



Pacific Financial Corporation

March 27, 2024

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 24, 2024, at 10:00 AM Pacific Time www.virtualshareholdermeeting.com/PFLC2024.

The Notice of Annual Meeting of Shareholders and Proxy Statement on the following pages describe the formal business to be transacted at the Annual Meeting. Directors and officers of the Company, as well as a representative of CliftonLarsonAllen 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.proxyvote.com or by telephone by calling 1-800-690-6903. If you vote online or by phone, you do NOT need to complete and mail your proxy card. If you plan to attend the Annual Meeting via webcast, we still encourage you to vote in advance through the Internet, by phone, or by mail. If you hold shares through a broker or nominee, please follow your broker's or other nominee's directions on how to vote your shares.

We look forward to seeing you at the Annual Meeting.

Sincerely,



Randy Rognlin
Chairman of the Board



Denise Portmann
President & Chief Executive Officer

1216 Skyview Drive • Aberdeen, WA 98520 • (360) 537-4059

PACIFIC FINANCIAL CORPORATION
1216 Skyview Drive
Aberdeen, Washington 98520
(360) 537-4059

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
April 24, 2024

NOTICE IS HEREBY GIVEN that the 2024 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 24, 2024, at 10:00 AM Pacific Time, at www.virtualshareholdermeeting.com/PFLC2024.

This meeting will be held for the following purposes:

1. Election of Directors: To elect three directors for a three-year term ending in 2027.
2. Ratify Auditor: To ratify our appointment of CliftonLarsonAllen LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2024.
3. 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 Annual 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 February 29, 2024, are entitled to notice of and to vote at the Annual Meeting and any adjournments or postponements.

Please vote via the Internet or by telephone in accordance with instructions provided under the heading “Voting” 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 Annual Meeting via live webcast, you do not need to vote at the meeting, unless you want to change your earlier vote. If you hold shares through a broker or nominee, please follow your broker’s or other nominee’s directions on how to vote your shares.

By Order of the Board of Directors



Darla R. Johnson
Corporate Secretary

Aberdeen, Washington
March 27, 2024

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 2024 annual meeting are also available for registered shareholders and for beneficial owners at www.proxyvote.com.

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**PROXY STATEMENT OF
PACIFIC FINANCIAL CORPORATION**

**ANNUAL MEETING OF SHAREHOLDERS
April 24, 2024**

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 2024 Annual Meeting of Shareholders of the Company. The Annual Meeting will be held via live webcast on Wednesday, April 24, 2024, at 10:00 AM Pacific Time, at www.virtualshareholdermeeting.com/PFLC2024. This Proxy Statement and the enclosed proxy card and Annual Report are being mailed to shareholders on or about March 27, 2024.

PROXY PROCEDURE

Record Ownership; Quorum: Shareholders of record as of the close of business on February 29, 2024, (the “Record Date”) are entitled to one vote for each share of Common Stock of the Company then held by each shareholder. As of the Record Date, the Company had 10,335,557 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 properly signed and dated proxy card is returned, the shares represented by the proxy will be voted in accordance with the instructions on the proxy card. Where no instructions are indicated, properly signed and dated proxies will be voted in accordance with the Board's recommended vote on each proposal described in this Proxy Statement.

VOTING

Shareholders of Record. If you are a shareholder of record (that is, if your shares are registered in your own name with our transfer agent), you may vote by any one of the following voting methods:

Voting by Internet before the Annual Meeting. Go to www.proxyvote.com to transmit a proxy to vote your shares by means of the Internet. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form. We must receive votes submitted before the Annual Meeting via the Internet by 11:59 PM Eastern Time the day before the cut-off date or meeting date.

Voting by Mail. Mark, sign and date your proxy card and return it in the postage-paid envelop provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717. Proxy cards submitted by mail must be received by the time of the Annual Meeting in order for your shares to be voted.

Voting by Phone. Call 1-800-690-6903 using any touch-tone telephone to transmit your voting instructions up until 11:59 PM Eastern Time the day before the cut-off date or Annual Meeting date. Have your proxy card in hand when you call and then follow the instructions.

Voting at the Annual Meeting. Vote online at the Annual Meeting of Shareholders of Pacific Financial Corporation at www.virtualshareholdermeeting.com/PFLC2024. We encourage you to access the Annual Meeting before it begins. Online check-in will start approximately thirty minutes before the start of the Annual Meeting, at

approximately 9:30 AM Pacific Time on April 24, 2024. Should you experience technical difficulty when accessing the Annual Meeting, you may call the technical support telephone numbers that will be referenced on the login page of the virtual shareholder meeting site for technical assistance.

Beneficial Owners of Shares Held in Street Name. If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in “street name,” and as the beneficial owner, you have the right to direct your broker on how to vote. Most beneficial owners, whose stock is held in “street name,” will receive instructions for granting proxies from their banks, brokers or other agents, rather than a proxy card. 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 (a so called, “broker non-vote”), but your nominee may vote your shares in its discretion on the proposal to ratify our appointment of CliftonLarsonAllen LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2024.

Voting at the Annual Meeting. Shares held beneficially in “street name” may be voted by you online at the Annual Meeting only if you obtain a legal proxy from the broker or other agent that holds your shares, giving you the right to vote the shares. Have the legal proxy available when you access the virtual meeting web page.

Revocation of Proxies: Shareholders who execute proxies retain the right to revoke them. Proxies may be revoked by written notice delivered in person, mailed to the Corporate Secretary of the Company, emailed to drjohnson@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 three 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 of Incorporation 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 10 positions. Each director on the Board also serves as a director on the Board of Directors of the Bank.

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

<u>Name</u>	<u>Class</u>	<u>Term to Expire</u>
Denise J. Portmann	A	2027
Doug Biddle	A	2027
Benjamin Ertischek	A	2027

All nominees presently serve as directors of the Company.

The proxies solicited by the Board will be voted for the election of Ms. Portmann, Mr. Biddle and Mr. Ertischek, 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, 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	Committees
Board Nominees				
<u>Class A</u>				
Denise J. Portmann	51	2014	2027	Asset-Liability, Compliance & CRA
Doug Biddle	70	2019	2027	Audit, IT (chair)
Benjamin Ertischek	51	2023	2027	Audit, IT
Continuing Directors				
<u>Class B</u>				
Susan C. Freese	69	2001	2025	Asset-Liability, Compliance & CRA
Kristi Gundersen	63	2015	2025	Audit, Compliance & CRA (chair), Compensation
Douglas M. Schermer	62	2001	2025	Asset-Liability, IT, Compensation (chair)
<u>Class C</u>				
Dwayne Carter	70	2011	2026	Audit (chair), Compliance & CRA, Compensation
Randy W. Rognlin	67	2001	2026	Compensation
Daniel Tupper	51	2014	2026	Asset-Liability (chair), IT, Compensation

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

Denise J. Portmann was named President and Chief Executive Officer of the Bank in January 2014. Previously, Ms. Portmann was Executive Vice President and Chief Financial Officer of the Bank for ten years and also served as Treasurer, Senior Vice President, and Controller. Prior to joining the Bank, she served as Chief Financial Officer for Harbor Community Bank from 1999 to 2001 and was employed in the public accounting sector for five years, specializing in auditing financial institutions. Denise holds a Bachelor of Science degree in accounting from Central Washington University. She serves on the board of the Community Bankers of Washington, Oregon Bankers Association and the Federal Reserve Bank of San Francisco’s Community Depository Institutions Advisory Council. Additionally she is the Washington State representative for the ICBA Federal Delegate board.

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 (inactive) and a former commissioned National Bank Examiner with the Office of the Comptroller of the Currency.

Benjamin Ertischek is an executive with more than 20 years of responsibility for leadership, strategy, finance, accounting, IT systems and applications, product and business development, and entrepreneurship who was first appointed as a director in September of 2023. Living and working in Portland, Oregon, Mr. Ertischek is currently the Chief Financial Officer of EOS Worldwide, and previously served as principal consultant with E78 Partners, Co-Owner and CFO for Premium Organics, LLC, CFO/SVP for Gridworks IC, CEO of Cheker Consulting, and several other leading communications and technology/software firms. Mr. Ertischek holds a BA in Political Science and Economics from Princeton University and an MBA in Finance and Accounting from New York University's Leonard N. Stern School of Business.

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 was 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. 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. (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 is the 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. Mr. Tupper graduated from the University of Washington with a B.A. degree in Business Administration, with a concentration in marketing and human resources.

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

The Audit Committee of our Board has selected CliftonLarsonAllen LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2024. CliftonLarsonAllen LLP has been the Company's independent registered public accounting firm since 2019. 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 CliftonLarsonAllen 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 CliftonLarsonAllen LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2024.

SECURITY OWNERSHIP OF DIRECTORS AND EXECUTIVE MANAGEMENT

The following table sets forth, as of February 29, 2024, 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.

<u>Name</u>	<u>Numbers of Shares Beneficially Owned (1)</u>	<u>Percent of Common Stock Outstanding</u>
Directors and Nominees		
Doug Biddle	31,502	*
Dwayne Carter	32,081	*
Susan C. Freese	41,270	*
Kristi Gundersen	5,682	*
Randy W. Rognlin	710,706	6.9%
Randy Rust	138,506	1.3%
Douglas M. Schermer	237,234	2.3%
Daniel Tupper	4,300	*
Benjamin Ertischek	2,000	*
Executive Officers		
Walker Evans	18,523	*
Daniel E. Kuenzi	17,978	*
Denise J. Portmann (2)	87,549	*
Carla Tucker	10,550	*
Total	<u>1,337,881</u>	12.9%

* 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 February 29, 2024, 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
Portmann	16,000
Tucker	8,000
Kuenzi	10,000
Evans	8,000

- (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 2023 the Board held ten 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.

With the exception of newly appointed director Ben Ertischek, each director attended 75% or more of the meetings of the Board and the committees on which he or she served in 2023.

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 presently include Dwayne Carter (Chair), Randy Rust, Doug Biddle, Ben Ertischek and Kristi Gundersen. The Audit Committee met four times during 2023.

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), Sue Freese, Doug Schermer and Denise Portmann. The Committee met four times during 2023.

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 and risk issues and events are reported to the Board. 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 presently include Doug Biddle (Chair), Doug Schermer, Daniel Tupper, Ben Ertischek and Randy Rust. The Committee met four times during 2023.

Compensation, Nominating and Governance Committee

Under its Charter, the Compensation, Nominating and 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, the Compensation Committee 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.

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 at the annual shareholder meetings; 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 and 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 twice during 2023.

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), Dwayne Carter, Sue Freese and Denise Portmann. The Committee met four times during 2023.

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 “Investor Relations” tab “Corporate Information” subsection.

Director Compensation

The following table summarizes compensation paid to directors during 2023:

Name	Total Fees Paid
Dwayne Carter	\$ 34,050
Susan C. Freese	\$ 32,350
Kristi Gundersen	\$ 34,150
Randy W. Rognlin	\$ 39,200
Randy Rust	\$ 32,600
Douglas M. Schermer	\$ 34,700
Daniel Tupper	\$ 33,550
Denise J. Portmann	\$ 28,650
Douglas Biddle	\$ 31,650
Benjamin Ertischek	\$ 11,550

Directors currently receive a \$25,200 annual retainer fee and fees of \$550 per Board meeting attended. The Chairman of the Board currently receives a \$31,200 annual retainer fee and fees of \$900 per meeting attended. Audit Committee members receive \$550, Audit Committee Chair receives \$800 and Compensation Committee Chair receives \$650 per committee meeting attended. All other committee members receive \$400 per committee meeting attended. 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 2023 for services rendered in all capacities during the years ended December 31, 2023 and December 31, 2022.

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	2023	\$ 374,046	-	-	149,848
		2022	\$ 343,708	-	35,550	80,630
Carla Tucker	Executive Vice President and Chief Financial Officer of the Company and the Bank	2023	\$ 240,358	-	-	69,131
		2022	\$ 216,792	-	23,700	39,272
Daniel E. Kuenzi	Vice President of the Company and Executive Vice President and Chief Credit Officer of the Bank	2023	\$ 235,901	-	-	67,720
		2022	\$ 214,869	-	23,700	38,956
Walker Evans	Vice President of the Company and Executive Vice President and Chief Lending Officer of the Bank	2023	\$ 231,183	-	-	66,310
		2022	\$ 211,750	-	23,700	38,358
Terri Mckinnis ⁽⁵⁾	Vice President of the Company and Executive Vice President and Chief Operating Officer of the Bank	2023	\$ 158,265	21,240	22,000	41,966

(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.

(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.

(4) Reflects cash incentives earned for performance in the year indicated but paid in the following year.

(5) Employment began May 2023.

AUDITORS

CliftonLarsonAllen LLP served as the Company's independent auditor for 2023 and 2022, and performed the audit of the consolidated financial statements of the Company for the years ended December 31, 2023 and December 31, 2022. A CliftonLarsonAllen 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 CliftonLarsonAllen LLP for the fiscal years ended December 31, 2023 and December 31, 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Audit Fees	\$ 164,489	\$ 97,503

Audit Fees represent the aggregate fees, including expenses, for professional services rendered for the audit of the Company's annual consolidated financial statements, and 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 (60) joined the Bank in September 2019 as Executive Vice-President and Chief Financial Officer. Ms. Tucker brings over 36 years of demonstrated leadership and accounting experience in the banking industry. Prior to joining Bank of the Pacific, Carla served over 15 years at Skagit Bank as Executive Vice-President and Chief Financial Officer overseeing all finance and accounting, marketing, facilities and risk management functions of the organization. In addition, she served as Vice-President and Controller at InterWest Bank for over ten years. Ms. Tucker holds a Bachelor of Science in Accounting from Northeast Missouri State University (Truman), Kirksville, MO graduating Summa Cum Laude. She is also an honors graduate of Pacific Coast Banking School in Seattle, WA and is a Certified Public Accountant.

Daniel E. Kuenzi (60) 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 34 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.

Terri McKinnis (61) joined the Bank in 2023 and was formerly with the Commerce Bank of Oregon, a division of Zions Bancorporation, N.A. serving as SVP, Chief Operating Officer. Terri has over four decades of banking experience, with half that time served in senior management positions in bank operations and treasury management with oversight responsibilities of bankcard, call center, training, information technology, and human resources. Ms. McKinnis holds a University of Washington Foster School of Business Executive Certificate, and is an honors graduate of the Pacific Coast Banking School ("PCBS"), a prestigious graduate school of banking. Ms. McKinnis currently serves as a Management Paper Advisor for PCBS supporting and mentoring students with their capstone management thesis.

Walker Evans (64) 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.

From time to time, the Bank may have business dealings with companies in which an insider or affiliate has a financial interest. All such dealings shall be conducted in conformity with the Bank's Code of Business Ethics. The terms and conditions must be not less favorable than those offered to or from others in the normal course of

business. Currently, there is one related party transaction that exists between the Company and a director of the Company in the form of a facility repair service contract between the Bank and business for which director has a material interest. The Bank's standard policy regarding competitive bids was used in evaluating this transaction and the nature of the transaction was disclosed to and approved by the Board. In addition, if there is a reason to believe that there is a possible conflict of interest, it is the responsibility of the director to report this to the Board.

By order of the Board of Directors

A handwritten signature in dark ink, appearing to read "Darla Johnson", is positioned above the printed name.

Darla Johnson
Corporate Secretary
Aberdeen, Washington
March 27, 2024

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