Pacific Financial Corporation

March 24, 2021

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of Pacific Financial Corporation (the "Company") to be held via webcast, on Wednesday, April 28, 2021, at 4:00 p.m. at www.meetingcenter.io/238212988. Password: PFLC2021

The Notice of Annual Meeting of Shareholders and Proxy Statement on the following pages describe the formal business to be transacted at the meeting. Directors and officers of the Company, as well as a representative of Clifton Larson Allen, LLP, the Company's independent auditors, will be present to respond to any questions our shareholders may have.

Please vote via the Internet or by telephone, or by signing, dating, and returning the enclosed proxy card by mail. The enclosed proxy statement includes instructions for voting via the Internet at www.envisionreports.com/PFLC or by telephone by calling 1-800-652-VOTE (8683). If you vote online or by phone, you do NOT need to complete and mail your proxy card. If you plan to attend the meeting via webcast, we still encourage you to vote in advance through the Internet, by phone, or by mail.

We look forward to seeing you at the meeting.

Sincerely,

Randy Rognlin
Chairman of the Board

Denise Portmann
President & Chief Executive Officer

PACIFIC FINANCIAL CORPORATION
1216 Skyview Drive
Aberdeen, Washington 98520
(360) 537-4061

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
April 28, 2021

NOTICE IS HEREBY GIVEN that the 2021 Annual Meeting of Shareholders of Pacific Financial Corporation (the "Company") will be a virtual meeting, conducted via webcast only. No physical meeting will be held. The live webcast will be on April 28, 2021, at 4:00 p.m., local time at www.meetingcenter.io/238212988. Password: PFLC2021.

This meeting will be held for the following purposes:

1. Election of Directors: To elect four directors for a three-year term ending in 2024.
2. Ratify Accountants: To ratify our appointment of Clifton Larson Allen, LLP as our independent registered public accountants for 2021.
3. Equity Incentive Plan: To approve Pacific Financial Corporation's 2021 Equity Incentive Plan.
4. Other Business - To consider and act upon such other matters as may properly come before the meeting or any adjournments thereof.

The Board of Directors is not aware of any other business expected to come before the meeting.

Any action may be taken on the foregoing proposals at the Annual Meeting or any subsequent adjournments. Shareholders of record at the close of business on March 9, 2021, are entitled to notice of and to vote at the meeting and any adjournments or postponements.

Please vote via the Internet or by telephone in accordance with instructions provided under the heading "Voting by Internet or Telephone" on page 1 of this proxy statement, or by promptly completing, signing, and mailing the enclosed form of proxy in the envelope provided. If you vote by any of these methods and you also attend the meeting via live webcast, you do not need to vote at the meeting, unless you want to change your earlier vote.

By Order of the Board of Directors

Lisa E. Dutton

Lisa Dutton
Corporate Secretary

Aberdeen, Washington
March 24, 2021

IMPORTANT: PROMPT VOTING VIA THE INTERNET, TELEPHONE, OR RETURNING THE ENCLOSED PROXY BY MAIL WILL HELP ENSURE A QUORUM IS PRESENT. A SELF-ADDRESSED ENVELOPE IS ENCLOSED FOR YOUR CONVENIENCE. NO POSTAGE IS REQUIRED IF MAILED IN THE UNITED STATES.

The annual report and proxy statement for the 2021 annual meeting are also available at www.edocumentview.com/PFLC.

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PROXY STATEMENT OF
PACIFIC FINANCIAL CORPORATION

ANNUAL MEETING OF SHAREHOLDERS
April 28, 2021

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Pacific Financial Corporation (the "Company"), the holding company for Bank of the Pacific (the "Bank"), to be used at the 2021 Annual Meeting of Shareholders of the Company. The Annual Meeting will be held via live webcast on Wednesday, April 28, 2021, at 4:00 p.m., local time at www.meetingcenter.io/238212988. Password: PFLC2021. This Proxy Statement and the enclosed proxy card and Annual Report are being mailed to shareholders on or about March 24, 2021.

VOTING AND PROXY PROCEDURE

Record Ownership; Quorum: Shareholders of record as of the close of business on March 9, 2021, are entitled to one vote for each share of Common Stock of the Company then held by each shareholder. As of that date, the Company had 10,439,889 shares of Common Stock issued and outstanding and eligible to vote at the Annual Meeting. The presence, via live webcast or by proxy, of at least a majority of the total number of outstanding shares of Common Stock is necessary to constitute a quorum.

Solicitation of Proxies*:* The enclosed proxy is solicited by and on behalf of the Board of Directors of the Company, with the cost of solicitation to be paid by the Company. In addition to mailing proxy materials, the Company's directors, officers and employees may solicit proxies in person, by telephone or otherwise. When a proxy card is returned properly signed and dated, the shares represented by the proxy will be voted in accordance with the instructions on the proxy card. Where no instructions are indicated, proxies will be voted in accordance with the Board's recommended vote on each proposal described in this Proxy Statement. If a shareholder attends the Annual Meeting via live webcast, he or she may vote at that time. If you hold shares through a broker or nominee (that is, in "street name"), please follow your broker's or other nominee's directions on how to vote your shares. Note that if you do not provide voting instructions to your broker or other nominee, your shares will not be voted with respect to the election of directors or the Equity Incentive Plan (a so called, "broker non-vote"), but your nominee may vote your shares in its discretion on the proposal to ratify our appointment of Clifton Larson Allen, LLP as our independent registered public accountants for 2021.

Beneficial Owners: Beneficial owners are invited to attend the live webcast. Since beneficial owners are not the shareholder of record, they may not vote their shares or submit questions during the Meeting unless they request and obtain a Legal Proxy as described below.

Voting by Internet, Telephone or Live Webcast: You may vote by Internet, telephone, mail or live webcast. Voting by Internet or telephone authorizes the named proxies to vote your shares in the same manner as if you marked, signed, and returned your proxy by mail. To vote via the Internet, access the following Web site: www.envisionreports.com/PFLC. To vote by telephone, call 1-800-652-VOTE (8683) and follow the instructions. If you vote via the Internet or by telephone, you do not need to mail your proxy card.

To vote by live webcast, please follow the instructions on the Proxy Card that you received with this Proxy Statement to attend the meeting.

- If you are a registered stockholder (you hold shares registered in your name through Pacific Financial Corporation's transfer agent, Computershare), you do not need to register to attend the annual meeting virtually via the live webcast.

- If you hold shares through an intermediary, such as a bank or broker, you must register in advance to attend the live webcast. To register in advance you must submit a Legal Proxy that reflects proof of your proxy power. The Legal Proxy will show your Pacific Financial holdings with your name. Please forward a copy of the Legal Proxy, along with your email address, to Computershare. Requests for registration should be directed to the following:

  By email: Forward the email from your broker, or attach an image of your legal proxy, to legalproxy@computershare.com

  By mail:
  Computershare
  Pacific Financial Corporation Legal Proxy
  P.O. Box 43001
  Providence, RI 02940-3001

  Requests for registration must be labeled as "Legal Proxy" and be received no later than 5:00 pm Eastern Time on April 23, 2021.

Revocation of Proxies: Shareholders who execute proxies retain the right to revoke them at any time. Proxies may be revoked by written notice delivered in person, mailed to the Corporate Secretary of the Company, emailed to ldutton@bankofthepacific.com, or by filing a later proxy prior to a vote being taken on the election of directors at the Annual Meeting. Attendance via live webcast at the Annual Meeting will not automatically revoke a proxy.

Voting for Directors: The four nominees for election as directors at the Annual Meeting who receive the highest number of affirmative votes will be elected. Shareholders are not permitted to cumulate their votes for the election of directors. Votes may be cast for or withheld from each individual nominee. Votes that are withheld and broker non-votes will have no effect on the outcome of the election because directors will be elected by a plurality of votes cast.

PROPOSAL NO. 1 – ELECTION OF DIRECTORS

The Company's Articles of Incorporation provide that the Company's Board of Directors (the "Board") will consist of not less than five and not more than 20 directors, with the exact number determined from time to time by resolution of the Board. The articles also provide that directors will be divided into three classes, which have been designated as Class A, B and C, serve staggered three-year terms, and be divided among the classes as nearly equally as possible. The Board presently includes 11 positions. Each director also serves as a director of the Bank.

The Board is nominating the following individuals for election as director:

Name	Class	Term to Expire
Edwin Ketel	A	2024
Denise J. Portmann	A	2024
Randy Rust	A	2024
Doug Biddle	A	2024

All nominees presently serve as directors of the Company.

The proxies solicited by the Board will be voted for the election of Mr. Ketel, Ms. Portmann, Mr. Rust and Mr. Biddle, unless marked to withhold a vote as to one or more nominees. If any nominee is unable to serve, the shares represented by all valid proxies will be voted for the election of such substitute as the Board may recommend.

The Board of Directors recommends a vote "FOR" each of the nominees for election as a director.

The following table sets forth certain information regarding the nominees for election, as well as information regarding directors continuing in office after the Annual Meeting. The Board has determined that each director listed below, other than Ms. Portmann and Mr. Biddle, is "independent" applying Rule 5605(a)(2) of the Nasdaq listing standards for this purpose. There are no family relationships among the directors and executive officers of the Company.

Name	Age	Year First Elected	Term to Expire
Board Nominees			
Class A			
Edwin Ketel	69	2002	2024
Denise J. Portmann	48	2014	2024
Randy Rust	72	2003	2024
Doug Biddle	67	2019	2024
Continuing Directors			
Class C			
Dwayne Carter	67	2011	2023
Randy W. Rognlin	64	2001	2023
Daniel Tupper	48	2014	2023
John Van Dijk	73	2013	2023
Class B			
Susan C. Freese	66	2001	2022
Kristi Gundersen	60	2015	2022
Douglas M. Schermer	59	2001	2022

The following provides a brief overview of the four nominees' business experience, qualifications, attributes, and skills:

Edwin Ketel is a retired veterinarian who owned a mixed animal practice on the Long Beach, Washington peninsula for 36 years. Dr. Ketel has been involved with many fundraising activities for the Ocean Beach School District. He spearheaded major events to help fund athletics through local sports booster clubs. He also served on many school committees and was a key contributor to an effort to secure approval for a comprehensive bond measure. Dr. Ketel holds a B.S. and a Doctorate of Veterinary Medicine from Washington State University and is a graduate of the Oregon Bankers Association Directors College.

Denise J. Portmann was named President and Chief Executive Officer of the Bank on January 1, 2014. She previously served as Treasurer of the Company and Executive Vice President and Chief Financial Officer of the Bank from 2005 through February 2014. Ms. Portmann joined the Bank in 2001, serving initially as Senior Vice President and Cashier of the Bank. From 1995 to 1999 she was employed in the public accounting and auditing sector, specializing in financial institutions. Ms. Portmann is a CPA (inactive) and holds a B.S. degree in Accounting from Central Washington University. She serves on the Board of the Community Bankers of Washington.

Randy Rust is retired and is a private investor. He was the co-owner of Westport Shipyard, Inc. until 2000 when he sold his interest in the company and retired. Mr. Rust originally purchased the company in 1977 with his brother. By the time of his retirement, Westport Shipyard had 250 employees at its manufacturing facilities in Westport and Port Angeles, Washington. Prior to his involvement with Westport Shipyard, Mr. Rust was co-owner and general manager of Tacoma Fiberglass Products, Inc., a wholesale distributor of materials to the composite industry. Currently, he is involved with a cranberry bog in Grayland, WA and a manufacturing business in Hoquiam, WA. Mr. Rust holds a B.A. degree in History and Political Science from Western Washington University and is a graduate of the Oregon Bankers Association Directors College.

Douglas N. Biddle served as Executive Vice President & Chief Financial Officer of the Company and the Bank from February 2014 until August 2019, and was appointed a director on the Board upon his retirement in August 2019. Prior to that Mr. Biddle served as Executive Vice President & Chief Financial Officer of PremierWest Bancorp and its subsidiary, PremierWest Bank, from January 2011 until April 2013. From 2005 to 2010 Mr. Biddle served as President and Chief Executive Officer of Plumas Bancorp, a California community bank. During his 20 year career at Plumas Bancorp, Mr. Biddle served in increasingly senior positions including Chief Administrative Officer, Chief Financial Officer and Chief Operating Officer. He earned a B.A. degree in Political Science from the University of California—Davis, and an MBA from University of California at Los Angeles. Mr. Biddle is a Certified Management Accountant and a former commissioned National Bank Examiner with the Office of the Comptroller of the Currency.

The following provides a brief overview of the continuing directors' business experience, qualifications, attributes, and skills:

Susan C. Freese is a licensed registered pharmacist. She owned Peninsula Pharmacies, Inc. (located on the Long Beach, Washington peninsula) from 1987 until she sold the company in 2006. She is currently employed as a pharmacist. Ms. Freese and her husband also owned commercial fishing vessels, which they managed successfully in a highly regulated industry. She holds a Bachelor of Pharmacy degree from Washington State University and graduated from the Oregon Bankers Association Directors College. Ms. Freese is a long-time member of the non-profit Ocean Beach Education Foundation Board of Directors and is very active in the community.

Kristi Gundersen is a partner of Knutzen Farms, LP, a family-owned business founded in 1894 and headquartered in Washington’s Skagit Valley. Ms. Gundersen serves as the Chief Financial Officer and heads up the Sales Division for Knutzen Farms. This diversified agribusiness produces a variety of potatoes, as well as wheat, and barley, and is operated by the fifth and sixth generations of the Knutzen family. In addition, she is a member of the United States Potato Board. Ms. Gundersen earned her B.S. degree in Economics at Washington State University.

Douglas M. Schermer is the owner and President of Wishkah Rock Products and of Schermer Construction, Inc., a heavy civil contractor specializing in constructing roads and bridges for the timber industry. Schermer Construction was founded in 1989 and has grown to 30 employees. From 1996 to 1998 Mr. Schermer was a managing partner in Quigg Bros-Schermer, Inc., a heavy/highway construction company. He also has various business interests including investments in commercial property. Mr. Schermer earned a B.S. degree in Forest Engineering from Oregon State University and is a graduate of the Oregon Bankers Association Directors College.

Dwayne Carter retired in 2017 as President and General Manager of Brooks Manufacturing, a manufacturer of engineered wood products for the utility industry, a position he held since 2005. During his tenure he negotiated multiple labor contracts and reorganized the management team to improve and enhance communication and personnel growth. Prior to joining Brooks Manufacturing, Mr. Carter was employed in the banking industry in various capacities for over 30 years, most recently as a senior executive and group manager of a six-state commercial banking division for Washington Mutual. Mr. Carter holds a B.S. degree from Montana State University and graduated with honors.

Randy W. Rognlin has been President and co-owner of Rognlin's, Inc., a heavy civil general construction company, for more than five years. He originally joined Rognlin's Inc. in 1975 where he has held various supervisory and management positions. Mr. Rognlin is also President and owner of Northwest Rock Inc., a mining, sand, gravel and aggregate supply company. He is a graduate of the Oregon Bankers Association Directors College.

Daniel Tupper has served as Vice President and General Manager of Crown Distributing Co. of Aberdeen, Inc. since 2000. Prior to this, Mr. Tupper held a variety of positions of increasing responsibility in the beverage wholesaling industry. He also served as Secretary and member of the Executive Steering Committee of the Washington Beer and Wine Distributors Association for 15 years. Tupper graduated from the University of Washington with a B.A. degree in Business Administration, with a concentration in marketing and human resources.

John Van Dijk served as President and Chief Operating Officer of the Bank from November 2004 until December 31, 2012, and Corporate Secretary of the Company from 1997 until December 31, 2012. Prior to becoming President of the Bank, Mr. Van Dijk served as Executive Vice President and Chief Financial Officer of the Bank beginning in May 1996. Prior to that, Mr. Van Dijk was employed in the thrift industry for 18 years.

PROPOSAL NO. 2 – RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

The Audit Committee of our Board has selected Clifton Larson Allen, LLP as the Company's independent registered public accountants for the fiscal year ending December 31, 2021. Although the selection of independent auditors is not required to be submitted to a vote of the shareholders by the Company's charter documents or applicable law, the Board has decided to ask the shareholders to ratify the selection.

Provided that a quorum is present, the selection of Clifton Larson Allen, LLP as the Company's independent auditors will be ratified if the votes cast in favor of the proposal exceed the votes cast against it at the Annual Meeting.

The Board recommends that shareholders vote in favor of ratification of the appointment of Clifton Larson Allen, LLP as our independent registered public accounting firm for 2021.

PROPOSAL NO. 3 – APPROVAL OF 2021 EQUITY INCENTIVE PLAN

The Board adopted the Pacific Financial Corporation 2021 Equity Incentive Plan (the "2021 Equity Plan") on February 17, 2021. The 2021 Equity Plan is subject to shareholder approval at this Annual Meeting. If approved, the 2021 Equity Plan will become effective as of the date of the Annual Meeting and will serve as successor to the Company's Amended and Restated 2011 Equity Incentive Plan (the "Prior Plan"), which expires in April 2021.

A copy of the 2021 Equity Plan is attached as Appendix A to this Proxy Statement. The following summary is qualified in its entirety by reference to Appendix A.

Purposes and Effects of the 2021 Equity Plan

The Board has adopted the 2021 Equity Plan as the vehicle for making future awards of stock-based incentive compensation to eligible employees and directors of the Company and its subsidiaries. The Company has historically maintained an equity compensation program for the benefit of its employees and directors. The Board believes that stock-based incentives will facilitate the Company's efforts to (a) attract and retain directors, officers, and other senior managers of outstanding ability, (b) provide incentives for high-quality performance by key employees, (c) provide an effective means for key employees, officers and non-employee directors to acquire and maintain ownership of Company stock, (d) motivate employees to achieve the long-range goals and objectives of the Company, and (e) provide incentive compensation opportunities competitive with those of other similarly situated corporations.

As noted above, the 2021 Equity Plan will serve as successor to the Prior Plan. Any remaining options and other equity awards under the Prior Plan will remain outstanding until exercised or terminated and will be governed by the terms of the Prior Plan. However, no new awards will be granted under the Prior Plan, which will expire by its terms in April 2021.

Vote Required and Board Recommendation

If a quorum is present at the Annual Meeting, the Plan will be approved upon the affirmative vote of a majority of the total votes cast upon the proposal at the meeting. Abstentions and shares represented by duly executed and returned proxies of brokers or other nominees that are expressly not voted on Proposal 3 will have no effect on the required vote. **The Board recommends a vote FOR the approval of the 2021 Equity Plan.**

Summary of the 2021 Equity Plan

Administration. The 2021 Equity Plan will be administered by the Compensation, Governance and Nominating Committee (the "Compensation Committee"). The Board may appoint a successor or additional committee with authority to administer all or part of the 2021 Equity Plan. The Compensation Committee may also, except to the extent prohibited by applicable law or the applicable rules of a stock exchange, if any, allocate all or any portion of its responsibilities or powers to any one or more of its members. All decisions and interpretations of the Compensation Committee will be final. The costs of administering the 2021 Equity Plan will be borne by the Company.

Eligibility. Employees and non-employee directors of the Company or its subsidiaries are eligible to receive awards under the 2021 Equity Plan as selected by the Compensation Committee in its discretion. Such persons are referred to as "participants."

Stock Available for Issuance under the 2021 Equity Plan. A maximum of 750,000 shares of Company common stock may be made the subject of awards under the 2021 Equity Plan. This amount will be adjusted in the event of certain changes in the capitalization of the Company.

If an award is (1) canceled or expires for any reason prior to having been fully vested or exercised by a participant, (2) exchanged for other awards, (3) otherwise forfeited or terminated, or (4) payable or settled solely in cash, then all shares covered by such award will be added back into the pool of shares available for future awards.

In no event will the following become available for use in other awards: (a) shares tendered or withheld in respect of taxes, (b) shares tendered or withheld to pay the exercise price of options, and (c) shares repurchased by the Company from a participant with the proceeds from the exercise of options. Common stock issued in connection with awards that are assumed, converted, or substituted pursuant to a merger, acquisition, or similar transaction entered into by the Company will not reduce the number of shares available for issuance under the 2021 Equity Plan.

Duration of the 2021 Equity Plan. The 2021 Equity Plan will terminate ten years after its effective date or, if earlier, when all awards have been granted covering all available shares or the 2021 Equity Plan is otherwise terminated by the Board. Termination of the 2021 Equity Plan will not affect outstanding awards.

Description of Awards under the 2021 Equity Plan. The Compensation Committee may make awards to eligible participants of incentive stock options ("ISOs"), nonqualified stock options, restricted stock, restricted units, performance units, and fully vested shares of common stock. The general terms of such awards are summarized below. Each award will be evidenced by a written award agreement between the Company and the participant with such terms as the Compensation Committee approves in its discretion, subject to the provisions of the 2021 Equity Plan.

Stock Options. Options granted under the 2021 Equity Plan provide participants with the right to purchase shares at a predetermined exercise price. The Compensation Committee may grant ISOs or nonqualified stock options. Each award agreement will state the option exercise price per share of common stock purchasable under the option, which may not be less than 100% of the fair market value of a share on the date of grant. The duration of an option may not exceed ten years from the date of grant. The applicable award agreement will specify when the option becomes exercisable, which may be in full or graduated amounts based on continuation of employment over a specified period, satisfaction of performance goals, or other criteria.

Special rules apply for ISOs. The terms of ISOs and the applicable award agreement must conform to the statutory and regulatory requirements of Section 422 of the Internal Revenue Code of 1986 (the "Code"). ISOs may be granted only to employees of the Company or its subsidiaries. Nonqualified stock options do not have the favorable tax benefits that apply to ISOs. See “Expected Federal Income Tax Consequences” below.

Restricted Stock. Restricted stock is an award of common stock to a participant that is subject to such terms and conditions as the Compensation Committee deems appropriate, including, for example, completing a specified number of years of service or attaining specified performance goals. Any portion of an award of restricted stock that does not vest because the specified conditions were not met is forfeited. A participant will have, with respect to unforfeited shares received under an award of restricted stock, the right to vote the shares, including prior to vesting. Any cash dividends declared on the shares prior to vesting will be accrued and either paid to the participant promptly following vesting or forfeited upon the forfeiture of the related shares.

Restricted Units. Restricted units (or "RSUs") are awards measured in terms of shares of common stock; however, RSUs are not shares and do not entitle participants to the rights of a shareholder when granted. Instead, RSUs represent the right to receive an award settled in shares of common stock or cash on a settlement date specified in the award agreement. RSUs are subject to forfeiture for a period of time if conditions to the award are not met (such as continued employment with the Company) or if specified performance goals or other conditions are not satisfied.

Performance Units. Performance units are awards measured in a manner established by the Compensation Committee. Each performance unit may be equal to the fair market value of one share of common stock or a maximum dollar value. The vesting of performance units is subject to the attainment of performance goals established by the Compensation Committee. At the time of award, the Compensation Committee will establish a performance period over which performance will be measured. Performance goals may be based on (a) performance criteria for the Company, a subsidiary, or an operating group, (b) a participant's individual performance, or (c) a combination of both. Performance goals may include objective and subjective criteria.

Fully Vested Shares. The Compensation Committee may award fully vested shares of common stock to a participant as a bonus in recognition of outstanding achievement, for performance above expectations, or otherwise as a form of compensation.

Provisions Governing All Awards

All awards under the 2021 Equity Plan are subject to the following provisions:

No Option Repricing. The Plan prohibits the repricing of stock options other than in connection with adjustments for a change in the Company's capitalization.

Non-transferability. Unless otherwise expressly provided in an award agreement, no rights under any award may be pledged or transferred other than by will or the laws of descent and distribution.

No Rights as Shareholder. Participants have no rights as a shareholder until any shares issuable are issued in the participant's name.

No Employment Rights. The 2021 Equity Plan and the grant of awards under the plan do not give any person the right to continued employment, or the right to remain as a director.

Termination of Employment. The terms and conditions under which an award may be exercised, if at all, after termination of employment will be determined by the Compensation Committee and specified in the applicable award agreement. However, an option originally granted as an ISO will be treated as a nonqualified stock option if all or any portion of the option is exercised by the participant more than three months after termination of employment or, if the termination is due to total disability, more than one year after termination. This three-month (or one year) limitation does not apply to an exercise of an ISO by the estate or other successor to a deceased participant so long as the participant was, on the date of his or her death, an employee or had terminated employment within the applicable three-month or one-year period described above.

Clawback and Recovery. All compensation pursuant to awards granted under the 2021 Equity Plan are subject to recoupment under the Company's clawback policy, if any.

Change in Control

The Compensation Committee may, in its discretion, provide in any award agreement that in the event of a change in control of the Company, all or a specified portion of an award (to the extent then outstanding) will become immediately vested to the full extent not previously vested.

Unless an award agreement provides otherwise, awards will become vested as of a change in control date only if, or to the extent, such acceleration in the vesting of the awards does not result in an "excess parachute payment" within the meaning of Section 280G(b) of the Code. The Compensation Committee, in its discretion, may include change in control provisions in some award agreements and not in others, may include different change in control provisions in different award agreements, and may include change in control provisions for some awards or some participants and not for others.

In the event the Board approves a proposal for: (a) merger, exchange or consolidation in which the Company is not the resulting or surviving corporation; (b) transfer of all or substantially all the assets of the Company; (c) sale of 50 percent or more of the combined voting power of the Company's voting securities; or (d) the dissolution or liquidation of the Company (each, a "Transaction"), the Compensation Committee will notify participants in writing of the proposed Transaction at least 30 days prior to the effective date of the proposed Transaction. The Compensation Committee may, in its sole discretion, and to the extent possible under the structure of the Transaction, select one of the following alternatives for treating outstanding awards under the 2021 Equity Plan:

(i) The Compensation Committee may provide that outstanding awards will be converted into or replaced by awards of a similar type relating to the securities of the surviving or acquiring corporation in the Transaction;

(ii) The Compensation Committee may provide a 30-day period prior to the consummation of the Transaction during which all outstanding awards will tentatively become fully vested, and upon consummation of such Transaction, all outstanding and unexercised awards will immediately terminate; or

(iii) The Compensation Committee may provide that outstanding awards that are not fully vested will become fully vested subject to the Company's right to pay each participant a cash amount (determined by the Compensation Committee and based on the amount, if any, being received by the Company's shareholders in the Transaction) in exchange for cancellation of the applicable award**.**

Expected Federal Income Tax Consequences

The following is a general discussion of certain U.S. federal income tax consequences relating to awards granted under the 2021 Equity Plan. This discussion is not intended to constitute tax advice. The summary does not purport to be complete and is based upon interpretations of the existing laws, regulations, and rulings, which could be altered materially with enactment of any new tax legislation.

Under the Code, the Company will generally be entitled to a deduction for federal income tax purposes at the same time and in the same amount as the ordinary income that participants recognize pursuant to awards. For participants, the expected U.S. federal income tax consequences of awards are as follows:

Nonqualified Stock Options. A Participant will not recognize income at the time a nonqualified stock option is granted. At the time a nonqualified stock option is exercised, the participant will recognize ordinary income in an amount equal to the excess of (i) the fair market value of the shares issued to the participant on the exercise date over (ii) the exercise price paid for the shares. At the time of sale of shares acquired pursuant to the exercise of a nonqualified stock option, the appreciation (or depreciation) in value of the shares after the date of exercise will be treated either as short-term or long-term capital gain (or loss) depending on how long the shares have been held.

ISOs. A participant will not recognize income upon the grant of an ISO. There are generally no tax consequences to the participant upon exercise of an ISO (except the amount by which the fair market value of the shares at the time of exercise exceeds the option exercise price will be included in the participant’s alternative minimum taxable income). If the shares are not disposed of within the later of two years from the date the ISO was granted or one year after the ISO was exercised, any gain realized upon the subsequent disposition of the shares will be characterized as long-term capital gain and any loss will be characterized as long-term capital loss. If either of these holding period requirements are not met, then a "disqualifying disposition" occurs and (i) the participant recognizes ordinary income in the amount by which the fair market value of the shares at the time of exercise (or, if less, the amount realized on the disqualifying disposition) exceeded the exercise price for the ISO and (ii) any excess amount realized on the disqualifying disposition over the fair market value of the shares at the time of exercise will be characterized as capital gain. If the amount the participant realizes from a disqualifying disposition is less than the exercise price paid and the loss sustained upon the disposition would otherwise be recognized, the participant will not recognize any ordinary income from the disqualifying disposition and instead the participant will recognize a capital loss.

Restricted Stock. In general, a participant will not recognize income at the time of grant of restricted stock unless the participant elects with respect to the restricted stock to accelerate income taxation to the date of the award, as described further below. In the absence of an election to accelerate income taxation to the date of an award, upon lapse of the forfeiture conditions or transfer restrictions (the "vesting date"), a participant generally will recognize ordinary income equal to the fair market value of the restricted stock on the vesting date. If permitted by the applicable award agreement, a participant may, within 30 days after the date of the grant, elect to immediately recognize (as ordinary income) the fair market value of the restricted stock, determined as of the date of grant (without regard to the forfeiture conditions and transfer restrictions). This election is made pursuant to Section 83(b) of the Code. If a participant making such an election later forfeits the restricted stock, no deduction or capital loss will be available to the participant (even though the participant previously recognized ordinary income with respect to such restricted stock).

Restricted Units. In general, a participant will not recognize income at the time of grant of RSUs. Upon distribution of cash or unrestricted shares that the participant receives in settlement of RSUs after vesting, a participant will recognize ordinary income equal to the value of any cash or unrestricted shares that the participant receives. At the time of sale of any shares acquired pursuant to the settlement of RSUs, the appreciation (or depreciation) in value of the shares after the date of settlement will be treated either as short-term or long-term capital gain (or loss) depending on how long the shares have been held.

Performance Units. The taxation of performance units will depend on the nature and type of the award. In most cases, performance units will, if conditions are satisfied, result in the grant of one or more awards described above, in which case the applicable summary will apply.

Fully Vested Shares. A participant who receives an award of fully vested shares will recognize ordinary income equal to the value of the shares that the participant receives.

SECURITY OWNERSHIP OF DIRECTORS AND EXECUTIVE MANAGEMENT

The following table sets forth, as of March 1, 2021, information as to the shares of Common Stock beneficially owned by each director and nominee for director, and by each executive officer. Beneficial ownership includes having either voting or investment power over shares, and includes shares that a person has a right to acquire within 60 days.

Name	Numbers of Shares Beneficially Owned (1)	Percent of Common Stock Outstanding
Directors and Nominees		
Doug Biddle	31,502	*
Dwayne Carter	32,081	*
Susan C. Freese	41,222	*
Kristi Gundersen	5,682	*
Edwin Ketel	58,600	*
Randy W. Rognlin	523,000	5.0%
Randy Rust	141,216	1.4%
Douglas M. Schermer	230,234	2.2%
Daniel Tupper	4,300	*
John Van Dijk	56,000	*
Executive Officers		
Thomas Baker	2,000	*
Walker Evans	10,867	*
Daniel E. Kuenzi	9,602	*
Denise J. Portmann (2)	63,889	*
Carla Tucker	2,000	*
Total	1,212,195	11.6%

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* Less than 1% of shares outstanding.

(1) The amounts shown include shares of Common Stock that the named individuals have the right to acquire within 60 days after March 1, 2021, through the exercise of stock options granted or vesting of restricted stock units pursuant to the Company's stock-based compensation plans as follows:

Name	Number of Options	Number of RSUs
Portmann	19,000	-
Tucker	2,000	-
Kuenzi	6,000	-
Baker	2,000	-
Evans	6,000	-

(2) Ms. Portmann is also a director of the Company.

BOARD OF DIRECTORS

Board Leadership and Risk Oversight

An independent director is selected to serve as Chairman of the Board. The Board believes that separating the roles of Chairman and Chief Executive Officer is in the best interest of the Company and its shareholders. Having a Chairman who is not a member of management gives our independent directors a more significant role in setting meeting agendas, establishing priorities and the strategic direction of the Company, and fulfilling their oversight function.

Risk management is the responsibility of management and risk oversight is the responsibility of the Board. The Board administers its risk oversight function at the full board level or through a division of responsibility within its committee structure, with each board committee being responsible for overseeing risk within its area of responsibility. These risks include strategic, credit, liquidity, interest rate, operational, legal, cybersecurity and reputation risk.

Directors keep themselves informed of the activities and condition of the Company and of the risk environment in which it operates by regularly attending Board and assigned Board committee meetings, and by review of meeting materials, auditors' findings and recommendations, and supervisory communications. Directors stay abreast of general industry trends and any statutory and regulatory developments pertinent to the Company and the Bank by periodic briefings by senior management, counsel, auditors or other consultants, and by formal director education. During 2020 the Board held eleven meetings.

The Board ensures that all significant risk-taking activities are covered by written policies that are communicated to appropriate employees. Specific policies cover material credit, interest rate, liquidity, operational, legal, cybersecurity and reputational risks. The policies are formulated to advance the Company's business plans in a manner consistent with safe and sound practices. The Board charges senior management with monitoring all such policies in order to conform such policies to changes in laws and regulations, economic conditions, and operating environment. The policies are implemented by senior management who develop and maintain procedures, including a system of internal controls, designed to foster sound practices, to comply with laws and regulations, and to protect against external crimes and internal fraud and abuse.

Management regularly provides the Board and its various committees with a significant amount of information regarding a wide variety of matters impacting business operations. These reports present information in a form meaningful to members of the Board, who recognize that the level of detail and frequency of individual management reports will vary with the nature of risk and conditions. The Board and Board committees often request additional information with respect to issues that may involve strategic risk to the Company's operations.

The Board has established a framework for independent third party review and testing of compliance with policies and procedures, applicable laws and regulations, and the accuracy of information provided by senior management. This framework includes an internal auditor function, which reports directly to the Audit Committee of the Board. In addition, an external audit of the Company's financial statements is performed. The Audit Committee evaluates the findings of various independent reviews with management and monitors efforts to resolve any identified issues. The Audit Committee provides regular reports of its activities to the Board. The Board also reviews reports of examination or other supervisory activity, and any other material correspondence received from regulators. Findings and recommendations, if any, are carefully reviewed, and progress in addressing such matters is monitored.

Committees

The Board has established, among other committees, an Audit Committee, an Asset-Liability Committee, an Information Technology Committee, a Compensation, Governance and Nominating Committee and a Compliance and Community Reinvestment Act Committee. Each committee's responsibilities are set forth in its Charter, which, with respect to the Audit Committee and Compensation, Governance and Nominating Committees, is available on the Company's website at https://ir.bankofthepacific.com/corporate-information/documents/default.aspx. We do not intend to incorporate any information from our website into this Proxy Statement by making this or other references to the site in our Proxy Statement.

Audit Committee

Under its Charter, the duties and responsibilities of the Audit Committee include the appointment, compensation, and oversight of the independent auditors and the internal audit department; overseeing the functioning of the Company's internal controls over financial reporting and associated risks; reviewing and approving any major accounting policy changes affecting operating results; reviewing the arrangements for, and scope of, the independent audit, and the results of the audit and internal audits; reviewing the scope of non-audit services performed by the independent auditors; ensuring that the auditors are, in fact, independent; establishing and overseeing compliance with policies to prohibit unethical, questionable, or other illegal activities by officers and employees of the Company, including performance of certain oversight functions under the Company's Code of Business Ethics Policy; and establishing and monitoring procedures for the receipt, retention and treatment of complaints regarding accounting or auditing matters.

Audit Committee members include John Van Dijk (Chair), Dwayne Carter, Randy Rust, Doug Biddle, and Kristi Gundersen. The Audit Committee met four times during 2020.

Asset-Liability Committee

Under its Charter, the Asset-Liability Committee has delegated authority to oversee the Bank's interest rate risk and liquidity management framework and other related duties as deemed necessary. The Committee is responsible for establishing and reviewing the Asset/Liability Management and Liquidity Policies of the Company. It also is tasked with assuring that the actions taken by management are in accordance with these policies.

Asset-Liability Committee members include Daniel Tupper (Chair), Ed Ketel, Sue Freese, Doug Schermer and Denise Portmann. The Committee met four times during 2020.

Information Technology ("IT") Committee

Under its Charter, the IT Committee has delegated authority to oversee the Bank's information security and technology program. The Committee is responsible for reviewing various policies and programs to ensure a sound cybersecurity risk management and control framework is operating in an appropriate manner. This oversight will also involve the review of status reports, including audit results, and the Company's responses. It also is tasked with reviewing whether the actions taken by management are in accordance with approved policies.

IT Committee members include Doug Biddle (Chair), Doug Schermer, Daniel Tupper, Randy Rust and Ed Ketel. The Committee met three times during 2020.

Compensation, Nominating and Governance Committee

Under its Charter, the Compensation, Nominating & Governance Committee (the "Compensation Committee") is charged with carrying out the Board's overall responsibilities relating to compensation of the Company's executive officers and directors. Its specific duties include reviewing the Company's cash and equity incentive programs;

the succession plan for key officers, including the Chief Executive Officer; and director compensation. Additionally it recommends changes to the Board as it deems appropriate, as well as recommending to the Board the annual compensation (including salary, incentive and equity awards) for the Chief Executive Officer. The Compensation Committee also reviews and helps determine the performance goals established for the Company's incentive compensation programs. The Compensation Committee has authority under its Charter to retain outside compensation consultants and other advisors.

In addition, other responsibilities of the Compensation Committee are to identify individuals qualified to become members of the Board; recommend to the Board the slate of director nominees to stand for election by shareholders; recommend directors to be elected by the Board to fill any vacancies; develop and recommend to the Board the corporate governance practices of the Board; oversee compliance with the Board's policies regarding ethical conduct and conflicts of interest of directors; and handle other matters as the Board or the Compensation Committee Chair deem appropriate.

The Compensation Committee periodically evaluates the Board's composition to determine what attributes are desirable in new director candidates. The Compensation Committee looks for candidates who meet the Company's strategic needs, possess the highest personal values, judgment and integrity, have the time and the willingness to understand the regulatory and policy environment in which the Company and the Bank operate, and have diverse experience in business, finance, and other areas.

The Compensation Committee will consider director candidates recommended by shareholders. Potential nominees are evaluated by the same criteria as other candidates considered by the Compensation Committee, based on the needs of the Board at the time. Shareholders may make recommendations by sending a written recommendation, including a description of the candidate's qualifications and evidence of share ownership, to Doug M. Schermer, Chair, Compensation, Nominating & Governance Committee, Pacific Financial Corporation, 1216 Skyview Drive, Aberdeen, WA 98520.

Compensation Committee members include Doug Schermer (Chair), Randy Rognlin, Daniel Tupper, Dwayne Carter and Kristi Gundersen. The Compensation Committee met once during 2020.

Compliance and Community Reinvestment Act (“CRA”) Committee

Under its Charter, the Compliance and CRA Committee has delegated authority to assist the Board in fulfilling its oversight responsibilities with respect to the Bank’s compliance with various regulations including CRA. The Compliance and CRA Committee has the authority to conduct investigations appropriate to fulfilling its responsibilities.

Compliance and CRA Committee members include Kristi Gundersen (Chair), John Van Dijk, Dwayne Carter, Sue Freese and Denise Portmann. The Committee met two times during 2020.

Shareholder Communications with the Board

The Board encourages shareholders to send communications directly to the Board. Should a shareholder wish to communicate with the Board, the communications should be mailed to Randy W. Rognlin, Chairman, Board of Directors, Pacific Financial Corporation, 1216 Skyview Drive, Aberdeen, WA 98520. Communications may also be directed to individual directors at the same address. Your communications should indicate that you are a shareholder.

Code of Ethics

The Company has adopted a code of ethics for our directors, executive officers and all other employees. The codes of ethics require individuals to maintain the highest standards of professional conduct. The Code of Ethics is available on our website at http://www.bankofthepacific.com under the “About" tab “Investor Relations” subsection.

Director Compensation

The following table summarizes compensation paid to directors during 2020:

Name	Total Fees Paid	Stock Grant (1)
Dwayne Carter	$ 28,450	$ 12,550
Susan C. Freese	$ 27,550	$ 12,550
Kristi Gundersen	$ 28,450	$ 12,550
Edwin Ketel	$ 27,850	$ 12,550
Randy W. Rognlin	$ 34,700	$ 12,550
Randy Rust	$ 25,900	$ 12,550
Douglas M. Schermer	$ 28,400	$ 12,550
Daniel Tupper	$ 28,150	$ 12,550
John Van Dijk	$ 29,150	$ 12,550
Denise J. Portmann	$ 25,750	$ -
Douglas Biddle	$ 28,450	$ 12,550

(1) Reflects the fair value of stock grants using the closing price of the Common Stock on the grant date.

Directors currently receive a $21,600 annual retainer fee and fees of $450 per Board meeting attended. The Chairman of the Board currently receives a $26,400 annual retainer fee and fees of $800 per meeting attended. Audit Committee members receive $450, Audit Committee Chair receives $700 and Compensation Committee Chair receives $550 per committee meeting attended. All other committee members receive $300 per committee meeting attended. On February 19, 2020 each director, excluding Denise J. Portmann, received 1,000 shares of fully vested common stock. Prior to this there had been no equity awards granted to directors since 2004. Director compensation is subject to annual review by the Compensation Committee and may be revised from time to time in the discretion of the committee or full Board.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth the compensation received by the Company's executive officers who were employed by the Company during 2020 for services rendered in all capacities during the years ended December 31, 2020 and December 31, 2019.

Name	Principal Position	Year	Salary (1)	Stock Options (2)	Restricted Stock Units (3)	Non-Equity Incentive Plan Compensation (4)
Denise J. Portmann	President and Chief Executive Officer of the Company and the Bank	2020	$ 326,238	$ -	$ 37,650	$ 95,423
		2019	$ 316,635	$ 18,734	$ 31,360	$ 108,669
Carla Tucker (5)	Executive Vice President and Chief Financial Officer of the Company and the Bank	2020	$ 210,161	$ 14,630	$ 6,903	$ 46,178
		2019	$ 74,644	$ -	$ -	$ 15,917
Daniel E. Kuenzi	Vice President of the Company and Executive Vice President and Chief Credit Officer of the Bank	2020	$ 209,576	$ -	$ 20,080	$ 46,204
		2019	$ 205,000	$ -	$ 20,160	$ 48,126
Thomas Baker (6)	Vice President of the Company and Executive Vice President and Chief Operating Officer of the Bank	2020	$ 208,745	$ -	$ 12,550	$ 46,178
		2019	$ 140,559	$ 10,637	$ 28,550	$ 32,137
Walker Evans (7)	Vice President of the Company and Executive Vice President and Chief Lending Officer of the Bank	2020	$ 200,259	$ -	$ 20,080	$ 43,979
		2019	$ 194,833	$ 9,367	$ -	$ 46,870

(1) Reflects actual salary earned in the year indicated.
(2) Reflects the fair value of stock options (“ISOs”) awarded in the year indicated, computed in accordance with FASB ASC Topic 718. See Note 16 to the Company’s audited financial statements included in the Company's Annual Report for the year ended December 31, 2020, for additional information regarding ISOs.
(3) Reflects the fair value of restricted stock units (“RSUs”) awarded in the year indicated by using the closing price of the Common Stock on the grant date. See Note 16 to the Company’s audited financial statements included in the Company's Annual Report for the year ended December 31, 2020, for additional information regarding RSUs.
(4) Reflects cash incentives earned for performance in the year indicated but paid in the following year.
(5) Ms. Tucker joined the Company and the Bank on September 1, 2019
(6) Mr. Baker joined the Company and the Bank on April 22, 2019
(7) Mr. Evans was promoted to Chief Lending Officer of the Bank on August 1, 2019

AUDITORS

Clifton Larson Allen, LLP served as the Company's independent auditor for 2020 and 2019, and performed the audit of the consolidated financial statements of the Company for the years ended December 31, 2020 and December 31, 2019. BDO USA, LLP served as the Company's independent auditor for 2018, and performed the audit of the consolidated financial statements of the Company for the year ended December 31, 2018. A Clifton Larson Allen, LLP representative is expected to be present at the Annual Meeting to respond to appropriate questions from shareholders and will have the opportunity to make a statement if he or she so desires.

Fees paid to Clifton Larson Allen, LLP for the fiscal years ended December 31, 2020 and December 31, 2019 were as follows:

	2020	2019
Audit and Tax Fees	$ 80,805	$ 28,011

Represents the aggregate fees, including out-of-pocket expenses, for professional services rendered for the audit of the Company's annual financial statements, review of interim financial statements and tax compliance, advice and planning, as applicable.

All fees and services of the Company's independent auditors are reviewed and approved at a meeting of the Audit Committee prior to the engagement. The Audit Committee pre-approved 100% of the fees described above.

CURRENT EXECUTIVE OFFICERS

The following summary sets forth the age, position, and business experience during the past five years of the Company's executive officers who are not also directors or director nominees of the Company.

Carla Tucker (57) joined the Bank in September 2019. Carla brings over 20 years of demonstrated leadership and accounting experience, spending 15 years with Skagit Bank as their Executive Vice-President and Chief Financial Officer overseeing all finance, accounting, marketing, facilities and risk management functions of the organization. Ms. Tucker has been recognized throughout her career as a collaborative leader with strong institutional knowledge in the accounting and finance arena. She is also a Certified Public Accountant. Ms. Tucker earned her B.S. Degree in Accounting at Northeast Missouri State University, Kirksville, MO (Summa Cum Laude) and is an honors graduate of Pacific Coast Banking School in Seattle, WA. She has been very active in the community as a member and former board member of Soroptimist International of Burlington, as well as a former board member of United Way of Skagit County and former President of Skagit Habitat for Humanity, Women Build.

Daniel E. Kuenzi (57) started his employment with the Bank in May 2017 as Executive Vice President and Chief Credit Officer. Mr. Kuenzi has been employed in the commercial banking industry for over 29 years from early positions as a commercial banker working directly with business clients and progressing into management of commercial banking teams, and more recently in senior management positions in sales and credit oversight. Formerly with HomeStreet Bank in Yakima, Washington, Mr. Kuenzi served as Senior Vice President/Eastern Washington Regional President, overseeing four commercial banking teams located from Yakima to Spokane, Washington. He was also Executive Vice President & Chief Credit Officer with Whidbey Island Bank, and has held other progressively responsible positions with US Bank, Washington Mutual, and Wells Fargo Bank throughout the Pacific Northwest.

Tom Baker (67) joined the Bank in April 2019 and was formerly with Community Bank in Pasadena, California, serving as Executive Vice President / Chief Operating Officer and Chief Information Officer overseeing Retail Operations, Central Operations, Information Technology, Vendor Management, Project Management Office and Facilities until Community Bank's merger with Citizens Bank of Ontario. Mr. Baker also held increasingly responsible positions with Bank of America, Countrywide Financial and Homestore.com in Southern California. With a solid reputation for delivering forward-thinking technology initiatives that efficiently meet diverse, operational and industry needs, he has strategic and tactical planning capabilities that serve well in fast-paced environments experiencing rapid change through internal growth, acquisition, and turnaround. Mr. Baker is also a U.S. Navy veteran.

Walker Evans (61) has managed the Bank's Commercial Banking division since 2012 with added oversight of Residential Lending beginning in 2019. He joined the Bank in 2004 when he served first as a regional manager for all retail and commercial lines of business in the Bank's northern market. Prior to Bank of the Pacific, Mr. Evans held increasingly responsible managerial positions in commercial banking at Security Pacific, West One Bank, and Washington Mutual, as located throughout the greater Puget Sound market, over a span of 15 years.

RELATED PERSON TRANSACTIONS

Consistent with applicable federal banking regulations, all loans or extensions of credit to executive officers and directors were made in the ordinary course of business and were made on substantially the same terms as those prevailing at the time for comparable loans with persons not related to the lender. The Bank is prohibited from making any loans or extensions of credit to executive officers and directors at different rates or terms than those offered to the general public, and has adopted a policy to this effect. From time to time the Bank has made loans to executive officers and directors that meet the requirements described above.

Each director and executive officer of the Company is required to notify the Audit Committee of any transaction that may present a conflict of interest with the Company or in which the insider may benefit directly or indirectly. Under the Company's written Code of Business Ethics; Conflict of Interest Policy, the Board has final authority to approve any transaction between a director or officer (or a related party) and the Company. The nature of the transaction must be fully disclosed to the Board. The affected insider must abstain from the approval process and will not be counted in determining a quorum of directors. The Board will approve only those transactions that are fair and reasonable to the Company and in which a more advantageous arrangement was not reasonably available under the circumstances. Transactions in which the total fees and payments do not exceed $5,000, and which are entered into in the ordinary course of business, are exempt from the requirement of Board approval. Currently, no related party transactions exist between the Company and any director or executive officer of the Company.

By order of the Board of Directors

Lisa Dutton
Corporate Secretary
Aberdeen, Washington
March 24, 2021

Appendix A

PACIFIC FINANCIAL CORPORATION
2021 EQUITY INCENTIVE PLAN

This 2021 Equity Incentive Plan (the "Plan") is adopted by Pacific Financial Corporation (the "Company").

ARTICLE I
PURPOSE AND EFFECTIVE DATE

1.1 **Purpose.** The purpose of the Plan is to provide financial incentives for selected Employees and for the non-employee Directors of the Company, thereby promoting the long-term growth and financial success of the Company by (a) attracting and retaining employees and Directors of outstanding ability, (b) strengthening the Company's capability to develop, maintain, and direct a competent management team, (c) providing an effective means for selected Employees and non-employee Directors to acquire and maintain ownership of Company stock, (d) motivating Employees to achieve long-range goals and objectives of the Company, and (e) providing incentive compensation opportunities competitive with those of other similarly situated corporations.

1.2 **Prior Plan.** The Plan will be separate from the Pacific Financial Corporation 2011 Equity Incentive Plan (the "Prior Plan"). The adoption of the Plan will neither affect nor be affected by the continued existence of the Prior Plan, except that after the Effective Date of the Plan, no further Awards will be granted under the Prior Plan.

1.3 **Effective Date and Duration of Plan**. The Plan is effective as of the Effective Date. Unless terminated earlier by the Board pursuant to Section 10.3, the Plan shall terminate on the tenth anniversary of the Effective Date. No Award shall be made pursuant to the Plan after its termination date, but Awards made prior to the termination date may extend beyond that date.

1.4 **Reservation of Right to Amend to Comply with Section 409A.** The Board and the Committee reserve the right to amend the Plan, either retroactively or prospectively, in whatever respect is required to achieve and maintain compliance with the requirements of Code Section 409A and the regulations and other guidance issued by the Department of the Treasury thereunder (collectively, "Section 409A").

ARTICLE II
DEFINITIONS

The following words and phrases, as used in the Plan, shall have these meanings:

Award means, individually or collectively, any Option, Restricted Award, Restricted Performance Stock, unrestricted Company Stock or Performance Unit Award.

Award Statement means a written notice or agreement confirming, and outlining certain additional terms of, an Award under the Plan furnished to a Participant.

Board means the Board of Directors of the Company.

Company means Pacific Financial Corporation, a Washington corporation.

Company Stock means common stock of the Company, $1.00 par value per share.

Change in Control has the meaning, if any, given by the Committee in each Award Statement, or, if the term is not otherwise defined in an Award Statement, the first occurrence of any of the following:

(a) Any person (including any individual, corporation, limited liability company, partnership, trust, group, association, or other "person," as such term is used in Section 13(d)(3) or 14(d) of the Exchange Act) other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company, is or becomes a beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of the Company representing 50 percent or more of the combined voting power of the Company's then outstanding securities;

(b) Individuals whose election, or nomination for election by Shareholders at a meeting of Shareholders, was approved by a vote of a majority of the Board cease for any reason to constitute at least a majority of the Board; or

(c) The Shareholders approve (i) a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the Voting Securities outstanding immediately prior to such transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 50 percent of the combined voting power of voting securities of the Company or of such surviving entity outstanding immediately after such merger or consolidation, (ii) an agreement for the sale or disposition by the Company of all or substantially all of its assets, or (iii) a plan of complete liquidation of the Company.

Code means the Internal Revenue Code of 1986, as amended.

Committee means the Compensation, Nominating & Governance Committee of the Board or a successor or additional committee of the Board appointed by the Board to administer the Plan in accordance with Article III of the Plan.

Director means a member of the Board.

Effective Date means the date on which the Plan is approved by the Shareholders.

Employee means an employee of the Company or any Subsidiary.

Exchange Act means the Securities Exchange Act of 1934, as amended.

Fair Market Value means, on any given day, the fair market value per share of Company Stock determined as follows:

(a) If Company Stock is traded on an established securities exchange, the closing sale price of Company Stock as reported for such day by the principal exchange on which Company Stock is traded or, if Company Stock was not traded on such day, on the next preceding day on which Company Stock was traded;

(b) If trading activity in Company Stock is reported on an over-the-counter market, the mean between the high and low sales prices of Company Stock for such day as reported on such market or, if there are no such quotes for Company Stock for such day, on the next preceding day on which Company Stock was traded; or

(c) If there is no market for Company Stock or if trading activities for Company Stock are not reported in one of the manners described above, the fair market value will be as determined by the

Committee, after taking into consideration all factors which it deems appropriate, including, without limitation, Sections 409A and 422 of the Code.

Fiscal Year means the fiscal year of the Company, which as of the date of this Plan is the annual period ending on December 31.

Incentive Stock Option means an option within the meaning of Section 422 of the Code.

Nonqualified Stock Option means an option granted under the Plan other than an Incentive Stock Option.

Option means either a Nonqualified Stock Option or an Incentive Stock Option to purchase Company Stock.

Option Price means the price at which Company Stock may be purchased under an Option as provided in Section 5.4.

Participant means an Employee or a non-employee Director of the Company or a Subsidiary to whom an Award has been made under the Plan.

Performance Goals means goals approved by the Committee pursuant to Section 4.4.

Performance Period means a period of time over which performance is measured.

Performance Unit means the unit of measure determined under Article VIII by which is expressed the value of a Performance Unit Award.

Performance Unit Award means an Award granted under Article VIII.

Plan means this Pacific Financial Corporation 2021 Equity Incentive Plan, as amended from time to time.

Restricted Award means Restricted Stock or a Restricted Unit granted under Article VI.

Restricted Performance Stock means Company Stock subject to Performance Goals.

Restricted Stock means an Award of Company Stock subject to the terms and conditions provided in Article VI and including Restricted Performance Stock.

Restricted Unit means an Award of units representing Company Stock (with each unit having a value equivalent to one share) subject to the terms and conditions provided in Article VI.

Restriction Period means a period of time determined under Section 6.2 during which Restricted Stock is subject to the terms and conditions provided in Section 6.3.

Shareholders means the holders of the voting securities of the Company.

Subsidiary means a "subsidiary corporation" of the Company, within the meaning of Section 424(f) of the Code, namely any corporation in which the Company directly or indirectly controls 50 percent or more of the total combined voting power of all classes of stock having voting power.

Voting Securities means all issued and outstanding securities ordinarily having the right to vote at elections of the Company's directors.

ARTICLE III
ADMINISTRATION

3.1 **General.** The Plan will be administered by the Committee.

3.2 **Delegation or Successors.** The Board may at any time appoint a successor or additional committee with authority to administer all or part of the Plan, which committee will be appointed by the Board and shall be composed of not less than two Directors. The Committee may also, except to the extent prohibited by applicable law or the applicable rules of a stock exchange, allocate all or any portion of its responsibilities or powers to any one or more of its members, in which case references to the Committee in this Plan will be deemed a reference to such delegee. Any authority granted or delegated by the Board or a Committee under this section may be revoked at any time. In determining the composition of any successor or additional committee or any delegation to any one or more members of the Committee, consideration shall be given to whether Awards to be granted by the Committee or delegee will be affected by the short-swing profit recovery provisions of Section 16 of the Exchange Act.

3.3 **Authority of the Committee.** The Committee has full power and authority (subject to such orders or resolutions as may be issued or adopted from time to time by the Board) to administer the Plan in its sole discretion, including the authority to:

(a) Construe and interpret the Plan and any Award Statement;

(b) Promulgate, amend, and rescind rules and procedures relating to the implementation of the Plan;

(c) Select the Participants who will be granted Awards;

(d) Determine the number and types of Awards to be granted to each such Participant;

(e) Determine the number of shares, or share equivalents, to be subject to each Award;

(f) Determine the option price, purchase price, base price, or similar feature for any Award; and

(g) Determine all the terms and conditions of all Award Statements, consistent with the requirements of the Plan, including, without limitation, the terms and conditions under which an Award may be exercised, if at all, after a Participant's termination of employment (or service as a non-employee Director).

Decisions and interpretations of the Committee will be final, conclusive, and binding on all Participants.

3.4 **Costs of Plan.** The costs and expenses of administering the Plan will be borne by the Company.

ARTICLE IV
AWARDS

4.1 **Awards.** Awards under the Plan shall consist of Incentive Stock Options, Nonqualified Stock Options, Restricted Stock, Restricted Performance Stock, Restricted Units, unrestricted Company Stock, and Performance Units. All Awards shall be subject to the terms and conditions of the Plan and to such other terms and conditions consistent with the Plan as the Committee deems appropriate. Awards under a particular section of the Plan need not be uniform and Awards under two or more sections may be combined in one Award Statement. Any combination of Awards may be granted at one time and on more than one occasion to the same Participant. Awards of Performance Units and Restricted Performance Stock shall be earned solely upon attainment of Performance Goals.

4.2 **Eligibility for Awards.** An Award may be made to any Employee or non-employee Director selected by the Committee. In making this selection and in determining the form and amount of the Award, the Committee may give consideration to the functions and responsibilities of the person being considered for an Award, the person's present and potential contributions to the success of the Company, the value of the person's services to the Company, and such other factors deemed relevant by the Committee.

4.3 **Shares Available Under the Plan.**

(a) Subject to adjustment under Section 10.2, the number of shares of Company Stock that may be issued pursuant to Awards under the Plan shall not exceed 750,000 shares, of which 750,000 shares may be issued pursuant to Incentive Stock Options. The Company Stock to be offered under the Plan may be either authorized and unissued shares or shares previously issued and outstanding and reacquired by the Company.

(b) If any Award is forfeited, expires or lapses, or is for any reason cancelled or terminated without having been exercised or paid, the shares of Company Stock subject to such Award will again be available for issuance under the Plan. If an Award is canceled or expires for any reason prior to having been fully vested or exercised by a Participant or is exchanged for other Awards, is otherwise forfeited or terminated, or is payable or settled solely in cash, all shares of Company Stock covered by such Awards will be added back into the number of shares available for future Awards under the Plan. Notwithstanding the foregoing, in no event will any of the following again become available for other Awards: (a) shares tendered or withheld in respect of taxes, (b) shares tendered or withheld to pay the exercise price of Options, and (c) shares repurchased by the Company from the Participant with the proceeds from the exercise of Options. Shares issued in connection with awards that are assumed, converted, or substituted pursuant to a merger, acquisition, or similar transaction entered into by the Company shall not reduce the number of shares of Company Stock available for issuance under the Plan.

4.4 **Performance Goals.** In the event an Award is intended to be performance-based, the Committee will establish Performance Goals for each Performance Period on the basis of such criteria and to accomplish such objectives as the Committee may from time to time select. Performance Goals may be based on (i) performance criteria for the Company, a Subsidiary, or an operating group, (ii) a Participant's individual performance, or (iii) a combination of both. Performance Goals may include objective and subjective criteria. During any Performance Period, the Committee may adjust the Performance Goals for such Performance Period as it deems equitable in recognition of unusual or nonrecurring events affecting the Company, changes in applicable tax laws or accounting principles, or such other factors as the Committee may determine.

ARTICLE V
STOCK OPTIONS

5.1 **Award of Stock Options.** The Committee may, from time to time, and on such terms and conditions as the Committee may prescribe, award Incentive Stock Options to any Employee and Nonqualified Stock Options to any Employee or non-employee Director.

5.2 **Period of Option.** An Option granted under the Plan shall be exercisable only in accordance with the vesting schedule approved by the Committee and included in the related Award Statement. The Committee may in its discretion prescribe additional conditions, restrictions or terms on the vesting of an

Option, including the full or partial attainment of Performance Goals pursuant to Section 4.4. After an Option vests, the Option may be exercised at any time during the term of the Option, in whole or in installments, as specified in the related Award Statement. The duration of each Option shall not be more than ten years from the date of grant.

5.3 **Award Statement.** Each Option shall be evidenced by an Award Statement.

5.4 **Option Price, Exercise and Payment.** The Option Price of Company Stock under each Option shall be determined by the Committee but shall be a price not less than 100 percent of the Fair Market Value of Company Stock at the date such Option is granted.

Vested Options may be exercised from time to time by giving written notice to the Corporate Secretary of the Company, or the Corporate Secretary's designee, specifying the number of shares to be purchased. The notice of exercise shall be accompanied by payment in full of the Option Price in cash or the Option Price may be paid in whole or in part through the transfer to the Company of shares of Company Stock in accordance with procedures established by the Committee from time to time. In addition, in accordance with the rules and procedures established by the Committee for this purpose, for Nonqualified Stock Options only, *an Option may also be exercised through* reducing the number of shares otherwise vested and issuable pursuant to the Award to satisfy the Option Price and/or withholding tax obligation related to the Option.

In the event such Option Price is paid in whole or in part, with shares of Company Stock, the portion of the Option Price so paid shall be equal to the value, as of the date of exercise of the Option, of such shares. The value of such shares shall be equal to the number of such shares multiplied by the Fair Market Value of such shares on the trading day coincident with the date of exercise of such Option (or the immediately preceding trading day if the date of exercise is not a trading day). The Company shall not issue or transfer Company Stock upon exercise of an Option until the Option Price is fully paid.

5.5 **Limitations on Incentive Stock Options.** For each Award designated as an Incentive Stock Option, the terms of the Award and the Award Statement will comply with the statutory and regulatory requirements specified pursuant to Section 422 of the Code, as in effect on the date such Incentive Stock Option is granted. Each provision of the Plan relating to an Incentive Stock Option shall be construed so that each Incentive Stock Option shall be an incentive stock option as defined in Section 422 of the Code. If Options intended to be ISOs are granted to a Participant in excess of the $100,000 annual limit set forth in Code Section 422(d)(1), the Options will be ISOs to the maximum extent allowed and will be Nonqualified Stock Options as to any excess over that amount.

5.6 **Shareholder Rights and Privileges.** A Participant shall have no rights as a Shareholder with respect to any shares of Company Stock covered by an Option until the issuance of such shares to the Participant.

5.7 **Prohibition on Repricing of Options.** Except for adjustments pursuant to Section 10.2, at no time shall the Option Price of an Option granted under the Plan be subsequently repriced during the period of its exercisability. For purposes of this Section, repricing means any of the following or any other action that has the same effect:

(a) Lowering the exercise or base price after the Option is granted;

(b) Any other action that is treated as a repricing under generally accepted accounting principles; or

(c) Canceling an Option at a time when its exercise or base price exceeds the Fair Market Value of the underlying shares, in exchange for another Award, unless the cancellation and exchange occurs in connection with a merger, acquisition, spin-off or other similar corporate transaction.

ARTICLE VI
RESTRICTED AWARDS

6.1 **General.** The Committee may make a Restricted Award to any Employee or non-employee Director, subject to this Article VI and to such other terms and conditions as the Committee may prescribe.

6.2 **Restriction Period.** At the time of making a Restricted Award, the Committee shall establish the Restriction Period applicable to such Award. The Committee may establish different Restriction Periods from time to time and each Restricted Award may have a different Restriction Period, in the discretion of the Committee. Restriction Periods, when established for a Restricted Award, shall not be changed except as permitted by Section 6.3.

6.3 **Other Terms and Conditions.**

(a) Company Stock, when awarded pursuant to an Award of Restricted Stock, will be represented in a book entry account in the name of the Participant who receives the Restricted Stock. Unless the Award Agreement provides otherwise, a Participant will have, with respect to unforfeited shares of Company Stock received under an Award of Restricted Stock, the right to vote the shares, including prior to vesting. Any cash dividends declared on Company Stock will, with respect to shares subject to an Award of Restricted Stock prior to vesting, be accrued and either paid to the Participant promptly following vesting or forfeited upon the forfeiture of the related shares. A Participant will have no rights as a Shareholder with respect to an Award of Restricted Units until shares of Company Stock are issued to the Participant in settlement of the Award. Stock dividends issued with respect to non-vested shares subject to a Restricted Award will be treated as additional shares covered by the Restricted Award and will be subject to the same restrictions. The Committee may, in addition, prescribe additional restrictions, terms, or conditions upon or to an Award of Restricted Stock, including the attainment of Performance Goals in accordance with Section 4.4, in which case the Award shall be deemed to be Restricted Performance Stock.

(b) The Participant may satisfy any amounts required to be withheld by the Company under applicable federal, state and local tax laws in effect from time to time, by electing to have the Company withhold a portion of a Restricted Award to be delivered for the payment of such taxes.

(c) If a Participant breaches any restriction or terms and conditions established by the Committee and set forth in the Award Statement, the Restricted Award will be forfeited.

6.4 **Restricted Award Statement.** Each Restricted Award shall be evidenced by an Award Statement.

6.5 **Payment for Restricted Awards.**

(a) Awards of Restricted Stock may be made by the Committee under which the Participant shall not be required to make any payment for the Company Stock or, in the alternative, under which the Participant, as a condition to the Award, shall pay all (or any lesser amount than all) of the Fair Market Value of the Company Stock, determined as of the date the Award of Restricted Stock is made. If the latter, such purchase price shall be paid in cash or as otherwise provided in the Award Statement.

(b) Following the end of the Restriction Period, a Participant holding Restricted Units will be entitled to receive payment of an amount equal to the aggregate Fair Market Value of the shares of Company Stock covered by such Restricted Units. Payment of Restricted Units shall be made in cash or Company Stock, as designated by the Committee in the Award Statement. Payment shall be made in a lump sum or in installments and shall be subject to such other terms and conditions as shall be determined by the Committee. Employees shall be paid with respect to their Restricted Units no later than the last date that causes the payment to constitute a short-term deferral that is not subject to Section 409A, unless the Award includes terms that comply with Section 409A.

ARTICLE VII
UNRESTRICTED COMPANY STOCK AWARDS

7.1 The Committee may make Awards of unrestricted Company Stock to Employees or non-employee Directors in recognition of outstanding achievements, as an additional Award when Performance Goals are exceeded, or otherwise as a form of compensation. Such Awards shall be paid to Employees no later than the last date that causes the payment to constitute a short-term deferral that is not subject to Section 409A.

ARTICLE VIII
AWARD OF PERFORMANCE UNITS

8.1 **Award of Performance Units.** The Committee may award Performance Units to any Employee. Each Performance Unit shall represent the right of a Participant to receive an amount equal to the value of the Performance Unit, determined in the manner established by the Committee at the time of the Award.

8.2 **Performance Period.** At the time of each Performance Unit Award, the Committee shall establish, with respect to each such Award, a Performance Period during which performance shall be measured. There may be more than one Performance Unit Award in existence at any one time, and Performance Periods may differ.

8.3 **Performance Measures.** Performance Units shall be awarded to a Participant and earned contingent upon the attainment of Performance Goals established in accordance with Section 4.4.

8.4 **Performance Unit Value.** Performance Units earned will be determined by the Committee in respect of a Performance Period in relation to the degree of attainment of Performance Goals. The measure of a Performance Unit may, in the discretion of the Committee, be equal to the Fair Market Value of one share of Company Stock or a maximum dollar value.

8.5 **Award Criteria.** In determining the number of Performance Units to be granted to any Participant, the Committee shall take into account the Participant's responsibility level, performance, potential, cash compensation level, other incentive awards, and such other considerations as it deems appropriate.

8.6 **Payment.**

(a) Following the end of the Performance Period, a Participant holding Performance Units will be entitled to receive payment of an amount based on the achievement of the Performance Goals for such Performance Period, as determined by the Committee.

(b) Payment of Performance Units shall be made in cash or Company Stock, as designated by the Committee in the Award Statement. Payment shall be made in a lump sum or in installments and shall be subject to such other terms and conditions as shall be determined by the Committee. Employees shall be paid with respect to their Performance Units no later than the last date that causes the payment to constitute a short-term deferral that is not subject to Section 409A, unless the Award includes terms that comply with Section 409A.

8.7 **Performance Unit Award Statements.** Each Performance Unit Award shall be evidenced by an Award Statement.

ARTICLE IX
CHANGE IN CONTROL OF THE COMPANY

9.1 The Committee, in its discretion, may provide in any Award Statement that:

(a) In the event of a Change in Control of the Company, all or a specified portion of the Award (to the extent then outstanding) will become immediately vested to the full extent not previously vested. Any such acceleration of Award vesting must comply with applicable law and regulatory requirements and any Participant will be entitled to decline the accelerated vesting of all or any portion of the Participant's Award, if the Participant determines that such acceleration may result in adverse tax consequences to the Participant; and

(b) In the event the Board approves a proposal for: (i) merger, exchange or consolidation in which the Company is not the resulting or surviving corporation (or in which the Company is the resulting or surviving corporation but becomes a subsidiary of another corporation); (ii) transfer of all or substantially all the assets of the Company; (iii) sale of 50 percent or more of the combined voting power of the Company's Voting Securities; or (iv) the dissolution or liquidation of the Company (each, a "Transaction"), the Committee will notify Participants in writing of the proposed Transaction (the "Proposed Transaction Notice") at least 30 days prior to the effective date of the proposed Transaction. The Committee may, in its sole discretion, and to the extent possible under the structure of the Transaction, select one of the following alternatives for treating outstanding Awards under the Plan:

(i) The Committee may provide that outstanding Awards will be converted into or replaced by Awards of a similar type relating to the securities of the surviving or acquiring corporation in the Transaction. The amount and type of securities subject to and the exercise price (if applicable) of the replacement or converted Awards will be determined by the Committee based on the exchange ratio, if any, used in determining shares of the surviving corporation to be issued to Shareholders. If there is no exchange ratio in the Transaction, the Committee will, in making its determination, take into account the relative values of the companies involved in the Transaction and such other factors as the Committee deems relevant. Such replacement or converted Awards will continue to vest over the period (and at the same rate) as the Awards which the replacement or converted Awards replaced, unless determined otherwise by the Committee;

(ii) The Committee may provide a 30-day period prior to the consummation of the Transaction during which all outstanding Awards will tentatively become fully vested, and upon consummation of such Transaction, all outstanding and unexercised Awards will immediately terminate. If the Committee elects to provide such 30-day period for the exercise of Awards, the Committee will provide advance written notice to Participants regarding the 30-day period. Participants, by written notice to the Company prior to the expiration of the 30-day period, may exercise their Awards and, in so exercising the Awards, may condition such exercise upon, and provide that such exercise will become effective immediately prior to, the consummation of the Transaction, in which event Participants need not make payment for any Company Stock to be purchased upon exercise of an Award until five days after written notice by the Company to the Participants that the Transaction has been consummated (the "Transaction Notice"). If the Transaction is consummated, each Award, to the extent not previously exercised prior to the consummation of the Transaction, will terminate and cease being exercisable as of the effective date of such consummation. If the Transaction is abandoned, (1) all outstanding Awards not exercised will continue to be vested and exercisable, to the extent such Awards were vested and exercisable prior to the date of such abandonment, and (2) to the extent that any Awards not exercised prior to such abandonment have become vested and exercisable solely by operation of this Section 9.1(b), such vesting and exercisability will be deemed annulled, and the vesting and exercisability provisions otherwise in effect will be reinstituted, as of the date of such abandonment; or

(iii) The Committee may provide that outstanding Awards that are not fully vested will become fully vested subject to the Company's right to pay each Participant a cash amount (determined by the Committee and based on the amount, if any, being received by Shareholders in the Transaction) in exchange for cancellation of the applicable Award.

Unless the Committee specifically provides otherwise in the change in control provision for a specific Award Statement, Awards will become vested as of a Change in Control date only if, or to the extent, such acceleration in the vesting of the Awards does not result in an "excess parachute payment" within the meaning of Section 280G(b) of the Code. The Committee, in its discretion, may include change in control provisions in some Award Statements and not in others, may include different change in control provisions in different Award Statements, and may include change in control provisions for some Awards or some Participants and not for others.

ARTICLE X
MISCELLANEOUS PROVISIONS

10.1 **Limits as to Transferability.** Unless otherwise expressly provided in an individual Award Statement, no Award (other than Restricted Stock after the Restriction Period) will be transferable other than by will or the laws of descent and distribution and each Award will be exercisable (if exercise is required), during the lifetime of the Participant, only by the Participant or, in the event the Participant becomes legally incompetent, by the Participant's guardian or legal representative. Notwithstanding the foregoing, the Committee, in its discretion, may provide in any Award Statement that the Award:

(a) May be freely transferred;

(b) May be freely transferred to a class of transferees specified in the Award Statement; or

(c) May be transferred, but only subject to any terms and conditions specified in the Award Statement (including, without limitation, a condition that an Award may only be transferred without payment of consideration).

Furthermore, notwithstanding the foregoing, any Award may be surrendered to the Company pursuant to this Plan in connection with the payment of the purchase or option price of another Award or the payment of the Participant's federal, state, or local tax withholding obligation with respect to the exercise or payment of another Award.

10.2 **Adjustments upon Changes in Stock.**

(a) The existence of the Plan and the Awards granted under the Plan will not affect or restrict in any way the right or power of the Board or the Shareholders of the Company to make or authorize any adjustment, recapitalization, reorganization, or other change in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of bonds, debentures, preferred or prior preference stocks ahead of or affecting the Company's capital stock or the rights thereof, the dissolution or liquidation of the Company or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding.

(b) In the event of a stock split (including a reverse stock split), a dividend or distribution paid in Company Stock, or a recapitalization of or affecting Company Stock, the aggregate number and kind of shares reserved for issuance under the Plan, the number, kind, and price per share subject to each outstanding Option and the number and kind of shares subject to other Awards granted under the Plan, will automatically be adjusted proportionately, or substituted, to reflect the effect of such stock split, distribution paid in Company Stock, or recapitalization. In the event of any merger or consolidation, separation (including a spin off), a reorganization (whether or not such reorganization comes within the definition of such term in Section 368 of the Code), any partial or complete liquidation, or any other change in corporate capitalization not specifically addressed in the preceding sentence, the Committee may make such adjustments or substitution in the aggregate number and kind of shares reserved for issuance under the Plan, the number, kind, and price per share subject to each outstanding Option, the number and kind of shares subject to other outstanding Awards under the Plan and/or such other equitable adjustments or substitutions as it may determine to be appropriate in its sole discretion.

10.3 **Amendment, Suspension, and Termination of Plan.** The Board may suspend or terminate the Plan or any portion thereof at any time, and may amend the Plan from time to time in such respects as the Board may deem advisable in order that any Awards thereunder shall conform to any change in applicable laws or regulations or in any other respect the Board may deem to be in the best interests of the Company; provided, however, that no such amendment shall, without approval of the Shareholders, (a) except as provided in Section 10.2, increase the number of shares of Company Stock that may be issued under the Plan, (b) expand the types of Awards available to Participants under the Plan, (c) delete or limit the provision in Section 5.7 prohibiting the repricing of Options; or (d) extend the termination date of the Plan. No such amendment, suspension, or termination shall materially adversely alter or impair any outstanding Awards without the consent of the Participant affected thereby.

10.4 **Nonuniform Determinations.** The Committee's determinations under the Plan, including without limitation, (a) the determination of the Participants to receive Awards, (b) the form, amount, and timing of such Awards, (c) the terms and provisions of such Awards, and (d) the Award Statements evidencing the same, need not be uniform and may be made by it selectively among Participants who receive, or who are eligible to receive, Awards under the Plan, whether or not such Participants are similarly situated.

10.5 **General Restriction.** Each Award under the Plan shall be subject to the condition that, if at any time the Committee shall determine that (a) the listing, registration, or qualification of the shares of Company Stock subject or related thereto upon any securities exchange or under any state or federal law, (b) the consent or approval of any government or regulatory body, or (c) an agreement by the Participant with respect thereto, is necessary or desirable, then such Award shall not become exercisable in whole or in part unless such listing, registration, qualification, consent, approval, or agreement shall have been effected or obtained free of any conditions not acceptable to the Committee.

10.6 **Securities Law Restrictions.** No shares of Company Stock may be issued under the Plan unless counsel for Company is satisfied that such issuance will be in compliance with applicable federal and state securities laws. Certificates for shares of Company Stock delivered under the Plan may be subject to such stop-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of any applicable federal or state securities laws. The Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

10.7 **No Right to Employment.** None of the actions of the Company in establishing the Plan, the action taken by the Company, the Board, or the Committee under the Plan, or the granting of any Award under the Plan shall be deemed (a) to create any obligation on the part of the Company to retain any person in the employ of the Company or as a Director, or (b) to be evidence of any agreement or understanding, express or implied, that the person has a right to continue as an employee for any period of time or at any particular rate of compensation.

10.8 **Clawback/Recovery.** All compensation pursuant to Awards granted under the Plan will be subject to recoupment as required (i) by the Sarbanes-Oxley Act of 2002 or other applicable law or (ii) by any clawback policy that the Company is required or the Board determines to adopt, including under the listing standards, if any, of any established securities exchange or association on which the Company's securities are listed or traded. In addition, the Committee may impose such other clawback, recovery, or recoupment provisions in an Award Statement as the Committee determines necessary or appropriate in its sole discretion, including without limitation in the event the Participant accepts employment with a competitor of the Company or otherwise competes with the Company. No recovery of compensation under such a clawback policy will be an event giving rise to a right to resign for "good reason" or "constructive termination" (or similar term) under any agreement with the Company or a Subsidiary.

10.9 **Governing Law.** The provisions of the Plan shall take precedence over any conflicting provision contained in an Award Statement. All matters relating to the Plan or to Awards granted hereunder shall be governed by and construed in accordance with the laws of the State of Washington without regard to the principles of conflict of laws.

10.10 **Trust Arrangement.** All benefits under the Plan represent an unsecured promise to pay by the Company. The Plan shall be unfunded and the benefits hereunder shall be paid only from the general assets of the Company resulting in the Participants having no greater rights than the Company's general creditors; provided, however, nothing herein shall prevent or prohibit the Company from establishing a trust or other arrangement for the purpose of providing for the payment of the benefits payable under the Plan.

Adopted by the Board of Directors on February 17, 2021.