

CHICOPEE BANCORP, INC.

Form 10-K/A

April 29, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

Amendment No.1

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2015

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 000-51996

CHICOPEE BANCORP, INC.

(Exact name of registrant as specified in its charter)

Massachusetts

20-4840562

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

70 Center Street, Chicopee, Massachusetts 01013

(Address of principal executive offices) (Zip Code)

Registrant's telephone number: (413) 594-6692

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, no par value	NASDAQ Global Market

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark whether the registrant is a well known seasoned issuer, as defined in Rule 405 of the Securities Act. YES\_\_\_ NO X

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES NO X

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES X NO

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this

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chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.) YES ☒ NO ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☒

Non-accelerated filer ☐ Smaller reporting company ☐

(Do not check if a

smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12(b)-2 of the Exchange Act).

YES ☐ NO ☒

On June 30, 2015, the aggregate market value of the voting and non-voting common equity held by non-affiliates was \$86,301,411. The amount was based on the closing price as of June 30, 2015 on the NASDAQ Global select market for a share of the registrant's common stock, which was \$17.10.

The number of shares of Common Stock outstanding as of March 8, 2016 was 5,210,739.

#### DOCUMENTS INCORPORATED BY REFERENCE

Not applicable.

Explanatory Note

Chicopee Bancorp, Inc. (the “Company”) is filing this Amendment No. 1 on Form 10-K/A to its Annual Report on Form 10-K for the year ended December 31, 2015, as filed with the Securities and Exchange Commission on March 11, 2016 (the “Original Filing”), in accordance with General Instruction G(3) to Form 10-K, to include in the Form 10-K the information required to be filed pursuant to Part III of Form 10-K.

Except for the information described above, this Amendment No. 1 on Form 10-K/A does not amend or otherwise update any other information in the Original Filing on Form 10-K and this Amendment No. 1 speaks as of the filing date of our Original Filing on Form 10-K. Events occurring after the date of the Original Filing on Form 10-K or other disclosures necessary to reflect subsequent events have been or will be addressed in other reports filed with the SEC subsequent to the date of the Original Filing on Form 10-K.

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### PART III

#### Item 10. Directors, Executive Officers and Corporate Governance.

Our Board of Directors presently consists of nine members. Our Bylaws provide that our Board of Directors shall be divided into three classes, and one class of Directors is to be elected annually. Our Directors are generally elected to serve for a three-year period, or a shorter period if the Director is elected to fill a vacancy, and until their respective successors shall have been elected and shall qualify.

The business experience for at least the past five years of each member of the Board of Directors is set forth below. The biographies also contain information regarding the person's business experience and the experiences, qualifications, attributes or skills that caused the Corporate Governance and Nominating Committee and the Board of Directors to determine that the person should serve as a director. Age information is as of December 31, 2015. The indicated period for service as a director includes service as a director of the Bank.

##### Terms Expiring at the 2016 Annual Meeting of Shareholders

James P. Lynch retired in 2008 after serving 30 years with the Chicopee Housing Authority and 21 years as their Executive Director. Mr. Lynch currently is self-employed as a housing consultant specializing in public housing management. Mr. Lynch is currently serving on the following committees: Executive Committee, Loan Committee, Compensation Committee and Compliance Committee Chair. Mr. Lynch also resides on the Boards of the Company and the Bank's subsidiaries as well as the Board of the Chicopee Savings Bank Charitable Foundation. Mr. Lynch holds a Bachelor of Arts degree. Mr. Lynch's family owned and operated several retail establishments within the community as well. Mr. Lynch brings to the Board his extensive knowledge of the local housing and rental markets and his familiarity with the funding and administrative requirements of nonprofit organizations. Age 67. Director since 2004.

William D. Masse is the President of Granfield, Bugbee & Masse Insurance Agency. He has been in the insurance business since 1978, first with a national insurance company before moving to the agency side. He received his B.A. from Williams College where he majored in economics. He serves on the Company's Audit Committee, currently as Chairman, and on the Bank's Executive Committee. Mr. Masse also serves on the Boards of the Company and the Bank's subsidiaries. He has served on the boards of several non-profit organizations in the area including time as the president/chairman. This includes the Valley Opportunity Council, which is the largest and most diverse community action agency in the area where he has been on their board for over 20 years. Age 59. Director since 1998.

William J. Wagner has served as the President and Chief Executive Officer of Chicopee Savings Bank since 1984 and the President and the Chairman of the Board of Chicopee Bancorp, Inc, since its formation in 2006. Mr. Wagner also serves as the president of the Chicopee Savings Bank Charitable Foundation and as president of each of the company's subsidiary companies. Mr. Wagner is well known in the community through his active leadership roles and participation on the boards of several civic and charitable organizations. He currently serves as a director for the following organizations: Bankers Bank Northeast, the Savings Bank Employee Retirement Association, the Center for Financial Training (chairman), the Depositors Insurance Fund of Massachusetts, the Eastern States Exposition (treasurer), the Economic Development Council of Western Massachusetts, the Westmass Area Development Corporation and is an active member for several other organizations. Mr. Wagner also served as the past chairman of the board of the Holyoke Community College and also served on the board of the Sisters of Providence Health System. Many recognition awards have been bestowed upon Chicopee Savings Bank and/or Mr. Wagner for his leadership and direction of the Bank's philanthropic support. He is the recipient of The Warren Group/Banker & Tradesman's 2013 Community Bank Hero's Award, the 2013 Chicopee Boys & Girls Club's Prescott Founders Award, the 2010 Bishops' Catholic Schools Award from the Diocese of Springfield, the 2009 EXCEL Award from the Chicopee Council on Aging, the 2007 Paul Harris Fellowship Award from the Rotary of West Springfield, the 2006

First Annual Presidential Award from the Elms College, the 2005 Cathedral High School Distinguished Alumni Award, the 2005 Holyoke Community College Distinguished Service Award, and various non-profit humanitarian awards. Mr. Wagner is a graduate of Western New England University with a Bachelor of Business Administration degree in Accounting, cum laude. In 2003, he received an Honorary Doctorate of Law Degree from the Elms College. Age 69. Director since 1984.

Terms Expiring at the 2017 Annual Meeting of Stockholders:

William J. Giokas is the President and co-owner of Lamb Knitting Machine Corp. Mr. Giokas serves as the Clerk of the Corporation for Chicopee Savings Bank and the Lead Independent Director for Chicopee Bancorp, Inc. Mr. Giokas serves on the following committees: Executive Committee Chair, Loan Committee, Nominating and Corporate Governance Committee Chair, and the Asset/Liability Committee. Mr. Giokas also resides on the Boards of the Company and the Bank's subsidiaries as well as

the Board of the Chicopee Savings Bank Charitable Foundation. Mr. Giokas practiced law for five years prior to joining Lamb Knitting 28 years ago. Mr. Giokas has, in the past, served as Chairman/President of the board of directors of several local area non-profit organizations. Mr. Giokas holds a Bachelor of Science degree in mechanical engineering and a Juris Doctorate. Mr. Giokas brings both a business and legal perspective to our Board. Age 69. Director since 1987.

Gregg F. Orlen is the owner of Gregg Orlen Custom Homebuilders and works as an excavating contractor. Mr. Orlen serves on the following committees: Executive Committee, Loan Committee, Compensation Committee Chair and the Compliance Committee. Mr. Orlen also resides on the Boards of the Company and the Bank's subsidiaries as well as the Board of the Chicopee Savings Bank Charitable Foundation. Mr. Orlen served on the development committee for South Hadley's municipal golf course, The Ledges, and was responsible for the oversight of its construction phase. He remained on the golf course commission, while a resident of South Hadley. Mr. Orlen holds a Bachelor of Science in Business Management. Mr. Orlen is a well-established premier builder of residential homes within our market and brings to the Board his extensive knowledge of the local housing market. Age 66. Director since 1999.

Judith T. Tremble retired in January 2015 from her position as the Executive Vice President of Valley Communications Systems, Inc., where she was employed nearly 40 years. Valley Communications Systems, Inc., is a total communications systems business in operation since 1945 within Chicopee offering sales, service and design. Ms. Tremble currently serves on the following committees: Nominating and Corporate Governance Committee, Compliance Committee and the NonDeposit Investment Products Committee. For 15 years, Ms. Tremble served on the board of trustees of Bay Path University. She served on the board of Career Point (a non-profit workforce development agency) for 12 years and as their President for three of those years. She served as board chair for the Chicopee Chamber of Commerce for two years and continues to serve on their committees. She is a former member of the Rotary Club of Chicopee, having also served on their board for two years. Ms. Tremble has served on the boards of several other local non-profit organizations. She is a graduate of Marymount University, Virginia and Springfield College, Massachusetts. She is a licensed psychologist, retired, in the Commonwealth of Massachusetts. Ms. Tremble brings to the Board a unique perspective of the local business and educational community. Age 73. Director since 1999.

#### Terms Expiring at the 2018 Annual Meeting of Stockholders:

James H. Bugbee is the Vice President and Treasurer of Granfield, Bugbee & Masse Insurance Agency. Mr. Bugbee currently serves on the following committees: Loan Committee, Compensation Committee and the Nominating and Corporate Governance Committee. Mr. Bugbee holds a Bachelor of Science degree in Business Administration from Western New England University. He served as the past President/Chairman of several local non-profit organizations, including the Chicopee Boys & Girls Club. His expertise in the insurance industry, knowledge of the community, and business contacts are a value to the Company. Age 53. Director since 1996.

Gary G. Fitzgerald is a Certified Public Accountant and a Principal and Treasurer of Downey, Sweeney, Fitzgerald & Co., P.C. a Certified Public Accounting Firm. Mr. Fitzgerald served on the Board of Corporators of the Bank from 1993 until its dissolution in 2006. He holds a Masters of Science in Taxation degree. His extensive accounting background makes him a valuable asset as a member of the Company's Audit Committee. He has been designated by the Board as the Company's Financial Expert. Age 49. Director since 2009.

Paul C. Picknelly is a hotel owner and operator, as well as a commercial real estate developer. Mr. Picknelly currently serves as President of Monarch Enterprises, LLC (Monarch Place Office Tower, Sheraton Springfield, and the Hilton Garden Inn Hotels in Springfield and Worcester, MA) and manages various commercial real estate properties in the local area. Mr. Picknelly currently serves on the Audit Committee and brings to the Board his unique and extensive knowledge of the local economy from a hotel management and real estate developer perspective as well having many



community and political contacts. Age 55. Director since 2000.

Executive Officers Who Are Not Also Directors

Name	Principal Position
Guida R. Sajdak	Senior Vice President, Chief Financial Officer and Treasurer of Chicopee Bancorp and Senior Vice President and Treasurer of Chicopee Savings Bank
Russell J. Omer	Executive Vice President of Chicopee Bancorp and Executive Vice President, Lending of Chicopee Savings Bank

Below is information regarding our executive officers who are not also Directors. Unless otherwise stated, each executive officer has held his or her position for at least the last five years. Ages presented are as of December 31, 2015.

Russell J. Omer has served as Executive Vice President and Chief Lending Officer of Chicopee Bancorp since December 2008, and Senior Vice President of Chicopee Bancorp since 2006, and Senior Vice President, Lending since 1998. Age 65.

Guida R. Sajdak has served as Senior Vice President, Chief Financial Officer and Treasurer of Chicopee Bancorp since 2010. Ms. Sajdak has been employed by Chicopee Savings Bank since 1989. Prior to her most recent appointment, Ms. Sajdak held the title of Senior Vice President of Finance. Age 42.

#### Section 16(a) Beneficial Ownership Reporting Compliance

Our common stock is registered pursuant to Section 12(b) of the Securities Exchange Act of 1934, as amended. Our executive officers and directors and beneficial owners of greater than 10% of our common stock are required to file reports on Forms 3, 4 and 5 with the Securities and Exchange Commission disclosing beneficial ownership and changes in beneficial ownership of our common stock. Securities and Exchange Commission rules require disclosure in a company's annual proxy statement and annual report on Form 10-K of the failure of an executive officer, director or 10% beneficial owner of our common stock to file a Form 3, 4 or 5 on a timely basis. Based on our review of ownership reports, no executive officer, director or 10% beneficial owner of our common stock failed to file such ownership reports on a timely basis for the year ended December 31, 2015.

#### Codes of Business Conduct and Ethics

Chicopee Bancorp has adopted a Code of Ethics Policy (the "Code of Ethics") that is designed to ensure that directors and employees meet the highest standards of ethical conduct. The Code of Ethics, which applies to all employees and directors, addresses conflicts of interest, the treatment of confidential information, general employee conduct and compliance with applicable laws and regulations. In addition, the Code of Ethics is designed to deter wrongdoing, avoid the appearance of conflicts of interest and promote honest and ethical conduct, full and accurate disclosure and compliance with all applicable laws and regulations.

#### Audit Committee

The Audit Committee consists of Messrs. Masse, Fitzgerald and Picknelly, with Mr. Masse serving as chairman. Each is an "independent" director as defined in Rule 5605(a)(2) of the listing standards of the NASDAQ Stock Market and Rule 10A-3 of the Securities and Exchange Commission. Mr. Fitzgerald has been designated as the audit committee's financial expert.

#### Item 11. Executive Compensation.

##### Compensation Discussion and Analysis

##### Compensation Philosophy and Objectives

The compensation philosophy and objectives of Chicopee Bancorp, Inc. ("the Company"), begin with the premise that the success of the Company depends, in large part, on the dedication and commitment of the people we place in key operating positions and on the compensation program we provide such persons to complement our business strategy and other corporate objectives. The overall objective of our compensation program is to maximize shareholder value through the recruitment, retention and motivation of talented employees and officers (including Named Executive Officers, herein) of the Company. We recognize that the Company operates in a competitive environment for talent. Therefore, our approach to compensation considers the full range of compensation elements that enable us to compare favorably with our peers as we seek to attract and retain key personnel. We assess our compensation programs

annually from a market competitive perspective as well as a risk perspective and seek to use compensation practices common in the industry.

Our compensation program is based on the following four key goals:

Align with Stockholder Interest - As a public company, we use equity compensation as a key component of our compensation program to develop a culture of ownership among our key executives and to align their individual financial interests with the interests of our stockholders.

Drive Performance - We structure compensation in part on the attainment of company-wide objectives and individual performance objectives that contribute to our growth within a prudent risk tolerance. It is our belief that near term

loan and deposit growth is critical to achieving future profitability. Therefore, company-wide and individual objectives are weighted toward growth and credit quality.

• **Meet Employment Competitiveness** - Our goal is to compensate our employees at competitive levels that position us as the employer of choice among our peers who provide similar financial services in the communities we serve.

• **Reflect Our Business Philosophy** - Our approach to compensation reflects our values and the way we do business in the communities we serve.

This Compensation Discussion and Analysis is focused specifically on the compensation of three of the Company's executive officers, each of whom is named in the Summary Compensation Table following this Compensation Discussion and Analysis. The three executive officers are referred to in this Compensation Discussion and Analysis as "Named Executive Officers" and consist of the following:

Name	Title
William J. Wagner	President and Chief Executive Officer
Russell J. Omer	Executive Vice President and Chief Lending Officer
Guida R. Sajdak	Senior Vice President and Chief Financial Officer

#### Designing our Compensation Program

Our compensation program is designed to reward the Named Executive Officers based on their experience, management responsibilities and performance levels. The creation of long-term shareholder value is highly dependent on the development and effective execution of a Board-approved sound business strategy by our Named Executive Officers. Other considerations influencing the design of our executive compensation program are:

• experience in the financial services industry that promotes the safe and sound operation of the Company and prudent risk management;

• sufficient experience in our markets relating to the needs of our customers, products and services;

• individual performance and contribution in helping our entire management team achieve our long-term business strategies and control risks;

• retention and development of incumbent executives who meet or exceed performance objectives; and

• the compensation and employment practices of the Company's competitors in the marketplace.

#### Role of the Compensation Committee and Certain Executive Officers

The Compensation Committee of the Board of Directors is composed of three independent members of the Board and operates under a written charter. The Chicopee Bancorp, Inc. Compensation Committee Charter establishes a framework for the fulfillment of the Compensation Committee's responsibilities. Under the charter, the Compensation Committee is responsible for setting the compensation philosophy, overseeing the compensation and benefit programs and making recommendations to the full Board of Directors with respect to our compensation program related to the Named Executive Officers. The Compensation Committee reviews the charter at least annually to ensure that the scope of the charter is consistent with the Board of Directors' expectation of the role of the Compensation Committee.

The Board relies on the Compensation Committee to develop our executive compensation program and to monitor the success of the program in achieving the objectives of our compensation philosophy. The Compensation Committee is also responsible for the administration of our compensation programs and policies, including setting the overall level of base salary, incentives, benefits and contractual total compensation for our officers. The Compensation Committee reviews the risks associated with our compensation policies and practices and regularly evaluates and approves the elements of total compensation payable to the Named Executive Officers.

The executive officers who serve as a resource to the Compensation Committee are the President and Chief Executive Officer and the Senior Vice President of Human Resources. These executives attend the Compensation Committee meetings at the invitation of the Compensation Committee. The President and Chief Executive Officer and the Senior Vice President of Human Resources make recommendations from time to time regarding the appropriate mix and level of compensation for their subordinates. Those recommendations consider the objectives and elements of our compensation philosophy and the range of compensation programs authorized by the Compensation Committee. The two executives participate in Compensation Committee activities purely in an informational and advisory capacity and have no authority in the Compensation Committee's decision-making process. The President and Chief Executive Officer and the Senior Vice President of Human Resources do not attend the portion of the Compensation Committee meetings during which their own performance is evaluated or their compensation is being determined.

#### Role of Compensation Consultants

The Compensation Committee engages an independent compensation consulting firm to assist in the compensation governance process for the Named Executive Officers and other officers. The consultant is retained by and reports to the Compensation Committee. In developing compensation and incentive plans for the Named Executive Officers, the Compensation Committee utilized the services of Arthur Warren Associates.

In 2015, Arthur Warren Associates reviewed the elements of executive compensation to determine, among other tasks, whether any portion of executive compensation encouraged excessive risk taking. The Compensation Committee met with the compensation consultant several times throughout the year to evaluate the trends within the industry and the consultant's observations, analysis and recommendations. Total fees paid during the year 2015 for services performed by Arthur Warren Associates were \$26,474.

**Peer Group Analysis.** A critical element of our compensation philosophy and a key driver of specific compensation decisions for our Compensation Committee and our management team is the comparative analysis of all of the Company's employee compensation mix and levels relative to a peer group of publicly traded banks and mutual banks. We firmly believe that the cornerstone of our compensation program is the maintenance of competitive pay elements relative to the companies with whom we compete for talent. In 2015, our compensation peer group was selected with the assistance of our compensation consultant on the basis of several factors, including geographic location, asset size, operating characteristics and financial performance. The Compensation Committee evaluates our compensation program relative to our peers to ensure that our program is consistent with best practices in our industry. The peer group consists of 15 publicly traded banks within New England having assets ranging between \$264.6 million and \$1.5 billion. The banks included in the peer analysis are Bankwell Financial Group Inc.; Bar Harbor Bankshares; Belmont Savings Bank; Community Bancorp; Georgetown Bancorp; Hingham Institution for Savings; Lake Sunapee Bank Group; PSB Holdings Salisbury Bancorp, Inc.; SBT Bancorp, Inc.; SI Financial Group, Inc.; The First Bancorp, Inc.; Union Bankshares, Inc.; Wellesley Bancorp, Inc.; and Westfield Financial, Inc. The Compensation Committee also evaluated published compensation survey data and other relevant information provided in the 2015 Pearl Meyer & Partners Northeast Bankers Survey. Annually, we participate in a compensation survey with Pearl Meyer & Partners located in Wellesley, Massachusetts. This survey includes 100 financial institutions with operations primarily in Massachusetts with over 14,700 incumbents. Participants in the survey matched 243 positions (officer and non-officer). All data was effective as of April 1, 2015, with bonus and short-term (annual) incentive plan pay-outs based on the 2014 calendar year that may have been paid in 2015. The survey consisted of various asset-size groupings and also provided current compensation trends and observations within the market for compensation policies and practices. Compensation data for officer positions was reported by asset size as well as mutual vs. stock form of ownership and detailed short-term and long-term incentive data. The Company was able to compare compensation for its Named Executive Officers to those within our asset size range and geographic region.

When evaluating compensation for our officers, in addition to considering the relevance of the data provided in the publicly traded stock bank peer group analysis and the compensation surveys, the following is also considered:

- our business need for certain officer level skills;
- the contributions an officer has made or we believe will make to our success; and
- the transferability of an officer's managerial skills to other potential employers.

#### Elements of Compensation

Our compensation program for the Named Executives currently relies on four primary elements: (i) base salary; (ii) discretionary cash-based, short-term incentive compensation for certain employees not including the Named Executive Officers; (iii) discretionary long-term performance incentives in the form of stock-based compensation and long-term incentive

compensation; and (iv) employee benefits to provide for appropriate and meaningful income replacement in the event of retirement, sickness, accident, death or disability. We believe we can meet the objectives of our compensation philosophy by achieving a balance among these four elements that is competitive with our industry peers and creates appropriate incentives for our management team.

**Base Compensation.** The base salaries of our Named Executive Officers are reviewed at least annually to assess our competitive position and make any necessary adjustments. Our goal is to maintain salary levels for our Named Executive Officers at a level consistent with base salary received by those in comparable positions at our peers. To further that goal, we obtain peer data from a variety of sources including an independent compensation consultant. We also evaluate salary levels at the time of promotion or other change in responsibilities or as a result of specific commitments we made when a specific officer was hired. Individual performance and retention risk are also considered as part of our annual assessment. See “Executive Compensation - Summary Compensation Table” in this document for the salaries paid to our Named Executive Officers in 2015.

**Annual Cash-Based, Short-Term Incentive Compensation.** The Company did not implement a cash-based, short-term incentive plan for the Named Executive Officers in 2015. Consequently, the Named Executive Officers did not receive a short-term, cash bonus for 2015.

**Long-Term Performance Incentive Compensation.** Our long-term incentive compensation program is based on the delivery of non-equity incentive compensation and equity-based compensation in accordance with the following two plans:

**Non-Equity Incentive Compensation.** The Chicopee Bancorp, Inc. 2012 Phantom Stock Unit Award and Long-Term Incentive Plan (LTIP) is intended to supplement selected key contributor compensation and to encourage participants to accomplish longer term performance objectives consistent with the Company’s business objectives. The LTIP is an annual cash-based incentive plan by which certain bonuses are awarded based on obtaining EPS and other bank performance measures determined by the Board and paid to the participant at the end of three years. Under the LTIP, our Named Executive Officers were granted phantom stock unit awards on January 1, 2016, as follows: William J. Wagner was granted 3,838.64 units; Russell J. Omer was granted 2,253.54 units and Guida R. Sajdak was granted 1,634.15 units.

**Equity-Based Compensation.** The Compensation Committee believes that equity-based compensation is an important element of our overall compensation philosophy that providing officers and directors with incentives linked to the performance of our common stock enables us to retain high level executives and ties the compensation of those executives to the creation of long-term value for our shareholders. The Company sponsors the 2007 Equity Incentive Plan to achieve this goal. The nature and size of the awards under our equity-based program are based on a number of factors including performance objectives, awards made to those holding comparable positions in our peer group, applicable regulatory restrictions and the tax consequences and accounting treatment of specific equity compensation techniques. In 2015, our Named Executive Officers did not receive a grant of stock options or restricted awards under the 2007 Equity Incentive Plan.

**Employee Benefit Compensation.** The Compensation Committee believes that the employee benefit program should be competitive and consistent with our employee needs. Moreover, our executives and employees live in the communities we serve and their welfare is important. The Compensation Committee balances employee benefit compensation to meet income replacement needs in the event of death, sickness, retirement and disability.

**Allocation Among Compensation Elements**



The mix of base salary, short-term, cash-based incentives, long-term incentive compensation and benefits varies depending upon the role and responsibility of the individual officer in the organization. Benefits round out the total compensation. All compensation elements are allocated to achieve the Company's total pay philosophy of balancing risk and reward.

**Risk Management.** The Compensation Committee believes that any risks arising from our compensation policies and practices for all of our employees, including our Named Executive Officers, are not reasonably likely to have a material adverse effect on the Company or Chicopee Savings Bank. In addition, the Compensation Committee believes that the design and balance of the elements of our compensation program will encourage management to act in a manner that is focused on the long-term valuation of the Company and Chicopee Savings Bank. The Compensation Committee concluded that weighting the pay-mix towards long-term equity incentive compensation discourages inappropriate short-term risk taking.

The Compensation Committee regularly reviews all our incentive-based plans to ensure that controls are in place so that our employees are not presented with opportunities to take unnecessary and excessive risks that could threaten the value of the Company and Chicopee Savings Bank. With respect to the incentive compensation plans, the Compensation Committee reviews and approves the company-wide performance objectives that determine the bonus payments to be made thereunder. The

performance objectives selected are customary performance metrics for financial institutions in our peer group. In addition, we have a Clawback Policy to recover certain incentive payments paid to the Company's Named Executive Officers in the event the Compensation Committee determines that fraud, material error, gross negligence or intentional misconduct by a Named Executive Officer contributed to the Company's restatement of its financial statements.

**Shareholder Say-on-Pay.** At the Company's 2015 annual meeting, our shareholders overwhelmingly supported our "say-on-pay" proposal with 90.3% of the votes cast voting to approve the executive compensation disclosed in last year's Proxy Statement. The Compensation Committee considers the shareholder advisory vote from the most recent annual meeting, along with commentary from proxy advisory firms that opined on the matters voted on at the meeting.

#### Potential Post-Termination or Change in Control Benefits

We recognize that an important consideration in our ability to attract and retain key personnel is our ability to minimize the impact on our management team of the possible disruption associated with our analysis and incorporation of strategic opportunities. Accordingly, we believe that it is in the best interest of the Company and its shareholders to provide our key personnel with reasonable financial arrangements in the event of termination of employment following a change in control or involuntary termination of employment for reasons other than cause. Each of our Named Executive Officers has an employment agreement that provides for certain benefits in the event of voluntary or involuntary termination following a change in control. In addition, the employment agreements contain provisions that provide for certain severance benefits in the event we terminate an executive's employment for reasons other than cause.

The Company entered into change in control agreements with three officers and maintains an employee severance compensation plan for all eligible employees who do not have a change in control agreement or employment agreement. These change in control agreements and the employee severance compensation plan provides the covered employees with a severance benefit in the event their employment is terminated following a change in control.

#### Tax and Accounting Considerations

In consultation with our tax and accounting advisors, we evaluate the tax consequences to the Company and accounting treatment of each of our compensation programs at the time of adoption and on an annual basis to ensure that we understand the financial impact of the program. Our analysis includes a detailed review of recently adopted and pending changes in tax and accounting requirements. As part of our review, we consider modifications and/or alternatives to existing programs to take advantage of favorable changes in the tax or accounting environment or to avoid adverse consequences.

#### Retirement Benefits

We offer our employees two tax-qualified retirement plans, which include a 401(k) plan and an employee stock ownership plan (ESOP).

Our primary retirement vehicle is our 401(k) plan, which enables our employees to supplement their retirement savings with voluntary contributions of deferred compensation that we match up to a specified level. We also provide an annual Safe Harbor contribution of 3% of pay.

In addition, we maintain an employee stock ownership plan (ESOP) that allows participants to accumulate a retirement benefit in Company stock funded by the employer.

Consistent with industry practice, we supplement our tax-qualified plans with nonqualified arrangements that provide benefits to certain officers who are affected by Internal Revenue Code limits applicable to tax-qualified plans. We provide our President and Chief Executive Officer and the Executive Vice President and Chief Lending Officer with supplemental executive retirement agreements, which provide the executives with an annual retirement benefit. See “Executive Compensation - Nonqualified Deferred Compensation” in this document for a description of the Supplemental Executive Retirement Plan (SERP).

## Perquisites

We provide certain officers, including the President and Chief Executive Officer, the Executive Vice President and Chief Lending Officer and the Senior Vice President and Chief Financial Officer, with limited perquisites similar to those provided to executives employed by our peers. All perquisites have a business purpose and are intended to further the officers' abilities to promote the business purposes of the Company in our markets and to reflect competitive practices for similarly situated officers employed by our peers.

## Director Compensation

Our independent Directors are compensated through a combination of retainers and meeting fees. Independent Directors also participate in our 2007 Equity Incentive Plan. Our non-independent Director, who is also an employee of the Company, does not receive additional compensation for service on the Board. The level and mix of director compensation is reviewed annually by the Compensation Committee to ensure consistency with the objectives of our overall compensation philosophy. Survey data provided by Pearl Meyer & Partners, publicly traded stock bank peer group data and Arthur Warren Associates is used for the review process to ensure our Directors are compensated fairly and comparably with our peers. See "Director Compensation" in this document for the compensation paid to our Board of Directors in 2015.

## Stock Compensation Grant and Award Practices

The Compensation Committee annually considers whether to make stock option grants and/or award other forms of equity under the 2007 Equity Incentive Plan. Future grants or awards may be made based on specific circumstances such as a new hire, a contractual commitment or a change in position or responsibility. Under the 2007 Equity Incentive Plan, as approved by the Company's shareholders in 2007, the exercise price of a stock option is the closing market price on the date of a grant. The grant date is the date the Compensation Committee approves the award in accordance with the Plan.

As a general matter, the Compensation Committee's process is independent of any consideration of the timing of the release of material nonpublic information, including the determination of grant dates or stock option exercise prices. The Compensation Committee's actions are reported to the Board of Directors for their support. Similarly, we have never timed the release of material nonpublic information with the purpose or intent of affecting the value of executive compensation.

## Stock Ownership Requirements

While we have not adopted formal stock ownership requirements for our executive officers and Board members, Massachusetts law requires that each director own Company common stock having a fair market value of not less than \$1,000. However, as a practical matter, our Named Executive Officers and Directors hold significant interests in our stock, whether accumulated through individual purchases or participation in stock compensation programs. See the "Stock Ownership" section in this document.

## Compensation for the Named Executive Officers

The Compensation Committee reviews and approves base salaries for the Named Executive Officers in a manner consistent with the base salary guidelines applied to executive officers of the Company as a whole. In general, the Compensation Committee considers the Company's financial performance, peer group financial performance and compensation survey data when making decisions regarding a Named Executive Officer's compensation, including

base salary, incentive compensation and awards made under the 2007 Equity Incentive Plan. For detailed information on the Company's peer group, see "Role of Compensation Consultants" section of this report.

**Chief Executive Officer Compensation.** In determining Mr. Wagner's compensation, the Compensation Committee conducted a performance appraisal that reviewed Mr. Wagner's financial, strategic and operational achievements. The Compensation Committee, as well as the full Board of Directors, determined that the Company outperformed many of its strategic objectives during the past year under the leadership of CEO Wagner and increased Mr. Wagner's base compensation by 6% to \$460,000 for 2016. On December 16, 2015, the Company's Board of Directors extended Mr. Wagner's employment agreement for an additional year so that the term of the agreement remains three years.

**Other Named Executive Officers.** The Compensation Committee increased base compensation for the other Named Executive Officers for 2016 as follows: Russell J. Omer by 5.3% to \$270,000 and Guida R. Sajdak by 5.4% to \$196,000. In addition, on September 24, 2015, the Company's Board of Directors approved a three-year employment agreement for Guida R.

Sajdak, and on October 28, 2015, the employment agreement was accepted by Ms. Sajdak. On December 16, 2015, the Company's Board of Directors extended Mr. Omer's employment agreement for an additional year so that the term of the agreement remains three years.

The Compensation Committee believes that the compensation for the Named Executive Officers is consistent with our compensation philosophy as described above.

#### COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Compensation Committee has reviewed and discussed the section of this annual report entitled "Compensation Discussion and Analysis" with management. Based on this review and discussion, the Compensation Committee recommended to the board of directors that the "Compensation Discussion and Analysis" be included in this annual report.

The Compensation Committee

Gregg F. Orlen, Chairman

James H. Bugbee

James P. Lynch

Executive Compensation

Summary Compensation Table

The table below provides the total compensation paid to, or earned by, the Chairman, President and Chief Executive Officer, the Senior Vice President and Chief Financial Officer, and the Executive Vice President and Chief Lending Officer, for the years ended December 31, 2015, 2014 and 2013.

Name and Principal Position	Year	Salary(\$)	Option Awards <sup>(1)</sup>	All Other Compensation (\$) <sup>(2)</sup>	Total (\$)
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William J. Wagner	2015				
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