

Hinson Donald
Form 4
May 27, 2010

FORM 4

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

OMB APPROVAL

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

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

(Print or Type Responses)

1. Name and Address of Reporting Person *
Hinson Donald

2. Issuer Name and Ticker or Trading Symbol
HERITAGE FINANCIAL CORP
/WA/ [HFWA]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)
PO BOX 1578
(Street)

3. Date of Earliest Transaction
(Month/Day/Year)
05/25/2010

____ Director _____ 10% Owner
 Officer (give title below) _____ Other (specify below)
SVP and Chief Financial Officer

OLYMPIA, WA 98507

(City) (State) (Zip)

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

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

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

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|-----------------------------------|
| | | | | (A) or (D) Price | | | |
| Common Stock | 05/25/2010 | | A | 1,111 A (2) | 4,661 | D | |
| Common Stock | 05/25/2010 | | A | 1,000 A (4) | 5,661 | D | |

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

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(9-02)

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

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | 6. Date Exercisable and Expiration Date (Month/Day/Year) | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) | Amount or Number of Shares |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|----------------------------|
| Incentive Stock Option | \$ 11.35 | 02/26/2009 | | A | 3,000 | 02/26/2010 ⁽¹⁾ 02/26/2017 | Common Stock | 3,000 |
| Incentive Stock Option | \$ 14.77 | 05/25/2010 | | A | 4,330 | 05/25/2011 ⁽³⁾ 05/25/2020 | Common Stock | 4,330 |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---------------|-----------|---------------------------------|-------|
| | Director | 10% Owner | Officer | Other |
| Hinson Donald PO BOX 1578 OLYMPIA, WA 98507 | | | SVP and Chief Financial Officer | |

Signatures

Donald J. Hinson 05/27/2010
 **Signature of Reporting Person Date

Kaylene Lahn for Donald J. Hinson 05/27/2010
 **Signature of Reporting Person Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Grant to reporting person of option to purchase shares of common stock under the issuer's 2006 stock option plan. One third of the option is exercisable annually beginning one year after grant and expires five years after it becomes exercisable.
- (2) Represents award of restricted stock under the 2010 Omnibus Equity Plan. Vests in equal installments of 25% per year beginning 05/25/2011.
- (3) Represents incentive stock option under the 2010 Omnibus Equity Plan. Vest in equal installments of 25% per year beginning on 05/25/2011.

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(4) Represents award of restricted stock under the 2010 Omnibus Equity Plan. Vests 100% beginning 05/25/2013.

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

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