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**Section 1: 8-K (CURRENT REPORT ON FORM 8-K FOR JANUARY 25, 2019)**

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

**FORM 8-K**

**CURRENT REPORT**

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) January 25, 2019

**SOUND FINANCIAL BANCORP, INC.**

(Exact name of registrant as specified in its charter)

**Maryland**

(State or other jurisdiction  
of incorporation)

**001-35633**

(Commission File No.)

**45-5188530**

(IRS Employer  
Identification No.)

**2400 3rd Avenue, Suite 150, Seattle, Washington**

(Address of principal executive offices)

**98121**

(Zip Code)

Registrant's telephone number, including area code: **(206) 448-0884**

**Not Applicable**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

**ITEM 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

(e) On January 25, 2019, Sound Financial Bancorp, Inc. (the “Company”) and its wholly owned subsidiary, Sound Community Bank (the “Bank,” and together with the Company, the “Employers”), entered into an Amended and Restated Employment Agreement (the “Amended Employment Agreement”) with Laura Lee Stewart, President and Chief Executive Officer of the Employers. The Amended Employment Agreement amends and restates the Amended and Restated Employment Agreement entered into with Ms. Stewart on August 30, 2016 (“Prior Employment Agreement”). On that same date, the Bank also entered into an Amended and Restated Confidentiality, Non-Competition, and Non-Solicitation Agreement (the “Amended Non-Compete Agreement”) with Ms. Stewart. The Amended Non-Compete Agreement amends and restates the Amended and Restated Confidentiality, Non-Competition, and Non-Solicitation Agreement employment agreement entered into with Ms. Stewart on November 23, 2015 (“Prior Non-Compete Agreement”).

***Amended Employment Agreement.*** The Amended Employment Agreement, which is effective as of January 25, 2019, was revised to provide for an initial term expiring on December 31, 2020. Beginning on January 1, 2020 and on each January 1<sup>st</sup> thereafter, the term of the Amended Employment Agreement will be extended for a period of one additional year, unless either the Employers give notice to Ms. Stewart or Ms. Stewart gives notice to the Employers in writing at least 60 days prior to such date that the term of the Amended Employment Agreement will not be extended further. If any party gives timely notice that the term will not be extended as of any such January 1<sup>st</sup>, then the Amended Employment Agreement will terminate at the conclusion of its remaining term. The Prior Employment Agreement provided for an initial term expiring on December 31, 2018, with annual extensions beginning on January 1, 2019 and on each January 1<sup>st</sup> thereafter unless either the Employers gave notice to Ms. Stewart or Ms. Stewart gave notice to the Employers in writing at least 60 days prior to such date that the term of the Prior Employment Agreement would not be extended further.

The Amended Employment Agreement also was revised to provide that if a change in control of the Company or the Bank occurs during the term of the agreement, then the term will be extended to the extent necessary so that it expires no earlier than the one-year anniversary of the date of the change in control. This ensures that the cash severance under the Employment Agreement is at least one times Ms. Stewart’s salary.

Ms. Stewart's annual minimum base salary under the Amended Employment Agreement will be Four Hundred Thirteen Thousand Two Hundred Thirty-One Dollars and Thirty-Seven Cents (\$413,231.37), her base salary for 2019 as established by the Compensation Committee of the Board of Directors. The Amended Employment Agreement, consistent with the Prior Employment Agreement, provides for no salary reductions; participation in bonus plans, retirement plans, group insurance and other benefits provided to full time Bank employees generally and in which executive officers participate; and reimbursement of expenses incurred by Ms. Stewart in performing services for the Employers. The Amended Employment Agreement continues to provide that 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 receive the following for the remaining term of the Amended

Agreement: (i) her salary and (ii) at no premium cost to Ms. Stewart, the same group health benefits and other group insurance and group retirement benefits as Ms. Stewart would have received had she continued to be employed by the Employers, to the extent that the Employers can do so under the terms of applicable plans as are maintained by the Employers for the benefit of their executive officers from time to time. All of the foregoing payments are subject to cut-back to the extent the payments are deemed “parachute payments” under Section 280G of the Internal Revenue Code, as amended.

The foregoing summary of the Amended Employment Agreement is qualified in its entirety by reference to the Amended Employment Agreement, a copy of which is attached as Exhibit 10.1 to this Current Report on Form 8-K and incorporated herein by reference.

***Amended Non-Compete Agreement.*** The Amended Non-Compete Agreement provides that the term of the non-compete and non-solicitation periods applicable to Ms. Stewart is a fixed period of 36 months from the date of Ms. Stewart’s separation from service with the Company and the Bank (the “Restricted Period”). Under the Prior Non-Compete Agreement, the term of the non-compete and non-solicitation periods would commence upon Ms. Stewart’s separation from service with the Company and the Bank and would expire upon the earlier of (i) 36 months from the date of Ms. Stewart’s separation from service with the Company and the Bank, or (ii) the date she begins receiving retirement benefits under her 2011 supplemental executive retirement plan (“2011 SERP”). As Ms. Stewart would be eligible to begin receiving retirement benefits under the 2011 SERP on March 1, 2019 (although such benefits do not actually commence until she experiences a separation from service from the Company and the Bank), the restrictive covenants under the Prior Non-Compete Agreement have effectively expired and Ms. Stewart would not be subject to any restrictive provisions or entitled to any payments related thereto, except in connection with a change in control.

Under the Amended Non-Compete Agreement, in consideration for agreeing to extend the restrictive covenants, Ms. Stewart will be entitled receive the payments set forth in the Amended Non-Compete Agreement, which payments are the same as those that were contained in the Prior Non-Compete Agreement. As such, under the Amended Non-Compete Agreement, upon Ms. Stewart’s termination of employment by the Bank for cause or voluntarily by Ms. Stewart (other than for good reason), Ms. Stewart will be entitled to receive a bi-monthly payment, in an amount equal to \$3,542, 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 the Bank. Upon Ms. Stewart’s termination of employment with the Bank for any reason other than set forth in the preceding sentence, 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, payable in 12 monthly installments beginning on the first day of the month following her termination. If Ms. Stewart breaches any of the covenants contained in the Amended Non-Compete Agreement, her right to any of the payments specified above after the date of the breach shall be forever forfeited. Notwithstanding the foregoing, under her Amended Non-Compete Agreement (and consistent with her Prior Non-Compete Agreement), if Ms. Stewart’s employment with the Bank is involuntarily terminated or she terminates her employment with the Bank for good reason at any time within 24 months following a change in control, Ms. Stewart 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, payable in a lump sum.

No payments will be made under the Amended Non-Compete 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 products or services industry.

The Amended Non-Compete Agreement also was revised to (i) expand the exceptions to the confidentiality provisions to reflect whistleblower provisions (as required by various regulatory agencies) and the Defend Trade Secrets Act of 2016, (ii) limit the geographic area of the non-compete provisions to counties in which the Bank or its affiliates have an office, as well as counties adjacent to such counties to enhance the enforceability of the non-compete restrictions under Washington law and (iii) make non-substantive, ministerial changes.

The foregoing summary of the Amended Non-Compete Agreement is qualified in its entirety by reference to the Amended Non-Compete Agreement, a copy of which is attached as Exhibit 10.2 to this Current Report on Form 8-K and incorporated herein by reference.

***Executive Nonqualified Excess Plan.*** On January 25, 2019, the board of directors of the Bank approved a \$40,000 discretionary contribution for Ms. Stewart under the Bank's Executive Nonqualified Excess Plan (the "Plan"). A copy of the Plan was filed by the Company under a Form 8-K with the Securities and Exchange Commission on March 24, 2017. The Plan complies with the deferred compensation rules set forth in Section 409A of the Internal Revenue Code. The purpose of the Plan is to provide a select group of management or highly-compensated employees of the Bank with an opportunity to defer the receipt of up to eighty percent (80%) of their annual base salary, bonus, performance-based compensation and any commission income and to assist the Bank in attracting, retaining and motivating employees of high caliber and experience. In addition to elective deferrals, the Bank may make discretionary and other contributions to be credited to the account of any or all participants, subject to the vesting requirements set forth in the Plan. Discretionary contributions by the Bank become 100% vested upon the completion of three years of service from a participant's effective date of participation in the Plan (with accelerated vesting upon death, disability or a change in control), while other Bank contributions (including matching contributions) vest at the rate of 20% per year, beginning with the participant's two-year anniversary of his or her date of hire. The board of directors of the Bank agreed that in the event Ms. Stewart has a separation from service prior to January 1, 2020, the date she becomes vested in the above \$40,000 discretionary contribution, then the Bank shall amend the Plan to provide for immediate vesting as of the date of the separation from service.

Each participant's deferred compensation account is credited with an investment return determined as if the account was invested in one or more investment funds. Each participant elects the investment funds in which his or her account shall be deemed to be invested. Distributions of vested account balances are made upon death, disability, separation from service, a specified in-service date or unforeseeable emergency. Distributions shall be made in a single cash payment or, at the election of the participant, in annual installments for a period of up to ten (10) years in the case of a separation from service and in annual installments for a period of up to five (5) years in the case of an in-service distribution.

The obligations of the Bank under the Plan are general unsecured obligations of the Bank to pay deferred compensation in the future to eligible participants in accordance with the terms

of the Plan from the general assets of the Bank, although the Bank may establish a trust to hold amounts which the Bank may use to satisfy Plan distributions from time to time. Distributions from the Plan are governed by the Internal Revenue Code and the Plan. The Bank may, at any time, in its sole discretion, terminate the Plan or amend or modify the Plan, in whole or in part, except that no such termination, amendment or modification shall have any retroactive effect to reduce any amounts deemed to be accrued and vested prior to such amendment.

The description above is a summary and is qualified in its entirety by the terms of the Plan, a copy of which is attached as Exhibit 10.2 to the Company's Form 8-K filed with the Securities and Exchange on March 24, 2017 and is incorporated herein by this reference.

**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits: The following exhibits are filed herewith:

Exhibit 10.1 Amended and Restated Employment Agreement dated January 25, 2019, by and among Sound Financial Bancorp, Inc., Sound Community Bank and Laura Lee Stewart.

Exhibit 10.2 Amended and Restated Confidentiality, Non-Competition, and Non-Solicitation dated January 25, 2019, by between Sound Community Bank and Laura Lee Stewart.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

### SOUND FINANCIAL BANCORP, INC.

Date: January 30, 2019

By: /s/ Daphne E. Kelley  
Daphne E. Kelley, Executive Vice President and Chief Financial Officer

## **Section 2: EX-10.1 (AMENDED AND RESTATED EMPLOYMENT AGREEMENT (LAURA LEE STEWART))**

Exhibit 10.1

### AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (“Agreement”) is made and entered into as of this 25<sup>th</sup> day of January 2019 (the “Effective Date”) by and between Sound Financial Bancorp, Inc. (“SFBC”), a Maryland corporation, Sound Community Bank (the “Bank”), a Washington state-chartered commercial bank, and Laura Lee Stewart (the

“Executive”). SFBC and the Bank are sometimes collectively referred to herein as the “Employers.”

WHEREAS, SFBC owns 100% of the outstanding stock of the Bank;

WHEREAS, the Executive is currently serving as President/CEO of the Employers, and as such is a key executive officer whose continued dedication, availability, advice and counsel is deemed important to the Boards of Directors of the Employers and to their respective stockholders;

WHEREAS, the Employers wish to retain the services of the Executive free from any distractions or conflicts that could arise as a result of a Change of Control of SFBC or the Bank; and

WHEREAS, the Employers and the Executive have previously executed an employment agreement dated as of August 30, 2016 (the “Prior Agreement”), and the parties hereto desire to amend and restate the Prior Agreement.

NOW, THEREFORE, in consideration of the foregoing and of the respective covenants and agreements of the parties herein, it is AGREED as follows:

1. Definitions.

(a) The term “Cause” shall mean the Executive’s personal dishonesty, incompetence, willful misconduct, breach of a fiduciary duty involving personal profit, intentional failure to perform stated duties, willful violation of any law, rule or regulation (other than traffic violations or similar offenses) or final cease-and-desist order, or material breach of any provision of this Agreement. No act or failure to act by the Executive shall be considered willful unless the Executive acted or failed to act with an absence of good faith and without a reasonable belief that her action or failure to act was in the best interest of the Employers. “Cause” shall not exist unless and until there shall have been delivered to the Executive a copy of a resolution, duly adopted by the affirmative vote of not less than a majority of the entire membership of the Boards of Directors of the Employers at a meeting of the Boards called and held for such purpose (after reasonable notice to the Executive and an opportunity for the Executive to present her views on the matter to the Boards either in person without counsel or in writing), stating that in the good faith opinion of the Boards the Executive has engaged in conduct described in the preceding sentence and specifying the particulars thereof in detail. The opportunity of the Executive to be heard before the Boards shall not affect the right of the Executive to mediation and arbitration as set forth in Section 19 of this Agreement.

(b) The term “Change in Control” shall mean a change in the ownership of SFBC or the Bank, a change in the effective control of SFBC or the Bank or a change in the ownership of

a substantial portion of the assets of SFBC or the Bank, in each case as provided under Section 409A of the Code and the regulations thereunder.

(c) The term “Code” shall mean the Internal Revenue Code of 1986, as amended.

(d) The term “Date of Termination” shall mean the earlier of (1) the date upon which the Employers give notice to the Executive of the termination of the Executive’s employment with the Employers or (2) the date upon which the Executive ceases to serve as an employee of the Employers.

(e) The term “Involuntary Termination” shall mean either (i) SFBC’s and/or the Bank’s termination of the Executive’s employment without the Executive’s express written consent, or (ii) termination of the Executive’s employment by the Executive by reason of a material diminution of or interference with the Executive’s duties, responsibilities and benefits, including any of the following actions, unless consented to in writing by the Executive: (1) a change in the principal workplace of the Executive to a location outside of a 35 mile radius from the Bank’s headquarters office as of the date hereof, (2) a material demotion of the Executive; (3) a material reduction in the number or seniority of other Bank personnel reporting to the Executive or a material reduction in the frequency with which, or in the nature of the matters with respect to which, such personnel are to report to the Executive, other than as part of a Bank- wide reduction in staff; (4) a material adverse change in the Executive’s salary, perquisites, benefits, contingent benefits or vacation, other than as part of an overall program applied uniformly and with equitable effect to all members of the senior management of the Bank; or (5) a material permanent increase in the required hours of work or the workload of the Executive; provided in each case that Involuntary Termination shall mean a cessation or reduction in the Executive’s services for the Employers (and any other affiliated entities that are deemed to constitute a “service recipient” as defined in Treasury Regulation §1.409A-1(h)(3)) that constitutes a “Separation from Service” as determined under Section 409A of the Code, taking into account all of the facts, circumstances, rules and presumptions set forth in Treasury Regulation §1.409A-1(h) and that also constitutes an involuntary Separation from Service under Treasury Regulation §1.409A-1(n). In addition, prior to any termination of employment by the Executive pursuant to clauses (1) through (5) of the preceding sentence, the Executive must first provide written notice to the Employers within ninety (90) days of the initial existence of the condition, describing the existence of such condition, and the Employers shall thereafter have the right to remedy the condition within thirty (30) days of the date the Employers received the written notice from the Executive. If the Employers remedy the condition within such thirty (30) day cure period, then no Involuntary Termination shall be deemed to occur with respect to such condition. If the Employers do not remedy the condition within such thirty (30) day cure period, then the Executive may deliver a notice of Involuntary Termination at any time within sixty (60) days following the expiration of such cure period. Notwithstanding the foregoing, the term “Involuntary Termination” does not include termination for Cause or termination of employment due to retirement, death, disability or suspension or temporary or permanent prohibition from participation in the conduct of the Bank’s affairs under Section 8 of the Federal Deposit Insurance Act (“FDIA”).

2. Term of Agreement. The initial term of this Agreement shall end on December 31, 2020, subject to earlier termination or extension as provided herein. Beginning on January 1, 2020 and on each January 1<sup>st</sup> thereafter, the term of this Agreement shall be extended for a period of one additional year, unless either the Employers give notice to the Executive (or the Executive gives



notice to the Employers) in writing at least 60 days prior to such date that the term of this Agreement shall not be extended further. If any party gives timely notice that the term will not be extended as of any such January 1<sup>st</sup>, then this Agreement shall terminate at the conclusion of its remaining term; provided however, that if a Change in Control occurs during the term of the Agreement, the term shall be automatically extended as of the date of the Change in Control to the extent necessary so that it expires no earlier than the one-year anniversary of the date of the Change in Control. Reference herein to the term of this Agreement shall refer to both such initial term and such extended terms.

3. Employment. The Executive is employed as President/CEO of the Employers. As such, the Executive shall render administrative and management services as are customarily performed by persons situated in similar executive capacities, and shall have such other powers and duties of an officer of the Employers as the Boards of Directors may prescribe from time to time. The Executive shall devote her full business time and attention to her employment under this Agreement.

4. Compensation.

(a) Salary. The Bank agrees to pay the Executive during the term of this Agreement, not less frequently than monthly, the salary established by the Bank's Board of Directors, which shall be at least Four Hundred Thirteen Thousand Two Hundred Thirty-One Dollars and Thirty-Seven Cents (\$413,231.37) annually. The amount of the Executive's salary shall be reviewed by the Bank's Board of Directors, beginning not later than the first anniversary of the Effective Date. Adjustments in salary or other compensation shall not limit or reduce any other obligation of the Employers under this Agreement. The Executive's salary in effect from time to time during the term of this Agreement shall not thereafter be reduced.

(b) Discretionary Bonuses. The Executive shall be entitled to participate in an equitable manner with all other executive officers of the Employers in discretionary bonuses as authorized and declared by the Boards of Directors of the Employers to its executive employees. No other compensation provided for in this Agreement shall be deemed a substitute for the Executive's right to participate in such bonuses when and as declared by the Boards of Directors.

(c) Expenses. The Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in performing services under this Agreement in accordance with the policies and procedures applicable to the executive officers of the Employers, provided that the Executive accounts for such expenses as required under such policies and procedures.

5. Benefits.

(a) Participation in Retirement and Employee Benefit Plans. The Executive shall be entitled to participate in all plans relating to pension, thrift, profit-sharing, group life insurance, medical and dental coverage, education, cash bonuses, and other retirement, stock or employee benefits or combinations thereof, in which the Employers' full time employees generally participate.

(b) Sick Leave and Fringe Benefits. In the event of termination of this Agreement due to the Executive's disability or death, the Bank shall pay the Executive (or her legal

successors) the amount of her salary for any accrued but unused sick leave. The Executive shall be eligible to participate in and receive benefits under the Employers' sick leave plan and any other fringe benefit plans which are or may become applicable to the Employers' executive officers.

6. Vacations; Leave. The Executive shall be entitled to annual paid vacation in accordance with the policies established by the Employers' Boards of Directors for executive employees and to voluntary leave of absence, with or without pay, from time to time at such times and upon such conditions as the Boards of Directors may determine in their discretion.

7. Termination of Employment.

(a) Involuntary Termination. The Board of Directors may terminate the Executive's employment at any time, but, except in the case of termination for Cause, Involuntary Termination of employment shall not prejudice the Executive's right to compensation or other benefits under this Agreement. In the event of Involuntary Termination, subject to clauses (i) through (iv) of this Section 7(a) below, (1) the Bank shall pay to the Executive during the remaining term of this Agreement the Executive's salary at the highest annual rate in effect prior to the Date of Termination, payable in such manner and at such times as such salary would have been payable to the Executive if she had continued to be employed under this Agreement, and (2) the Bank shall continue to provide to the Executive during the remaining term of this Agreement the same group health benefits and other group insurance and group retirement benefits as she would have received if she had continued to be employed under this Agreement at no premium cost to the Executive, to the extent that SFBC and the Bank can do so under the terms of applicable plans as are maintained by SFBC and the Bank for the benefit of their executive officers from time to time during the remaining term of this Agreement.

(i) In the event that the continued participation of the Executive in any group insurance plan as provided in Section 7(a) would trigger the payment of an excise tax under Section 4980D of the Code, or during the period set forth in Section 7(a) any such group insurance plan is discontinued, then SFBC and the Bank shall at their election either (A) arrange to provide the Executive with alternative benefits substantially similar to those which the Executive was entitled to receive under such group insurance plans immediately prior to the Executive's Date of Termination, provided that the alternative benefits do not trigger the payment of an excise tax under Section 4980D of the Code, or (B) pay to the Executive within 20 business days following the Executive's Date of Termination (or within 20 business days following the discontinuation of the benefits if later) a lump sum cash amount equal to the projected cost to SFBC and the Bank of providing continued coverage to the Executive, with the projected cost to be based on the costs being incurred immediately prior to the Executive's Date of Termination (or the discontinuation of the benefits if later), as increased by 10% each year; and

(ii) Any insurance premiums payable by SFBC or the Bank or any successor pursuant to Sections 7(a) or 7(a)(i) shall be payable at such times and in such amounts as if the Executive was still an employee of SFBC and the Bank, subject to any increases in such amounts imposed by the insurance company or COBRA, with SFBC or the Bank paying any employee portion of the premiums that the Executive would have been required to pay if she was still an employee of SFBC or the Bank, and (ii) the amount of insurance premiums required to be paid by SFBC and/or the Bank in any taxable year

shall not affect the amount of insurance premiums required to be paid by SFBC and/or the Bank in any other taxable year.

(iii) Notwithstanding any other provision contained in this Agreement, if either (A) the time period for making any cash payment under Section 7(a)(i)(B) commences in one calendar year and ends in the succeeding calendar year or (B) in the event any payment under this Section 7(a) is made contingent upon the execution of a general release and the time period that the Executive has to consider the terms of such general release (including any revocation period under such release) commences in one calendar year and ends in the succeeding calendar year, then the payment shall not be paid until the succeeding calendar year.

(iv) If the Executive is a "Specified Employee" (as defined in Section 409A of the Code) at the time of her Separation from Service, then payments under this Section 7(a) which do not qualify for the separation pay plan exemption under Treasury Regulation §1.409A-1(b)(9)(iii), and as such constitute deferred compensation under Section 409A of the Code, shall not be paid until the 185th day following the Executive's Separation from Service, or her earlier death (the "Delayed Distribution Date"). Any payments deferred on account of the preceding sentence shall be accumulated without interest and paid with the first payment that is payable in accordance with the preceding sentence and Section 409A of the Code. To the extent permitted by Section 409A of the Code, amounts payable under this Section 7 (a) which are considered deferred compensation shall be treated as payable after amounts which are not considered deferred compensation.

(b) Termination for Cause. In the event of termination for Cause, the Bank shall pay the Executive the Executive's salary through the Date of Termination, and the Employers shall have no further obligation to the Executive under this Agreement.

(c) Voluntary Termination. The Executive's employment may be voluntarily terminated by the Executive at any time upon 180 days' written notice to the Employers or such shorter period as may be agreed upon between the Executive and the Boards of Directors of the Employers. In the event of such voluntary termination, the Bank shall be obligated to continue to pay to the Executive the Executive's salary and benefits only through the Date of Termination, at the time such payments are due, and the Employers shall have no further obligation to the Executive under this Agreement.

(d) Death; Disability. In the event of the death of the Executive while employed under this Agreement and prior to any termination of employment, the Executive's estate, or such person as the Executive may have previously designated in writing, shall be entitled to receive from the Bank the salary of the Executive through the last day of the calendar month in which the Executive died. If the Executive becomes disabled as defined in the Bank's then current disability plan, if any, the Employers shall be entitled to terminate this Agreement except for their obligation to provide disability benefits under any such disability plan.

(e) Temporary Suspension or Prohibition. If the Executive is suspended and/or temporarily prohibited from participating in the conduct of the Bank's affairs by a notice served under Section 8(e)(3) or (g)(1) of the FDIA, 12 U.S.C. § 1818(e)(3) and (g)(1), the Bank's obligations under this Agreement shall be suspended as of the date of service, unless stayed by

appropriate proceedings. If the charges in the notice are dismissed, the Bank may in its discretion (i) pay the Executive all or part of the compensation withheld while its obligations under this Agreement were suspended and (ii) reinstate in whole or in part any of its obligations which were suspended.

(f) Permanent Suspension or Prohibition. If the Executive is removed and/or permanently prohibited from participating in the conduct of the Bank's affairs by an order issued under Section 8(e)(4) or (g)(1) of the FDIA, 12 U.S.C. § 1818(e)(4) and (g)(1), all obligations of the Employers under this Agreement shall terminate as of the effective date of the order, but vested rights of the contracting parties shall not be affected.

(g) Default of the Bank. If the Bank is in default (as defined in Section 3(x)(1) of the FDIA), all obligations under this Agreement shall terminate as of the date of default, but this provision shall not affect any vested rights of the contracting parties.

(h) Termination by Regulators. All obligations under this Agreement shall be terminated, except to the extent determined that continuation of this Agreement is necessary for the continued operation of the Bank: (1) by the Board of Directors of the Federal Deposit Insurance Corporation (the "FDIC Board") or its designee, at the time the Federal Deposit Insurance Corporation enters into an agreement to provide assistance to or on behalf of the Bank under the authority contained in Section 13(c) of the FDIA; or (2) by the FDIC Board or its designee, at the time the FDIC Board or its designee approves a supervisory merger to resolve problems related to operation of the Bank or when the Bank is determined by the FDIC Board or its designee to be in an unsafe or unsound condition. Any rights of the parties that have already vested, however, shall not be affected by any such action.

#### 8. Certain Reduction of Payments by the Bank.

(a) It is the intention of the parties that no payment be made or benefit provided to the Executive that would constitute an "excess parachute payment" within the meaning of Section 280G of the Code, and any regulations thereunder, thereby resulting in a loss of an income tax deduction by SFBC or the Bank or the imposition of an excise tax on the Executive under Section 4999 of the Code. If the independent accountants serving as auditors for SFBC immediately prior to the date of the payment event determine that some or all of the payments or benefits scheduled under this Agreement, when combined with any other payments or benefits provided to the Executive in connection with such payment event, would constitute nondeductible excess parachute payments under Section 280G of the Code, then the payments or benefits scheduled under this Agreement shall be reduced to one dollar less than the maximum amount which may be paid or provided without causing any such payments or benefits scheduled under this Agreement or otherwise provided to be nondeductible, provided that the payments and benefits under this Agreement shall not be reduced below zero. The determination made as to the reduction of benefits or payments required hereunder by the independent accountants shall be binding on the parties. If the payments and benefits under Section 7(a) are required to be reduced, the cash severance shall be reduced first, followed by a reduction in the fringe benefits.

(b) Any payments made to the Executive pursuant to this Agreement, or otherwise, are subject to and conditioned upon their compliance with 12 U.S.C. 1828(k) and any regulations promulgated thereunder.

9. No Mitigation. The Executive shall not be required to mitigate the amount of any salary or other payment or benefit provided for in this Agreement by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Agreement be reduced by any compensation earned by the Executive as the result of employment by another employer, by retirement benefits after the Date of Termination or otherwise.

10. Attorneys' Fees. In the event the Employers exercise their right of termination for Cause, but it is determined by a court of competent jurisdiction or by an arbitrator pursuant to Section 19 that Cause did not exist for such termination, or if in any event it is determined by any such court or arbitrator that the Employers have failed to make timely payment of any amounts owed to the Executive under this Agreement, the Executive shall be entitled to reimbursement for all reasonable costs, including attorneys' fees, incurred in challenging such termination or collecting such amounts. Such reimbursement shall be in addition to all rights to which the Executive is otherwise entitled under this Agreement.

11. No Assignments.

(a) This Agreement is personal to each of the parties hereto, and neither party may assign or delegate any of its rights or obligations hereunder without first obtaining the written consent of the other party; provided, however, that the Employers shall require any successor or assign (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Employers, by an assumption agreement in form and substance satisfactory to the Executive, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Employers would be required to perform it if no such succession or assignment had taken place. Failure of the Employers to obtain such an assumption agreement prior to the effectiveness of any such succession or assignment shall be a breach of this Agreement and shall entitle the Executive to compensation from the Bank in the same amount and on the same terms as the compensation pursuant to Section 7(a) hereof. For purposes of implementing the provisions of this Section 11(a), the date on which any such succession becomes effective shall be deemed the Date of Termination.

(b) This Agreement and all rights of the Executive hereunder shall inure to the benefit of and be enforceable by the Executive's personal and legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die following termination of employment while any amounts would still be payable to the Executive hereunder if the Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's devisee, legatee or other designee or if there is no such designee, to the Executive's estate.

12. Notice. For the purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or sent by certified mail, return receipt requested, postage prepaid, to SFBC and the Bank at their home office, to the attention of their respective Boards of Directors with a copy to the Secretary of each of the Employers, or, if to the Executive, to such home or other address as the Executive has most recently provided in writing to the Employers.

13. Amendments. No amendments or additions to this Agreement shall be binding unless in writing and signed by each of the parties, except as herein otherwise provided.

14. Headings. The headings used in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement.

15. Changes in Statutes or Regulations. If any statutory or regulatory provision referenced herein is subsequently changed or re-numbered, or is replaced by a separate provision, then the references in this Agreement to such statutory or regulatory provision shall be deemed to be a reference to such section as amended, re-numbered or replaced.

16. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

17. Governing Law. This Agreement shall be governed by the laws of the United States to the extent applicable and otherwise by the laws of the State of Washington.

18. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original and all of which together will constitute one and the same instrument.

19. Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction.

20. Entire Agreement. This Agreement embodies the entire agreement between the Employers and the Executive with respect to the matters agreed to herein. All prior agreements between the Employers and the Executive with respect to the matters agreed to herein, including without limitation the Prior Agreement, are hereby superseded and shall have no force or effect.

(Signature page follows)

IN WITNESS WHEREOF, the parties have executed this Agreement to be effective as of the day and year first written above.

THIS AGREEMENT CONTAINS A BINDING ARBITRATION PROVISION WHICH MAY BE ENFORCED BY THE PARTIES.

EXECUTIVE

ATTEST: /s/Christine Jones

/s/Laura Lee Stewart

Laura Lee Stewart

SOUND FINANCIAL BANCORP, INC.

ATTEST: /s/Christine Jones

By: /s/Tyler K. Myers

Name: Tyler K. Myers

Title: Chairman of the Board

SOUND COMMUNITY BANK

ATTEST: /s/Christine Jones

By: /s/Tyler K. Myers

Name: Tyler K. Myers

Title: Chairman of the Board

**Section 3: EX-10.2 (AMENDED AND RESTATED CONFIDENTIALITY, NON-COMPETITION, AND NON-SOLICITATION AGREEMENT (LAURA LEE STEWART))**

Exhibit 10.2

**AMENDED AND RESTATED CONFIDENTIALITY, NON-COMPETITION, AND NON-SOLICITATION AGREEMENT**

This Amended and Restated Confidentiality, Non-Competition, and Non-Solicitation Agreement (“Agreement”) is made and entered into this 25<sup>th</sup> day of January 2019 by and between Sound Community Bank, a Washington corporation (the “Company”), and Laura Lee Stewart (the “Employee”). This Agreement amends and restates the Confidentiality, Non-Competition, and Non-Solicitation Agreement between the Company and the Executive as originally adopted effective December 30, 2011, as amended and restated on November 23, 2015 (the “Prior Agreement”).

**WHEREAS** the Employee is a key member of the management of the Company and has provided guidance, leadership,

and direction in the growth, management, and development of the Company and has learned trade secrets, confidential procedures and information, and sensitive business plans of the Company;

**WHEREAS** the Company desires to continue to employ the Employee, and the Employee desires to continue employment with the Company;

**WHEREAS** the Company desires to restrict, after the Employee's Separation from Service with the Company, the Employee's availability to other companies or entities that compete with the Company;

**WHEREAS** the Employee agrees to undertake such post-employment restrictions in exchange for the severance payments described herein;

**NOW THEREFORE**, in consideration of these premises, the mutual promises and undertakings set forth in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Employee and the Company hereby agree as follows.

- 1. DEFINITIONS.** As used in this Agreement, certain terms shall have the following meanings:
  - a. Affiliate shall mean the Company and any entity that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with the Company.
  - b. Cause shall mean and be limited to: (i) willful and gross neglect of duties by the Employee, (ii) an act or acts committed by the Employee constituting a felony and substantially detrimental to the Company or its reputation, (iii) any action or inaction detrimental to the Company or its reputation that results in regulatory enforcement action, whether or not such enforcement action is subject to direct enforcement under 12 U.S.C § 1818(i)(1), by any regulatory authorities having authority over the Company, (iv) any regulatory or other finding, action or directive requiring Employee's termination of employment pursuant to any



applicable statute, rule or regulation; and/or (v) any violation of Employee's obligations under this Agreement, including, without limitation, the obligations set forth in paragraphs 3, 4, 6 and 7.

- c. Change in Control shall mean a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, as such change is defined under the default definition in Treasury Regulation §1.409A-3(i)(5) or any subsequently applicable Treasury Regulation.
- d. Code shall mean the Internal Revenue Code of 1986, as amended, or any successor statute, rule or regulation of similar effect.
- e. Customer shall mean any individual, joint venturer, entity of any sort, or other business partner of the Company or its Affiliates with, for, or to whom the Company or its Affiliates have provided financial products or services during the final two years of the Employee's employment with the Company, or any individual, joint venturer, entity of any sort, or business partner whom the Company or any of its Affiliates has identified as a prospective customer of financial products or services within the final year of the Employee's employment with the Company or any of its Affiliates.
- f. Disability or Disabled means the Employee: (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months or (ii) by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, is receiving income replacement benefits for a period of not less than three (3) months under a disability plan covering employees of the Company.
- g. Financial products or services shall mean any product or service that a financial institution or a financial holding company could offer by engaging in any activity that is financial in nature or incidental to such a financial activity under Section 4(k) of the Bank Holding Company Act of 1956 and that is offered by the Company or an Affiliate on the date of the Employee's Separation from Service, including but not limited to banking activities and activities that are closely related and a proper incident to banking, or other products or services of the type in which the Employee was involved during the Employee's employment with the Company.
- h. Good Reason shall mean and be limited to: (i) without the Employee's express written consent, a material diminution in authority, duties or responsibilities, except as required by any regulatory or other finding, action or directive pursuant to any applicable statute, rule or regulation; (ii) any material reduction by the Company in the Employee's Base Salary; (iii) any failure of the Company to obtain the assumption of, or the agreement to perform, this Agreement by any successor as contemplated in paragraph 15 hereof; (iv) the Company's material

breach of this Agreement; or (v) the Company requiring the Employee to be permanently assigned to a location more than 35 miles from Employee's current work location, except for required travel on Company business, or, in the event the Employee consents to any relocation, and such relocation is more than 35 miles from the Employee's previous location, the failure by the Company to pay (or reimburse the Employee) for all reasonable moving expenses incurred by the Employee relating to a change of the Employee's principal residence in connection with such relocation and to indemnify the Employee against any loss realized on the sale of the Employee's principal residence in connection with any such change of residence. Good Reason shall be deemed to occur only when Employee provides written notice to the Company of Employee's judgment that a Good Reason event has occurred within 90 days of such occurrence, and the Company will have at least 30 days during which it may remedy the condition.

- i. Specified Employee means an employee who at the time of termination of employment is a key employee of the Company, if any stock of Sound Financial is publicly traded on an established securities market or otherwise. For purposes of this Agreement, an employee is a key employee if the employee meets the requirements of Code Section 416(i)(1)(A)(i), (ii) or (iii) (applied in accordance with the regulations thereunder and disregarding Section 416(i)(5)) at any time during the 12-month period ending on December 31 (the "identification period"). If the employee is a key employee during an identification period, the employee is treated as a key employee for purposes of this Agreement during the twelve (12) month period that begins on the first day of January following the close of the identification period.
- j. Sound Financial shall mean Sound Financial Bancorp, Inc., the parent holding company of the Company.
- k. Voluntary Termination shall mean the termination by Employee of Employee's employment, which is not the result of Good Reason.
- l. By way of clarification, when used in this Agreement, the terms "Separation from Service," "separation from service," "termination of employment," "terminates employment" and similar phrases in each case shall mean a "Separation from Service" as defined in Treasury Regulation §1.409A-1(h), taking into account all of the facts and circumstances, special rules and presumptions set forth in such regulation.

**2. TERM.** The term of this Agreement shall commence upon the date the Employee has a Separation from Service and shall continue for a period of 36 months following the date of such Separation from Service, with such term referred to herein as the "Restricted Period."

**3. NON-DISCLOSURE OF CONFIDENTIAL INFORMATION.** Except as permitted in writing by the Company, the Employee shall not at any time divulge, furnish or make accessible to anyone, or use in any way other than in the ordinary course of the business of the Company or its Affiliates, any confidential, proprietary or secret knowledge or information

of the Company or its Affiliates that the Employee has acquired or will acquire about the Company or its Affiliates, whether developed by herself or by others, concerning (i) any trade secrets; (ii) any confidential, proprietary or secret designs, programs, processes, formulae, plans, devices or material (whether or not patented or patentable) directly or indirectly useful in any aspect of the business of the Company or of its Affiliates; (iii) any customer or supplier lists; (iv) any confidential, proprietary or secret development or research work; (v) any strategic or other business, marketing or sales plans; (vi) any financial data or plans; or (viii) any other confidential, proprietary or secret information about any aspect of the business of the Company or of its Affiliates (collectively "Confidential Information"). The Employee acknowledges that the knowledge and information described above constitutes a unique and valuable asset of the Company and represents a substantial investment of time and expense by the Company and that any disclosure or other use of such knowledge or information other than for the sole benefit of the Company or its Affiliates would be wrongful and would cause irreparable harm to the Company. The Employee shall not intentionally commit any act that would materially reduce the value of such knowledge or information to the Company or its Affiliates. The Employee's obligations under this Agreement to maintain the confidentiality of the Company's confidential, proprietary, and secret information are in addition to any obligations of the Employee under applicable statutory or common law . The obligations of the Employee under this paragraph 3 shall survive the termination of this Agreement and the termination of the Employee's employment with the Company.

- a. **Exceptions.** The foregoing obligations of confidentiality shall not apply to any knowledge or information that: (i) is now or subsequently becomes generally publicly known, other than as a direct or indirect result of the breach of this Agreement; (ii) is independently made available to the Employee in good faith by a third party who has not violated a confidential relationship with the Company or its Affiliates or any other entity; or (iii) is required to be disclosed by law or legal process. Notwithstanding anything to the contrary herein, the parties hereto agree that nothing contained in this Agreement limits the Employee's ability to report information to or file a charge or complaint with the Equal Employment Opportunity Commission, the Securities and Exchange Commission, the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System or any other federal, state or local governmental agency or commission that has jurisdiction over the Company or any Affiliate (the "Government Agencies"). The Employee further understands that this Agreement does not limit his ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company and/or any Affiliate. This Agreement does not limit the Employee's right to receive an award for information provided to any Government Agencies. In addition, pursuant to the Defend Trade Secrets Act of 2016, the Employee understands that an individual may not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (i) is made (A) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney; and (B) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document that is filed under seal in a lawsuit or

other proceeding. Further, an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the employer's trade secrets to the attorney and use the trade secret information in the court proceeding if the individual (y) files any document containing the trade secret under seal; and (z) does not disclose the trade secret, except pursuant to court order.

#### 4. NON-COMPETITION AND NON-SOLICITATION.

- a. **Non-Competition Obligations.** For and in consideration of the payments described in paragraph 5, the Employee shall not, during the Restricted Period, either separately, jointly or in association with others, directly or indirectly, as an agent, employee, owner, partner, stockholder or otherwise, compete with the Company or any of its Affiliates, or establish, engage in, or become interested in any business, trade or occupation that competes with the Company or any of its Affiliates, in the financial products or services industry (a "Competing Entity"), if such Competing Entity has an office in (i) any county in which the Company or any Affiliate has an office or (ii) any county adjacent to any of the counties covered by clause (i). The Company and the Employee acknowledge that, during the term of the Employee's employment, the Employee has acquired special and confidential knowledge regarding the operations of the Company and its Affiliates. Furthermore, although not a term or condition of this Agreement, the Company and the Employee acknowledge that the Employee's services have been used and are being used by the Company in executive, managerial, and supervisory capacities throughout the areas in which the Company and its Affiliates conduct business. Employee acknowledges that the non-compete restrictions contained herein are reasonable and fair in scope and necessary to protect the legitimate business interests of the Company.
- b. **Non-Solicitation Obligations.** For and in consideration of the payments described in paragraph 5, the Employee shall not, during the Restricted Period: (a) directly or indirectly solicit or attempt to solicit any customer of the Company or any of its Affiliates to accept or purchase financial products or services of the same nature, kind or variety currently being provided to the customer by the Company or any of its Affiliates, or being provided to the customer by the Company or any of its Affiliates when the Employee's Separation from Service occurs; (b) directly or indirectly influence or attempt to influence any customer, joint venturer or other business partner of the Company or any of its Affiliates to alter that person or entity's business relationship with the Company or any of its Affiliates to terminate an employment or contractual relationship with the Company or any of its Affiliates, and shall not hire any person employed by the Company or any of its Affiliates during the two (2)-year period immediately

before the Employee's employment termination or any person employed by the Company or any of its Affiliates during the term of this covenant.

- c. **Duration; no impact on existing obligations under law or contract.** The covenants in this paragraph 4 shall apply throughout the Restricted Period. The Restricted Period referenced herein shall be tolled and shall not run during any period of time the Employee is in breach of this Agreement and/or in violation of any of the covenants contained herein, and once tolled hereunder shall not begin to run again until such time as all such breach and/or violations have ceased. The Employees acknowledges and agrees that nothing in this Agreement is intended to or shall have any impact on the Employee's obligations as an officer or employee of the Company to refrain from competing against the Company or any of its Affiliates, soliciting customers, officers or employees of the Company or any of its Affiliates, or disclosing confidential information of the Company or any of its Affiliates while the Employee is serving as an officer or employee of the Company or thereafter, whether the Employee's obligations arise under applicable statutory or common law, under an employment agreement, or otherwise.
- d. **Forfeiture of payments under this Agreement.** If the Employee breaches any of the covenants in this paragraph 4, the Employee's right to any of the payments specified in paragraph 5 after the date of the breach shall be forever forfeited and the right of the Employee's designated beneficiary or estate to any payments under this Agreement shall likewise be forever forfeited. This forfeiture is in addition to and not instead of any injunctive or other relief that may be available to the Company. The Employee further acknowledges and agrees that any breach of any of the covenants in paragraphs 3, 4 and 7 shall be deemed a material breach by the Employee of this Agreement.

## 5. NON-COMPETITION AND NON-SOLICITATION PAYMENTS.

- a. **Payments.** In consideration of the Employee's non-competition and non-solicitation obligations, as described in paragraph 4, the Company shall pay to the Employee:
  - (i) Upon the termination of Employee's employment by the Company for Cause or upon a Voluntary Termination of Employment by the Employee, except for a Termination for Good Reason, 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 the Employee's Separation from Service; or
  - (ii) Except as set forth in paragraph 5(c) below, upon the Employee's Separation from Service for any reason other than those set forth in subparagraph (a)(i) above, an amount equal to the aggregate of **1.5** times the annual rate of base salary then being paid to the employee, plus the average of the past three years short term bonus pay, which amount shall be paid in **12** equal monthly payments beginning on the first day of the month following the Employee's Separation from Service.

- (iii) Notwithstanding (i) and (ii) above, in the event the Employee has an involuntary Separation from Service including Good Reason that occurs within 24 months immediately following a Change in Control, the Employee shall receive an amount equal to the amount determined in (ii) above to be paid in a lump sum within 10 business days following the date of such involuntary Separation from Service.
  - (ii) Except as set forth in paragraph 5(c) below, upon the Employee's Separation from Service for any reason other than those set forth in subparagraph (a)(i) above, an amount equal to the aggregate of **1.5** times the annual rate of base salary then being paid to the employee, plus the average of the past three years short term bonus pay, which amount shall be paid in **12** equal monthly payments beginning on the first day of the month following the Employee's Separation from Service.
- b. **Potential six-month delay under Section 409A.** If, when Separation from Service occurs, the Employee is a specified employee within the meaning of Section 409A of the Code, and if the non-competition payments under this paragraph 5 would be considered deferred compensation under Section 409A of the Code, and finally if an exemption from the six-month delay requirement of Section 409A(a)(2)(B)(i) of the Code is not available, the Employee's non-competition payments for the first six months following Separation from Service shall be paid to the Employee in a single lump sum on the first day of the seventh month after the month in which the Employee's Separation from Service occurs.
  - c. **Death and Disability.** Notwithstanding anything herein to the contrary, no amounts are payable under this Agreement in the event of the Employee's Separation from Service as a result of death or Disability. Further, all payments under this Agreement shall cease upon the Employee's death.
  - d. **Employee's Ineligibility to Work in Financial Products or Services Industry.** Notwithstanding anything herein to the contrary, no amounts are payable under this Agreement in the event of a regulatory or other finding, action or directive resulting in the Employee's ineligibility to work in the financial products or services industry (as defined in paragraph 1(g) above) pursuant to any applicable statute, rule or regulation.

## 6. CONSULTING AND ADVISORY SERVICES.

- a. **Services to be Provided by the Employee.** Upon her Separation from Service with the Company and continuing for the Restricted Period, the Employee shall provide consulting and advisory services to the Company and any of its Affiliates with regard to the following matters:
  - A. Shareholder and investor relations;
  - B. Legislative and regulatory developments impacting the Company;
  - C. The market area and customers served by the Company;
  - D. The business of financial institutions and their affiliates generally; and

- E. Such other matters as may be requested by the President of the Company from time to time.
- b. **Time Commitment, Status and Responsibilities the Employee.** The Employee shall make herself available to provide the above consulting services, at the request of the Company, for a maximum of 25 hours per month. Such services shall be provided by the Employee at places and times as the Company and the Employee shall agree. The Employee shall have the status of independent contractor and nothing in this Agreement shall: (i) be construed or interpreted as creating a relationship of employer and employee or principal and agent between the Employee and the Company; (ii) give either party the power to direct and control the day-to-day activities of the other; (iii) constitute the parties as partners, joint venturers or otherwise; or (iv) allow the Employee to create or assume any obligation on behalf of the Company for any purpose whatsoever. The Employee will not be entitled to any employee benefits during the Restricted Period as a result of this Agreement or the Prior Agreement. The Employee shall be responsible for paying all income taxes and other taxes owed by the Employee on amounts paid to the Employee pursuant to this Agreement. The Employee shall be responsible for keeping third persons appropriately informed of her inability to act in any way on behalf of the Company. During the Restricted Period, the Employee shall adhere to the Code of Business Conduct and Ethics of the Company.
- c. **Title.** The Company and the Employee shall agree to an appropriate title for the Employee during the Restricted Period.
- d. **Responsibilities of the Company.** During the Restricted Period, the Company shall provide the Employee, on the premises of the Company, with an office, computer, telephone and appropriate supplies and secretarial assistance necessary or appropriate for the Employee to perform the consulting services enumerated above. The Company shall provide the Employee with an email address utilizing the domain name of the Company.
- e. **Compensation.** The Employee shall not receive any additional compensation beyond that provided for in the Agreement for performing the consulting services enumerated in this Agreement, it being expressly agreed that her use of office space, a computer, telephone, supplies and secretarial assistance shall constitute adequate consideration for her services hereunder.

**7. RETURN OF RECORDS AND PROPERTY.** Upon the Employee's Separation from Service for any reason, or at any time upon the Company's request, the Employee shall promptly deliver to the Company all Company and Affiliate records and all Company and Affiliate property in the Employee's possession or the Employee's control, including without limitation manuals, books, blank forms, documents, letters, memoranda, notes, notebooks, reports, printouts, computer disks, computer tapes, source codes, data, tables or calculations, and all copies thereof; documents that in whole or in part contain any Confidential Information of the Company or its Affiliates and all copies thereof; and keys, access cards, access codes, passwords, credit cards, personal or laptop computers, telephones, PDAs, smart phones, and other electronic equipment belonging to the Company or an Affiliate.

**8. REMEDIES.** Employee agrees that if Employee fails to fulfill Employee's obligations under this Agreement, including, without limitation, the Non-Competition and Non-Solicitation obligations set forth in paragraph 4, the damages to the Company or any of its Affiliates would be very difficult or impossible to determine. Therefore, in addition to any other rights or remedies available to the Company at law, in equity or by statute, Employee hereby consents to the specific enforcement by the Company of this Agreement through an injunction or restraining order issued by an appropriate court, without the necessity of proving actual damages, and Employee hereby waives as a defense to any equitable action the allegation that the Company has an adequate remedy at law. The provisions of this paragraph shall not diminish the right of the Company to claim and recover damages or to obtain any equitable remedy in addition to injunctive relief to which the Company may otherwise be entitled. The Employee understands and agrees that the Employee will also be responsible for all costs and attorney's fees incurred by the Company in enforcing any of the provisions of this Agreement including, but not limited to, expert witness fees and deposition costs.

**9. SEVERABILITY.** If, for any reason, any paragraph or portion of this Agreement shall be held by a court to be invalid or unenforceable, it is agreed that such holding shall not affect any other section or portion of this Agreement. The covenants in paragraph 4(a) with respect to the geographic area shall be deemed to be separate covenants with respect to each county, and should any court of competent jurisdiction conclude or find that this Agreement or any portion is not enforceable with respect to a particular county, such conclusion or finding shall in no way render invalid or unenforceable the covenants herein with respect to any other county. If the final judgment of a court of competent jurisdiction declares that any term or provision of this Agreement is invalid or unenforceable, the parties agree that the court making the determination of invalidity or unenforceability shall have the power to reduce the scope, duration or area of the term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be enforceable as so modified after the expiration of the time within which the judgment may be appealed. If such court does not have the legal authority to take the actions described in the preceding sentence, the parties agree to negotiate in good faith a modified provision that would, in so far as possible, reflect the original intent of this Agreement, including without limitation paragraph 4 hereof, without violating applicable law.

**10. ENTIRE AGREEMENT.** This Agreement constitutes the entire agreement between Company and the Employee concerning the subject matter of confidentiality, non-competition and non-solicitation and supersedes all prior agreements between the parties with respect to the subject matter hereof, including, without limitation, the Management/Employment Agreement, executed **February 27, 2007** and amended **August 27, 2007**, and the Prior Agreement. For clarification purposes, nothing contained herein shall supersede the Amended and Restated Supplemental Executive Retirement Plan Agreement between the Company and the Employee originally adopted December 30, 2011 and most recently amended and restated as of November 23, 2015 (the "2011 SERP") or the Amended and Restated Executive Long Term



Compensation Agreement between the Company and the Employee originally adopted effective August 14, 2007 and most recently amended and restated as of November 23, 2015. No rights are granted to the Employee under this Agreement other than those specifically set forth herein.

**11. NO EMPLOYMENT AGREEMENT.** This Agreement is not an employment policy or contract. It does not give the Employee the right to remain an employee of the Company, nor does it interfere with the Company's right to discharge the Employee. It also does not require the Employee to remain an employee or interfere with the Employee's right to separate from service at any time.

**12. AMENDMENTS.** The parties agree that no modification of the Agreement may be made except by means of a written agreement signed by the parties. However, if the Company determines to its reasonable satisfaction that an alteration or amendment of this Agreement is necessary or advisable so that the Agreement complies with the Code or any other applicable tax law, then, upon written notice to Employee, the Company may unilaterally amend this Agreement in such manner and to such extent as the Company reasonably considers necessary or advisable to ensure compliance with the Code or other applicable tax law. Nothing in this paragraph shall be deemed to limit the Company's right to terminate this Agreement at any time and without stated cause.

**13. ASSIGNMENT OF RIGHTS; SPENDTHRIFT CLAUSE.** None of the Employee, the Employee's estate or the Employee's beneficiary shall have any right to sell, assign, transfer, pledge, attach, encumber or otherwise convey the right to receive any payment hereunder. To the extent permitted by law, benefits payable under this Agreement shall not be subject to the claim of any creditor of the Employee, the Employee's estate, or the Employee's designated beneficiary or subject to any legal process by any creditor of the Employee, the Employee's estate or the Employee's designated beneficiary.

**14. BINDING EFFECT.** This Agreement shall bind the Employee, the Company and their beneficiaries, survivors, executors, successors and assigns, administrators and transferees.

**15. SUCCESSORS; BINDING AGREEMENT.** By an assumption agreement in form and substance satisfactory to the Employee, the Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform this Agreement had no succession occurred.

**16. TAX WITHHOLDING.** If taxes are required by the Code or other applicable tax law to be withheld by the Company from payments under this Agreement, the Company shall withhold any taxes that are required to be withheld.

**17. GOVERNING LAW.** This Agreement shall be governed by and construed in accordance with the laws of the State of Washington.

**18. NOTICES.** All notices, requests and demands given to or made pursuant hereto shall be in writing and shall be delivered or mailed to any such party at its address which:

- a. In the case of the Company shall be:  
Sound Community Bank  
2005 5<sup>th</sup> Avenue, Second Floor  
Seattle, WA 98121  
Attention: Human Resources
- b. In the case of the Employee shall be:  
Laura Lee Stewart  
At her last address on  
file with the Employer

Either party may, by notice hereunder, designate a changed address. Any notice, if mailed properly addressed, postage prepaid, registered or certified mail, shall be deemed to have been given on the registered date or that date stamped on the certified mail receipt.

**19. SEVERABILITY.** In the event that any portion of this Agreement is held to be invalid or unenforceable for any reason, it is hereby agreed that such invalidity or unenforceability shall not affect the other portions of this Agreement and that the remaining covenants, terms and conditions or portions hereof shall remain in full force and effect, and any court of competent jurisdiction may so modify the objectionable provision as to make it valid, reasonable and enforceable.

**20. RELEASE OF CLAIMS.** Notwithstanding the foregoing provisions of this Agreement, the Company will not be obligated to make any payments to the Employee under this Agreement unless the Employee has signed a release of claims in favor of the Company and its Affiliates in a form to be prescribed by the Company, and all applicable consideration and rescission periods provided by law have expired. Notwithstanding any other provision contained in this Agreement, in the event the time period that the Employee has to consider the terms of such general release (including any revocation period under such release) commences in one calendar year and ends in the succeeding calendar year, then the payments shall not commence until the succeeding calendar year.

**21. COMPLIANCE WITH CODE SECTION 409A.** The Company and the Employee intend that their exercise of authority or discretion under this Agreement shall comply with Section 409A of the Code. The payments under paragraph 5 of this Agreement shall be deemed exempt from Section 409A of the Code to the fullest extent possible in reliance upon the separation pay plan exemption and/or the short-term deferral exemption. Notwithstanding anything herein to the contrary in this Agreement, to the extent that any benefit under this Agreement that is nonqualified deferred compensation (within the meaning of Section 409A of the Code) payable upon Employee's termination of employment, such payment(s) shall be made only upon Employee's "Separation from Service" pursuant to the default definition in Treasury

Regulation Section 1.409A-1(h). To the extent permitted by Section 409A, amounts payable under paragraph 5 which are considered deferred compensation shall be treated as payable after amounts which are not considered deferred compensation (i.e., which are exempt from Section 409A of the Code).

(Signature page follows)

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first written above.

Date: January 25, 2019

/s/Laura Lee Stewart

Laura Lee Stewart

Accepted for Sound Community Bank:

Date: January 25, 2019

By: /s/Tyler Myers

Tyler Myers

Its: Chairman of the Board