performance-share payouts based on relative and absolute ROACE performance in 2016. The Committee is maintaining this matrix structure for 2017. Target ROACE for full target LTI payout continues to align with market 75th percentile relative performance.

The Company's compensation peer group was updated to align better with the Company's size from a revenue and market capitalization standpoint. The Company is now positioned in the mid-range of the peer group from a relative size standpoint (i.e., assets, market cap and enterprise value). The number of companies in the peer group was expanded to 19.

The Company continues to promote best practice standards with respect to compensation design and governance:

The use of stretch goals in its programs and a pay mix focused on delivering variable, performance-based pay promotes strong pay for performance orientation.

The Company caps the upside leverage (i.e., percentage of target pay opportunity) that can be earned each year by its executives through our incentive programs. This limitation, along with the performance scorecard framework noted above, ensures that executives are rewarded within the Company's risk/reward profile to take appropriate, but not excessive, risk. The following chart illustrates the STI and actual performance share payouts (percent of target awards) relative to the maximum payouts that could be earned based on limits defined in the executive compensation program.

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(1) Although overall bonus funding for executives/senior leaders of the Company was 86%, the CEO bonus funding was based on the Company scorecard at 72%.

(2) For the 2014 to 2016 performance share tranche, the maximum payout is 180%; beginning with the 2016 to 2018 performance share tranche, the maximum payout increased from 180% to 200%.

The Company continues to promote executive stock ownership through ownership guidelines at the lower of (i) a range of three to six times base salary depending on the NEO position, or (ii) a minimum share guideline ranging from 83,000 shares for Ms. Chambers to 350,000 shares for Mr. Deutsch. All NEOs, with the exception of Mr. Griffin, have attained their guidelines. Mr. Griffin has five years from the start of his employment, May 2014, to achieve the ownership guidelines.

In October 2016, the Committee approved a formal severance plan for its executives with an officer designation of Executive Vice President and above that provides for severance benefits in the event that an executive's position is eliminated, or the executive is terminated "without cause." The severance plan was put in place to formalize the severance policy that had been in place since 2014 providing for a benefit of one times base salary, a pro-rated bonus, accelerated vesting of all unvested time-based stock awards on a pro-rata basis (pro-rata on accelerated shares is determined using the time period from grant date to the date of separation), pro-rata vesting for performance-based shares upon completion of the performance period, and reasonable outplacement costs. Severance benefits are provided in exchange for a general release and non-solicitation of clients and employees.



In addition, the Company continues to maintain the following practices:

• Double-trigger change-in-control severance arrangements (for legacy change-in-control agreements). The Company has not offered change-in-control agreements for any NEOs since 2008.

• No hedging policy.

• Claw-backs for compensation in the event of material financial restatements.

• No tax gross-ups on perquisites.

#### Say on Pay Shareholder Approval Levels for 2015 and 2016

The Company's shareholders approved the "say on pay" resolution included in the Company's 2016 Proxy Statement with 92% of the votes cast in favor of the resolution, compared to 98% in 2015. The Company believes these votes strongly affirm shareholder support of its approach to executive compensation.

#### CEO Pay Versus Performance

##### History of strong CEO pay and performance alignment

• Positive cumulative TSR over the past three-year period was 44%, with 2016 TSR of 51%.

• 2016 performance was slightly below expectations, correlating to a below-target payout on the annual cash incentive (72%) and a 71% payout on performance shares covering the 2014 to 2016 period.

• Over the three-year period, realizable pay was 5.4% above the target pay opportunity for the CEO as illustrated below:

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(1) Represents Mr. Deutsch's cumulative base salary, target cash bonus, and target long-term incentive as of the end of fiscal 2016. Excludes 2014 retention LTI award granted on December 17, 2014.

Represents Mr. Deutsch's cumulative base salary, actual cash bonus paid at 72% of target for FY2016, and actual outstanding, unvested equity grants as of the end of fiscal 2016 with all of the equity being valued as of December (2) 31, 2016; 2014-2016 annual performance shares are valued assuming 71% of target number of shares earned and 2015-2017 and 2016-2018 performance shares valued assuming target number of shares will be earned. Excludes 2014 retention LTI award granted on December 17, 2014.

While there is a slight increase in realizable value of pay, attributable to the increase in the stock price over the calendar year and over the three-year period, the cash portion of the CEO's three-year pay is down 11% due to below target annual cash bonus payouts, demonstrating the strong alignment of pay to performance within the Company's compensation programs.

## Analysis of 2016 Compensation Actions and 2017 Recommended Actions

### Base Salary:

As a result of Mr. Schwartz's expanded role as CEO of the Private Banking Segment, his base salary increased to \$400,000 in July 2016. There were no salary increases for any other NEOs in 2016 or 2017.

### Short Term Incentives:

Based on many improvements in the Company's 2016 financial and operational performance, executive compensation increased from the prior year. For example, in 2016 the CEO's cash bonus was increased by 29% as compared to 2015 (i.e., 72% of target versus 56% of target last year), and his performance share payout was increased from a 0% payout for the 2013-2015 performance share cycle to a 71% payout for the 2014-2016 performance share cycle. The other NEOs incurred similar increases in cash and equity award payouts given the performance improvements in 2016 as compared to 2015.

The Committee met on January 17, 2017 and approved 2016 maximum bonus funding for NEOs at 200% of target awards, with actual bonus payments and funding subject to the Committee's negative discretion. Maximum funding was determined based on the Company's achievement of positive net earnings for the year. After certification of maximum funding available for executive bonuses, the Committee then exercised its negative discretion to reduce the overall bonus pool funding to 86% of target in the aggregate for all executives/senior leaders of the Company to align better the funding of incentives with the performance of the Company, considering three performance scorecards covering the financial results for the consolidated Company, the Wealth Management and Trust Segment, and the Private Banking Segment. The Committee met again on February 8, 2017 and approved bonus payments for executives again using the combination of three scorecards based on an assessment of the contributions of its executives, many of whom serve across multiple areas of the Company. Although in aggregate the combined metrics for the scorecards produced an 86% funding level across the three scorecards, the funding level for the NEOs as a group was in aggregate 78% of target, to ensure appropriate allocation of bonus pool dollars to the non-executive population.

All NEOs were considered to be strong contributors to the Company's overall One Boston Private strategy and related deliverables. The CEO's bonus was approved at 72% of his target award to align his pay directly with the financial results of the Company scorecard. The Committee approved bonuses for all other executives in a tight range from 75% to 86% of target. The variable payout within a tight band reinforced a strong team orientation, yet allowed meaningful differentiation of bonuses awarded given individual performance considerations, compensation for specific positions versus industry benchmarks and different financial outcomes for the different businesses. Differences in Mr. Griffin's and Mr. Schwartz's bonus awards primarily reflect differences in the financial performance of the Wealth Management and Trust Segment and the Private Banking Segment. The Private Banking Segment continued to demonstrate strong credit quality, expense discipline and financial ratios, but fell short on its deposit and loan growth goals for the year. The Wealth Management and Trust Segment, although demonstrating measurable progress on new client development, gross AUM flows, expense management and the restructuring of its investment platform, was impacted by client attrition rates that were higher than expected in the first half of the year, despite trending improvements in the latter half of the year. Mr. Kaye's and Ms. Chambers' respective bonuses reflect their contributions across multiple areas of the Company, including the successful sale of select West Coast offices and contributions to the execution of the Company's integrated Wealth Management, Trust and Private Banking strategy from a legal, regulatory and governance perspective (Ms. Chambers) and from a financial, capital and balance sheet management perspective (Mr. Kaye), especially considering the challenging regulatory and interest rate environment for banking.

The CEO's bonus was determined by the Committee in executive session on February 8, 2017 and recommended for approval, and approved, by the full Board on February 9, 2017. The Committee approved bonuses for all other executives on February 8, 2017.

See "Annual Executive Incentive Plan (STI)" for further details.

Long Term Incentives:

The Committee met on April 19, 2016 and approved equity grant recommendations for NEOs at 100% of target award levels. Target award levels vary by position and range from 150% of base salary for the CEO to 75% to 100% for other NEO positions. The CEO's equity award was approved by the full Board on January 26, 2016. Equity awards were granted 60% in performance shares and must be earned based on future performance (three-year performance period) and 40% in time-based restricted stock with a three-year cliff vesting period. Given the team-performance orientation to managing the Company, and

the strong historical performance of individuals on the team, equity awards were allocated in a consistent manner across the NEO positions. 2017 equity awards will not be granted until May of 2017; however, on February 8, 2017, the Committee approved the equity value for May 15, 2017 awards at 100% of target awards levels. 2017 equity awards granted in May 2017 will be reported in next year's CD&A.

#### Compensation Components and Mix of Compensation

The Company's direct compensation components consist of base salary, performance-based annual cash incentives, performance-based equity incentives and service-based equity incentives. The Company continues to emphasize performance-based, variable pay in its executive compensation programs. For example, annual cash incentives can range from 0% of target awards to 200% of target awards based on performance that is typically measured over one year. Equity incentives consist of a combination of time-based restricted stock (40% of targeted equity compensation award for 2016) and performance-based restricted stock or "performance shares" (60% of targeted equity compensation award for 2016). Performance shares vest only if and to the extent they are earned based on the achievement of three-year, forward-looking metrics. The Company's overall executive compensation mix is heavily weighted towards variable and performance-based pay, approximately one-third base salary and two-thirds annual and equity incentives. The following charts illustrate the mix of fixed (base salary) versus variable (incentives/equity) pay and also performance-based versus service-based pay for the Company's CEO and other NEOs:

#### Peer Group and Total Compensation Market Benchmarking

In July 2016, the Committee reviewed and approved a new, size appropriate peer group. This peer group, listed below, includes nineteen banks/financial services companies which were selected based on similar size (approximately 1/3 to 3 times the Company's primary size indicators – i.e., total assets of \$2 billion to \$30 billion and market cap of \$300 million to \$3 billion) and fees as a percent of revenue of at least 20% to reflect the Company's Wealth Management, Trust and Private Banking business orientation (as opposed to community/retail banking orientation). Other criteria used for peer company selection included companies headquartered in major metropolitan areas and companies with whom the Company competes for executive talent. The peer group is a market frame of reference for compensation and performance comparisons and will also be used in 2017.

The following companies were included in the Company’s 2016 peer group:

Banc of California, Inc.	NBT Bancorp, Inc.
Berkshire Hills Bancorp, Inc.	Pinnacle Financial Partners Inc.
Brookline Bancorp, Inc.	PrivateBancorp, Inc.
Bryn Mawr Bank Corp.	Sandy Spring Bancorp Inc.
CoBiz Financial Inc.	UMB Financial Corporation
Columbia Banking System Inc.	Washington Trust Bancorp, Inc.
Community Bank System Inc.	Webster Financial Corporation
First Commonwealth Financial Corp.	Wintrust Financial Corporation
Independent Bank Corp. (INDB)	WSFS Financial Corporation
MB Financial Inc.	

In addition, the KRX has been added to measure the Company’s ROACE relative performance in the 2016 and 2017 long-term incentive matrices. The Committee believes the KRX provides a more consistent benchmark for purposes of measuring performance over a three-year time horizon given the larger number of peer banks in the Index to normalize any anomalies.

The Company’s independent compensation consultant, Frederic W. Cook & Co. (“FW Cook”), provides other relevant market reference points such as broader financial services and general industry compensation survey data covering companies of similar size to augment this peer group data, when appropriate.

The last market compensation review was conducted by FW Cook in October of 2016 for the Company’s CEO and other select executive positions. Based on the market comparative data used (reflecting 2015 actions), the Company’s overall target compensation position for executive positions was determined to be competitive with market (above median) largely attributable to strong variable, performance-based pay opportunities that are aligned with stretch goals, that if attained, produce top quartile performance. Base salaries, in aggregate, were positioned close to median. Actual 2015 compensation was determined to be, on average, within 10% of median and lower than target pay due to 2015 performance which was below expectations, resulting in below-target bonus payouts. Actual compensation versus market and versus target opportunities will vary year-to-year based on overall Company performance, individual contributions and cost considerations.

#### Base Salary

The Committee reviews the base salaries of its NEOs each year, with salary increases, if any, taking effect on January 1. Salary increases are generally based on an executive’s performance within specific areas of accountability, external market competitiveness and/or internal budget considerations. Mr. Schwartz was the only NEO to receive a base salary increase in 2016 as a result of his expanded role as CEO of the Private Banking Segment.

#### Annual Executive Incentive Plan (STI)

Following its usual practice, the Committee established an annual incentive target for 2016 for each NEO stated as a percentage of base salary. Incentive target levels are based on each executive’s role, organization level, impact on annual performance and competitive considerations. Executives can earn from 0% up to 200% of target based on performance against pre-defined metrics. Targets are reviewed annually by the Committee and adjusted as appropriate to consider market competitiveness and desired mix of annual and long-term incentives. In 2016, the Board and Committee established a performance scorecard framework for compensation actions in 2016 that considered financial goals important to the Company’s profitability and sustainable growth. Details of this performance-based framework, associated financial metrics, the Company’s achievement of these metrics and the Committee’s determination with respect to overall performance for the consolidated Company are described in the scorecard below.



	2016 Targeted	2016 Actual Performance	
	Performance Levels	Levels and	Weighted Funding
	Target	Result	Weighted Funding
ROACE	10%	9.4%	28%
Total Revenue Growth (year-over-year)	4.5%	2.7%	23%
Pre-Tax Pre Provision Growth	15%	7.9%	21%
Final Funding Level			72%

In addition to consolidated Company results, actual bonus payouts for NEOs also considered the separate performance results of the Wealth Management and Trust Segment, and Private Banking Segment, as well as individual performance.

After considering performance against all three scorecards covering the financial results for the consolidated Company, the Wealth Management and Trust Segment and the Private Banking Segment, the overall bonus pool funding was set at 86% of target in the aggregate for all executives/senior leaders of the Company. The Committee, with the input from the CEO for positions other than himself, then approved actual bonus payments for executives using the combination of three scorecards and based on an assessment of the contributions of its executives, many of whom serve across multiple areas of the Company. Although in aggregate the combined metrics for the scorecards produced an 86% funding level across the three scorecards, the funding level for the NEOs as a group was in aggregate 78% of target. For the CEO, the Committee approved a bonus directly aligned with the results of the overall Company scorecard.

The following table outlines the annual incentive targets for 2016 and the actual bonus received by each NEO:  
TARGET AND ACTUAL BONUS DETAILS

Executive	Annual Base Salary	Target		Minimum (0% of Target)	Maximum (200% of Target)	Actual Bonus	Actual as % of Target	
		Bonus % of Base Salary	Target Bonus				Bonus	of Target
C. Deutsch	\$675,000	125 %	\$843,750	\$	—\$1,687,500	\$607,500	72	%
D. Kaye	425,000	100 %	425,000	—	850,000	365,000	86	%
C. Griffin	400,000	100 %	400,000	—	800,000	300,000	75	%
G. Schwartz	400,000	100 %	400,000	—	800,000	345,000	86	%
M Chambers	360,000	100 %	360,000	—	720,000	288,000	80	%

## Equity-Based Long-Term Incentives

### Overview of Program

The Committee considers long-term equity-based compensation to be an integral part of the Company's compensation program and grants equity each year, typically in May. The Company's primary grant forms for its executives are:

1. Performance-based shares (60% of an executive's target award value); and
2. Time-based restricted stock (40% of an executive's target award value).

The Committee reviews the mix of grant forms annually. Performance shares are earned and vest at the end of the three-year performance period only if and to the extent results are achieved within the acceptable performance range (threshold to significant over-achievement) as determined by the Committee. Performance shares are subject to forfeiture in the event that pre-established performance goals are not achieved. Time-based restricted stock will vest in full three years from the date of grant subject to the executive's continued employment through the vesting date.

### Vesting of Performance Share Award for the 2014-2016 Performance Period

The Company's NEOs earned 71% of the targeted performance shares based on ROACE performance for the 2014 to 2016 performance period. As a result, a portion of the shares scheduled to vest on May 15, 2017 will be forfeited. The Company's three-year average ROACE for the 2014 to 2016 performance period was 9.7% versus a target goal of 12% and a threshold goal of 8% for the performance period. The 71% earn-out is the result of interpolation between a 50% payout at the threshold performance level and a 100% payout at the target performance level. The following table outlines the awards earned:

Executive	Grant Date	Target Number of Shares	Performance Metric Achieved	Total Shares Vested Based upon Performance
C. Deutsch	5/15/2014	45,134	71%	32,045
D. Kaye	5/15/2014	14,211	71%	10,090
C. Griffin	5/15/2014	8,916	71%	6,330
G. Schwartz	5/15/2014	10,030	71%	7,121
M. Chambers	5/15/2014	12,036	71%	8,546

### 2016 Equity Awards

In 2016, the Company granted equity awards to its NEOs of performance shares and time-based restricted stock under the Company's 2009 Amended and Restated Stock Option and Incentive Plan. Each NEO has an established long-term incentive award target as follows (expressed as a percentage of each executive's base salary): 150% for Mr. Deutsch, 75% each for Mr. Kaye and Ms. Chambers, 100% for Mr. Griffin and Mr. Schwartz.

The total long-term incentive award values set forth below were approved by the Board for the CEO on January 26, 2016 and by the Committee for the other NEOs on April 19, 2016 for a future grant date of May 13, 2016. For 2016, 60% of the grant date fair value of the award was delivered in the form of performance-based shares and 40% of the grant date fair value of the award was delivered in the form of time-based restricted stock. The approved values converted to a fixed number of time-based restricted shares and performance shares using the average daily stock price for the 30 days prior to the conversion date of \$11.32 per share. This methodology is used to provide an equity award that takes into account the share price of the Company over the prior 30-day period, as opposed to a single



trading day. Once the number of shares was determined based on the values previously approved by the Committee, shares were granted at the closing price of \$11.67 on May 13, 2016, the approved grant date under the Company's equity grant policy. Awards were determined based on each executive's performance, criticality of position and relevant employment agreement terms, as applicable.

The 2016 performance-based shares will be earned or forfeited based on the Company's performance for the January 1, 2016 to December 31, 2018 period, following the conclusion of such performance period, with 0% to 200% of the shares earned tied to the Company's ROACE performance utilizing a matrix approach, as follows:

1. Absolute Measure: Three-year average ROACE targeted at 10.5% over the 2016-2018 time frame:

Threshold Low Target Target Outperform

4.0% 8.0% 10.5% 11.5%

2. Relative Measure: Three-year average ROACE relative to the KBW Regional Bank Index targeted at the 50th percentile:

Threshold Target Outperform

25th percentile 50th percentile 75th percentile

Actual equity grants awarded to the Company's NEOs in 2016 are set forth in the table below. As described further in the footnotes below, a significant portion of the stock awards (60% of the total) must be earned based on performance with the potential for an earn-out of 0% to 200% of the target performance shares awarded.

#### GRANT DATE FAIR VALUE OF AWARDS

##### 2016 Awards

Executive	Grant Date	Time-Based Restricted Stock		Performance-Based Restricted Stock			
		Number of Stock Awards	Grant Date Fair Value (1)	Target of Shares Granted	Grant Date Fair Value: Target (1)	Maximum Number of Shares Potentially Earned (2)	Grant Date Fair Value: Maximum (1)
C. Deutsch	5/13/2016	35,777	\$417,518	53,666	\$626,282	107,332	\$1,252,564
D. Kaye	5/13/2016	11,263	131,439	16,895	197,165	33,790	394,329
C. Griffin	5/13/2016	14,134	164,944	21,201	247,416	42,402	494,831
G. Schwartz	5/13/2016	13,074	152,574	19,611	228,860	39,222	457,721
M. Chambers	5/13/2016	9,541	111,343	14,311	167,009	28,622	334,019

(1) Based upon the closing price on May 13, 2016 of \$11.67.

(2) Maximum shares potentially earned are equal to 200% of the target performance shares granted.

#### Equity Grant Policy

The Company has adopted an Equity Grant Policy, most recently approved in July 2014, to ensure that its equity granting practices are maintained in strict compliance with the Company's equity plans, policies and all applicable laws, and specifically to prevent backdating of any equity grant, or changing of the timing of equity grants in relation to public release of material information with the intent of benefiting a grantee under an equity award. The policy became effective for equity grants made after March 31, 2007. The Company's policy is that equity grants occur on a pre-established day during each calendar quarter after the Company's financial results for the prior quarter have been publicly disclosed. Accordingly, the grant date for all equity grants is generally the 15th day of the month (or the last business day before the 15th day of the month) following the quarterly Board meeting, unless approved otherwise by the Committee. The grant date shall not precede the date the grant was authorized by the Committee, and the grant date for any new hire shall not precede the employee's date of hire. In addition, the policy provides that all awards and award terms are approved by the Committee in advance of the grant date. The Company executives do not have an ability to select a grant date, and the option exercise price is the closing price of the underlying stock on the date of grant.



## Executive Stock Ownership and Share Retention Guidelines

The Committee implemented executive stock ownership guidelines in July 2008 and revised these guidelines in July of 2014 to increase the guidelines based upon a comprehensive review and recommendation by W.T. Haigh & Company, the Company's compensation consultant at the time. The requirements in the guidelines are expressed as the lesser of a multiple of an executive's base salary or a fixed number of shares. The Company and the Committee review executive officer stock holdings against the ownership guidelines at least annually. The Company has established ownership guideline multiples of six times base salary for the Company's CEO and three times base salary for the other NEOs. NEOs must meet the lesser of the fixed share guideline (350,000 for the Company's CEO and 83,000 to 98,000 for other NEO positions) or the salary multiple guideline. Executives and Board members must attain ownership guidelines within a five-year period.

The following table shows the NEOs' stock ownership relative to the guidelines as of December 31, 2016.

Name	Guideline (multiple of salary)	Status
Mr. Deutsch	6 x Base Salary (\$4,050,000)	Meets Requirement
Mr. Kaye	3 x Base Salary (\$1,275,000)	Meets Requirement
Mr. Griffin (1)	3 x Base Salary (\$1,200,000)	Does Not Meet Requirement
Mr. Schwartz	3 x Base Salary (\$1,200,000)	Meets Requirement
Ms. Chambers	3 x Base Salary (\$1,080,000)	Meets Requirement

(1) Mr. Griffin joined the Company in May of 2014 and is not required to attain minimum guidelines until May 2019.

Based on the beneficial ownership calculation as reported in this Proxy Statement, as of January 30, 2017, the CEO owned 0.88% and other NEOs as a group owned 0.61% of the Company's common stock.

## Role of Compensation, Governance and Executive Committee, Outside Advisers and Management in Compensation Decisions

The Committee, pursuant to its charter, provides management and the Board with guidance on matters of executive and director compensation and related benefits. The Committee meets in executive sessions when discussing CEO performance and specific actions related to CEO compensation. The Committee approves all compensation actions with respect to the Company's CEO, and recommends to the Board of Directors that the Board of Directors also approve such compensation actions. The Committee approves all compensation actions for the Company's other executive officers after reviewing the recommendations of the CEO. The Committee relies on management and outside advisers for staff work and technical guidance in conducting its affairs. It retains full authority to engage independent third party advisers, and currently retains FW Cook to conduct independent studies and provide objective advice on executive and director compensation. FW Cook's primary role with the Company is as adviser to the Committee on executive compensation matters. In 2016, FW Cook's services wholly related to Committee matters and no conflicts of interest were noted.

The Company also retains Goodwin Procter LLP for legal services on executive compensation matters, including drafting of legal plan documents. The Company may use other firms from time to time in the normal course of business.

## Executive Benefits and Perquisites

NEOs are entitled to a flexible benefit amount to be used for financial products and services including life insurance, financial planning, long-term care insurance and other health and wellness benefits that enable the executives to manage better and balance their personal lives given the amount of time spent at work. The flexible amount is a fixed

maximum annual benefit, \$65,000 for the CEO, and \$20,000 for other NEOs with the exception of Mr. Schwartz, who for 2016 was covered by separate, legacy long-term disability and long-term care policies sponsored by Boston Private Bank & Trust Company (the “Bank”). As of December 31, 2016, premiums for Mr. Schwartz’s Bank-sponsored long-term care policies have been fully paid and as a result Mr. Schwartz will transition to the flexible benefit of \$20,000 for 2017, which will include the continuation of his legacy long-term disability premiums. NEOs are also eligible for an annual physical examination. The full value of all perquisites is reported as income to the individuals and, accordingly, is taxable. The flexible benefit may not be used for any type of personal luxury or entertainment expenditures.

NEOs are also eligible for Company-sponsored benefit programs available broadly to Company employees, including healthcare, dental and vision benefits, short-term and long-term disability, life insurance, a 401(k) profit sharing plan and the Company's Employee Stock Purchase Plan.

#### Employment Agreements and Executive Severance and Change-in-Control Agreements

The Company no longer provides executive change-in-control agreements in the event of a change-in-control of the Company. The Company has grandfathered change-in-control agreements with three of the Company's NEOs: Ms. Chambers, Mr. Kaye and Mr. Schwartz. Mr. Deutsch has an employment agreement with the Company. These grandfathered change-in-control agreements and the employment agreement for Mr. Deutsch together with the payments and benefits payable to the NEOs in connection with a termination of employment or change-in-control, are discussed in greater detail under "Potential Payments Upon Termination or Change-in-Control."

#### Executive Deferred Compensation Plan

The Company offers a deferred compensation plan that enables certain executives, including each of the NEOs, to defer a portion of their income. Amounts deferred are excluded from an executive's taxable income and are not deductible by the Company until paid. Executives select from a number of mutual funds and the deferred amounts are increased or decreased to correspond to changes in market value of these underlying mutual fund investments. Any increase in value is recognized as compensation expense. The Company maintains a Rabbi trust with respect to these obligations. During 2016, no NEOs participated in the deferred compensation plan, but Mr. Schwartz had an outstanding deferred compensation balance from prior years' participation as of December 31, 2016.

#### Tax, Regulatory and Accounting Implications

The Company believes it complies with all tax, regulatory and accounting standards. Furthermore, the Committee will continue to review each element of compensation and take appropriate steps to ensure tax deductibility to the extent permitted under applicable law and to the extent this can be accomplished without sacrificing flexibility and other important objectives of the overall compensation program for its executives.

#### Compensation, Governance and Executive Committee Report

The Compensation, Governance and Executive Committee of the Board of Directors has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on this review and discussions, the Committee recommended to the Board that the Compensation Discussion and Analysis be included in the Company's Proxy Statement.

Submitted by the Compensation, Governance and Executive Committee of the Board:

Deborah F. Kuenstner, Chair  
Gloria C. Larson  
Joseph C. Guyaux  
Lizabeth H. Zlatkus  
Stephen M. Waters

## EXECUTIVE COMPENSATION TABLES

The following tables and footnote disclosures set forth information concerning the compensation paid to or earned by the NEOs, including the CEO, the Chief Financial Officer and the next three most highly compensated executive officers of the Company, who served in such capacities during 2016.

## SUMMARY COMPENSATION TABLE

(a) Name and Principal Position	(b) Year	(c) Salary (\$)	(d) Bonus (\$)	(e) Stock Awards Grant Date Fair Value (\$)(3)	(f) Non-Equity Incentive Plan Compensation (\$)(6)	(g) All Other Compensation (\$)	(h) Total (\$)
Clayton G. Deutsch CEO and President	2016	\$675,000	\$ —	\$1,043,800(4)	\$ 607,500	\$ 115,848 (7)	\$2,442,148
	2015	675,000	—	1,015,681	472,500	135,834	2,299,015
	2014	675,000	—	2,903,440 (5)	928,100	180,392	4,686,932
David J. Kaye Executive Vice President, Chief Financial and Administrative Officer	2016	425,000	—	328,604	(4) 365,000	38,302 (7)	1,156,906
	2015	425,000	—	316,294	238,000	38,738	1,018,032
	2014	425,000	—	284,457	467,500	40,660	1,217,617
Corey A. Griffin CEO – Wealth Management and Trust Segment; and Executive Vice President	2016	400,000	—	412,360	(4) 300,000	27,950 (7)	1,140,310
	2015	400,000	—	297,388	224,000	27,950	949,338
	2014	263,077 (1)	—	578,528	440,000	266,133 (1)	1,547,738
George G. Schwartz President, Boston Private Bank & Trust Company, CEO – Private Banking Segment	2016	383,039 (2)	—	381,434	(4) 345,000	42,446 (7)	1,151,919
Margaret W. Chambers Executive Vice President, General Counsel and Corporate Secretary	2016	360,000	—	278,352	(4) 288,000	39,389 (7)	965,741
	2015	360,000	—	267,146	201,600	38,330	867,076
	2014	360,000	—	240,920	396,000	40,169	1,037,089

Mr. Griffin's 2014 salary reflects partial year salary based on his hire date, and all other compensation in 2014 includes (1) compensation earned as a Consultant for the Company prior to his employment.

Mr. Schwartz's salary increased from \$355,000 to \$400,000 (2) during the year. The amount reflected represents actual salary paid to Mr. Schwartz in 2016.

(3) The amounts in column (e) reflect the grant date fair value of the equity awards in accordance with ASC Topic 718, Compensation-Stock Compensation ("ASC 718") pursuant to the

2009 Amended and Restated Stock Option and Incentive Plan. Information about the assumptions used to value these awards can be found in Part II. Item 8. "Financial Statements and Supplementary Data - Note 18: Employee Benefits" of the Company's 2016 Annual Report on Form 10-K.

2016 Stock Awards Grant Date Fair Value data includes performance shares which could, based on performance, result in (4) the earn-out of additional shares for above target outperformance (and an increase in the grant date fair value, based on the incremental shares earned, using the original \$11.67 price):

NEO	Target performance shares granted	Maximum shares potentially earned	Increase in grant date fair value based on incremental shares that may be earned at maximum performance level
Clayton G. Deutsch	53,666	107,332	\$ 626,282
David J. Kaye	16,895	33,790	197,165
Corey A. Griffin	21,201	42,402	247,416
George G. Schwartz	19,611	39,222	228,860
Margaret W. Chambers	14,311	28,622	167,009



(5) This amount includes a retention award that was issued to Mr. Deutsch on December 17, 2014.

(6) The amounts in column (f) reflect the annual incentive awards to the named individuals under the 2014, 2015 and 2016 Annual Executive Incentive Plan.

(7) All Other Compensation is composed of the following amounts:

Compensation item	Clayton G. Deutsch	David J. Kaye	Corey A. Griffin	George G. Schwartz	Margaret W. Chambers
Matching contribution to 401(k) plan	\$7,950	\$7,950	\$7,950	\$7,950	\$7,950
Dividends paid on unvested stock grants	42,898	12,601	—	9,533	11,439
Executive medical services	—	—	—	2,300	—
Life insurance premiums	57,708	5,639	—	—	—
Long-term disability premiums	7,292	—	—	8,974	—
Long-term care premiums	—	10,412	—	13,689	20,000
Tax and financial planning	—	1,700	20,000	—	—
<b>Total All Other Compensation</b>	<b>\$115,848</b>	<b>\$38,302</b>	<b>\$27,950</b>	<b>\$42,446</b>	<b>\$39,389</b>

GRANTS OF PLAN-BASED AWARDS

(a) Name	(b) Grant Date	(c) Grant Approved Date	(d) Estimated Future Payouts Under Non-Equity Plan Awards(1) Threshold \$	(e) Estimated Future Payouts Under Incentive Target \$	(f) Estimated Future Payouts Under Equity Plan Awards(2) Maximum \$	(g) Estimated Future Payouts Under Equity Plan Awards(2) Threshold #	(h) Estimated Future Payouts Under Incentive Target #	(i) Estimated Future Payouts Under Equity Plan Awards(2) Maximum #	(j) All Other Awards Number of Shares or Units #	(k) All Other Awards Number of Shares or Units #	(l) Grant Exercise Date Fair Value of Stock and Option Awards (\$)(3)	
Clayton G. Deutsch	5/13/2016	1/26/2016	\$421,875	\$843,750	\$1,687,500	13,416	53,666	107,332	35,777	—	—	—\$1,043,800
David J. Kaye	5/13/2016	4/19/2016	212,500	425,000	850,000	4,223	16,895	33,790	11,263	—	—	328,604
Corey A. Griffin	5/13/2016	4/19/2016	200,000	400,000	800,000	5,300	21,201	42,402	14,134	—	—	412,360
George G. Schwartz	5/13/2016	4/19/2016				4,902	19,611	39,222	13,074	—	—	381,434

	2016		200,000	400,000	800,000					
Margaret										
W.	5/13/2016	4/19/2016				3,577	14,311	28,622	9,541	— 278,352
Chambers										
	2016		180,000	360,000	720,000					

The amounts shown in column (c) reflect the minimum threshold payment levels, which are 50% of the target (1) amount shown in column (d). The amount shown in column (e) is 200% of the target amount shown in column (d), as may be awarded under the Company’s Executive Bonus Plan.

The number of shares shown in column (f) reflect the minimum threshold number of shares, which are 25% of the (2) target amount shown in column (g); the number of shares shown in column (h) is 200% of the target amount shown in column (g) as may be awarded under the Company’s 2009 Amended and Restated Stock Option and Incentive Plan. For a description of these awards see “Equity-Based Long-Term Incentives.”

This column shows the grant date fair value of equity awards in accordance with ASC 718. Information about the (3) assumptions used to value these awards can be found in Part II. Item 8. “Financial Statements and Supplementary Data - Note 18: Employee Benefits” of the Company’s 2016 Annual Report on Form 10-K.

## OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following table provides information with respect to holdings of exercisable and unexercisable stock options and unvested restricted stock and performance share awards held by the NEOs as of December 31, 2016.

(a)	(b) (c) (d) (e) (f)				(g) (h)		(i)	(j)	
	Option Awards				Stock Awards		Equity Incentive Plan Awards: Unearned Shares, Units or Other Rights That Have Not Vested		
	Number of Securities Underlying Unexercised Options (1)				Shares or Units of Stock That Have Not Vested		Number		Market or Payout Value (\$)(2)
NEO	(#) Exercisable	(#) Unexercisable	(#) Equity Incentive Plan Awards	Option Exercise Price (\$)	Option Expiration Date	Number (#)	Market Value (\$)(2)	Number (#)	Market or Payout Value (\$)(2)
Clayton G. Deutsch	—	—	—	\$ —	—	35,777	\$592,109(3)	53,666(8)	\$888,172
	—	—	—	—	—	32,685	540,937(4)	49,027(9)	811,397
	—	—	—	—	—	60,883	1,007,614(6)	91,324 <sup>(6)</sup> , <sub>(10)</sub>	1,511,412
	—	—	—	—	—	30,090	497,990(5)	32,045(11)	530,345
David J. Kaye	20,240	—	—	20.37	5/15/2018	11,263	186,403(3)	16,895(8)	279,612
	—	—	—	—	—	10,178	168,446(4)	15,268(9)	252,685
	—	—	—	—	—	9,474	156,795(5)	10,090(11)	166,990
Corey A. Griffin	—	—	—	—	—	14,134	233,918(3)	21,201(8)	350,877
	—	—	—	—	—	9,570	158,384(4)	14,355(9)	237,575
	—	—	—	—	—	33,200	549,460(7)	6,330(11)	104,762
	—	—	—	—	—	5,944	98,373(5)	—	—
George G. Schwartz	15,935	—	—	6.42	5/13/2021	13,074	216,375(3)	19,611(8)	324,562
	15,505	—	—	7.94	5/14/2020	7,624	126,177(4)	11,436(9)	189,266
	3,870	—	—	4.92	6/15/2019	6,687	110,670(5)	7,121(11)	117,853
	7,500	—	—	9.03	8/15/2018	—	—	—	—
Margaret W. Chambers	7,500	—	—	9.03	8/15/2018	9,541	157,904(3)	14,311(8)	236,847
	11,600	—	—	20.37	5/15/2018	8,597	142,280(4)	12,895(9)	213,412
	—	—	—	—	—	8,024	132,797(5)	8,546(11)	141,436

(1) All securities issued under the Company's 2004 Stock Option and Incentive Plan, or the Company's 2009 Amended and Restated Stock Option and Incentive Plan.

(2)

The market value is based on the closing price of the Company's common stock on December 31, 2016 of \$16.55, multiplied by the applicable number of shares of restricted stock or performance shares.

(3) This award vests on May 13, 2019.

(4) This award vests on May 15, 2018.

(5) This award vests on May 15, 2017.

(6) This supplemental retention award with both time-based and performance-based awards, the time-based will vest on December 17, 2017 and the performance-based will vest at the end of the performance period.

(7) This award is a matching restricted award that will vest over a five year period beginning in year three to the extent that Mr. Griffin purchases an equal number of shares of Company stock over the period.

2016 Stock Awards include performance shares which could, based on performance for the 2016 (8)- 2018 performance period, result in the earn-out of additional shares for above target outperformance as set forth below.

	Target performance shares granted	Maximum shares potentially earned
NEO		
Clayton G. Deutsch	53,666	107,332
David J. Kaye	16,895	33,790
Corey A. Griffin	21,201	42,402
George G. Schwartz	19,611	39,222
Margaret W. Chambers	14,311	28,622

2015 Stock Awards include performance shares which could, based on performance for the 2015 (9)- 2017 performance period, result in the earn-out of additional shares for above target outperformance as set forth below.

	Target performance shares granted	Maximum shares potentially earned
NEO		
Clayton G. Deutsch	49,027	88,248
David J. Kaye	15,268	27,482
Corey A. Griffin	14,355	25,839
George G. Schwartz	11,436	20,584
Margaret W. Chambers	12,895	23,211

2014 Retention LTI Stock Award includes performance shares which could, based on performance for the 2015 - 2017 (10) performance period, result in the earn-out of additional shares for above target outperformance as set forth below.

	Target performance shares granted	Maximum shares potentially earned
NEO		
Clayton G. Deutsch	91,324	164,383

2014 Stock Awards include performance shares which, based on performance for the (11) 2014 - 2016 performance period, were prorated down to 71% of shares granted.

NEO	Target performance shares	Actual shares earned
-----	---------------------------	----------------------

	shares granted	
Clayton G. Deutsch	45,134	32,045
David J. Kaye	14,211	10,090
Corey A. Griffin	8,916	6,330
George G. Schwartz	10,030	7,121
Margaret W. Chambers	12,036	8,546

## OPTION EXERCISES AND STOCK VESTED

The following table provides information with the respect to stock options exercised and restricted stock awards that vested during 2016.

(a) Name	(b) Number of Shares Acquired on Exercise # (1)	(c) Value Realized on Exercise \$	(d) Number of Shares Acquired on Vesting # (1) (2)	(e) Value Realized on Vesting \$ (2)
Clayton G. Deutsch	—	\$—	42,057	\$490,805
David J. Kaye	7,500	23,555	12,354	144,171
Corey A. Griffin	—	—	—	—
George G. Schwartz	10,000	80,766	9,346	109,068
Margaret W. Chambers	—	—	11,215	130,879

(1) All securities issued under the Company's 2009 Amended and Restated Stock Option and Incentive Plan.

The number and value realized of shares acquired on vesting in 2016 includes the following (2) time-restricted shares with fair value at the vest date, using the closing price on the vest date, as listed below.

NEO	Total shares granted	Weighted Average Vest Date Fair Value per Share	Value realized on vesting, based on total shares granted
Clayton G. Deutsch	42,057	\$11.67	\$490,805
David J. Kaye	12,354	11.67	144,171
Corey A. Griffin (a)	—	—	—
George G. Schwartz	9,346	11.67	109,068
Margaret W. Chambers	11,215	11.67	130,879

(a) Mr. Griffin was not employed by the Company in 2013 and therefore did not have a time-based award in 2013.

## NON-QUALIFIED DEFERRED COMPENSATION

(a) Name	(b) Executive Contributions in Last FY \$	(c) Registrant Contributions in Last FY \$	(d) Aggregate Earnings in Last FY \$	(e) Aggregate Withdrawals/ Distributions \$	(f) Aggregate Balance at Last FYE \$(1)
George G. Schwartz	\$	—\$	—\$121,444	\$	—\$1,262,208

(1)Deferred compensation accounts are deemed invested in mutual funds managed by third party administrators.



#### Potential Payments Upon Termination or Change-in-Control

##### Employment Agreement with the Company's Chief Executive Officer

On June 7, 2010, the Company entered into an employment agreement with its CEO, Mr. Deutsch. In addition to the compensation and benefit arrangements described in detail above, under the terms of the employment agreement, Mr. Deutsch will be eligible to receive certain payments and benefits if his employment is terminated under certain conditions.

If Mr. Deutsch's employment is terminated by the Company without "cause," or if Mr. Deutsch terminates his employment for "good reason," as defined in the applicable employment agreement, he will be entitled to receive the following payments and benefits:

subject to signing a general release of claims in favor of the Company, a severance payment equal to two times the sum of (1) his base salary and (2) his target annual bonus, paid out in substantially equal installments in accordance with the Company's payroll practice over 24 months;

time-based restricted stock awards granted to Mr. Deutsch are subject to pro-rated vesting based on the portion of the applicable vesting period completed as of the date of termination, pursuant to the terms of the applicable award agreements;

all stock options and other stock-based awards that are subject to performance-based vesting shall vest upon the completion of the performance period to which such award relates. Vesting of these awards shall be pro-rated based on the portion of the applicable performance period completed as of the date of termination; and

subject to the co-payment of premium amounts at the active employees' rate, Mr. Deutsch may continue to participate in the Company's group health, dental and vision programs for up to 24 months.

The payments described above will immediately cease if Mr. Deutsch breaches certain non-competition, non-solicitation, non-disparagement, confidentiality, third-party agreements and/or cooperation provisions of the his employment agreement.

If Mr. Deutsch's employment terminates due to death or disability, he would be entitled to receive the following: a portion of his annual bonus for the year of termination pro-rated for the number of days employed during the year to the date of termination;

all stock options and other stock-based awards that are subject to time-based vesting only shall vest in full and become exercisable or non-forfeitable as of the date of termination; and

all stock options and other stock-based awards that are subject to performance-based vesting will remain eligible to vest based on actual company performance for the applicable performance period. Vesting of such award shall be pro-rated based on the portion of the applicable performance period completed as of the date of termination.

If amounts payable to Mr. Deutsch, whether under his employment agreement or otherwise, give rise to the excise tax imposed by Section 4999 of the Code, he will receive the greater after-tax amount of either (1) the full payment or (2) a reduced payment that does not give rise to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"). Under the terms of his employment agreement, Mr. Deutsch will not be entitled to any tax gross-up related to severance payments.

#### Change-In-Control Agreement with NEOs

The Company has previously entered into change-in-control agreements with its NEOs (other than Mr. Deutsch and Mr. Griffin) that provide for certain payments and other benefits in connection with a “terminating event” that occurs within the two-year period following a change-in-control of the Company. For purposes of these agreements, the term “terminating event” includes the following: (1) a material diminution in the executive’s responsibilities, authority or duties; (2) a material diminution in the executive’s base salary or target annual bonus other than across the board salary reductions based on the Company’s financial performance similarly affecting all or substantially all senior management employees of the Company; (3) a material change in the geographic location at which the executive provides services to the Company; or (4) the material breach of the agreement by the Company, as set forth in the agreements. In connection with any such terminating event within the applicable period following a change-in-control, the NEOs will be eligible to receive the following payments and benefits:

- a lump-sum cash severance payment equal to 2.5 times annual compensation (sum of base salary and average bonus payments for the three most recent taxable years preceding termination);
- a pro-rated bonus for the fiscal year in which the termination occurs; and
- accelerated vesting of all outstanding, unvested stock option and stock awards.

Notwithstanding the foregoing, the Company will not be required to make any payment under the agreements to the extent such payment would constitute a parachute payment for purposes of Section 280G of the Code.

#### Equity Award Agreements

Pursuant to the terms of the Company’s current forms of restricted stock award agreements granted to the Company’s NEOs, in the event that an executive’s employment is terminated by the Company without “cause,” (1) a pro-rated number of shares of time-based restricted stock will vest, and (2) a pro-rated number of performance shares will remain eligible to vest based on actual Company performance for the applicable performance period. In connection with a termination of employment due to an executive’s disability, all outstanding awards of stock options or time-vesting restricted stock will vest and a pro-rated number of performance shares will remain eligible to vest based on actual Company performance for the applicable performance period. Termination of employment due to an executive’s death will result in full acceleration of all outstanding time-vesting restricted stock and pro-rata accelerated vesting of all performance based shares.

In the event of a change-in-control of the Company in which restricted stock awards are assumed, continued or substituted for new awards, (1) time-based restricted stock awards will vest in the event that the executive’s employment is terminated by the Company or its successor without cause within 24 months following such change-in-control, and (2) the parties to such change-in-control may adjust the performance metrics applicable to any performance share awards. In the event that restricted stock awards are not assumed or continued in a change-in-control or substituted for new awards, then (i) time-based restricted stock awards will vest upon and subject to the occurrence of such change-in-control, and (ii) a pro-rated portion of the performance shares will vest.

The table below sets forth the cash severance, bonus (if any), value of accelerated vesting of equity awards and value of health benefits payable to each NEO in the event of a termination of employment without cause, or due to death or disability, a change-in-control of the Company, and a termination of employment following a change-in-control, and assuming, in each case, that the applicable triggering event(s) occurred on December 31, 2016. Estimated equity values in the table below are calculated assuming the closing price of the Company's stock on December 31, 2016 of \$16.55.

Name	Payment/Benefit	Termination without Cause/for Good Reason	Termination due to death or disability (4)	Change-in-Control (no termination)	Termination without Cause/for Good Reason in connection with a Change-in-Control (5)
Clayton G. Deutsch	Cash Severance	\$ 3,037,500	\$—	\$	—\$ 3,037,500
	Pro-Rated Bonus	—	843,750	—	—
	Accelerated Vesting of Equity (1)	3,844,581	4,945,388	—	4,945,388
	Benefits (2)	42,074	—	—	42,074
	Fringe Benefits (maximum annual cap)	65,000	—	—	65,000
	Total	\$ 6,989,155	\$ 5,789,138	\$	—\$ 8,089,962
David J. Kaye	Cash Severance	\$425,000	\$—	\$	—\$ 1,954,583
	Pro-Rated Bonus	365,000	—	—	365,000
	Accelerated Vesting of Equity (1), (3)	668,188	912,560	—	912,560
	Benefits (2)	—	—	—	59,377
	Fringe Benefits (maximum annual cap)	20,000	—	—	20,000
	Total	\$ 1,478,188	\$ 912,560	\$	—\$ 3,311,520
George G. Schwartz	Cash Severance	\$400,000	\$—	\$	—\$ 1,786,500
	Pro-Rated Bonus	345,000	—	—	345,000
	Accelerated Vesting of Equity (1), (3)	525,643	768,605	—	768,605
	Benefits (2)	—	—	—	59,377
	Fringe Benefits (maximum annual cap)	20,000	—	—	20,000
	Total	\$ 1,290,643	\$ 768,605	\$	—\$ 2,979,482
Margaret W. Chambers	Cash Severance	\$ 360,000	\$—	\$	—\$ 1,638,000
	Pro-Rated Bonus	288,000	—	—	288,000
	Accelerated Vesting of Equity (1), (3)	565,400	772,219	—	772,219
	Benefits (2)	—	—	—	59,377
	Fringe Benefits (maximum annual cap)	20,000	—	—	20,000
	Total	\$ 1,233,400	\$ 772,219	\$	—\$ 2,777,596

(1) In the event of a change-in-control with no termination all outstanding non-vested grants of time-based restricted stock would vest if the acquiring company elected not to assume or replace the outstanding grants, and all

performance shares would vest pro-rata based on the number of days from the grant date to the date of the change-in-control.

- (2) Health and dental continuation for two years for Mr. Deutsch and two and a half years for Mr. Kaye, Mr. Schwartz and Ms. Chambers using premium rates at January 1, 2017.

- (3) Performance shares pro-rated based on grant date for each performance/vesting cycle. Beginning with 2011 grants, time-based restricted stock is pro-rated (not fully accelerated) upon termination without cause/for good reason and fully accelerated in a change-in-control termination assuming grants not assumed or replaced.

- (4) In the event of termination due to death, the equity awards for all NEOs except for Mr. Deutsch will vest on a pro-rata basis for all performance based awards. Mr. Deutsch's equity awards will fully vest per his employment agreement.

- (5) Triggering termination of employment includes a termination in connection with a "terminating event," as defined in the applicable change-in-control agreement for each of Mr. Kaye, Mr. Schwartz and Ms. Chambers.

#### Compensation Committee Interlocks and Insider Participation in Compensation Decisions

The Compensation, Governance and Executive Committee is comprised entirely of the following independent directors: Deborah F. Kuenstner, Chair, Gloria C. Larson, Joseph C. Guyaux, Elizabeth H. Zlatkus and Stephen M. Waters. No member of the Compensation, Governance and Executive Committee is a current, or was a former, officer or employee of the Company or any of its subsidiaries.

#### Compensation of Directors

##### Board Retainer

Directors of the Company who are not full-time employees of the Company or any of its subsidiaries receive compensation under a compensation program effective May 1, 2016 that includes an annual retainer fee of \$120,000, of which 50% (\$60,000) is payable in cash as a cash retainer and 50% (\$60,000) is payable in Company stock as a stock retainer. The non-executive Chair's supplemental annual retainer fee is \$50,000, of which 50%, or \$25,000, is paid in cash, for a total cash retainer of \$85,000, and 50%, or \$25,000, is paid in stock, for a total stock retainer of \$85,000. The total Chair retainer is \$170,000. Each director can elect to receive up to 100% of the annual cash retainer fee in stock.

##### Committee Retainers

The annual retainer for Committee Chairs is \$10,000. This increased from \$3,000 in 2015 to more appropriately reflect the added work level and responsibilities of the Committee Chairs. It is assumed that each director will serve on two committees with a supplemental retainer of \$10,000 for any director serving on three or more committees.

##### Stock Ownership Guidelines

Directors receive their stock retainer, and any portion of their cash retainer that is elected to be paid in stock, in shares of the Company's common stock. These shares are purchased by the Company at fair market value on each of the Company's quarterly grant dates and deposited in each director's brokerage account. The Company believes that director stock ownership is important, and has implemented a minimum stock ownership guideline threshold for outside directors equal to the lower of (a) five times the annual cash retainer of \$60,000 or \$300,000 in value or (b) 30,000 shares. The non-executive Chair is required to hold the lower of \$425,000 in value based on his \$85,000 annual cash retainer ( $5 \times \$85,000 = \$425,000$ ) or 42,500 shares. Board members must attain minimum ownership guidelines within a five year period from the date of their election.

## DIRECTOR COMPENSATION

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Name and Principal Position	Year	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and NQ Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Board of Directors								
Mark Furlong (1)	2016	\$5,543	\$5,543	\$	—\$	—\$	—\$	—\$11,086
Joseph Guyaux (1)	2016	5,543	5,543	—	—	—	—	11,086
Deborah F. Kuenstner	2016	36,500	90,000	—	—	—	—	126,500
Gloria C. Larson	2016	60,000	60,000	—	—	—	—	120,000
John Morton III	2016	57,750	68,750	—	—	—	—	126,500
Daniel P. Nolan	2016	—	126,500	—	—	—	—	126,500
Brian G. Shapiro (2)	2016	31,500	30,000	—	—	—	—	61,500
Kimberly S. Stevenson	2016	—	125,000	—	—	—	—	125,000
Stephen M. Waters (3)	2016	85,000	85,000	—	—	—	—	170,000
Donna C. Wells	2016	60,000	60,000	—	—	—	—	120,000
Lizabeth H. Zlatkus	2016	55,000	65,000	—	—	—	—	120,000

(1) Mr. Furlong and Mr. Guyaux joined the Board on September 28, 2016, and their compensation reflects their pro-rated earnings.

(2) Mr. Shapiro's compensation is pro-rated based on his leaving the Board on April 20, 2016.

(3) Non-Executive Chair of the Board.

#### REPORT OF THE AUDIT AND FINANCE COMMITTEE

The following is the report of the Audit and Finance Committee with respect to the Company's audited consolidated financial statements for the fiscal year ended December 31, 2016. The Audit and Finance Committee acts under a written charter which specifies the scope of the Audit and Finance Committee's responsibilities and how it carries out those responsibilities. Each member of the Audit and Finance Committee is listed below and is independent within the definition of the NASDAQ listing standards.

While the Audit and Finance Committee oversees the Company's financial reporting process for the Board of Directors consistent with its charter, management has primary responsibility for this process, including the Company's system of internal controls, and for the preparation of the Company's consolidated financial statements in accordance with U.S. generally accepted accounting principles. In addition, the Company's independent registered public accounting firm is responsible for auditing those consolidated financial statements, and not the Audit and Finance Committee.

The Audit and Finance Committee has reviewed and discussed the Company's December 31, 2016 audited consolidated financial statements with management and with KPMG LLP, the Company's independent registered public accounting firm ("KPMG"). The Audit and Finance Committee also has discussed with KPMG the matters required to be discussed by Auditing Standard No. 1301, Communication with Audit Committees as adopted by the Public Company Accounting Oversight Board (the "PCAOB"). In addition, the Audit and Finance Committee has also received from KPMG the written disclosures and the letter required by applicable requirements of the PCAOB regarding the independent accountant's communications with the Audit and Finance Committee concerning independence, and has discussed with KPMG its independence from the Company. The Audit and Finance Committee also considered whether KPMG's provision of non-audit services to the Company is compatible with its independence. Based on the reviews and discussions referred to above, the Audit and Finance Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2016 for filing with the Securities and Exchange Commission.

Submitted by the Audit and Finance Committee:

John Morton III, Chair

Lizabeth H. Zlatkus

Mark F. Furlong

Deborah F. Kuenstner

Daniel P. Nolan

The foregoing report shall not be deemed to be "soliciting material" or to be "filed" with the SEC and should not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933, as amended, or under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), except to the extent that the Company specifically incorporates this information by reference and shall not otherwise be deemed filed under such acts.

## AUDIT FEES

The following table presents fees for professional audit services rendered by KPMG for the audit of the Company's annual financial statements for 2016 and 2015, and fees billed for other services rendered by KPMG.

	2016	2015
Audit fees (1)	\$1,103,750	\$915,500
All other fees (2)	—	1,662
Total fees	\$1,103,750	\$917,162

(1) Audit fees for 2016 and 2015 include fees billed, or expected to be billed, for the annual audit and quarterly reviews.

(2) All other fees for 2015 include fees billed during the year for services related to the IRS exam.

KPMG audited the Company's consolidated financial statements for the year ended December 31, 2016. The Company expects representatives of KPMG to be present at the Meeting. These representatives will have the opportunity to make a statement if they desire to do so, and are expected to be available to respond to appropriate questions.

In January 2017, the Audit and Finance Committee completed the process to review the appointment of the Company's independent registered accounting firm and to review compliance with applicable lead audit partner rotational requirements. In the course of the review, the Committee considered, among other things, (1) historical and recent performance on the Company's audit; (2) tenure as the Company's independent auditor and familiarity with our operations; (3) the appropriateness of fees; and (4) the auditor's independence. As a result of this review and following careful deliberation, the Committee has re-appointed KPMG LLP as the Company's independent registered public accounting firm and as auditors of the Company's consolidated financial statements for 2017. KPMG LLP has served as the Company's independent registered public accounting firm for over ten years.

The Audit and Finance Committee pre-approves all auditing services and the terms thereof (which may include providing comfort letters in connection with securities underwritings) and non-audit services (other than non-audit services prohibited under Section 10A(g) of the Exchange Act or the applicable rules of the SEC or the PCAOB) to be provided to the Company by KPMG; however, the pre-approval requirement is waived with respect to the provision of non-audit services for the Company if the "de minimis" provisions of Section 10A(i)(1)(B) of the Exchange Act are satisfied. There were no non-audit services provided under the "de minimis" provision in 2016. The authority to pre-approve non-audit services may be delegated to one or more members of the Audit and Finance Committee, who shall present all decisions to pre-approve an activity to the full Committee at its first meeting following such decision.



## PROPOSAL 2

### ADVISORY (NON-BINDING) VOTE ON EXECUTIVE COMPENSATION

As required by Section 14A of the Exchange Act, the Board of Directors is submitting for shareholder approval, on an advisory, non-binding basis, the compensation paid to the Company's named executive officers as described in this Proxy Statement pursuant to Item 402 of Regulation S-K. As previously disclosed by the Company, the shareholders of the Company previously voted on an advisory, non-binding basis, and the Board of Directors determined, to hold an advisory vote on executive compensation annually.

The resolution that is the subject of this proposal is an advisory, non-binding resolution and will not have any binding legal effect regardless of whether or not it is approved, and may not be construed as overruling a decision by the Company or the Board of Directors or creating or implying any change to the fiduciary duties of the Board.

Furthermore, because this advisory, non-binding resolution relates primarily to compensation that has already been paid or contractually committed for the Company's named executive officers, there is generally no opportunity for the Board to revisit those decisions. However, the Compensation, Governance and Executive Committee (the "Committee") intends to take the results of the vote on this proposal into account in its future decisions regarding the compensation of the Company's named executive officers.

The Company's compensation program is designed to attract, motivate and retain the named executive officers who are critical to the Company's success by offering a combination of base salary and annual and long-term incentives that are closely aligned with the Company's annual and long-term performance objectives. Please see the section titled "Compensation Discussion and Analysis" for additional information about the Company's executive compensation programs.

We believe that the effectiveness of our compensation programs is demonstrated by the accomplishments of management over the last fiscal year as detailed in our discussion in the section titled "Compensation Discussion and Analysis."

For these reasons, the Board of Directors recommends that shareholders vote in favor of the following resolution: RESOLVED, that the compensation of the Company's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including in the Compensation Discussion and Analysis, the compensation tables and narrative discussion, be approved.

The Board of Directors unanimously recommends that shareholders vote FOR approval of the compensation of the Company's named executive officers.

PROPOSAL 3

ADVISORY (NON-BINDING) VOTE TO SELECT THE FREQUENCY OF FUTURE SHAREHOLDER  
ADVISORY VOTES ON EXECUTIVE COMPENSATION

As required under the Dodd-Frank Act, the Company's Board of Directors is also submitting for shareholder consideration a proposal to determine, on an advisory basis, whether future shareholder advisory votes to approve the compensation paid to our named executive officers should be sought annually, every two years or every three years. The vote on this proposal is advisory. The vote on this proposal may not be construed as having any binding legal effect, or overruling a decision by the Company or the Board of Directors, and will not create or imply any change to the fiduciary duties of the Board. However, the Board intends to take the results of the vote on this proposal into account in its decision regarding the frequency with which the Company submits say-on-pay proposals in the future. The Board of Directors values the importance of receiving regular input from our shareholders on important matters such as the compensation of the Company's executive officers. Accordingly, as indicated below, the Board of Directors recommends that you vote for a frequency of every year for future shareholder advisory votes to approve the compensation of the Company's named executive officers.

The enclosed proxy card gives you four choices on voting on this item. In addition to considering whether future shareholder advisory votes to approve the compensation of the Company's named executive officers should occur every year, every two years, or every three years, you also have the choice to abstain from voting on this item.

Please note that you are not voting to approve or disapprove the Board's recommendation on this item.

The Board of Directors unanimously recommends that shareholders vote for a frequency of EVERY YEAR for future shareholder advisory votes to approve the compensation of the Company's named executive officers.

## PROPOSAL 4

### RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit and Finance Committee has selected KPMG as the Company's independent registered public accounting firm to perform the audit of the Company's consolidated financial statements for fiscal year 2017.

Although ratification by shareholders is not required by law or by the Company's bylaws, the Audit and Finance Committee believes that submission of its selection to shareholders is a matter of good corporate governance. If the shareholders fail to ratify the selection, the Audit and Finance Committee will take that fact into consideration, together with such other factors it deems relevant, in determining whether to retain KPMG as our independent registered public accounting firm in the future. Even if the selection is ratified, the Audit and Finance Committee, in its discretion, may direct the appointment of a different independent registered public accounting firm at any time during the year if the Committee determines that such change would be in the best interests of the Company and its shareholders.

Representatives of KPMG will be present at the Annual Meeting, will be given an opportunity to make a statement at the meeting if they desire to do so, and will be available to respond to appropriate questions from shareholders.

The Audit and Finance Committee reviews audit and non-audit services performed by KPMG, as well as the fees charged by KPMG for such services. In its review of non-audit service fees, the Audit and Finance Committee considers, among other things, the possible effect of the performance of such services on the auditor's independence. Additional information concerning the Audit and Finance Committee and its activities with KPMG can be found in the "Corporate Governance - Committees of the Board and Related Matters" and "Report of the Audit and Finance Committee" sections of this Proxy Statement.

#### Pre-approval Policy and Procedures

Pursuant to the Audit and Finance Committee Charter, all audit and non-audit services provided to the Company by KPMG must be pre-approved by the Audit and Finance Committee, provided, however, that certain de minimis services may be provided without such pre-approval. The Company's Internal Audit Policy provides for (a) general pre-approval of audit-related services which do not exceed certain aggregate dollar thresholds approved by the Audit and Finance Committee, and (b) specific pre-approval of all other permitted services and any proposed services which exceed these same dollar thresholds. The Audit and Finance Committee is also mindful of the relationship between fees for audit and non-audit services in deciding whether to pre-approve any such services. It may determine, for each fiscal year, the appropriate ratio between the total amount of fees for audit, audit related and tax services and the total amount of fees for certain permissible non-audit services classified as "all other fees."

The Audit and Finance Committee pre-approved all audit and non-audit fees of KPMG during fiscal 2016.

The Board of Directors unanimously recommends that shareholders vote FOR the ratification of the selection of KPMG as the Company's independent registered public accounting firm.

## OTHER BUSINESS

The Board of Directors is not aware of any other business that may properly come before the Meeting. If any other matters properly come before the Meeting, the proxies will be voted at the discretion of the Proxy Holders.

## EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of December 31, 2016 regarding shares of common stock that may be issued under the Company's equity compensation plans including the Company's 2004 Stock Option and Incentive Plan ("2004 Plan"), the Company's Amended and Restated 2009 Stock Option and Incentive Plan ("2009 Plan"), the Company's 2010 Inducement Stock Plan, as amended (the "Inducement Plan"), and the Company's 2001 Employee Stock Purchase Plan (as Amended and Restated as of January 1, 2014) ("ESPP").

Plan category	Equity Compensation Plan Information		
	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted Average price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plan (excluding securities referenced in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders (1)	1,378,408 (3), (4)	\$ 6.24	2,756,686 (5), (6)
Equity compensation plans not approved by security holders (2)	—	\$ —	148,854
<b>Total</b>	<b>1,378,408</b>	<b>\$ 6.24</b>	<b>2,905,540</b>

(1) The 2004 Plan, the 2009 Plan, and the ESPP.

(2) The Inducement Plan. The Company's Board of Directors approved the Inducement Plan, which has not been approved by the Company's shareholders. The purpose of the Inducement Plan is to grant equity awards (stock options, restricted stock, restricted stock units, stock appreciation rights and other stock awards) to new employees as an inducement to join the Company.

(3) Does not include purchase rights accruing under the ESPP because the purchase price (and therefore the number of shares to be purchased) will not be determined until the end of the purchase period.

(4) Includes 772,008 shares of restricted stock that could be issued if certain performance metrics are met.

(5) Includes 2,700,968 shares available for future issuances under the 2004 and 2009 Plans and 777,726 shares available under the ESPP, less the incremental shares discussed above in note (4) to this table.

(6) Includes 72,811 shares issued in January 2017 under the ESPP for the July 1 through December 31, 2016 purchase period.

## RELATED PARTY TRANSACTIONS

The Company sends out questionnaires to its directors and officers, and those of its majority or wholly-owned subsidiaries regarding related party transactions. If there are any affirmative responses, the Board reviews them and the terms and conditions of any such transactions. There was one related party transaction disclosed in 2016. Before Jacqueline S. Shoback, who is Executive Vice President, Chief Client Development Officer, joined the Company in February 2015, her husband's company completed several credit facilities totaling approximately \$17.6 million in total. The credit facilities with Boston Private Bank & Trust Company were originated prior to Ms. Shoback becoming an employee of the Company and no additional credit facilities have been provided since then. All credit facilities were made in the ordinary course of business under normal credit terms, including interest rates and collateral requirements prevailing at the time of origination for comparable transactions with other persons, and do not represent more than normal credit risk.



#### SOLICITATION OF PROXIES

The cost of solicitation of proxies in the form enclosed herewith will be borne by the Company. In addition to the solicitation of proxies by mail, the Company's regular employees may also solicit proxies personally or by telephone. Banks, brokerage houses, custodians, nominees and other fiduciaries have been requested to forward proxy materials to the beneficial owners of shares of common stock held of record by them. Such custodians will be reimbursed for their expenses. The Company will pay the expenses of soliciting proxies, including the reasonable charges and expenses of brokerage firms and others for forwarding solicitation material to beneficial owners of stock. The Company's representatives may solicit proxies by mail, telephone, electronic or facsimile transmission, or personal interview.

#### SUBMISSION OF SHAREHOLDER PROPOSALS FOR 2018 ANNUAL MEETING

Shareholder proposals intended to be presented at the next annual meeting of shareholders and which are to be considered for inclusion in the Company's Proxy Statement and form of proxy for that meeting, must be received by the Company on or before November 21, 2017. These proposals must also comply with the rules of the SEC governing the form and content of proposals in order to be included in the Company's Proxy Statement and form of proxy. Any such proposals should be mailed to: Corporate Secretary, Boston Private Financial Holdings, Inc., Ten Post Office Square, Boston, Massachusetts 02109.

A shareholder of record who wishes to present a proposal at the next annual meeting, other than a proposal to be considered for inclusion in the Company's Proxy Statement described above, must provide written notice of such proposal and appropriate supporting documentation, as set forth in the Company's by-laws, to the Company at its principal executive office no earlier than December 28, 2017, nor later than January 27, 2018; provided, however, that in the event the annual meeting is scheduled to be held on a date more than 30 days before the first anniversary of the date of the preceding year's annual meeting (the "Anniversary Date") or more than 60 days after the Anniversary Date, timely notice by the shareholder must be delivered not earlier than the close of business on the later of (1) the 90th day prior to the scheduled date of such annual meeting or (2) the 10th day following the first date on which the date of such annual meeting is publicly disclosed. Proxies solicited by the Board of Directors will confer discretionary voting authority with respect to these proposals, subject to SEC rules governing the exercise of this authority. Any such proposal should be mailed to: Corporate Secretary, Boston Private Financial Holdings, Inc., Ten Post Office Square, Boston, Massachusetts 02109.



