

Sound Financial Bancorp, Inc.
Form DEF 14A
April 12, 2018
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

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

SOUND FINANCIAL BANCORP, 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.
 - 1) Title of each class of securities to which transaction applies:
 - 2) Aggregate number of securities to which transaction applies:
 - 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):
 - 4) Proposed maximum aggregate value of transaction:
 - 5) Total fee paid:
- 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:
- 2) Form, Schedule or Registration Statement No.:
- 3) Filing Party:
- 4) Date Filed:

2400 3rd Avenue, Suite 150
Seattle, Washington 98121
(206) 448-0884

April 13, 2018

Dear Fellow Shareholder:

On behalf of the Board of Directors and management of Sound Financial Bancorp, Inc., I cordially invite you to attend our 2018 Annual Meeting of Shareholders. The meeting will be held at 10:30 a.m., Pacific Time, on May 29, 2018, at our executive offices located at 2400 3rd Avenue, Suite 150, Seattle, Washington.

The matters expected to be acted upon at the meeting are described in detail in the attached Notice of Annual Meeting of Shareholders and proxy statement. An important part of the Annual Meeting is the shareholder vote on corporate business items. I urge you to exercise your rights as a shareholder to vote and participate in this process. At the Annual Meeting, I will present management's report to you on Sound Financial Bancorp, Inc.'s 2017 financial and operating performance.

Included with this proxy statement is a copy of our Annual Report on Form 10-K for the year ended December 31, 2017. We encourage you to read the Form 10-K. It includes information on our operations, products and services, as well as our audited financial statements. Although the Annual Report is being provided to shareholders with this proxy statement, it does not constitute a part of the proxy solicitation materials and is not incorporated into this proxy statement by reference.

We encourage you to attend the Annual Meeting in person. Whether or not you plan to attend the meeting, please read the proxy statement and vote your shares by Internet or telephone or by sending a completed proxy card by regular mail as promptly as possible. This will ensure that your shares are represented at the meeting.

Your Board of Directors and management are committed to the continued success of Sound Financial Bancorp, Inc. and the enhancement of the value of your investment. As President and Chief Executive Officer, I want to express my appreciation for your confidence and support.

Sincerely,

Laura Lee Stewart
President and Chief Executive Officer

SOUND FINANCIAL BANCORP, INC.

2400 3rd Avenue, Suite 150
Seattle, Washington 98121
(206) 448-0884

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MAY 29, 2018

NOTICE IS HEREBY GIVEN that the annual meeting of shareholders of Sound Financial Bancorp, Inc. will be held as follows:

- | | |
|--------------|---|
| TIME | Tuesday, May 29, 2018, at 10:30 a.m., Pacific Time |
| PLACE | Sound Community Bank
2400 3rd Avenue, Suite 150
Seattle, Washington |
| BUSINESS | (1) Election of three directors of Sound Financial Bancorp, Inc.
(2) Approval of the Sound Financial Bancorp, Inc. Amended and Restated 2013 Equity Incentive Plan.
(3) Advisory (non-binding) vote on executive compensation.
(4) Advisory (non-binding) vote on the frequency of the advisory vote on executive compensation.
(5) Ratification of the appointment of Moss Adams, LLP as Sound Financial Bancorp, Inc.'s independent registered public accounting firm for the fiscal year ending December 31, 2018. |
| RECORD DATE | Holders of record of Sound Financial Bancorp, Inc. common stock at the close of business on April 2, 2018, are entitled to receive this Notice and to vote at the annual meeting, or any adjournment or postponement thereof. |
| PROXY VOTING | It is important that your shares be represented and voted at the annual meeting. To ensure that your shares are represented at the meeting, please take the time to vote by Internet or telephone or by mailing a completed proxy card as soon as possible. Regardless of the number of shares you own, your vote is very important. Please act today. |

BY ORDER OF THE BOARD OF DIRECTORS

Laura Lee Stewart
President and Chief Executive Officer

Seattle, Washington
April 13, 2018

Important Notice Regarding the Availability of

Proxy Materials for the Shareholder Meeting To Be Held on May 29, 2018.

Sound Financial Bancorp Inc.'s proxy statement, Annual Report to Shareholders and electronic proxy card are available on the Internet at <http://www.proxyvote.com>.

You are encouraged to review all of the information contained in the proxy statement before voting.

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Seattle, Washington 98121
(206) 448-0884

PROXY STATEMENT

INTRODUCTION

The Board of Directors of Sound Financial Bancorp, Inc. is using this proxy statement to solicit proxies from the holders of common stock of Sound Financial Bancorp, Inc. for use at our upcoming annual meeting of shareholders. The annual meeting of shareholders will be held at 10:30 a.m., Pacific Time on Tuesday, May 29, 2018, at our executive office, located at 2400 3rd Avenue, Suite 150, Seattle, Washington.

At the meeting, shareholders will be asked to vote on five proposals, which are set forth in the accompanying Notice of Annual Meeting of Shareholders and are described in more detail below. Shareholders also will consider any other matters that may properly come before the meeting, although the Board of Directors knows of no other business to be presented. Sound Financial Bancorp, Inc. is referred to in this proxy statement from time to time as "Sound Financial Bancorp" or the "Company." Certain of the information in this proxy statement relates to Sound Community Bank, a wholly owned subsidiary of the Company, which is referred to in this proxy statement from time to time as the "Bank."

By submitting your proxy, either by executing and returning the enclosed proxy card or by voting electronically via the Internet or by telephone, you authorize the Company's Board of Directors to represent you and vote your shares at the annual meeting in accordance with your instructions. The Board of Directors also may vote your shares to adjourn the annual meeting from time to time and will be authorized to vote your shares at any adjournments or postponements of the annual meeting. This proxy statement and the accompanying materials are being mailed to shareholders on or about April 13, 2018.

Your vote is important. You may vote your shares by Internet or telephone. You also may vote by sending a completed proxy card by regular mail or by submitting a ballot in person at the Annual Meeting. We encourage you to attend the Annual Meeting in person. Whether or not you plan to attend the meeting, please read the proxy statement and vote your shares by Internet or telephone or by sending a completed proxy card by regular mail as promptly as possible. This will ensure that your shares are represented at the meeting.

INFORMATION ABOUT THE ANNUAL MEETING

What is the purpose of the annual meeting?

At the annual meeting, shareholders will be asked to vote on the following proposals:

Proposal

1. Election of three directors of Sound Financial Bancorp, each for a three year term.

Proposal

2. Approval of the Sound Financial Bancorp, Inc. Amended and Restated 2013 Equity Incentive Plan.

Proposal

3. Advisory (non-binding) vote on executive compensation.

Proposal

4. Advisory (non-binding) vote on the frequency of the advisory vote on executive compensation.

- Proposal
5. Ratification of the appointment of Moss Adams, LLP as Sound Financial Bancorp's independent registered public accounting firm for the fiscal year ending December 31, 2018.

The shareholders also will transact any other business that may properly come before the annual meeting, although, as of the date of this proxy statement, the Board of Directors knows of no other business to be presented. If any other proposal properly comes before the shareholders for a vote at the meeting, the proxy holders will vote your shares in accordance with their best judgment. Members of our management team will be present at the annual meeting to respond to appropriate questions from shareholders.

How does the Board of Directors recommend I vote on the proposals?

The Board of Directors recommends that you vote:

• FOR the election of the three director nominees named in this proxy statement.

• FOR approval of the Sound Financial Bancorp, Inc. Amended and Restated 2013 Equity Incentive Plan.

• FOR the advisory vote on executive compensation.

• FOR holding future advisory votes on executive compensation every year.

• FOR ratification of the appointment of Moss Adams, LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2018.

Who can vote at the annual meeting?

The record date for the annual meeting is April 2, 2018. Only shareholders of record at the close of business on that date are entitled to receive notice of and to vote at the annual meeting. The only class of stock entitled to be voted at the annual meeting is the common stock of the Company. Each outstanding share of common stock is entitled to one vote for each matter before the annual meeting; provided, however, that pursuant to Section D of Article 5 of the Company's charter, no shareholder who beneficially owns more than ten percent of the shares of our common stock outstanding as of that date may vote shares in excess of this limit. At the close of business on the record date there were 2,524,346 shares of common stock outstanding.

If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in street name and these proxy materials are being forwarded to you by your broker or nominee. As the beneficial owner, you have the right to direct your broker or nominee how to vote.

Can I attend the annual meeting?

If you are a shareholder as of the close of business on April 2, 2018, you may attend the meeting. However, 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 a letter from your bank or broker, are examples of proof of ownership. If you want to vote your shares of Sound Financial Bancorp common stock held in street name in person at the meeting, you will have to get a written proxy in your name from the broker, bank or other nominee who holds your shares.

What are the quorum and vote requirements?

The annual meeting will be held only if there is a quorum. A quorum exists if a majority of the outstanding shares of common stock entitled to vote, represented in person or by proxy, is present at the meeting. If you return valid proxy instructions or attend the meeting in person, your shares will be counted for purposes of determining whether there is a quorum, even if you abstain from voting. Broker non-votes also will be counted for purposes of determining the existence of a quorum. A broker non-vote occurs when a broker, bank or other nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received voting instructions from the beneficial owner.

Directors are elected by a plurality of the votes cast by Sound Financial Bancorp shareholders at the annual meeting. Votes may be cast for or withheld from a nominee. Votes that are withheld and broker non-votes have no effect on the election of the director nominees.

The Sound Financial Bancorp, Inc. Amended and Restated 2013 Equity Incentive Plan, the advisory vote on executive compensation and the ratification of the appointment of Moss Adams, LLP each requires the affirmative vote of a majority of the votes cast on the matter. With respect to the advisory vote on the frequency of the advisory vote on executive compensation, the choice receiving the greatest number of votes – one year, two years or three years – will be the frequency that shareholders will be deemed to have approved. Abstentions and broker non-votes will not be counted as votes cast on these matters. Accordingly, abstentions and broker non-votes will have no effect on the Sound Financial Bancorp, Inc. Amended and Restated 2013 Equity Incentive Plan, the advisory vote on executive compensation, the advisory vote on the frequency of the advisory vote on executive compensation, or the ratification of the appointment of Moss Adams, LLP.

How can I obtain a paper copy of this proxy statement, the proxy card and the Annual Report to Shareholders?

You may request that a paper copy of these proxy materials be mailed to you free of charge at any time by:

- calling 800-690-6903 (please provide your Shareholder Control Number, which was printed at the bottom of the April 13, 2018 Notice of Meeting and Availability of Proxy Materials); or
- making your request online at <http://www.proxyvote.com> and inserting your Shareholder Control Number when prompted.

How do I vote?

You may vote by Internet. To vote by Internet, have your Shareholder Control Number from the Notice of Meeting and Availability of Proxy Materials dated April 13, 2018, in hand; go to <http://www.proxyvote.com>; and follow the instructions for voting on-line. The deadline for voting on the Internet is 11:59 p.m. Eastern Time on May 28, 2018. You may vote by phone. To vote by phone, have your Shareholder Control Number from the Notice of Meeting and Availability of Proxy Materials dated April 13, 2018, in hand; call the toll-free phone number 800-690-6903; and follow the instructions for voting. The deadline for voting by phone is 11:59 p.m. Eastern Time on May 28, 2018.

You may vote by mail. To vote by mail, request a paper copy of the proxy card and related materials, as noted in the response to the previous question. Then properly complete and sign the proxy card and return it in the return envelope provided in a timely manner. The mailed card must be received by the Company before the start of the annual meeting to be voted.

You may vote in person at the annual meeting. If you plan to attend the annual meeting and wish to vote in person, we will give you a ballot at the meeting. However, if your shares are held in the name of your broker, bank or other nominee, you will need to obtain a proxy form from the named holder of your shares indicating that you were the beneficial owner of those shares on the record date for voting at the annual meeting.

Can I change my vote after I submit my proxy?

You may revoke your proxy at any time before the vote is taken at the annual meeting. If you are a registered shareholder, you may revoke your proxy and change your vote at any time before the polls close at the meeting by:

- signing another proxy with a later date;
- voting by telephone or on the Internet -- your latest telephone or Internet vote will be counted;
- giving written notice of the revocation of your proxy to the Secretary of Sound Financial Bancorp, Inc. prior to the annual meeting; or
- voting in person at the annual meeting. Attendance at the annual meeting will not in and of itself constitute revocation of your proxy.

If you have instructed a broker, bank or other nominee to vote your shares, you must follow directions received from your nominee to change those instructions.

What if I do not specify how my shares are to be voted?

If you submit an executed proxy by Internet, phone or mail but do not indicate any voting instructions, your shares will be voted:

- FOR the election of the director nominees to the Company's Board of Directors.
- FOR approval of the Sound Financial Bancorp, Inc. Amended and Restated 2013 Equity Incentive Plan.
- FOR the advisory vote on executive compensation.
- FOR holding a shareholder advisory vote on executive compensation every year.
- FOR the ratification of the appointment of Moss Adams, LLP as the Company's independent registered public accounting firm.

What if my shares are held in "street name" by a broker?

If your shares are held in "street name" by a broker, your broker is required to vote those shares in accordance with your instructions. If you do not give instructions to your broker, your broker nevertheless will be entitled to vote the shares with respect to "discretionary" items, but will not be permitted to vote your shares with respect to any "non discretionary" items. In the case of non-discretionary items, the shares will be treated as "broker non-votes." Whether an item is discretionary is determined by the exchange rules governing your broker. Your broker will forward information to you indicating how you can forward voting instructions and whether you can forward them by Internet, phone or mail.

What if my shares are held in Sound Financial Bancorp's employee stock ownership plan?

If you participate in the Sound Financial Bancorp Employee Stock Ownership Plan (the "ESOP") you will receive a voting instruction form that reflects all shares you may direct the trustees to vote on your behalf under the plan. Under the terms of the ESOP, each participant instructs the trustee of the plan how to vote the shares of common stock allocated to his or her account. If a participant properly executes the voting instruction card distributed by the trustee, the trustee will vote the participant's shares in accordance with the instructions. Where properly executed voting instruction cards are returned to the trustee with no specific instruction as to how to vote at the annual meeting, the trustee will vote the shares "FOR" each of the proposal's set forth in this proxy statement. For the shareholder advisory vote on the frequency of advisory votes on executive compensation, the trustee will vote the shares for a frequency of every "1 year". If a participant fails to give timely voting instructions to the trustee with respect to the voting of the common stock that is allocated to his or her ESOP account, the trustee will vote such shares "FOR" each of the proposal set forth in this proxy statement. The ESOP trustee, subject to the exercise of its fiduciary duties, will vote all unallocated shares of Sound Financial Bancorp common stock held by the ESOP in the same proportion as shares for which it has received timely voting instructions.

BENEFICIAL OWNERSHIP OF COMMON STOCK

The following table shows, as of April 2, 2018, the voting record date, the beneficial ownership of the Company's common stock by:

- (1) any persons or entities known by management to beneficially own more than 5% of the outstanding shares of Sound Financial Bancorp's common stock;
- (2) each director and director nominee of Sound Financial Bancorp;
- (3) each executive officer of Sound Financial Bancorp named in the 2017 Summary Compensation Table; and
- (4) all of the directors and executive officers of Sound Financial Bancorp as a group.

An asterisk (*) in the table indicates that an individual beneficially owns less than one percent of the outstanding common stock of Sound Financial Bancorp. The address of each of the beneficial owners, except where otherwise indicated, is Sound Financial Bancorp's address. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission ("SEC"). As of April 2, 2018, there were 2,524,346 shares of Sound Financial Bancorp common stock issued and outstanding.

Name of Beneficial Owner	Number of Shares Beneficially Owned ⁽¹⁾	Percent of Common Stock Outstanding
Stilwell Activist Fund, L.P., Stilwell Activist Investment, L.P., Stilwell Partners, L.P., Stilwell Value LLC and Joseph Stilwell (collectively, the "Stilwell Group") 111 Broadway, 12 th Floor New York, NY 10006	239,683	(2) 9.5%
Sound Financial Bancorp, Inc. Employee Stock Ownership Plan	176,964	7.0%
Tyler K. Myers, Chairman of the Board	44,944	(3) 1.8%
David S. Haddad, Jr., Vice Chairman of the Board	23,780	(4) *
Laura Lee Stewart, President, Chief Executive Officer, Interim Chief Financial Officer and Director/Director Nominee	99,045	(5) 3.9%
Robert F. Carney, Director	18,871	(6) *

Kathleen B. Cook, Director

5,792

(7)*

5

Debra Jones, Director/Director Nominee	27,350	(8)	1.1%
Rogelio Riojas, Director/Director Nominee	33,841	(9)	1.3%
James E. Sweeney, Director	22,435	(10)*	
Elliott L. Pierce, Executive Vice President/Chief Credit Officer	8,050	(11)*	
Christina J Gehrke, Executive Vice President/Chief Administrative Officer	5,738	(12)*	
Directors and executive officers of Sound Financial, Inc. as a group (11 persons)	289,846	(13)	11.1%

- (1) Except as otherwise noted in these footnotes, the nature of beneficial ownership for shares reported in this table is sole voting and investment power.
- (2) Based on Schedule 13D/A filed with the SEC on July 2, 2015 by the Stilwell Group, which reported shared voting and dispositive power over all of the Company shares reported above.
Includes 21,430 shares of common stock held in Mr. Myers' 401(k) account and 4,371 shares held in a partnership, in which he is a partner. Also includes 1,000 shares in UTMA accounts for Mr. Myers' daughter, of
- (3) which he is trustee. In addition, includes options to acquire 7,305 shares over which Mr. Myers has no voting or dispositive power and 425 restricted shares over which Mr. Myers has sole voting power and no dispositive power.
- (4) Includes 13,113 shares of common stock held in an IRA account. Also includes options to acquire 8,928 shares over which Mr. Haddad has no voting or dispositive power and 425 restricted shares over which the individual has sole voting power and no dispositive power.
Includes 18,034 shares in Ms. Stewart's 401(k) account and 9,877 shares allocated to Ms. Stewart in the ESOP. In
- (5) addition, includes options to acquire 28,948 shares over which Ms. Stewart has no voting or dispositive power and 343 restricted shares over which she has sole voting power and no dispositive power.
- (6) Includes options to acquire 7,630 shares over which Mr. Carney has no voting or dispositive power and 425 restricted shares over which he has sole voting power and no dispositive power.
- (7) Includes options to acquire 2,000 shares over which Ms. Cook has no voting or dispositive power and 364 restricted shares over which she has sole voting power and no dispositive power.
- (8) Includes options to acquire 5,682 shares over which Ms. Jones has no voting or dispositive power and 425 restricted shares over which she has sole voting power and no dispositive power.
- (9) Includes options to acquire 5,682 shares over which Mr. Riojas has no voting or dispositive power and 425 restricted shares over which he has sole voting power and no dispositive power.
- (10) Includes options to acquire 6,764 shares over which Mr. Sweeney has no voting or dispositive power and 425 restricted shares over which he has sole voting power and no dispositive power.
Includes 853 shares of common stock allocated to Mr. Pierce in the ESOP. In addition, includes options to
- (11) acquire 5,805 shares over which Mr. Pierce has no voting or dispositive power and 64 restricted shares over which he has sole voting power and no dispositive power.
Includes 853 shares of common stock allocated to Ms. Gehrke in the ESOP. In addition, includes options to
- (12) acquire 4,000 shares over which Ms. Gehrke has no voting or dispositive power and 64 restricted shares over which she has sole voting power and no dispositive power.
- (13) 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 shares the named individuals and group may be deemed to have sole or shared voting and/or dispositive powers. Also includes options to acquire 83,224 shares over which the individuals have no voting or dispositive power

and 3,385 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 2017.

PROPOSAL 1 — ELECTION OF DIRECTORS

Sound Financial Bancorp's Board of Directors is currently composed of eight 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 Laura Lee Stewart, Debra Jones and Rogelio Riojas to serve as directors for a term of three years to expire at the annual meeting of shareholders to be held in 2021.

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 Laura Lee Stewart, Debra Jones and Rogelio Riojas 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
Director Nominees				
Laura Lee Stewart	68	President, Chief Executive Officer, Interim Chief Financial Officer and Director	1990	2021 ⁽³⁾
Debra Jones	60	Director	2005	2021 ⁽³⁾
Rogelio Riojas	67	Director	2005	2021 ⁽³⁾
Continuing Directors				
David S. Haddad, Jr.	71	Vice Chairman of the Board	1990	2020
Kathleen B. Cook	68	Director	2015	2020
Tyler K. Myers	55	Chairman of the Board	1993	2019
Robert F. Carney	70	Director	1984	2019
James E. Sweeney	68	Director	1986	2019

(1) At December 31, 2017.

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

(3) If elected at the annual meeting.