

Section 1: 8-K (8-K)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities and Exchange Act of 1934

Date of Report (Dated of earliest event reported): June 30, 2020

HERITAGE FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Commission File Number 000-29480

| | |
|---------------------------------------------------------------------------------|-------------------------------------------------------|
| Washington (State or other jurisdiction of incorporation or organization) | 91-1857900 (I.R.S. Employer Identification No.) |
| 201 Fifth Avenue SW, Olympia WA (Address of principal executive offices) | 98501 (Zip Code) |
| (360) 943-1500 (Registrant's telephone number, including area code) | |
| Not applicable (Former name or former address, if changed since last report) | |

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12 (b) of the Act:

| Title of each class | Trading symbol | Name of each exchange on which registered |
|----------------------------|----------------|-------------------------------------------|
| Common stock, no par value | HFWA | NASDAQ |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1934 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers, Completion of Acquisition or Disposition of Assets

Heritage Financial Corporation, Olympia, Washington (“Heritage”), the parent company of Heritage Bank, issued a press release on May 29, 2020, announcing the retirement of David A. Spurling, its chief credit officer (“CCO”), and the appointment of Tony Chalfant as its successor CCO, with such transition effective July 1, 2020.

Tony Chalfant, age 58, has held the titles of senior vice president and deputy chief credit officer of Heritage Bank since 2019. Prior to this, Mr. Chalfant served as the regional credit officer of Heritage Bank, beginning in January 2018 when Heritage acquired Puget Sound Bank. Mr. Chalfant served as the chief credit officer for Puget Sound Bank for 13 years.

Mr. Chalfant does not have any direct or indirect material interest in any transaction required to be disclosed pursuant to Item 404(a) of Regulation S-K.

Entry into new Employment Agreements.

On June 25, 2020, Heritage entered into a transitional retirement agreement with Mr. Spurling and a revised employment agreement with Mr. Chalfant.

A copy of each agreement is filed as Exhibits 10.1 and 10.2 hereto, and is incorporated by reference herein. The following summary of the agreements is qualified in its entirety by the full text of the agreements.

Transitional Retirement Agreement with Mr. Spurling.

On June 25, 2020, Heritage entered into a transitional retirement agreement with Mr. Spurling, effective August 1, 2020, in order to provide for the systematic succession and transition of his duties following the appointment of Mr. Chalfant as CCO, effective July 1, 2020. The agreement with Mr. Spurling provides for an employment period through January 31, 2021, which is Mr. Spurling’s planned retirement date. Mr. Spurling will serve as executive credit officer, a part-time position in which he will assist with the transition of CCO duties to Mr. Chalfant.

During the employment period, Mr. Spurling is entitled to an annual base salary at a rate of \$142,711. Mr. Spurling is eligible to receive a performance-based annual incentive bonus for 2020, in accordance with Heritage’s annual incentive plan, and a contribution under the Heritage Financial Corporation Deferred Compensation Plan (the “Plan”) to his company contribution account for plan year 2020, provided that the amount of such bonus and company contribution will be based on the actual salary earned by Mr. Spurling during 2020, rather than the rate of annual base salary in effect at year-end. Mr. Spurling is ineligible to receive an incentive bonus for 2021 or company contribution to the Plan for 2021. Mr. Spurling will continue to vest in any outstanding equity awards through his retirement date, but will be ineligible to receive any future equity awards. In addition, Mr. Spurling is entitled to participate in any other employee benefit plans of Heritage, on as favorable a basis as other similarly situated part-time employees.

In the event Mr. Spurling is terminated by Heritage for any reason other than cause prior to the retirement date, Heritage’s obligation to make the payments described above will continue as if Mr. Spurling had remained employed through the retirement date. Such obligation shall cease if Heritage terminates Mr. Spurling for cause or if Mr. Spurling’s employment terminates due to death, disability or voluntarily resignation prior to the scheduled retirement date.

Mr. Spurling’s prior employment agreement was superseded and replaced in its entirety by the transitional retirement agreement; provided however, that certain provisions, including certain definitions and all of the restrictive covenants are incorporated by reference into the new agreement. The restrictive covenants prohibit the unauthorized disclosure of confidential information of Heritage by Mr. Spurling during and after his employment with Heritage, and prohibit Mr. Spurling from competing with Heritage and from soliciting its employees or customers during employment and after termination of employment for any reason.

Revised Employment Agreement with Mr. Chalfant.

On June 25, 2020, Heritage entered into a new employment agreement with Mr. Chalfant as its Chief Credit Officer, effective July 1, 2020. The agreement has an initial term through June 30, 2023. The term of the agreement automatically extends for an additional year on July 1, 2021 and each July 1 thereafter, unless either party gives at least 90 days' prior notice that the employment period will not be extended.

Mr. Chalfant's employment agreement provides for an annual base salary of \$284,820, which will be reviewed annually and may be increased, but not decreased, at the discretion of the Heritage board of directors. The agreement provides that Mr. Chalfant is eligible to receive a performance-based annual cash incentive bonus, in accordance with Heritage's annual incentive plan, with a target opportunity of 35% of his annual base salary. In addition, Mr. Chalfant is entitled to participate in any other incentive or employee benefit plans of Heritage, on as favorable a basis as other similarly situated and performing senior executives. Mr. Chalfant also will receive a one-time award of restricted stock units with a grant date fair value equal to \$150,000, to be governed by a separate agreement and the terms of Heritage's equity plan then in effect.

The agreement provides for severance benefits in the event Mr. Chalfant's employment is terminated by Heritage other than for cause and other than as a result of the executive's death or disability, or if the employment is terminated by the executive for good reason ("Termination"). For a Termination during the term of the employment agreement that is not in connection with a change in control, Mr. Chalfant would be entitled to receive an amount equal to 100% of the sum of his base salary plus his three-year average annual bonus ("Base Compensation"), payable in monthly installments over a 24-month period. For a Termination in connection with a change in control, Mr. Chalfant would be entitled to receive a lump sum equal to 200% of his Base Compensation. In the event of a Termination, Mr. Chalfant and his eligible dependents would also be entitled to continued coverage under the medical and dental plans of Heritage at active employee rates for 12 months (18 months for a Termination in connection with a change in control). The employment agreement also provides for accelerated vesting of outstanding equity awards and any unvested Heritage contributions to the Plan in the event of a Termination.

All severance benefits under the employment agreement are contingent upon Mr. Chalfant's execution and non-revocation of a general release and waiver of claims against Heritage. The agreement is subject to certain banking regulatory provisions and include a clawback provision should any severance payment require recapture under any applicable statute, law, regulation or regulatory interpretation or guidance. Further, the agreement provides for an automatic reduction of severance payments if the reduction would result in a better net-after-tax result for the executive after taking into account the impact of the golden parachute payment restrictions of Sections 280G and 4999 of the Internal Revenue Code.

The employment agreement contains restrictive covenants prohibiting the unauthorized disclosure of confidential information of Heritage by Mr. Chalfant during and after his employment with Heritage, and prohibiting the executive from competing with Heritage and from soliciting its employees or customers during employment and after termination of employment for any reason. The restrictive covenants apply for a period of 24 months following termination of employment for any reason, or for a period of 12 months if the termination is in connection with a change in control. The restrictive covenants will terminate on Mr. Chalfant's final day of employment if Heritage delivers a notice of non-renewal of the agreement and then terminates his employment upon or following the expiration of the agreement term.

Deferred Compensation Plan Participation Agreement for Mr. Chalfant

On June 25, 2020, in connection with entering into the above employment agreement, Heritage entered into a participation agreement with Mr. Chalfant under the Plan. The participation agreement has an effective date of July 1, 2020 and provides that the Company may make contributions under the Plan to Mr. Chalfant's company contribution account for plan years 2020 through and including 2022. Any contribution to Mr. Chalfant's company contribution account is contingent upon achievement of the performance metrics set forth in the participation agreement. At July 1, 2020, Mr. Chalfant's company contribution account will be 10% vested; an additional 15% will become vested on

each of July 1, 2021 and July 1, 2022; and an additional 20% will become vested on each of July 1, 2023, July 1, 2024, and July 1, 2025, so that as of July 1, 2025, Mr. Chalfant's company contribution account will be fully vested. Mr. Chalfant's account will become fully vested upon a change in control of the Company or upon Mr. Chalfant's disability or death. Distribution of the vested portion of Mr. Chalfant's account is scheduled to commence upon the later to occur of his attainment of age 65 or his separation from service other than due to disability or death, and will be completed in 24 monthly installments. Mr. Chalfant's account would be paid earlier in a lump sum upon a separation from service following a change in control or in the event of Mr. Chalfant's death or disability.

The foregoing description of the participation agreement for Mr. Chalfant is qualified in its entirety by reference to the participation agreement, a copy of which is attached hereto as Exhibit 10.3 and is incorporated herein by reference, and the full terms of the Plan, which was filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 7, 2012.

Item 5.03 Amendments to Articles of Incorporation or Bylaws

On June 25, 2020, the Board of Directors of Heritage Financial Corporation (the "Company"), approved the amended and restated bylaws of the Company. The bylaws were amended for general updates and section 9 was removed as it is not longer applicable. A complete copy of the Company's current bylaws is attached to this report as Exhibit 3.3.

Item 9.01 Financial Statements and Exhibits (d) Exhibits

The following exhibits are being furnished herewith and this list shall constitute the exhibit index:

- 3.3 [Amended and Restated Bylaws of the Company](#)
- 10.1 [Chalfant Employment Agreement](#)
- 10.2 [Spurling Employment Agreement](#)
- 10.3 [Chalfant Deferred Compensation Plan Participation Agreement](#)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

HERITAGE FINANCIAL CORPORATION

Date:

June 30, 2020

/s/ JEFFREY J. DEUEL

Jeffrey J. Deuel

President and Chief Executive Officer

(Duly Authorized Officer)

[\(Back To Top\)](#)

Section 2: EX-3.3 (EXHIBIT 3.3)

Exhibit 3.3

AMENDED AND RESTATED BYLAWS OF
HERITAGE FINANCIAL CORPORATION

TABLE OF CONTENTS

| | <u>Page</u> |
|-----------------------------------------------------------|-------------|
| ARTICLE 1 - MEETINGS OF SHAREHOLDERS | 1 |
| Section 1.1- Shareholder Meetings | 1 |
| Section 1.2 - Annual Meeting | 1 |
| Section 1.3 - Special Meetings | 1 |
| Section 1.4 - Notice | 1 |
| Section 1.5 - Quorum | 1 |
| Section 1.6 - Adjournment. | 1 |
| Section 1.7 - Chairman of Meeting | 2 |
| Section 1.8 - Secretary of Meeting | 2 |
| Section 1.9 - Conduct of Meetings | 2 |
| Section 1.10 - Voting | 2 |
| Section 1.11 - Proxies | 2 |
| Section 1.12 - Shareholder Advisor | 2 |
| Section 1.13 - Recording of Proceedings | 2 |
| Section 1.14 - Record Date | 2 |
| Section 1.15 - List of Shareholders | 2 |
| ARTICLE 2 - DIRECTORS | 3 |
| Section 2.1 - Management of Corporation | 3 |
| Section 2.2 - Number of Directors | 3 |
| Section 2.3 - Nominations of Directors | 3 |
| Section 2.4 - Annual Meetings | 3 |
| Section 2.5 - Place of Meetings | 3 |
| Section 2.6 - Regular Meetings | 3 |
| Section 2.7 - Special Meetings | 3 |
| Section 2.8 - Notices | 3 |
| Section 2.9 - Quorum | 4 |
| Section 2.10 - Attendance by Conference Telecommunication | .4 |
| Section 2.11 - Consent to Action | 4 |
| Section 2.12 - Compensation | 4 |
| Section 2.13 - Manifestation of Dissent | 4 |
| Section 2.14 – Voting Standard for Election of Directors | 4 |
| ARTICLE 3 - COMMITTEES OF THE BOARD OF DIRECTORS | 5 |
| Section 3.1 - Executive Committee | 5 |
| Section 3.2 - Audit Committee | 5 |
| Section 3.3 - Other Committees | 6 |

ARTICLE 4 - OFFICERS AND EMPLOYEES 6

- Section 4.1 - Officers 6
- Section 4.2 - Election 6
- Section 4.3 - Removal and Vacancy 6
- Section 4.4 - Compensation 6
- Section 4.5 - Exercise of Rights as Stockholders 7
- Section 4.6 - Duties of Chairman of the Board 7
- Section 4.7 - Duties of Chief Executive Officer 7
- Section 4.8 - Duties of Lead Independent Director 7
- Section 4.9 - Duties of President 7
- Section 4.10 - Duties of Vice President 7
- Section 4.11 - Duties of Secretary 7
- Section 4.12 - Duties of Treasurer 8
- Section 4.13 - Other Officers 8
- Section 4.14 - Clerks and Agents 8

ARTICLE 5 - SHARES AND CERTIFICATES FOR SHARES 8

- Section 5.1 - Consideration 8
- Section 5.2 - Stock Certificates 8
- Section 5.3 - Lost Certificates 9
- Section 5.4 - Transfer of Shares 9
- Section 5.5 - Holder of Record 9
- Section 5.6 - Issuance of Shares 9
- Section 5.7- Subscriptions 9
- Section 5.8 - Payment of Subscriptions 9
- Section 5.9 - Default in Payment of Subscriptions 9

Section 6.1- Corporate Seal 10

ARTICLE 6 - SEAL 10

ARTICLE 7 - MISCELLANEOUS

PROVISIONS 10

- Section 7.1- Fiscal Year 10
- Section 7.2 - Records 10

ARTICLE 8 - BYLAWS . 10

- Section 8.1 - Inspection 10
- Section 8.2 - Amendments 10

BYLAWS OF
HERITAGE FINANCIAL CORPORATION

ARTICLE 1

Meetings of Shareholders

SECTION 1.1 - SHAREHOLDER MEETINGS. Shareholder meetings shall be held at the principal office of the corporation or at such other location within or without the State of Washington or in a virtual format as shall be determined by the Board of Directors and stated in the Notice of Meeting.

SECTION 1.2 - ANNUAL MEETING. The regular annual meeting of the shareholders for the election of directors and for the transaction of such other business as may properly be brought before the meeting shall be held on such day and at such time following the close of the corporation's fiscal year as shall be determined each year by the Board of Directors. If such annual meeting is omitted by oversight or otherwise during such period, a subsequent annual meeting may nonetheless be held, and any business transacted or elections held at such meeting shall be as valid as if the annual meeting had been held during the period provided above.

SECTION 1.3 - SPECIAL MEETINGS. Special meetings of the shareholders maybe called at any time by the Chairman, the Chief Executive Officer, a majority of the Board of Directors, or any shareholder or shareholders holding in the aggregate not less than one-tenth of all shares entitled to vote at the special meeting. Shareholders may hold a meeting at any time and place without notice or call, upon appropriate waivers signed by all shareholders who are entitled to vote at a shareholders' meeting.

SECTION 1.4 - NOTICE. Written notice stating the place, day, and hour of the meeting, and in case of a special meeting the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) days nor more than sixty (60) days before the date of the meeting, either personally, by mail, or electronically by or at the direction of the Chairman, the Chief Executive Officer, the President, the Secretary, or the person or persons calling the meeting to each shareholder of record entitled to vote at such meeting. If mailed or e-mailed, such notice shall be deemed to be delivered when deposited in the United States mail, postage prepaid, addressed to the shareholder at his or her physical address or e-mail as it appears on the stock transfer books of the corporation. Each shareholder shall be responsible for providing the Secretary with the shareholder's current mailing address to which notices of meetings and all other corporate notices may be sent. A shareholder may waive any notice required for any meeting by executing a written waiver of notice either before or after said meeting and such waiver shall be equivalent to the giving of such notice. The attendance of a shareholder at a shareholders' meeting, in person or by proxy, shall constitute a waiver of notice of the meeting.

SECTION 1.5 - QUORUM. A majority of the shares entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of shareholders. When a quorum is present at any meeting, the affirmative vote of the majority of the shares represented at the meeting and entitled to vote on the subject matter shall be the act of the shareholders, unless otherwise provided by law.

SECTION 1.6 - ADJOURNMENT. If less than a quorum shall be in attendance at a meeting of shareholders, the meeting may be adjourned from time to time by the vote of a majority of the shareholders present or represented by proxy without notice other than by announcement at the meeting.

SECTION 1.7 - CHAIRMAN OF MEETING. The Chairman, or in his or her absence, the Chief Executive Officer, shall preside at all meetings of the shareholders unless the Board of Directors shall otherwise determine. The Board of Directors may appoint any shareholder to act as chairman of the meeting.

SECTION 1.8 - SECRETARY OF MEETING. The Secretary shall act as a secretary at all meetings of the shareholders, and in his or her absence, the presiding officer may appoint any person to act as secretary.

SECTION 1.9 - CONDUCT OF MEETINGS. Shareholder meetings shall be conducted in an orderly and fair manner, but the presiding officer shall not be bound by any technical rules of parliamentary procedure.

SECTION 1.10 - VOTING. Each outstanding share entitled to vote shall have one vote on each matter submitted to a vote at a meeting of shareholders.

SECTION 1.11 - PROXIES. At all meetings of shareholders, a shareholder may vote by a proxy executed in writing by the shareholder or by his or her duly authorized attorney in fact. Such proxy shall be filed with the Secretary of the corporation before or at the time of the meeting. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy.

SECTION 1.12 - SHAREHOLDER ADVISOR. A shareholder or holder of a valid proxy may be accompanied at any shareholders' meeting by one personal advisor, but no such advisor may address the meeting without the consent of the presiding officer.

SECTION 1.13 - RECORDING OF PROCEEDINGS. The proceedings of a shareholders' meeting may not be mechanically or electronically recorded other than by the Secretary or acting secretary without the express approval of all individuals in attendance at the meeting.

SECTION 1.14-RECORD DATE. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or entitled to receive payment of any dividend, or in order to make a determination of shareholders for any other proper purpose, the Board of Directors may fix in advance a date as the record date for any such determination of shareholders. Such date in any case shall not be more than sixty (60) days and, in case of a meeting of shareholders, not less than ten (10) days prior to the date on which the particular action requiring such determination of shareholders is to be taken. If no record date is fixed by the Board of Directors, the date on which notice of the meeting is mailed or the date on which the resolution of the Board declaring such dividend is adopted, as the case may be, shall be the record date for such determination of shareholders. When a determination of shareholders entitled to vote at

any meeting of shareholders has been made as provided in this section, such determination shall apply to any adjournment thereof.

SECTION 1.15 - LIST OF SHAREHOLDERS. The Secretary of the corporation shall make a complete record of the shareholders entitled to vote at a meeting of shareholders, or any adjournment thereof, arranged in alphabetical order, with the address of and the number of shares held by each as shown on the corporation's stock transfer books on the record date. Such record shall be kept on file at the registered office of the corporation for a period of ten (10) days prior to the meeting of the shareholders. Such record shall be produced and kept open at the time and place of the shareholders' meeting and shall be subject to the inspection of any shareholder during the meeting for any proper purpose.

ARTICLE 2

Directors

SECTION 2.1 - MANAGEMENT OF CORPORATION. All corporate powers shall be exercised by, or under authority of, and the business and affairs of the corporation shall be managed under the direction of the Board of Directors (hereinafter sometimes referred to as the "Board or Board of Directors").

SECTION 2.2 - NUMBER OF DIRECTORS. The initial number of directors is stated in the Articles of Incorporation. The number to be elected by the shareholders shall consist of not less than five (5) nor more than twenty-five (25) persons. The exact number within such minimum and maximum limits shall be fixed and determined by resolution of the Board of Directors.

SECTION 2.3 - NOMINATIONS OF DIRECTORS. Any nomination to the Board of Directors (other than one proposed by the existing Board of the corporation) must be made in the manner set forth in the Articles of Incorporation.

SECTION 2.4 - ANNUAL MEETINGS. Following the annual meeting of shareholders, the Directors shall meet to elect officers and transact any other business they deem appropriate.

SECTION 2.5 - PLACE OF MEETINGS. Meetings of the Board of Directors, regular or special, may be held within or without this state or in a virtual format.

SECTION 2.6 - REGULAR MEETINGS. Regular meetings of the Board of Directors may be held without notice at such time and at such place or virtually as the Board may by vote from time to time designate.

SECTION 2.7 - SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by the Chairman, the Chief Executive Officer, or by any two (2) directors.

SECTION 2.8 -NOTICES. Notices of special meetings of the Board of Directors stating the date, time, place and in general terms the purpose or purposes thereof shall be delivered to each director, by mailing written notice or electronic distribution at least two (2) days before the

meeting or by telephoning, electronic distribution or personally advising each director at least one (1) day before the meeting. A special meeting shall be held not more than twenty (20) days after the delivery of said notice. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, postage prepaid, addressed to the director at the address provided to the Secretary. An entry of the service of notice, given in the manner above provided, shall be made in the minutes of the proceedings of the Board of Directors, and such entry, if read and approved at the subsequent meeting of the Board, shall be conclusive on the question of service. Attendance of a director at a special meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called or convened. A director also may waive any notice required for any meeting by executing a written waiver of notice either before or after said meeting, and such waiver shall be the equivalent of giving such notice.

SECTION 2.9 - QUORUM. A majority of the directors shall constitute a quorum for the transaction of business. Unless otherwise provided in the Articles of Incorporation or these Bylaws, the act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors. A majority of those present at the time and place of any regular or special meeting, although less than a quorum, may adjourn from time to time, without further notice, until a quorum shall attend. When a quorum shall attend, any business may be transacted which might have been transacted at the meeting had the same been held on the date stated in the notice of meeting.

SECTION 2.10 - ATTENDANCE BY CONFERENCE TELECOMMUNICATION.

Members of the Board of Directors may participate in a meeting of such Board by means of a virtual meeting, conference telephone or similar communications equipment, by means of which all persons participating in the meeting can hear each other at the same time, and participation by such means shall constitute presence in person at a meeting.

SECTION 2.11 - CONSENT TO ACTION. Any action which may be taken at a meeting of the Board of Directors, or at a meeting of any committee of the Board, may be taken without a meeting if a consent in writing, setting forth the action so taken shall be signed by all of the directors or all the members of the committee. Such consent shall have the same force and effect as a unanimous vote at a duly convened meeting.

SECTION 2.12 - COMPENSATION. The directors shall receive such reasonable compensation for their services as directors and as members of any committee appointed by the Board as may be prescribed by the Board of Directors, and may be reimbursed by the corporation for ordinary and reasonable expenses incurred in the performance of their duties.

SECTION 2.13 - MANIFESTATION OF DISSENT. A director of the corporation who is present at a meeting of the Board at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his or her dissent shall be entered in the minutes of the meeting or unless the director shall file his or her written dissent to such action with the person acting as the Secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the corporation immediately after the

adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

Section 2.14 – VOTING STANDARD FOR ELECTION OF DIRECTORS. The corporation elects to be governed by Section 23B.10.205 of the Washington Business Corporation Act (“Act”) with respect to the election of directors as set forth in this Section 2.14. In any election of directors at a meeting of shareholders that is not a contested election (as defined below), the candidates elected are those receiving a majority of the votes cast. For purposes of this Section 2.14, a “majority of the votes cast” means that the number of shares voted “for” a director nominee must exceed the number of shares voted “against” that director nominee. The following shall not be considered votes cast for this purpose: (i) a share whose ballot is marked as withheld, (ii) a share otherwise present at the meeting but for which there is an abstention, and (iii) a share otherwise present at the meeting as to which a shareholder of record gives no authority or direction. A nominee for director in an election that is not a contested election who does not receive a majority of votes cast, but who was a director at the time of the election, shall continue to serve as a director for a term that shall terminate on the date that is the earliest of: (A) ninety (90) days from the date on which the voting results of the election are determined, (B) the date on which an individual is selected by the Board of Directors to fill the office held by such director, which selection shall be deemed to constitute the filling of a vacancy by the Board of Directors, or (C) the date and time at which the director’s resignation becomes effective. In a contested election, the persons receiving a plurality of the votes cast shall be elected directors. For purposes of this Section 2.14, a “contested election” is any meeting of shareholders for which (I) the Secretary of the corporation receives a notice that a shareholder proposes to nominate a person for election to the Board of Directors in compliance with the advance notice requirements for shareholder nominees for director set forth in Article 10 of the corporation’s Articles of Incorporation, (II) such nomination has not been withdrawn by such shareholder on or prior to the last date that a notice of nomination for such meeting is timely as determined under Article 10 of the Corporation’s Articles of Incorporation and (III) the Board of Directors has not determined before the notice of meeting is given that the shareholder’s nominee(s) do not create a bona fide election contest. For purposes of clarity and to resolve any ambiguity under Section 23B.10.205 of the Act, it shall be assumed that, for purposes of determining the number of director nominees, on the last day for delivery of a notice under Article 10 of the corporation’s Articles of Incorporation, there is a candidate nominated by the Board of Directors for each of the director positions to be voted on at the meeting. Nothing in this Section 2.14 is intended to limit the authority of the Board of Directors to determine that a bona fide election contest does not exist, in which event it shall disclose the applicable voting regime in the notice of meeting or, if such determination occurs after such notice has been sent, send a new notice that includes disclosure of the applicable voting regime.

ARTICLE 3

Committees of the Board of Directors

SECTION 3.1 - EXECUTIVE COMMITTEE. By resolution adopted by a majority of the entire Board of Directors, the Board may designate from among its members an Executive Committee of not less than three (3) nor more than seven (7) members, including the Chairman, and the Chief Executive Officer. The Chairman or in his or her absence, the Chief Executive Officer shall act as chairman of the Executive Committee. Any member of the Board may serve as an alternate member of the Executive Committee in the absence of a regular member or members. The Executive Committee shall have and may exercise all of the authority of the Board of

Directors during the intervals between meetings of the Board, except that the committee shall not have the authority to: (1) authorize or approve a distribution or issuance of shares, except according to a general formula or method prescribed by the Board of Directors, (2) approve or propose to shareholders actions or proposals requiring shareholder approval, (3) fill vacancies on the Board of Directors or any committee thereof, (4) amend the Articles of Incorporation pursuant to RCW 23B.10.020, (5) adopt, amend or repeal Bylaws, (6) approve a plan of merger not requiring shareholder approval, or (7) authorize or approve the issuance or sale or contract for sale of shares, or determine the designation and relative rights, preferences, and limitations of a class or series of shares, except within certain limits specifically prescribed by the Board of Directors.

SECTION 3.2 - AUDIT COMMITTEE. By resolution adopted by a majority of the entire Board of Directors, the Board may appoint from among its members an Audit Committee of three (3) or more, none of whom shall be active officers of the corporation, and may designate one (1) of such members as chairman of the Committee. The Board may also designate one or more directors as alternates to serve as a member or members of the Committee in the absence of a regular member or members. The Committee shall establish and maintain continuing communications between the Board and the corporation's independent auditors, internal auditors, and members of financial management with respect to the audit of the corporation's accounts and financial affairs and the audit of the corporation's controlled subsidiaries. The Committee shall have such other powers and perform such other duties as may from time to time be prescribed by the Board of Directors.

SECTION 3.3 - OTHER COMMITTEES. By resolution adopted by a majority of the entire Board of Directors, the Board may designate from among its members such other committees as it may deem necessary, each of which shall consist of not less than two (2) directors and have such powers and duties as may from time to time be prescribed by the Board.

SECTION 3.4 - RULES OF PROCEDURE. The majority of the members of any committee may fix its rules of procedure. All actions by any committee shall be reported in written minutes available at any reasonable time to any Board member. Such actions shall be subject to revision, alteration and approval by the Board of Directors; provided, that no rights or acts of third parties who have relied in good faith on the authority granted herein shall be affected by such revision or alteration.

ARTICLE 4

Officers and Employees

SECTION 4.1- OFFICERS. The Board of Directors shall elect a Chairman and a Chief Executive Officer and may elect a Lead Independent Director and/or a President. The offices of President and Chief Executive Officer may be held by the same person. It shall also elect a Secretary and a Treasurer and such Vice Presidents and other officers as, in the opinion of the Board, the business of the corporation requires. The Board may also elect or appoint, or in its discretion delegate to the Chief Executive Officer the authority to appoint, from time to time such other or additional officers as are desirable for the conduct of the business of the corporation.

SECTION 4.2 - ELECTION. None of the officers, except the Chairman, and Chief Executive Officer, need be directors. The Chairman and officers shall be elected annually by the Board of Directors at the meeting of the Board following the annual meeting of shareholders, and they shall hold office at the pleasure of the Board of Directors.

SECTION 4.3 - REMOVAL AND VACANCY. Any officer, agent, or employee of the corporation may be removed by the Board of Directors at any time with or without cause. Such removal, however, shall be without prejudice to the contract rights, if any, of the persons so removed. Election or appointment of an officer or agent or employee shall not of itself create contract rights. If any corporate officer becomes vacant by reason of death, resignation, removal or otherwise, the Board of Directors or the Chief Executive Officer possessing delegated authority to appoint such an officer, shall have power to fill such vacancies. In case of the absence or disability of any officer, the Board of Directors or the Chief Executive Officer may delegate the powers or duties of any such officer to another officer for the time being.

SECTION 4.4 - COMPENSATION. The compensation of the Chairman shall be fixed by the Board of Directors and the compensation of the Chief Executive Officer shall be fixed by the Compensation Committee of the Board of Directors, and if there is no Compensation Committee, then by the independent members of the Board of Directors. Unless delegated to the Chief Executive Officer by the Board of Directors, the compensation for all executive officers of the corporation shall be approved by or at the direction of the Compensation Committee of the Board of Directors, and if there is no Compensation Committee, then by the independent members of the Board of Directors.

SECTION 4.5 - EXERCISE OF RIGHTS AS STOCKHOLDERS. Unless otherwise ordered by the Board of Directors, the Chairman or in his absence the Lead Independent Director or his or her designee acting by written designation, shall have full power and authority on behalf of the corporation to attend and to vote at any meeting of shareholders of any corporation in which this corporation may hold stock, other than in a fiduciary capacity, and may exercise on behalf of this corporation any and all of the rights and powers incident to the ownership of such stock at any such meeting, and shall have power and authority to execute and deliver proxies and consents on behalf of this corporation in connection with the exercise by this corporation of the rights and powers incident to the ownership of such stock. The Board of Directors, from time to time, may confer like powers upon any other person or persons.

SECTION 4.6 - DUTIES OF CHAIRMAN OF THE BOARD. Unless the Board shall otherwise determine, the Chairman shall preside at all meetings of the shareholders and at meetings of the Board of Directors.

SECTION 4.7 - DUTIES OF CHIEF EXECUTIVE OFFICER. The Chief Executive Officer shall see that all orders and resolutions of the Board of Directors and the Executive Committee are carried into effect and shall be the person to whom the President, and all other officers designated by the Chief Executive Officer, shall report. The Chief Executive Officer may delegate such duties as he or she sees fit to delegate to the President, or other officers of the corporation. The Chief Executive Officer may appoint agents or employees other than those appointed by the Board of Directors, and shall perform such other duties as may be prescribed

from time to time by the Board of Directors or by the Bylaws. In case of the absence or disability of the Chief Executive Officer, the Board of Directors shall designate an officer to perform all of the duties of the Chief Executive Officer.

SECTION 4.8 - DUTIES OF LEAD INDEPENDENT DIRECTOR. The Lead Independent Director, if any, may assist the Chairman in the performance of the Chairman's duties and shall have such powers and exercise such other duties as shall be delegated to such officer by the Chief Executive Officer or the Board.

SECTION 4.9 - DUTIES OF PRESIDENT. The President shall, subject to the authority granted to the Chief Executive Officer, be the chief operating officer of the corporation and shall have general supervision over the day-to-day business of the corporation. The President shall have such other authority and shall exercise such other duties as shall, from time to time, be delegated to such officer by the Chief Executive Officer or by the Board.

SECTION 4.10 - DUTIES OF VICE PRESIDENT. The Vice Presidents shall have such powers and perform such duties as may be assigned to them by the Board of Directors or the Chief Executive Officer.

SECTION 4.11 - DUTIES OF SECRETARY. The Secretary shall, subject to the direction of the Chairman, keep the minutes of all meetings of the shareholders and of the Board of Directors, and to the extent ordered by the Board of Directors or the Chairman, the minutes of all meetings of all committees. The Secretary shall cause notice to be given of the meetings of the shareholders, of the Board of Directors, and of any committee appointed by the Board. He or she shall have custody of the corporate seal and general charge of the records, documents, and papers of the corporation not pertaining to the performance of the duties vested in other officers, which shall at all reasonable times be open to the examination of any director. Without limiting the generality of the foregoing, the Secretary shall have charge (directly or through such transfer agents or registrars as the Board of Directors may appoint) of the issuance, transfer, and registration of certificates for shares of the corporation and of the records pertaining thereto. Said records shall be kept in such manner as to show at any time the number of shares of the corporation issued and outstanding, the manner in which and the time when such shares were paid for, the names and addresses of the holders of record thereof, the numbers and classes of shares held by each, and the time when each became such holder of record. The Secretary shall perform such other duties as may be assigned to him or her by the Board of Directors, the Chairman or the Chief Executive Officer.

SECTION 4.12 - DUTIES OF TREASURER. Except otherwise set forth herein, the Treasurer shall, subject to the direction of the Chief Financial Officer, have general custody of all the funds and securities of the corporation and have general supervision of the collection and disbursement of funds of the corporation. He or she shall perform such other duties as may be assigned by the Board of Directors, the Chief Executive Officer or Chief Financial Officer.

SECTION 4.13 - OTHER OFFICERS. Such other officers as shall be appointed by the Board of Directors, or the Chief Executive Officer acting pursuant to delegated authority of the

Board, shall exercise such powers and perform such duties as pertain to their several offices, or as may be conferred upon or assigned to them by the Chief Executive Officer or his or her designee.

SECTION 4.14 - CLERKS AND AGENTS. The Chief Executive Officer, or any other officer of the corporation authorized by him, may, appoint such custodians, bookkeepers and other clerks, agents, and employees as he shall deem advisable for the prompt and orderly transaction of the business of the corporation and shall define their duties, fix the salaries to be paid to them and dismiss them.

ARTICLE 5

Shares and Certificates for Shares

SECTION 5.1- CONSIDERATION. Certificates for shares of the corporation shall be issued only when fully paid for.

SECTION 5.2 - STOCK CERTIFICATES. The Board of Directors may authorize the issuance of some or all of the shares of any or all of its classes or series without issuing certificates to represent such shares. If shares are represented by certificates, the certificates shall be in such form as designated by the Board of Directors, shall be numbered in the order in which they shall be issued, and shall be signed, either manually or in facsimile, by the President and by the Secretary, or by such officers as may be designated by the Board of Directors. If a corporate seal is maintained, it or a facsimile thereof may be affixed to the certificates. Each certificate shall state upon its face the name of the corporation and that the corporation is organized under the laws of the State of Washington, the name of the person to whom it is issued, and the number and class of shares and the designation of the series, if any, the certificate represents. When shares are not represented by certificates, then within a reasonable time after the issue or transfer of shares without certificates, the corporation shall send the shareholder a record containing the information required on certificates by RCW 23B.06.250(2) and (3), and, if applicable RCW 23B.06.270 or such other statutes as may, in the future, be applicable to the corporation.

SECTION 5.3 - LOST CERTIFICATES. No new certificates shall be issued until the former certificate for the shares represented thereby shall have been surrendered and cancelled, except in the case of lost or destroyed certificates, and in that case only after the receipt of a bond or other security by the corporation, satisfactory to the Board of Directors, indemnifying the corporation and all persons against loss in consequence of the issuance of such new certificate.

SECTION 5.4 - TRANSFER OF SHARES. Shares of the corporation may be transferred by endorsement by the signature of the owner, his or her agent, attorney or legal representative, and the delivery of the certificate; but no transfer shall be valid except between the parties thereto, until the same shall have been entered upon the books of the corporation, so as to show the names of the parties, by and to whom transferred, the numbers and designation of the shares and the date of transfer.

SECTION 5.5 - HOLDER OF RECORD. The person registered on the books of the corporation as the owner of the issued shares shall be recognized by the corporation as the person exclusively entitled to have and to exercise the rights and privileges incident to the ownership of such shares. Notwithstanding the preceding sentence, the Board of Directors may adopt by resolution a procedure whereby a shareholder may certify in writing to the corporation that all or a portion of the shares registered in the name of such shareholder are held for the account of a specified person or persons. Upon receipt by the corporation of a certification complying with such an adopted procedure, the person specified in the certification shall be deemed, for the purpose or purposes set forth in the certification, to be the holder of record of the number of shares specified in place of the shareholder making the certification.

SECTION 5.6 - ISSUANCE OF SHARES. Any shares authorized but not issued by this corporation shall be issued, sold, or otherwise transferred by this corporation only upon authorization of the Board of Directors.

SECTION 5.7 - SUBSCRIPTIONS. A subscription for shares of this corporation shall be in writing and upon such terms as may be approved by the Board of Directors.

SECTION 5.8 - PAYMENT OF SUBSCRIPTIONS. A Subscription for shares shall be paid in accordance with the terms set forth in the subscription or related Subscription agreement, if any. If the subscription or subscription agreement does not require payment on or before a stated date or at a fixed period after a stated date, then payment shall be made in such manner and at such times as may be determined by the Board of Directors and expressed by it in a written call for payment; provided that the call shall be uniform as to all shares of the same class or series and that the call shall be mailed to each subscriber at his or her last post office address known to the corporation at least thirty (30) days in advance of the date upon which payment or the first installment, if installment payments are called for, is due.

SECTION 5.9 – DEFAULT IN PAYMENT OF SUBSCRIPTIONS. If a payment required by a subscription, a subscription agreement, or a call of the Board of Directors is not paid when due, then the corporation may make written demand for payment upon the defaulting subscriber by personal service or by mailing a copy of the demand to the subscriber at his or her last post office address known to the corporation. If the payment is not made within twenty (20) days of the serving or mailing of the demand for payment, the corporation may terminate the subscription, forfeit the subscriber's rights there under, retain as liquidated damages any sums previously paid on the subscription, and hold and dispose of the shares as though never subject to the subscription. In lieu of forfeiture, the corporation may proceed to collect the amount due in the same manner as any debt due the corporation.

ARTICLE 6

Seal

SECTION 6.1 - CORPORATE SEAL. In the exercise of its discretion the Board of Directors may adopt and maintain a suitable seal for the corporation.

ARTICLE 7

Miscellaneous Provisions

SECTION 7.1 - FISCAL YEAR. The fiscal year end of the corporation shall be December 31.

SECTION 7.2 - RECORDS. The Articles of Incorporation, the Bylaws, and the proceedings of all meetings of the shareholders, the Board of Directors and standing committees of the Board shall be recorded in appropriate minute books provided for that purpose. The minutes of each meeting shall be signed by the Secretary or other officer appointed to act as Secretary.

ARTICLE 8

Bylaws

SECTION 8.1 - INSPECTION. A copy of the Bylaws, with all amendments thereto, shall at all times be kept in a convenient place at the principal office of the corporation, and shall be open for inspection by all shareholders during normal business hours.

SECTION 8.2 - AMENDMENTS. The Bylaws may be amended, altered or repealed, at any regular meeting of the Board of Directors, by a vote of the majority of the whole Board of Directors, provided that a written statement of the proposed action shall have been personally delivered, mailed or electronically distributed to all directors at least two (2) days prior to any meeting.

I HEREBY CERTIFY that the foregoing are the Bylaws of Heritage Financial Corporation in effect on this 25th day of June, 2020.

/s/ Kaylene M. Lahn

Kaylene M. Lahn

11

[\(Back To Top\)](#)

Section 3: EX-10.1 (EXHIBIT 10.1)



Heritage
BANK

Exhibit 10.1

HERITAGE FINANCIAL CORPORATION

EMPLOYMENT AGREEMENT

This **EMPLOYMENT AGREEMENT** is made and entered into on June 25, 2020, effective as of July 1, 2020, by and between **HERITAGE FINANCIAL CORPORATION** and **TONY CHALFANT**. As used in this Agreement, capitalized terms have the meanings set forth in **Section 20**.

RECITALS

- A.** Executive is currently employed by Heritage Bank pursuant to that certain Employment Agreement, effective July 26, 2017 (the "**Prior Agreement**").
- B.** Heritage Bank is a wholly-owned subsidiary of the Company.
- C.** The Company desires to employ Executive pursuant to the terms of this Agreement and Executive desires to be

employed by the Company pursuant to such terms.

D. The Parties have made commitments to each other on a variety of important issues concerning Executive's employment with the Company, including the performance that will be expected of Executive, the compensation Executive will be paid, how long and under what circumstances Executive will remain employed, and the financial details relating to any decision that either the Company or Executive may make to terminate this Agreement and Executive's employment with the Company.

E. The Parties desire to enter into this Agreement as of the Effective Date and, to the extent provided herein, to have this Agreement supersede all prior employment agreements between the Parties, whether or not in writing, and to have any such prior employment agreements (specifically including the Prior Agreement) become null and void as of the Effective Date.

AGREEMENT

In consideration of the foregoing and the mutual promises and covenants of the Parties set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby expressly covenant and agree as follows:

1. Employment Period. The Company shall employ Executive during the Employment Period and Executive shall remain in the employ of the Company and provide services to the Company during the Employment Period in accordance with the terms of this Agreement. The "**Employment Period**" shall be the period beginning on the Effective Date and ending on June 30, 2023, unless sooner terminated as provided herein. The Employment Period shall be extended automatically for one additional year beginning on July 1, 2021 and on each July 1 thereafter unless either Party notifies the other Party, by written notice delivered no later than 90 days prior to such July 1, that the Employment Period shall not be extended for an additional year.

Notwithstanding any provision of this Agreement to the contrary, if a Change in Control occurs during the Employment Period, this Agreement shall remain in effect for the two-year period immediately following the Change in Control and shall then terminate.

2. Duties. During the Employment Period, Executive shall devote Executive's full business time, energy and talent to serving as an Executive Vice President and Chief Credit Officer of the Company and as an Executive Vice President and Chief Credit Officer of Heritage Bank, subject to the direction of the President and Chief Executive Officer ("**CEO**") of the Company and Heritage Bank, respectively. Executive shall have the duties that are commensurate with Executive's position(s) and any other duties that may be assigned to Executive by the CEO and Executive shall perform all such duties faithfully and efficiently. Executive shall have such powers as are inherent to the undertakings applicable to Executive's position and necessary to carry out the duties required of Executive hereunder. Executive shall perform the duties required by this Agreement at the Company's Principal Business Location, unless the nature of such duties requires otherwise. Notwithstanding the foregoing provisions of this **Section 2**, during the Employment Period, Executive may devote reasonable time to activities other than those required under this Agreement, including activities of a charitable, educational, religious, or similar nature to the extent such activities do not, in the judgment of the CEO, inhibit, prohibit, interfere with, or conflict with Executive's duties under this Agreement or conflict in any material way with the business of the Company or an Affiliate; *provided, however*, that Executive shall not serve on the board of directors of any business (other than the Company or an Affiliate) or hold any other position with any business without receiving the prior written consent of the CEO.

3. Compensation and Benefits. During the Employment Period, while Executive is employed by the Company, the Company shall compensate Executive for Executive's services as follows:

(a) Executive shall be paid a base salary at an annual rate of Two Hundred Eighty-Four Thousand Eight Hundred and Twenty Dollars (\$284,820) (the "**Annual Base Salary**"), which shall be payable in accordance with the normal payroll practices of the Company then in effect. Each year during the Employment Period, Executive's Annual Base Salary shall be reviewed by the Board to determine if any increase (but not decrease) is appropriate, with any such increase to be effective as of July 1 of the year of such adjustment.

(b) Executive shall be eligible to receive performance-based annual incentive bonuses (each, the "**Incentive Bonus**") from the Company for each fiscal year ending during the Employment Period. Incentive Bonuses shall be established and determined in accordance with the Company's annual cash incentive plan, as may be in effect from time to time, or otherwise as determined by the Board. Executive's target Incentive Bonus opportunity shall be thirty-five percent (35%) of Annual Base Salary (the "**Target Bonus**"), subject at all times to the discretion of the Board. Any Incentive Bonus shall be paid to Executive no later than two and one-half months after the close of the year in which it is earned, *provided* that any Incentive Bonus shall not be considered earned until the Board has made all determinations and taken all actions necessary to establish such Incentive Bonus.

(c) In connection with entering into this Agreement, Executive shall receive a one-time award of restricted stock units with a grant date fair market value equal to approximately One Hundred and Fifty Thousand Dollars (\$150,000) (the “Award”). The Award will vest pursuant to a six (6)-year ratable vesting schedule to be set forth in a separate agreement. The Award shall be subject to approval by the Board and the terms and conditions of the Company’s equity incentive plan then in effect.

(d) Executive shall be eligible to participate, subject to the terms thereof, in all incentive plans of the Company as may be in effect from time to time with respect to senior executives employed by the Company, on as favorable a basis as other similarly situated and performing executives (excluding participation in any non-qualified retirement or deferred compensation programs, unless specifically selected for participation by the Company). During the Employment Period, Executive and Executive’s dependents, as the case may be, shall be eligible to participate, subject to the terms thereof, in all tax qualified retirement and similar benefit plans and all medical, dental, disability, group and executive life, accidental death and travel accident insurance, and other similar welfare benefit plans of the Company as may be in effect from time to time with respect to senior executives employed by the Company, on as favorable a basis as other similarly situated and performing executives.

(e) Executive shall be entitled to accrue paid vacation in accordance with and subject to the Company’s vacation programs and policies as may be in effect from time to time.

(f) Executive shall be eligible to be reimbursed by the Company, on terms that are substantially similar to those that apply to other similarly situated and performing executives employed by the Company, for reasonable out-of-pocket expenses for entertainment, travel, meals, lodging, and similar items that are consistent with the Company’s expense reimbursement policy and that are actually incurred by Executive in the promotion of the Company’s business.

4. Rights upon Termination. This Agreement and Executive’s employment under this Agreement may be terminated for any of the reasons described in this **Section 4**. Executive’s right to benefits, if any, for periods after the Termination Date shall be determined in accordance with this **Section 4**:

(a) **Minimum Benefits.** If the Termination Date occurs during the Employment Period for any reason, Executive shall be entitled to the Minimum Benefits, in addition to any other benefits to which Executive may be entitled under the following provisions of this **Section 4** or the express terms of any employee benefit plan or as required by law. Any benefits to be provided to Executive pursuant to this **Section 4(a)** shall be provided within 30 days after the Termination Date; *provided, however*, that any benefits, incentives or awards payable as described in **Section 4(g)** shall be provided in accordance with the terms of the applicable plan, program or arrangement. Except as may expressly be provided to the contrary in this Agreement, nothing in this Agreement shall be construed as requiring Executive to be treated as employed by the Company or any Affiliate following the Termination Date for purposes of any plan, program, or arrangement.

(b) **Termination for Cause; Death; Disability; Voluntary Resignation; Non-Renewal.** If the Termination Date occurs during the Employment Period and is a result of a

Termination for Cause, Executive's death or Disability, or a termination by Executive other than for Good Reason, or if this Agreement expires due to notice of non-renewal by either Party as provided under **Section 1** or at the end of a Covered Period, then, other than the Minimum Benefits, Executive shall have no right to benefits under this Agreement (and the Company and its Affiliates shall have no obligation to provide any such benefits) for periods after the Termination Date.

(c) **Termination other than for Cause; Termination for Good Reason.** If Executive's employment is subject to a Termination other than during a Covered Period, then, in addition to the Minimum Benefits, the Company shall provide Executive the following benefits:

(i) On the first regularly-scheduled payroll date following the 45th day following the Termination Date, Executive shall commence receiving the Severance Amount (less any amount described in **Section 4(c)(ii)**), with such amount to be paid in 24 substantially equal monthly installments, with each successive payment being due on the monthly anniversary of the Termination Date, or the next regularly scheduled payroll date following such date.

(ii) To the extent any portion of the Severance Amount exceeds the "safe harbor" amount described in Treasury Regulation Section 1.409A-1(b)(9)(iii)(A), Executive shall receive such portion of the Severance Amount that exceeds the "safe harbor" amount in a single lump sum payment payable on the first regularly-scheduled payroll date following the 45th day following the Termination Date.

(iii) Executive (and Executive's dependents, as may be applicable) shall be entitled to the benefits described in **Section 4(e)**.

(iv) Any equity awards granted to Executive by the Company that are subject to vesting, performance, or target requirements shall be treated as having satisfied all service-based vesting requirements, and performance-based vesting requirements shall be based upon actual Company performance for the applicable periods and settled thereafter as if Executive had continued service through the end of the applicable performance period (without proration for duration of employment), and with such vesting to be no less than as otherwise provided in the applicable plan and award agreements.

(v) Any Company contributions made pursuant to the Deferred Compensation Plan that are subject to vesting requirements shall be treated as having satisfied such vesting requirements.

(d) **Termination upon a Change in Control.** If Executive's employment is subject to a Termination within a Covered Period, then, in addition to Minimum Benefits, the Company shall provide Executive the following benefits:

(i) On the 45th day following the Termination Date, the Company shall pay Executive a lump sum payment in an amount equal to the Severance Amount.

(ii) Executive (and Executive's dependents, as may be applicable) shall be entitled to the benefits described in **Section 4(e)**.

(iii) Any equity awards granted to Executive by the Company that are subject to vesting, performance, or target requirements shall be treated as having satisfied such vesting, performance, and target requirements at target level performance (without proration for duration of employment).

(e) Medical and Dental Benefits. If Executive's employment is subject to a Termination, then to the extent that Executive or any of Executive's dependents may be covered under the terms of any medical or dental plans of the Company (or an Affiliate) for active employees immediately prior to the Termination Date, then, *provided* Executive is eligible for and elects coverage under the health care continuation rules of COBRA, the Company shall provide Executive and those dependents with coverage equivalent to the coverage in effect immediately prior to the Termination. For a period of twelve (12) months (18 months for a Termination during a Covered Period), Executive shall be required to pay the same amount as Executive would pay if Executive continued in employment with the Company during such period and thereafter Executive shall be responsible for the full cost of such continued coverage; *provided, however*, that such coverage shall be provided only to the extent that it does not result in any additional tax or other penalty being imposed on the Company (or an Affiliate) or violate any nondiscrimination requirements then applicable with respect to the applicable plans. The coverages under this **Section 4(e)** may be procured directly by the Company (or an Affiliate, if appropriate) apart from, and outside of the terms of the respective plans, *provided* that Executive and Executive's dependents comply with all of the terms of the substitute medical or dental plans, and *provided, further*, that the cost to the Company and its Affiliates shall not exceed the cost for continued COBRA coverage under the Company's (or an Affiliate's) plans, as set forth in the immediately preceding sentence. In the event Executive or any of Executive's dependents is or becomes eligible for coverage under the terms of any other medical and/or dental plan of a subsequent employer with plan benefits that are comparable to Company (or Affiliate) plan benefits, the Company's and its Affiliates' obligations under this **Section 4(e)** shall cease with respect to the eligible Executive and/or dependent. Executive and Executive's dependents must notify the Company of any subsequent employment and provide information regarding medical and/or dental coverage available.

(f) Golden Parachute Payment Adjustment.

(i) If the value of any payment or other benefit Executive would receive in connection with a Change in Control (the "**Benefit**") would (A) constitute a "parachute payment" within the meaning of Code Section 280G, and (B) but for this sentence, be subject to the Excise Tax, then the Benefit shall be reduced to the Reduced Amount. The "**Reduced Amount**" shall be either (1) the largest portion of the Benefit that would result in no portion of the Benefit being subject to the Excise Tax or (2) the largest portion, up to and including the total, of the Benefit, whichever amount, after taking into account all applicable federal, state, and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate), results in Executive's receipt, on an after-tax basis, of the greater amount of the Benefit notwithstanding that all or some portion of the Benefit may

be subject to the Excise Tax. If a reduction in payments or benefits constituting “parachute payments” is necessary so that the Benefit equals the Reduced Amount, reduction shall occur in the following order unless Executive elects in writing a different order (*provided, however*, that such election shall be subject to the Company’s approval if made on or after the date on which the event that triggers the Benefit occurs and to the extent that such election does not violate Code Section 409A): reduction of cash payments; cancellation of accelerated vesting of stock awards; reduction of employee benefits. In the event that accelerated vesting of stock awards is to be reduced, such accelerated vesting shall be cancelled in the reverse order of the grant date of Executive’s stock awards unless Executive elects in writing a different order for cancellation.

(ii) The accounting firm engaged by the Company for general audit purposes as of the day prior to the effective date of the Change in Control shall perform any calculations necessary in connection with this **Section 4(f)**. If the accounting firm so engaged by the Company is serving as accountant or auditor for the individual, entity, or group effecting the Change in Control, the Company shall appoint a nationally recognized accounting firm to make the determinations required hereunder. The Company shall bear all expenses with respect to the determinations by such accounting firm required to be made hereunder.

(iii) The accounting firm engaged to make the determinations under this **Section 4(f)** shall provide its calculations, together with detailed supporting documentation, to Executive and the Company within 15 calendar days after the date on which Executive’s right to a Benefit is triggered (if requested at that time by Executive or the Company) or such other time as requested by Executive or the Company. If the accounting firm determines that no Excise Tax is payable with respect to a Benefit, it shall furnish Executive and the Company with an opinion reasonably acceptable to Executive that no Excise Tax will be imposed with respect to such Benefit. Any good faith determinations of the accounting firm made hereunder shall be final, binding, and conclusive upon Executive and the Company, except as set forth below.

(iv) If, notwithstanding any reduction described in this **Section 4(f)**, the IRS determines that Executive is liable for the Excise Tax as a result of the receipt of the payment of benefits as described above, then Executive shall be obligated to pay back to the Company, within 30 days after a final IRS determination, or, in the event Executive challenges the final IRS determination, within 30 days after a final judicial determination, a portion of the payment equal to the Repayment Amount. The “**Repayment Amount**” with respect to the payment of benefits shall be the smallest amount, if any, required to be paid to the Company so that Executive’s net after-tax proceeds with respect to any payment of benefits (after taking into account the payment of the Excise Tax and all other applicable taxes imposed on such payment) are maximized. The Repayment Amount with respect to the payment of benefits shall be \$0 if a Repayment Amount of more than \$0 would not result in Executive’s net after-tax proceeds with respect to the payment of such benefits being maximized. If the Excise Tax is not eliminated pursuant to this **Section 4(f)**, Executive shall pay the Excise Tax.

(v) Notwithstanding any other provision of this **Section 4(f)**, if (A) there is a reduction in the payment of benefits as described in this **Section 4(f)**, (B) the IRS later determines that Executive is liable for the Excise Tax, the payment of which would result in the maximization of Executive's net after-tax proceeds (calculated as if Executive's benefits had not previously been reduced), and (C) Executive pays the Excise Tax, then the Company shall pay to Executive those benefits that were reduced pursuant to **Section 4(f)** contemporaneously or as soon as administratively possible after Executive pays the Excise Tax so that Executive's net after-tax proceeds with respect to the payment of benefits is maximized.

(g) Other Benefits.

(i) Executive's rights following a termination of employment with the Company and its Affiliates for any reason with respect to any benefits, incentives, or awards provided to Executive pursuant to the terms of any plan, program, or arrangement sponsored or maintained by the Company or its Affiliates, whether tax-qualified or not, which are not specifically addressed herein, shall be subject to the terms of such plan, program, or arrangement and this Agreement shall have no effect upon such terms except as specifically provided herein.

(ii) Except as specifically provided herein, the Company and its Affiliates shall have no further obligations to Executive under this Agreement following Executive's termination of employment for any reason.

(h) Removal from any Boards and Positions. Upon Executive's termination of employment for any reason under this Agreement, Executive shall be deemed to resign (i) if a member, from the Board and the board of directors of any Affiliate and any other board to which Executive has been appointed or nominated by or on behalf of the Company or an Affiliate, (ii) from each position with the Company and any Affiliate, including as an officer of the Company or an Affiliate and (iii) as a fiduciary of any employee benefit plan of the Company and any Affiliate.

(i) Regulatory Suspension and Termination.

(i) If Executive is suspended or temporarily prohibited from participating in the conduct of the affairs of the Company or an Affiliate by a notice served under Section 8(e) or 8(g) of the FDIA, or pursuant to Section 30.12.040 of the Revised Code of Washington, all obligations of the Company and its Affiliates under this Agreement shall be suspended as of the date of service, unless stayed by appropriate proceedings; if the charges in such notice are dismissed, the Company may in its discretion (A) pay Executive all or part of the compensation withheld while its and its Affiliates' obligations under this Agreement were suspended and (B) reinstate in whole or in part any of its and its Affiliates' obligations that were suspended, all in accordance with Code Section 409A.

(ii) If Executive is removed or permanently prohibited from participating in the conduct of the affairs of the Company or an Affiliate by an order issued under Section 8(e) or 8(g) of the FDIA, or pursuant to Section 30.12.040 of the Revised Code of

Washington, all obligations of the Company and its Affiliates under this Agreement shall terminate as of the effective date of the order, *provided* that this **Section 4(i)** shall not affect any vested rights of the Parties.

(iii) If the Company is in default as defined in Section 3(x) of the FDIA, all obligations of the Company under this Agreement shall terminate as of the date of default, *provided* that this **Section 4(i)** shall not affect any vested rights of the Parties.

(iv) All obligations of the Company under this Agreement shall be terminated, except to the extent determined by the FDIC that continuation of this Agreement is necessary for the continued operation of the institution, at the time the FDIC enters into an agreement to provide assistance to or on behalf of the Company under the authority contained in Section 13(c) of the FDIA, or when the Company is determined by the FDIC to be in an unsafe or unsound condition, *provided* that this **Section 4(i)** shall not affect any vested rights of the Parties.

(v) Any payments made to Executive pursuant to this Agreement, or otherwise, are subject to and conditioned upon their compliance with Section 18(k) of the FDIA.

(j) **Clawback.** Notwithstanding any provision of this Agreement to the contrary, if any Severance Restrictions require the recapture or “clawback” of any Severance Amount paid to Executive under this Agreement, Executive shall repay to the Company the aggregate amount of any such payments, with such repayment to occur no later than 30 days following Executive’s receipt of a written notice from the Company (setting forth in detail the particulars of the applicable Severance Restrictions) indicating that payments received by Executive under this Agreement are subject to recapture or clawback pursuant to the Severance Restrictions.

5. Release. Notwithstanding any provision of this Agreement to the contrary, no benefits owed to Executive under **Section 4(c), 4(d) or 4(e)** (other than the Minimum Benefits) shall be provided to Executive unless Executive executes (without subsequent revocation) and delivers to the Company a Release within 21 days (or such longer period to the extent required by applicable law) following the Termination Date.

6. Restrictive Covenants. Executive acknowledges that Executive has been and will continue to be provided intimate knowledge of the business practices, trade secrets, and other confidential and proprietary information of the Company and its Affiliates (including the Confidential Information), which, if exploited by Executive, would seriously, adversely, and irreparably affect the interests of the Company and its Affiliates and the ability of each to continue its business and therefore hereby agrees to be bound by the restrictions contained in this **Section 6** (the “**Restrictive Covenants**”).

(a) Confidential Information.

(i) Executive acknowledges that, during the course of Executive’s employment with the Company and its Affiliates, Executive may produce and have access

to Confidential Information. Executive shall not directly or indirectly use, disclose, copy, or make lists of Confidential Information for the benefit of anyone other than the Company, either during or after Executive's employment with the Company and its Affiliates, except to the extent that such information is or thereafter becomes lawfully available from public sources, or such disclosure is authorized in writing by the Company, required by law, or otherwise as reasonably necessary or appropriate in connection with the performance by Executive of Executive's duties hereunder. If Executive receives a subpoena or other court order or is otherwise required by law to provide information to a governmental authority or other person concerning the activities of the Company or its Affiliates, or Executive's activities in connection with the business of the Company or its Affiliates, Executive shall immediately notify the Company of such subpoena, court order, or other requirement and deliver forthwith to the Company a copy thereof and any attachments and non-privileged correspondence related thereto. Executive shall take reasonable precautions to protect against the inadvertent disclosure of Confidential Information. Executive shall abide by the Company's and its Affiliates' policies, as in effect from time to time, respecting avoidance of interests conflicting with those of the Company and its Affiliates. In this regard, Executive shall not directly or indirectly render services to any person or entity where Executive's service would involve the use or disclosure of Confidential Information. Executive shall not use any Confidential Information to guide Executive in searching publications or other publicly available information, selecting a series of items of knowledge from unconnected sources, and fitting them together to claim that Executive did not violate any terms set forth in this Agreement.

(ii) Notwithstanding the foregoing, an individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that—(A) is made—(i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Accordingly, Executive has the right to disclose in confidence trade secrets to Federal, State, and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law. Executive also has the right to disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure. Nothing in this Agreement is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by 18 U.S.C. § 1833(b). Nothing in this Agreement shall be construed to authorize, or limit liability for, an act that is otherwise prohibited by law, such as the unlawful access of material by unauthorized means.

(iii) Nothing contained herein shall impede Executive's ability to report possible federal securities law violations to the Securities and Exchange Commission and other governmental agencies (i) without the Company's prior approval, and (ii) without having to forfeit or forego any resulting whistleblower awards.

(iv) Nothing contained herein shall impede Executive's ability to disclose sexual harassment or sexual assault occurring in the workplace, at work-related events coordinated by or through the Company or an Affiliate, or between employees, or between employees off of the premises of the Company or an Affiliate.

(b) Documents and Property.

(i) All records, files, documents, and other materials or copies thereof relating to the business of the Company or its Affiliates that Executive prepares, receives, or uses, shall be and remain the sole property of the Company and, other than in connection with the performance by Executive of Executive's duties hereunder, shall not be removed from the premises of the Company or its Affiliates without the Company's prior written consent, and shall be immediately returned to the Company upon Executive's termination of employment for any reason, together with all copies (including copies or recordings in electronic form), abstracts, notes, or reproductions of any kind made from or about the records, files, documents, or other materials. Executive shall disclose to the Company all computer and internet user identifications and passwords used by Executive in the course of Executive's performance of Executive's duties hereunder or necessary for accessing information on the Company's or its Affiliates' computer systems upon Executive's termination of employment for any reason.

(ii) Executive acknowledges that Executive's access to and permission to use the Company's and its Affiliates' computer systems, networks, and equipment, and all Company and Affiliate information contained therein, is restricted to legitimate business purposes on behalf of the Company. Any other access to or use of such systems, network, equipment, and information is without authorization and is prohibited. The restrictions contained in this **Section 6(b)** extend to any personal computers or other electronic devices of Executive that are used for business purposes relating to the Company or its Affiliates (including smart phones, PDAs, digital tablets, or other portable electronic devices). Executive shall not transfer any Company or Affiliate information to any personal computer or other electronic device that is not otherwise used for any business purpose relating to the Company or an Affiliate. Upon the termination of Executive's employment with the Company for any reason, Executive's authorization to access and permission to use the Company's and its Affiliates' computer systems, networks, and equipment, and any Company and Affiliate information contained therein, shall cease.

(c) Non-Competition and Non-Solicitation. The primary service area of the Company's and its Affiliates' businesses in which Executive will actively participate extends separately to the Restricted Area. Therefore, as an essential ingredient of and in consideration of this Agreement and Executive's employment, or continued employment, with the Company and its Affiliates, Executive shall not, during Executive's employment or during the Restricted Period, whether the termination of Executive's employment occurs during the Employment Period or thereafter, directly or indirectly do any of the following:

(i) Engage or invest in, own, manage, operate, finance, control, participate in the ownership, management, operation, or control of, be employed by,

associated with, or in any manner connected with, serve as a director, officer, or consultant to, lend Executive's name or any similar name to, lend Executive's credit to, or render services or advice to, any person, firm, partnership, corporation, or trust that owns, operates, or is in the process of forming a Competitor with an office located, or to be located at an address identified in a filing with any regulatory authority, within the Restricted Area; *provided, however*, that the ownership by Executive of shares of the capital stock of any institution, which shares are listed on a securities exchange and that do not represent more than 1% of the institution's outstanding capital stock, shall not violate any terms of this Agreement. For purposes of clarification and not limitation or expansion, it is the intent of the Parties that the foregoing is not intended to limit Executive from performing services outside of the Restricted Area for a person or entity solely because the person or entity has a location within the Restricted Area, unless Executive's services are directed toward activities on behalf of such person or entity within the Restricted Area;

(ii) (A) Induce or attempt to induce an employee of the Company or its Affiliates (limited to all officer-level employees, Executive's direct reports, or members of Executive's department or area of responsibility) to leave the employ of the Company or its Affiliates; (B) in any way interfere with the relationship between the Company or its Affiliates and any management-level employee of the Company or its Affiliates; or (C) induce or attempt to induce any customer, supplier, licensee, or other business relation of the Company or its Affiliates to cease doing business with the Company or its Affiliates or in any way interfere with the relationship between the Company or its Affiliates and their respective customers, suppliers, licensees, or other business relations.

(iii) Solicit the business of any person or entity known to Executive to be a customer of the Company or its Affiliates, where Executive, or any person reporting to Executive, had accessed Confidential Information of, had an ongoing business relationship with, or had made Substantial Business Efforts with respect to, such person or entity, with respect to products, activities, or services that compete in whole or in part with the products, activities, or services of the Company or its Affiliates.

(iv) Serve as the agent, broker, or representative of, or otherwise assist, any person or entity in obtaining services or products from any Competitor within the Restricted Area, with respect to products, activities, or services that compete in whole or in part with the products, activities, or services of the Company or its Affiliates.

(v) Accept employment, provide services to, or act in any other such capacity for or with any Competitor, if in such employment or capacity Executive would, because of Executive's knowledge of the Company's Confidential Information or trade secrets, inevitably use and/or disclose Company's Confidential Information or trade secrets in Executive's work or service for such Competitor. For purposes of clarification and not limitation or expansion, it is the intent of the Parties that the foregoing is not intended to limit Executive from performing services outside of the Restricted Area for a person or entity solely because the person or entity has a location within the Restricted Area, unless

Executive's services are directed toward activities on behalf of such person or entity within the Restricted Area.

(d) Works Made for Hire Provisions. The Parties acknowledge that all work performed by Executive for the Company or its Affiliates shall be deemed a work made for hire. The Company shall at all times own and have exclusive right, title, and interest in and to all Confidential Information and Inventions, and the Company shall retain the exclusive right to license, sell, transfer, and otherwise use and dispose of the same. All enhancements of the technology of the Company or its Affiliates that are developed by Executive shall be the exclusive property of the Company. Executive hereby assigns to the Company any right, title, and interest in and to all Inventions that Executive may have, by law or equity, without additional consideration of any kind whatsoever from the Company or its Affiliates. Executive shall execute and deliver any instruments or documents and do all other things (including the giving of testimony) requested by the Company (both during and after the termination of Executive's employment with the Company) in order to vest more fully in the Company or its Affiliates all ownership rights in the Inventions (including obtaining patent, copyright, or trademark protection therefore in the United States and/or foreign countries). To the extent required by applicable state statute, this **Section 6(d)** shall not apply to an Invention for which no equipment, supplies, facility, or trade secret information of the Company or its Affiliates was used and that was developed entirely on Executive's own time, unless the Invention (i) relates to the business of the Company or an Affiliate or to the Company's or an Affiliate's actual or demonstrably anticipated research or development or (ii) results from any work performed by Executive for the Company or an Affiliate.

(e) Remedies for Breach of Restrictive Covenants. Executive has reviewed the provisions of this Agreement with legal counsel, or has been given adequate opportunity to seek such counsel, and Executive acknowledges that the covenants contained in this **Section 6** are reasonable with respect to their duration, geographical area, and scope. Executive further acknowledges that the restrictions contained in this **Section 6** are reasonable and necessary for the protection of the legitimate business interests of the Company and its Affiliates, that they create no undue hardships, that any violation of these restrictions would cause substantial injury to the Company and its Affiliates and such interests, and that such restrictions were a material inducement to the Company to enter into this Agreement. In the event of any violation or threatened violation of the restrictions contained in this **Section 6**, the Company and the Affiliates, in addition to and not in limitation of, any other rights, remedies, or damages available under this Agreement or otherwise at law or in equity, (i) shall be entitled to preliminary and permanent injunctive relief to prevent or restrain any such violation by Executive and all persons directly or indirectly acting for or with Executive, as the case may be, without any requirement that the Company or an Affiliate post bond and (ii) shall be temporarily relieved of any obligation to pay or provide any amounts or benefits pursuant to this Agreement during such dispute until the final adjudication is made, and if Executive is found to have violated the restrictions contained in this **Section 6**, the Company will be permanently relieved of any obligation to pay or provide any amounts or benefits pursuant to this Agreement.

(f) Other Agreements. In the event of the existence of another agreement between the Parties that (i) is in effect during the Restricted Period, and (ii) contains restrictive

covenants that conflict with any of the provisions of this **Section 6**, then the more restrictive of such provisions from the two agreements shall control for the period during which both agreements would otherwise be in effect.

7. No Set-Off; No Mitigation. Except as provided herein, the Company's obligation to provide benefits under this Agreement and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including any set-off, counterclaim, recoupment, defense, or other right the Company may have against Executive or others. In no event shall Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to Executive under any of the provisions of this Agreement, and such amounts shall not be reduced whether or not Executive obtains other employment.

8. Notices. Notices and all other communications under this Agreement shall be in writing and shall be deemed given when mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed as follows: if to the Company, Heritage Financial Corporation; Attention: Director of Human Resources; 201 Fifth Avenue S.W.; Olympia, Washington 98501; and if to Executive, to Executive's most recent address in the Company's records; or, in each respective case, to such other address as either Party may furnish to the other in writing, except that notices of changes of address shall be effective only upon receipt.

9. Applicable Law. All questions concerning the construction, validity, and interpretation of this Agreement and the performance of the obligations imposed by this Agreement shall be governed by the internal laws of the State of Washington applicable to agreements made and wholly to be performed in such state without regard to conflicts of law provisions of any jurisdiction.

10. Mandatory Arbitration. Except as provided in **Section 6(e)**, if any dispute or controversy arises under or in connection with this Agreement, and such dispute or controversy cannot be settled through negotiation, the Parties shall first try in good faith to settle the dispute or controversy by mediation administered by the American Arbitration Association under its Commercial Mediation Procedures. If such mediation is not successful, the dispute or controversy shall be settled exclusively by arbitration in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction. Notwithstanding the foregoing, the Company may resort to the Superior Court of Thurston County, Washington for injunctive relief and such other relief as may be available in the event that the Employee engages in conduct, after termination of this Agreement, that amounts to a violation of the Washington Trade Secrets Act, amounts to unlawful interference with the business expectations of the Company or its Affiliates, or violates the Restrictive Covenants contained herein. The FDIC may appear at any arbitration hearing but any decision made thereunder shall not be binding on the FDIC.

11. Entire Agreement. This Agreement constitutes the entire agreement between the Parties concerning the subject matter hereof, and supersedes all prior negotiations, undertakings, agreements, and arrangements with respect thereto, whether written or oral (specifically including the Prior Agreement). By way of clarification and not limitation, except as specifically provided in this Agreement, the applicable plan documents with respect to any particular Company benefit

plan shall control with respect to the benefits provided thereunder. If a court of competent jurisdiction determines that any provision of this Agreement is invalid or unenforceable, then the invalidity or unenforceability of that provision shall not affect the validity or enforceability of any other provision of this Agreement and all other provisions shall remain in full force and effect. The various covenants and provisions of this Agreement are intended to be severable and to constitute independent and distinct binding obligations. Without limiting the generality of the foregoing, if the scope of any covenant contained in this Agreement is too broad to permit enforcement to its full extent, such covenant shall be enforced to the maximum extent permitted by law, and the Parties hereby agree that such scope may be judicially modified accordingly.

12. Withholding of Taxes. The Company may withhold from any benefits payable under this Agreement all federal, state, city and other taxes as may be required pursuant to any law, governmental regulation, or ruling.

13. No Assignment. Executive's rights to receive benefits under this Agreement shall not be assignable or transferable whether by pledge, creation of a security interest, or otherwise, other than a transfer by will or by the laws of descent or distribution. In the event of any attempted assignment or transfer contrary to this **Section 13**, the Company and its Affiliates shall have no liability to pay any amount so attempted to be assigned or transferred. This Agreement shall inure to the benefit of and be enforceable by Executive's personal and legal representatives, executors, administrators, successors, heirs, distributees, devisees, and legatees.

14. Successors. This Agreement shall be binding upon and inure to the benefit of the Company, its successors, and assigns.

15. Legal Fees. In the event that either Party commences mediation, arbitration, or litigation to enforce or protect such Party's rights in accordance with and under this Agreement, the prevailing Party in any such action shall be entitled to recover reasonable attorneys' fees and costs (including the costs of experts, evidence, and counsel) and other costs relating to such action, in addition to all other entitled relief, including damages and injunctive relief.

16. Amendment. This Agreement may not be amended or modified except by written agreement signed by the Parties.

17. Code Section 409A.

(a) To the extent any provision of this Agreement or action by the Company would subject Executive to liability for interest or additional taxes under Code Section 409A, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Company. It is intended that this Agreement will comply with, or be exempt from, Code Section 409A, and this Agreement shall be administered accordingly and interpreted and construed on a basis consistent with such intent. Notwithstanding any provision of this Agreement to the contrary, no termination or similar payments or benefits (which constitute "non-qualified deferred compensation" under Code Section 409A) shall be payable hereunder on account of Executive's termination of employment unless such termination constitutes a "separation from service" within the meaning of Code Section 409A. For purposes of Code Section 409A, all installment payments of deferred

compensation made hereunder, or pursuant to another plan or arrangement, shall be deemed to be separate payments. To the extent any reimbursements or in-kind benefit payments under this Agreement are subject to Code Section 409A, such reimbursements and in-kind benefit payments shall be made in accordance with Treasury Regulation Section 1.409A-3(i)(1)(iv). This Agreement may be amended to the extent necessary (including retroactively) by the Company to avoid the application of taxes or interest under Code Section 409A, while maintaining to the maximum extent practicable the original intent of this Agreement. This **Section 17** shall not be construed as a guarantee of any particular tax effect for Executive's benefits under this Agreement and the Company does not guarantee that any such benefits will satisfy the provisions of Code Section 409A.

(b) Notwithstanding any provision of this Agreement to the contrary, if Executive is determined to be a Specified Employee as of the Termination Date, then, only to the extent required pursuant to Code Section 409A, payments due under this Agreement that are deemed to be deferred compensation shall be subject to a six-month delay following the Termination Date; and all delayed payments shall be accumulated and paid in a lump-sum payment as of the first day of the seventh month following the Termination Date (or, if earlier, as of Executive's death), with all such delayed payments being credited with interest (compounded monthly) for this period of delay equal to the prime rate in effect on the first day of such six-month period (based on the prime rate as reflected in the *Wall Street Journal*). Any portion of the benefits hereunder that were not otherwise due to be paid during the six-month period following the Termination Date shall be paid to Executive in accordance with the payment schedule established herein.

18. Scope of Company and Affiliate Obligations. Although the Company and its Affiliates may have jointly obligated themselves to Executive under certain provisions of this Agreement, in no event shall Executive be entitled to more than what is explicitly provided for hereunder, such that no duplicative payments shall be provided under this Agreement.

19. Construction. In this Agreement, unless otherwise stated, the following uses apply: (a) references to a statute shall refer to the statute and any amendments and any successor statutes, and to all regulations promulgated under or implementing the statute, as amended, or its successors, as in effect at the relevant time; (b) in computing periods from a specified date to a later specified date, the words "from" and "commencing on" (and the like) mean "from and including," and the words "to," "until," and "ending on" (and the like) mean "to, but excluding"; (c) references to a governmental or quasi-governmental agency, authority or instrumentality shall also refer to a regulatory body that succeeds to the functions of the agency, authority, or instrumentality; (d) indications of time of day shall be based upon the time applicable to the location of the principal headquarters of the Company; (e) the words "include," "includes," and "including" (and the like) mean "include, without limitation," "includes, without limitation," and "including, without limitation," (and the like) respectively; (f) all references to preambles, recitals, sections, and exhibits are to preambles, recitals, sections, and exhibits in or to this Agreement; (g) the words "hereof," "herein," "hereto," "hereby," "hereunder," (and the like) refer to this Agreement as a whole (including exhibits); (h) any reference to a document or set of documents, and the rights and obligations of the parties under any such documents, means such document or documents as amended from time to time, and all modifications, extensions, renewals, substitutions, or replacements thereof; (i) all words used shall be construed to be of such gender or number as the circumstances

and context require; (j) the captions and headings of preambles, recitals, sections, and exhibits appearing in or attached to this Agreement have been inserted solely for convenience of reference and shall not be considered a part of this Agreement, nor shall any of them affect the meaning or interpretation of this Agreement or any of its provisions and (k) all accounting terms not specifically defined herein shall be construed in accordance with GAAP. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same Agreement.

20. Definitions. As used in this Agreement, the terms defined in this **Section 20** have the meanings set forth below.

(a) “**1934 Act**” means the Securities Exchange Act of 1934.

(b) “**Affiliate**” means each Business Entity that, directly or indirectly, is controlled by, controls, or is under common control with, the Company, where “control” means (i) the ownership of 51% or more of the Voting Securities or other voting or equity interests of any Business Entity, or (ii) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Business Entity.

(c) “**Agreement**” means this employment agreement, made and entered into as of the Effective Date, by and between the Parties.

(d) “**Annual Base Salary**” has the meaning set forth in **Section 3(a)**.

(e) “**Average Incentive Bonus**” means the average of Incentive Bonuses determined for the immediately preceding three completed fiscal year performance periods of the Company; *provided, however*, that if an Incentive Bonus has not yet been determined for a previously completed fiscal year performance period as of the Termination Date, then Target Bonus shall be used with respect to such fiscal year for purposes of calculating the Average Incentive Bonus. For purposes of calculating the Average Incentive Bonus, fiscal years for which no bonus was determined to have been earned shall be included in the calculation of the three-year average.

(f) “**Base Compensation**” means the amount equal to the sum of (i) the greater of Executive’s then-current Annual Base Salary or Executive’s Annual Base Salary as of the date one day prior to the Change in Control, and (ii) the Average Incentive Bonus.

(g) “**Benefit**” has the meaning set forth in **Section 4(f)(i)**.

(h) “**Board**” means the Board of Directors of the Company.

(i) “**Business Entity**” means any corporation, partnership, limited liability company, joint venture, association, partnership, business trust or other business entity.

(j) “**Change in Control**” means the first to occur of the following:

(i) The acquisition in one or more transactions by any “person” (for purposes of this definition, as such term is used for purposes of Section 13(d) or 14(d) of

the 1934 Act) of “beneficial ownership” (for purposes of this definition, within the meaning of Rule 13d-3 promulgated under the 1934 Act) of 50% or more of the combined voting power of the Company’s then outstanding Voting Securities; *provided, however*, that for purposes of this definition, the Voting Securities acquired directly from the Company by any person shall be excluded from the determination of such person’s beneficial ownership of Voting Securities (but such Voting Securities shall be included in the calculation of the total number of Voting Securities then outstanding); or

(ii) During any 12-month period, the individuals who are members of the Incumbent Board cease for any reason to constitute more than 50% of the Board; *provided, however*, that if the election, or nomination for election by the Company’s shareholders, of any new director was approved by a vote of at least two-thirds of the Incumbent Board, such new director shall, for purposes of this Agreement, be considered as a member of the Incumbent Board, but excluding for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board; or

(iii) The consummation of a merger or consolidation involving the Company if the Company’s shareholders immediately before such merger or consolidation do not own, directly or indirectly immediately following such merger or consolidation, more than 50% of the combined voting power of the outstanding voting securities of the corporation resulting from such merger or consolidation in substantially the same proportion as their ownership of the Voting Securities immediately before such merger or consolidation; or

(iv) The consummation of a complete liquidation or dissolution of the Company or an agreement for the sale or other disposition of all or substantially all of the assets of the Company; or

(v) Acceptance by the Company’s shareholders of shares in a share exchange if the Company’s shareholders immediately before such share exchange do not own, directly or indirectly immediately following such share exchange, more than 50% of the combined voting power of the outstanding voting securities of the corporation resulting from such share exchange in substantially the same proportion as their ownership of the Voting Securities outstanding immediately before such share exchange.

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because 50% or more of the then outstanding Voting Securities is acquired by (A) a trustee or other fiduciary holding securities under one or more employee benefit plans maintained by the Company or any of its Affiliates, or (B) any corporation that, immediately prior to such acquisition, is owned directly or indirectly by the Company’s shareholders in the same proportion as their ownership of stock in the Company immediately prior to such acquisition.

Moreover, notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person (the “**Subject Person**”) acquires beneficial ownership of more than the permitted amount of the outstanding Voting Securities as a result of the acquisition of Voting Securities by the Company that, by reducing the number of Voting Securities outstanding, increases the proportional number of shares beneficially owned by the Subject Person, *provided* that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of Voting Securities by the Company, and after such share acquisition by the Company, the Subject Person becomes the beneficial owner of any additional Voting Securities that increases the percentage of the then outstanding Voting Securities beneficially owned by the Subject Person, then a Change in Control shall be deemed to have occurred.

Notwithstanding anything in this Change in Control definition to the contrary, in the event that any amount or benefit under this Agreement constitutes deferred compensation and the settlement of or distribution of such amount or benefit is to be triggered by a Change in Control, then such settlement or distribution shall be subject to the event constituting the Change in Control also constituting a “change in control event” under Code Section 409A.

(k) “**COBRA**” means the Consolidated Omnibus Budget Reconciliation Act of 1985.

(l) “**Code**” means the Internal Revenue Code of 1986.

(m) “**Company**” means Heritage Financial Corporation.

(n) “**Competitor**” means a bank, savings bank, savings and loan association, credit union, or similar financial institution.

(o) “**Confidential Information**” means confidential or proprietary, non-public information concerning the Company or its Affiliates, including research, development, designs, formulae, processes, specifications, technologies, marketing materials, financial and other information concerning customers and prospective customers, customer lists, records, data, computer programs, source codes, object codes, database structures, trade secrets, proprietary business information, pricing and profitability information and policies, strategic planning, commitments, plans, procedures, litigation, pending litigation, and other information not generally available to the public.

(p) “**Covered Period**” means the period beginning six months prior to a Change in Control and ending on the date that is 24 months after the Change in Control.

(q) “**Deferred Compensation Plan**” means the Heritage Financial Corporation Deferred Compensation Plan, as may be amended from time to time.

(r) “**Disability**” means that (i) Executive is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can

be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii) Executive is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident or health plan covering employees of the Company.

(s) “**Effective Date**” means July 1, 2020.

(t) “**Employment Period**” has the meaning set forth in **Section 1**.

(u) “**Excise Tax**” means the excise tax imposed under Code Section 4999.

(v) “**Executive**” means Tony Chalfant.

(w) “**FDIA**” means the Federal Deposit Insurance Act.

(x) “**FDIC**” means the Federal Deposit Insurance Corporation.

(y) “**Good Reason**” means the occurrence of any one of the following events, unless Executive agrees in writing that such event shall not constitute Good Reason:

(i) A material and adverse change in the nature, scope, or status of Executive’s position, authorities, or duties from those in effect in accordance with **Section 2** immediately following the Effective Date, or if applicable and greater, immediately prior to the Covered Period;

(ii) A material reduction in Executive’s Annual Base Salary or Target Bonus opportunity, or a material reduction in Executive’s aggregate benefits or other compensation plans in effect immediately following the Effective Date, or if applicable and greater, immediately prior to the Covered Period;

(iii) A relocation of Executive’s primary place of employment of more than 25 miles from the Principal Business Location immediately following the Effective Date, or if applicable, prior to the Covered Period, or a requirement that Executive engage in travel that is materially greater than prior to the Covered Period;

(iv) The failure by an acquirer to assume this Agreement at the time of a Change in Control; or

(v) A material breach by the Company of this Agreement.

Notwithstanding any provision of this Good Reason definition to the contrary, (A) prior to Executive’s Termination for Good Reason, Executive must give the Company written notice of the existence of any condition set forth in a clause immediately above within 90 days of its initial existence and the Company shall have 30 days from the date of such notice in which to cure the condition giving rise to Good Reason, if curable, and if, during such 30-day period, the Company cures the condition giving rise to Good Reason,

such condition shall not constitute Good Reason and (B) any Termination for Good Reason must occur within six months of the initial existence of the condition constituting Good Reason.

(z) “**Heritage Board**” means the Board of Directors of Heritage Bank.

(aa) “**Incentive Bonus**” has the meaning set forth in **Section 3(b)**, and for purposes of determining a Severance Amount, the term shall include any amounts subject to Executive’s elective deferrals under a deferred compensation plan of the Company and shall specifically exclude Company contributions under a deferred compensation plan of the Company.

(bb) “**Incumbent Board**” means the members of the Board as of the Effective Date.

(cc) “**Inventions**” means any and all inventions, innovations, technology, trade secrets, mask works, ideas, concepts, plans, processes, formulas, source and object codes, data, databases, programs, works of authorship, know-how, improvements, discoveries, developments, designs, methods, techniques, forms, templates, outlines, systems, procedures, methods, processes, and algorithms, whether or not patentable, copyrightable or protectable as trade secrets, including all improvements thereto and derivative works thereof, and including all copies and tangible embodiments thereof, in whatever form or medium.

(dd) “**IRS**” means the United States Internal Revenue Service.

(ee) “**Minimum Benefits**” means, as applicable, the following:

(i) Executive’s earned but unpaid Annual Base Salary for the period ending on the Termination Date;

(ii) Executive’s earned but unpaid Incentive Bonus, if any, for any completed fiscal year preceding the Termination Date; *provided, however*, that Executive shall not be entitled to any Incentive Bonus in the event of a Termination for Cause;

(iii) Executive’s accrued but unpaid vacation pay for the period ending on the Termination Date;

(iv) Executive’s unreimbursed business expenses and all other items earned and owed to Executive by the Company through and including the Termination Date, *provided* that all required submissions for expense reimbursement are made in accordance with the Company’s expense reimbursement policy and within 15 days following the Termination Date; and

(v) The benefits, incentives, and awards described in **Section 4(g)(i)**.

(ff) “**Parties**” means the Company and Executive.

(gg) “**Principal Business Location**” means the Company’s primary office located in Bellevue, WA, or as mutually agreed by the Parties.

(hh) “**Reduced Amount**” has the meaning set forth in **Section 4(f)(i)**.

(ii) “**Release**” means a general release and waiver substantially in the form attached hereto as **Exhibit A**.

(jj) “**Repayment Amount**” has the meaning set forth in **Section 4(f)(iv)**.

(kk) “**Restricted Area**” means the area that encompasses a 25-mile radius from each banking or other office location of the Company and its Affiliates; *provided, however*, that in the event of a Change in Control, the Restricted Area shall be determined as of the date immediately preceding the Change in Control.

(ll) “**Restricted Period**” means at all time during the Employment Period and for a period of 12 months with respect **Sections 6(c)(i), 6(c)(v)** and a period of 24 months with respect to **Sections 6(c)(ii), 6(c)(iii), and 6(c)(iv)** immediately following the termination of Executive’s employment for any reason, whether such termination occurs during the Employment Period or thereafter; *provided, however*, that with respect to any termination that occurs during a Covered Period the Restricted Period, in all cases, shall be a period of 12 months; *provided further*, that in the event of delivery of notice of non-renewal of this Agreement by the Company and the termination of Executive’s employment as of or following the end of the Employment Period, the Restricted Period, in all cases shall end as of the Executive’s last day of employment.

(mm) “**Restrictive Covenants**” has the meaning set forth in **Section 6**.

(nn) “**Severance Amount**” means

(i) For any Termination that occurs during the Employment Period and not during a Covered Period, an amount equal to 100% of Executive’s Base Compensation as of the respective Termination; or

(ii) For any Termination that occurs during a Covered Period, an amount equal to 200% of Executive’s Base Compensation as of the respective Termination.

(oo) “**Severance Restrictions**” means any applicable statute, law, regulation, or regulatory interpretation or other guidance, including FIL-66-2010 and any related or successor FDIC guidance, that would require the Company or any Affiliate to seek or demand repayment or return of any payments made to Executive for any reason, including the Company, an Affiliate or their successors later obtaining information indicating that Executive has committed, is substantially responsible for, or has violated, the respective acts or omissions, conditions, or offenses outlined under 12 C.F.R. 359.4(a)(4).

(pp) “**Specified Employee**” means any person who is a “key employee” (as defined in Code Section 416(i) without regard to paragraph (5) thereof), as determined by the Company based upon the 12-month period ending on each December 31st (such 12-month period

is referred to below as the “identification period”). If Executive is determined to be a key employee, Executive shall be treated as a Specified Employee for purposes of this Agreement during the 12-month period that begins on the April 1 following the close of the identification period. For purposes of determining whether Executive is a key employee, “compensation” means Executive’s W-2 compensation as reported by the Company for a particular calendar year.

(qq) “**Subject Person**” has the meaning set forth in **Section 20(j)**.

(rr) “**Substantial Business Efforts**” means marketing, promotional, purchasing, sales, or solicitation activities undertaken on behalf of the Company or an Affiliate, which include (i) in person and voice communications and (ii) either or both of (A) delivery of a quote, bid, proposal, or request for any of the foregoing or (B) visits to the site of the actual or potential business development and other similar meetings or visits (conducted alone or with other employees of the Company or an Affiliate), where such activities would enjoy a reasonable prospect of success in the absence of any breach of this Agreement.

(ss) “**Target Bonus**” has the meaning set forth in **Section 3(b)**.

(tt) “**Termination**” means a termination of Executive’s employment with the Company and all Affiliates during the Employment Period either:

(i) By the Company, other than (A) a Termination for Cause or (B) a termination as a result of Executive’s death or Disability; or

(ii) By Executive for Good Reason.

(uu) “**Termination Date**” means the date of termination (whether or not such termination constitutes a “Termination”) of Executive’s employment with the Company and all Affiliates.

(vv) “**Termination for Cause**” means a termination of Executive’s employment by the Company as a result of any of the following (in each case as determined by the Board):

(i) Executive’s willful and continuing failure to perform Executive’s obligations hereunder, which failure is not remedied within ten business days after receipt of written notice of such failure from the Company;

(ii) Executive’s conviction of, or plea of *nolo contendere* to, a crime of embezzlement or fraud or any felony under the laws of the United States or any state thereof;

(iii) Executive’s breach of fiduciary responsibility;

(iv) An act of dishonesty by Executive that is materially injurious to the Company or an Affiliate;

(v) Executive’s engagement in one or more unsafe or unsound banking practices that have a material adverse effect on the Company or an Affiliate;

(vi) Executive's removal or permanent suspension from banking pursuant to Section 8(e) of the FDIA or any other applicable state or federal law;

(vii) A material breach by Executive of this Agreement;

(viii) An act or omission by Executive that leads to a material harm (financial or reputational) to the Company or an Affiliate in the community; or

(ix) A material breach of Company policies as may be in effect from time to time.

Further, a Termination for Cause shall be deemed to have occurred if, during the twelve (12) month period following the termination of Executive's employment with the Company and any Affiliate, facts and circumstances arising during the Employment Period are discovered that would have warranted a Termination for Cause.

Further, with respect to subsections (i), (vii), (viii), and (ix) of this definition, Executive shall be entitled to at least 30 days' prior written notice of the Company's intention to terminate Executive's employment in a Termination for Cause, which notice shall specify the grounds for the Termination for Cause; and Executive shall be provided a reasonable opportunity to cure any conduct or act, if curable, alleged as grounds for the Termination for Cause, and a reasonable opportunity to present to the Board Executive's position regarding any dispute relating to the existence of any grounds for Termination for Cause.

Further, all rights Executive has or may have under this Agreement shall be suspended automatically during (A) the pendency of any investigation (such suspension not exceeding 60 days) by the Board or its designee, or (B) any negotiations (without regard to such 60 day limitation) between the Board or its designee and Executive regarding any actual or alleged act or omission by Executive of the type that would warrant a Termination for Cause and any such suspension shall not give rise to a claim of Good Reason by Executive.

(ww) "**Voting Securities**" means any securities that ordinarily possess the power to vote in the election of directors without the happening of any precondition or contingency.

21. Survival. The provisions of **Section 6** shall survive the termination of this Agreement.

[Signature page follows]

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed in its name and on its behalf, and Executive acknowledges understanding and acceptance of, and agrees to, the terms of this Agreement, all as of the Effective Date.

HERITAGE FINANCIAL CORPORATION

By: /s/ Jeffrey J. Deuel
Jeffrey J. Deuel

Executive Officer

President and Chief

EXECUTIVE

By: /s/ Tony Chalfant
Tony Chalfant

EXHIBIT A

AGREEMENT AND RELEASE AND WAIVER

This **AGREEMENT AND RELEASE** (“**Agreement**”) is made and entered into by and between **HERITAGE FINANCIAL CORPORATION** (the “**Company**”) and [_____] (“**Executive**”).

WHEREAS, Executive and the Company desire to settle fully and amicably all issues between them, including any issues arising out of Executive’s employment with the Company and the termination of that employment; and

WHEREAS, Executive and the Company are parties to that certain Employment Agreement, made and entered into as of [_____], as amended (the “**Employment Agreement**”).

NOW, THEREFORE, for and in consideration of the mutual promises contained herein, and for other good and sufficient consideration, receipt of which is hereby acknowledged, Executive and the Company (collectively, the “**Parties**” and, individually, each a “**Party**”), intending to be legally bound, hereby agree as follows:

1. Termination of Employment. Executive’s employment with the Company shall terminate effective as of the close of business on [_____] (the “**Termination Date**”).

2. Compensation and Benefits. Subject to the terms of this Agreement, the Company shall compensate Executive under this Agreement as follows (collectively, the “**Severance Payments**”):

(a) Severance Amount. [_____].

(b) Accrued Salary and Vacation. Executive shall be entitled to a lump sum payment in an amount equal to Executive’s earned but unpaid annual base salary and vacation pay for the period ending on the Termination Date, with such payment to be made on the first payroll date following the Termination Date.

(c) COBRA Benefits. [_____].

(d) Executive Acknowledgement. Executive acknowledges that, subject to fulfillment of all obligations provided for herein, Executive has been fully compensated by the Company, including under all applicable laws, and that nothing further is owed to Executive with respect to wages, bonuses, severance, other compensation, or benefits. Executive further acknowledges that the Severance Payments (other than (b) above) are consideration for Executive’s promises contained in this Agreement, and that the Severance Payments are above and beyond any wages, bonuses, severance, other compensation, or benefits to which Executive is entitled from the Company under the terms of Executive’s employment or under any other contract or law that Executive would be entitled to absent execution of this Agreement.

(e) Withholding. The Severance Payments shall be treated as wages and subject to all taxes and other payroll deductions required by law.

3. Termination of Benefits. Except as provided in **Section 2** above or as may be required by law, Executive's participation in all employee benefit (pension and welfare) and compensation plans of the Company shall cease as of the Termination Date. Nothing contained herein shall limit or otherwise impair Executive's right to receive pension or similar benefit payments that are vested as of the Termination Date under any applicable tax-qualified pension or other plans, pursuant to the terms of the applicable plan.

4. Release of Claims and Waiver of Rights. Executive, on Executive's own behalf and that of Executive's heirs, executors, attorneys, administrators, successors, and assigns, fully releases and discharges the Company, its predecessors, successors, parents, subsidiaries, affiliates, and assigns, and its and their directors, officers, trustees, employees, and agents, both in their individual and official capacities, and the current and former trustees and administrators of each retirement and other benefit plan applicable to the employees and former employees of the Company, both in their official and individual capacities (the "**Releasees**") from all liability, claims, demands, and actions Executive now has, may have had, or may ever have, whether currently known or unknown, as of or prior to Executive's execution of this Agreement (the "**Release**"), including liability claims, demands, and actions:

- (a) Arising from or relating to Executive's employment or other association with the Company, or the termination of such employment,
- (b) Relating to wages, bonuses, other compensation, or benefits,
- (c) Relating to any employment or change in control contract,
- (d) Relating to any employment law, including
 - (i) The United States and State of Washington Constitutions,
 - (ii) The Civil Rights Act of 1964,
 - (iii) The Civil Rights Act of 1991,
 - (iv) The Equal Pay Act,
 - (v) The Employee Retirement Income Security Act of 1974,
 - (vi) The Age Discrimination in Employment Act (the "**ADEA**"),
 - (vii) The Americans with Disabilities Act,
 - (viii) Executive Order 11246, and
 - (ix) Any other federal, state, or local statute, ordinance, or regulation relating to employment,
- (e) Relating to any right of payment for disability,
- (f) Relating to any statutory or contractual right of payment, and

(g) For relief on the basis of any alleged tort or breach of contract under the common law of the State of Washington or any other state, including defamation, intentional or negligent infliction of emotional distress, breach of the covenant of good faith and fair dealing, promissory estoppel, and negligence.

Executive acknowledges that Executive is aware that statutes exist that render null and void releases and discharges of any claims, rights, demands, liabilities, actions, and causes of action that are unknown to the releasing or discharging party at the time of execution of the release and discharge. Executive waives, surrenders, and shall forego any protection to which Executive would otherwise be entitled by virtue of the existence of any such statutes in any jurisdiction, including the State of Washington.

5. Exclusions from General Release. Excluded from the Release are any claims or rights that cannot be waived by law, as well as Executive's right to file a charge with an administrative agency or participate in any agency investigation. Executive is, however, waiving the right to recover any money in connection with a charge or investigation. Executive is also waiving the right to recover any money in connection with a charge filed by any other individual or by the Equal Employment Opportunity Commission or any other federal or state agency.

Notwithstanding the foregoing, Executive is not waiving the right to report possible securities law violations to the Securities and Exchange Commission and other governmental agencies or the right to receive any resulting whistleblower awards.

6. Covenant Not to Sue.

(a) A "covenant not to sue" is a legal term that means Executive promises not to file a lawsuit in court. It is different from the release of claims and waiver of rights contained in **Section 4** above. Besides waiving and releasing the claims covered by **Section 4** above, Executive shall never sue the Releasees in any forum for any reason covered by the Release. Notwithstanding this covenant not to sue, Executive may bring a claim against the Company to enforce this Agreement, to challenge the validity of this Agreement under the ADEA or for any claim that arises after execution of this Agreement. If Executive sues any of the Releasees in violation of this Agreement, Executive shall be liable to them for their reasonable attorneys' fees and costs (including the costs of experts, evidence, and counsel) and other litigation costs incurred in defending against Executive's suit. In addition, if Executive sues any of the Releasees in violation of this Agreement, the Company can require Executive to return all but a sum of \$100 of the Severance Payments, which sum is, by itself, adequate consideration for the promises and covenants in this Agreement. In that event, the Company shall have no obligation to make any further Severance Payments.

(b) If Executive has previously filed any lawsuit against any of the Releasees, Executive shall immediately take all necessary steps and execute all necessary documents to withdraw or dismiss such lawsuit to the extent Executive's agreement to withdraw, dismiss, or not file a lawsuit would not be a violation of any applicable law or regulation.

7. Representations by Executive. Executive warrants that Executive is legally competent to execute this Agreement and that Executive has not relied on any statements or explanations made by the Company or its attorneys. **Executive acknowledges that Executive has been afforded the opportunity to be advised by legal counsel regarding the terms of this**

Agreement, including the Release. Executive acknowledges that Executive has been offered at least 21 days to consider this Agreement. After being so advised, and without coercion of any kind, Executive freely, knowingly, and voluntarily enters into this Agreement. Executive acknowledges that Executive may revoke this Agreement within seven days after Executive has signed this Agreement and acknowledges understanding that this Agreement shall not become effective or enforceable until seven days after Executive has signed this Agreement (the “Effective Date”), as evidenced by the date set forth below Executive’s signature on the signature page hereto. Any revocation must be in writing and directed to [_____]. If sent by mail, any revocation must be postmarked within the seven-day period described above and sent by certified mail, return receipt requested.

8. Restrictive Covenants. Section 6 of the Employment Agreement (entitled “Restrictive Covenants”), shall continue in full force and effect as if fully restated herein.

9. Non-Disparagement. Executive shall not engage in any disparagement or vilification of the Releasees, and shall refrain from making any false, negative, critical, or disparaging statements, implied or expressed, concerning the Releasees, including regarding management style, methods of doing business, the quality of products and services, role in the community, or treatment of employees. Executive shall do nothing that would damage the Company’s business reputation or goodwill.

10. Company Property.

(a) Executive shall return to the Company all information, property, and supplies belonging to the Company or any of its affiliates, including any confidential or proprietary information, Company autos, keys (for equipment or facilities), laptop computers and related equipment, cellular phones, smart phones or PDAs (including SIM cards), security cards, corporate credit cards, and the originals and all copies of all files, materials, and documents (whether in tangible or electronic form) containing confidential or proprietary information or relating to the business of the Company or any of its affiliates.

(b) Executive shall not, at any time on or after the Termination Date, directly or indirectly use, access, or in any way alter or modify any of the databases, e-mail systems, software, computer systems, or hardware or other electronic, computerized, or technological systems of the Company or any of its affiliates. Executive acknowledges that any such conduct by Executive would be illegal and would subject Executive to legal action by the Company, including claims for damages and/or appropriate injunctive relief.

11. No Admissions. The Company denies that the Company or any of its affiliates, or any of their employees or agents, has taken any improper action against Executive, and this Agreement shall not be admissible in any proceeding as evidence of improper action by the Company or any of its affiliates or any of their employees or agents.

12. Confidentiality of Agreement. Executive shall keep the existence and the terms of this Agreement confidential, except for Executive’s immediate family members and Executive’s legal and tax advisors in connection with services related hereto and except as may be required by law or in connection with the preparation of tax returns.

13. Non-Waiver. The Company's waiver of a breach of this Agreement by Executive shall not be construed or operate as a waiver of any subsequent breach by Executive of the same or of any other provision of this Agreement.

14. Applicable Law; Mandatory Arbitration and Equitable Relief. All questions concerning the construction, validity, and interpretation of this Agreement and the performance of the obligations imposed by this Agreement shall be governed by Sections 9 and 10 of the Employment Agreement as if restated herein in their entirety.

15. Legal Fees. In the event that either Party commences mediation, arbitration, or litigation to enforce or protect such Party's rights under this Agreement, the prevailing Party in any such action shall be entitled to recover reasonable attorneys' fees and costs (including the costs of experts, evidence, and counsel) and other costs relating to such action, in addition to all other entitled relief, including damages and injunctive relief.

16. Entire Agreement. This Agreement sets forth the entire agreement of the Parties regarding the subject matter hereof, and shall be final and binding as to all claims that have been or could have been advanced on behalf of Executive pursuant to any claim arising out of or related in any way to Executive's employment with the Company and the termination of that employment.

17. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement.

18. Successors. This Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns.

19. Enforcement. The provisions of this Agreement shall be regarded as divisible and separable and if any provision should be declared invalid or unenforceable by a court of competent jurisdiction, the validity and enforceability of the remaining provisions shall not be affected thereby. If the scope of any restriction or requirement contained in this Agreement is too broad to permit enforcement of such restriction or requirement to its full extent, then such restriction or requirement shall be enforced to the maximum extent permitted by law, and Executive hereby consents that any court of competent jurisdiction may so modify such scope in any proceeding brought to enforce such restriction or requirement. In addition, Executive stipulates that breach by Executive of restrictions and requirements under this Agreement will cause irreparable damage to the Releasees in the case of Executive's breach and that the Company would not have entered into this Agreement without Executive binding Executive to these restrictions and requirements. In the event of Executive's breach of this Agreement, in addition to any other remedies the Company may have, and without bond and without prejudice to any other rights and remedies that the Company may have for Executive's breach of this Agreement, the Company shall be relieved of any obligation to provide Severance Payments and shall be entitled to an injunction to prevent or restrain any such violation by Executive and all persons directly or indirectly acting for or with Executive. Executive stipulates that the restrictive period for which the Company is entitled to an injunction shall be extended in for a period that equals the time period during which Executive is or has been in violation of the restrictions contained herein.

20. Construction. In this Agreement, unless otherwise stated, the following uses apply: (a) references to a statute shall refer to the statute and any amendments and any successor statutes, and to all regulations promulgated under or implementing the statute, as amended, or its successors, as in effect at the relevant time; (b) in computing periods from a specified date to a later specified date, the words “from” and “commencing on” (and the like) mean “from and including, “ and the words “to,” “until,” and “ending on” (and the like) mean “to, but excluding”; (c) references to a governmental or quasi-governmental agency, authority, or instrumentality shall also refer to a regulatory body that succeeds to the functions of the agency, authority, or instrumentality; (d) indications of time of day shall be based upon the time applicable to the location of the principal headquarters of the Company; (e) the words “include,” “includes,” and “including” (and the like) mean “include, without limitation,” “includes, without limitation,” and “including, without limitation,” (and the like) respectively; (f) all references to preambles, recitals, sections, and exhibits are to preambles, recitals, sections, and exhibits in or to this Agreement; (g) the words “hereof,” “herein,” “hereto,” “hereby,” “hereunder,” (and the like) refer to this Agreement as a whole (including exhibits); (h) any reference to a document or set of documents, and the rights and obligations of the parties under any such documents, means such document or documents as amended from time to time, and all modifications, extensions, renewals, substitutions, or replacements thereof; (i) all words used shall be construed to be of such gender or number as the circumstances and context require; (j) the captions and headings of preambles, recitals, sections, and exhibits appearing in or attached to this Agreement have been inserted solely for convenience of reference and shall not be considered a part of this Agreement, nor shall any of them affect the meaning or interpretation of this Agreement or any of its provisions; and (k) all accounting terms not specifically defined herein shall be construed in accordance with GAAP.

21. Future Cooperation. In connection with any and all claims, disputes, negotiations, governmental, internal or other investigations, lawsuits, or administrative proceedings (the “**Legal Matters**”) involving the Company or any affiliate, or any of their current or former officers, employees or board members (collectively, the “**Disputing Parties**” and, individually, each a “**Disputing Party**”), Executive shall make himself reasonably available, upon reasonable notice from the Company and without the necessity of subpoena, to provide information and documents, provide declarations and statements regarding a Disputing Party, meet with attorneys and other representatives of a Disputing Party, prepare for and give depositions and testimony, and otherwise cooperate in the investigation, defense, and prosecution of any and all such Legal Matters, as may, in the good faith and judgment of the Company, be reasonably requested. The Company shall consult with Executive and make reasonable efforts to schedule such assistance so as not to materially disrupt Executive’s business and personal affairs. The Company shall reimburse all reasonable expenses incurred by Executive in connection with such assistance, including travel, meals, rental car, and hotel expenses, if any; *provided* such expenses are approved in advance by the Company and are documented in a manner consistent with expense reporting policies of the Company as may be in effect from time to time.

IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the dates set forth below their respective signatures below.

By: _____

[Name]

[Title]

Date: _____

[Name]

Date: ____

A-7

[\(Back To Top\)](#)

Section 4: EX-10.2 (EXHIBIT 10.2)

Exhibit 10.2

HERITAGE FINANCIAL CORPORATION TRANSITIONAL RETIREMENT AGREEMENT

This **TRANSITIONAL RETIREMENT AGREEMENT** (the “**Agreement**”) is made and entered into on June 25, 2020, effective as of August 1, 2020 (the “**Effective Date**”), by and between **HERITAGE FINANCIAL CORPORATION** and **DAVID A. SPURLING**. Unless specifically defined herein, capitalized terms have the meanings set forth in the Prior Agreement.

RECITALS

A. Executive is currently employed by the Company pursuant to that certain Employment Agreement, effective as of July 1, 2019 (the “**Prior Agreement**”).

B. Executive is currently employed as an Executive Vice President and Chief Credit Officer of the Company and as an Executive Vice President and Chief Credit Officer of Heritage Bank.

C. The Company desires, with Executive’s assistance, to implement a succession plan with respect to Executive’s employment, and Executive desires to provide such assistance.

D. The Company desires to continue to employ Executive pursuant to the terms of this Agreement and Executive desires to continue to be employed by the Company pursuant to such terms.

E. The Parties have made commitments to each other on a variety of important issues concerning Executive’s employment with the Company, including the performance that will be expected of Executive, the compensation Executive will be paid, how long and under what circumstances Executive will remain employed, and the financial details relating to any decision that either the Company or Executive may make to terminate this Agreement and Executive’s employment with the Company.

AGREEMENT

In consideration of the foregoing and the mutual promises and covenants of the Parties set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby expressly covenant and agree as follows:

1. Prior Agreement. Subject to the terms of **Section 6** and **Section 7**, as of the Effective Date, this Agreement shall supersede and replace any and all prior agreements respecting Executive’s employment by, or service to, the Company as

may from time to time have been made by and between the Parties, whether or not in writing, including but not limited to the Prior Agreement; *provided, however*, that any vested benefits due to Executive pursuant to any pension plan, welfare benefit plan or any other employee benefit plan, including without limitation the Endorsement Method Split Dollar Agreement by and between Heritage Bank and Executive, as amended, shall

continue to be subject to the terms and conditions of the applicable plan, program, or agreement, as may be in effect from time to time.

2. Employment Period. The Company shall continue to employ Executive during the Employment Period and Executive shall continue to remain in the employ of the Company and provide services to the Company during the Employment Period in accordance with the terms of this Agreement. The “**Employment Period**” shall be the period beginning on the Effective Date and ending on January 31, 2021 (the “**Retirement Date**”), unless sooner terminated as provided herein.

3. Duties. During the Employment Period, Executive shall serve as Executive Credit Officer of the Company, a part-time, exempt position. It is the expectation of the Parties that Executive’s role hereunder will not entail more than eighteen (18) hours of service per week. Executive shall be subject to the direction of the Chief Credit Officer of the Company. Executive shall perform the duties required by this Agreement at the Company’s Principal Business Location, unless the nature of such duties requires otherwise.

4. Compensation and Benefits. During the Employment Period, while Executive is employed by the Company, the Company shall compensate Executive as follows:

(a) Executive shall be paid a base salary at an annual rate of One Hundred Forty-Two Thousand Seven Hundred and Eleven Dollars (\$142,711.00), which shall be payable in accordance with the normal payroll practices of the Company then in effect.

(b) Executive shall continue to be eligible to receive an Incentive Bonus for 2020 pursuant to the terms of the Prior Agreement and the Company’s incentive plan; *provided, however*, that the amount of such Incentive Bonus, if any, shall be based on the actual amount of salary earned by Executive during 2020, after giving effect to this Agreement. Executive will not be required to be employed on the Incentive Bonus payment date, provided he remains continuously employed through the Retirement Date. Executive shall be ineligible to receive any Incentive Bonus for 2021.

(c) Executive shall continue to be eligible to receive a Company Contribution for the 2020 Plan Year under the Heritage Financial Corporation Deferred Compensation Plan and Executive’s participation agreements and addendums thereunder; *provided, however*, that the amount of such Company Contribution for 2020, if any, shall be based on the actual amount of salary earned by Executive during 2020, after giving effect to this Agreement, and not Executive’s base salary as in effect on the last day of the Plan Year. Executive shall be ineligible to receive Company Contributions for 2021 or any subsequent Plan Years.

(d) Executive shall continue to vest in any outstanding equity awards through the Retirement Date pursuant to the terms of the Company’s equity incentive plan and Executive’s award agreements thereunder. As of the Effective Date, Executive shall be ineligible for any future equity awards.

(e) Executive and Executive’s dependents, as the case may be, shall be eligible to participate, subject to the terms thereof, in all retirement, health and welfare plans of the Company

as may be in effect from time to time with respect to part-time employees employed by the Company, on as favorable a basis as other similarly situated employees.

5. Rights upon Termination.

(a) In the event Executive's employment is terminated by the Company for any reason other than Cause, this Agreement and the obligations and benefits hereunder shall remain in full force and effect as if Executive was employed through the Retirement Date, *provided* that Executive executes a Release as provided in Section 5 of the Prior Agreement.

(b) In the event Executive's employment is terminated (i) by the Company for Cause; (ii) by Executive for any reason; or (iii) due to Executive's death or Disability, the Company shall have no further obligations to Executive (except for payment of the Minimum Benefits) and the Company shall continue to have all other rights available hereunder.

(c) Executive's rights following a termination of employment with the Company and its Affiliates for any reason with respect to any benefits, incentives, or awards provided to Executive pursuant to the terms of any plan, program, or arrangement sponsored or maintained by the Company or its Affiliates, whether tax-qualified or not, which are not specifically addressed herein, shall be subject to the terms of such plan, program, or arrangement and this Agreement shall have no effect upon such terms except as specifically provided herein.

6. Restrictive Covenants. Section 6 of the Prior Agreement is incorporated herein by reference as if fully restated herein and shall remain in full force and effect.

7. General Provisions. Section 7, Section 8, Section 10, and Sections 12–20 of the Prior Agreement are incorporated herein by reference as if fully restated herein and shall remain in full force and effect.

8. Applicable Law. All questions concerning the construction, validity, and interpretation of this Agreement and the performance of the obligations imposed by this Agreement shall be governed by the internal laws of the State of Washington applicable to agreements made and wholly to be performed in such state without regard to conflicts of law provisions of any jurisdiction.

Entire Agreement. This Agreement constitutes the entire agreement between the Parties concerning the subject matter hereof, and supersedes all prior negotiations, undertakings, agreements, and arrangements with respect thereto, whether written or oral (specifically including the Prior Agreement). By way of clarification and not limitation, except as specifically provided in this Agreement, the applicable plan documents with respect to any particular Company benefit plan shall control with respect to the benefits provided thereunder. If a court of competent jurisdiction determines that any provision of this Agreement is invalid or unenforceable, then the invalidity or unenforceability of that provision shall not affect the validity or enforceability of any other provision of this Agreement and all other provisions shall remain in full force and effect. The various covenants and provisions of this Agreement are intended to be severable and to constitute independent and

distinct binding obligations. Without limiting the generality of the foregoing, if the scope of any covenant contained in this Agreement is too broad to permit enforcement to its full extent, such covenant shall be enforced to the maximum extent permitted by law, and the Parties hereby agree that such scope may be judicially modified accordingly.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed in its name and on its behalf, and Executive acknowledges understanding and acceptance of, and agrees to, the terms of this Agreement, all as of the Effective Date.

HERITAGE FINANCIAL CORPORATION

By: /s/ Jeffrey J. Deuel
Jeffrey J. Deuel

Executive Officer

President and Chief

EXECUTIVE

By: /s/ David A. Spurling
David A. Spurling

[\(Back To Top\)](#)

Section 5: EX-10.3 (EXHIBIT 10.3)

Exhibit 10.3

HERITAGE FINANCIAL CORPORATION

DEFERRED COMPENSATION PLAN

PARTICIPATION AGREEMENT

This Participation Agreement (“**Participation Agreement**”) is entered into as of June 25, 2020, effective as of July 1, 2020 (the “**Award Date**”), by and between **HERITAGE FINANCIAL CORPORATION** (the “**Company**”) and **TONY CHALFANT**, an employee of the Company (the “**Participant**”). Except for terms defined herein, any capitalized term in this Participation Agreement has the meaning ascribed to that term under the Heritage Financial Corporation Deferred Compensation Plan, as amended (the “**Plan**”).

WHEREAS, the Company has adopted the Plan, effective July 1, 2012, as amended and restated August 29, 2012, and the Committee has determined that the Participant is eligible to receive Company Contributions under the Plan subject to the terms and conditions set forth in the Plan and this Participation Agreement.

WHEREAS, this Participation Agreement is being offered to the Participant in connection with the Participant's entering into an employment agreement with the Company concurrent herewith, and all rights and obligations set forth herein shall be strictly subject and contingent upon the Participant entering into such employment agreement contemporaneous herewith.

NOW, THEREFORE, in consideration of the foregoing and the mutual promises and covenants of the parties hereto set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby expressly covenant and agree as follows:

Section 1. Company Contributions.

(a) For Plan Years 2020 through (and including) 2022, the Company shall make Company Contributions, to be reflected in the Participant's Company Contribution Account, as determined in accordance with **Exhibit A** hereto. The performance metrics and targets in connection with such Company Contributions shall be established each year in the sole discretion of the Committee, following consultation with the Chief Executive Officer of the Company. In the event Company performance relative to the established performance metrics and targets is impacted by a decision or activity that is outside of the Company's current annual financial plan, but supports the Company's long-term strategic plan, the Committee shall give consideration to overall corporate results and achievements. The Committee may exercise discretion regarding the performance metrics used to assess overall corporate performance relative to both the Company's current annual financial plan and long-term strategic plan when determining Company Contributions. Decisions and activities that may occur that are outside of the Company's current annual financial plan may include acquisitions, acquisition-related accounting issues, changes in FDIC premiums, special assessments, gains or losses on bank-owned properties and other events that were not foreseeable at the time the Company's current annual financial plan was prepared.

Exhibit 10.3

(b) Any Company Contributions made pursuant to this Participation Agreement shall be reflected in the Participant’s Company Contribution Account effective as of the January 1 immediately following the Plan Year to which the Company Contribution relates.

(c) In order to be eligible to receive a Company Contribution for a Plan Year, the Participant must (i) have a performance rating of at least “satisfactory” for the Plan Year to which the Company Contribution relates (as determined by the Committee) and (ii) not have incurred a Separation from Service prior to the end of the Plan Year to which the Company Contribution relates; *provided, however*, that the Participant shall be eligible to receive a pro rata Company Contribution for any Plan Year during which the Participant incurs a Separation from Service due to the Participant’s Disability or death, termination by the Company without Cause or termination by the Participant for Good Reason or following age 65, with such pro rata Company Contribution based upon the number of days in such Plan Year prior to the Participant’s Separation from Service and actual Company performance for the entire Plan Year.

Section 2. Company Contribution Account. The Participant’s Company Contribution Account shall, in accordance with the Plan, be credited with the Interest Rate as of each Valuation Date until all amounts in such Company Contribution Account have been fully distributed or forfeited.

Section 3. Vesting and Forfeiture of Company Contribution Account

(a) Subject to **Section 3(b)**, **Section 3(c)** and **Section 3(d)** below, the portion of the Participant’s Company Contribution Account attributable to this Participation Agreement shall vest in accordance with the following schedule, with no pro rata vesting, *provided* that the Participant has not incurred a Separation from Service prior to the respective vesting date:

| Percentage of Company Contribution | Vesting Date |
|-------------------------------------------|----------------------------------|
| Initial 10% | Award Date |
| Additional 15% | Second Anniversary of Award Date |
| Additional 15% | Third Anniversary of Award Date |
| Additional 20% | Fourth Anniversary of Award Date |
| Additional 20% | Fifth Anniversary of Award Date |
| Final 20% | Sixth Anniversary of Award Date |

(b) The Participant’s entire Company Contribution Account shall fully vest upon (i) a Change in Control that occurs on or before the Participant’s Separation from Service, (ii) the Participant’s Disability, and (iii) the Participant’s death.

(c) In the event the Participant’s Separation from Service, other than as provided in **Section 3(b)** above and other than for Cause, occurs prior to the vesting of the Participant’s Company Contribution Account, the Participant shall forfeit all rights, title and interest in and to

Exhibit 10.3

any unvested amounts in the Participant's Company Contribution Account as of the Participant's Separation from Service.

(d) In the event of the Participant's Separation from Service for Cause, the Participant shall forfeit all rights, title and interest in and to any vested and unvested amounts in the Participant's Company Contribution Account as of the Participant's Separation from Service.

Section 4. Distribution of Company Contribution Account

(a) Distribution Events.

(i) Subject to Section 15(l) of the Plan, distribution of the vested portion of the Participant's Company Contribution Account shall commence on the fifth day of the month following the later to occur of the Participant's attainment of age 65 or the Participant's Separation from Service other than due to the Participant's Disability or death.

(ii) Notwithstanding **Section 4(a)(i)** above, in the event of the Participant's Disability or death, distribution of the vested portion of the Participant's Company Contribution Account shall commence on the fifth day of the month following such Disability or death.

(b) Form of Distribution.

(i) Subject to Section 15(l) of the Plan, in the event of distribution of the Participant's Company Contribution Account due to the Participant's attainment of age 65 or the Participant's Separation from Service other than due to the Participant's Disability or death, such distribution shall be paid in [24/60] equal monthly installments; *provided, however*, that if such Separation from Service occurs within 24 months following a Change in Control, such distribution shall be in a lump sum.

(ii) In the event of distribution of the Participant's Company Contribution Account due to the Participant's Disability or death, such distribution shall be in a lump sum.

(c) Change in Distribution. The Participant may elect to change the timing of distribution set forth in this **Section 4** to a later date, in accordance with Code Section 409A and such rules and procedures as the Company may prescribe, subject to the following:

(i) Such election may not take effect until at least 12 months after the date it is filed with the Company;

(ii) Such election must be made not later than 12 months prior to the first scheduled payment date; and

(iii) To the extent required under Code Section 409A, the revised payment date must be not sooner than the five-year anniversary of the previously-scheduled payment date.

Exhibit 10.3

Section 5. Miscellaneous

(a) Restrictive Covenants. The Participant shall be bound by the restrictive covenants and other terms and conditions set forth in **Exhibit B** hereto.

(b) Tax Withholding. The Company may withhold any taxes that are required to be withheld from the benefits provided under this Participation Agreement and the Plan. The Participant acknowledges that the Company's sole liability regarding taxes is to forward any amounts withheld to the appropriate taxing authorities and to satisfy all applicable reporting requirements.

(c) Plan Governs. Notwithstanding any provision of this Participation Agreement to the contrary, this Participation Agreement is subject to the terms of the Plan, a copy of which may be obtained by the Participant from the Company. This Participation Agreement is subject to all interpretations, amendments, rules and regulations promulgated by the Committee from time to time pursuant to the Plan. Notwithstanding anything in this Participation Agreement to the contrary, in the event of any discrepancy between the corporate records of the Company and this Participation Agreement, the corporate records of the Company shall control.

(signature page follows)

Exhibit 10.3

IN WITNESS WHEREOF, each of the parties hereto has caused this Participation Agreement to be executed as of the Award Date.

HERITAGE FINANCIAL CORPORATION

By: /s/ Jeffrey J. Deuel

Its: CEO

PARTICIPANT

/s/ Tony Chalfant

TONY CHALFANT

Exhibit 10.3

Tony Chalfant
EVP Chief Credit Officer

Exhibit A – DCP Agreement

Company Contribution – 2020 Plan Year

Pursuant to Section 1 of the Participation Agreement, a Company Contribution shall be made for the 2020 Plan Year contingent upon achievement of the applicable “Performance Metrics” set forth in the table immediately below.

If actual EPS is below the Minimum for the 2020 Plan Year, the Company Contribution with respect to the EPS Performance Metric shall be 0% of the Participant’s Annual Base Salary as in effect on December 31, 2020. If actual EPS is at the Minimum for the 2020 Plan Year, the Company Contribution with respect to the EPS Performance Metric shall be 5% of the Participant’s Annual Base Salary as in effect on December 31, 2020. If actual EPS is at or above the Maximum for the 2020 Plan Year, the Company Contribution with respect to the EPS Performance Metric shall be 17.5% of the Participant’s Annual Base Salary as in effect on December 31, 2020. If actual EPS is at the Target for the 2020 Plan Year, the Company Contribution with respect to the EPS Performance Metric shall be 10% of the Participant’s Annual Base Salary as in effect on December 31, 2020. If actual EPS is between the Minimum and the Target or the Target and the Maximum for the 2020 Plan Year, the Company Contribution shall be determined between the Minimum and the Target or the Target and the Maximum Company Contribution Percentages.

The Company Contribution with respect to the Net Charge-offs/Avg Loans (NCO) Performance Metric shall be calculated in the same manner (as described in the immediately preceding paragraph) as the Company Contribution with respect to the EPS Performance Metric.

Base Salary will be pro-rated for 2020 partial year participation,

2020 Plan Year Performance Criteria and Company Contribution Percentages

| Performance Metric* | Weighting | Minimum* | Target* | Maximum* | Actual Performance Result | Company Contribution (%) ‡ | Company Contribution (\$) |
|--------------------------------------------------|-----------|--------------------------------------------|---------------------------------------------|-----------------------------------------------|---------------------------|----------------------------|---------------------------|
| EPS | 50% | \$1.46 <i>(5% Company Contribution)</i> | \$1.62 <i>(10% Company Contribution)</i> | \$1.83 <i>(17.5% Company Contribution)</i> | | | |
| Net Charge-offs/Avg Loans (NCO) | 50% | .16% <i>(5% Company Contribution)</i> | .08% <i>(10% Company Contribution)</i> | .03% <i>(17.5% Company Contribution)</i> | | | |
| Total 2020 Plan Year Company Contribution | | | | | | | |

*The above Performance Metrics and Minimums, Targets and Maximums shall be established each year in the sole discretion of the Committee, following consultation with the Chief Executive Officer of the Company.

‡As % of Annual Base Salary as of December 31, 2020.

Company Contribution Opportunities (as % of Annual Base Salary)

| | EPS (50%) | Net Charge-offs/Avg Loans (NCO) (50%) | Total Company Contribution (as % of Annual Base Salary†) |
|------------------|-----------|---------------------------------------|----------------------------------------------------------|
| Minimum | 5% | 5% | 10% |
| Target | 10% | 10% | 20% |
| Maximum or above | 17.5% | 17.5% | 35% |

†As in effect on December 31 of the applicable Plan Year.

Exhibit B

Restrictive Covenants

(a) **Restrictive Covenants.** The Participant hereby acknowledges and agrees that the non-competition, non-solicitation and other restrictive covenants (the “**Restrictive Covenants**”) set forth in Section 6 of that certain Employment Agreement made and entered into by and between the Participant and the Company, entered into June 25, 2020 (the “**Employment Agreement**”), are hereby incorporated into this Participation Agreement by reference as if fully and independently restated herein. Such Restrictive Covenants shall only be modified for purposes of this Participation Agreement by an amendment of this Participation Agreement by the parties hereto in writing and shall be unaffected by any amendment or termination of the Employment Agreement unless this Participation Agreement is amended independently.

(b) **Remedies for Breach of Restrictive Covenants.** The Participant has reviewed the provisions of this **Exhibit B** with legal counsel, or has been given adequate opportunity to seek such counsel, and the Participant acknowledges and expressly agrees that the covenants contained in this **Exhibit B** are reasonable with respect to their duration, geographical area and scope. The Participant further acknowledges that the restrictions contained in this **Exhibit B** are reasonable and necessary for the protection of the legitimate business interests and confidential information of the Company, that they create no undue hardships, that any violation of these restrictions would cause substantial injury to the Company and such interests, and that such restrictions were a material inducement to the Company to enter into this Participation Agreement. In the event of any violation or threatened violation of the restrictions contained in this **Exhibit B**, in addition to and not in limitation of, any other rights, remedies or damages available to the Company under this Participation Agreement or otherwise at law or in equity,

i. The Company shall be entitled to preliminary and permanent injunctive relief to prevent or restrain any such violation by the Participant and any and all persons directly or indirectly acting for or with the Participant, as the case may be; and

ii. The Participant shall forfeit all rights, title and interest in and to any vested and unvested amounts in the Participant’s Company Contribution Account.

(c) **Condition Precedent.** Compliance with the Restrictive Covenants shall be a condition precedent to distribution of any amounts from the Participant’s Company Contribution Account.

(d) **Similar Restrictive Covenants.** In the event of the existence of any other agreement between the Participant and the Company or an affiliate that (i) is in effect during the restricted periods under the Restrictive Covenants, and (ii) contains restrictive covenants that conflict with any of the provisions of this **Exhibit B**, then the more restrictive of such provisions from the agreements shall control for the period during which the agreements would otherwise be in effect.