SI Financial Group, Inc.
Form DEF 14A
April 01, 2010

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.____)

Filed by the registrant x Filed by a party other than the registrant ¨

Check the appropriate box:

¨ Preliminary proxy statement

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

x Definitive proxy statement

¨ Definitive additional materials

¨ Soliciting material pursuant to §240.14a-12

SI FINANCIAL GROUP, INC.

(Name of Registrant as Specified in Its Charter)

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

Payment of filing fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

N/A

(2) Aggregate number of securities to which transactions applies:

N/A

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

N/A

(4) Proposed maximum aggregate value of transaction:

N/A

(5) Total fee paid:

N/A

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

N/A

(2) Form, Schedule or Registration Statement No.:

N/A

(3) Filing Party:

N/A

(4) Date Filed:

N/A

[SI Financial Group, Inc. Logo]

April 1, 2010

Dear Stockholder:

You are cordially invited to attend the annual meeting of stockholders of SI Financial Group, Inc. (the Company). The meeting will be held at the Savings Institute Bank and Trust Company Training Center, 579 North Windham Road, North Windham, Connecticut, on Wednesday, May 12, 2010 at 9:00 a.m., local time.

The notice of annual meeting and proxy statement appearing on the following pages describe the formal business to be transacted at the meeting. During the meeting, we will also report on the operations of the Company. Directors and officers of the Company, as well as a representative of Wolf & Company, P.C., the Company s independent registered public accounting firm, will be present to respond to appropriate questions of stockholders.

It is important that your shares are represented at this meeting, whether or not you attend the meeting in person and regardless of the number of shares you own. To make sure your shares are represented, we urge you to complete and mail the proxy card provided to you. If you attend the meeting, you may vote in person even if you have previously voted.

We look forward to seeing you at the meeting.

Sincerely,

/s/ Rheo A. Brouillard
Rheo A. Brouillard
President and Chief Executive Officer

SI FINANCIAL GROUP, INC.

803 MAIN STREET

WILLIMANTIC, CONNECTICUT 06226

(860) 423-4581

NOTICE OF 2010 ANNUAL MEETING OF STOCKHOLDERS

TIME AND DATE	9:00 a.m., local time, on Wednesday, May 12, 2010
PLACE	The Savings Institute Bank and Trust Company Training Center 579 North Windham Road North Windham, Connecticut
ITEMS OF BUSINESS	(1) To elect two directors to serve for a term of three years. (2) To ratify the selection of Wolf & Company, P.C. as our independent registered public accounting firm for 2010. (3) To transact such other business as may properly come before the meeting and any adjournment or postponement of the meeting.
RECORD DATE	To vote, you must have been a stockholder at the close of business on March 15, 2010.
PROXY VOTING	It is important that your shares be represented and voted at the meeting. You can vote your shares by completing and returning the proxy card or voting instruction card provided to you. Voting instructions are printed on your proxy or voting instruction card and included in the accompanying proxy statement. A printed proxy card for the annual meeting and a self-addressed envelope will be mailed to all stockholders of record on or about April 11, 2010. You can revoke a proxy at any time before its exercise at the meeting by following the instructions in the proxy statement.

/s/ Sandra M. Mitchell

Sandra M. Mitchell

Corporate Secretary

April 1, 2010

SI FINANCIAL GROUP, INC.

PROXY STATEMENT

General Information

We are providing this proxy statement to you in connection with the solicitation of proxies by the Board of Directors of SI Financial Group, Inc. for the 2010 annual meeting of stockholders and for any adjournment or postponement of the meeting. In this proxy statement, we may also refer to SI Financial Group, Inc. as SI Financial, the Company, we, our or us.

SI Financial is the holding company for Savings Institute Bank and Trust Company. In this proxy statement, we may also refer to Savings Institute Bank and Trust Company as Savings Institute or the Bank.

We are holding the 2010 annual meeting at the Savings Institute Bank and Trust Company Training Center, 579 North Windham Road, North Windham, Connecticut on Wednesday, May 12, 2010 at 9:00 a.m., local time.

We intend to provide access to this proxy statement and a proxy card to stockholders of record beginning on or about April 1, 2010.

Important Notice Regarding the Availability of Proxy Materials for the

2010 Annual Meeting of Stockholders to be held on May 12, 2010

This proxy statement and our 2009 Annual Report are available electronically at www.cfpproxy.com/5697. On this website, the Company also posts the Company s 2009 Annual Report on Form 10-K, as filed with the Securities and Exchange Commission.

Information About Voting

Who Can Vote at the Meeting

You are entitled to vote the shares of SI Financial common stock that you owned as of the close of business on March 15, 2010. As of the close of business on March 15, 2010, a total of 11,789,202 shares of SI Financial common stock were outstanding, including 7,286,975 shares of common stock held by SI Bancorp, MHC (SI Bancorp). Each share of common stock has one vote.

Ownership of Shares; Attending the Meeting

You may own shares of SI Financial in one of the following ways:

Directly in your name as the stockholder of record;

Indirectly through a broker, bank or other holder of record in street name ; or

Indirectly through the SI Financial Group, Inc. Stock Fund (the Stock Fund) in the Savings Institute Bank and Trust Company Profit Sharing and 401(k) Savings Plan (the 401(k) Plan), the Savings Institute Bank and Trust Company Employee Stock Ownership Plan (the ESOP) and Trust, or the trust that holds restricted stock awards issued under the SI Financial Group, Inc. 2005 Equity Incentive Plan (the Equity Incentive Plan).

If your shares are registered directly in your name, you are the holder of record of these shares and we are providing these proxy materials directly to you. As the holder of record, you have the right to give your proxy directly to us or to vote in person at the meeting.

If you hold your shares in street name, your broker, bank or other holder of record is sending these proxy materials to you. As the beneficial owner, you have the right to direct your broker, bank or other holder of record how to vote by filling out a voting instruction form that accompanies your proxy materials. Your broker, bank or other holder of record may allow you to provide voting instructions by telephone or by the Internet. Please see the instruction form provided by your broker, bank or other holder of record that accompanies this proxy statement. If you hold your shares in street name, you will need proof of ownership to be admitted to the meeting. A recent brokerage statement or letter from a bank or broker are examples of proof of ownership. If you want to vote your shares of SI Financial common stock held in street name in person at the meeting, you must obtain a written proxy in your name from the broker, bank or other nominee who is the record holder of your shares.

Quorum and Vote Required

***Quorum*.** We will have a quorum and be able to conduct the business of the annual meeting if the holders of a majority of the outstanding shares of common stock entitled to vote are present at the meeting, either in person or by proxy.

***Votes Required for Proposals*.** At this year s annual meeting, stockholders will be asked to elect two directors to serve a term of three years. In voting on the election of directors, you may vote in favor of the nominees, withhold votes as to both or either nominee. There is no cumulative voting for the election of directors. Directors must be elected by a plurality of the votes cast at the annual meeting. This means that the nominees receiving the greatest number of votes will be elected.

In voting on the ratification of the appointment of Wolf & Company, P.C. as the Company s independent registered public accounting firm, you may vote in favor of the proposal, vote against the proposal or abstain from voting. To ratify the selection of Wolf & Company as our independent registered public accounting firm for 2010, the affirmative vote of a majority of the shares represented at the meeting and entitled to vote is required.

Effect of Not Casting Your Vote. If you hold your shares in street name it is critical that you cast your vote if you want it to count in the election of directors (Item 1 of this Proxy Statement). In the past, if you held your shares in street name and you did not indicate how you wanted your shares voted in the election of directors, your bank or broker was allowed to vote those shares on your behalf in the election of directors as they felt appropriate.

Recent changes in regulation were made to take away the ability of your bank or broker to vote your uninstructed shares in the election of directors on a discretionary basis. Thus, if you hold your shares in street name and you do not instruct your bank or broker how to vote in the election of directors, no votes will be cast on your behalf. These are referred to broker non-votes. Your bank or broker will, however, continue to have discretion to vote any uninstructed shares on the ratification of the appointment

of the Company s independent registered public accounting firm (Item 2 of this Proxy Statement). If you are a shareholder of record and you do not cast your vote, no votes will be cast on your behalf on any of the items of business at the annual meeting.

How We Count Votes. If you return valid proxy instructions or attend the meeting in person, we will count your shares to determine whether there is a quorum, even if you abstain from voting. Broker non-votes also will be counted to determine the existence of a quorum.

In the election of directors, votes that are withheld and broker non-votes will have no effect on the outcome of the election.

In counting votes on the proposal to ratify the selection of the independent registered public accounting firm, abstentions will have the same effect as a negative vote while broker non-votes will have no effect on the proposal.

Because SI Bancorp owns in excess of 50% of the outstanding shares of SI Financial common stock, the votes it casts will ensure the presence of a quorum and determine the outcome of Item 1 (Election of Directors) and Item 2 (Ratification of the Independent Registered Public Accounting Firm).

Voting by Proxy

The Board of Directors of SI Financial is providing you this proxy statement to request that you allow your shares of SI Financial common stock to be represented at the annual meeting by the persons named in the proxy card. All shares of SI Financial common stock represented at the annual meeting by properly executed and dated proxy cards will be voted according to the instructions indicated on the proxy card. If you sign, date and return a proxy card without giving voting instructions, your shares will be voted as recommended by the Company s Board of Directors. **The Board of Directors recommends a vote FOR each of the nominees for director and FOR ratification of Wolf & Company, P.C. as the independent registered public accounting firm.**

If any matters not described in this proxy statement are properly presented at the annual meeting, the persons named in the proxy card will use their judgment to determine how to vote your shares. This includes a motion to adjourn or postpone the annual meeting to solicit additional proxies. If the annual meeting is postponed or adjourned, your SI Financial common stock may be voted by the persons named in the proxy card on the new annual meeting date as well, unless you have revoked your proxy. We do not know of any other matters to be presented at the annual meeting.

You may revoke your proxy at any time before the vote is taken at the meeting. To revoke your proxy, you must either advise the Corporate Secretary of the Company in writing before your common stock has been voted at the annual meeting, deliver a later dated proxy or attend the meeting and vote your shares in person. Attendance at the annual meeting will not in itself constitute revocation of your proxy.

Participants in the ESOP, 401(k) Plan or Equity Incentive Plan

If you participate in the ESOP, the Equity Incentive Plan or if you invest in SI Financial common stock through the Stock Fund in the 401(k) Plan, you will receive a voting instruction card for each plan that will reflect all the shares that you may direct the trustees to vote on your behalf under the respective plans. Under the terms of the ESOP, all allocated shares of SI Financial common stock held by the ESOP are voted by the ESOP trustee, as directed by plan participants. All unallocated shares of SI Financial

common stock held by the ESOP and all allocated shares for which no timely voting instructions are received are voted by the ESOP trustee in the same proportion as shares for which the trustee received voting instructions from other plan participants, subject to the exercise of its fiduciary duties. Under the terms of the 401(k) Plan, participants may direct the Stock Fund trustee how to vote the shares credited to their accounts. The Stock Fund trustee will vote all shares for which it does not receive timely instructions from participants in the same proportion as shares for which the trustee received voting instructions from other plan participants. Under the Equity Incentive Plan, participants may direct the plan trustee how to vote the unvested shares of restricted stock awards. The plan trustee will vote all shares held in the trust for which it does not receive timely instructions as directed by SI Financial. **The deadline for returning your voting instruction cards is May 3, 2010.**

Corporate Governance and Board Matters

Director Independence

The Company s Board of Directors currently consists of seven members, all of whom are independent under the listing standards of The NASDAQ Stock Market, except for Mr. Brouillard, who is President and Chief Executive Officer of SI Financial and Savings Institute. In determining the independence of its directors, the Board considered transactions, relationships and arrangements between the Company and its directors that are not required to be disclosed in this proxy statement under the heading *Transactions with Related Persons,* including loans or lines of credit that the Bank has directly or indirectly made to Directors Alliod, Brouillard, Engle, Evan, Garvey and Gillard.

Board Leadership Structure and Board s Role in Risk Oversight

The Board of Directors has determined that the separation of the offices of Chairman of the Board and President and Chief Executive Officer will enhance Board independence and oversight. Moreover, the separation of the Chairman of the Board and President and Chief Executive Officer will allow the President and Chief Executive Officer to better focus on his growing responsibilities of running the Company, enhancing shareholder value and expanding and strengthening our franchise while allowing the Chairman of the Board to lead the Board in its fundamental role of providing advice to and independent oversight of management. Consistent with this determination, Henry P. Hinckley serves as Chairman of the Board of Directors. Mr. Hinckley is independent under the listing requirements of The NASDAQ Stock Market.

Risk is inherent with every business, and how well a business manages risk can ultimately determine its success. We face a number of risks, including credit risk, interest rate risk, liquidity risk, operational risk, strategic risk and reputation risk. Management is responsible for the day-to-day management of risks the Company faces, while the Board, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, the Board of Directors has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed. To do this, the Chairman of the Board meets regularly with management to discuss strategy and the risks facing the Company. Senior management attends the Board meetings and is available to address any questions or concerns raised by the Board on risk management and any other matters. The Chairman of the Board and independent members of the Board work together to provide strong, independent oversight of the Company s management and affairs through its standing committees and, when necessary, special meetings of independent directors.

Corporate Governance Policies

The Board of Directors has adopted a corporate governance policy to govern certain activities, including: the duties and responsibilities of directors; the composition, responsibilities and operation of the Board of Directors; the establishment and operation of Board committees; succession planning; convening executive sessions of independent directors; the Board of Directors interaction with management and third parties; and the evaluation of the performance of the Board of Directors and of the Chief Executive Officer.

Committees of the Board of Directors

The following table identifies the Company s standing committees and their members as of March 15, 2010. All members of each committee are independent in accordance with the listing requirements of The NASDAQ Stock Market. Each committee operates under a written charter that is approved by the Board of Directors that governs its composition, responsibilities and operation. Each committee reviews and reassesses the adequacy of its charter at least annually. The charters of all three committees are available in the Governance Documents portion of the Investor Relations section of the Company s Web site (www.mysifi.com).

Director	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee
Mark D. Alliod	X*		
Rheo A. Brouillard			
Roger Engle	X	X*	
Donna M. Evan	X	X	X*
Michael R. Garvey	X		X
Robert O. Gillard			X
Henry P. Hinckley		X	
Number of Meetings in 2009	5	6	5

*Chairperson

Audit Committee. The Audit Committee meets periodically with the independent registered public accounting firm and management to review accounting, auditing, internal control structure and financial reporting matters. The committee also receives and reviews the reports and findings and other information presented to them by the Company s officers regarding financial reporting policies and practices. The Audit Committee selects the independent registered public accounting firm and meets with them to discuss the results of the annual audit and any related matters. The Board of Directors has determined that Mr. Alliod is an audit committee financial expert under the rules of the Securities and Exchange Commission. Mr. Alliod is independent under the listing standards of The NASDAQ Stock Market applicable to audit committee members.

Compensation Committee. The Compensation Committee approves the compensation objectives for the Company and the Bank, establishes the compensation for the President and Chief Executive Officer and other executives and establishes personnel policies. The Compensation Committee reviews all components of compensation including base salary, bonus, equity compensation, benefits and other perquisites. In addition to reviewing competitive market values, the Compensation Committee also examines the total compensation mix, pay-for-performance relationship and how all elements, in the aggregate, comprise the executives total compensation package. The Chief Executive Officer makes recommendations to the Compensation Committee from time to time regarding the appropriate mix and

level of compensation for other officers. Those recommendations consider the objectives of our compensation philosophy and the range of compensation programs authorized by the Compensation Committee. Decisions by the Compensation Committee with respect to the compensation of executive officers are approved by the full Board of Directors. The Compensation Committee also assists the Board of Directors in evaluating potential candidates for executive positions.

The Compensation Committee, in conjunction with the Nominating and Corporate Governance Committee, considers the appropriate levels and form of director compensation and makes recommendations to the Board of Directors regarding director compensation.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee takes a leadership role in shaping governance policies and practices, including recommending to the Board of Directors the corporate governance policies and guidelines applicable to SI Financial and monitoring compliance with these policies and guidelines. In addition, the Nominating and Corporate Governance Committee is responsible for identifying individuals qualified to become Board members and recommending to the Board the director nominees for election at the next annual meeting of stockholders. It recommends director candidates for each committee for appointment by the Board.

Minimum Qualifications. The Nominating and Corporate Governance Committee has adopted a set of criteria that it considers when it selects individuals to be nominated for election to the Board of Directors. First, a candidate must meet the eligibility requirements set forth in the Company s bylaws, which include an age limitation, a stock ownership requirement and a requirement that the candidate not have been subject to certain criminal or regulatory actions. A candidate also must meet any qualification requirements set forth in any Board or committee governing documents.

If the candidate is deemed eligible for election to the Board of Directors, the Nominating and Corporate Governance Committee will then evaluate the prospective nominee to determine if he or she possesses the following qualifications, qualities or skills:

- contributions to the range of talent, skill and expertise appropriate for the Board;
- financial, regulatory and business experience, knowledge of the banking and financial service industries, familiarity with the operations of public companies and ability to read and understand financial statements;
- familiarity with the Company s market area and participation in and ties to local businesses and local civic, charitable and religious organizations;
- personal and professional integrity, honesty and reputation;
- the ability to represent the best interests of the stockholders of the Company and the best interests of the institution;
- the ability to devote sufficient time and energy to the performance of his or her duties;
- independence under applicable Securities and Exchange Commission and listing definitions; and
- current equity holdings in the Company.

The Committee will also consider any other factors it deems relevant, including age, size of the Board of Directors and regulatory disclosure obligations. Further, when identifying nominees to serve as director, the Nominating and Corporate Governance Committee seeks to create a Board that is strong in its collective knowledge and has a diversity of skills and experience with respect to accounting and finance, management and leadership, vision and strategy, business operations, business judgment, industry knowledge and corporate governance.

In addition, before nominating an existing director for re-election to the Board of Directors, the Nominating and Corporate Governance Committee will consider and review an existing director s Board and Committee attendance and performance; length of Board service; the experience, skills and contributions that the existing director brings to the Board; and independence.

Director Nomination Process. The Nominating and Corporate Governance Committee adheres to the following process when it identifies and evaluates individuals to be nominated for election to the Board of Directors:

For purposes of identifying nominees for the Board of Directors, the Nominating and Corporate Governance Committee relies on personal contacts of the Committee members and other members of the Board of Directors, as well as its knowledge of members of Savings Institute s local communities. The Nominating and Corporate Governance Committee will also consider director candidates recommended by stockholders in accordance with the policy and procedures set forth below. The Nominating and Corporate Governance Committee has not previously used an independent search firm in identifying nominees.

In evaluating potential nominees, the Nominating and Corporate Governance Committee determines whether the candidate is eligible and qualified for service on the Board of Directors by evaluating the candidate under the selection criteria set forth above. In addition, the Nominating and Corporate Governance Committee will conduct a check of the individual s background and interview the candidate.

***Consideration of Recommendations by Stockholders*.** It is the policy of the Nominating and Corporate Governance Committee of the Board of Directors of the Company to consider director candidates recommended by stockholders who appear to be qualified to serve on the Company s Board of Directors. The Nominating and Corporate Governance Committee may choose not to consider an unsolicited recommendation if no vacancy exists on the Board of Directors and the Nominating and Corporate Governance Committee does not perceive a need to increase the size of the Board of Directors. To avoid the unnecessary use of the Nominating and Corporate Governance Committee s resources, the Nominating and Corporate Governance Committee will consider only those director candidates recommended in accordance with the procedures set forth below.

Procedures to be Followed by Stockholders. To submit a recommendation of a director candidate to the Nominating and Corporate Governance Committee, a stockholder should submit the following information in writing, addressed to the Chairperson of the Nominating and Corporate Governance Committee, care of the Corporate Secretary, at the main office of the Company:

1. The name of the person recommended as a director candidate;

2. All information relating to such person that is required to be disclosed in solicitations of proxies for election of directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended;

3. The written consent of the person being recommended as a director candidate to being named in the proxy statement as a nominee and to serving as a director if elected;

4. As to the stockholder making the recommendation, the name and address, as they appear on the Company s books, of such stockholder; provided, however, that if the stockholder is not a registered holder of the Company s common stock, the stockholder should submit his or her name and address along with a current written statement from the record holder of the shares that reflects ownership of the Company s common stock; and

5. A statement disclosing whether such stockholder is acting with or on behalf of any other person and, if applicable, the identity of such person.

In order for a director candidate to be considered for nomination at the Company s annual meeting of stockholders, the recommendation must be received by the Nominating and Corporate Governance Committee at least 120 calendar days before the date the Company s proxy statement was released to stockholders in connection with the previous year s annual meeting, advanced by one year.

Directors Compensation

The following table provides the compensation received by individuals who served as non-employee directors of the Company during 2009. The table excludes perquisites, which did not exceed $10,000 in the aggregate for each director.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)	Option Awards ($)(2)	Nonqualified Deferred Compensation Earnings ($)(3)	All Other Compensation ($)(4)	Total ($)
Mark D. Alliod	$ 22,800	$ 4,500	$	$ 1,272	$	$ 28,572
Roger Engle	23,200				160	23,360
Donna M. Evan	20,800				160	20,960
Michael R. Garvey	23,200	2,250				25,450
Robert O. Gillard	23,200			2,613	160	25,973
Henry P. Hinckley	32,800				192	32,992
Steven H. Townsend[5]	10,100				160	10,260

(1) Reflects the aggregate grant date fair value for restricted stock awards granted during the year computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 Share Based Payment. The amounts were calculated based on SI Financial s stock price as of the grant date, which was $4.50. See footnote 1 to the directors and executive officers stock ownership table under *Stock Ownership* for the aggregate number of unvested restricted stock award shares held in trust by each director at fiscal year-end.

(2) As of December 31, 2009, Messrs. Alliod, Engle, Gillard, and Ms. Evan each held 20,000 options to purchase shares of SI Financial common stock, Mr. Garvey held 10,000 options to purchase shares of SI Financial common stock, Mr. Hinckley held 25,000 options to purchase shares of SI Financial common stock and Mr. Townsend held no options to purchase shares of SI Financial common stock.

(3) This column reflects the above market earnings on the deferred fee arrangements between Savings Institute and Messrs. Alliod and Gillard. Under the terms of the arrangements, Messrs. Alliod and Gillard elect to defer a portion of their director fees.

(4) Reflects the dollar value of dividends paid on unvested restricted stock awards.

(5) Steven H. Townsend resigned as a director of the Company and the Bank effective as of July 3, 2009.

Cash Retainer and Meeting Fees for Non-Employee Directors. The following table sets forth the applicable retainers and fees to be paid to non-employee directors for their service on Savings Institute s and SI Financial s Board of Directors during 2010. SI Bancorp does not pay any fees to its directors.

Quarterly Retainer (for service on SI Financial s Board of Directors)	$ 500
Monthly Retainer (for service on Savings Institute s Board of Directors)	500
Monthly Retainer for Savings Institute s Chairman of the Board	1,500
Fee per Board or Committee Meeting	400

Board and Committee Meetings

During the year ended December 31, 2009, the Board of Directors of the Company and the Bank each held 11 and 12 meetings, respectively. No director attended fewer than 75% of the meetings of the Board of Directors and Board committees on which they served in 2009.

Director Attendance at Annual Meeting of Stockholders

The Board of Directors encourages directors to attend the annual meeting of stockholders. Six of the eight directors attended the 2009 annual meeting of stockholders.

Code of Ethics and Business Conduct

SI Financial has adopted a Code of Ethics and Business Conduct that is designed to ensure that the Company s directors and employees meet the highest standards of ethical conduct. The Code of Ethics and Business Conduct, which applies to all employees and directors, addresses conflicts of interest, the treatment of confidential information, general employee conduct and compliance with applicable laws, rules and regulations. In addition, the Code of Ethics and Business Conduct is designed to deter wrongdoing and promote honest and ethical conduct, the avoidance of conflicts of interest, full and accurate disclosure and compliance with all applicable laws, rules and regulations.

Audit-Related Matters

Audit Committee Report

The Company s management is responsible for the Company s internal control over financial reporting. The Company s independent registered public accounting firm is responsible for performing an independent audit of the Company s consolidated financial statements and issuing an opinion on the conformity of those financial statements with U.S. generally accepted accounting principles. The Audit Committee oversees the Company s internal control over financial reporting 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 U.S. generally accepted

accounting principles, and the Audit Committee has reviewed and discussed the consolidated financial statements with management and the Company s independent registered public accounting firm. The Audit Committee discussed with the independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1 AU Section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T, including the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements.

In addition, the Audit Committee has received the written disclosures and the letter from the independent registered public accounting firm required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm s communications with the Audit Committee concerning independence and has discussed with the independent registered public accounting firm the firm s independence from the Company and its management. In concluding that the independent 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 their audit. The Audit Committee meets with the independent registered public accounting firm, with and without management present, to discuss the results of their examination, their evaluation of the Company s internal control over financial reporting and the overall quality of the Company s financial reporting process.

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, express an opinion on the conformity of the Company s financial statements to U.S. generally accepted accounting principles. The Audit Committee s oversight does not provide it with an independent basis to determine that management has maintained appropriate accounting and financial reporting principles or policies, or appropriate internal control over financial reporting designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the Audit Committee s considerations and discussions with management and the independent registered public accounting firm do not assure that the Company s financial statements are presented in accordance with U.S. generally accepted accounting principles, that the audit of the Company s financial statements has been carried out in accordance with the standards of the Public Company Accounting Oversight Board (United States) or that the Company s independent registered public accounting firm is independent.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors, and the Board has approved, that the audited consolidated financial statements be included in the Company s Annual Report on Form 10-K for the year ended December 31, 2009 for filing with the Securities and Exchange Commission. The Audit Committee has appointed, subject to stockholder ratification, the selection of the Company s independent registered public accounting firm for the fiscal year ending December 31, 2010.

Audit Committee of the SI Financial Group, Inc. Board of Directors

Mark D. Alliod Chairperson

Roger Engle

Donna M. Evan

Michael R. Garvey

Audit Fees. The following table sets forth the fees billed to the Company for the years ended December 31, 2009 and 2008 by Wolf & Company, P.C.:

	2009	2008
Audit Fees	$ 164,000	$ 155,000
Audit Related Fees (1)	34,810	33,957
Tax Fees (2)	25,500	26,500
All Other Fees (3)		4,800

(1) Represents fees for audits of the 401(k) Plan and the ESOP.
(2) Represents services rendered for tax compliance, tax advice and tax planning, including the preparation of the annual tax returns and quarterly tax payments.
(3) Represents fees for audit committee training.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services by the Independent Registered Public Accounting Firm. The Audit Committee is responsible for appointing, setting compensation and overseeing the work of the independent registered public accounting firm. In accordance with its charter, the Audit Committee approves, in advance, all audit and permissible non-audit services to be performed by the independent registered public accounting firm. Such approval process ensures that the independent registered public accounting firm does not provide any non-audit services to the Company that are prohibited by law or regulation.

In addition, the Audit Committee has established a policy regarding pre-approval of all audit and permissible non-audit services provided by the independent registered public accounting firm. Requests for services by the independent registered public accounting firm for compliance with the auditor services policy must be specific as to the particular services to be provided.

The request may be made with respect to either specific services or a type of service for predictable or recurring services.

During the year ended December 31, 2009, all services were approved, in advance, by the Audit Committee in compliance with these procedures.

Stock Ownership

The following table provides information as of March 15, 2010 with respect to persons and entities known to the Company to be the beneficial owner of more than 5% of the Company s outstanding common stock. A person or entity may be considered to beneficially own any shares of common stock over which the person or entity has, directly or indirectly, sole or shared voting or investing power.

Name and Address	Number of Shares Owned	Percent of Common Stock Outstanding
SI Bancorp, MHC 803 Main Street Willimantic, Connecticut 06226	7,286,975[1]	61.8%

(1) Acquired in connection with the Company s minority stock offering, which was completed on September 30, 2004. The members of the Board of Directors of SI Financial and Savings Institute also constitute the Board of Directors of SI Bancorp.

The following table provides information as of March 15, 2010 about the shares of SI Financial common stock that may be considered to be owned by each director, each executive officer named in the Summary Compensation Table and by all directors 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, each of the named individuals has sole voting power and sole investment power with respect to the shares shown. The number of shares beneficially owned by all directors and executive officers as a group totaled 5.0% of our outstanding common stock as of March 15, 2010. Each director and named executive officer owned less than 1.0% of our outstanding common stock as of that date, except for Mr. Brouillard who owned 1.3% of our common stock.

Name	Common Stock (1)	Options Exercisable Within 60 Days	Total
Directors			
Mark D. Alliod	8,121[2]	12,000	20,121
Rheo A. Brouillard	74,731[3]	80,000	154,731
Roger Engle	20,548[4]	16,000	36,548
Donna M. Evan	20,000	16,000	36,000
Michael R. Garvey	5,499	4,000	9,499
Robert O. Gillard	22,427[5]	16,000	38,427
Henry P. Hinckley	17,000	20,000	37,000
Named Executive Officers Who Are Not Also Directors			
Brian J. Hull	50,414	32,000	82,414
David T. Weston	7,955	8,000	15,955
All Directors and Executive Officers as a group (12 persons)	308,415	268,800	577,215

(1) This column includes the following:

	Unvested Shares of Restricted Stock Held in Trust	Allocated Shares Held in ESOP Trust	Shares Held in Trust in 401(k) Plan
Mr. Alliod	1,000		
Mr. Brouillard	10,000	4,519	24,187
Mr. Engle	2,000		
Ms. Evan	2,000		
Mr. Garvey	500		
Mr. Gillard	2,000		
Mr. Hinckley	2,400		
Mr. Hull	7,300	3,888	13,361
Mr. Weston	5,000	2,943	

(2) Includes 1,350 shares held by Mr. Alliod s daughter and 1,146 shares held by the individual retirement account of Mr. Alliod s spouse.
(3) Includes 1,000 shares held by Mr. Brouillard s spouse and 2,850 shares held by the individual retirement account of Mr. Brouillard s spouse.
(4) Includes 25 shares and 48 shares held in a custodian account for Mr. Engle s two children, under which Mr. Engle s spouse has voting and investment power.
(5) Includes 4,409 shares held by the individual retirement account of Mr. Gillard s spouse.

Items to be Voted on by Stockholders

Item 1 Election of Directors

The Company s Board of Directors consists of seven members. The Board is divided into three classes with three-year staggered terms, with approximately one-third of the directors elected each year. The Board of Directors nominees for election this year, to serve for a three-year term or until their respective successors have been elected and qualified, are Rheo A. Brouillard and Roger Engle.

It is intended that the proxies solicited by the Board of Directors will be voted for the election of the nominees named above. If any nominee is unable to serve, the persons named in the proxy card will vote your shares to approve the election of any substitute nominee proposed by the Board of Directors. At this time, the Board of Directors knows of no reason why any nominee might be unable to serve.

The Board of Directors recommends a vote FOR the election of each of the nominees.

Information regarding the nominees and the directors continuing in office is provided below. Unless otherwise stated, each individual has held his or her current occupation for the last five years. The age indicated in each individual s biography is as of December 31, 2009. There are no family relationships among the directors or executive officers. The indicated period for service as a director includes service as a director of Savings Institute.

Board Nominees for Terms Ending in 2010

Rheo A. Brouillard has been the President and Chief Executive Officer of Savings Institute, SI Bancorp and SI Financial since 1995, 2000 and 2004, respectively. Age 55. Director since 1995.

Mr. Brouillard s extensive experience in the local banking industry and involvement in business and civic organizations in the communities in which the Bank serves affords the Board valuable insight regarding the business and operation of the Bank. Mr. Brouillard s knowledge of the Company s and the Bank s business and history, combined with his success and strategic vision, position him well to continue to serve as our President and Chief Executive Officer.

Roger Engle was the President of The Crystal Water Company, a water supplier located in Danielson, Connecticut, from 1973 until his retirement in 2000. Mr. Engle served as the First Selectman for the town of Brooklyn, Connecticut from November 2005 until November 2009. He is also a director of Connecticut Water Service, Inc. (NASDAQ: CTWS), which delivers water to customers throughout 42 towns in Connecticut and Massachusetts. Age 71. Director since 1998.

Mr. Engle s experience as President of The Crystal Water Company provides the Board valuable management level experience. In addition, Mr. Engle s continued involvement in community organizations and local political matters is a vital component of a well rounded board.

Directors with Terms Ending in 2011

Mark D. Alliod operates a public accounting firm in South Windsor, Connecticut. Age 46. Director since 2005.

Mr. Alliod provides expertise with regard to tax, financial and accounting matters. He has the background to qualify as the Company s audit committee financial expert.

Michael R. Garvey is the owner of the public accounting firm of Garvey & Associates, LLC and Professional Payrolls, LLC. Age 45. Director since 2007.

Mr. Garvey is a certified public accountant and has the financial background to qualify as an audit committee financial expert. In addition, Mr. Garvey possesses substantial small company management experience as the owner of Professional Payrolls, LLC.

Robert O. Gillard is the owner of the O.L. Willard Company, Inc., a full-service hardware store with locations in Storrs and Willimantic, Connecticut. Age 63. Director since 1999.

Mr. Gillard s career as a small business executive provides the Company with organizational understanding and expertise. In addition, as an active member of the community, Mr. Gillard maintains contact with and is in touch with the local consumer environment.

Directors with Terms Ending in 2012

Donna M. Evan is a Sales Manager for Nutmeg Broadcasting, a commercial radio station located in Willimantic, Connecticut. Age 61. Director since 1996.

Ms. Evan brings significant business and management level experience from a setting outside of the financial services industry. In addition, through her business experience, Ms. Evan has gained significant marketing knowledge, adding additional value to the board.

Henry P. Hinckley is the Chairman of the Board of Directors of SI Bancorp, SI Financial and Savings Institute. Mr. Hinckley also is the President of J.P. Mustard Agency, Inc., an insurance agency located in Willimantic, Connecticut. Age 69. Director since 1984.

Mr. Hinckley provides the Board with significant marketing and operational knowledge through his experience as president of an insurance agency. Mr. Hinckley has considerable experience in the insurance industry and the related risk assessment practice area necessary in banking operations.

Item 2 Ratification of the Independent Registered Public Accounting Firm

The Audit Committee of the Board of Directors has appointed Wolf & Company, P.C. to be the Company s independent registered public accounting firm for 2010, subject to ratification by stockholders. A representative of Wolf & Company, P.C. is expected to be present at the annual meeting to respond to appropriate questions from stockholders and will have the opportunity to make a statement should he or she desire to do so.

If the ratification of the appointment of the independent registered public accounting firm is not approved by a majority of the shares represented at the annual meeting and entitled to vote, the Audit Committee of the Board of Directors will consider other independent registered public accounting firms.

The Board of Directors recommends a vote FOR the ratification of the appointment of the independent registered public accounting firm.

Executive Compensation

Summary Compensation Table

The following table provides information concerning total compensation earned or paid to the Chief Executive Officer and the two other most highly compensated executive officers of the Company who served in such capacities at December 31, 2009. These three officers are referred to as the named executive officers in this proxy statement.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	All Other Compensation ($)(2)	Total ($)
Rheo A. Brouillard	2009			$		
		$ 333,009	$ 42,971		$ 21,755	$ 397,735
President and Chief Executive Officer	2008	294,831	43,806		52,369	391,006
Brian J. Hull	2009					
		218,787	20,061		13,569	252,417
Executive Vice President, Chief Financial Officer and Treasurer	2008	189,308	20,451		32,720	242,479
David T. Weston	2009			20,500		
		155,769	14,279		8,141	198,689
Senior Vice President, Senior Trust Officer	2008	142,315	14,556		6,506	163,377

(1) Reflects the aggregate grant date fair value for restricted stock awards granted during the year computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 Share Based Payment. The amounts were calculated based on SI Financial s stock price as of the grant date, which was $4.10.

(2) Details of the amounts reported in the All Other Compensation column for 2009 are provided in the table below. The table excludes perquisites, which did not exceed $10,000 in the aggregate for each named executive officer:

	Mr. Brouillard	Mr. Hull	Mr. Weston
Employer contributions to 401(k) Plan	$ 5,711	$ 6,689	$ 5,110
Market value of allocations under the ESOP	3,688	3,365	2,564
Economic benefit of employer-paid premiums for split- dollar life insurance agreements	11,556	2,931	467
Dividends paid on stock awards	800	584	

Employment and Change in Control Agreements

SI Financial and Savings Institute maintain employment agreements with Messrs. Brouillard and Hull. The employment agreements had an initial term of three years. On each anniversary of the date of the agreement, the Board of Directors may extend the agreement for an additional year, unless Messrs. Brouillard and Hull elect not to extend the term. As a result of extensions approved by the Board of Directors, Messrs. Brouillard s and Hull s employment agreements currently have a term through September 30, 2012. Under the agreements, Mr. Brouillard will serve as the President and Chief Executive Officer and Mr. Hull will serve as Executive Vice President, Chief Financial Officer and Treasurer. The current base salaries under the employment agreements for Messrs. Brouillard and Hull are $300,000 and $195,000, respectively. In addition to the base salary, among other things, the agreements provide for participation in discretionary bonuses or other incentive compensation provided to senior management, and participation in stock benefit plans and other fringe benefits applicable to executive personnel.

Under the terms of their employment agreements, Messrs. Brouillard and Hull are subject to a one year non-compete if they terminate their employment for good reason (as defined in the agreement) or they are terminated without cause (as defined in the agreement).

The Bank has entered into a change in control agreement with Mr. Weston. The agreement had an initial term of two years. On each anniversary of the date of the agreement, the Board of Directors may extend the agreement for an additional year, unless the executive requests that the term not be extended. As a result of extensions approved by the Board of Directors, the change in control agreement currently has a term through September 30, 2011.

See *Potential Post-Termination Benefits* for a discussion of the benefits and payments Messrs. Brouillard, Hull and Weston may receive under their agreements upon termination of employment.

Outstanding Equity Awards at Fiscal Year-End

The following table provides information concerning options and stock awards that have not vested as of December 31, 2009 for each named executive officer.

	Option Awards				Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#)(1) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date (1)	Number of Shares or Units of Stock That Have Not Vested (#)(2)	Market Value of Shares or Units of Stock That Have Not Vested ($)(3)
Rheo A. Brouillard	80,000	20,000	$ 10.10	5/17/2015	10,000	$ 52,500
Brian J. Hull	32,000	8,000	10.10	5/17/2015	7,300	38,325
David T. Weston	8,000	2,000	10.10	5/17/2015	5,000	26,250

(1) Stock options granted pursuant to the Equity Incentive Plan vest in five equal annual installments commencing on May 17, 2006.
(2) Stock awards granted to Messrs. Brouillard and Hull vest in five equal installments commencing on May 17, 2006. The 5,000 awards granted to Mr. Weston vest in five equal installments commencing on March 19, 2010.
(3) Based on $5.25 per share, the closing price of the Company s common stock on December 31, 2009.

Non-qualified Plans

Executive Supplemental Retirement Plan. Savings Institute maintains an Executive Supplemental Retirement Plan Agreement for Messrs. Brouillard and Hull. Each agreement provides a retirement benefit based on a fixed percentage of the participant s final three-year average compensation. Benefits are payable upon the earlier of a participant s termination of employment (other than for cause) at or after attaining age 65, or on the date when the sum of the participant s years of service and age total 80 for Mr. Brouillard or 78 for Mr. Hull. If a participant terminates employment before satisfaction of these requirements, the participant may receive an early retirement benefit that would be adjusted by 2% for each point by which the sum of the participant s age and years of service is less than 80 for Mr. Brouillard or 78 for Mr. Hull. Participants may elect to receive their plan benefits in the form of a single life annuity with 15 guaranteed annual payments or a lump sum equal to the actuarial equivalent of the annuity payment.

Split-Dollar Life Insurance Agreements. Savings Institute maintains individual split-dollar life insurance agreements with Messrs. Brouillard and Hull to encourage the officers to continue to render high quality service to Savings Institute in exchange for financial protection for their beneficiaries if they die. The death benefits provided under the split-dollar life insurance agreements are funded through bank-owned life insurance policies. Savings Institute pays all of the life insurance premiums. See *Potential Post-Termination Benefits* for a description of the benefits provided under the agreements.

Supplemental Executive Retirement Plan. Savings Institute also maintains a Supplemental Executive Retirement Plan that provides restorative payments to executives designated by the Board of Directors who are prevented from receiving the full benefits contemplated by the ESOP s benefit formula and the full matching contribution under the 401(k) Plan. Savings Institute s Board of Directors has designated Mr. Brouillard to participate in the plan. The restorative payments under the plan consist of payments in lieu of shares that cannot be allocated to the participant s account under the ESOP and payments for employer matching contributions that cannot be allocated under the 401(k) Plan due to the legal limitations imposed on tax-qualified plans. The benefits under the plan will be paid to Mr. Brouillard at the same time benefits are paid under the ESOP and 401(k) Plan. See *Potential Post-Termination Benefits* for a description of the benefit provided under the plan.

Potential Post-Termination Benefits

Payments Made Upon Termination for Cause. If Messrs. Brouillard, Hull and Weston are terminated for cause, they will receive their base salary through the date of termination and retain the rights to any vested benefits subject to the terms of the plan or agreement under which those benefits are provided. Unvested stock options and restricted stock awarded under the Equity Incentive Plan to Messrs. Brouillard, Hull and Weston would be forfeited upon termination for cause.

All benefits credited to Mr. Brouillard under the supplemental executive retirement plan are non-forfeitable and therefore payable to him if he is terminated for cause.

Payments Made Upon Termination without Cause or for Good Reason. If SI Financial or Savings Institute elects to terminate Messrs. Brouillard or Hull for reasons other than for cause, or if Messrs. Brouillard or Hull resign after specified circumstances that would constitute constructive termination, the executives (or, in the event of death, their beneficiaries) are entitled to a lump sum severance payment equal to the base salary payments due for the remaining term of the employment agreement, along with all contributions that would have been made on behalf of the executive during the remaining term of the agreement pursuant to any of SI Financial s or Savings Institute s employee benefit plans. In addition, Savings Institute or SI Financial would continue and/or pay for each executive s life, medical, disability and dental coverage for the remaining term of the employment agreement.

If Mr. Weston is terminated without cause or for good reason, he would retain the rights to any vested benefits subject to the terms of the plan or agreement under which those benefits are provided.

All benefits credited to Mr. Brouillard under the supplemental executive retirement plan are non-forfeitable and therefore payable to him if he is terminated for good reason or without cause.

Unvested stock options and restricted stock awarded under the Equity Incentive Plan to Messrs. Brouillard, Hull and Weston would be forfeited upon termination without cause or for good reason.

Payments Made Upon Disability. Under Messrs. Brouillard s and Hull s employment agreements, if they become disabled and their employment is terminated, they will be entitled to disability

pay equal to 100% of their bi-weekly base salary in effect at the date of termination. They would continue to receive disability payments until the earlier of: (1) the date they return to full employment with us; (2) their death; or (3) age 65. All disability payments would be reduced by the amount of any benefits payable under our disability plans. In addition, Messrs. Brouillard and Hull would continue to be covered to the greatest extent possible under all benefit plans in which they participated before their disability as if they were actively employed by us. If Mr. Weston becomes disabled and his employment is terminated, Mr. Weston will be entitled to benefits payable under our disability plan.

All benefits credited to Mr. Brouillard under the supplemental executive retirement plan are non-forfeitable and therefore payable to him if he becomes disabled and his employment is terminated.

Under the terms of the executive supplemental retirement plan agreements, if the designated executives become disabled, Savings Institute will transfer funds to a Contingent Liability Trust equal to its accrued plan liability for the executive as of the date of the disability. When the accrued liability balance is transferred, Savings Institute s obligation ends and a bank-owned disability policy from MassMutual Life Insurance Company covering the executive makes payments to the Contingent Liability Trust during the disability period.

Upon termination due to disability, outstanding stock options granted pursuant to the Equity Incentive Plan vest and remain exercisable until the earlier of one year from the date of termination of employment due to disability or the expiration date of the stock options. Restricted stock awards granted to these officers under the plan also vest upon termination of employment due to disability.

Payments Made Upon Death. Under their employment agreements, Messrs. Brouillard s and Hull s estates are entitled to receive the compensation due to them through the end of the month in which their death occurs. Mr. Weston s estate is entitled to receive compensation due to him through the date of his death.

All benefits credited to Mr. Brouillard under the supplemental executive retirement plan are non-forfeitable and therefore payable to his beneficiary if he dies.

Under the terms of the executive supplemental retirement plan agreements, should a participant die while employed with Savings Institute or after the payments have begun, the executive s designated beneficiary will receive the balance in the executive s plan liability account on the date of death in a lump sum cash payment.

Pursuant to the split-dollar life insurance agreements with Messrs. Brouillard and Hull, if an executive dies following his termination of employment, the death benefit provided under his split-dollar life insurance agreement is determined in accordance with the methodology set forth in his agreement. The death benefit will not exceed the excess of the net-at-risk amount under the policies for the inactive officer, provided, however that the death benefit provided to a beneficiary of an inactive officer will be reduced to three times the officer s compensation (as defined in the agreement), if, as of the officer s death, the officer had an irrevocable election to receive a lump sum distribution of his benefits (if any) payable under the executive supplemental retirement plan agreement.

Upon termination of employment due to death, outstanding stock options granted pursuant to the Equity Incentive Plan vest and remain exercisable until the earlier of one year from the date of death or the expiration date of the stock options. Restricted stock awards granted under the plan also vest upon death.

Payments Made Upon a Change in Control. Messrs. Brouillard s and Hull s employment agreements provide that in the event of a change in control followed by voluntary termination of employment (upon circumstances discussed in the agreement) or involuntary termination of employment for reasons other than cause, the executives receive a severance payment equal to 2.99 times the average of each executive s five preceding taxable years annual compensation (base amount). For this calculation, annual compensation will include all taxable income plus any retirement contributions or benefits made or accrued during the period. In addition, Messrs. Brouillard and Hull will also receive the contributions they would have received under our retirement programs for a period of thirty-six months, as well as health, life, dental and disability coverage for that same time period. Section 280G of the Internal Revenue Code provides that payments related to a change in control that equal or exceed three times the base amount constitute excess parachute payments. Individuals who receive excess parachute payments are subject to a 20% excise tax on the amount that exceeds the base amount, and the employer may not deduct such amounts. The executives employment agreements provide that if the total value of the benefits provided and payments made to them in connection with a change in control, either under their employment agreements alone or together with other payments and benefits that they have the right to receive from the Company and the Bank, exceed three times their base amount (280G Limit), their severance payment will be reduced or revised so that the aggregate payments do not exceed their 280G Limit.

Mr. Weston s change in control agreement provides that if, following a change in control, his employment is terminated without cause or he voluntarily terminates employment for good reason, he will be entitled to a severance payment equal to two times the average of his annual compensation over the five calendar years preceding the change in control, plus coverage under the Bank s health and welfare plans for twenty-four months. The terms change in control and good reason are defined in the change in control agreement. The change in control agreement provides that the total value of the benefits provided and payments made may not exceed his 280G Limit and that to avoid such a result the severance payment would be reduced.

Under the terms of the executive supplemental retirement plan agreements, if a participant terminates employment in connection with a change in control (as defined in the plan), the participant will be entitled to a lump sum cash amount specified in the executive s plan agreement payable within 30 days of the participant s termination of employment. Payments made under the agreements upon a change in control may be categorized as parachute payments and, therefore, count towards each executive s 280G Limit.

Under the terms of the ESOP, upon a change in control (as defined in the plan), the plan trustee will repay in full any outstanding acquisition loan. After repayment of the acquisition loan, all remaining shares of our stock held in the loan suspense account, all other stock or securities, and any cash proceeds from the sale or other disposition of any shares of our stock held in the loan suspense account will be allocated among the accounts of all participants in the plan who were employed by us on the date immediately preceding the effective date of the change in control. The allocations of shares or cash proceeds shall be credited to each eligible participant in proportion to the opening balances in their accounts as of the first day of the valuation period in which the change in control occurred. Payments under the ESOP are not categorized as parachute payments and, therefore, do not count towards each executive s 280G Limit.

In addition to providing for benefits lost under the ESOP and 401(k) Plan as a result of limitations imposed by the Internal Revenue Code, the supplemental executive retirement plan also provides supplemental benefits to participants upon a change in control (as defined in the plan) before the complete scheduled repayment of the ESOP loan. The supplement benefit is equal to the benefit the participants would have received under the ESOP, had the participants remained employed throughout the term of the plan s acquisition loan, less the benefits actually provided. All benefits received under this plan count towards the participant s 280G Limit.

In the event of a change in control of SI Financial or Savings Institute, outstanding stock options granted pursuant to the Equity Incentive Plan vest and, if the option holder is terminated other than for cause within twelve months of the change in control, will remain exercisable until the expiration date of the stock options. Restricted stock awards granted to these officers under the plan also vest upon a change in control. The value of the accelerated options and restricted stock grants count towards an executive s 280G Limit.

Other Information Relating to Directors and Executive Officers

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company s executive officers and directors, and persons who own more than 10% of any registered class of the Company s equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Executive officers, directors and stockholders who own greater than 10% of our common stock are required by regulation to furnish the Company with copies of all Section 16(a) reports they file.

Based solely on its review of the copies of the reports it has received and written representations provided to the Company from the individuals required to file the reports, the Company believes that each of its executive officers and directors complied with applicable reporting requirements for transactions in SI Financial common stock during 2009.

Transactions with Related Persons

The Sarbanes-Oxley Act of 2002 generally prohibits loans by SI Financial to its executive officers and directors. However, the Sarbanes-Oxley Act contains a specific exemption from such prohibition for loans by Savings Institute to its executive officers and directors in compliance with federal banking regulations. Federal regulations require that all loans or extensions of credit to executive officers and directors of insured financial institutions must be made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and must not involve more than the normal risk of repayment or present other unfavorable features. Savings Institute is therefore prohibited from making any new loans or extensions of credit to executive officers and directors at different rates or terms than those offered to the general public. Notwithstanding this rule, federal regulations permit Savings Institute to make loans to executive officers and directors at reduced interest rates if the loan is made under a benefit program generally available to all other employees and does not give preference to any executive officer or director over any other employee, although Savings Institute does not currently have such a program in place. All existing loans or lines of credit that the Bank has directly or indirectly made to related person have been (1) made in the ordinary course of business, (2) 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 the lender, and (3) did not involve more than the normal risk of collectibility or present other unfavorable features.

In accordance with banking regulations, the Board of Directors reviews all loans made to a director or executive officer in an amount that, when aggregated with the amount of all other loans to such person and his or her related interests, exceed the greater of $25,000 or 5% of Savings Institute s capital and surplus (up to a maximum of $500,000) and such loan must be approved in advance by a

majority of the disinterested members of the Board of Directors. Additionally, pursuant to the Company s Code of Ethics and Business Conduct, all executive officers and directors of the Company must disclose any existing or emerging conflicts of interest to the President and Chief Executive Officer of the Company. Such potential conflicts of interest include, but are not limited to, the following: (1) the Company conducting business with or competing against an organization in which a family member of an executive officer or director has an ownership or employment interest and (2) the ownership of more than 5% of the outstanding securities or 5% of total assets of any business entity that does business with or is in competition with the Company.

Submission of Business Proposals and Stockholder Nominations

The Company must receive proposals that stockholders seek to have included in the proxy statement for the Company s next annual meeting no later than December 2, 2010. If next year s annual meeting is held on a date more than 30 calendar days from May 12, 2011, a stockholder proposal must be received by a reasonable time before the Company begins to print and mail its proxy solicitation materials. Any stockholder proposals will be subject to the requirements of the proxy rules adopted by the Securities and Exchange Commission.

The Company s Bylaws provide that for a stockholder to make nominations for the election of directors or proposals for business to be brought before a meeting of stockholders, a stockholder must deliver written notice of such nominations and/or proposals to the Corporate Secretary not less than 30 days before the date of the meeting; provided that if less than 40 days notice or prior public disclosure of the meeting is given or made to stockholders, such notice must be delivered not later than the close of the tenth day following the day on which notice of the meeting was mailed to stockholders or such public disclosure was made.

Stockholder Communications

The Company encourages stockholder communications to the Board of Directors and/or individual directors. Stockholders who wish to communicate with the Board of Directors or an individual director should send their communications to the care of Sandra M. Mitchell, Corporate Secretary, SI Financial Group, Inc., 803 Main Street, Willimantic, Connecticut 06226. Communications regarding financial or accounting policies should be sent to the attention of the Chairperson of the Audit Committee. All other communications should be sent to the attention of the Chairperson of the Nominating and Governance Committee.

Miscellaneous

The Company will pay the cost of this proxy solicitation. The Company will reimburse brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in sending proxy materials to the beneficial owners of the Company. In addition to soliciting proxies by mail, directors, officers and regular employees of the Company may solicit proxies personally or by telephone. None of these persons will receive additional compensation for these activities.

The Company s Annual Report to Stockholders has been provided to all persons who were stockholders as of the close of business on March 15, 2010. Any stockholder who has not received a copy of the Annual Report may obtain a copy by writing to the Corporate Secretary of the Company. The Annual Report is not to be treated as part of the proxy solicitation material or as having been incorporated in this proxy statement by reference.

A copy of the Company s Form 10-K for the fiscal year ended December 31, 2009 as filed with the Securities and Exchange Commission, will be furnished without charge to all persons who were stockholders as of the close of business on March 15, 2010 upon written request to Sandra M. Mitchell, Corporate Secretary, SI Financial Group, Inc., 803 Main Street, Willimantic, Connecticut 06226.

If you and others who share your address own your shares in street name, your broker or other holder of record may be sending only one annual report and proxy statement to your address. This practice, known as householding, is designed to reduce our printing and postage costs. However, if a stockholder residing at such an address wishes to receive a separate annual report or proxy statement in the future, he or she should contact the broker or other holder of record. If you own your shares in street name and are receiving multiple copies of our annual report and proxy statement, you can request householding by contacting your broker or other holder of record.

REVOCABLE PROXY

SI FINANCIAL GROUP, INC.

ANNUAL MEETING OF STOCKHOLDERS

May 12, 2010

9:00 a.m., Local Time

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints the official proxy committee of SI Financial Group, Inc. (the Company), consisting of Mark D. Alliod, Donna M. Evan and Robert O. Gillard, or each of them, with full power of substitution in each, to act as proxy for the undersigned, and to vote all shares of common stock of the Company that the undersigned is entitled to vote only at the annual meeting of stockholders to be held on May 12, 2010 at 9:00 a.m., local time, at the Savings Institute Bank and Trust Company Training Center, 579 North Windham Road, North Windham, Connecticut, and at any and all adjournments or postponements, with all of the powers the undersigned would possess if personally present at such meeting as follows:

1. The election as directors of all nominees listed (unless the For All Except box is marked and the instructions below are complied with).

Rheo A. Brouillard and Roger Engle

FOR	WITHHOLD	FOR ALL EXCEPT
¨	¨	¨

INSTRUCTION: To withhold your vote for any individual nominee, mark FOR ALL EXCEPT and write that nominee s name on the line provided below.

2. The ratification of the appointment of Wolf & Company, P.C. as the independent registered public accounting firm of SI Financial Group, Inc. for the fiscal year ending December 31, 2010.

FOR	AGAINST	ABSTAIN
¨	¨	¨

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR

EACH OF THE LISTED PROPOSALS.

This proxy is revocable and, if properly signed and dated, will be voted as directed, but if no instructions are specified, this proxy will be voted FOR each of the proposals listed. If any other business is presented at the annual meeting, including whether or not to adjourn the meeting, this proxy will be voted by the proxies in their judgment. At the present time, the Board of Directors knows of no other business to be presented at the annual meeting. This proxy also confers discretionary authority on the Board of Directors to vote with respect to the election of any person as director where the nominees are unable to serve or for good cause will not serve and matters incident to the conduct of the meeting.

Dated:_____

SIGNATURE OF STOCKHOLDER

SIGNATURE OF CO-HOLDER (IF ANY)

The above signed acknowledges receipt from the Company, prior to the execution of this proxy, of a Notice of Annual Meeting of Stockholders, a Proxy Statement for the Annual Meeting and the Annual Report to Stockholders.

Please sign exactly as your name appears on this card. When signing as attorney, executor, administrator, trustee or guardian, please give your full title. If shares are held jointly, each holder may sign but only one signature is required.

Please complete, date, sign and promptly mail this proxy

in the enclosed postage-paid envelope.

[SI Financial Group, Inc. Letterhead]

Dear 401(k) Plan Participant:

On behalf of the Board of Directors of SI Financial Group, Inc. (the Company), I am forwarding you the enclosed **green** voting instruction card to convey your voting instructions to First Bankers Trust Services, Inc. (the Trustee) on the proposals to be presented at the Annual Meeting of Stockholders of SI Financial Group to be held on May 12, 2010. Also enclosed is a Notice and Proxy Statement for the Annual Meeting of Stockholders and a copy of the Company s Annual Report to Stockholders.

As a holder of SI Financial Group, Inc. s common stock through the Savings Institute Bank and Trust Company Profit Sharing and 401(k) Savings Plan (the 401(k) Plan), you are entitled to direct the Trustee how to vote the shares of common stock credited to your account as of March 15, 2010, the record date for the Annual Meeting. If the Trustee does not receive your instructions by **May 3, 2010,** the Trustee will vote your shares in the same proportion as shares for which the trustee has received voting instructions from other 401(k) Plan participants.

Please complete, sign and return the enclosed **green** voting instruction card in the postage-paid envelope provided. Your vote will not be revealed, directly or indirectly, to any employee or director of SI Financial Group, Inc. or the Savings Institute Bank and Trust Company.

If you participate in several employer-sponsored stock based benefit plans you will receive multiple voting instruction cards. Please submit all the voting instruction cards you receive.

Sincerely,

/s/ Rheo A. Brouillard
Rheo A. Brouillard
President and Chief Executive Officer

SAVINGS INSTITUTE BANK & TRUST COMPANY

PROFIT SHARING AND 401(k) SAVINGS PLAN

VOTING INSTRUCTION CARD

SI FINANCIAL GROUP, INC.

ANNUAL MEETING OF STOCKHOLDERS

May 12, 2010

9:00 a.m., Local Time

YOUR VOTING INSTRUCTIONS ARE SOLICITED ON BEHALF

OF THE BOARD OF DIRECTORS

I hereby authorize First Bankers Trust Services, Inc. (as trustee for the SI Financial Group, Inc. Stock Fund in the Savings Institute Bank & Trust Company Profit Sharing and 401(k) Savings Plan (the 401(k) Plan)) to vote all shares of common stock of the Company that have been credited to me through the 401(k) Plan and held in the SI Financial Group, Inc. Stock Fund at the annual meeting of stockholders, to be held on May 12, 2010 at 9:00 a.m., local time, at the Savings Institute Bank and Trust Company Training Center, 579 North Windham Road, North Windham, Connecticut, and at any and all adjournments or postponements, as follows:

1. The election as directors of all nominees listed (unless the For All Except box is marked and the instructions below are complied with).

Rheo A. Brouillard and Roger Engle

FOR	WITHHOLD	FOR ALL EXCEPT
¨	¨	¨

INSTRUCTION: To withhold your vote for any individual nominee, mark FOR ALL EXCEPT and write that nominee s name on the line provided below.

2. The ratification of the appointment of Wolf & Company, P.C. as the independent registered public accounting firm of SI Financial Group, Inc. for the fiscal year ending December 31, 2010.

FOR	AGAINST	ABSTAIN

¨ ¨ ¨

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH OF THE LISTED PROPOSALS.

Dated:_____

SIGNATURE OF 401(k) PLAN PARTICIPANT

The above signed acknowledges receipt from the Company, before the execution of this voting instruction card, of a Notice of Annual Meeting of Stockholders, a Proxy Statement for the Annual Meeting and the Annual Report to Stockholders.

Please sign exactly as your name appears on this card.

Please complete, date, sign and return this voting instruction card

in the enclosed postage-paid envelope by May 3, 2010.

[SI Financial Group, Inc. Letterhead]

Dear Stock Award Recipient:

On behalf of the Board of Directors of SI Financial Group, Inc. (the Company), I am forwarding you the enclosed **yellow** vote authorization form to convey your voting instructions to First Bankers Trust Services, Inc. (the Trustee) on the proposals to be presented at the Annual Meeting of Stockholders of SI Financial Group to be held on May 12, 2010. Also enclosed is a Notice and Proxy Statement for the Annual Meeting of Stockholders and a copy of the Company s Annual Report to Stockholders.

You are entitled to vote all shares of restricted stock awarded to you under the SI Financial Group, Inc. 2005 Equity Incentive Plan (the Equity Incentive Plan) that are unvested as of March 15, 2010, the record date for the Annual Meeting. The Trustee will vote these shares of the Company s common stock held in trust under the Equity Incentive Plan in accordance with instructions it receives by **May 3, 2010**. If the Trustee does not receive your voting instructions by that date, the Trustee will vote your shares as directed by the Company.

Please complete, sign and return the enclosed **yellow** vote authorization form in the postage-paid envelope provided. Your vote will not be revealed, directly or indirectly, to any employee or director of SI Financial Group or the Savings Institute Bank and Trust Company.

If you participate in several employer-sponsored stock based benefit plans you will receive multiple voting instruction cards. Please submit all the voting instruction cards you receive.

Sincerely,

/s/ Rheo A. Brouillard
Rheo A. Brouillard
President and Chief Executive Officer

VOTE AUTHORIZATION FORM

I understand that First Bankers Trust Services, Inc., the Trustee, is the holder of record and custodian of all unvested restricted shares of SI Financial Group, Inc. (the Company) common stock awarded to me under the SI Financial Group, Inc. 2005 Equity Incentive Plan. Further, I understand that my voting instructions are solicited on behalf of the Company s Board of Directors for the Annual Meeting of Stockholders to be held on May 12, 2010.

Accordingly, please vote my shares as follows:

1. The election as directors of all nominees listed (unless the For All Except box is marked and the instructions below are complied with).

Rheo A. Brouillard and Roger Engle

FOR	WITHHOLD	FOR ALL EXCEPT
..	..	..

INSTRUCTION: To withhold your vote for any individual nominee, mark FOR ALL EXCEPT and write that nominee s name on the line provided below.

2. The ratification of the appointment of Wolf & Company, P.C. as the independent registered public accounting firm of SI Financial Group, Inc. for the fiscal year ending December 31, 2010.

FOR	AGAINST	ABSTAIN
..	..	..

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH OF THE LISTED PROPOSALS.

Date Signature

Please complete, date, sign and return this form in the enclosed, postage-paid envelope no later than May 3, 2010.

The above signed acknowledges receipt from the Company, before the execution of this voting authorization form, of a Notice of Annual Meeting of Stockholders, a Proxy Statement for the Annual Meeting and the Annual Report to Stockholders.

[SI Financial Group, Inc. Letterhead]

Dear ESOP Participant:

On behalf of the Board of Directors of SI Financial Group, Inc. (the Company), I am forwarding you the enclosed **blue** voting instruction card to convey your voting instructions to First Bankers Trust Services, Inc. (the Trustee) on the proposals to be presented at the Annual Meeting of Stockholders of SI Financial Group to be held on May 12, 2010. Also enclosed is a Notice and Proxy Statement for the Annual Meeting of Stockholders and a copy of the Company s Annual Report to Stockholders.

As a participant in the Savings Institute Bank and Trust Company Employee Stock Ownership Plan (the ESOP), you are entitled to vote all shares of the Company s common stock allocated to your account as of March 15, 2010, the record date for the Annual Meeting. All allocated shares of the Company s common stock will be voted as directed by participants, so long as participant instructions are received by the Trustee by **May 3, 20109**. If you do not direct the Trustee how to vote the shares of the Company s common stock allocated to your ESOP account, the Trustee will vote your shares in the same proportion as shares for which the Trustee has received voting instructions from other participants, subject to its fiduciary duties.

Please complete, sign and return the enclosed **blue** voting instruction card in the postage-paid envelope provided. Your vote will not be revealed, directly or indirectly, to any employee or director of SI Financial Group or the Savings Institute Bank and Trust Company.

If you participate in several employer-sponsored stock based benefit plans you will receive multiple voting instruction cards. Please submit all the voting instruction cards you receive.

Sincerely,

/s/ Rheo A. Brouillard
Rheo A. Brouillard
President and Chief Executive Officer

SAVINGS INSTITUTE BANK AND TRUST COMPANY

EMPLOYEE STOCK OWNERSHIP PLAN

VOTING INSTRUCTION CARD

SI FINANCIAL GROUP, INC.

ANNUAL MEETING OF STOCKHOLDERS

May 12, 2010

9:00 a.m., Local Time

YOUR VOTING INSTRUCTIONS ARE SOLICITED ON BEHALF

OF THE BOARD OF DIRECTORS

I hereby direct the Trustee to vote all shares of SI Financial Group, Inc. allocated to my account at the annual meeting of stockholders, to be held on May 12, 2010 at 9:00 a.m., local time, at the Savings Institute Bank and Trust Company Training Center, 579 North Windham Road, North Windham, Connecticut, and at any and all adjournments or postponements, as follows:

1. The election as directors of all nominees listed (unless the For All Except box is marked and the instructions below are complied with).

Rheo A. Brouillard and Roger Engle

FOR	WITHHOLD	FOR ALL EXCEPT
..	..	..

INSTRUCTION: To withhold your vote for any individual nominee, mark FOR ALL EXCEPT and write that nominee s name on the line provided below.

2. The ratification of the appointment of Wolf & Company, P.C. as the independent registered public accounting firm of SI Financial Group, Inc. for the fiscal year ending December 31, 2010.

FOR	AGAINST	ABSTAIN
..	..	..

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH OF THE LISTED PROPOSALS.

Please be sure to sign and date this Voting Instruction Card in the box below.

Dated:_____

SIGNATURE OF PARTICIPANT

Please complete, date, sign and return this Voting Instruction Card

in the enclosed postage-paid envelope no later than May 3, 2010.

The above signed acknowledges receipt from the Company, before the execution of this voting instruction card, of a Notice of Annual Meeting of Stockholders, a Proxy Statement for the Annual Meeting and the Annual Report to Stockholders.