



INSIDER TRADING POLICY AND PROCEDURES

INSIDER ACKNOWLEDGEMENT AND AGREEMENT

OVERVIEW

As a result of highly publicized insider trading scandals, Congress passed first the Insider Trading Sanctions Act of 1984 (“ITSA”) and later the Insider Trading and Securities Fraud Enforcement Act of 1988 (“ITSFEA”), substantially increasing the civil and criminal penalties for persons who trade in a company’s securities while in possession of material nonpublic information concerning the company (so-called “inside” information), and for those who control such persons. As a result, an individual who trades on inside information, may face a civil fine of up to three times the profit gained or the losses avoided in the transaction, as well as criminal penalties of up to 10 years in prison and a maximum fine of \$1 million. Moreover, a company and its officers and directors now face potential additional liability for insider trading or “tipping” activities of company employees.

In view of these recent developments, as well as increased liability exposure under the federal securities laws, Pacific Financial Corporation (the “Company”) has adopted the following Insider Trading Policy and Procedures for the Company, including its banking subsidiary, The Bank of the Pacific.

POLICY

While in possession of material nonpublic information concerning the Company and/or its subsidiary, all officers, directors and employees, and members of their households (“Insiders”) will refrain from (1) engaging in transactions involving the Company’s securities, and (2) disclosing such information to any other person, except to other officers, directors, and employees on a “need to know” basis.

The Company will impose specific “blackout” periods in connection with release of annual or quarterly earnings information. The specified “blackout” period prior to release of annual or quarterly financial results will begin one week prior to the Company’s fiscal year-end or quarter-end. The period will end on the third business day after the Company has released its financial report or a press release reporting on its financial results for the period, whichever comes first.

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The Company may impose additional “blackout” periods in connection with pending stock offerings, stock splits or other material unannounced events. You will be notified of the beginning and end of each such “blackout” period.

“**Material information**” means company information which, if publicly disseminated, would influence a reasonable investor to buy or sell the company’s securities. Examples of information that the courts have held to be material are: a change in annual or quarterly earnings of a company; a pending stock offering; a proposed stock split or dividend of a company’s shares; a change in the cash dividend of a company; and a proposed acquisition of another corporation by a company or other merger or acquisition transaction involving a company.

“**Nonpublic information**” is information that has not been disclosed to the public generally, such as through: a press release to a news wire service (such as AP, PR Newswire or BusinessWire); radio or television; newspapers or magazines; or a public report filed with a governmental regulatory agency or other means of widespread dissemination. The term “nonpublic information” includes information available only to a select group of analysts, brokers, or institutional investors, and undisclosed facts that are the subject of rumors, even if the rumors are widely circulated.

Any Insider who engages in such illegal conduct is subject to dismissal.

PROCEDURES

In order to prevent insider trading by Insiders, the Company has adopted the following procedures:

1. If uncertain whether the information he or she possesses is material nonpublic information, an Insider should not engage in any transactions involving the Company’s securities without first contacting the Company’s President and Chief Executive Officer, or Chief Financial Officer.
2. If uncertain whether a proposed transaction would constitute trading upon material nonpublic information, including bona fide gifts, exercise of stock options, and cashless exercises of stock options, an Insider should not engage in any transactions involving the Company’s securities without first contacting the Company’s President and Chief Executive Officer, or Chief Financial Officer.
3. All Insiders are encouraged to restrict their transaction activity in the Company’s securities to generally safe periods, i.e. beginning two full business days (48 hours) after the Company has released its annual or quarterly earnings, or disseminated current information such as in a prospectus or press release.
4. The Company’s Insider Trading Policy and Procedures will be delivered to, reviewed by, and acknowledged and agreed to by each new Insider, whether permanent or temporary.

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In order to reduce the chances of tipping of inside information, the Company has adopted the following procedures:

1. Insiders should not discuss material nonpublic information regarding the Company and its subsidiaries with (1) any person inside the Company and its subsidiaries, except on a “need to know” basis, or (2) with any person outside the Company, unless specifically authorized to do so by appropriate management.
2. Insiders should not discuss confidential information within the hearing range of outsiders, including friends and relatives. It is particularly important to exercise care and refrain from discussing nonpublic information in public places, such as elevators, trains, taxis, airplanes, lavatories, restaurants, and other places where the discussions might be overheard.
3. Insiders must be particularly cautious when receiving inquiries from securities analysts, companies in the same business as the Company and its subsidiary, and members of the press. All such inquiries should be referred to Company personnel specifically authorized to respond to such inquiries.
4. Any questions concerning these procedures should be referred to the Company’s President and Chief Executive Officer, or Chief Financial Officer.



Approved: 1/17/2018

ACKNOWLEDGEMENT AND AGREEMENT

The undersigned does hereby acknowledge receipt of the “Insider Trading Policy and Procedures” of Pacific Financial Corporation, including its banking subsidiary, The Bank of the Pacific.

The undersigned has read and understands such policy and agrees to be governed by such policy at all times in connection with the purchase and sale of securities and the confidentiality of nonpublic information. It is acknowledged that a failure to adhere to the above policy and procedures could subject the undersigned to sanctions deemed by the Company to be appropriate under the circumstances.

_____ Date _____
(Signature)

(Please print name)