

Losch William C III
 Form 4
 August 13, 2010

FORM 4

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549**

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
 Losch William C III

2. Issuer Name and Ticker or Trading Symbol
 FIRST HORIZON NATIONAL CORP [FHN]

5. Relationship of Reporting Person(s) to Issuer
 (Check all applicable)

(Last) (First) (Middle)
 165 MADISON AVENUE
 (Street)

3. Date of Earliest Transaction (Month/Day/Year)
 08/13/2010

____ Director _____ 10% Owner
 Officer (give title below) _____ Other (specify below)
 EVP and CFO

MEMPHIS, TN 38103
 (City) (State) (Zip)

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
				(A) or (D)	Code V Amount (D) Price		

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474
 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security	2. Conversion or Exercise	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any	4. Transaction Code	5. Number of Derivative Securities	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)
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(Instr. 3)	Price of Derivative Security	(Month/Day/Year)	(Instr. 8)	Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Salary Stock Units	\$ 0	08/13/2010	A	1,367					(1)	09/01/2011(1)	Common Stock	1,367

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Losch William C III 165 MADISON AVENUE MEMPHIS, TN 38103			EVP and CFO	

Signatures

/s/ John A. Niemoeller,
attorney-in-fact
08/13/2010

**Signature of Reporting Person

Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Salary stock units (SSUs) are issued bi-weekly as a portion of the reporting person's salary compensation. An SSU represents the right to
(1) receive a cash payment equal to the future value of a share of FHN common stock. SSUs issued in 2010 will be valued and paid half on or about March 1, 2011, and half on or about September 1, 2011.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. if; font-size: 10.67px; vertical-align: top;">(6)Includes 18,034 shares in Ms. Stewart's 401(k) account and 7,832 shares allocated to Ms. Stewart in the ESOP. In addition, includes options to acquire 33,994 shares over which Ms. Stewart has no voting or dispositive power and 6,442 restricted shares over which she has sole voting power and no dispositive power.

(7) Includes options to acquire 6,231 shares over which the individual has no voting or dispositive power and 1,639 restricted shares over which the individual has sole voting power and no dispositive power.

(8) Includes options to acquire 500 shares over which the individual has no voting or dispositive power and 600 restricted shares over which the individual has sole voting power and no dispositive power.

(9) Includes options to acquire 2,985 shares over which the individual has no voting or dispositive power and 1,639 restricted shares over which the individual has sole voting power and no dispositive power.

(10) Includes 12,015 shares of common stock held in Mr. Deines' 401(k) account, 7,152 shares allocated to Mr. Deines in the ESOP and 174 shares in UTMA accounts for Mr. Deines' sons, of which he is trustee. In addition, includes options to acquire 16,559 shares over which Mr. Deines has no voting or dispositive power and 4,392 restricted shares over which he has sole voting power and no dispositive power.

Includes 1,623 shares allocated to Ms. Nielsen in the ESOP. In addition, includes options to acquire 3,601 shares (11) over which Mr. Nielsen has no voting or dispositive power and 1,058 restricted shares over which she has sole voting power and no dispositive power.

Includes shares held by current directors and executive officers directly, in retirement accounts, in a fiduciary capacity or by certain affiliated entities or members of the named individuals' families, with respect to which (12) shares the named individuals and group may be deemed to have sole or shared voting and/or dispositive powers.

Also includes options to acquire 87,331 shares over which the individuals have no voting or dispositive power and 23,739 shares of restricted stock over which they have sole voting power and no dispositive power.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's directors and executive officers, and persons who own more than 10% of the Company's common stock to report to the SEC their initial ownership of the Company's common stock and any subsequent changes in that ownership. Specific due dates for these reports have been established by the SEC, and Sound Financial Bancorp is required to disclose in this proxy statement any late filings or failures to file. To the Company's knowledge, based solely on a review of the copies of reports furnished to the Company and written representations relative to the filing of certain forms, all Section 16(a) filing requirements applicable to our executive officers, directors and greater than 10% beneficial owners were met for transactions in our common stock during 2015.

PROPOSAL 1 — ELECTION OF DIRECTORS

Sound Financial Bancorp's Board of Directors is currently composed of seven members, each of whom is also a director of Sound Community Bank. Pursuant to the Company's charter, the directors shall be divided into three classes, as nearly equal in number as reasonably possible, with approximately one-third of the directors are elected annually.

The following table sets forth certain information regarding the composition of Sound Financial Bancorp's Board of Directors, including each director's term of office. The Sound Financial Bancorp Board of Directors, acting on the recommendation of the Nominating Committee, has recommended and approved the nomination of Tyler K. Myers, Robert F. Carney and James E. Sweeney to serve as directors for a term of three years to expire at the annual meeting of shareholders to be held in 2019.

It is intended that the proxies solicited on behalf of the Sound Financial Bancorp Board of Directors (other than proxies in which the authority to vote for a nominee is withheld) will be voted at the annual meeting FOR the election of Tyler K. Myers, Robert F. Carney and James E. Sweeney as directors. If any director nominee is unable to serve, the shares represented by all valid proxies will be voted for the election of such substitute nominee as the Board of Directors, acting on the recommendations of the Nominating Committee, may recommend. At this time, we know of no reason why any director nominee might be unable to serve if elected. Except as disclosed in this proxy statement, there are no arrangements or understandings between any nominee and any other person pursuant to which the nominee was selected. **The Board of Directors unanimously recommends that you vote FOR the election of the nominees whose names appear below.**

Name	Age ⁽¹⁾	Positions With Sound Financial	Director Since ⁽²⁾	Term Expires
<i>Director Nominees</i>				
Tyler K. Myers	53	Chairman of the Board	1993	2019 ⁽³⁾
Robert F. Carney	68	Director	1984	2019 ⁽³⁾
James E. Sweeney	66	Director	1986	2019 ⁽³⁾
<i>Continuing Directors</i>				
Laura Lee Stewart	66	President, Chief Executive Officer and Director	1990	2018
Debra Jones	58	Director	2005	2018
Rogelio Riojas	65	Director	2005	2018
David S. Haddad, Jr.	69	Vice Chairman of the Board	1990	2017
Kathleen B. Cook	66	Director	2015	2017

(1) At December 31, 2015.

(2) Includes years of service on the Board of Sound Community Bank (and its predecessor entity).

(3) If elected at the annual meeting.

Business Experience and Qualifications of Directors and Director Nominees

The business experience of each director and director nominee of Sound Financial Bancorp for at least the past five years and the experience, qualifications, attributes, skills and areas of expertise of each director that supports his or her service as a director are set forth below.

Tyler K. Myers. Mr. Myers is the Chairman of the Boards of Directors of Sound Financial Bancorp and Sound Community Bank, and currently is the President and General Partner of The Myers Group, a conglomerate of retail businesses that are focused primarily in the retail grocery, hardware and fuel industries. Mr. Myers is responsible for overseeing the success and profitability of all Myers group business and real estate operations. Mr. Myers has been

with The Myers Group since 1978. Mr. Myers' years of work with and running the Myers Group has provided him with strong leadership, management, financial and administrative skills, which together with his participation in the local community, brings valuable knowledge and skills to our organization. In addition, his participation in our local business community for over 25 years brings knowledge of the local economy and business opportunities for Sound Community Bank.

Robert F. Carney. Mr. Carney is Director of Meat and Seafood Merchandising for Sclaris Food & Drug Company in Reno, Nevada, a position he has held since February 2008. Prior to February 2008, he was Director

of Meat and Seafood Merchandising for Brown & Cole Stores in Bellingham, Washington for six years. Mr. Carney has over 20 years of experience in management positions in the food industry, including 12 years of budgeting and profit generating responsibilities. He has an MBA from the University of Southern California and an undergraduate degree in economics and business. Mr. Carney has attended seminars on the credit union and banking business over the years and has 27 years of experience on our Board, beginning when Sound Community Bank was a \$25 million credit union. Mr. Carney's years of management experience, together with his educational training, has provided him with extensive experience in the areas of business operations, budgeting and financial management, which knowledge is valuable to our organization.

James E. Sweeney. Mr. Sweeney recently retired as a Vice-President of Vitamin Shoppe, Inc., a national health and wellness retailer based in North Bergen, New Jersey. Mr. Sweeney previously served as President and Chief Executive Officer of Super Supplements, Inc., a Pacific Northwest retail chain specializing in vitamins, health supplements and nutrition with stores in Washington and Idaho, from June 2007 until its acquisition by Vitamin Shoppe in March 2013. Prior to his employment with Super Supplements, Mr. Sweeney was Managing Partner of Corporate Strategies and Development, LLC, a management consulting firm serving businesses in the Puget Sound area. He brings these general business, financial and risk management skills to Sound Community Bank and has experience guiding business entities during difficult business and economic cycles. His participation in our local business community for over 40 years brings knowledge of the local economy and business opportunities for Sound Community Bank.

David S. Haddad, Jr. Mr. Haddad is Vice Chairman of the Boards of Directors of Sound Financial Bancorp and Sound Community Bank. Prior to his retirement, Mr. Haddad was an Operations Manager at Cutter and Buck, a golf apparel company from 1999 until 2003; a Senior Manager of Operations at Progressive International, a housewares wholesaler from 1995 until 1999; and a warehouse manager for Associated Grocers from 1982 until 1995. During Mr. Haddad's years of service at the senior management level of these companies, his responsibilities included budgeting, personnel management, contract negotiations and control of capital expenditures. During his retirement, Mr. Haddad worked part time from 2004 until 2009 as a Customer Service Supervisor with Alaska Airlines. Mr. Haddad's 22 years of service as a director of Sound Community Bank (including its predecessor credit union organization) provide him with a strong knowledge and understanding of the institution's business and history. Mr. Haddad's years of service at the senior management level of various companies and as a Customer Service Supervisor for Alaska Airlines has provided him with strong leadership, interpersonal, management and administrative skills.

Kathleen B. Cook. Ms. Cook, retired since 1998, lives on the North Olympic Peninsula in the proximity of the Bank's Clallam and Jefferson County branches. During her professional career, Ms. Cook worked as Attorney Examiner and Staff Counsel to the Superintendent of Banks in Ohio for 2 years; as Senior Attorney and Vice President of regulatory Compliance for Bank One Corporation for 5 years and most recently as Vice President for Regulatory Compliance at Fannie Mae from 1992 to 1998. Currently Ms. Cook is active in conservation activities with the North Olympic Land Trust and the Jefferson County Land Trust. Ms. Cook's more than 20 years of experience in the financial services industry and specifically in the areas of bank regulation, examination, compliance and oversight add a critical skill set to our Board of Directors and strengthens our strategic risk management oversight.

Laura Lee Stewart. Ms. Stewart is the President and Chief Executive Officer of Sound Financial Bancorp and Sound Community Bank. Prior to joining Sound Community Bank as its President in 1989, when it was still a credit union, Ms. Stewart was Senior Vice President/Retail Banking at Great Western Bank. Ms. Stewart was selected as an inaugural member of the FDIC Community Bank Advisory Board and completed her term in 2011. In 2011, Ms. Stewart was appointed to the inaugural Consumer Financial Protection Bureau board and completed her term in 2013. She also serves as Chair of the ABA Government Relations Council and is the past Chair of the Washington Bankers Association. In 2011 and again in 2015, The American Banker honored her as one of the top 25 Women to Watch in banking. Ms. Stewart also is a member of the National Arthritis Foundation's board of directors as well as serving as the Chair of the board of directors of Woodland Park Zoo. Her many years of service in all areas of the financial institution operations and duties as President and Chief Executive Officer of Sound Financial Bancorp and Sound

Community Bank bring a special knowledge of the financial, economic and regulatory challenges we face and she is well suited to educating the Board on these matters.

Debra Jones. Ms. Jones recently retired as the Vice President of Administrative Services at Bellingham Technical College, where she was responsible for cash management, financial affairs, physical plant

10

administration and strategic planning. Prior to joining the college in August 2005, she served from September 2004 to May 2005 as Manager of Budget and Cash Management of Brown & Cole Stores, a retail grocer, and from 1998 to 2004 as Vice President of Administrative and Financial Services at Brown & Cole Stores. She is a certified public accountant and has served in chief financial officer positions for over 25 years, with responsibility for financial management, risk management and business administration. Her experience and expertise in the areas of accounting, finance and human resources are all valuable skills which she brings to our Board of Directors and as our audit committee financial expert.

Rogelio Riojas. Mr. Riojas is the Chief Executive Officer of Sea Mar Community Health Centers, a health care and social services organization serving low-income and underserved populations in Seattle and several counties in Washington. He has served in this position for over 30 years. Mr. Riojas has extensive management and administrative skills and experience in the heavily regulated health industry, especially in our local community. He also has experience in compensation, personnel management and human resource matters, which are valuable skills he brings to our Board of Directors.

Director Compensation

Directors of Sound Community Bank (excluding Laura Lee Stewart, the President and Chief Executive Officer of Sound Community Bank, who receives no separate compensation for her service as a director) receive compensation for their service on the Board of Directors of Sound Community Bank. They receive no separate compensation for their service on the Board of Directors of Sound Financial Bancorp. During 2015, our directors received a monthly retainer fee of \$12,000 for the year, plus \$1,400 for each monthly board meeting attended, for a maximum of \$2,400 per month. The directors are not paid additional fees for service on various board committees or special meetings.

The following table provides compensation paid to, or earned by, each non-employee member of the Board of Directors during the year ended December 31, 2015.

Name	Fees Earned or				Total (\$)
	Paid in Cash (\$)	Stock Awards (\$) ⁽¹⁾	Option Awards (\$) ⁽²⁾	All other compensation (\$) ⁽³⁾	
Tyler K. Myers	\$ 28,800	\$ 10,649	\$ 3,301	\$ 422	\$ 43,172
David S. Haddad, Jr.	28,800	10,649	3,301	422	43,172
Robert F. Carney	28,800	10,649	3,301	422	43,172
Kathleen B. Cook ⁽⁴⁾	21,600	—	—	—	21,600
Debra Jones	28,800	10,649	3,301	422	43,172
Rogelio Riojas	28,800	10,649	3,301	422	43,172
James E. Sweeney	28,800	10,649	3,301	422	43,172

(1) On January 28, 2015, each non-employee director, except for Ms. Cook who joined the Board in March 2015, was awarded 580 shares of Company common stock, of which 194 shares vested immediately with the remaining 386 shares scheduled to vest in two equal annual installments commencing on January 28, 2016 and 2017. Amounts reported in this column represent the aggregate grant date fair value of the January 2015 restricted stock awards computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation— Stock Compensation (FASB ASC Topic 718). The grant date fair value amount is based on the per share closing price of the Company's common stock on the date the award was made of \$18.36. As of December 31, 2015, each named director held 1,832 shares of restricted common stock which is subject to future vesting, except for Ms. Cook who held no restricted shares as of that date.

- On January 28, 2015, each non-employee director, except for Ms. Cook who joined the Board in March 2015, was awarded an option to purchase 862 shares of Company common stock at an exercise price equal to the fair market value of the Company's common stock on the grant date, of which options to purchase 288 shares vested immediately with the remaining 574 option shares scheduled to vest in two equal annual installments commencing on January 28, 2016 and 2017. Amounts reported in this column reflect the aggregate grant date fair
- (2) value of the 2015 stock option awards computed in accordance with FASB ASC Topic 718. The assumptions used in calculating these amounts are included in Note 13 to the Consolidated Financial Statements contained in the Company's 2015 Annual Report on Form 10-K filed with the SEC on March 30, 2016. As of December 31, 2015, each director listed in the table held options to purchase 10,133 shares of Company common stock, of which options to purchase 4,739 shares are vested and currently exercisable and options to purchase 5,394 shares are unexercisable and subject to future vesting except for Ms. Cook who held no option shares as of that date.
- (3) Dividends paid to the directors during 2015 on the restricted shares of Company common stock.
- (4) Mrs. Cook was appointed to the Board of Directors in March 2015.

With respect to the restricted stock and options discussed in the footnotes above, vesting accelerates in the event of the director's death or disability or a change in control of Sound Financial Bancorp or Sound Community Bank. In the event of a termination of service, all non-vested awards would be canceled and the exercise period on the remaining unexercised, vested option awards would be reduced to three months.

Directors are provided or reimbursed for travel and lodging and other customary out-of-pocket expenses incurred in attending out-of-town board and committee meetings, industry conferences and continuing education seminars up to \$3,500 per year, per director. Any incremental spousal costs in connection with those meetings, conferences and seminars are paid for by the directors personally. Sound Community Bank also pays the premiums on directors' and officers' liability insurance.

BOARD OF DIRECTORS' MEETINGS AND COMMITTEES AND CORPORATE GOVERNANCE MATTERS

Director Independence

The Board applies the independence standard in the Nasdaq listing standards to its directors. The Board has determined that seven of our eight directors, Directors Myers, Haddad, Carney, Cook, Jones, Riojas and Sweeney, are independent directors as that term is defined in the those Nasdaq standards. The Board of Directors has made a subjective determination as to each independent director that no relationships exist that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment in carrying out the responsibilities of a director. In making these determinations, the directors reviewed and discussed information provided by the directors and the Company with regard to each director's business and personal activities as they may relate to the Company and its management.

Corporate Governance

Board Leadership Structure. The Board has placed the responsibilities of Chairman with an independent nonexecutive member of the Board which we believe provides better accountability between the Board and our management team. We believe it is beneficial to have an independent Chairman whose sole responsibility to us is leading our Board members as they provide leadership to our executive team. Our Chairman is responsible for providing leadership to the Board and facilitating communication among the directors; setting the Board meeting agendas in consultation with the President and CEO; and presiding at Board meetings and executive sessions. This delineation of duties allows the President and CEO to focus her attention on managing the day-to-day business of Sound Community Bank. We believe this structure provides strong leadership for our Board, while positioning our President and CEO as the leader of the company in the eyes of our customers, employees and other stakeholders.

Board Role in Risk Oversight. The Board of Directors is responsible for consideration and oversight of risks facing Sound Financial Bancorp, and is responsible for ensuring that material risks are identified and managed appropriately. The Audit Committee meets quarterly, or more frequently as needed, with management in order to review our major financial risk exposures and the steps management is taking to monitor and control such exposures. Directors also serve on various committees that focus on major areas of risk in Sound Financial Bancorp and Sound Community Bank that include but are not limited to loans and compensation. Directors discuss risk and risk mitigation strategies with management within these committees. All risk oversight discussions are included in committee reports to the full Board of Directors. Directors discuss risk and risk mitigation strategies with management within these committees. All risk oversight discussions are included in committee reports to the full Board of Directors.

Board Meetings and Committees. Meetings of Sound Financial Bancorp's Board of Directors are generally held on a quarterly basis. The membership of Sound Community Bank's Board of Directors is identical to Sound Financial Bancorp's Board of Directors. Meetings of Sound Community Bank's Board of Directors are generally held on a monthly basis. For the fiscal year ended December 31, 2015, the Board of Directors of Sound Financial Bancorp held

six regular meetings and no special meetings, and the Board of Directors of Sound Community Bank held 12 regular meetings and no special meetings. During fiscal year 2015, no incumbent director attended fewer than 75% in the aggregate of the total number of meetings of each Board and the total number of meetings held by the committees of each Board on which committees he or she served.

12

The Board of Directors of Sound Financial Bancorp has standing Compensation, Audit and Nominating committees. Information regarding the functions of the Board's committees, their present membership and the number of meetings held by each committee for the year ended December 31, 2015, is set forth below:

Compensation Committee. The Compensation Committee operates under a formal written charter adopted by the Board of Directors. The Compensation Committee is responsible for: (i) determining and evaluating the compensation of the Chief Executive Officer and other executive officers; (ii) reviewing and monitoring existing compensation plans, policies and programs and recommending changes to the goals and objectives of these plans, policies and programs to the entire Board; and (iii) reviewing and recommending new compensation plans, policies and programs. The Compensation Committee also recommends to the Board of Directors any changes in the compensation structure for non-employee directors. The Compensation Committee does not designate its authority to any one of its members or any other person, however, Ms. Stewart does make recommendations to the Committee for all compensation, except her own.

The Compensation Committee is comprised of Directors Sweeney (chair), Cook, Jones and Myers, each of whom is independent as that term is defined for compensation committee members in the Nasdaq Rules. The Compensation Committee is scheduled to meet at least once a year and on an as-needed basis. The Compensation Committee met five times during 2015.

Audit Committee. The Audit Committee operates under a formal written charter adopted by the Board of Directors. The Audit Committee is appointed by the Board of Directors to provide assistance to the Board in fulfilling its oversight responsibility relating to the integrity of our consolidated financial statements and the financial reporting processes, the systems of internal accounting and financial controls, compliance with legal and regulatory requirements, the annual independent audit of our consolidated financial statements, the independent auditors qualifications and independence, the performance of our internal audit function and independent auditors and any other areas of potential financial risk to Sound Financial Bancorp specified by its Board of Directors. The Audit Committee also is responsible for the appointment, retention and oversight of our independent auditors, including pre-approval of all audit and non-audit services to be performed by the independent auditors.

The current members of the Audit Committee are Directors Jones (chair), Haddad, Riojas, Carney and Cook. All members of the Audit Committee, in addition to being independent as defined under Rule 4200 (a)(15) of the NASDAQ Marketplace Rules, (i) meet the criteria for independence set forth in Section 10A(m)(3) of the Securities Exchange Act of 1934 and (ii) are able to read and understand fundamental financial statements, including our balance sheet, income statement, and cash flow statement. Additionally, Debra Jones has had past employment experience in finance or accounting and/or requisite professional certification in accounting that results in her financial sophistication. The Board of Directors has determined that Ms. Jones meets the requirements adopted by the SEC for qualification as an audit committee financial expert. During 2015, the Audit Committee held 11 meetings.

Nominating Committee. Our Nominating Committee is comprised of Directors Haddad (chair), Cook and Riojas, each of whom is independent as that term is defined for compensation committee members in the Nasdaq Rules. The Nominating Committee is scheduled to meet at least once a year and on an as-needed basis. The Nominating Committee met one time during 2015. The Nominating Committee operates under a formal written charter adopted by the Board of Directors. The Nominating Committee is responsible for identifying and recommending director candidates to serve on the Board of Directors. Final approval of director nominees is determined by the full Board, based on the recommendations of the Nominating Committee. The nominees for election at the meeting identified in this document were recommended to the Board by the Nominating Committee. The Nominating Committee has the following responsibilities under its charter:

- (i) recommend to the Board the appropriate size of the Board and assist in identifying, interviewing and recruiting candidates for the Board;
- (ii)

recommend candidates (including incumbents) for election and appointment to the Board of Directors, subject to the provisions set forth in the our charter and bylaws relating to the nomination or appointment of directors, based on the following criteria: (i) business experience, education, integrity, reputation, independence, conflicts of interest, diversity, and age; (ii) number of other directorships and commitments (including charitable obligations); (iii) tenure on the Board; (iv) attendance at Board and committee meetings; (v) stock ownership; (vi) specialized knowledge (such as an understanding of banking, accounting, marketing, finance, regulation and public policy); (vii) residency and a

commitment to the Company's communities and shared values; and (viii) overall experience in the context of the needs of the Board as a whole. As a general rule, it is the desire of the Board of Directors that directors shall live and/or work in the communities served by the Company's subsidiary bank;

- (iii) consider and evaluate nominations from shareholders using the same criteria as all other nominations;
- (iv) annually recommend to the Board committee assignments and committee chairs on all committees of the Board, and recommend committee members to fill vacancies on committees as necessary; and
- (v) perform any other duties or responsibilities expressly delegated to the Committee by the Board.

Pursuant to the Company's bylaws, no person 75 years of age or older is eligible for election, re-election, appointment or re-appointment to the Company's Board of Directors. No director who has attained the age of 75 shall continue to serve as a director beyond the annual meeting of shareholders at which his or her term as a director expires.

Nominations of persons for election to the Board of Directors may be made only by or at the direction of the Board of Directors or by any stockholder entitled to vote for the election of directors who complies with the notice procedures. Pursuant to the Company's bylaws, nominations for directors by shareholders must be made in writing and received by the Secretary of the Company at the Company's principal executive offices no earlier than 120 days prior to the meeting date and no later than 90 days prior to the meeting date. If, however, less than 100 days' notice or public announcement of the date of the meeting is given or made to shareholders, nominations must be received by the Company not later than the close of business on the tenth day following the earlier of the day on which notice of the date of the meeting was mailed or otherwise transmitted or the day on which public announcement of the date of the meeting was first made. In addition to meeting the applicable deadline, nominations must be accompanied by certain information specified in the Company's bylaws.

This description is a summary of our nominating process. Any shareholder wishing to propose a director candidate to the Company should review and must comply in full with the procedures set forth in the Company's charter and bylaws.

Stock Ownership Guidelines. The Board of Directors believes the alignment of directors' interests with those of shareholders is strengthened when Board members are also shareholders. Under the Company's stock ownership guidelines, adopted by the Company's Board of Directors in June 2014, outside (non-employee) directors of the Company or its wholly-owned operating subsidiary, Sound Community Bank, are expected to own Sound Financial Bancorp common stock equal in value to at least \$50,000 within the later of (i) one year from the adoption of these guidelines or (ii) two years of joining the Board (of which \$10,000 should be owned within the first year of joining the Board. Share ownership for purposes of calculating compliance with these ownership guidelines do not include a director's unexercised stock options and or any shares of Company common stock that are pledged or otherwise encumbered. As of the date of this proxy statement, all of our current non-employee directors meet the stock ownership threshold.

Communications with Directors. Any shareholder desiring to communicate with the Board of Directors, or one or more specific members thereof, should communicate in writing addressed to Tyler K. Myers, Chairman of the Board of the Company, 2005 Fifth Avenue, Suite 200, Seattle, Washington, 98121.

Attendance Policy at Annual Meetings. Although we do not have a formal policy regarding director attendance at annual shareholder meetings, directors are expected to attend these meetings. All directors were in attendance at last year's annual shareholder meeting.

Committee Charters. The charters of the Audit, Compensation and Nominating Committees are posted on our website at www.soundcb.com under Investor Relations – Governance Documents.

Code of Ethics. We have adopted a code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer, and person performing similar functions, and to all of our other employees and

our directors. You may obtain a copy of the code of ethics free of charge by writing to the Corporate Secretary of Sound Financial Bancorp, 2005 Fifth Avenue, Suite 200, Seattle, Washington, 98121 or by calling (206) 448-0884. In addition, the code of ethics is available on our website at www.soundcb.com under Investor Relations – Governance.

TRANSACTIONS WITH CERTAIN RELATED PERSONS

We may engage in a transaction or series of transactions with our directors, executive officers and certain persons related to them. Except for the loans discussed below, there were no transactions of this nature, the amount of which exceeded \$120,000 during 2015 or 2014.

Our directors, officers and employees are eligible for any type of credit offered by Sound Community Bank. Federal regulations permit executive officers and directors to participate in loan programs that are available to other employees, as long as the director or executive officer is not given preferential treatment compared to other participating employees. In accordance with banking regulations, such loans to directors are made on substantially the same terms as those available to Sound Community Bank's employees. Such loans provide for a discount as to interest rate, consistent with the requirements of the Federal Reserve Board's Regulation O. When the director or executive officer leaves Sound Community Bank, these preferential rates return to market rates and terms in effect at the time of origination. Except as set forth above, loans to directors and executive officers are made in the ordinary course of business and on substantially the same terms, including interest rates and collateral, as prevailing at the time for comparable loans with persons not related to Sound Community Bank, and do not involve more than the normal risk of collectability or present other unfavorable features. Loans to current directors and executive officers and their related persons totaled approximately \$2.5 million at December 31, 2015, and were performing in accordance with their terms at that date.

Set forth below is information regarding loans made with preferential interest rates, as prevailing at the time for comparable loans with persons not related to Sound Community Bank, to directors and executive officers during each of the last two fiscal years who had aggregate indebtedness to Sound Community Bank that exceeded \$120,000.

Name	Nature of Transaction	Interest Rate	Largest Principal Balance 01/01/15 to 12/31/15	Principal Balance at 12/31/2015	Principal Paid 01/01/15 to 12/31/15	Interest Paid 01/01/15 to 12/31/15
Matthew P. Deines	Mortgage Loan	3.00 %	\$ 382,322	\$ 357,277	\$ 12,498	\$ 11,574
Tyler Myers	Mortgage Loan	1.63 %	479,560	461,584	17,976	7,809
Tyler Myers	Mortgage Loan	6.00 %	84,327	—	84,327	3,513
David Haddad	Mortgage Loan	1.75 %	418,239	408,500	9,739	7,241
David Haddad	Consumer Loan	11.00 %	5,329	—	5,329	330
Robert Carney	Mortgage Loan	3.00 %	243,095	235,881	7,214	6,968
Robert Carney	Mortgage Loan	5.00 %	15,987	14,380	1,607	776
Debra Jones	Mortgage Loan	3.00 %	542,590	524,941	17,649	9,245
Debra Jones	Mortgage Loan	6.00 %	6,501	4,443	2,058	342
James E. Sweeney	Mortgage Loan	1.63 %	409,433	393,407	16,026	6,747
James E. Sweeney	Mortgage Loan	5.00 %	9,384	5,626	3,758	392
Name	Nature of Transaction	Interest Rate	Largest Principal Balance 01/01/14 to 12/31/14	Principal Balance at 12/31/2014	Principal Paid 01/01/14 to 12/31/14	Interest Paid 01/01/14 to 12/31/14
Matthew P.	Mortgage Loan	2.88 %	\$ 382,322	\$ 369,775	\$ 12,547	\$ 8,338

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Deines

Tyler Myers	Mortgage Loan	1.75 %	497,038	479,560	17,478	8,558
Tyler Myers	Mortgage Loan	6.00 %	70,000	30,000	40,000	3,185
David Haddad	Mortgage Loan	1.75 %	427,809	418,239	9,570	7,410
David Haddad	Mortgage Loan	11.00 %	7,880	5,329	2,551	812
Robert Carney	Mortgage Loan	2.88 %	250,132	243,095	7,037	7,099
Robert Carney	Mortgage Loan	5.00 %	16,993	15,987	1,006	830
Debra Jones	Mortgage Loan	1.75 %	559,885	542,590	17,296	9,660
Debra Jones	Mortgage Loan	6.00 %	8,440	6,501	1,939	461
James E. Sweeney	Mortgage Loan	1.75 %	430,234	409,433	20,801	7,333
James E. Sweeney	Mortgage Loan	5.00 %	12,959	9,384	3,575	575

15

EXECUTIVE COMPENSATION

The following table summarizes the compensation paid to, or earned by, our President and Chief Executive Officer, our two next highest compensated executive officers who were serving at the end of fiscal year ended December 31, 2015 for services rendered in all capacities during the years ended December 31, 2015 and 2014. We will use the term named executive officers in this document to refer to the persons listed in this table.

Summary Compensation Table

Name and Principal Position	Fiscal Year	Salary	Bonus ⁽¹⁾	Stock Awards	Option Awards	Non-Equity Incentive		Total
						Plan Compensation	All Other Compensation	
Laura Lee	2015	\$ 329,202	\$ 21,848	\$ 59,413 ⁽²⁾	\$ 80,602 ⁽⁴⁾	\$ 98,775	\$ 39,400 ⁽⁶⁾	\$ 629,240
Stewart <i>President, Chief Executive Officer and Director</i>	2014	318,069	35,633	142,531 ⁽³⁾	67,082 ⁽⁵⁾	101,143	36,121	700,579
Matthew P. Deines <i>Executive Vice President and CFO and Secretary</i>	2015	\$ 183,875	\$ 30,258	\$ 19,517 ⁽²⁾	\$ 44,780 ⁽⁴⁾	\$ 56,375	\$ 29,152 ⁽⁶⁾	\$ 363,957
	2014	178,502	55,884	110,141 ⁽³⁾	52,954 ⁽⁵⁾	56,204	29,098	482,783
Kelli Nielsen <i>Senior Vice President Retail Banking and Marketing</i>	2015	\$ 143,003	\$ 31,730	\$ 13,880 ⁽²⁾	\$ 11,004 ⁽⁴⁾	\$ 13,286	\$ 22,796 ⁽⁶⁾	\$ 235,699
	2014	137,502	30,541	22,848 ⁽³⁾	12,350 ⁽⁵⁾	13,120	20,810	237,171

Amounts reported in this column include the grant date fair value under FASB ASC Topic 718, (i) for 2015, of 1,190 shares, 104 shares and 379 shares of Company common stock with a grant date fair value of \$18.36 per share and (ii) for 2014, of 2,121 shares, 1,639 shares and 340 shares of Company common stock with a grant date fair value of \$16.80 per share, granted to Ms. Stewart, Mr. Deines and Ms. Nielson, respectively. In addition, the amounts reflected for Mr. Deines and Ms. Nielsen include a cash bonus of \$28,349 and \$24,772 for 2015 and \$28,349 and \$24,829 for 2014, respectively.

Represent the grant date fair value under FASB ASC Topic 718, of 3,236 shares, 1,063 shares and 756 shares of Company common stock with a grant date fair value of \$18.36 per share granted to Ms. Stewart, Mr. Deines and Ms. Nielson, respectively.

Represent the grant date fair value under FASB ASC Topic 718, of 8,484 shares, 6,556 shares and 1,360 shares of Company common stock with a grant date fair value of \$16.80 per share granted to Ms. Stewart, Mr. Deines and Ms. Nielson, respectively.

(4)

In January 2015, Ms. Stewart, Mr. Deines and Ms. Nielson were awarded options to purchase 21,045 shares, 11,692 shares and 2,873 shares, respectively, of Company common stock. The amounts in this column are calculated using the grant date fair values of the awards under FASB ASC Topic 718, based on the fair value of the stock option awards, as estimated using the Black-Scholes option-pricing model. The assumptions used in the calculation of these amounts are included in Note 13 of the Notes to Consolidated Financial Statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 filed with the SEC.

(5) In January 2014, Ms. Stewart, Mr. Deines and Ms. Nielson were awarded an option to purchase 22,895 shares, 18,073 shares and 4,215 shares, respectively, of Company common stock. The amounts in this column are calculated using the grant date fair values of the awards under FASB ASC Topic 718, based on the fair value of the stock option awards, as estimated using the Black-Scholes option-pricing model. The assumptions used in the calculation of these amounts are included in Note 13 of the Notes to Consolidated Financial Statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 filed with the SEC.

(6) The amounts represented for the year ended December 31, 2015, consist of the following (no executive officer received personal benefits or perquisites exceeding \$10,000 in the aggregate):

Form of Compensation	Laura Lee Stewart	Matthew P. Deines	Kelli Nielsen
401(k) matching contribution	\$ 7,517	\$ 268	\$ 5,125
Payment for executive medical benefits	1,130	5,990	1,130
Life insurance premiums ^(a)	557	530	413
Employee stock ownership plan allocation	21,028	21,028	15,685
Dividends on restricted stock	2,168	1,336	443
Matching charitable contribution ^(b)	7,000	—	—
Total	\$ 39,400	\$ 29,152	\$ 22,796

(a) Reflects term life insurance premiums paid in 2015 by us on behalf of the officers.

(b) We match up to \$7,000 in charitable contributions made by Ms. Stewart to charities of her choice that are tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

Outstanding Equity Awards at December 31, 2015

The following table sets forth information for each named executive officer concerning stock options and restricted stock held at December 31, 2015.

Name	Options Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options		Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested ⁽⁸⁾
	Exercisable	Unexercisable				
Laura Lee Stewart	5,638	—	8.41	01/27/2019	10,249 ⁽⁵⁾	\$ 232,031
	5,638	—	9.72	01/27/2019		
	2,623	1,748 ⁽¹⁾	\$ 8.49	02/28/2022		
	4,579	18,316 ⁽²⁾	16.80	01/23/2024		
	4,181	8,362 ⁽³⁾	18.36	01/28/2025		
	—	8,502 ⁽⁴⁾	18.36	01/28/2025		
Matthew P. Deines	2,006	—	\$ 9.72	01/27/2019	6,631 ⁽⁶⁾	\$ 150,128
	2,623	1,748 ⁽¹⁾	8.49	02/28/2022		
	3,615	14,458 ⁽²⁾	16.80	01/23/2024		
	1,064	2,126 ⁽³⁾	18.36	01/28/2024		
	—	8,502 ⁽⁴⁾	18.36	01/28/2024		
Kelli Nielsen	843	3,372 ⁽²⁾	\$ 16.80	01/23/2024	1,777 ⁽⁷⁾	\$ 40,231
	958	1,915 ⁽³⁾	18.36	01/28/2025		

(1) Vest in two equal annual installments on February 28, 2016 and 2017.

(2) Vest in four equal annual installments on January 23, 2016, 2017, 2018 and 2019.

(3) Vest in two equal annual installments on January 28, 2016 and 2017.

(4) Vest in five equal annual installments on January 28, 2016, 2017, 2018, 2019 and 2020.

(5) Consists of the following: 2,380 shares that vest in two equal installments on January 28, 2016 and 2017; 856 shares that vest in five equal installments commencing on January 28, 2016; 6,363 shares that vest in three equal installments on January 23, 2016, 2017 and 2018; and 650 shares that vest in two equal installments on February 28, 2016 and 2017.

(6) Consists of the following: 207 shares that vest in two equal installments on January 28, 2016 and 2017; 857 shares that vest in five equal installments commencing on January 28, 2016; 4,917 shares that vest in three equal installments on January 23, 2016, 2017 and 2018; and 650 shares that vest in two equal installments on February 28, 2016 and 2017.

(7) Consists of the following: 757 shares that vest in two equal installments on January 28, 2016 and 2017; and 1,020 shares that vest in three equal installments on January 23, 2016, 2017 and 2018.

(8) Value is based on the \$22.64 closing price of a share of Sound Financial Bancorp common stock on December 31, 2015.

Employment Agreements. Sound Community Bank has entered into an employment agreement with Ms. Stewart, the term of which will expire on December 31, 2016. The amount of her annual salary is reviewed by the Compensation Committee each year. The employment agreement provides for no salary reductions; participation in any stock-based compensation plans; supplemental executive retirement plan approved by the Board of Directors; and participation in any other retirement plans, group insurance and other benefits provided to our full time employees generally and in which executive officers participate. Ms. Stewart also is entitled to expense reimbursement, professional and educational dues, expenses for programs related to our operations, including travel costs. Under the employment agreement, if Ms. Stewart's employment is terminated for any reason other than cause, death, retirement, or disability, or if she resigns following certain events such as relocation or demotion, she will be entitled to her salary for the remaining term of the agreement and continued eligibility under the health benefit programs for executive officers. The value of compensation and benefits payable under the agreement is capped so as to prevent imposition of the golden parachute tax under Section 280G of the Internal Revenue Code.

Annual Bonus Plans. Our named executive officers participate in an annual incentive bonus plan (Annual Bonus Plan), which provides for annual cash bonuses to designated senior managers, including all the named

executive officers, upon the achievement of pre-established performance goals established by the Board of Directors. Under the Annual Bonus Plan, prior to the earnings override adjustment discussed below, Ms. Stewart, Mr. Deines and Ms. Nielsen are entitled to receive a bonus of up to 33%, 33% and 10%, respectively, of their base salary, depending on how actual performance compares with quantitative and qualitative performance goals established by the Compensation Committee. The performance goals under the Annual Bonus Plan are the same for all participants and are based on overall corporate performance. The quantitative goals include performance factors relating to asset size, capital level, delinquency ratio, return on assets and equity, levels of non-interest income and non-interest expense, net interest margin, charge-offs and the size of the loan portfolio. The qualitative goals are non-financial corporate goals that require leadership of senior management and are ranked based on their relative importance to our operations. Participants earn credits for the quantitative factors, based on the level of importance assigned to each factor and the actual level of performance compared to the targeted goals set for each factor. Participants also earn credits for accomplishing the qualitative goals established by the Compensation Committee. Ms. Stewart's bonus is based 50% on meeting qualitative goals and 50% on meeting quantitative goals, while Mr. Deines and Ms. Nielsen's bonuses are based 40% on meeting qualitative goals and 60% on meeting quantitative goals. Each individual's bonus is also subject to an earnings override adjustment, based on a target net earnings level established by the Board of Directors. An individual's bonus, if earned, is increased or decreased, up to a maximum of 50%, by the percentage that actual net income is above or below the targeted net income set by the Board of Directors. As a result of the earnings override adjustment, Ms. Stewart's, Mr. Deines' and Ms. Nielsen's bonus under the Annual Bonus Plan may be as much as 49.5%, 49.5% and 15.0%, respectively, of their base salary. For the year ended December 31, 2015, Ms. Stewart, Mr. Deines and Ms. Nielsen earned bonuses of 30.0%, 30.7% and 9.3% of base salary, respectively. These percentages were arrived at based on Ms. Stewart, Mr. Deines and Ms. Nielsen earning 93.5%, 95.6% and 95.6%, respectively, of their bonus credits available under the plan for the year, which percentages were adjusted downward by 2.8% as a result of the earnings override adjustment.

Supplemental Executive Retirement Plans. The Company maintains two supplemental executive retirement plans for the benefit of Ms. Stewart, which are intended to be unfunded, non-contributory defined benefit plans maintained primarily to provide her with supplemental retirement income. The first supplemental executive retirement plan (SERP 1) was effective as of August 2007. The second supplemental executive retirement plan (SERP 2) was effective as of December 30, 2011, at which time the benefits under SERP 1 were frozen. At that time, the Company also entered into a Confidentiality, Non-Competition, and Non-Solicitation Agreement with Ms. Stewart, which is discussed below.

Under the terms of SERP 1, as amended, Ms. Stewart is entitled to receive \$53,320 per year for life commencing on the first day of the month following her separation from service (as defined in SERP 1) for any reason from Sound Community Bank. No payments will be made under SERP 1 in the event of Ms. Stewart's death and any payments that have commenced will cease upon death. In the event Ms. Stewart is involuntarily terminated in connection with a change in control (as defined in SERP 1), she will be entitled to receive the annual benefit described in the second sentence of this paragraph commencing upon such termination (subject to any applicable cutback for payments after a change in control as required by Section 280G of the Internal Revenue Code).

Under the terms of SERP 2, as amended, upon Ms. Stewart's termination of employment with Sound Community Bank for any reason other than death, she will be entitled to receive additional retirement benefits of \$78,030 per year for life commencing on the first day of the month following the later of age 70 or her separation from service (as defined in SERP 2) from Sound Community Bank. In the event of Ms. Stewart's death, her beneficiary will be entitled to a single lump sum payment within 90 days thereafter in an amount equal to the account value as of the death benefit valuation date, or approximately \$978,000 at December 31, 2015. If a change in control occurs (as defined in SERP 2), Ms. Stewart will receive her full retirement benefit under SERP 2 commencing upon the first day of the month following her separation from service from Sound Community Bank.

Confidentiality, Non-Competition, and Non-Solicitation Agreement. Effective December 30, 2011, Sound Community Bank entered into a Confidentiality, Non-competition, and Non-solicitation Agreement (the Non-compet

Agreement) with Ms. Stewart. The Non-compete Agreement commences upon Ms. Stewart's termination of employment with us and expires upon the earlier of (a) 36 months from the date of Ms. Stewart's separation from service (as defined in the Non-compete Agreement) or (b) the date she begins receiving

18

retirement benefits under the SERP 2, which time frame is referred to as the Restricted Period. In consideration of Ms. Stewart's non-competition and non-solicitation obligations under the Non-compete Agreement Ms. Stewart will be entitled to receive a bi-monthly payment, in an amount equal to \$3,541.67, which amount shall be paid in equal bi-monthly payments during the Restricted Period beginning on the fifth day of the month following her separation from service with Sound Community Bank, except if her termination of employment occurs for good reason (as defined in the Non-compete Agreement). In the event Ms. Stewart employment terminates for good reason, she will be entitled to receive an amount equal to 150 percent of her then-base salary plus the average of her past three years short term bonus pay, or approximately \$649,000 at December 31, 2015, payable in 12 monthly installments beginning on the first day of the month following her termination. If Ms. Stewart terminates her employment with us for good reason within 24 months following a change in control (as defined in the Non-compete Agreement), Ms. Stewart will be entitled to receive the amount described in the preceding sentence, but payable in a lump sum. Ms. Stewart's benefits under the Non-compete Agreement are forfeited if she breaches the terms of the agreement. No payments will be made under the agreement if Ms. Stewart's employment ceases on account of her disability or death (and payments that have commenced will cease upon death), or if she is otherwise ineligible to work in the financial product or services industry.

Change in Control Agreement. Pursuant to the terms of the change in control agreement by and among the Company, the Bank and Mr. Deines, Mr. Deines is entitled to receive a cash payment equal to twenty-four (24) months of his then current salary if his employment with the Company or the Bank is involuntary terminated within six months preceding or 12 months after a change of control (as defined in the agreement). The change of control agreements also provide that the Company shall maintain substantially the same health and other benefits available to Mr. Deines in effect immediately prior to such termination, at no additional cost to him, for a period ending at the earlier of (i) eighteen (18) months after the effective date of his termination or (ii) the date of his full time employment by another employer that provides substantially the same health and other benefits. The foregoing payments would be in lieu of any amounts owed to Mr. Deines under his existing employment agreement (described above) with the Bank. Additionally, in the event Mr. Deines is entitled to payment under the change of control agreement, then the non-competition provision contained in his employment agreement with the Bank will be null and void and of no force and effect. The above payments that would be made in connection with a change of control are subject to cut-back to the extent the payments would result in either the loss of a tax deduction to the Company or the imposition of a penalty tax on Mr. Deines. The change of control agreement remains in effect until canceled by either party, upon at least 12 months prior written notice to the other party.

Equity Incentive Plans. We maintain equity incentive plans that provide for the grant or award of stock options, stock appreciations rights, restricted stock and restricted stock units to our directors, advisory directors, officers and other employees. The Compensation Committee administers the plans, determines employee eligibility, grants awards and sets the terms of awards. Awards are discretionary and are based on an assessment of the participant's position, years of service, and contribution to our success and growth. The exercise price of options awarded must be no less than the fair market value of a share of Sound Financial Bancorp's common stock on the date of grant. Restricted stock awards and options granted pursuant to the Company's equity incentive plans generally (i) are subject to a vesting period and (ii) accelerate vesting in the event of the participant's death or disability or a change in control of Sound Financial Bancorp or Sound Community Bank. In the event of a termination of service, other than in connection with death, disability or a change in control, all non-vested awards typically would be canceled.

REPORT OF THE AUDIT COMMITTEE

The information contained in this report shall not be deemed to be soliciting materials or to be filed with the SEC, nor shall said information be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, notwithstanding the incorporation by reference of this proxy statement into any such filing

The Audit Committee has reviewed and discussed the audited financial statements of Sound Financial Bancorp, Inc. for the fiscal year ended December 31, 2015, with management. The Audit Committee has discussed with Moss

Adams, LLP, our independent registered public accounting firm, the matters required to be discussed by Auditing Standard No. 16, Communications with Audit Committees.

19

The Audit Committee has also received the written disclosures and the letter from Moss Adams, LLP required by applicable requirements of the Public Accounting Oversight Board regarding the independent accountant's communications with the Audit Committee concerning independence, and has discussed with Moss Adams, LLP its independence.

Based on the Audit Committee's review and discussions noted above, it recommended to the Board of Directors that Sound Financial Bancorp's audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, for filing with the SEC.

The foregoing report is furnished by the Audit Committee of the Board of Directors:

Debra Jones, Chair David S. Haddad, Jr Robert Carney Rogelio Riojas Kathe Cook

PROPOSAL 2 - RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board of Directors appointed Moss Adams, LLP to serve as our independent registered public accounting firm for the 2016 fiscal year and is soliciting your ratification of that selection.

Your ratification of the Audit Committee's selection of Moss Adams, LLP is not necessary because the Audit Committee has responsibility for selection of our independent registered public accounting firm. However, the Audit Committee will take your vote on this proposal into consideration when selecting our independent registered public accounting firm in the future. A representative of Moss Adams, LLP is expected to be present at the annual meeting of shareholders and will have the opportunity to make a statement or respond to any appropriate questions that shareholders may have.

The Board of Directors recommends that shareholders vote FOR the ratification of the appointment of Moss Adams, LLP as Sound Financial Bancorp, Inc.'s independent registered public accounting firm for the year ending December 31, 2016.

Principal Accountant Fees and Services

During the fiscal years ended December 31, 2015 and 2014, Moss Adams, LLP provided various audit services to Sound Financial Bancorp and Sound Community Bank. These services included: (1) the audit of our annual financial statements and review of the financial statements included in Sound Financial Bancorp's filings with the SEC; (2) consultation on accounting matters; and (3) professional services.

	Year Ended December 31,	
	2015	2014
Audit Fees	\$ 134,000	\$ 128,000
Audit Related Fees	2,217	2,431
Tax Fees	—	—
All Other Fees	—	—

Audit Fees include aggregate fees billed for professional services rendered for the audit of the Company's annual financial statements, for the review of financial statements included in the Company's Quarterly Reports on Form 10-Q and for consents.

Audit-Related Fees include aggregate fees billed for professional services rendered for the consents related to a Form S-8 engagement.

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Tax Fees include aggregate fees billed for professional services rendered related to tax return preparation and tax consultations. No fees were billed for professional services rendered for services or products other than those listed under the captions Audit Fees, and Audit-Related Fees, for 2015 and 2014.

Our Audit Committee has determined that the services provided by Moss Adams, LLP as set forth herein are compatible with maintaining Moss Adams, LLP's independence.

Pursuant to the terms of its charter, the Audit Committee is responsible for the appointment, compensation, retention and oversight of the work of the independent auditors. The Audit Committee must pre-approve the engagement letters and the fees to be paid to the independent auditors for all audit and permissible non-audit

20

services to be provided by the independent auditors and consider the possible effect that any non-audit services could have on the independence of the auditors. The Audit Committee may establish pre-approval policies and procedures, as permitted by applicable law and SEC regulations and consistent with its charter for the engagement of the independent auditors to render permissible non-audit services to the Corporation, provided that any pre-approvals delegated to one or more members of the committee are reported to the committee at its next scheduled meeting. At this time, the Audit Committee has not adopted any pre-approval policies.

ADDITIONAL INFORMATION

Proxy Solicitation Costs

The Company will pay the costs of soliciting proxies. 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's common stock. In addition to solicitation by mail, directors, officers and employees of the Company may solicit proxies personally or by facsimile, telegraph or telephone, without additional compensation.

Shareholder Proposals for 2017 Annual Meeting

In order to be eligible for inclusion in Sound Financial Bancorp's proxy materials for next year's annual meeting of shareholders, any shareholder proposal to take action at such meeting must be received in writing at Sound Financial Bancorp's main office at 2005 4th Avenue, Suite 200, Seattle, Washington 98121, no later than December 12, 2016. Any such proposals shall be subject to the requirements of the proxy rules adopted under the Securities and Exchange Act of 1934, as amended and to the Company's Charter and Bylaws.

In addition to the deadline and other requirements referred to above for submitting a stockholder proposal to be included in the Company's proxy materials for its next annual meeting of shareholders, the Company's bylaws require a separate notification to be made in order for a stockholder proposal to be eligible for presentation at the meeting, regardless of whether the proposal is included in the Company's proxy materials for the meeting. In order to be eligible for presentation at the Company's next annual meeting of shareholders, written notice of a stockholder proposal containing the information specified in Article I, Section 6 of the Company's bylaws must be received by the Secretary of the Company not earlier than the close of business on January 31, 2017 and not later than the close of business on March 2, 2017. If, however, the date of the next annual meeting is before May 11, 2017 or after July 30, 2017, the notice of the stockholder proposal must instead be received by the Company's Secretary not earlier than the close of business on the 120th day prior to the date of the next annual meeting and not later than the close of business on the later of the 90th day before the date of the next annual meeting or the tenth day following the first to occur of the day on which notice of the date of the next annual meeting is mailed or otherwise transmitted or the day on which public announcement of the date of the next annual meeting is first made by the Company.

Other Matters

We are not aware of any business to come before the annual meeting other than those matters described in this proxy statement. However, if any other matter should properly come before the meeting, it is intended that holders of the proxies will act in accordance with their best judgment.

