



# First Sound Bank.

Innovative Business Banking. Your Way.

## NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

**TIME**..... 5:30 p.m. on Wednesday, June 20, 2018

**PLACE**..... Fourth & Madison Building  
925 Fourth Avenue  
**Main Lobby Conference Room**  
Seattle, Washington

**ITEMS OF  
BUSINESS**.....

1. To elect six (6) directors to serve until the 2019 Annual Meeting of Shareholders.
2. To ratify the selection of the independent registered public accounting firm.
3. To take action on any other business that may properly be considered at the Meeting or any adjournment thereof.

**RECORD DATE**..... You may vote at the Meeting if you were a shareholder of record at the close of business on April 18, 2018.

**VOTING BY  
PROXY**.....

**Whether or not you plan to attend the Meeting, please sign, date and return the enclosed proxy to ensure that your shares will be represented at the Meeting.**

**ANNUAL  
REPORT**.....

First Sound Bank's 2017 Annual Report is available on the Bank's website at [www.firstsoundbank.com](http://www.firstsoundbank.com). A copy can be requested from the Bank.

By Order of the Board of Directors,

Pat Fahey  
Chairman of the Board

Jon C. Shelton  
President and Chief Executive Officer

This Notice of Meeting, Proxy Statement and accompanying Proxy are being distributed on or about May 2, 2018.



# First Sound Bank.

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## Annual Meeting of Shareholders June 20, 2018

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### PROXY STATEMENT

We are providing these proxy materials in connection with the solicitation by the Board of Directors of First Sound Bank (the “Company”) of proxies to be voted at the Company’s Annual Meeting of Shareholders to be held on June 20, 2018, and at any adjournment of the meeting.

#### GENERAL INFORMATION ABOUT THE MEETING AND VOTING

##### Who may vote at the meeting?

The Board has set April 18, 2018, as the record date for the meeting. If you were the owner of Company common stock at the close of business on April 18, 2018, you may vote at the meeting. You are entitled to one vote for each share of common stock you held on the record date, including shares held for you in an account with a broker, bank or other nominee (shares held in “street name”).

Each share of your common stock has one vote on each matter to be voted on.

##### How many shares must be present to hold the meeting?

A majority of the Company’s outstanding common shares as of the record date must be present at the meeting, in person or by proxy, in order to hold the meeting and conduct business. On the record date, there were 315,183,328 shares of Company common stock outstanding, and no shares of preferred stock outstanding. Shares are counted as present at the meeting if you:

- are present and vote in person at the meeting; or
- have properly submitted a Proxy.

##### What proposals will be voted on at the meeting?

There are two (2) proposals scheduled to be voted on at the meeting:

- Election of six (6) directors to hold office until the 2019 Annual Meeting of Shareholders; and
- Ratification of the Selection of the Independent Registered Public Accounting Firm.

Shareholders will also transact any other business that may properly come before the annual meeting. At the date of this proxy statement, the Board of Directors knows of no other business to be presented. Members of our management team will be present at the annual meeting to respond to appropriate questions from shareholders.

### **How many votes are required to approve each proposal?**

Provided a majority of the outstanding shares of common stock are present in person or by proxy, the affirmative vote of a plurality of the votes cast at the meeting is required for the election of directors. Ratification of the selection of the certified public accounting firm will be approved if the votes cast in favor of the proposal exceeds the votes cast against the proposal.

### **How are votes counted?**

You may either vote “FOR” or “WITHHOLD” authority to vote for each nominee for the Board of Directors. If you withhold authority to vote on the election of the directors, your shares will not be voted with respect to the director or directors identified. If you just sign and submit your Proxy without voting instructions, your shares will be voted “FOR” each director nominee.

You may vote FOR, AGAINST or ABSTAIN on the selection of the certified public accounting firm. If you vote AGAINST or ABSTAIN your votes will be entered as a vote against the proposal.

If you hold your shares in street name and do not provide voting instructions to your broker, your broker will not be able to cast votes on your behalf for the election of directors. If you hold your shares in street name and do not provide voting instructions to your broker, your broker will have the discretion to vote your shares on the selection of the independent registered public accounting firm.

Whether an item is discretionary is determined by the exchange rules governing your broker. The election of directors is non-discretionary and the ratification of the independent registered public accounting firm is discretionary under applicable rules. 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.

### **How does the Board recommend that I vote?**

The Company’s Board recommends that you vote your shares “FOR” each of the director nominees, and “FOR” ratification of the selection of the independent registered public accounting firm.

### **How do I vote my shares without attending the meeting?**

Whether you hold shares directly or in street name, you may direct your vote without attending the Annual Meeting. For shares held in street name, you may vote by submitting voting instructions to your broker or nominee. If you are a shareholder of record, you may vote by signing and dating your Proxy and mailing it in the envelope provided. You should sign your name exactly as it appears on the Proxy. If you are signing in a representative capacity (for example as guardian, executor, trustee, custodian, attorney or officer of a corporation), you should indicate your name and title or capacity.

### **How do I vote my shares in person at the meeting?**

If you are a shareholder of record, to vote your shares at the meeting you should bring the enclosed Proxy or proof of identification. You may vote shares held in street name at the meeting only if you obtain a signed Proxy from the record holder (broker or other nominee) giving you the right to vote the shares.

Even if you plan to attend the meeting, we encourage you to vote by proxy so your vote will be counted in the event you later decide not to attend the meeting.

### **What does it mean if I receive more than one Proxy?**

It means you hold shares registered in more than one account. To ensure that all your shares are voted, sign and return each Proxy.

### **May I change my vote?**

Yes. You may change your vote and revoke your Proxy by:

- Sending a written statement to that effect to the Secretary of the Company;
- Submitting a properly signed Proxy with a later date; or
- Voting in person at the Annual Meeting.

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.

<b>PROPOSAL 1 – ELECTION OF DIRECTORS</b>
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The Articles of Incorporation of First Sound Bank provide for a Board of Directors consisting of not fewer than 5 nor more than 15 persons, each to serve until the next regular meeting of shareholders at which directors are elected, unless a director resigns or is removed from office. The Board has set the number of directors at six (6).

Should any of these nominees become unavailable for any reason, which is not anticipated, the Board of Directors may, unless the Board by resolution provides for a lesser number of directors, designate substitute nominees, in which event the persons named in the enclosed proxy will vote for the election of such substitute nominee or nominees.

Set forth below are the names of each nominee for director, the year in which the nominee became a director of First Sound Bank, the nominee's principal occupation and business experience for the past five years, and the names of other publicly-held companies for which the nominee serves as a director.

## **NOMINEES FOR DIRECTOR**

### **MICHAEL O. EVERED**

Director Since 2004

Mr. Evered, born in Seattle, and a graduate of Seattle University, brings to the Board a wealth of prior business experience and community involvement indicative of his interest in the Seattle area. His early career included positions with Shell Oil, Chrysler Credit and Baxter Medical before he joined Bellevue Lincoln Mercury -- a successful Eastside auto dealership owned and operated by his family for more than 45 years. During his time there, Mr. Evered was elected to and served on the Lincoln Mercury National Dealer Council from 1993-94.

Mr. Evered has always given back to the community in a variety of significant ways. A member of the Bellevue Rotary Club since 1979, he served as its president in 1990-91, raised over \$250,000 for the Rotary Wishing Well Foundation to benefit terminally ill children. Mr. Evered also served as president and board member of Eastside Mental Health; as a Bellevue City Council member from 1979-1983; as a member of the Bellevue Civil Service Commission; and as a member of the Central Business District Action Committee, which was instrumental in the development of Downtown Bellevue. Additionally, Mr. Evered chaired the finance committee for the development of Meydenbauer Center and for the \$2.5MM capital campaign for St. Madeline Sophie Catholic Church. He currently serves as spokesperson for Electron Beam Tomography (EBT) for the Swedish Heart Institute at Swedish Medical Center and was formerly a member of the Board of Regents at Seattle University.

### **PATRICK M. FAHEY**

Director Since 2012

Mr. Fahey, following service as a U.S. Army Infantry Officer, joined Seattle-First National Bank in 1967. He moved within the corporation to the position of Senior Vice President and member of the Senior Management Committee. He served in Regional Administration, and as Manager of Branch Banking Administration for the entire state. He also managed Corporate Communications, Community Affairs and Government Relations. In 1981, he joined Old National Bank of Washington (ONB) as Regional Vice President for Western Washington. He was elected Senior Vice President of ONB in July, 1982, and Executive Vice President and Manager – Branch Banking Group in June, 1983. He was elected President and Chief Operating Officer in September, 1983.

In September, 1987, he left U. S. Bank of Washington (formerly Old National Bank) to form a new institution, Pacific Northwest Bank, where he served as Chairman, President and Chief Executive Officer. In June 1998, Pacific Northwest Bank merged with InterWest Bancorp, and in April 2000 he was named President and Chief Executive Officer of InterWest Bancorp and Chairman, President and Chief Executive Officer of InterWest Bank. The name of the entire company was changed to Pacific Northwest Bancorp in August 2000, with the banking subsidiary consolidated as Pacific Northwest Bank. He served as Chairman, President and Chief Executive Officer of both entities. Pacific Northwest Bank became the largest commercial bank headquartered in the Pacific Northwest. Following the merger of the company with Wells Fargo in October, 2003, he served as Chairman of Washington Regional Banking during the transition until his retirement in October, 2004.

In December 2008, he was asked to assume the CEO position at financially troubled Frontier Bank in an effort to save the bank. Although a private equity infusion of \$430 million was

committed, Federal Reserve approval could not be obtained in time, and the bank was acquired by Union Bank in a regulatory assisted transaction in 2010. After assisting with the transition of Frontier Bank into Union Bank for several months, Fahey acted as a consultant to the board of First Sound Bank during 2011, and was asked to assume the position of Chairman, President and CEO in January, 2012, for which regulatory approval has been granted.

A Washington native, he is a graduate of Seattle University, The Pacific Coast Banking School, and the Management Program of the University of Washington Graduate School of Business.

Throughout his career, he has served in leadership roles in a number of business and community activities, including the American Bankers Association (Member, Banking Leadership Conference); Association of Washington Business (Director, Vice Chairman); Columbia Tower Club (Chairman, Board of Governors); Greater Seattle Chamber of Commerce (Trustee, Vice Chairman); LAW Fund (Director); Pathways for Women/YWCA (Co-Chair-Capital Campaign); Physicians Insurance Company (Director); PREMERA Blue Cross (Director – served for 2 years as Lead Director); Providence Foundation of Seattle (Board member and Chairman); Rainier Club (Director and Treasurer); Rotary Club of Seattle (Director and Treasurer); Seattle University (Trustee); Washington Athletic Club (Director & Treasurer); Washington Bankers Association (Director, Past President); Washington State University (Advisory Board, School of Business & Economics); YMCA of Greater Seattle (Director); and Edmonds Center for the Arts (Co-Chair, Capital Campaign).

**PAMELA R. MYERS**

Director Since 2004

Ms. Myers was a member of the State Bars of Washington (1974) and California (1977) until she elected not to renew her licenses in 2017. She was active in the practice of law in the Pacific Northwest since 1974. She served as Counsel for First Interstate Bank (1979-1982), Rainier Bank (1982-1992) and subsequent acquisitions by Security Pacific Bank (1987) and Bank of America (1992). From 1992 to 1996 she was Vice President, General Counsel and Secretary of West One Bank, Washington, where she served as a member of the Executive Team participating in the development of a new bank in Washington. West One was acquired in 1996 by U S Bank where she managed a five lawyer legal department for U S Bank in Portland through 1997. She continued to practice law as general counsel for two non-banking companies until 2006.

Ms. Myers received her BA degree from the University of Washington and her JD from Northwestern School of Law, Lewis and Clark College, Portland, Oregon.

**STEVEN J. SCHWARTZ**

Director Since 2006

Mr. Schwartz serves as Senior Vice President with CBRE (NYSE: CBRE) the international commercial real estate services firm. At CBRE, Steve advises his clients regionally and nationally on leasing, investment and workplace strategies. Before joining CBRE in 2018, Steve was a Managing Director with the commercial real estate advisory firm JLL (NYSE: JLL). In 2011 JLL acquired Pacific Real Estate Partners, Inc., a regional commercial real estate brokerage firm that Steve co-founded in 2003. Prior to his commercial real estate career, Steve was a Director of Institutional Bond Sales at Midland Montagu Securities and PaineWebber (now UBS Securities). He started his career as a commercial banker at Manufacturers Hanover Trust (now JP Morgan Chase) in New York. Mr. Schwartz has been very active in community activities having served

on the boards of King County Sexual Assault Resource Center (KCSARC), Wellspring Family Services and Jewish Family Service. Mr. Schwartz received his BS Degree (Finance, International Business) from New York University.

**JON C. SHELTON**

Director Since 2017

Mr. Shelton, who has over 47 years in community banking, began his career in 1969 with First National Bank of Oregon in Portland. He then spent 19 years with Washington Trust Bank in Spokane, while serving as Chief Lending Officer and Senior Vice President and manager of the bank's Commercial Banking Division. In 1997, Mr. Shelton joined Frontier Bank — headquartered in Everett, Washington — where he was eventually promoted to Senior Vice President and manager of the bank's Western Region. Mr. Shelton joined First Sound Bank in January of 2012 and served as Executive Vice President and Chief Credit Officer before his appointment to President and Chief Operating Officer of the bank in May of 2016. In January of 2017 Shelton was named President and CEO of First Sound Bank.

Mr. Shelton is a graduate of Eastern Washington University, an honors graduate of Pacific Coast Banking School at the University of Washington Graduate School of Business and the Stanford Executive Program, which is affiliated with the Stanford Graduate School of Business. Throughout his career, Mr. Shelton has remained very active in numerous community and civic clubs and organizations

**KATHLEEN Y. TITCOMB**

Director Since 2004

Ms. Titcomb is an active community volunteer serving a variety of King County organizations over the years. She has prior associations with the Junior League, the Seattle Art Museum Supporters (SAMS) where she served as President in 1989, Seattle Art Museum Board of Trustees, and the Seattle Children's Home Board of Trustees from 1994-2002. She has had an active role in fundraising and served as Chair of Fundraising for Brookside Elementary from 1999-2000. Ms. Titcomb was Internal Auditor for Mobil Oil Corporation from 1980-82 and Internal Auditor for MCO Resources in 1982-83 (both in Los Angeles), and Business Broker and Manager for V.R. Business Brokers in 1983-85 in Bellevue and Seattle. She was co-owner of Sorel's Gourmet Food and Kitchen Store in Seattle from 1985 to 1990. Ms. Titcomb has served on the Shadow Mountain Homeowner's Association Board in Palm Desert, California since 2002, including serving as President from 2010 to 2016. For the past eight years, Ms. Titcomb has co-owned and managed rental properties in Palm Desert, California.

Ms. Titcomb graduated Summa Cum Laude from the University of Puget Sound in 1980 with B.A. Degrees in both Economics and Finance. She was awarded the Certified Internal Auditor, (C.I.A.), designation from the Institute of Internal Auditors in 1982.

**Attendance at 2017 Board and Committee Meetings/Compensation**

The Board of Directors held nine (9) regularly scheduled meetings during 2017. Each director attended 75% or more of the aggregate of all meetings of the Board and the committees on which he or she served in 2017.

## **Executive Sessions of Independent Directors**

Non-management Board members meet without management at each regularly scheduled Board meeting. Additional meetings may be called by the Lead Director in his discretion or at the request of the Board. The Lead Director, Mr. Evered, presides over meetings of the non-management directors.

### **THE BOARD RECOMMENDS A VOTE FOR THESE NOMINEES**

#### **PROPOSAL 2 – RATIFICATION OF THE SELECTION OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The firm of Moss Adams LLP, an independent registered public accounting firm, audited the financial statements of the Company for 2017 and has been selected to do so for 2018. Selection of the Company's independent certified public accounting firm is not required to be submitted to a vote of the shareholders of the Company for ratification. However, the Board of Directors is submitting this matter to the shareholders as a matter of good corporate governance. If the shareholders fail to vote on an advisory basis in favor of the selection, the Audit Committee will reconsider Moss Adams LLP, and may retain that firm or another without re-submitting the matter to the Company's shareholders. Even if shareholders vote on an advisory basis in favor of the appointment, the Audit Committee may, in its discretion, direct the appointment of different independent registered public accounting firms at any time during the year if it determines that such a change would be in the best interests of the Company and the shareholders.

#### **THE BOARD RECOMMENDS A VOTE FOR APPROVAL OF MOSS ADAMS LLP AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE 2017 FISCAL YEAR.**

#### **OTHER INFORMATION**

##### **Board of Director Nominations**

In accordance with the Company's Articles of Incorporation, nominations for the election to the Board of Directors may be made by the Board of Directors or by any shareholder entitled to vote for the election of directors. Such nominations other than by the Board of Directors shall be made in writing, delivered or mailed by first class United States mail, postage prepaid, to the Secretary of the Company no later than February 15, 2019.

Each notice shall set forth (i) the name, age, business address and, if known, residence address of each nominee proposed in such notice; (ii) the principal occupation or employment of each such nominee; (iii) the number of shares of stock of the Company which are beneficially owned by each such nominee; and (iv) such other information as would be required by the Federal Securities Laws and the Rules and Regulations promulgated thereunder in respect to any individual nominated as a director of the Company and for whom proxies are solicited by the Board of Directors of the Company.

The Chairman of any meeting of shareholders may, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure,

and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

**Other Business**

Management does not intend to bring before the meeting any matters not referred to in this Proxy Statement and the Company has not been informed that any other matters are to be presented by others. If any other matters properly come before the meeting, it is intended that the shares represented by proxies will be voted in accordance with the recommendations of management.

By Order of the Board of Directors,

Jon C. Shelton  
President and Chief Executive Officer