

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 ☒

Filed by a party other than the registrant ☐

Check the appropriate box:

☐ Preliminary proxy statement

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

☒ Definitive proxy statement

☐ Definitive additional materials

☐ Soliciting material pursuant to §240.14a-12

**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):

☒ No fee required.

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

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- (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

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(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](http://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 as 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](http://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	Stock	Option	Nonqualified Deferred	All Other	Total
	Paid in Cash (\$)	Awards \$(1)	Awards \$(2)	Compensation Earnings \$(3)	Compensation \$(4)	
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 <sup>(5)</sup>	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	7,286,975 <sup>(1)</sup>	61.8%
803 Main Street		
Willimantic, Connecticut 06226		

- (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
<i>Directors</i>			
Mark D. Alliod	8,121 <sup>(2)</sup>	12,000	20,121
Rheo A. Brouillard	74,731 <sup>(3)</sup>	80,000	154,731
Roger Engle	20,548 <sup>(4)</sup>	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 <sup>(5)</sup>	16,000	38,427
Henry P. Hinckley	17,000	20,000	37,000
<i>Named Executive Officers Who Are Not Also Directors</i>			
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	&		