

Introduction

Federal and state securities laws prohibit the purchase or sale of the securities of Pacific Financial Corporation (“Company”) by persons who are aware of material, non-public information about the company. These laws also prohibit persons who are aware of such material, nonpublic information from disclosing such information to others who may trade on the basis thereof (tipping).

The Board of Directors of the Company (the “Board”) have adopted this policy statement (“Policy”) both to support the Company’s obligation to prevent insider trading by all personnel and to help Company personnel avoid the serious consequences associated with violations of insider trading laws. This Policy is also intended to prevent the appearance of improper conduct on the part of anyone with or associated with the Company.

The adoption of this Policy is not intended to discourage ownership in the Company’s securities, but to create a framework for investing in the Company’s securities while safeguarding the Company’s confidential information and helping avoid consequences associated with violations of the insider trading laws.

Covered Persons (Insider)

Anyone who has knowledge of material nonpublic information may be considered an *“Insider”* for purposes of the federal securities laws prohibiting insider trading. This includes all directors, officers and employees of the Company and their respective family members and other individuals/entities outside the Company that have access to material nonpublic information concerning the Company.

This Policy continues to apply to transactions in Company securities even after an insider has terminated employment as long the individual is in possession of material, nonpublic information.

Covered Transactions

The Policy applies to any and all transactions in the Company's securities. No Covered Person (Insider) who is aware of material, nonpublic information relating to the Company may, directly or indirectly through family members or other persons or entities:

- Buy or sell securities of the Company (including the Company's common stock, and any options to purchase common stock,) other than as expressly exempted by this Policy, or engage in any other action to take personal advantage of the material, nonpublic information;
- Recommend the purchase or sale of Company securities;
- Disclose such material, nonpublic information to persons within the Company whose jobs do not require them to have that information, or to others outside the Company (including family and friends), unless such disclosure is made in accordance with the Company's policies regarding the protection or authorized disclosure of information; or
- Assist anyone engaged in the above activities.

Unless you have been provided guidance to the contrary, from the CEO or CFO, you may not trade in the Company's securities while you are aware of material, nonpublic information even if you believe that the information has not influenced your trading decision. Transactions that may be necessary or that may appear justifiable for independent reasons (such as the need to raise money for an emergency expenditure or because they are small transactions) are not exempted from this Policy.

In all cases, the responsibility for determining whether an individual is in possession of material, nonpublic information rests with that individual, and any action on the part of the Company or any officer, employee or director pursuant to this Policy (or otherwise) does not in any way constitute legal advice or insulate an individual from liability under applicable federal and state securities laws.

Blackout Periods

In addition to the trading restrictions noted above, 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 calendar week prior to the Company's quarter-end and fiscal year-end periods. The period will end after the completion of two full business days, i.e. 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.

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.

Definition of Material, Nonpublic Information.

Material, nonpublic information has two important elements: (i) materiality, and (ii) public availability, each of which is discussed separately below.

Material Information: There is no bright-line rule on what constitutes “material” information. However, generally “material” information means information that a reasonable investor would consider important in making a decision on whether to buy, sell, or hold a security. Any information that could reasonably be expected to affect the Company’s stock price, whether it is positive or negative, should also be considered material. Some examples of information that ordinarily would be regarded as material are:

- Financial performance, especially quarterly and year-end results of operations;
- Significant changes in financial performance, conditions or liquidity;
- Projections of future earnings or losses;
- A pending or proposed merger, acquisition or tender offer, or an acquisition or disposition of significant assets;
- A proposed stock split or dividend, a change in dividend policy or an offering of additional securities;
- Bank borrowings or other financing transactions out of the ordinary course;
- A significant cyber security breach;
- Pending or threatened significant litigation, or the resolution thereof

Nonpublic Information

Information is considered to be available to the public when it has been communicated to the public, generally through a press release to a news wire service (such as AP, PR Newswire or Business Wire); 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.

Once information has been widely disseminated, it is still necessary to afford the investing public with sufficient time to absorb the information. To avoid the appearance of impropriety, and as a general rule, information should not be considered fully absorbed by the marketplace until after the second full trading day after the information is released. Depending on the particular circumstances, the Company may determine that a longer or shorter period should apply to the release of specific material, nonpublic information.

Other Insider Responsibilities:

In order to reduce the chances of *tipping* of insider information, the Company has adopted the following:

- 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.
- 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.
- 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.

Pre-Clearance Procedures

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

- 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 under the following circumstances:
 - If uncertain whether the information the individual possesses is material nonpublic information; or
 - If uncertain whether the proposed transaction (including bona fide gifts, exercise of stock options) would be considered trading upon material nonpublic information

- All Insiders are encouraged to restrict their transaction activity in the Company's securities outside of any Blackout Periods.
- Exception: Two insiders in possession of the same material nonpublic information may trade with each other with CEO or CFO approval.

Consequences of Non-Compliance:

- Covered persons who engage in transactions in the Company's securities in violation of this Policy or applicable laws may be subject to penalties under U.S. law. For individuals, these penalties may include significant fines, imprisonment, and disgorgement of the profit made or the loss avoided. In addition to individual sanctions, the Company and its officers and directors may also face potential liability for insider trading or tipping activities of company employees.
- The failure of the Covered Person (Insider) to comply with this Policy may subject Covered Person to sanctions by the Company, up to and including dismissal for cause, whether or not the failure results in a violation of applicable law.