

# **Cambridge Bancorp**

## **NOTICE OF ANNUAL MEETING & PROXY STATEMENT**

# CAMBRIDGE BANCORP

Parent of Cambridge Trust Company

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Date: March 3, 2017

Dear Fellow Shareholder:

I am pleased to invite you to our 2017 Annual Meeting of Shareholders, which will be held at 2:00 p.m. on Monday, April 24, 2017 at The Charles Hotel in Cambridge, Massachusetts. The meeting will be preceded by our Annual Shareholder's Luncheon at 12:00 p.m. The formal meeting notice and proxy statement on the following pages contain important information about the meeting.

You can ensure that your shares are represented at the Annual Meeting by voting and submitting your proxy. Voting procedures are described in the proxy statement. Your vote is important, so I urge you to cast it promptly.

Cordially,



Denis K. Sheahan  
President and Chief Executive Officer  
Cambridge Bancorp  
Cambridge Trust Company

# CAMBRIDGE BANCORP

Parent of Cambridge Trust Company

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## NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders of Cambridge Bancorp will be held at:

**The Charles Hotel**  
1 Bennett Street  
Cambridge, MA 02138  
April 24, 2017 at 2:00 p.m.

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At the Annual Meeting we will ask you to:

- (1) Elect four Class I Directors;
- (2) Ratify, on an advisory basis, the appointment of KPMG LLP as the Company's independent registered public accounting firm for 2017;
- (3) Approve the Cambridge Bancorp 2017 Equity and Cash Incentive Plan; and
- (4) Transact any other business which may properly come before the Annual Meeting.

You may vote at the Annual Meeting if you were a Shareholder of record at the close of business on March 1, 2017 (the "Record Date").

By Order of the Cambridge Bancorp Board of Directors,

/s/ Thomas Johnson

Cambridge, Massachusetts

Thomas Johnson

March 3, 2017

*Corporate Secretary*

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**YOUR VOTE IS IMPORTANT REGARDLESS OF HOW MANY SHARES YOU OWN! Please promptly vote your shares. Voting procedures are described in the proxy statement.**

# CAMBRIDGE BANCORP

Parent of Cambridge Trust Company

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## 2017 PROXY STATEMENT

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### THE ANNUAL MEETING AND VOTING PROCEDURES

This proxy statement contains information about the 2017 Annual Meeting of Shareholders of Cambridge Bancorp. The meeting will be held on Monday, April 24, 2017, beginning at 2:00 p.m. at the Charles Hotel, 1 Bennett Street, Cambridge, Massachusetts. Cambridge Bancorp is, for ease of reference, sometimes referred to in this proxy statement as the “Company.” Cambridge Trust Company, the Company’s wholly-owned bank subsidiary, is for ease of reference referred to in this proxy statement as “Cambridge Trust” or the “Bank.”

**Important Notice Regarding Internet Availability of Proxy Materials for the April 24, 2017 Annual Meeting of Shareholders: The Proxy Statement and Annual Report to Shareholders for the year ended December 31, 2016 are available at <http://www.astproxyportal.com/ast/16285/>**

#### **What is the purpose of the Annual Meeting?**

At the Annual Meeting, Shareholders will vote upon the matters that are summarized in the formal meeting notice. This proxy statement contains important information for you to consider when deciding how to vote. Please read it carefully.

#### **Who can vote?**

Shareholders of record at the close of business on March 1, 2017, the Record Date, are entitled to vote. Each share of common stock of the Company (“Common Stock”) is entitled to one vote at the Annual Meeting.

#### **How do I vote?**

If you are a registered Shareholder (that is, if you hold shares directly registered in your own name) you have four voting options:

- Over the internet at the internet address shown on your proxy form;
- By telephone, by calling the telephone number on your proxy form;
- By mail, by completing, signing, dating, and returning your proxy form; or
- By attending the Annual Meeting and voting your shares in person.

If your shares are held in the name of a bank, broker, or other nominee, which is known as being held in “street name”, you will receive separate voting instructions with your proxy materials. If you hold your shares in street name, your ability to vote by internet or by telephone depends on the voting process of the bank, broker, or other nominee that holds your shares.

Although most banks, brokers, and nominees also offer internet and telephone voting, availability and specific procedures will depend on their voting arrangements. Please follow their directions carefully. If you want to vote shares that you hold in street name in person at the meeting, you must request a legal proxy from the bank, broker, or other nominee that holds your shares and present that proxy, along with proof of your identity, at the meeting.

If shares are held for your benefit in the Cambridge Bancorp Employee Stock Ownership Plan (the “ESOP”), you are generally entitled to direct the trustee of the ESOP’s related trust as to the manner in which any

of the Company's Common Stock allocated to your ESOP account is voted. The trustees will vote unallocated shares, if any, in their discretion and will vote allocated shares for which no vote is received in the same proportion that the trustees are directed to vote with respect to shares for which specific voting instructions are received.

Even if you plan to attend the meeting, you are encouraged to vote by proxy prior to the meeting.

### **Can I change my vote?**

Yes. You may revoke your proxy at any time before the final vote at the Annual Meeting. If you are the shareholder of record of your shares, you may revoke your proxy in any one of the following three ways by (i) filing a timely written revocation with the Company's Secretary at least one business day prior to the meeting, (ii) submitting a duly executed proxy bearing a later date which is received by the Company's Secretary at least one business day prior to the meeting, or (iii) by attending the Annual Meeting and voting in person.

If your shares are held in street name, you should contact your bank, broker, or other nominee to revoke your proxy.

Your personal attendance at the Annual Meeting does not revoke your proxy. Your last vote, prior to or at the Annual Meeting, is the vote that will be counted.

### **What are the Board's voting recommendations?**

The Board of Directors (or the "Board") recommends that you vote as follows:

(1) **"FOR"** the reelection of each of Sarah G. Green, Edward F. Jankowski, Leon A. Palandjian, and Linda Whitlock as Class I Directors;

(2) **"FOR"** the proposal to ratify, on an advisory basis, the appointment of KPMG LLP as the Company's independent registered public accounting firm for 2017; and

(3) **"FOR"** the approval of the Cambridge Bancorp 2017 Equity and Cash Incentive Plan.

Each proxy that the Board receives that is not timely revoked, in writing, will be voted in accordance with the instructions it contains. If you submit your proxy but do not specify how you want your shares to be voted, they will be voted in accordance with the Board's recommendations. The Board will only use proxies received prior to or at the Annual Meeting and any adjournments or postponements thereof for which no new Record Date is set. Upon such other matters as may properly come before the meeting, the persons appointed as proxies will vote in accordance with their best judgment.

### **How many votes are needed?**

Assuming a quorum is present, the vote required for approval of the matters to be considered is as follows:

- Proposal 1 – a plurality of votes cast by Shareholders present, in person or by proxy, at the Annual Meeting is required for the election of Directors in uncontested elections;
- Proposal 2 – a majority of votes cast by Shareholders present, in person or by proxy, is required to ratify the appointment of the Company's independent registered public accounting firm; and
- Proposal 3 – a majority of votes cast by Shareholders present, in person or by proxy, is required to approve the Cambridge Bancorp 2017 Equity and Cash Incentive Plan.

Abstentions and broker non-votes are not considered votes cast and accordingly are not counted for purposes of determining whether a proposal has been approved.

Banks, brokers, or other nominees may vote shares held for a customer in street name on matters that are considered to be "routine" even if they have not received instructions from their customer. If a matter is not

considered “routine,” then the bank, broker, or other nominee may not vote shares with respect to that non-routine matter if they have not received instructions from their customer. A broker “non-vote” occurs when a bank, broker, or other nominee has not received voting instructions from a customer and cannot vote the customer’s shares because the matter is not considered routine.

The only proposal before the meeting this year that is deemed a “routine” matter is the ratification of the appointment of KPMG LLP as the Company’s independent registered public accounting firm. This means that if your shares are held in street name, your bank, broker, or other nominee can vote your shares on that proposal if you do not provide timely instructions for voting your shares. The election of Directors and the vote regarding the Cambridge Bancorp 2017 Equity and Cash Incentive Plan are not considered “routine” matters. As a result, if you do not instruct your bank, broker, or nominee how to vote with respect to those matters, your bank, broker, or nominee may not vote on those proposals and a broker “non-vote” will occur.

### **Who can attend the meeting?**

Shareholders of record and beneficial owners as of March 1, 2017, the Record Date, may attend the meeting, accompanied by one guest. Even if you plan to attend the Annual Meeting you are encouraged to vote your shares by proxy in advance of the meeting.

### **How many Shareholders need to attend the meeting?**

In order to conduct the meeting, a majority of shares entitled to vote as of the Record Date must be present in person or by proxy. This is called a quorum. If you return a valid proxy form or vote in person at the meeting, you will be considered part of the quorum. Abstentions and broker non-votes are counted as being present for purposes of determining the presence of a quorum.

### **Householding of Annual Meeting materials**

Some banks, brokers, and other nominee record holders may be participating in the practice of “householding” proxy statements and annual reports. This means that if a household participates in the householding program, it will receive one envelope for all Shareholders in the household containing one set of proxy materials and a separate proxy card for each Shareholder account in the household. If applicable, please vote all proxy cards enclosed in such a package. The Company will promptly deliver multiple copies of the proxy materials to you if you contact the Company at the following address or telephone number: Corporate Secretary, c/o Elaine Virzi, Cambridge Trust Company, 1336 Massachusetts Avenue, Cambridge, Massachusetts 02138; Telephone: (617) 441 1409. If you want to receive separate copies of the proxy materials in the future, or if you are receiving multiple copies and would like to receive only one copy per household, you should contact your bank, broker, or other nominee record holder, or you may contact the Company at the address or telephone number above.

Participation in householding will not affect or apply to any of your other Shareholder mailings. Householding saves the Company money by reducing printing and postage costs, and is environmentally friendly. It also creates less paper for participating Shareholders to manage. If you are a beneficial holder, you can request information about householding from your broker, bank, or other nominee.

### **Shareholder Communications to Board**

The Board will give appropriate attention to written communications on issues that are submitted by Shareholders and will respond as appropriate. Absent unusual circumstances or as expressly contemplated by charters of the Committees of the Board, the Chief Financial Officer of the Company will (1) be primarily responsible for monitoring communications from Shareholders and (2) provide copies or summaries of such communications to the Board as he considers appropriate. Communications will be forwarded to all members of the Board of Directors (or the “Directors”) or specified individual Directors if they relate to substantive matters and include suggestions or comments that Corporate Counsel of the Company considers to be appropriate for

Board consideration. In general, communications relating to corporate governance and long-term corporate strategy are more likely to be forwarded to Directors for review.

Shareholders who wish to send communications to the Board should submit them, in writing, to Corporate Secretary, c/o Elaine Virzi, Cambridge Trust Company, 1336 Massachusetts Avenue, Cambridge, Massachusetts 02138.

## PROPOSALS TO BE VOTED UPON AT ANNUAL MEETING

### Election of Directors (Proposal 1)

The Board is divided into three classes as nearly equal in number as possible. One class of Directors is elected annually for a term of three years.

Directors continue to serve until their three-year term expires and until their successors are elected and qualified, unless they earlier reach the mandatory retirement age of 72, die, or resign.

The Board and the Governance Committee of the Board (the “Governance Committee”), with the Directors up for reelection abstaining, have nominated Sarah G. Green, Edward F. Jankowski, Leon A. Palandjian, and Linda Whitlock, referred to in this proxy statement as the “board nominees”, for reelection at the Annual Meeting to the class of Directors whose terms will expire at the 2020 Annual Meeting. The experience, qualifications, and other attributes, of each of the board nominees, as well as the continuing Directors, are described below under “Board of Directors Information”.

Each of the board nominees has consented to serve, and the Company has no reason to believe that any of them will be unable to serve if elected. If, however, any of the board nominees should not be available for election at the time of the Annual Meeting, it is the intention of the persons named as proxies to vote the shares to which the proxy relates for the election of such other person or persons as may be designated by the Board.

**The Board unanimously recommends that you vote  
FOR the reelection of each of the board nominees. Proxies solicited by  
the Board will be so voted in the absence of direction to the contrary.**

### Ratification of Appointment of Independent Registered Public Accounting Firm (Proposal 2)

The Audit Committee of the Board (the “Audit Committee”) has appointed the firm KPMG LLP (“KPMG”) to serve as the Company’s independent registered public accounting firm for 2017. While the Company is not required to have Shareholders ratify the selection of KPMG as the Company’s independent registered public accounting firm, and this vote is only advisory, the Board considers the selection of the independent registered public accounting firm to be an important matter and is therefore submitting the selection of KPMG for ratification by Shareholders as a matter of good corporate practice.

The following table shows the fees paid or accrued by the Company for professional services provided by KPMG during 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Audit Fees	\$ 424,900	\$ 352,500
Audit-Related Fees	\$ —	\$ —
Tax-Related Fees (1)	\$ 50,950	\$ 49,200
All Other Fees	\$ —	\$ —
<b>Totals</b>	<b><u>\$ 475,850</u></b>	<b><u>\$ 398,700</u></b>

(1) Tax-Related Fees are comprised of tax preparation services

The Audit Committee typically provides specific prior approval for each engagement of the independent auditor to perform services, but it may from time to time pre-approve certain types of services up to a specified limit. The Audit Committee has considered the nature of the tax and other non-audit services provided by KPMG, including discussing them with KPMG and management, and has determined that they are compatible with KPMG's independence.

The Board recommends that Shareholders vote in favor of ratifying KPMG as the Company's independent registered public accounting firm. If Shareholders do not ratify selection of the Company's independent registered public accounting firm, the Audit Committee will reconsider the appointment of KPMG at the appropriate time. The Company anticipates, however, that there would be no immediate change in the Company's independent registered public accounting firm this fiscal year if Shareholders do not ratify the selection of KPMG because of the practical difficulty and expense associated with making such a change mid-year. The Audit Committee may retain KPMG for 2017 notwithstanding a negative Shareholder vote or, even if Shareholders ratify the selection of KPMG, the Audit Committee may, in its discretion, change the Company's independent registered public accounting firm at any time if it determines that it would be in the best interests of the Company to do so.

A KPMG representative is expected to be present at the Annual Meeting to respond to appropriate questions and will have the opportunity to make a statement if he or she desires to do so.

**The Board unanimously recommends that you vote FOR the ratification of the appointment of KPMG as the Company's independent registered public accounting firm. Proxies solicited by the Board will be so voted in the absence of direction to the contrary.**

### **Approval of the Cambridge Bancorp 2017 Equity and Cash Incentive Plan (Proposal 3)**

The Board has adopted, subject to Shareholder approval, the Cambridge Bancorp 2017 Equity and Cash Incentive Plan (the "2017 Plan") to provide officers, employees, and Directors of Cambridge Bancorp and its affiliates with additional incentives to promote the growth and performance of Cambridge Bancorp. The Board believes that the adoption of the 2017 Plan is in the best interest of Cambridge Bancorp and its Shareholders because it will allow Cambridge Bancorp the ability to provide favorable opportunities for these persons to participate in the ownership of the Company and in its future growth through the granting of equity ownership opportunities and incentives based on Common Stock that are intended to align their interests with those of the Shareholders.

### **Why the Company Is Seeking Approval of the 2017 Plan**

Cambridge Bancorp currently maintains the Cambridge Bancorp Amended 1993 Stock Option Plan and the Cambridge Bancorp Director Stock Plan (the "Prior Plans"). If Shareholders approve the 2017 Plan, no new awards will be made under the Prior Plans, but existing awards will remain outstanding in accordance with their terms.

As of December 31, 2016, Cambridge Bancorp had approximately 67,898 full value awards outstanding and unvested under the existing Prior Plans. In addition, as of December 31, 2016, Cambridge Bancorp had approximately 45,612 stock options outstanding, which had a weighted average exercise price of \$30.23 and a weighted average remaining term of 0.59 years.

While the Company's Prior Plans have a combined total of 296,943 shares available for grant, the Company believes that replacing the Prior Plans with one flexible, comprehensive 2017 Plan will allow the Company to tailor its equity-based compensation program to better retain and reward, and to the extent necessary, to attract qualified personnel and management. The 2017 Plan will permit all forms of equity compensation including options (incentive stock options and nonqualified stock options), stock appreciation rights, stock grants (with or

without restrictions), restricted stock units, and other types of equity-based awards. The 2017 Plan can also be used to make cash awards, including performance-based cash awards. Because no new awards will be issued under the Prior Plans, the net increase in shares available for equity compensation awards if the 2017 Plan is approved is 203,057 (500,000 requested for the 2017 Plan less 296,943 available under the Prior Plans). The 2017 Plan is also designed to allow the Company to maximize its corporate income tax deduction with respect to options, stock appreciation rights, and performance-based equity and cash awards.

### **Summary of the 2017 Plan**

The following summary of the material features of the 2017 Plan is qualified in its entirety by reference to the complete text of the 2017 Plan, which is attached to this proxy statement as Appendix A. In the event of a conflict between the terms of this disclosure and the terms of the 2017 Plan, the terms of the 2017 Plan control.

**Types of Awards Available.** The 2017 Plan permits the issuance of equity-based awards, including incentive stock options, or ISOs, nonqualified stock options, or NSOs, grants of Common Stock, whether or not subject to restrictions (including performance restrictions), stock appreciation rights, or SARs, restricted stock units, or RSUs, and performance share units, or PSUs, that vest based on certain performance criteria, and cash-based awards that may be earned based on certain performance criteria, or, collectively, Awards.

**Effective Date and Duration.** The 2017 Plan shall become effective, if at all, on the date the Shareholders approve the 2017 Plan. The 2017 Plan provides for termination on the tenth anniversary of the date it is approved by Shareholders, unless earlier terminated by the Board. Termination of the 2017 Plan will not affect Awards made prior to termination, but no new Awards will be made after the 2017 Plan terminates.

**Eligibility.** The persons eligible to receive Awards are employees capable of contributing significantly to the Company's successful performance, as well as Directors and other persons who render services of special importance to the management, operation or development of the Company and who have contributed significantly to the Company's success. The recipient of an Award under the 2017 Plan is referred to below as a Participant. As of the date of this proxy statement, future awards under the 2017 Plan have not been determined.

**Administration.** Although the Board has the authority to administer the 2017 Plan, it has generally delegated this authority to the Compensation Committee of the Board (the "Compensation Committee"). Each member of the Compensation Committee is anticipated to be a "non-employee director" within the meaning of Rule 16b-3 promulgated under the Exchange Act and an "outside director" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code").

Subject to the terms of the 2017 Plan, the Compensation Committee has the authority to: (1) determine the terms and conditions of Awards, including the price to be paid for any Common Stock; and (2) interpret the 2017 Plan and prescribe rules and regulations for its administration.

Awards, at the discretion of the Compensation Committee, may be transferable to members of a Participant's immediate family or to a family trust or other entity established for the benefit of a Participant or his or her immediate family.

**Shares Subject to the 2017 Plan.** The total number of shares of the Company's Common Stock that may be subject to Awards under the 2017 Plan may not exceed 500,000 shares. As noted earlier, because no new awards will be issued under the Prior Plans, the net increase in shares available for equity compensation awards if the 2017 Plan is approved is 203,057 (500,000 requested for the 2017 Plan less 296,943 available under the Prior Plans). The shares subject to an Award may be authorized but unissued shares. To the extent an Award lapses or is forfeited, the shares subject to the Award, other than shares delivered to purchase shares on exercise or settlement of, or to satisfy a tax withholding obligation relating to, an Award, will again become available for grant under the terms of the 2017 Plan.

The total amount of Common Stock that may be granted under the 2017 Plan to any single person in any calendar year may not exceed in the aggregate 50,000 shares. In the event a cash-based Award under the 2017 Plan is made, such Award shall not exceed \$500,000 in any calendar year to any single person. Each of these limits was determined by estimating the maximum possible award for exceptional performance over a multi-year period under the 2017 Plan. Each of these limits is designed to help qualify Awards under the 2017 Plan for the performance-based compensation exemption to the deduction limit applicable under Section 162(m) of the Code, if that provision applied to the Company.

The closing price of Cambridge Bancorp's Common Stock on December 31, 2016 was \$62.29.

**Stock Options.** The Compensation Committee may grant ISOs and NSOs under the 2017 Plan. The Compensation Committee determines the number of shares of Common Stock subject to each option, its exercise price, its duration, and the manner and time of exercise. No option may be issued under the 2017 Plan with an exercise price that is less than the fair market value of the Company's Common Stock as of the date the option is granted. The duration of an option will be specified by the Compensation Committee, but no option will have a duration that exceeds ten years. ISOs may be issued only to employees of Cambridge Bancorp or a corporate subsidiary thereof and, in the case of a more than ten percent Shareholder, must have an exercise price that is at least 110% of the fair market value of the Company's Common Stock as of the date the option is granted, and may not have a duration of more than five years.

The Compensation Committee, in its discretion, may provide that any option is subject to vesting limitations that make it exercisable during its entire duration or during any lesser period of time.

Unless otherwise provided in an option agreement, the exercise price of an option may be paid in cash, by delivery of a recourse promissory note secured by the Common Stock acquired upon exercise of the option (except that such a loan would not be available to any of the Company's executive officers or Directors), by means of a "cashless exercise" procedure in which a broker transmits to the Company the exercise price in cash, either as a margin loan or against the Participant's notice of exercise and confirmation by the Company that the Company will issue and deliver to the broker stock certificates for that number of shares of Common Stock having an aggregate fair market value equal to the exercise price, or agrees to pay the exercise price to the Company in cash upon the Company's receipt of stock certificates, by delivery of shares of Common Stock owned by the Participant, by a "net exercise" in the case of an NSO, or by any combination of the methods listed.

Except in connection with a corporate transaction involving Cambridge Bancorp, the terms of an option may not be amended to reduce the exercise price (or cancel the option for cash, other awards, or other options with an exercise price less than the exercise price of the existing option) without Shareholder approval.

**Stock Appreciation Rights.** The Compensation Committee may also grant SARs to Participants on such terms and conditions as it may determine. No SAR may be issued under the 2017 Plan with an exercise price that is less than the fair market value of the Company's Common Stock as of the date the SAR is granted and no SAR will have a duration that exceeds ten years. Upon the exercise of a SAR, the Participant is entitled to receive payment equal to the excess of the fair market value, on the date of exercise, of the number of shares of Common Stock for which the SAR is exercised over an amount per share stated in the agreement setting forth the terms and conditions of the SAR.

Payment to the Participant may be made in cash or other property, including Common Stock, in accordance with the provisions of the SAR agreement.

Except in connection with a corporate transaction involving Cambridge Bancorp, the terms of a SAR may not be amended to reduce the exercise price (or cancel a SAR for cash, other awards or other SARs with an exercise price less than the exercise price of the existing SAR) without Shareholder approval.

**Stock Grants.** The Compensation Committee may make an Award in the form of one or more of the following forms of Stock Grant. Stock Grants (including RSUs and PSUs after settlement) generally will provide the Participant with all of the rights of a Company Shareholder, including the right to vote and to receive cash dividends.

**Stock Grant without Restriction.** The Compensation Committee may make a Stock Grant without any restrictions.

**Restricted Stock and Restricted Stock Units.** The Compensation Committee may issue shares of Common Stock to a Participant with restrictions determined by the Compensation Committee in its discretion. Restrictions could include the right of Cambridge Bancorp to repurchase all or part of the shares at their issue price or other stated or formula price or conditions that require the Participant to forfeit the shares in the event that the Participant ceases to provide services to the Company or any of its affiliates thereof before a stated time.

RSUs are similar to restricted stock except that no shares are actually issued to the Participant on the RSU grant date. Rather, and provided all applicable restrictions are satisfied, shares of Common Stock are generally delivered at settlement of the Award. The period of restriction, the number of shares of restricted stock or the number of RSUs granted, the purchase price, if any, and such other conditions and/or restrictions as the Compensation Committee may establish will be set forth in an Award agreement.

Participants holding RSUs will not have voting rights or other rights as a Shareholder until any shares related to the RSU are issued. After all conditions and restrictions applicable to restricted shares and/or RSUs have been satisfied or have lapsed, shares of restricted stock will become freely transferable and RSUs may be settled in cash, in shares of the Company's Common Stock, or in some combination of cash and shares of the Company's Common Stock, as determined by the Compensation Committee and stated in the Award agreement.

**Performance Shares and Performance Share Units.** With respect to an Award of performance shares and/or PSUs, the Compensation Committee will establish performance periods and performance goals. The extent to which a Participant achieves his or her performance goals during the applicable performance period will determine the value and/or the number of performance shares and/or PSUs earned by such Participant. Payment of earned performance shares and/or PSUs will be in cash, shares of the Company's Common Stock, or some combination of cash and shares of the Company's Common Stock, as determined by the Compensation Committee and stated in the Award agreement.

**Dividends.** Participants holding restricted stock and performance shares may be entitled to receive dividends on the Company's shares, but Participants will not be entitled to dividends with respect to unvested performance shares until the shares vest, however dividends may be accrued over the performance period and paid at the vesting date. Dividend equivalent units may, but are not required to, be issued with respect to RSUs or PSUs and may be paid in cash, additional shares of the Company's Common Stock, or a combination on the date the shares are delivered, all as determined by the Compensation Committee and stated in the Award agreement.

**Cash-Based Awards.** The Compensation Committee may make a cash-based Award in an amount and upon such terms as the Compensation Committee may determine which may be based on the achievement of performance goals as established by the Compensation Committee.

**Director Awards.** The 2017 Plan provides for the issuance of a stock grant to non-employee Directors in an amount equal to the annual non-cash retainer. Directors may also receive other types of Awards under the 2017 Plan.

**Performance Goals.** If the Company becomes public as defined within Section 162(m) of the Code, Section 162(m) of the Code will disallow an income tax deduction for compensation in excess of \$1,000,000 paid in any year to the principal executive officer and the three other most highly compensated named executive

officers unless the compensation is “performance-based.” Compensation in excess of the \$1,000,000 limit may be deducted if, among other matters, the amounts are paid pursuant to pre-established, objective performance goals determined by a committee consisting solely of two or more “outside directors” (within the meaning of Section 162(m) of the Code), the material terms of those goals are disclosed to and approved by Shareholders, and any payment is made only after a committee of outside directors certifies that the pre-established performance goals have been satisfied.

Options and SARs issued under the 2017 Plan generally satisfy the performance-based compensation exception under regulations issued pursuant to Section 162(m) of the Code if, in addition to other requirements, the 2017 Plan is approved by Shareholders, the grants are made by the Compensation Committee (a committee that presently consists of “outside directors”), and the amount of compensation a person can receive under the option or SAR is based solely on an increase in the value of the stock after grant.

Other forms of equity and cash Awards under the 2017 Plan, including in particular performance shares, PSUs, and certain cash-based Awards, can be designed to comply with the performance-based exception. Although it may be necessary for Shareholders to re-approve the performance goals if the Company becomes public as defined by Section 162(m), the Company is adopting the criteria now and will shift to a method of compensation practices that should allow the Company to maximize the Company’s compensation deduction in the future. Nevertheless, the deductibility of compensation is but one of the critical factors in the design and implementation of any compensation arrangement, and the Compensation Committee and the Company’s Board reserve the right to pay nondeductible compensation when appropriate.

If the Compensation Committee makes an Award intended to qualify as “performance-based compensation,” the performance goals selected by the Compensation Committee will be based on the achievement of specified levels of one, or any combination, of the following business criteria, measured in the aggregate or on a per share basis (if appropriate): earnings before interest, taxes, depreciation, and amortization; net income (loss) (either before or after interest, taxes, depreciation, and/or amortization); operating loss containment; capital ratios; pre-tax margin; operating leverage; efficiency ratio; assets under management; balance sheet assets; total Shareholder return; credit quality; risk management; changes in the market price of Common Stock; economic value-added; funds from operations or similar measure; deposit and or loan growth; sales or revenue; acquisitions or strategic transactions; operating income (loss); earnings (loss) per share; cash earnings per share; cash flow (including, but not limited to, operating cash flow and free cash flow); return on capital, assets, equity, invested capital, invested capital net of weighted average cost of capital or investment; return on sales; gross or net profit levels, productivity, expense, margins, operating efficiency, customer and/or employee satisfaction, working capital, sales or market shares; and number of customers. The Compensation Committee has the discretion to choose other performance goals with regard to any particular Award, but that Award may not qualify as “performance-based compensation” under Section 162(m) of the Code.

The objectives shall be adjusted by the Compensation Committee as necessary to eliminate the effect on the stated performance goals of unplanned acquisitions or dispositions, changes in foreign exchange rates, discrete tax items identified by the Compensation Committee, changes in accounting standards, variances to planned annual incentive compensation expense, and expenses associated with unusual or extraordinary items that could not be reasonably anticipated, as long as those items or changes are material to the performance measure.

For purposes of satisfying the performance-based exception under Section 162(m) of the Code, the Compensation Committee has the discretion to reduce, but not increase, a performance-based Award (but the Compensation Committee can provide in a grant for an additional Award in the event the relevant performance goals are exceeded).

After the close of the applicable performance period, which may consist of more than one year, and generally before the close of the next year’s first quarter, the Compensation Committee will determine the extent to which the performance goals were satisfied and make a final determination with respect to an Award.

In the event that applicable tax laws change to permit Compensation Committee discretion to alter the performance goals without obtaining Shareholder approval, the Compensation Committee will have sole discretion to make any such alterations.

***Effect of Certain Corporate Transactions.*** In the event of a stock split, reverse stock split, stock dividend, recapitalization, combination of shares, reclassification of shares, spin-off, or other similar change in capitalization or event, or any dividend or distribution on the Company's Common Stock other than an ordinary cash dividend, the Compensation Committee shall make equitable adjustments to Awards as it, in its sole discretion, deems appropriate. In the case of (1) a merger or consolidation of Cambridge Bancorp with or into another entity pursuant to which all of the Company's Common Stock is cancelled or converted into or exchanged for the right to receive cash, securities, or other property, (2) any transfer or disposition of all of the Company's Common Stock for cash, securities, or other property pursuant to a share exchange or other transaction, (3) the sale or other disposition of all or substantially all of Cambridge Bancorp's assets, or (4) any liquidation or dissolution of Cambridge Bancorp, the Compensation Committee may take any of a number of actions including providing for the assumption of Awards, the termination of Awards (with advance notice permitting exercise), Awards becoming exercisable at or prior to the event, the liquidation of Awards or any combination of the foregoing.

***Amendments to the 2017 Plan.*** The Board may amend, suspend, or terminate the 2017 Plan in whole or in part at any time provided that Shareholder approval shall be required to the extent necessary under Section 162(m) of the Code, under the rules applicable to ISOs or under applicable securities exchange rules.

## **Tax Treatment**

The following description of the federal income tax consequences of Awards is general, does not purport to be complete, and does not describe state, local, or foreign tax consequences.

***Tax Treatment of Nonqualified Stock Options.*** A Participant realizes no taxable income when an NSO is granted. Instead, the difference between the fair market value of the Common Stock acquired pursuant to the exercise of the option and the exercise price paid is taxed as ordinary compensation income when the option is exercised. The difference is measured and taxed as of the date of exercise, if the Common Stock is not subject to a "substantial risk of forfeiture," or as of the date or dates on which the risk terminates in other cases. A Participant may elect to be taxed on the difference between the exercise price and the fair market value of the Common Stock on the date of exercise, even though some or all of the Common Stock acquired is subject to a substantial risk of forfeiture. Once ordinary compensation income is recognized, gain on the subsequent sale of the Common Stock is taxed as short-term or long-term capital gain, depending on the holding period after exercise. The Company does not receive a tax deduction on the grant of a nonqualified stock option, but the Company is entitled to a tax deduction when a Participant recognizes ordinary compensation income on or after exercise of the option, in the same amount as the income recognized by the Participant.

***Tax Treatment of Incentive Stock Options.*** Generally, a Participant incurs no federal income tax liability on either the grant or the exercise of an ISO, although a Participant will generally have taxable income for alternative minimum tax purposes at the time of exercise equal to the excess of the fair market value of the Common Stock subject to the option over the exercise price. Provided that the Common Stock is held for at least one year after the date of exercise of the option and at least two years after its date of grant, any gain realized on a subsequent sale of the Common Stock will be taxed as long-term capital gain. If the Common Stock is disposed of within a shorter period of time, the Participant will recognize ordinary compensation income in an amount equal to the difference between the fair market value of the stock on the date of exercise (or the sale price of the shares sold, if less) over the exercise price. The Company does not receive a tax deduction on the grant or exercise of an ISO, but the Company is entitled to a tax deduction if the Participant recognizes ordinary compensation income on account of a premature disposition of shares acquired on exercise of an ISO, in the same amount and at the same time as the Participant recognizes income.

***Tax Treatment of Stock Appreciation Rights.*** A Participant realizes no income upon the grant of an SAR, but upon its exercise recognizes ordinary compensation income in an amount equal to the cash or cash equivalent received at that time. If the Participant receives Common Stock upon exercise of an SAR, he or she recognizes ordinary compensation income equal to the fair market value of the Common Stock received (reduced, if applicable, by the base amount set forth in the related agreement), assuming the Common Stock is not subject to a substantial risk of forfeiture at exercise. The Company is entitled to a tax deduction in the amount of ordinary compensation income recognized.

***Tax Treatment of Stock Grants.*** A person who receives an Award of Common Stock without any restrictions will recognize ordinary compensation income equal to the fair market value of the Common Stock over the amount (if any) paid. If the Common Stock is subject to restrictions, the recipient generally will not recognize ordinary compensation income at the time the Award is received but will recognize ordinary compensation income when restrictions constituting a substantial risk of forfeiture lapse. The amount of that income will be equal to the excess of the aggregate fair market value, as of the date the restrictions lapse, over the amount (if any) paid for the Common Stock. Alternatively, a Participant may elect to be taxed, pursuant to Section 83(b) of the Code, on the excess of the fair market value of the Common Stock at the time of grant over the amount (if any) paid for the Common Stock, notwithstanding any restrictions. All such taxable amounts are deductible by the Company at the time and in the amount of the ordinary compensation income recognized by the Participant.

A Participant who receives RSUs or PSUs generally will not recognize ordinary compensation income at the time of grant. Rather, the Participant will generally recognize ordinary compensation income equal to the fair market value of the Common Stock or cash received less the price paid, if any, at the time the RSU or PSU settles shortly after vesting. When any Common Stock received is subsequently sold, the Participant generally will recognize capital gain or loss equal to the difference between the amount realized upon the sale of the shares and his or her tax basis in the shares (generally, the fair market value of the stock when acquired plus any amount paid). The capital gain or loss will be long-term if the stock was held for more than one year or short-term if held for a shorter period. The Company will be entitled to a tax deduction when the Participant recognizes ordinary compensation income.

***Dividends.*** The full amount of dividends or other distributions of property made with respect to Stock Grants before the lapse of any applicable restrictions will constitute ordinary compensation income, and the Company is entitled to a deduction at the same time and in the same amount as the income is realized by the Participant (unless an election under Section 83(b) of the Internal Revenue Code has been made). Dividend equivalents on RSUs and PSUs will be taxed as additional ordinary compensation income at settlement, and the Company will be entitled to a deduction at the same time and in the same amount.

### **Required Vote**

The affirmative vote of holders of a majority of the votes properly cast at the meeting is required for the Shareholders to approve the 2017 Plan. For the purpose of determining whether a majority of the votes have been cast in favor of the approval of the amendment to the 2017 Plan, only “For” and “Against,” along with any abstentions, are included, and any broker non-votes will not count in making that determination.

**The Board unanimously recommends that you vote FOR the approval of the  
Cambridge Bancorp 2017 Equity and Cash Incentive Plan.**

### **Other Matters**

The proxy also confers discretionary authority with respect to any other business which may come before the Annual Meeting, including rules for the conduct of the meeting. The Board knows of no other matter to be presented at the meeting. It is the intention of the person named as proxy to vote the shares to which the proxies relate according to their best judgment if any matters not included in this proxy statement come before the meeting.

## BOARD OF DIRECTORS INFORMATION

For purposes of this proxy statement the ages of the board nominees, and the Company's other Directors, have been computed as of the Annual Meeting date.

The Board of the Company is currently comprised of the individuals listed below.

### ***Board Nominees: Class I Directors (Nominated for Reelection at this meeting for a Term expiring in 2020)***

***Sarah G. Green.*** Age 69. Before her retirement in 2013, Ms. Green was the Chief Operating Officer at the Federal Reserve Bank of Richmond for seven years. Prior to that, Ms. Green was an Executive Officer at the Federal Reserve Bank of Boston for 28 years. Ms. Green has served as a Director of the Company and of Cambridge Trust since 2014, and she is currently Chair of the Audit Committee. The Board has determined that Ms. Green is qualified to serve as a Director based upon her prior service as a Director of the Company and of Cambridge Trust including her service on numerous Board Committees and her leadership of director education activities, her experience as an executive at the Federal Reserve System, her knowledge of payments systems, and her broad experience in serving on non-profit boards.

***Edward F. Jankowski.*** Age 66. Before his retirement in 2015, Mr. Jankowski held many roles during his 16 years at Independent Bank Corp and Rockland Trust, a Massachusetts commercial bank, including Senior Vice President, Residential Lending and Corporate Compliance, Chief Technology and Operations Officer, Chief Risk Officer and Chief Internal Auditor. Before joining Rockland Trust Mr. Jankowski served as SVP of North Shore Bank, and SVP at Multibank Service Corp., a subsidiary of Multibank Financial Corp. Mr. Jankowski is a Certified Public Accountant. Mr. Jankowski has served as a Director of the Company and of Cambridge Trust since 2016. The Board believes that Mr. Jankowski is qualified to serve as a Director based upon his prior service as a Director of the Company and of Cambridge Trust including his service on numerous Board Committees, his knowledge of banking regulation and risk management, his training as a CPA, and his experience as an executive of a publicly traded organization in the banking and finance industry.

***Leon A. Palandjian.*** Age 47. Mr. Palandjian is a managing member of Intercontinental Capital Management LLC, an affiliate of Intercontinental Real Estate Corp. focusing on alternative investments outside of private real estate. Mr. Palandjian has earned the Chartered Financial Analyst designation. Mr. Palandjian has served as a Director of the Company and of Cambridge Trust since 2006 and was Lead Director from 2014 until January 2017. The Board has determined that Mr. Palandjian is qualified to serve as a Director based upon his prior service as a Director of the Company and of Cambridge Trust including his service on numerous Board Committees, his extensive experience in equity investment and finance, his CFA qualification, and his knowledge of the communities in the Company's market area.

***Linda Whitlock.*** Age 69. Ms. Whitlock founded (in 2010) and is a Principal of The Whitlock Group, a management and strategy consulting firm. Previously, Ms. Whitlock was President and Chief Executive Officer of Boys & Girls Clubs of Boston from 1999 to 2008. Ms. Whitlock has served as a Director of the Company and of Cambridge Trust since 2002, and was the Company's first Lead Director from 2011 until 2014. She chaired the recent search for a new chief executive of the Company, and is currently Chair of the Governance Committee. The Board believes that Ms. Whitlock is qualified to serve as a Director based upon her prior service as a Director of the Company and of Cambridge Trust including her service on numerous Board Committees, her experience as a Chief Executive Officer, and her extensive governance experience on the boards of public and private companies and charitable organizations based in the Company's market area.

### ***Class II Directors Continuing in Office (Term expiring in 2018)***

***Donald T. Briggs.*** Age 48. Mr. Briggs is the President of Federal Realty Investment Trust (the "Trust"), a publicly traded real estate investment trust, which position he has held since 2009. In this capacity, Mr. Briggs is

responsible for managing the Trust's national pipeline of large scale development and leading the Trust's office in New England. Mr. Briggs also serves as a member of the Trust's Investment and Executive Committees. Mr. Briggs has served as a Director of the Company and of Cambridge Trust since 2013. The Board has determined that Mr. Briggs is qualified to serve as a Director based upon his prior service as a Director of the Company and of Cambridge Trust including his service on numerous Board Committees, his experience as a member of the executive management team of a publicly traded company, his knowledge of the real estate industry, and his familiarity with the communities that the Company serves.

**Jeanette G. Clough.** Age 63. Since November 1998, Ms. Clough has served as the Chief Executive Officer and President of Mount Auburn Hospital. Ms. Clough has served as a Director of the Company and of Cambridge Trust since 2008. The Board has determined that Ms. Clough is qualified to serve as a Director based upon her prior service as a Director of the Company and of Cambridge Trust including her service on numerous Board Committees, her experience as Chief Executive Officer of a large healthcare organization, and her knowledge of the communities in the Company's market area.

**Hambleton (Ham) Lord.** Age 55. Mr. Lord has over 30 years' experience in the software industry founding and building industry leading companies. Since 2002, he has been the Managing Director of Launchpad Venture Group, a Boston-based angel investor group that focuses on seed stage technology companies. He manages the group's deal flow, due diligence, and investing activities. He is also the Co-Founder of Seraf, a software company that develops professional portfolio management tools for investors in early stage companies. Mr. Lord has served as a Director of the Company and of Cambridge Trust since 2012 and currently serves as Chair of the Compensation Committee. The Board has determined that Mr. Lord is qualified to serve as a Director based upon his prior service as a Director of the Company and of Cambridge Trust including his service on numerous Board Committees, his experience as an angel investor, his knowledge of the software industry and innovation economy in Massachusetts, and his knowledge of the business communities in the Company's market area.

**R. Gregg Stone.** Age 64. Mr. Stone serves as Manager of Kestrel Management, LLC, through which he manages venture capital and family investments. He has worked in the investment industry since 1986 when he joined Pell, Rudman & Co., Inc. as a Vice President from the law firm Hemenway & Barnes. Mr. Stone has served on the boards of a number of private companies and charities. Mr. Stone has served as Director of the Company and of Cambridge Trust since 2009. The Board has determined that Mr. Stone is qualified to serve as a Director based upon his prior service as a Director of the Company and of Cambridge Trust including his service on numerous Board Committees, and his strong background in investment management and venture capital.

**Susan R. Windham-Bannister, Ph.D.** Age 65. Dr. Windham-Bannister is Managing Partner of Biomedical Innovation Advisors LLC and President and CEO of Biomedical Growth Strategies LLC, where she has served since May 2015. Prior to that she had served as the founding President and CEO of the Massachusetts Life Sciences Center since July 2008, overseeing a \$1-billion investment to accelerate the pace of growth in pharmaceuticals, biotechnology, medical devices, medical diagnostics, and bioinformatics industries in Massachusetts. Dr. Windham-Bannister has served as a Director of the Company and of Cambridge Trust since 2016. The Board has determined that Dr. Windham-Bannister is qualified to serve as a Director based upon her prior service as a Director of the Company and of Cambridge Trust including her service on numerous boards and because she has extensive experience as a leader in the innovation economy.

### ***Class III Directors Continuing in Office (Term expiring in 2019)***

**Cathleen A. Schmidt.** Age 57. Since 2013, Ms. Schmidt has served as Executive Director and CEO at McLane Middleton Professional Association, a full service law firm with headquarters in Manchester, New Hampshire. Prior to that she spent six years as President and CEO of Citizen's Bank New Hampshire/Vermont. She has served as a Director of the Company and of Cambridge Trust since 2016. The Board has determined that Ms. Schmidt is qualified to serve as a Director based upon her prior service as a Director of the Company and of Cambridge Trust including her service on numerous Board Committees. In addition, Ms. Schmidt brings to the Board her experience in executive management of a large regional bank, expertise in retail banking, and knowledge of the New Hampshire market.

**Denis K. Sheahan.** Age 51. Mr. Sheahan serves as President and CEO of the Company and of Cambridge Trust. Prior to joining the Company in 2015, Mr. Sheahan spent 19 years at Independent Bank Corp. and Rockland Trust in various capacities including Chief Operating Officer, Chief Financial Officer, and Controller. He has served as a Director of the Company and of Cambridge Trust since 2015. The Board has determined that Mr. Sheahan is qualified to serve as a Director based upon his prior service as a Director of the Company and of Cambridge Trust and his extensive experience in many areas of banking and financial services. Mr. Sheahan has experience in positions of executive leadership at publicly traded companies and knowledge of the communities that the Company serves.

**Anne M. Thomas.** Age 70. Before her retirement in 2012, Ms. Thomas was Special Counsel for the City of Somerville for 19 years. Prior to that, Ms. Thomas had a private law practice which originated in Harvard Square in 1975 and included representation of numerous Cambridge businesses and nonprofit organizations. Ms. Thomas has served as a Director of the Company and of Cambridge Trust since 1979, including as Chair or member of most of the Board Committees. The Board has determined that Ms. Thomas is qualified to serve as a Director based upon her prior service as a Director of the Company and of Cambridge Trust including her service on numerous Board Committees, her mature business judgment, her inquisitive and objective perspective, her legal experience, and her familiarity with the communities that the Company serves.

**David C. Warner, Lead Director.** Age 70. Mr. Warner has been a partner of J.M. Forbes & Co., a private investment advisory and trust office located in Boston, since 1989. Mr. Warner leads investment activity at the firm. Mr. Warner has served as a Director of the Company and of Cambridge Trust since 1999, and he currently serves as Lead Director. The Board determined that Mr. Warner is qualified to serve as a Director based upon his prior service as a Director of the Company and of Cambridge Trust including his service on numerous Board Committees, and his knowledge and experience as an executive in the investment management industry and banking.

### **Board Leadership Structure**

Since Mr. Sheahan, the Company's Chief Executive Officer, also serves as Chairman of the Board, the Board has elected an independent Director, Mr. Warner, to serve as a Lead Director. The Lead Director coordinates the activities of the other independent Directors, acts as a liaison between the Board and the Chief Executive Officer, leading their executive sessions, and performing such other duties as the Board requests. The Board provides oversight of the Chief Executive Officer and other management of the Company and Cambridge Trust to ensure that the long-term interests of Shareholders are being served. The Board typically will have nine regularly scheduled meetings a year, and additional meetings when necessary or advisable, at which reports on the management and performance of the Company and Cambridge Trust are reviewed. The Board has also established the Board Committees described below which regularly meet and report back to the Board on the responsibilities delegated to them. In addition to its general oversight role, the Board also: selects, evaluates, and compensates the Chief Executive Officer and oversees Chief Executive Officer succession planning; reviews, monitors, and, when necessary or appropriate, approves fundamental financial and business strategies and major corporate actions; assesses major risks facing the Company or Cambridge Trust and options for their mitigation; and seeks to maintain the integrity of financial statements and the integrity of compliance with law and ethics of the Company and Cambridge Trust.

### **Director Independence**

Mr. Sheahan, Chairman, President and CEO of the Company and of Cambridge Trust, is the only Director not currently considered an "independent" Director under the independence rules of The Nasdaq Stock Market, as if such rules applied to the Company, even though the Company's Common Stock is not listed on that market. All other current Directors of the Company and of Cambridge Trust are considered to be "independent" under those rules. In making its Director independence determinations the Board considered any transactions, relationships, or arrangements disclosed by Directors noted in the records that the Company maintains in the

ordinary course of business, including the purchasing of services of the Company or Cambridge Trust by Directors, and the Board affirmatively determined that no independent Director has any material relationship with the Company that would interfere with the exercise of his or her independent judgment in carrying out the responsibilities of a Director.

### **Director Nominations**

The Board or the Governance Committee select Director nominees to be presented for Shareholder approval at the Annual Meeting, including the nomination of incumbent Directors for reelection and the consideration of any Director nominations submitted by Shareholders.

In evaluating the qualifications of potential new Directors, the Board considers the following set of recruitment criteria:

- Directors should, as a result of their occupation, background, and/or experience, possess a mature business judgment that enables them to make a positive contribution to the Board. Directors are expected to bring an inquisitive and objective perspective to their duties. Directors should possess, and demonstrate through their actions on the Board, exemplary ethics, integrity, and values.
- The Governance Committee considers each candidate's leadership experience, business experience and acumen, familiarity with relevant industry issues, and such other relevant skills and experience as may contribute to the Board's effectiveness and the Company's success.
- Based upon the characteristics of the then current Board, the Governance Committee takes Board diversity into account with respect to personal attributes and characteristics, including with respect to race, ethnicity, gender, age, cultural backgrounds, professional experience, skills, and other qualifications.
- While familiarity with the communities that Cambridge Trust serves is one factor to be considered in determining if an individual is qualified to serve as a Director, it is not a controlling factor. It is the sense of the Board, however, that a significant portion of the Directors are drawn from the communities that the Company serves.

Directors must be willing to devote sufficient time to carrying out their duties and responsibilities effectively, and should be committed to serve on the Board for an extended period of time. Directors are expected to offer their resignation in the event of any significant change in circumstances that renders them incapable of performing their duties. Directors who attain the age of 72 during their elected term as a Director will retire from the Board as of the next Annual Meeting.

The Company's By-Laws require Shareholders to submit advance notice of Director nominations to the Company not fewer than 50 days nor more than 70 days prior to the Annual Meeting (that is, not later than March 5, 2017 or earlier than February 13, 2017 for the 2017 Annual Meeting). The nomination must set forth the name, age, business address, residence address, occupation, and amount of Common Stock held by the Director nominee, as well as the written consent of the nominee. The Shareholder must also include his or her name, record address, and amount of Common Stock held in the nomination. The Shareholder must also provide certain additional information, as set forth in the Company's By-Laws. Shareholders should submit any Director nominations, in writing, to the Corporate Secretary, c/o Elaine Virzi, Cambridge Trust Company, 1336 Massachusetts Avenue, Cambridge, Massachusetts 02138. A copy of the Company's By-Laws are available on the Company's website.

### **Shareholder Proposals for the Annual Meeting**

To submit a proposal for inclusion in the proxy statement for the 2017 Annual Meeting, Shareholders need to follow the procedures outlined in the Company's By-Laws. Any Shareholder who wishes to submit a proposal for inclusion in the proxy statement for the 2017 Annual Meeting will be required, pursuant to the Company's

By-Laws, to deliver the proposal to the Company not fewer than 50 nor more than 70 days prior to the Annual Meeting (that is, no later than March 5, 2017 or earlier than February 13, 2017 for the 2017 Annual Meeting). For business to be brought before next year's annual meeting by a Shareholder you must give notice thereof to the Company not fewer than 50 nor more than 70 days prior to the annual meeting and must otherwise satisfy the requirements set forth in the Company's By-Laws. Shareholders should submit any Shareholder proposals or notices of business, in writing, to Corporate Secretary, c/o Elaine Virzi, Cambridge Trust Company, 1336 Massachusetts Avenue, Cambridge, Massachusetts 02138. A copy of the Company's By-Laws are available on the Company's website.

### Director Attendance at Annual Meeting of Shareholder and Meetings of the Board and its Committees

It is the Company's policy that all Directors attend the Annual Meeting. All of Directors attended last year's Annual Meeting. During 2016, the Boards of the Company and Cambridge Trust had 11 meetings.

The Boards of the Company and Cambridge Trust have principal standing Audit, Compensation, and Governance Committees. Each of the Audit, Compensation, and Governance Committees operate under a written charter approved by the Board which describes the Committee's role and responsibilities.

The membership of each of the Company's principal standing Board Committees is shown in the table below.

Name	Audit	Compensation	Governance
Donald T. Briggs	○		
Jeannette G. Clough	○		
Sarah G. Green	☒		○
Edward F. Jankowski	○		
Hambleton Lord	○	☒	
Leon A. Palandjian		○	○
Robert S. Peterkin <sup>1</sup>		○	
R. Gregg Stone		○	○
Anne M. Thomas			○
David C. Warner		○	○
Linda Whitlock		○	☒
Susan R. Windham-Bannister	○		
<b>Total Meetings Held In 2016</b>	<b>6 meetings</b>	<b>6 meetings</b>	<b>5 meetings</b>

☒ **Chairman of Committee**

○ **Committee Member**

### Director Compensation

Non-employee Directors of the Company and Cambridge Trust receive both cash and equity compensation as described below. Board compensation is reviewed by comparison to peer institutions using publicly available information. Director compensation is designed to attract and retain persons who are well qualified to serve as Directors of the Company and Cambridge Trust.

Non-employee Directors of the Company and Cambridge Trust receive cash compensation in the form of fees for attending Board and Committee meetings. Directors receive additional compensation for service as Chair of a Committee.

<sup>1</sup> Mr. Peterkin will retire at the 2017 Annual Meeting.

Annual fees for non-employee Directors as Lead Director and Committee Chairs of the Company and of Cambridge Trust during 2016 are paid in cash and were as follows:

<u>Position</u>	<u>Annual Fee</u>
Lead Director	\$10,000
Chairman Audit Committee	\$ 8,500
Chairman Compensation Committee	\$ 7,500
Chairman Governance Committee	\$ 7,500

Board meeting fees during 2016 were \$800 per meeting. Committee meeting fees during 2016 were \$600 per meeting, with the exception of Audit Committee meeting fees, which were \$700 per meeting. Committees for which Directors receive meeting fees other than the Audit, Governance and Compensation are the Trust Committee, Pension Committee, CRA Committee, Executive Committee and ALCO Committee.

In December of 2016, based upon an analysis of data relating to the Company's peer group identified under the heading "Use of Peer Groups and Survey Information" in the Compensation Discussion and Analysis (referred to as the Company's "peer proxy group"), the Board voted to increase the Board meeting fees to \$900 per meeting effective with the first Board meeting in 2017. Committee meeting fees are unchanged. Annual fees for non-employee Directors serving as Lead Director and/or Committee Chairs of the Company are not changed from the 2016 amounts.

Directors are also paid an annual retainer in the amount of \$20,000 as a fully vested Common Stock award to align their interests with those of the Shareholders. In 2016, such awards were for approximately 429 shares of Common Stock, determined under a market-based formula. In December of 2016, consistent with the aforementioned peer proxy group study, the Board voted to add a \$5,000 annual cash retainer beginning in 2017.

No annual retainer or meeting fees are paid to any Director who is an employee of the Company or Cambridge Trust.

Set forth in the table below is a summary of the compensation for each of the Company's non-employee Directors for the year ended December 31, 2016. Director compensation paid to Directors who are also Named Executive Officers is reflected in the Summary Compensation Table below under "Executive Compensation."

<u>Name</u>	<u>Fees Earned or paid in Cash (1)</u>	<u>Stock Awards (2)</u>	<u>Option Awards</u>	<u>Non-Equity Incentive Plan Compensation</u>	<u>Change in Pension Value and Nonqualified Deferred Compensation Earnings</u>	<u>All Other Compensation (3)</u>	<u>Total</u>
Donald T. Briggs	\$11,559	\$20,000	—	—	—	\$592	\$32,151
Jeanette G. Clough	\$10,809	\$20,000	—	—	—	\$592	\$31,401
Sarah G. Green	\$26,109	\$20,000	—	—	—	\$592	\$46,701
Edward F. Jankowski	\$11,209	\$20,000	—	—	—	\$592	\$31,801
Hambleton Lord	\$29,509	\$20,000	—	—	—	\$592	\$50,101
Leon A. Palandjian	\$31,109	\$20,000	—	—	—	\$592	\$51,701
Robert S. Peterkin	\$18,109	\$20,000	—	—	—	\$592	\$38,701
Cathleen A. Schmidt	\$ 9,809	\$20,000	—	—	—	\$592	\$30,401
R. Gregg Stone	\$20,809	\$20,000	—	—	—	\$592	\$41,401
Anne M. Thomas	\$12,309	\$20,000	—	—	—	\$592	\$32,901
David C. Warner	\$20,009	\$20,000	—	—	—	\$592	\$40,601
Linda Whitlock	\$27,409	\$20,000	—	—	—	\$592	\$48,001
Susan R. Windham-Bannister	\$ 7,259	\$20,000	—	—	—	\$592	\$27,851

- (1) This column reflects the total fees earned or paid in cash for Directors.
- (2) The amount in this column represents the Director's annual retainer paid in the form of a fully vested Common Stock.
- (3) This amount represents the dividends paid on the fully vested Common Stock.

### **Report of the Audit Committee**

Management is responsible for the Company's internal controls and financial reporting process. The Company's independent registered public accounting firm is responsible for performing an independent audit of the Company's consolidated financial statements and issuing two opinions, one on the conformity of those consolidated financial statements with accounting principles generally accepted in the United States of America and a second opinion addressing the Company's internal controls over financial reporting. The Audit Committee oversees the Company's internal controls and financial reporting process on behalf of the Board of Directors.

In this context, the Audit Committee has met and held discussions with management and the independent registered public accounting firm. Management represented to the Audit Committee that the Company's consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America and the Audit Committee has reviewed and discussed the consolidated financial statements with management and the independent registered public accounting firm. The Audit Committee discussed with the independent registered public accounting firm the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the consolidated financial statements.

In addition, the Audit Committee has received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the American Institute of Certified Public Accountants regarding the independent registered public accounting firm's communications with the Audit Committee concerning the independent registered public accounting firm's independence. In concluding that the registered public accounting firm is independent, the Audit Committee considered, among other factors, whether the non-audit services provided by the firm were compatible with its independence.

The Audit Committee discussed with the Company's independent registered public accounting firm the overall scope and plans for its audit. The Audit Committee met with the independent registered public accounting firm, with and without management present, to discuss the results of its examination, its evaluation of the Company's internal controls, and the overall quality of the Company's financial reporting.

In performing all of these functions, the Audit Committee acts only in an oversight capacity. In its oversight role, the Audit Committee relies on the work and assurances of the Company's management, which has the primary responsibility for financial statements and reports, and of the independent registered public accounting firm that, in its report, expresses an opinion on the conformity of the Company's consolidated financial statements with accounting principles generally accepted in the United States of America. The Audit Committee's oversight does not provide it with an independent basis to determine that management has maintained appropriate accounting and financial reporting practices or policies, or appropriate internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the Audit Committee's considerations and discussions with management, the internal audit department, and the independent registered public accounting firm do not assure that the Company's consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America, that the audit of the Company's consolidated financial statements has been carried out in accordance with the standards of the American Institute of Certified Public Accountants, or that the Company's independent registered public accounting firm is in fact "independent".

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors, and the Board of Directors has approved, that the audited consolidated financial statements

be included in the Company's Annual Report for the year ended December 31, 2016. The Audit Committee also has approved, subject to Shareholder ratification, the selection of the Company's independent registered public accounting firm for the fiscal year ending December 31, 2017.

Submitted by:  
Sarah G. Green, Chair  
Donald T. Briggs  
Jeanette G. Clough  
Edward F. Jankowski  
Hambleton Lord  
Susan R. Windham-Bannister

*Audit Committee of the Board of Directors of Cambridge Bancorp*

### **Compensation Committee – Composition and Responsibility**

The Board has determined that all members of the Compensation Committee of the Board are independent Directors under the independence rules of The Nasdaq Stock Market, as if such rules applied to us.

The Compensation Committee operates under a written charter approved by the Board. The Compensation Committee's responsibilities include: (i) assisting the Board in carrying out its responsibilities in determining the compensation of the CEO and executive officers of the Company and Cambridge Trust; (ii) establishing compensation policies that will attract and retain qualified personnel through an overall level of compensation that is comparable to, and competitive with, others in the industry and in particular, peer financial institutions; and (iii) assisting the Board with the design and development, for approval, of equity and cash compensation plans.

The Compensation Committee also makes recommendations to the Board on the executive officers to whom equity and cash awards shall be granted, the number of shares to be granted to each, and the time or times at which such awards should be granted. The Compensation Committee will serve as the administrator of the 2017 Plan, if approved by Shareholders.

The CEO reviews the performance of the executive officers of the Company and Cambridge Trust (other than the CEO) and, based on that review, makes recommendations to the Compensation Committee about the compensation of executive officers other than himself. The CEO does not participate in any deliberations or approvals by the Compensation Committee or the Board with respect to his own compensation. The Compensation Committee makes recommendations to the Board about all compensation decisions involving the CEO and the other executive officers of the Company and Cambridge Trust. The Board reviews and votes to approve, in its discretion, all compensation decisions involving the CEO and the executive officers of the Company and Cambridge Trust. The Compensation Committee and the Board use summaries of proposed overall short-term and long-term compensation, summaries of compensation decisions made in past years, and competitive survey data showing current and historic elements of compensation, and other relevant information when reviewing executive officer and CEO compensation.

The Compensation Committee has been assisted and advised in its work by the following external executive compensation consultant:

- Pearl Meyer & Partners, LLC ("Pearl Meyer") was engaged directly by the Compensation Committee to analyze salary ranges to provide market-based information about annual merit increases, and to provide recommendations for equity compensation and other compensation matters.

## EXECUTIVE OFFICER INFORMATION

The following individuals are the current executive officers of the Company and/or Cambridge Trust who are not Directors.

**Lynne M. Burrow.** Age 63. Ms. Burrow joined Cambridge Trust in 1998 as Senior Vice President and Chief Information Officer. In 2006, Ms. Burrow was promoted to Executive Vice President and Chief Information Officer. In 2016, Director of Strategy and Planning was added to her responsibilities. Prior to joining the Bank, Ms. Burrow spent 20 years at Fleet/Shawmut National/Connecticut National/Shawmut/Fidelity Trust where she was responsible for Information Technology and Bank Operations.

**Michael F. Carotenuto.** Age 31. Mr. Carotenuto has been the Chief Financial Officer and Treasurer of Cambridge Trust since November 2016. Mr. Carotenuto most recently served as Senior Vice President, Director of Treasury and Internal Reporting at Belmont Savings Bank since 2011. Prior to that he worked at People's United Financial, Inc. as an Accounting Policies Advisor and was on the Risk Advisory Services staff at Ernst & Young, LLP. Mr. Carotenuto is a Certified Public Accountant.

**Thomas A. Johnson.** Age 59. Mr. Johnson joined Cambridge Trust in 2001 as Branch Administrator. In 2006 Mr. Johnson was promoted to Senior Vice President, Consumer Banking Director and became Executive Vice President in 2014. He also serves as Secretary of the Company and of Cambridge Trust. Prior to joining Cambridge Trust, Mr. Johnson spent 19 years at BayBank/BankBoston/Fleet, responsible for retail banking, consumer lending, and facilities.

**Martin B. Millane, Jr.** Age 60. Mr. Millane joined Cambridge Trust in 2004 as Senior Vice President, Commercial Real Estate. In 2010 he became Senior Vice President, Senior Lending Officer and promoted to his current role of Executive Vice President, Chief Lending Officer in 2014. Prior to joining Cambridge Trust, Mr. Millane worked at Century Bank.

**Jennifer A. Pline.** Age 57. Ms. Pline joined Cambridge Trust in 2017 and serves as Executive Vice President, and Head of the Company's Wealth Management Group. Prior to joining Cambridge Trust Ms. Pline worked as Managing Director, Chief Trusts & Gifts Officer at Harvard Management Company since 2005. Prior to that she worked at Standish Mellon Asset Management as the Director of Client Service and was a vice president at Standish, Ayer & Wood, Inc. Ms. Pline is Chartered Financial Analyst and is the Board Chair for Beth Israel Deaconess Hospital of Needham.

**Pilar Pueyo.** Age 55. Ms. Pueyo joined Cambridge Trust in 2016 as Senior Vice President, and Director of Human Resources. Prior to joining Cambridge Trust, Ms. Pueyo spent 17 years at Boston Private Bank and Trust Company where she was responsible for the delivery and execution of HR Strategy, programs, and services to support its business strategy.

**Robert N. Siegrist.** Age 53. Mr. Siegrist joined Cambridge Trust in 2002 as Vice President, and Marketing Director. In 2007 he was promoted to Senior Vice President and Marketing Director. Prior to joining Cambridge Trust, Mr. Siegrist worked at Capital Crossing Bank as Vice President and Director of Marketing.

### Relationship between Compensation Policies and Risk

Cambridge Trust sometimes uses variable cash incentive compensation programs and/or plans, and performance-based restricted stock awards, to reward and incent employee performance and retain top talent. The Company's cash incentive programs, plans and performance-based restricted stock awards typically establish maximum awards. Under the Company's cash incentive programs and plans, the Company typically evaluates whether risk management and compliance results are satisfactory in determining whether to make an award, and reserve the ability to lower any cash award otherwise payable to zero. Any cash incentive compensation program or plan of a material nature, or performance-based restricted stock award, is reported to the Compensation Committee and the Board. The Company believes that the incentive compensation or other policies and practices of the Company and of Cambridge Trust are unlikely to have a material adverse effect on the Company.

## Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis that immediately follows this report with management and, based upon that review and discussion, has recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement.

Submitted by:  
Hambleton Lord, Chair  
Leon A. Palandjian  
Robert S. Peterkin  
R. Gregg Stone  
David C. Warner  
Linda Whitlock

*Compensation Committee of the Board of Directors of Cambridge Bancorp*

## Compensation Discussion and Analysis

### *Compensation Philosophy*

The Company's compensation philosophy is intended to provide a total compensation package that is competitive with market practice while varying awards to recognize Company and individual performance. The objective is to provide competitive pay for achieving performance goals consistent with the Company's business objectives and performance compared to industry. Actual compensation should exceed market when superior performance is achieved, and be lower than market when performance falls below expectations.

In aggregate, the objectives of the Company's compensation program are to:

- Attract and retain talented members of senior management;
- Provide a competitive total compensation and benefits package;
- Reward superior performance (appropriately balancing short-term and long-term objectives); and
- Align management interests with those of Shareholders.

The Company's compensation program consists of multiple components, each with a different objective. The combination of these components provides a balanced and integrated program that helps the Company achieve its goals. The program consists of four core elements.

- **Base Salaries** – Base salaries represent the “fixed” amount of compensation executives receive in exchange for performing their role. The Company's program targets base salaries that are competitive with market median (that is, the 50<sup>th</sup> percentile) for comparable roles in similar organizations. Actual salaries reflect each individual's experience, tenure, performance, and contribution to the Company.
- **Short-Term Incentives** – The Company's short-term incentive program rewards the achievement of annual performance (both the Company and individual). The Company designates a target incentive opportunity (as a percentage of base salary) for each executive that is aligned with market/industry practice. Incentive compensation is not guaranteed, and therefore, actual awards reflect performance relative to annual Company and individual performance goals (that is, awards are larger in years the Company achieves superior performance and smaller (or not paid) in years where the Company's performance relative to goals is not satisfactory).
- **Long-Term Incentives** – The Company's long-term incentive program rewards long-term sustained performance and aligns the Company's executives with Shareholder interests through the use of equity awards. Equity awards create a strong ownership culture by encouraging executives to have and hold a significant stake in the Company. Such awards also help the Company retain its high performing

employees through multiple year vesting schedules. The Company's goal is to place a greater focus on rewarding long-term, sustained performance. Like short-term incentives, the Company's long-term incentive target opportunities (as a percentage of base salary) are set based on market/industry practice. The Company reviews the balance between short-term and long-term incentives regularly to ensure that its overall goals are being achieved. Ultimately, the Company believes that its total compensation (cash plus equity) reflects the long-term value and growth of the Company.

- **Benefits/Perquisites** – The Company's benefits program is designed to help the Company attract and retain key talent by providing a core set of benefits that support executives' needs. The Company strives to provide competitive benefits that help the Company attract and retain the quality executives that the Company needs to be successful.

Since a significant portion of the Company's total compensation is performance-based (short-term and long-term incentives), the Company expects its compensation will vary on an annual basis, but reflect over the long-term the Company's performance. In the aggregate, the Company believes its total compensation program provides appropriate balance that enables the Company ensure proper pay-performance alignment and reduces the potential that its plans might motivate inappropriate risk taking. The Company's program balances:

- Short-term and long-term performance;
- Bank and individual performance;
- Quantitative/financial performance goals and qualitative/discretionary performance; and
- Absolute performance (the Company's internal goals) and relative performance (compared to industry).

### ***Role of the Compensation Consultant***

The Compensation Committee has the sole authority to retain and terminate a compensation consultant and to approve the consultant's fees and all other terms of the engagement. The Compensation Committee has direct access to outside advisors and consultants throughout the year on matters relating to executive compensation. The Compensation Committee has direct access to and meets periodically with the compensation consultant independently of management.

During 2016, the Compensation Committee retained the services of Pearl Meyer, an independent outside consulting firm specializing in executive and board compensation, to assist the Committee. Pearl Meyer reports directly to the Compensation Committee and carries out its responsibilities to the Compensation Committee in coordination with both the Chief Executive Officer and the Senior Vice President, and Director of Human Resources. Services include conducting benchmarking studies, establishing compensation guidelines, designing incentive programs, assisting with the proxy disclosure, and providing insight on emerging regulations and best practices.

The Compensation Committee regularly reviews the services provided by its outside consultants and believes that Pearl Meyer is independent in providing executive compensation consulting services.

### ***Role of Management***

Although the Compensation Committee makes independent recommendations to the Board on all matters related to compensation of the named executive officers, certain members of management are requested to attend and provide input to the Compensation Committee throughout the year. Input may be sought from the Chief Executive Officer, Chief Financial Officer, the Senior Vice President, and Director of Human Resources, and others as needed to ensure the Compensation Committee has the information and perspective it needs to carry out its duties.

The Compensation Committee meets with the Chief Executive Officer to discuss his performance and compensation package, but ultimately decisions regarding his package are made based upon the Compensation Committee's deliberations, as recommended and approved by the Board, as well as input from the compensation consultant, as requested. The Compensation Committee considers recommendations from the Chief Executive Officer, as well as input from the compensation consultant as requested, to make compensation package decisions for other executives.

### ***Use of Peer Groups and Survey Information***

The Compensation Committee typically engages Pearl Meyer to conduct a competitive review of the Company's executive compensation program every two years. A primary data source used in setting market-competitive guidelines for the executive officers is the information publicly disclosed by a peer group of other publicly traded banks which the Committee uses only as a competitive reference point and not as a determinative factor when making executive compensation decisions.

The Compensation Committee engages Pearl Meyer to assess the relevance of the companies within the peer group and makes changes when appropriate. Banks selected as peers for compensation purposes are public and actively traded banks which align with the following criteria:

- Asset sizes between \$1 billion and \$9 billion;
- Located in the Northeast or Mid-Atlantic region;
- Fee/revenue mix is greater than 20%; and
- With a wealth management operation.

Based on these criteria, the following companies are currently included in the Company's peer proxy group:

Arrow Financial Corporation	Independent Bank Corp.
Bryn Mawr Bank Corporation	NBT Bancorp Inc.
Camden National Corporation	Orrstown Financial Services, Inc.
Chemung Financial Corporation	Peapack-Gladstone Financial Corporation
Citizens & Northern Corporation	Univest Corporation of Pennsylvania
First Bancorp, Inc.	Washington Trust Bancorp, Inc.
Franklin Financial Services Corporation	

In addition to reviewing information from the peer group, the Compensation Committee evaluates executive compensation by reviewing national and regional surveys that cover a broader group of companies.

### ***Compensation Program Elements***

#### **Base Salary**

The Compensation Committee utilized market data from a competitive market study completed by Pearl Meyer in late 2015 in establishing 2016 salary ranges and midpoints for the Company's executives. Pearl Meyer conducts market analyses of total compensation within the banking industry to recommend salary midpoints and ranges that reflect competitive factors and maintain internal equity.

In early 2016, performance evaluations of Mr. Sheahan and the other executive officers were completed with respect to their 2015 performance. The Board approved base salary increases for all executive officers based upon the recommendations of the Compensation Committee which were derived from, in the case of the executive officers other than Mr. Sheahan, the evaluation of their performance by Mr. Sheahan and, in the case of Mr. Sheahan, the Board's performance evaluation of Mr. Sheahan.

## Short-Term Incentives

**2016 Short-Term Incentive Plan.** The Compensation Committee approved an executive officer annual incentive plan for use in 2016 (the “2016 Incentive Plan”). All determinations regarding the achievement of any performance goals, the achievement of individual performance goals and objectives, and the amounts awarded under the 2016 Incentive Plan were made by the Compensation Committee. The 2016 Incentive Plan expressly reserved the Compensation Committee’s right, in its sole and absolute discretion, to reduce, including a reduction to zero, any award otherwise payable.

As explained further below, the 2016 Incentive Plan created a cash incentive program based upon the Company’s financial performance, with awards determined by the product of the participant’s Target Award multiplied by the combined Bank and Individual Performance Adjustment Factors, subject to adjustment in accordance with the 2016 Incentive Plan.

The award payable to any participant could have been less than or more than the Target Award, depending upon the Company’s performance against the criteria used to determine the Bank and the Individual Performance Adjustment Factors and any exercise of Compensation Committee discretion to make adjustments in accordance with the 2016 Incentive Plan.

The 2016 Incentive Plan defined “Target Award” is specified as a percentage of an executive officer’s base salary and provides a range of opportunity around targets defined as threshold (50% of the target incentive opportunity) and stretch (150% of the target incentive opportunity). The applicable Target Awards and thresholds are shown by officer in the following table.

2016 Short-Term Incentive Targets				
Role	Below Threshold	Threshold (50% of Target)	Target (100% of Target)	Stretch (150% of Target)
President & Chief Executive Officer	0%	30%	60%	90%
Chief Financial Officer	0%	17.5%	35%	52.5%
EVP, Wealth Management	0%	25%	50%	75%
EVP, Chief Information Officer	0%	20%	40%	60%
EVP, Chief Lending Officer	0%	17.5%	35%	52.5%

Each participant had predefined performance goals with weightings that determined the annual incentive award. There were two performance categories – Bank Performance and Individual Performance, as shown in the table below. Weightings vary based upon the officer’s role at the Bank.

Position	Bank Performance Weighting	Individual Performance Weighting
President & Chief Executive Officer	75%	25%
Chief Financial Officer	60%	40%
EVP, Wealth Management	25%	75%
EVP, Chief Information Officer	70%	30%
EVP, Chief Lending Officer	40%	60%

The 2016 Incentive Plan required a Target Award to be multiplied by the combined Bank and Individual Performance Adjustment Factors, which were calculated by combining the Bank and Individual Performance Adjustment Factors and dividing by two to give them equal weighting.

**Bank Performance Measures and Goals.** The 2016 Incentive Plan determines the Bank Performance Adjustment Factor based upon a combination of the Company’s Return on Equity performance against peer and

Operating Income result against budget within specified ranges set forth in the 2016 Incentive Plan which specify threshold, target, and maximum performance levels, as set forth in the chart below. The 2016 Incentive Plan defines Operating Income to exclude security gains and losses, taxes and other material non-recurring items as determined by the Compensation Committee. The range of the Bank Performance Adjustment Factor set forth in the 2016 Incentive Plan is as follows:

Bank Performance Measures	2016 Performance Goals		
	Threshold	Target	Stretch
Return on Equity (after tax)	80% of 75 <sup>th</sup> Percentile of Peer Index Performance	75 <sup>th</sup> Percentile of Peer Index Performance	120% of 75 <sup>th</sup> Percentile of Peer Index Performance
Operating Income (before security gains/losses, taxes, and other material non-recurring items)	80% of Budgeted Operating Income	Operating Income Per Budget	120% of Budgeted Operating Income

The 2016 Incentive Plan determines the Peer Performance Adjustment Factor by the Company’s performance compared to its peer banks as measured against a peer index consisting of approximately 60 Commercial Banks with assets ranging from \$500 million to \$5 Billion, located in the Northeast and Mid-Atlantic region (Connecticut, Massachusetts, Maine, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island and Vermont) and traded on the NYSE, NASDAQ, or OTCQB exchanges, the “Commercial Bank Peer Group.”

The Compensation Committee’s determinations under the 2016 Incentive Plan were not required to be uniform and could be made selectively among persons who received, or who were eligible to receive, a cash award. The Compensation Committee had the right, in its sole and absolute discretion, to make adjustments to the Bank Performance Adjustment Factor within the defined parameters set forth in the 2016 Incentive Plan based upon one-time, non-recurring, or extraordinary events or any other reason that the Committee deemed appropriate; adjust any awards by considering factors such as regulatory compliance and credit quality; and to reduce, including a reduction to zero, any cash award otherwise payable.

**Individual Performance Measures and Goals.** In addition to the Bank performance goals, participants had individual goals that focused on department/team performance (such as lending growth or deposit growth) and/or individual performance. The mix of these goals varied by role. Performance targets and ranges for each measure were set at the beginning of 2016. If performance-to-goal could not be quantified, Committee discretion was used to evaluate goal attainment. Goal attainment was measured as follows:

Individual Performance	Did not Achieve	Partially Achieved	Fully Achieved	Clearly Achieved
Award as % of Target	0% to 25%	25% to 90%	90% to 110%	115% to 150%

**2016 Earned Awards.** On January 23, 2017, the Board upon recommendation by the Compensation Committee approved payments to the CEO and the other executive officers pursuant to the 2016 Incentive Plan. The amounts awarded to the named executive officers pursuant to the 2016 Incentive Plan are set forth below in the “Non-Equity Incentive Plan Compensation” column of the Summary Compensation Table. The Board used a combined Bank Performance Adjustment Factor of 127%, which was comprised of a 150% performance weighting in relation to the Return on Equity (after tax) measure and a 104.21% performance weighting on the Operating Income (before security gains/losses, taxes, and other material non-recurring items) measure. Individual Performance Adjustment Factors were within the range from zero to 150 percent based upon an evaluation of the executive officer’s individual performance with respect to attainment of major business objectives for the year and other contributions to achievement of Company-wide objectives.

**2017 Short-Term Incentive Plan.** The Compensation Committee approved an executive officer annual incentive plan for use in 2017 (the “2017 Incentive Plan”). All determinations regarding the achievement of any performance goals, the achievement of individual performance goals and objectives, and the amounts awarded under the 2017 Incentive Plan were made by the Compensation Committee. The 2017 Incentive Plan expressly *reserved the Compensation Committee’s right, in its sole and absolute discretion, to reduce, including a reduction* to zero, any award otherwise payable.

The 2017 Incentive Plan creates a cash incentive program based upon the Company’s financial performance, with awards determined by the product of the participant’s Target Award multiplied by the combined Bank and Individual Performance Adjustment Factors, subject to adjustment in accordance with the 2017 Incentive Plan.

The award payable to any participant can be less than or more than the Target Award, depending upon the Company’s performance against the criteria used to determine the Bank and the Individual Performance Adjustment Factors and any exercise of Compensation Committee discretion to make adjustments in accordance with the 2017 Incentive Plan.

The 2017 Incentive Plan defines “Target Award” is specified as a percentage of an executive officer’s base salary and provides a range of opportunity around targets defined as threshold (50% of the target incentive opportunity) and stretch (150% of the target incentive opportunity). The applicable Target Awards and thresholds are shown by officer in the following table.

2017 Short-Term Incentive Targets				
Role	Below Threshold	Threshold (50% of Target)	Target (100% of Target)	Stretch (150% of Target)
President & Chief Executive Officer	0%	30%	60%	90%
Chief Financial Officer	0%	15%	30%	45%
EVP, Wealth Management	0%	20%	40%	60%
EVP, Chief Information Officer	0%	20%	40%	60%
EVP, Chief Lending Officer	0%	17.5%	35%	52.5%

Each participant has predefined performance goals with weightings that determine the annual incentive award. There are two performance categories – Bank Performance and Individual Performance, as shown in the table below. Weightings vary based upon the officer’s role at the Bank.

Position	Bank Performance Weighting	Individual Performance Weighting
President & Chief Executive Officer	75%	25%
Chief Financial Officer	60%	40%
EVP, Wealth Management	25%	75%
EVP, Chief Information Officer	70%	30%
EVP, Chief Lending Officer	40%	60%

The 2017 Incentive Plan requires a Target Award to be multiplied by the combined Bank and Individual Performance Adjustment Factors, which are calculated by combining the Bank and Individual Performance Adjustment Factors and dividing by two to give them equal weighting.

**Bank Performance Measures and Goals.** The 2017 Incentive Plan determines the Bank Performance Adjustment Factor based upon a combination of the Company’s Return on Equity performance against peer and Operating Income result against budget within specified ranges set forth in the 2017 Incentive Plan which specify threshold, target, and maximum performance levels, as set forth in the chart below. The 2017 Incentive Plan defines Operating Income to exclude security gains and losses, taxes, and other material non-recurring items as determined by the Compensation Committee. The range of the Bank Performance Adjustment Factor set forth in the 2017 Incentive Plan is as follows:

Bank Performance Measures	2017 Performance Goals		
	Threshold	Target	Stretch
Return on Equity (after Tax)	80% of 75 <sup>th</sup> Percentile of Peer Index Performance	75 <sup>th</sup> Percentile of Peer Index Performance	120% of 75 <sup>th</sup> Percentile of Peer Index Performance
Operating Income (before security gains/losses, taxes, and other material non-recurring items)	80% of Budgeted Operating Income	Operating Income Per Budget	120% of Budgeted Operating Income

The 2017 Incentive Plan determines the Peer Performance Adjustment Factor by the Company’s performance compared to its peer banks as measured against the Commercial Bank Peer Group.

The Compensation Committee’s determinations under the 2017 Incentive Plan are not required to be uniform and could be made selectively among persons who received, or who were eligible to receive, a cash award. The Compensation Committee has the right, in its sole and absolute discretion, to make adjustments to the Bank Performance Adjustment Factor within the defined parameters set forth in the 2017 Incentive Plan based upon one-time, non-recurring, or extraordinary events or any other reason that the Committee deems appropriate; adjust any awards by considering factors such as regulatory compliance and credit quality; and to reduce, including a reduction to zero, any cash award otherwise payable.

**Individual Performance Measures and Goals.** In addition to the Bank performance goals, participants had individual goals that focused on department/team performance (such as lending growth or deposit growth) and/or individual performance. The mix of these goals varies by role. Performance targets and ranges for each measure were set at the beginning of 2017. If performance-to-goal cannot be quantified, Committee discretion will be used to evaluate goal attainment. Goal attainment will be measured as follows:

Performance	Did not Achieve	Partially Achieved	Fully Achieved	Clearly Achieved
Award as of % of Target	0% to 25%	25% to 90%	90% to 110%	115% to 150%

### Long-Term Incentives

Equity compensation and stock ownership serve to link the net worth of executive officers to the performance of the Company’s Common Stock and therefore provide an incentive to accomplish the strategic, long-term objectives established by the Company to maximize long-term Shareholder returns. Long-term equity compensation grants are also designed to be a retention tool for the individuals to whom they are awarded and are made based on competitive factors, such as equity compensation awarded by peers and amounts that are determined to be appropriate in order to retain key personnel.

**2016 Long-Term Incentive Plan.** Acting on the recommendation of the Compensation Committee, in 2016 the Company granted executive officers under the 2016 Long Term Incentive Plan (“2016 LTI”) performance-based restricted stock unit awards with a three year performance period. Prior to 2016, a combination of time-based and performance-based awards were used.

Generally every two years Pearl Meyer conducts a review of the Company's pay opportunity relative to market and provides recommendations with respect to target long-term incentive opportunities. In 2016, upon review of the competitive market, and based on general banking industry trends for banks within similar size, Pearl Meyer provided a range of target long-term incentive opportunities for the Compensation Committee's consideration.

The 2016 LTI targets set forth in the table below were determined by the Compensation Committee, and both the Committee and the Company believe such targets are reasonable and within the guidance of Pearl Meyer's recommended long-term incentive target ranges:

2016 Long-Term Incentive Targets				
Role	Below Threshold	Threshold (25 <sup>th</sup> Percentile)	Target (50 <sup>th</sup> Percentile)	Stretch (90 <sup>th</sup> Percentile)
President & Chief Executive Officer	0%	8.75%	35%	70%
Chief Financial Officer	0%	6.25%	25%	50%
EVP, Wealth Management	0%	6.25%	25%	50%
EVP, Chief Information Officer	0%	6.25%	25%	50%
EVP, Chief Lending Officer	0%	6.25%	25%	50%

The final earned 2016 LTI will be determined based upon achievement of specified levels of Return on Assets (ROA) and diluted Earnings Per Share (EPS) growth (equally weighted) over a three year period (2016-2018) measured relative to the Commercial Bank Peer Group/an Industry Index (the same index used within the 2016 Incentive Plan).

The range of performance adjustment factors are shown in the table below:

	Threshold	Target	Stretch
Relative 3-year average ROA and 3-year average diluted EPS growth performance	25 <sup>th</sup> percentile	50 <sup>th</sup> percentile	90 <sup>th</sup> percentile
Payout	25% of award	100% of award	200% of award

**2017 Long-Term Incentive Plan.** The Compensation Committee in 2016 approved the 2017 Long Term Incentive Plan ("2017 LTI") for performance-based restricted stock unit awards with a three year performance period (2017-2019).

The final award size under the 2017 LTI will be determined based upon achievement of specified levels of ROA and diluted EPS growth over a three year period measured against the Commercial Bank Peer Group/an Industry Index (the same index used within the 2016 Incentive Plan).

The range of performance adjustment factors are shown in the table below:

	Threshold	Target	Stretch
Relative 3-year average ROA and 3-year average diluted EPS growth performance	25 <sup>th</sup> percentile	50 <sup>th</sup> percentile	90 <sup>th</sup> percentile
Payout	25% of award	100% of award	200% of award

The award as a specified percentage of an executive officers base salary is targeted as follows:

2017 Long-Term Incentive Targets				
Role	Below Threshold	Threshold (25 <sup>th</sup> Percentile)	Target (50 <sup>th</sup> Percentile)	Stretch (90 <sup>th</sup> Percentile)
President & Chief Executive Officer	0%	8.75%	35%	70%
Chief Financial Officer	0%	7.50%	30%	60%
EVP, Wealth Management	0%	8.75%	35%	70%
EVP, Chief Information Officer	0%	6.25%	25%	50%
EVP, Chief Lending Officer	0%	6.25%	25%	50%

## Retirement Benefits

**Nonqualified Retirement Plans for Executive Officers.** The Company has for many years maintained several nonqualified retirement programs for executive officers. Historically, the Board provided a non-qualified defined benefit supplemental executive retirement plan (a “DB SERP”) to help accomplish the objectives of its non-qualified executive officer retirement program. In 2016 the Board approved, at the recommendation of the Compensation Committee, a change to this program. New entrants to the plan are provided a non-qualified defined contribution supplemental executive retirement plan (a “DC SERP”). As of December 31, 2016, Mr. Sheahan and Ms. Burrow each had a DB SERP. Mr. Millane currently participates in a DC SERP. Ms. Pline will have a DC SERP effective in 2017. Mr. Carotenuto currently does not participate in any nonqualified retirement programs.

The Company has also maintained the Cambridge Trust Company Executive Deferred Compensation Plan (the “EDCP”). The EDCP permits certain highly compensated employees of the Company and/or the Bank to defer up to 50% of their base salary and up to 100% of any performance-based compensation. The Compensation Committee administers the EDCP and annually selects the employees who are eligible to participate. Each participant is 100% vested in his or her account and has the right to direct investments of his or her account balance by choosing from among the investment alternatives made available by the Compensation Committee. Each account is credited with earnings or losses arising from investment performance. A participant’s account balance will be paid out, subject to the terms of the EDCP, upon a separation from service, or upon death or disability, in a lump sum payment unless the participant has elected annual installment payments (when available). Participants may also elect to receive an in-service distribution and distribution in the event of an unforeseeable emergency is available.

**Qualified Retirement Plans for Executive Officers.** The Company sponsors the Cambridge Bancorp Employee Retirement Plan, a non-contributory defined benefit pension plan (the “DB Plan”) covering substantially all employees hired before May 2, 2011. The plan was frozen to new employees hired after that date. The actuarially determined present values of the named executives’ retirement benefits as of the end of last year are reported in the section entitled “Pension Benefits”.

## Change in Control Agreements and Other Severance Arrangements

The Company has entered into change in control agreements with certain key employees including the named executive officers. The change in control agreements are designed to promote stability and continuity of senior leadership. The Compensation Committee believes that the interests of Shareholders will be best served if the interests of management are aligned with them. The Compensation Committee further believes that providing change in control benefits should eliminate, or at least reduce, the reluctance of management to pursue potential change in control transactions that may be in the best interests of Shareholders. In addition, the Company has entered into letter agreements with each of Mr. Sheahan and Ms. Pline that would provide severance benefits in the event that their employment is terminated under certain circumstances unrelated to a change in control. These agreements are described in detail under “Executive Compensation – Potential Payments Upon Termination or Change in Control” below.

## Executive Compensation:

The following tables provide compensation information for the Chief Executive Officer, Chief Financial Officer, and the Company's three other most highly compensated executive officers in 2016 (collectively, the "named executive officers").

### SUMMARY COMPENSATION TABLE

Name and Principal Position (a)	Year (b)	Salary (c)	Bonus (d)	Stock Awards (2)(3) (e)	Option Awards (f)	Non-Equity Incentive Plan Compensation (1) (g)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (4) (h)	All Other Compensation (8) (i)	Total (j)
Denis K. Sheahan, CEO <sup>(5)</sup>	2016	\$465,000	\$2,500	\$162,748	\$—	\$375,000	\$ 7,686	\$101,396	\$1,114,330
	2015	\$337,500	\$2,500	\$419,900	\$—	\$300,000	\$ —	\$ 54,154	\$1,114,054
	2014	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Michael F. Carotenuto, CFO <sup>(6)</sup>	2016	\$ 29,856	\$ 299	\$ —	\$—	\$ —	\$ —	\$ —	\$ 30,155
	2015	\$ —	\$ —	\$ —	\$—	\$ —	\$ —	\$ —	\$ —
	2014	\$ —	\$ —	\$ —	\$—	\$ —	\$ —	\$ —	\$ —
Lynne M. Burrow, EVP, CIO	2016	\$272,650	\$2,500	\$ 68,172	\$—	\$140,000	\$177,256	\$ 13,800	\$ 674,378
	2015	\$266,000	\$2,500	\$ 82,606	\$—	\$130,000	\$100,891	\$ 16,279	\$ 598,276
	2014	\$259,000	\$2,500	\$ 86,720	\$—	\$120,000	\$358,784	\$ 15,861	\$ 842,865
Jennifer A. Pline, EVP WM <sup>(7)</sup>	2016	\$ —	\$ —	\$ —	\$—	\$ —	\$ —	\$ —	\$ —
	2015	\$ —	\$ —	\$ —	\$—	\$ —	\$ —	\$ —	\$ —
	2014	\$ —	\$ —	\$ —	\$—	\$ —	\$ —	\$ —	\$ —
Martin B. Millane, Jr., EVP CLO	2016	\$264,753	\$2,500	\$ 62,560	\$—	\$135,435	\$ 69,583	\$ 48,210	\$ 583,041
	2015	\$239,000	\$2,390	\$ 82,606	\$—	\$101,000	\$ 42,033	\$ 14,687	\$ 481,716
	2014	\$226,167	\$2,500	\$ 69,376	\$—	\$ 93,000	\$131,167	\$ 13,779	\$ 535,989

- (1) The amounts listed in column (g) represent the cash payments which the Board approved for performance in these years pursuant to the then applicable Short-Term Incentive program.
- (2) The assumptions used in the valuation for the awards reported in the Stock Awards column (column (e)) can be found in the footnotes of the Company's 2016 Consolidated Financial Statements.
- (3) For 2016, the amounts listed in columns (e) represent the aggregate fair value of the awards on the date of grant calculated in accordance with ASC 718. The portion of the amount in column (e) attributable to performance-based restricted stock units represents the value at the grant date assuming the probable outcome of the 50<sup>th</sup> percentile. The maximum value of this award assuming performance at the highest level for Messrs. Sheahan and Millane and Ms. Burrow is \$325,496, \$125,120, and \$136,344, respectively. For 2015, the amounts listed in columns (e) represent the aggregate fair value of the awards on the date of grant calculated in accordance with ASC 718. The portion of the amount in column (e) attributable to performance-based restricted stock units represents the value at the grant date assuming the probable outcome of the 75<sup>th</sup> percentile. The maximum value of this award assuming performance at the highest level for Messrs. Sheahan and Millane and Ms. Burrow is \$0, \$61,955, and \$61,955, respectively. For 2014, the amounts listed in columns (e) represent the aggregate fair value of the awards on the date of grant calculated in accordance with ASC 718. The portion of the amount in column (e) attributable to performance-based restricted stock units represents the value at the grant date assuming the probable outcome of the 75<sup>th</sup> percentile. The maximum value of this award assuming performance at the highest level for Messrs. Sheahan and Millane and Ms. Burrow is \$0, \$52,082, and \$65,040, respectively.
- (4) The amounts in column (h) represent the aggregate change in the actuarial present value of the individual's accumulated benefits under the Company's DB Plan and under the SERPs.

- (5) Denis K. Sheahan joined the Company on April 1, 2015.
- (6) Michael F. Carotenuto joined the Company on November 14, 2016. Mr. Carotenuto's annual salary is \$225,000. Mr. Carotenuto was not eligible for an award under the short-term or long-term incentive plans for 2016.
- (7) Jennifer A. Pline joined the Company on January 30, 2017. Ms. Pline's annual salary is \$400,000. Ms. Pline was not eligible for an award under the short-term or long-term incentive plans for 2016.
- (8) The following table shows the components of column (i) for 2016:

**All Other Compensation**

	<b>Dividends on unvested Restricted Stock Awards and RSU's</b>	<b>401(k) Plan Employer Contributions</b>	<b>ESOP Employer Contributions</b>	<b>Defined Contribution SERP</b>	<b>Automobile and Housing Allowance</b>	<b>Total</b>
Denis K. Sheahan	\$ 13,111	\$7,950	\$4,514	\$ —	\$75,821	\$101,396
Michael F. Carotenuto	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Lynne M. Burrow	\$ 3,151	\$6,135	\$4,514	\$ —	\$ —	\$ 13,800
Jennifer A. Pline	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Martin B. Millane, Jr.	\$ 2,700	\$5,879	\$4,514	\$35,117	\$ —	\$ 48,210

## GRANTS OF PLAN-BASED AWARDS

“Grant Date” refers to the date of stock awards granted during 2016. The grant date fair value of stock awards was calculated, in accordance with the methodology approved by the Company’s Board on December 17, 2001, as the average of the closing bid and asked prices on the last trading day before the determination date and the closing bid and asked prices on the last three dates on which trading occurred, but not on any date earlier than 45 days before. The following table provides information relating to the grants of plan-based awards during 2016:

Name (a)	Grant Date (b)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payout Under Equity Incentives Plan Awards (2)			All Other Stock Awards: Number of Shares of Stock or Units (i)	All Other Option Awards: Number of Securities Underlying Options (j)	Exercise or Base Price of Option Awards (k)	Grant Date Fair Value of Equity Based Awards (l)
		Threshold	Target	Maximum	Threshold	Target	Maximum				
		(c)	(d)	(e)	(#) (f)	(#) (g)	(#) (h)				
Denis K. Sheahan	2/22/2016 2/9/2016	\$139,500	\$279,000	\$418,500	885	3,538	7,076	—	—	—	\$162,748
Michael F. Carotenuto	2/22/2016 2/9/2016	\$ —	\$ —	\$ —	—	—	—	—	—	—	\$ —
Lynne M. Burrow	2/22/2016 2/9/2016	\$ 54,530	\$109,060	\$163,590	371	1,482	2,964	—	—	—	\$ 68,172
Jennifer A. Pline	2/22/2016 2/9/2016	\$ —	\$ —	\$ —	—	—	—	—	—	—	\$ —
Martin B. Millane, Jr.	2/22/2016 2/9/2016	\$ 48,155	\$ 96,310	\$144,464	340	1,360	2,720	—	—	—	\$ 62,560

- (1) Reflects the 2016 threshold, target, and maximum awards available under the 2016 Incentive Plan. The 2016 Incentive Plan is based upon achievement of both Bank and individual goals. Threshold awards assume Bank performance at 80% of target levels (resulting in a 50% payout on the Bank performance component) and individual performance at 50%. Target awards assume Bank performance at 100% of target levels (resulting in a 100% payout on the Bank performance component) and individual performance at 100%. Maximum awards assume Bank performance at 120% of target levels (resulting in a 150% payout on the Bank performance component) and individual performance at 150%. Actual awards are reflected in the Summary Compensation Table. The grant date represents the date that the awards were approved by the Board for the 2016 awards.
- (2) Reflects the 2016 threshold, target, and maximum awards available under the 2016 LTI. The 2016 LTI is based upon the Bank’s average three year performance relative to a Peer Group for average ROA and diluted EPS growth. Threshold awards assume Bank performance at the 25<sup>th</sup> percentile of Peer Group performance (resulting in a 25% payout). Target awards assume Bank performance at the 50<sup>th</sup> percentile of Peer Group performance (resulting in a 100% payout). Maximum awards assume Bank performance at the 90<sup>th</sup> percentile of Peer Group performance (resulting in a 200% payout). Actual awards are reflected in the Summary Compensation Table. The grant date represents the date that the terms were approved by the Compensation Committee for the 2016 awards.

## OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The table set forth below contains individual equity awards that were outstanding as of December 31, 2016 for the named executive officers.

Name (a)	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options Exercisable (a)	Number of Securities Underlying Unexercised Options (b)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (d)	Option Exercise Price (\$/SH) (e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (g)	Market Value of Shares or Units of Stock That Have Not Vested (h)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (i)	Equity Incentive Plan Awards: Market or Payout Value or Unearned Shares, Units or Other Rights That Have Not Vested (j)
<b>Denis K. Sheahan</b>	—	—	—	—	—	6,334(1)	\$393,975	4,467(5)	\$277,830
<b>Michael F. Carotenuto</b>	—	—	—	—	—	—	—	—	—
<b>Lynne M. Burrow</b>	5,300	—	—	\$29.21	1/16/2018	192(2) 591(3) 744(4)	\$ 11,942 \$ 36,760 \$ 46,277	1,871(5) — (6) — (7)	\$116,378 \$ — \$ —
<b>Jennifer A. Pline</b>	—	—	—	—	—	—	—	—	—
<b>Martin B. Millane, Jr.</b>	1,450 3,000	— —	— —	\$32.87 \$29.21	2/19/2017 1/16/2018	112(2) 473(3) 744(4)	\$ 6,966 \$ 29,421 \$ 46,277	1,717(5) — (6) — (7)	\$106,797 \$ — \$ —

- (1) This stock award was originally granted on April 1, 2015. These remaining unvested shares will vest evenly on each of April 1, 2017 and 2018.
- (2) This stock award was originally granted on April 18, 2012. These remaining unvested shares will vest on April 28, 2017.
- (3) This stock award was originally granted on April 28, 2014. These remaining unvested shares will vest evenly on each of April 28, 2017, 2018, and 2019.
- (4) This stock award was originally granted on April 27, 2015. These remaining unvested shares will vest evenly on each of April 27, 2017, 2018, 2019, and 2020.
- (5) This RSU award will vest based upon the Bank's average three year performance relative to a Peer Group for ROA and EPS growth for the period ending December 31, 2018. Any shares earned will vest upon Compensation Committee certification of performance achievement following completion of the performance period. The Company estimates relative performance at the respective percentile rankings of 71.0 and 50.0 resulting in a 126.3% award.
- (6) This RSU award will vest based upon the Bank's average three year performance relative to a Peer Group for ROA and EPS growth for the period ending December 31, 2017. The Bank's minimum performance for both measures must be at least at the 51<sup>st</sup> percentile for this award to vest. Any shares earned will vest upon Compensation Committee certification of performance achievement following completion of the performance period. The Company estimates relative performance at the respective percentile rankings of 69.0 and 49.6 resulting in no award.
- (7) This RSU award will vest based upon the Bank's average three year performance relative to a Peer Group for ROA and EPS growth for the period ending December 31, 2016. The Bank's minimum performance for both measures must be at least at the 51<sup>st</sup> percentile for this award to vest. Any shares earned will vest upon Compensation Committee certification of performance achievement following completion of the performance period. The Company estimates relative performance at the respective percentile rankings of 67.3 and 46.1 resulting in no award.

## OPTION EXERCISES AND STOCK VESTED

The following table sets forth information with respect to the aggregate amount of options exercised and stock awards vesting during the last fiscal year and the value realized.

Name (a)	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (b)	Value Realized Upon Exercise (c)	Number of Shares Acquired on Vesting (b)	Value Realized on Vesting (e)
Denis K. Sheahan	—	\$ —	3,167	\$ 146,885
Michael F. Carotenuto	—	\$ —	—	\$ —
Lynne M. Burrow	2,500	\$ 50,075	741	\$ 34,845
Jennifer A. Pline	—	\$ —	—	\$ —
Martin B. Millane, Jr.	—	\$ —	553	\$ 26,021

### Pension Benefits

The Defined Benefit Supplemental Executive Retirement Plan (“DB SERP”) for Mr. Sheahan provides for an annual benefit payable at age 65 upon termination of employment. Should Mr. Sheahan terminate employment prior to age 65, the benefit is prorated based on his benefit service through employment termination.

The DB SERP for Ms. Burrow provides for an annual benefit payable at age 65 upon termination of employment. Should Ms. Burrow terminate employment prior to age 65, the benefit is prorated based on her benefit service through employment termination relative to her projected benefit service at age 65.

The accumulated benefit shown in the table has been calculated assuming each executive terminated employment as of December 31, 2016. The present value of the accumulated benefit is then calculated assuming the executive will start receiving his or her pension at age 65. The assumptions used for the DB SERPs are discussed within the Company’s Annual Report.

Each of the SERPs provides for a six-month delay in payments to a “specified employee” within the meaning of Section 409A of the Code, if required.

The Company also maintains the DB Plan covering substantially all employees hired before May 2, 2011. The plan was frozen to new entrants following that date. Benefits under this plan are based primarily on years of service and the individual’s average monthly pay during the five highest consecutive plan years of the employee’s final ten years.

The accumulated benefit shown in the table has been calculated assuming the executive terminated employment as of December 31, 2016.

The following table provides details of the present value of the accumulated benefit and years of credited service for the named executive officers under the Company’s qualified and non-qualified retirement programs as of December 31, 2016.

### PENSION BENEFITS

Name (a)	Plan (b)	Number of Years Credited Service (c)	Present Value of Accumulated Benefit (d)	Payments During Last Fiscal Year (e)
Denis K. Sheahan <sup>(1)</sup>	DB Plan	0	\$ —	\$ —
	DB SERP	2	\$ 7,686	\$ —
Michael F. Carotenuto <sup>(1)(2)</sup>	DB Plan	0	\$ —	\$ —
	DB SERP	0	\$ —	\$ —
Lynne M. Burrow	DB Plan	19	\$878,618	\$ —
	DB SERP	18	\$518,489	\$ —
Jennifer A. Pline <sup>(1)(2)</sup>	DB Plan	0	\$ —	\$ —
	DB SERP	0	\$ —	\$ —
Martin B. Millane, Jr. <sup>(2)</sup>	DB Plan	13	\$481,584	\$ —
	DB SERP	0	\$ —	\$ —

- (1) Messrs. Sheahan and Carotenuto and Ms. Pline are not eligible for participation in the DB Plan as this plan was frozen to new entrants on May 2, 2011.
- (2) Messrs. Carotenuto and Millane and Ms. Pline do not participate in the DB SERP plan.

#### Nonqualified Deferred Compensation

Each of the DC SERPs provides for an annual accrual of 10% of the executives base salary and bonus. The arrangement is administered under the EDCP. Each participant has the right to direct the investment of his or her account balance by choosing from among the available investment alternatives and each account will be credited with earnings or losses arising from investment performance. A participant’s account balance will be paid out, subject to the terms of the EDCP, upon a separation from service, or upon death or disability, in a lump sum payment unless the participant has elected annual installment payments. Participants may also elect to receive an in-service distribution and distribution in the event of an unforeseeable emergency.

Each of the DC SERPs and the EDCP provides for a six-month delay in payments to a “specified employee” within the meaning of Section 409A of the Code, if required.

The following table provides details regarding the Company's named executive officers' participation in the Company's various Nonqualified Deferred Compensation Plans as of December 31, 2016.

### Nonqualified Deferred Compensation

Name (a)	Plan	Executive Contributions in Last FY (\$) (b)	Company Contributions in Last FY (\$) (c) (1)	Aggregate Earnings in Last FY (\$) (d)	Aggregate Withdrawals/ Distributions (\$) (e)	Aggregate Balance at Last FY (\$) (f) (1)
Denis K. Sheahan	EDCP	—	—	—	—	—
Michael F. Carotenuto	DC SERP	—	—	—	—	—
	EDCP	—	—	—	—	—
Lynne M. Burrow	EDCP	—	—	—	—	—
Jennifer A. Pline	DC SERP	—	—	—	—	—
	EDCP	—	—	—	—	—
Martin B. Millane, Jr.	DC SERP	—	\$35,117	\$ 677	—	\$35,794
	EDCP	\$37,536	—	\$1,869	—	\$39,405

(1) Columns (c) and (f) include amounts that were earned and deferred during 2016. All amounts reported in column (c) have been reported as compensation in the Summary Compensation Table.

### Potential Payments Upon Termination or Change in Control

The Company has entered into Change in Control Agreements with Messrs. Sheahan, Carotenuto, Millane, and Meses. Burrow and Pline. In the event of a change in control (as defined below), each of these individuals would be eligible for: (1) a severance payment equal to a multiple of his or her final average compensation (generally the highest three consecutive years of annual base salary and bonus) as determined at the time of termination; and (2) welfare benefit continuation (at the executive's cost) for a period of additional months (or, if shorter, until comparable benefits are received from another source) as set forth in the applicable agreement. The terms for each executive are set forth in the following table.

	Multiple of Final Average Compensation	Length of Benefit Continuation
Sheahan	3	36 Months
Carotenuto, Pline, Millane, Burrow	1	12 Months

The Change in Control Agreements provide a best net after-tax payment approach that reduces the payments and benefits otherwise provided to the executive in connection with a change in control so that no portion would be subject to the excise tax imposed by Section 4999 of the Code if such reduction would result in a greater amount of payments and benefits on a net after-tax basis.

Payments under the Change in Control Agreements would be triggered in the event of a change in control of the Company or the Bank where, within 12 months after the change in control (1) the Company or the Bank terminates the executive for reasons other than for cause or disability (each as defined in the Change in Control Agreements) or (2) the executive resigns for good reason (as defined in the Change in Control Agreements but generally including a material reduction in the nature or scope of the executive's responsibilities, authorities or duties, a material reduction in the executive's base salary or a relocation of the executive's principal place of business of more than 40 miles from the current principal executive office). Benefits may also be payable in the circumstances described above in the event of a potential change in control, in which case the executive must

agree not to voluntarily terminate until the earlier of: 12 months from the occurrence of the potential change in control, disability or retirement (each as defined in the Change in Control Agreement); the change in control; or a determination by the Board that a potential change in control no longer exists.

A change in control is defined to include a change that would be required to be reported by the Company or the Bank under the Exchange Act and an acquisition of control as defined in the Bank Holding Company Act of 1956, as amended, or the Bank Control Act of 1978, as amended. A potential change in control (as defined in the underlying agreement) would exist if the Company and/or the Bank enter into an agreement to consummate a transaction involving a change in control, a person (including the Company) publicly announces an intention to take or consider taking actions that would constitute a change in control, any person acquires a 20% ownership position in the Company or the Board of the Company or the Bank adopt a resolution to the effect that a potential change in control exists.

The Change in Control Agreements include a 12-month noncompetition agreement and provide an opportunity to remedy a good reason triggering event. The Change in Control Agreements also provide for a six-month delay in payments to a “specified employee” within the meaning of Section 409A of the Code, if required.

In addition, the Company has entered into letter agreements with each of Mr. Sheahan and Ms. Pline that would provide severance benefits in the event that their employment was terminated under certain circumstances unrelated to a change in control within the first two years following their commencement of employment with the Company. In the case of Mr. Sheahan, the severance benefit would be twenty-four months of salary continuation in the event his employment was terminated by the Company without “cause” or by Mr. Sheahan for “good reason” (each as defined in the letter agreement). In the case of Ms. Pline, the severance benefit would be a payment of twelve months of base salary plus bonus in the event her employment was terminated by the Company without cause.

## STOCK OWNERSHIP AND OTHER MATTERS

The following table provides information with respect to persons known by the Company to be the beneficial owners of more than 5% of the Company’s outstanding Common Stock. A person may be considered to own any shares of Common Stock over which he or she has, directly or indirectly, sole or shared voting or investment power. Percentages are based upon 4,036,879 shares outstanding as of December 31, 2016.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)	Percent of Shares Outstanding
Cambridge Bancorp ESOP 1336 Massachusetts Avenue Cambridge, MA 02138	326,377	8.08%
BancFunds Co. LLC 20 North Wacker Drive, Suite 3300 Chicago, IL 60606	267,844	6.63%
City of Cambridge Retirement System 100 Cambridge Park Drive, Suite 101 Cambridge, MA 02140	255,944	6.34%

- (1) The information contained herein is based on information provided by the respective individuals and publically available information as of December 31, 2016. Shares are deemed to be beneficially owned by a person if such person directly or indirectly has, or shares (i) voting power, which includes the power to vote or to direct the voting of the shares, or (ii) investment power, which includes the power to dispose or to direct the disposition of the shares.

The following table provides information as of December 31, 2016 about the shares of Company Common Stock that may be considered to be beneficially owned by each Director or nominee for Director of the Company, by the executive officers named in the Summary Compensation Table under the heading “Executive Compensation” and by all Directors, nominees for Director, and executive officers of the Company as a group. A person may be considered to own any shares of Common Stock over which he or she has, directly or indirectly, sole or shared voting or investment power. Unless otherwise indicated, none of the shares listed are pledged as security and each of the named individuals has sole voting and investment power with respect to the shares shown. Percentages are based upon 4,036,879 shares outstanding as of December 31, 2016.

Name	Number of Shares Owned (1)(2)(3)	Percent of Common Stock Outstanding
<b>Directors:</b>		
Donald T. Briggs	1,659	**
Jeannette G. Clough	3,600	**
Sarah G. Green	1,190	**
Denis K. Sheahan	19,500	**
Edward F. Jankowski	629	**
Hambleton Lord	2,129	**
Leon A. Palandjian	3,948	**
Cathleen A. Schmidt	429	**
R. Gregg Stone	6,938	**
Anne M. Thomas	4,731	**
David C. Warner	4,763	**
Linda Whitlock	5,351	**
Susan R. Windham-Bannister	429	**
<b>Named Executive Officers other than Directors:</b>		
Jennifer A. Pline	—	**
Martin B. Millane Jr.	16,377	**
Michael F. Carotenuto	—	**
Lynne M. Burrow	23,354	**
<b>Directors and executive officers as a group (17 individuals)</b>	<b>95,027</b>	<b>2.35%</b>

\*\* less than one percent

- (1) Unless otherwise indicated, all shares are beneficially owned by the respective individuals. Shares of Common Stock which are subject to stock options exercisable within 60 days of December 31, 2016 are deemed to be outstanding for the purpose of computing the amount and percentage of outstanding common stock owned by such person.
- (2) This amount reflects shares underlying options which are exercisable within 60 days of December 31, 2016. The shares underlying options which are exercisable within 60 days of December 31, 2016 are as follows: zero, zero, 5,300, zero, and 4,450 for Mr. Sheahan, Mr. Carotenuto, Ms. Burrow, Ms. Pline, and Mr. Millane, respectively.
- (3) This amount reflects shares allocated to participant accounts within the ESOP. The shares allocated to participant accounts within the ESOP as of December 31, 2016 are as follows: zero, zero, 2,629, zero, and 886 for Mr. Sheahan, Mr. Carotenuto, Ms. Burrow, Ms. Pline, and Mr. Millane, respectively.

## **Related Party Transactions**

Pursuant to regulatory requirements and other applicable law, the Boards of the Company and/or Cambridge Trust must approve certain extensions of credit, contracts, and other transactions between the Company and/or Cambridge Trust and any Director or executive officer or their immediate family members and affiliates. The Company requires that any transaction between the Company and/or Cambridge Trust and any Director or executive officer, or any of their immediate family members or affiliates, must be made on terms comparable to those that would apply to a similar transaction with an unrelated, similarly situated third-party and must be approved in advance. The Governance Committee is responsible for oversight and implementation of the procedures for review of related party transactions, which are most commonly applied to extensions of credit by Cambridge Trust.

During 2016, certain Directors and executive officers had loans from Cambridge Trust. At December 31, 2016, all of such loans to Directors and executive officers were made in the ordinary course of business, were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans with persons not related to Cambridge Trust, and did not involve more than the normal risk of collectability or present other unfavorable features. These loans were performing according to their original terms at December 31, 2016, and were made in compliance with federal banking regulations. In addition, during 2016, one of the Company's Directors, Mr. Warner, purchased research subscription services from the Company's Wealth Management division for an aggregate value of approximately \$150,000. Such purchase was approved by the Board pursuant to the policies and procedures described above.

## **Solicitation of Proxies and Expenses of Solicitation**

The proxy form accompanying this proxy statement is solicited by the Board of the Company. Proxies may be solicited by officers, Directors, and regular supervisory and executive employees of the Company, none of whom will receive any additional compensation for their services. Also, The Proxy Advisory Group may solicit proxies at an approximate cost of \$9,500 plus reasonable expenses. Such solicitations may be made personally or by mail, facsimile, telephone, messenger, or via the Internet. The Company will pay persons holding shares of Common Stock in their names or in the names of nominees, but not owning such shares beneficially, such as brokerage houses, banks, and other fiduciaries, for the expense of forwarding solicitation materials to their principals. All of the costs of solicitation of proxies will be paid by the Company.

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**CAMBRIDGE BANCORP**

**2017 EQUITY AND CASH INCENTIVE PLAN**

1. PURPOSE

The purpose of this 2017 Equity and Cash Incentive Plan (the “Plan”) is to encourage key employees, Directors, and consultants of Cambridge Bancorp (the “Company”) and its Subsidiaries (as defined below) to continue their association with the Company by providing favorable opportunities for them to participate in the ownership of the Company and its Subsidiaries and in its future growth through the granting of equity ownership opportunities and incentives based on the Company’s Common Stock (as defined below) that are intended to align their interests with those of the Company’s Shareholders (“Awards”). Each person who is granted an Award under the Plan is deemed a “Participant.”

The term “Subsidiary” as used in the Plan means a corporation, company, partnership or other form of business organization of which the Company owns, directly or indirectly through an unbroken chain of ownership, fifty percent or more of the total combined voting power of all classes of stock or other form of equity ownership or has a significant financial interest, as determined by the Committee (as defined below).

2. ADMINISTRATION OF THE PLAN

The Plan shall be administered by the Board of Directors of the Company (the “Board”) or, in the discretion of the Board, a committee or subcommittee of the Board (the “Committee”), appointed by the Board and composed of at least two members of the Board. All references in the Plan to the “Committee” shall be understood to refer to the Committee or the Board, whoever shall administer the Plan.

For so long as Section 16 of the Securities Exchange Act of 1934, as amended and in effect from time to time (the “Exchange Act”), is applicable to the Company, each member of the Committee shall be a “non-employee director,” or the equivalent within the meaning of Rule 16b-3 under the Exchange Act, and for so long as Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”), is applicable to the Company an “outside director” within the meaning of Section 162 of the Code, and the regulations thereunder.

The Committee shall have the authority to adopt, amend, and rescind such rules and regulations as, in its opinion, may be advisable in the administration of the Plan. All questions of interpretation and application of such rules and regulations of the Plan and of Awards granted hereunder shall be subject to the determination of the Committee, which shall be final and binding.

The Committee shall select Participants and determine the terms and conditions of all Awards; provided, however, that the Committee shall have no discretion with respect to the recipients of a Stock Award, or the timing of a Stock Award, pursuant to Section 9 of the Plan. The terms of each Award need not be identical, and the Committee need not treat Participants uniformly.

With respect to persons subject to Section 16 of the Exchange Act (“Insiders”), transactions under the Plan are intended to comply with all applicable conditions of Rule 16b-3 or its successor under the Exchange Act. To the extent any provision of the Plan or action by the Committee fails to so comply, it shall be deemed to be modified so as to be in compliance with such Rule or, if such modification is not possible, it shall be deemed to be null and void, to the extent permitted by law and deemed advisable by the Committee.

The Plan shall be administered in such a manner as to permit those options to acquire Common Stock (“Options”) granted hereunder and specially designated under Section 5 as incentive stock options as described in Section 422 (“ISOs”) of the Code to qualify as such but the Company shall have no liability to a Participant, or any other party, if an Option (or any part thereof) that is intended to be an ISO is not an ISO or if the Company converts an ISO to a nonstatutory (or nonqualified) stock option (an “NSO”).

### 3. STOCK SUBJECT TO THE PLAN; VALUATION

(a) Number of Shares. The total number of shares of the Company's outstanding Common Stock, \$1.00 par value per share ("Common Stock"), that may be subject to an Award under the Plan shall be 500,000, from authorized but unissued shares. Shares of Common Stock underlying Awards that fail to settle, vest or be fully exercised prior to expiration or other termination shall again become available for grant under the terms of the Plan.

(b) Participant Limit. The total amount of Common Stock with respect to which Awards may be granted to any single person under the Plan shall not exceed in any year in the aggregate 50,000 shares. The maximum dollar amount of any Award that may be granted to any single person under the Plan shall not exceed in any year \$500,000; provided, however, that the foregoing dollar limit shall, in the case of a Performance Period (as defined below) longer than one calendar year shall be based on such amount multiplied by the number of full calendar years in the Performance Period. The per-Participant limits set forth in this Section 3(b) shall be construed and applied consistently with Section 162(m) of the Code.

(c) Adjustment Provisions. Each reference to a number of shares of Common Stock in this Section 3 shall be subject to adjustment in accordance with the provisions of Section 12.

(d) Fair Market Value of Common Stock for Plan Purposes. For purposes of the Plan and except as may be otherwise explicitly provided in the Plan or in any Award agreement, the "Fair Market Value" of a share of Common Stock at any particular date shall be determined according to the following rules.

(i) If Common Stock is at the time listed or admitted to trading on any national securities exchange or the OTC Market Group Inc.'s OTCQB, then Fair Market Value shall mean the Closing Price for the Common Stock on such date. The "Closing Price" on any date shall mean the last sale price for the Common Stock, regular way, or, in case no such sale takes place on that day, the average of the closing bid and asked prices, regular way, for the Common Stock, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the national securities exchange or the OTCQB.

(ii) If the Common Stock is not at the time listed or admitted to trading on any national securities exchange or the OTCQB, then Fair Market Value shall be determined in good faith by the Board, which may take into consideration (1) the price paid for the Common Stock in the most recent trade of a substantial number of shares known to the Board to have occurred at arm's length between willing and knowledgeable investors, (2) an appraisal by an independent party or (3) any other method of valuation undertaken in good faith by the Board, or some or all of the above as the Board shall in its discretion elect.

### 4. ELIGIBILITY

The persons who shall be eligible for Awards under the Plan shall be employees capable of contributing significantly to the successful performance of the Company or a Subsidiary, Directors of the Company or a Subsidiary, and other persons who render services of special importance to the management, operation or development of the Company or a Subsidiary, and who have contributed or may be expected to contribute significantly to the success of the Company or a Subsidiary. ISOs shall not be granted to any person who is not an employee of the Company or a Subsidiary described in Section 424(e) or Section 424(f) of the Code (an "ISO Subsidiary").

### 5. TERMS AND CONDITIONS OF OPTIONS

(a) In General. The Committee may grant Awards in the form of Options. Every Option shall be evidenced by an Option agreement in such form as the Committee shall approve from time to time, specifying the number of shares of Common Stock that may be purchased pursuant to the Option, the time or times at which the Option shall become exercisable in whole or in part, whether the Option is intended to be an ISO or an NSO, and such other terms and conditions as the Committee shall approve, and containing or incorporating by reference the terms and conditions set forth in this Section 5.

(b) Duration. The duration of each Option shall be as specified by the Committee in its discretion; provided, however, that no Option shall expire later than ten years from its date of grant; and provided, further, and no ISO granted to an employee who owns (directly or under the attribution rules of Section 424(d) of the Code) stock possessing more than ten percent of the total combined voting power of all classes of stock of the Company or any ISO Subsidiary shall expire later than five years from its date of grant.

(c) Exercise Price. The exercise price of each Option shall be not less than the Fair Market Value (as defined below) of Common Stock on the date the Option is granted; provided, however, that the exercise price with respect to an ISO granted to an employee who at the time of grant owns (directly or under the attribution rules of Section 424(d) of the Code) stock representing more than ten percent of the voting power of all classes of stock of the Company or any ISO Subsidiary shall be at least 110 percent of the Fair Market Value of the Common Stock on the date of grant of the ISO.

(d) Method of Exercise. Options may be exercised by delivery to the Company of a notice of exercise in a form, which may be electronic, approved by the Committee, together with payment in full in the manner specified in Section 5(e) of the exercise price for the number of shares for which the Option is exercised. Shares of Common Stock subject to the Option will be delivered by the Company as soon as practicable following exercise and payment of the exercise price. If the Participant fails to pay for or to accept delivery of all or any part of the number of shares specified in the notice upon tender of delivery thereof, the right to exercise the Option with respect to those shares shall be terminated, unless the Committee otherwise agrees.

(e) Payment Upon Exercise. Unless the Committee provides otherwise in the applicable Option agreement, Common Stock purchased upon the exercise of an Option granted under the Plan shall be paid for as follows:

(i) In cash or by check, payable to the order of the Company;

(ii) By payment in cash or by check, payable to the order of the Company, of the par value of the Common Stock to be acquired and by payment of the balance of the exercise price in whole or in part by delivery of the Participant's recourse promissory note, in a form specified by the Committee and to the extent consistent with applicable law, secured by the Common Stock acquired upon exercise of the Option and such other security as the Committee may require;

(iii) Except as may otherwise be provided in the applicable Option agreement or approved by the Committee, in its sole discretion, by (1) delivery of an irrevocable and unconditional undertaking by a creditworthy broker to deliver promptly to the Company sufficient funds to pay the exercise price and any required tax withholding or (2) delivery by the Participant to the Company of a copy of irrevocable and unconditional instructions to a creditworthy broker to deliver promptly to the Company cash or a check sufficient to pay the exercise price and any required tax withholding;

(iv) By delivery (either by actual delivery or attestation) of shares of Common Stock owned by the Participant valued at their Fair Market Value, provided (1) the method of payment is then permitted under applicable law, (2) the Common Stock, if acquired directly from the Company, was owned by the Participant for a minimum period of time, if any, as may be established by the Committee in its sole discretion, and (3) the Common Stock is not subject to any repurchase, forfeiture, unfulfilled vesting or other similar requirements;

(v) In the case of an NSO, by delivery of a notice of "net exercise" to the Company, as a result of which the Participant would receive (1) the number of shares underlying the portion of the Option being exercised less (2) such number of shares as is equal to (A) the aggregate exercise price for the portion of the Option being exercised divided by (B) the value of the Common Stock on the date of exercise and, at the election of the Participant, less (3) such number of shares as is equal in value to the withholding obligation (if any) provided in Section 14(e);

(vi) To the extent permitted by applicable law and provided for in the applicable Option agreement or approved by the Committee in its sole discretion, by payment of such other lawful consideration as the Committee may determine; or

(vii) By any combination of the above permitted forms of payment.

(f) Vesting. An Option may be exercised so long as it is vested and outstanding from time to time, in whole or in part, in the manner and subject to the conditions that the Committee in its discretion may provide in the Option agreement.

(g) Notice of ISO Stock Disposition. The Participant must notify the Company promptly in the event that he sells, transfers, exchanges or otherwise disposes of any shares of Common Stock issued upon exercise of an ISO before the later of (i) the second anniversary of the date of grant of the ISO and (ii) the first anniversary of the date the shares were issued upon his exercise of the ISO.

(h) Effect of Cessation of Employment or Service Relationship. The Committee shall determine in its discretion and specify in each Option agreement the effect, if any, of the termination of the Participant's employment or other service relationship upon the exercisability of the Option.

(i) Transferability of Options. An Option shall not be assignable or transferable by the Participant except by will or by the laws of descent and distribution. During the life of the Participant, an Option shall be exercisable only by him, by a conservator or guardian duly appointed for him by reason of his incapacity or by the person appointed by the Participant in a durable power of attorney acceptable to the Company's counsel.

(j) No Rights as Shareholder. A Participant shall have no rights as a Shareholder with respect to any shares covered by an Option until becoming the record holder of the shares. No adjustment shall be made for dividends or other rights for which the record date is earlier than the date the certificate is issued, other than as required or permitted pursuant to Section 12.

(k) Limitation on Repricing. Except in connection with a corporate transaction involving the Company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination or exchange of shares), the terms of outstanding awards may not be amended to reduce the exercise price of outstanding Options or cancel outstanding Options in exchange for cash, other awards or Options with an exercise price that is less than the exercise price of the original Options without Shareholder approval.

## 6. STOCK APPRECIATION RIGHTS

(a) In General. The Committee may grant Awards in the form of SARs, separately or in combination with Options. Every SAR shall be evidenced by a SAR agreement in such form as the Committee shall approve from time to time, specifying the number of shares of Common Stock to which the SAR relates, the time or times at which the SAR shall become exercisable in whole or in part, and such other terms and conditions as the Committee shall approve, and containing or incorporating by reference the terms and conditions set forth in this Section 6.

Upon exercise of a SAR, the Participant shall be entitled to receive from the Company an amount equal to the excess of the Fair Market Value, on the exercise date, of the number of shares of Common Stock as to which the SAR is exercised over the exercise price for those shares under a related Option, or if there is no related Option, over the measurement price stated in the SAR agreement. The amount payable by the Company upon exercise of a SAR shall be paid in the form of cash or other property (including Common Stock of the Company), as provided in the SAR agreement.

(b) Duration. The duration of a SAR shall be as specified by the Committee in its discretion; provided, however, that no SAR will be granted with a term in excess of ten years.

(c) Measurement Price. The measurement price of each SAR shall be not less than the Fair Market Value of Common Stock on the date the SAR is granted.

(d) Method of Exercise. SARs may be exercised by delivery to the Company of a notice of exercise in a form, which may be electronic, approved by the Committee, together with payment in full in the manner

specified in Section 5(e) of the measurement price for the number of shares for which the SAR is exercised. Settlement of the SAR shall be made as soon as practicable following exercise and payment of the measurement price. If the Participant fails to pay for or to accept delivery of all or any part of the number of shares specified in the notice upon tender of delivery thereof, the right to exercise the SAR with respect to those shares shall be terminated, unless the Committee otherwise agrees.

(e) Limitation on Repricing. Except in connection with a corporate transaction involving the Company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination or exchange of shares), the terms of outstanding awards may not be amended to reduce the exercise or measurement price of outstanding SARs or cancel outstanding SARs in exchange for cash, other awards or SARs with an exercise price that is less than the exercise price of the original SARs without Shareholder approval.

## 7. STOCK AWARDS

### (a) Types of Stock Awards.

(i) Restricted Stock and Restricted Stock Units. The Committee may grant Awards in the form of shares of Common Stock, with or without restrictions (with restrictions, “Restricted Stock”), and/or Restricted Stock Units (together, and including Performance Shares and Performance Share Units, each as defined below, “Stock Awards”). Restricted Stock Units are a right to receive shares of Common Stock (or their then Fair Market Value) at a specified future time. Restrictions on Restricted Stock may include the right of the Company to repurchase all or part of the shares at their issue price or other stated or formula price (or to require forfeiture of the shares if issued at no cost) from the Participant in the event that conditions specified by the Committee in the applicable Award agreement are not satisfied prior to the end of the applicable restriction period or periods established by the Committee for the Stock Award.

(ii) Performance Stock and Performance Share Units. The Committee may grant or award shares of Common Stock in the form of Performance Shares and/or Performance Share Units. A Performance Share is an award of shares of Restricted Stock, the vesting of which is based on the satisfaction of applicable Performance Goals (as defined below). A Performance Share Unit is a right to receive shares of Common Stock (or their then Fair Market Value) at a specified future time and based on the satisfaction of applicable Performance Goals.

(iii) Form of Payment. Restricted Stock Units and Performance Share Units shall be paid in cash, shares of Common Stock or a combination of cash and shares of Common Stock as the Committee, in its sole discretion, shall determine at the grant date and as shall be set forth in the applicable Award agreement.

(b) Procedures Relating to Stock Awards. A Restricted Stock agreement, Restricted Stock Unit agreement, Performance Share agreement or Performance Share Unit agreement shall evidence the applicable Award and shall contain such terms and conditions as the Committee shall provide.

A holder of a Stock Award without restrictions, Restricted Stock or Performance Shares shall, subject to the terms of any applicable agreement, have all of the rights of a Shareholder of the Company, including the right to vote the shares and (except as provided below) the right to receive any dividends. Certificates representing Restricted Stock or Performance Shares shall be imprinted with a legend to the effect that the shares represented may not be sold, exchanged, transferred, pledged, hypothecated or otherwise disposed of except in accordance with the terms of the applicable agreement. (If shares of Restricted Stock or Performance Shares are held in book entry form, statements evidencing those shares shall include a similar legend.) The Participant shall be required to deposit any stock certificates with an escrow agent designated by the Committee, together with a stock power or other instrument of transfer appropriately endorsed in blank. The Committee shall provide that dividends will not be paid with respect to unvested Performance Shares until the time (if at all) the Performance Shares vest, and the Company will retain such dividends and pay them to the Participant upon vesting.

Except as otherwise provided in this Section 7, Restricted Stock and Performance Shares shall become freely transferable by the Participant after all conditions and restrictions applicable to the shares have been satisfied or lapse (including satisfaction of any applicable tax withholding obligations).

(c) Additional Matters Relating to Restricted Stock Units and Performance Share Units.

(i) Delivery. Provided the Participant's employment or service relationship has not terminated as of the end of the applicable Performance Period (as defined below) or at a later date determined by the Committee at the time of grant and set forth in the applicable agreement, a delivery of shares of Common Stock or payment of cash as settlement of a Restricted Stock Unit or Performance Share Unit Award shall occur as soon as administratively practicable following the written determination of the Committee of the satisfaction of the applicable Performance Goals, but in no event later than the fifteenth day of the third month following the close of the year in which the Performance Period ends or, if later, the close of the year specified by the Committee in the applicable agreement. The Committee may, in its sole discretion and at the time of grant, provide for the further deferral of payment in an applicable agreement.

In the case of an Award of Restricted Stock Units not subject to Performance Goals, a delivery of shares of Common Stock or payment of cash as settlement of the Restricted Stock Unit shall occur as of the date specified in the applicable agreement, but in no event later than the fifteenth day of the third month following the close of the year in which vesting under the applicable agreement occurs.

(ii) Dividend Equivalents for Restricted Stock Units and Performance Share Units. With respect to each Restricted Stock Unit and Performance Share Unit, the Committee may grant a Dividend Equivalent Unit to any Participant upon such terms and conditions as it may establish. Each Dividend Equivalent Unit will entitle the Participant, at the time of the settlement of the Award, to an additional payment equal to the dividends the Participant would have received if the Participant had been the actual record owner of the underlying Common Stock on each dividend record date prior to settlement. The Dividend Equivalent Unit may be settled in cash, additional shares of Common Stock or a combination thereof.

(d) Restrictions Relating to Stock Awards.

(i) In General. The Committee may, in its sole discretion, impose such conditions and/or restrictions on any Stock Award pursuant to this Section 7 as it may deem advisable including, without limitation, a requirement that a Participant pay a stipulated purchase price for each share of Common Stock awarded or underlying a Stock Award, restrictions based upon the achievement of specific Performance Goals, time-based restrictions on vesting, either in lieu of or following the attainment of any Performance Goals, or holding requirements or sale restrictions placed on the Common Stock upon vesting of any Stock Award.

(ii) Satisfaction of Performance Goals. After the applicable period (the "Performance Period") during which the Performance Goals must be met in order to determine the payout and/or vesting of Performance Shares or Performance Share Units has ended, restrictions on Performance Shares will lapse and delivery or payment with respect to Performance Share Units shall be made, in each case based on the partial or full satisfaction of the Performance Goals and any other applicable requirements of the Award. The Committee may, at the time the Performance Shares or Performance Share Units are granted, provide that additional Performance Shares or Performance Share Units may be awarded in the event the applicable Performance Goals are exceeded. The minimum duration of a Performance Period shall be one year, but may be longer, as determined by the Committee at the time the Stock Award is granted.

(iii) Committee Determination. The extent to which Performance Goals are met will be determined solely by the Committee, which determination will establish the amount of Performance Shares and/or Performance Share Units that will be paid out to the Participant and the extent to which any restrictions will lapse; provided, however, that the conditions on the lapse of any restriction will

not be structured in a manner that will cause the Stock Award to fail to satisfy the “performance-based compensation” exception requirements of Section 162(m) of the Code.

(e) Definition of Performance Goals. Before twenty-five percent of the Performance Period has elapsed (or within ninety days of a grant date, if earlier), the Committee shall establish the criteria for Performance Goals. Such criteria may be based on any one or more business criteria measured in the aggregate or on a per share basis (if appropriate): earnings before interest, taxes, depreciation, and amortization; net income (loss) (either before or after interest, taxes, depreciation and/or amortization); operating loss containment; capital ratios; pre-tax margin; operating leverage; efficiency ratio; assets under management; balance sheet assets; total Shareholder return; credit quality; risk management; changes in the market price of Common Stock; economic value-added; funds from operations or similar measure; deposit and or loan growth; sales or revenue; acquisitions or strategic transactions; operating income (loss); earnings (loss) per share; cash earnings per share; cash flow (including, but not limited to, operating cash flow and free cash flow); return on capital, assets, equity, invested capital, invested capital net of weighted average cost of capital or investment; return on sales; gross or net profit levels, productivity, expense, margins, operating efficiency, customer and/or employee satisfaction, working capital, sales or market shares; and number of customers. Any such criteria, whether alone or in combination, may be applied on the basis of Cambridge Bancorp and its Subsidiaries as a whole or any business unit and may be measured directly, as a growth rate or by comparing the result to: (1) the performance of a group of competitor companies; (2) a published or special index determined by the Committee; or (3) other benchmarks determined by the Committee.

The Committee shall make any adjustments necessary to eliminate the effect on the stated Performance Goals of unplanned acquisitions or dispositions, changes in foreign exchange rates, discrete tax items identified by the Committee, changes in accounting standards, variances to planned annual incentive compensation expense and expenses associated with unusual or extraordinary items that could not be reasonably anticipated; provided, however, that such items or changes are material to the performance measure.

If the Performance Goals are not fully achieved, the Committee may provide in the applicable agreement that less than 100 percent of an Award may be payable but in no event shall the amount of any such Award be increased after it has been established and after twenty-five percent of the Performance Period has elapsed (or more than ninety days from the grant date, if earlier).

Notwithstanding the requirements of this Section 7, the Committee may make a Stock Award that is not intended to satisfy the performance-based compensation requirements of Section 162(m) of the Code and base performance or vesting on criteria other than those set forth in this Section 7(e). Further, in the event that applicable tax laws change and give the Committee the sole discretion to alter the Performance Goals without obtaining Shareholder approval for purposes of complying with the performance-based compensation exception to Section 162(m) of the Code, the Committee may make any such changes without obtaining Shareholder approval.

(f) Effect of Cessation of Employment or Service Relationship. Each agreement underlying a Stock Award shall set forth the extent to which the Participant shall have the right to retain the Award following termination of the Participant’s employment or other service relationship with the Company. Whether any such right shall apply to a particular Award shall be determined in the sole discretion of the Committee; provided, however, that the Committee may provide in an Award that accelerated vesting is precluded in order to satisfy the requirements of the performance-based exemption in Section 162(m) of the Code.

## 8. CASH-BASED AND OTHER STOCK-BASED AWARDS

(a) In General. The Committee may grant cash-based awards or other types of equity-based or equity-related awards not otherwise described by the terms of this Plan to Participants in such amounts and upon such terms as the Committee may determine (“Other Awards”). Other Awards may involve the transfer of actual shares of Common Stock to Participants, a payment in cash or a combination of shares and cash.

(b) Procedures Relating to Other Awards. Each Other Award pursuant to this Section 8 shall provide for the payment of a specific amount or range of cash or shares of Common Stock, as determined by the Committee. The Committee may, in its sole discretion, provide that an Other Award pursuant to this Section 8 shall be contingent on the satisfaction of Performance Goals, as provided for in Section 7(e) and subject to the limit set forth in Section 4(b). If the Committee exercises its sole discretion to establish Performance Goals, the number and/or value of Other Awards issued pursuant to this Section 8 will be paid out to the Participant based on the extent to which the Performance Goals are met, all in accordance with Section 7(e).

The Committee shall determine whether an agreement is necessary to evidence an Other Award and any Other Award agreement shall contain such terms and conditions as the Committee shall provide in its sole discretion including, without limitation, a requirement that a Participant pay a stipulated purchase price for each share of Common Stock awarded or underlying an Other Award, restrictions based upon the achievement of specific Performance Goals, time-based restrictions on vesting, either in lieu of or following the attainment of any Performance Goals, or holding requirements or sale restrictions placed on the Common Stock upon vesting of an Other Award.

(c) Delivery of Awards. Provided the Participant's employment or service relationship has not terminated as of the end of the applicable Performance Period, or at a later date as determined by the Committee at the time of grant and set forth in the applicable agreement, a delivery of shares of Common Stock or payment of cash as settlement of an Award pursuant to this Section 8 shall occur upon the written determination of the Committee of the satisfaction of the applicable Performance Goals, but in no event later than the fifteenth day of the third month following the close of the year in which the Performance Period ends or, if later, the close of the year specified by the Committee in the applicable agreement. The Committee may, in its sole discretion and at the time of grant, provide for the further deferral of payment in an applicable agreement.

(d) Effect of Cessation of Employment or Service Relationship. Each Agreement underlying an Other Award pursuant to this Section 8 shall set forth the extent to which the Participant shall have the right to retain the Other Award following termination of the Participant's employment or other service relationship with the Company. Whether any such right shall apply to a particular Other Award shall be determined in the sole discretion of the Committee; provided, however, that the Committee may provide in an Other Award that accelerated vesting is precluded in order to satisfy the requirements of the performance-based exemption in Section 162(m) of the Code.

## 9. DIRECTOR STOCK AWARDS

(a) Eligibility. A Stock Award under the Plan shall be automatic as provided in this Section 9 to each non-employee director of the Company other than honorary Directors.

(b) Automatic Grant. Each non-employee director whose term in office continues after the date of the annual meeting of Shareholders in each year shall receive a Stock Award in lieu of cash in payment of the annual non-cash retainer fee for that year. The number of shares of Common Stock issuable to a director in lieu of the annual non-cash retainer fee will equal the whole number of shares determined by dividing the annual non-cash retainer fee by the Fair Market Value of a share of Common Stock as of the date of such annual meeting (the "Issue Date"). Fractional shares will be disregarded. This Stock Award will be issued as of the Issue Date. Any additional fees to which the director may be entitled, such as additional fees for committee meetings, will not be affected by the issuance of Common Stock in lieu of the annual non-cash retainer fee.

## 10. AWARDS VOIDABLE

If a person to whom an Award under the Plan has been made fails to execute and deliver to the Committee a related Award agreement within sixty days after it is submitted to him or her, the Award shall be voidable by the Committee at its election, without further notice to the Participant.

## 11. REQUIREMENTS OF LAW

The Company shall not be required to transfer any Common Stock or to sell or issue any shares upon the exercise or settlement of any Award if the issuance of the shares will result in a violation by the Participant or the Company of any provisions of any law, statute or regulation of any governmental authority. Specifically, in connection with the Securities Act of 1933, as amended (the "Securities Act"), upon the transfer of Common Stock or the exercise of any Option or SAR the Company shall not be required to issue shares unless the Board has received evidence satisfactory to it to the effect that the Participant will not transfer the shares except pursuant to a registration statement in effect under the Securities Act or unless an opinion of counsel satisfactory to the Company has been received by the Company to the effect that such registration is not required. Any determination in this connection by the Board shall be conclusive. The Company shall not be obligated to take any other affirmative action in order to cause the transfer of Common Stock or to sell or issue any shares upon the exercise or settlement of any Award to comply with any law or regulations of any governmental authority, including, without limitation, the Securities Act or applicable state securities laws.

## 12. CHANGES IN CAPITAL STRUCTURE AND CERTAIN OTHER EVENTS

(a) Changes in Capitalization. In the event of any stock split, reverse stock split, stock dividend, recapitalization, combination of shares, reclassification of shares, spin-off or other similar change in capitalization or event, or any dividend or distribution to holders of Common Stock other than an ordinary cash dividend, (i) the number and class of securities available under the Plan, (ii) the share counting rules set forth in Section 3, (iii) the number and class of securities and exercise price per share of each outstanding Option, (iv) the share and per-share provisions and the measurement price of each outstanding SAR, (v) the number of shares subject to and the repurchase price per share (if any) subject to each outstanding Stock Award, and (vi) the share and per-share-related provisions and the purchase price, if any, of each outstanding Other Award, shall be equitably adjusted (or substituted Awards may be made, if applicable) as the Committee, in its sole discretion, deems appropriate. Without limiting the generality of the foregoing, in the event the Company effects a split of the Common Stock by means of a stock dividend or effects another stock dividend for which an adjustment is made pursuant to this Section 12, and the exercise price of and the number of shares subject to an outstanding Option or SAR are adjusted as of the date of the distribution of the dividend (rather than as of the record date for such dividend), then a Participant who exercises an Option or SAR between the record date and the distribution date for the stock dividend shall be entitled to receive, on the distribution date, the stock dividend with respect to the shares of Common Stock acquired upon the Option or SAR exercise, notwithstanding the fact that such shares were not outstanding as of the close of business on the record date for such stock dividend. Any such adjustment pursuant to this Section 12(a) made by the Committee shall be conclusive and binding upon all affected persons, including the Company and all Participants.

If while Options, SARs or Stock Awards remain outstanding under the Plan, the Company merges or consolidates with a wholly-owned subsidiary for the purpose of reincorporating itself under the laws of another jurisdiction or for any other reason, the Participants will be entitled to acquire shares of Common Stock of the surviving company upon the same terms and conditions as were in effect immediately prior to such merger or consolidation (unless such merger or consolidation involves a change in the number of shares or the capitalization of the Company, in which case proportional adjustments shall be made as provided above) and the Plan, unless otherwise rescinded by the Board, will remain the Plan of the surviving company.

### (b) Reorganization Events.

(i) Definition. A "Reorganization Event" shall mean: (1) any merger or consolidation of the Company with or into another entity as a result of which all of the Common Stock of the Company is converted into or exchanged for the right to receive cash, securities or other property or is cancelled; (2) any transfer or disposition of all of the Common Stock of the Company for cash, securities or other property pursuant to a share exchange or other transaction; (3) any sale or disposition of all or substantially all of the assets of the Company; or (4) any liquidation or dissolution of the Company.

(ii) Consequences of a Reorganization Event on Awards Other than Restricted Stock or Performance Shares.

(1) In connection with a Reorganization Event, the Committee may take any one or more of the following actions as to all or any (or any portion of) outstanding Awards other than Restricted Stock or Performance Shares on such terms as the Committee determines (except to the extent specifically provided otherwise in an applicable Award agreement or another agreement between the Company and the Participant): (A) provide that the Awards shall be assumed, or substantially equivalent Awards shall be substituted, by the acquiring or succeeding entity or an affiliate thereof; (B) upon notice to a Participant, provide that all of the Participant's unvested and/or unexercised Awards will terminate immediately prior to the consummation of the Reorganization Event unless exercised by the Participant (to the extent then exercisable) within a specified period following the date of such notice; (C) provide that outstanding Awards shall become exercisable, realizable or deliverable, or restrictions applicable to an Award shall lapse, in whole or in part prior to or upon the Reorganization Event; (D) in the event of a Reorganization Event under the terms of which holders of Common Stock will receive upon consummation thereof a cash payment for each share surrendered in the Reorganization Event (the "Acquisition Price"), make or provide for a cash payment to Participants with respect to each Award held by a Participant equal to (I) the number of shares of Common Stock subject to the vested portion of the Award (after giving effect to any acceleration of vesting that occurs upon or immediately prior to such Reorganization Event) multiplied by (II) the excess, if any, of (Y) the Acquisition Price over (Z) the exercise, measurement or purchase price of the Award and any applicable tax withholdings, in exchange for the termination of such Award; (E) provide that, in connection with a liquidation or dissolution of the Company, Awards shall convert into the right to receive liquidation proceeds (if applicable, net of the exercise, measurement or purchase price thereof and any applicable tax withholdings); and (F) any combination of the foregoing. In taking any of the actions permitted under this Section 12(b)(2), the Committee shall not be obligated by the Plan to treat all Awards, all Awards held by a Participant or all Awards of the same type identically and any adjustment pursuant to this Section 12(b) made by the Committee shall be conclusive and binding upon all affected persons, including the Company and all Participants.

(2) Notwithstanding the terms of Section 12(b)(ii)(1), in the case of outstanding Restricted Stock Units or Performance Share Units that are subject to Section 409A of the Code: (A) if the applicable agreement provides that the Restricted Stock Units or Performance Share Units shall be settled upon a change in control event within the meaning of Treasury Regulation Section 1.409A-3(i)(5), and the Reorganization Event constitutes such a change in control event, then no assumption or substitution shall be permitted pursuant to Section 12(b)(ii)(1)(A) and the Restricted Stock Units or Performance Share Units shall instead be settled in accordance with the terms of the applicable agreement; and (B) the Committee may only undertake the actions set forth in clauses (C), (D) or (E) of Section 12(b)(ii)(1) if the action is permitted or required by Section 409A of the Code and if the Reorganization Event is not a change in control event as so defined or such action is not permitted or required by Section 409A of the Code, and the acquiring or succeeding entity or an affiliate thereof does not assume or substitute the Restricted Stock Units or Performance Share Units pursuant to clause (A) of Section 12(b)(ii)(1), then the unvested Restricted Stock Units or Performance Share Units shall terminate immediately prior to the consummation of the Reorganization Event without any payment in exchange therefor.

(3) For purposes of Section 12(b)(ii)(1)(A), an Award (other than Restricted Stock or Performance Shares) shall be considered assumed if, following consummation of the Reorganization Event, the Award confers the right to purchase or receive pursuant to the terms of the Award, for each share of Common Stock subject to the Award immediately prior to the consummation of the Reorganization Event, the consideration (whether cash, securities or other property) received as a result of the Reorganization Event by holders of Common Stock for each share of Common Stock held immediately prior to the consummation of the Reorganization Event

(and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Common Stock); provided, however, that if the consideration received as a result of the Reorganization Event is not solely common stock of the acquiring or succeeding entity or an affiliate thereof, the Company may, with the consent of the acquiring or succeeding entity or an affiliate thereof, provide for the consideration to be received upon the exercise or settlement of the Award to consist solely of the number of shares of common stock of the acquiring or succeeding entity or an affiliate thereof that the Committee determined to be equivalent in value (as of the date of such determination or another date specified by the Committee) to the per share consideration received by holders of outstanding shares of Common Stock as a result of the Reorganization Event.

(c) Consequences of a Reorganization Event on Restricted Stock or Performance Shares. Upon the occurrence of a Reorganization Event other than a liquidation or dissolution of the Company, the repurchase and other rights of the Company with respect to outstanding Restricted Stock or Performance Shares shall inure to the benefit of the Company's successor and shall, unless the Committee determines otherwise, apply to the cash, securities or other property that the Common Stock was converted into or exchanged for pursuant to such Reorganization Event in the same manner and to the same extent as they applied to the Restricted Stock or Performance Shares; provided, however, that the Committee may provide for termination or deemed satisfaction of repurchase or other rights under the agreement evidencing any Restricted Stock, Performance Shares or any other agreement between a Participant and the Company, either initially or by amendment. Upon the occurrence of a Reorganization Event involving the liquidation or dissolution of the Company, except to the extent specifically provided to the contrary in the instrument evidencing any Restricted Stock, Performance Shares or any other agreement between a Participant and the Company, all restrictions and conditions on all Restricted Stock then outstanding shall automatically be deemed terminated or satisfied.

### 13. FORFEITURE FOR DISHONESTY

Notwithstanding anything to the contrary in the Plan, if the Board determines, either before or after the end of the employment or service relationship and after full consideration of the facts presented on behalf of the Participant, that the Participant has been engaged in fraud, embezzlement, theft, commission of a felony or dishonesty in the course of his or her employment or other service relationship with the Company or any of its Subsidiaries that damaged the Company or any of its Subsidiaries, or has disclosed trade secrets or other proprietary information of the Company or any of its Subsidiaries:

(a) The Participant shall forfeit all unexercised Awards and all exercised Awards to the extent that stock certificates, cash or other property, as applicable, have not yet been delivered; and

(b) The Company shall have the right to repurchase all or any part of the shares of Common Stock acquired by the Participant upon the earlier exercise of any Award at a price equal to the amount paid to the Company upon exercise, increased by an amount equal to the interest that would have accrued in the period between the date of exercise and the date of such repurchase upon a debt in the amount of the exercise price, at the prime rate(s) announced from time to time during such period in the Federal Reserve Statistical Release Selected Interest Rates and decreased by any cash dividends received.

The decision of the Board as to the cause of a Participant's discharge and the damage done to the Company or any of its Subsidiaries shall be final, binding and conclusive. No decision of the Board, however, shall affect in any manner the finality of the discharge of a Participant by the Company or its Subsidiary.

### 14. MISCELLANEOUS

(a) Transferability of Awards. Awards shall not be sold, assigned, transferred, pledged or otherwise encumbered by the person to whom they are granted, either voluntarily or by operation of law, except by

will or the laws of descent and distribution or, other than in the case of an Incentive Stock Option, pursuant to a qualified domestic relations order, and, during the life of the Participant, rights with respect to an Award shall be exercisable only by the Participant; provided, however, that the Committee may permit or provide in an Award for the gratuitous transfer of the Award by the Participant to or for the benefit of any immediate family member, family trust or other entity established for the benefit of the Participant and/or an immediate family member thereof if the Company would be eligible to use a Registration Statement on Form S-8 under the Securities Act for the registration of the sale of the Common Stock subject to such Award to such proposed transferee; and provided, further, that the Company shall not be required to recognize any such permitted transfer until the time that permitted transferee shall, as a condition to transfer, deliver to the Company an instrument in form and substance satisfactory to the Company confirming that the transferee shall be bound by all of the terms and conditions of the Award. References to a Participant, to the extent relevant in the context, shall include references to authorized transferees. For the avoidance of doubt, nothing contained in this Section 14(a) shall be deemed to restrict a transfer to the Company.

(b) Documentation. Each Award shall be evidenced in such form (written, electronic or otherwise) as the Committee shall determine. Each Award may contain terms and conditions in addition to those set forth in the Plan.

(c) No Guarantee of Employment or Continuation of Service Relationship. Neither the Plan nor any Award agreement shall give an employee or other service provider the right to continue in the employment of or to continue to provide services to the Company or a Subsidiary, or give the Company or a Subsidiary the right to require continued employment or services.

(d) Rounding Conventions. The Committee may, in its sole discretion and taking into account any requirements of the Code, including without limitations Sections 422 through 424 and 409A of the Code, determine the effect of vesting, stock dividend, and any other adjustments on shares and any cash amount payable hereunder, and may provide that no fractional shares will be issued (rounding up or down as determined by the Committee) and that cash amounts be rounded down to the nearest whole cent.

(e) Tax Withholding. To the extent required by law, the Company (or a Subsidiary) shall withhold or cause to be withheld income and other taxes with respect to any income recognized by a Participant by reason of the exercise, vesting or settlement of an Award, and as a condition to the receipt of any Award the Participant shall agree that if the amount payable to him or her by the Company and any Subsidiary in the ordinary course is insufficient to pay such taxes, then he or she shall upon the request of the Company pay to the Company an amount sufficient to satisfy its tax withholding obligations.

Without limiting the foregoing, the Committee may in its discretion permit any Participant's withholding obligation to be paid in whole or in part in the form of shares of Common Stock by withholding from the shares to be issued or by accepting delivery from the Participant of shares already owned by him or her; provided, however, that payment of withholding obligation in the form of shares shall not be made with respect to an amount in excess of the minimum required withholding. If payment of withholding taxes is made in whole or in part in shares of Common Stock, the Participant shall deliver to the Company certificates registered in his or her name representing shares of Common Stock legally and beneficially owned by him or her, fully vested and free of all liens, claims, and encumbrances of every kind, duly endorsed or accompanied by stock powers duly endorsed by the record holder of the shares represented by such certificates.

If the Participant is subject to Section 16(a) of the Exchange Act, his or her ability to pay any withholding obligation in the form of shares of Common Stock shall be subject to any additional restrictions as may be necessary to avoid any transaction that might give rise to liability under Section 16(b) of the Exchange Act.

(f) Use of Proceeds. The proceeds from the sale of Common Stock pursuant to Awards shall constitute general funds of the Company.

(g) Governing Law. The granting of Awards and the issuance of Common Stock under the Plan shall be subject to all applicable laws and regulations and to such approvals by any governmental agency or national securities exchanges as may be required. To the extent not preempted by Federal law, the Plan and all agreements hereunder shall be construed in accordance with and governed by the laws of the Commonwealth of Massachusetts, without regard to the principles of conflicts of law.

(h) Compliance with Section 409A. It is the intention of the Company that no payment or entitlement pursuant to this Plan will give rise to any adverse tax consequences to any person pursuant to Section 409A of the Code. The Committee shall interpret and apply the Plan to that end, and shall not give effect to any provision therein in a manner that reasonably could be expected to give rise to adverse tax consequences under Section 409A.

#### 15. EFFECTIVE DATE, DURATION, AMENDMENT AND TERMINATION OF PLAN

The Plan shall be effective as of April 24th, 2017 if, and only if, the holders of a majority of the outstanding shares of capital stock present, or represented, and entitled to vote thereon (voting as a single class) at a duly held meeting of the Shareholders of the Company approve the Plan within twelve months on, before or after such date. If so approved by the Shareholders, the Committee may grant Awards under the Plan from time to time until the close of business on April 24th, 2027. The Board may at any time amend the Plan; provided, however, that without approval of the Company's Shareholders there shall be no: (a) increase in the total number of shares covered by the Plan, except by operation of the provisions of Section 12, or the aggregate number of shares of Common Stock that may be issued to any single person; (b) change in the class of persons eligible to receive Awards under the Plan; or (c) other change in the Plan that requires Shareholder approval under applicable law. Except as otherwise provided in the Plan or an Award agreement, no amendment shall adversely affect outstanding Awards without the consent of the Participant. The Plan may be terminated at any time by action of the Board, but any such termination will not terminate Awards then outstanding, without the consent of the Participant.